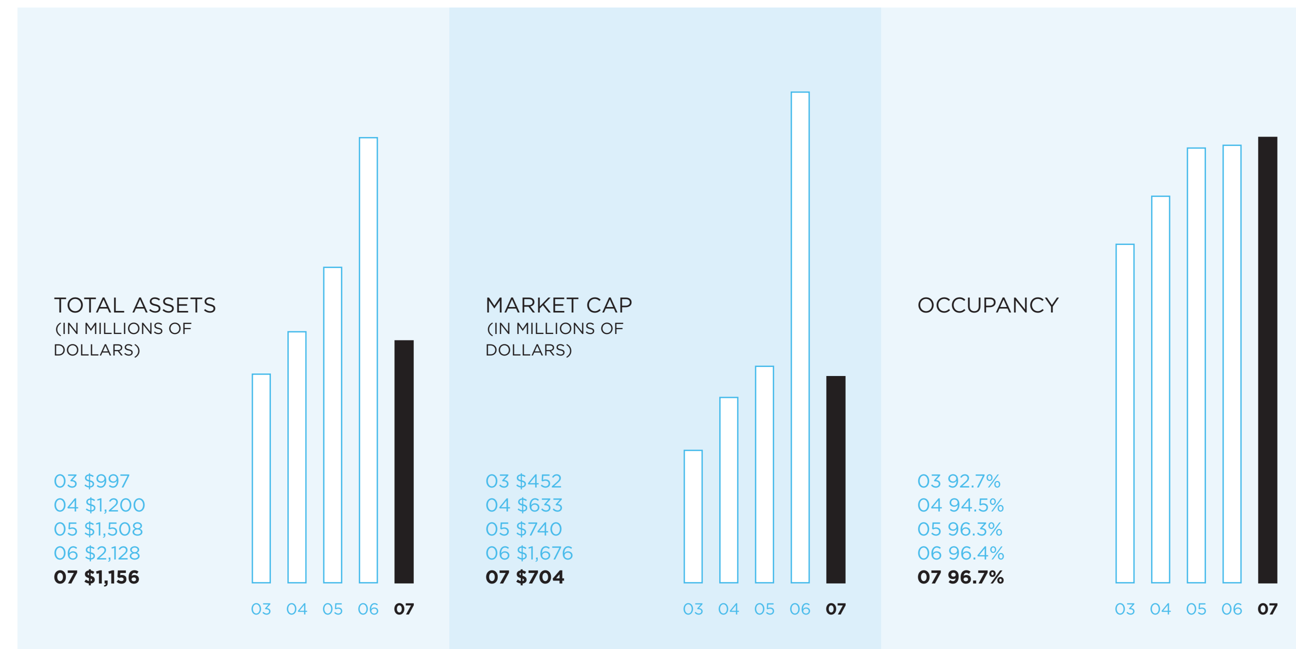
DUNDEE REIT

2007 Annual Report

DUNDEE REAL ESTATE INVESTMENT TRUST

Dundee REIT is an unincorporated, open-ended real estate investment trust. We own over six million square feet of high-quality, affordable business premises located primarily in Western Canada.



2007 ACQUISITIONS	SALE OF EASTERN PORTFOLIO	GROSS LEASEABLE AREA (SQ. FT.)
$665M	**$2.3B**	**6.3M**

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FOLLOW YOUR INSTINCTS

There is justifiable reason for following the conventional wisdom. At Dundee REIT, however, we believe that sometimes it pays to do things a little differently. This approach has helped us to pursue opportunities that others might overlook, and it has given us a record of strong performance that not many can match. It's why we believe there's value when you follow your instincts.

Michael J. Cooper

Vice Chairman and Chief Executive Officer

LETTER TO UNITHOLDERS

We believe in thinking strategically and acting decisively. This year was no exception. Early in 2007, we decided to sell a significant portion of our portfolio. After announcing the transaction in June, the markets changed dramatically lending credence to the saying *timing is everything*. Some say the timing of our transaction was smart, others say we were lucky. We believe that our strategy was smart and admit that our timing was fortunate. Either way, we were able to sell two-thirds of our portfolio for $2.3 billion, to re-align our portfolio with a focus on Western Canada and to return $1.6 billion to our unitholders.

In addition to the sale transaction, we added $665.5 million of high-quality properties to our portfolio in 2007. Driven by solid occupancy and impressive uplifts in rental rates achieved in connection with leasing activity, our portfolio produced steady growth in net operating income on a same property basis. Over 70% of our assets are now in Alberta, and we continue to benefit from the province's strong economy. While the second half of 2007 saw some softening in the Calgary market, growth is expected to continue at a slightly slower, but probably more sustainable pace. Still, with the average market rent well above our expiring rents, our lease maturity profile positions us to benefit from significant rental uplifts as leases mature or are terminated.

Acknowledging market uncertainty, we aggressively refinanced most of our 2008 debt maturities, lowering our weighted average interest rate to 5.76% and extending our average term to maturity to just over six years. Heading into 2008, we have a debt-to-enterprise value of 50.6%, an interest coverage ratio of 2.5 times and only 5% of our debt coming due. Early in 2008, we completed a $125.0 million convertible debenture offering, and we have an untouched $50.0 million revolving credit facility. The strength of our balance sheet puts us in a good position to pursue accretive acquisition opportunities as they arise.

During 2007, we amended our Declaration of Trust and other governing documents, essentially ridding ourselves of a number of self-imposed restrictions in order to gain more control in managing our enterprise and to have greater flexibility in our pursuit of growth. We will continue to operate within the parameters of the *Income Tax Act* and maintain our status as a mutual fund trust. The completion of our reorganization in December 2007 confirmed our status as a real estate investment trust under the SIFT Rules. The first among our peers to qualify, Dundee REIT can provide its investors with certainty regarding the taxation of their distributions. We are also uniquely positioned to raise equity and potentially grow beyond the Normal Growth Guidelines.

Michael Knowlton

President and Chief Operating Officer

Mario Barrafato

Senior Vice President and Chief Financial Officer

Inevitably, the volatility of public markets in 2007 had an impact on Dundee REIT. Our current trading price is around $34, about a 15% decline since the beginning of 2007. However, this decline is not indicative of our performance as it does not reflect the impact of the sale transaction and the returns experienced by investors who were paid $47.50 per unit for a portion of their investment. Generally speaking, Dundee REIT has experienced less volatility and fared well compared to our peers, particularly since the transaction in August. Until the market settles down, it is difficult to interpret relative valuations; however, I believe that Dundee REIT is far more competitive than it was a year ago.

With property prices at or near all-time highs and REIT prices well below net asset value, it will be difficult for many REITs to compete in the acquisition market if they need to raise capital. We begin 2008 very well capitalized and plan to turn this capital advantage into a performance advantage. We intend to either buy properties that will provide excellent returns on an opportunistic basis or to pursue higher quality properties with institutional partners so we can enhance our rental revenue income with property management income.

Our portfolio has tremendous intrinsic value and we expect continued same property growth as we capture the difference between in-place and market rents. We also plan to complement our organic growth with accretive acquisitions. While our portfolio is currently focused on Western Canada, Dundee REIT is not tied to any single market or to any single strategy for building value. We will continue to pursue strategic acquisitions, which may include acquiring individual assets or portfolios, either on our own or with partners. Whatever the circumstances, we will be guided by what makes the best sense in terms of existing market conditions.

Over the last five years, guided by our instincts and our knowledge of the market, we have added considerable value to Dundee REIT. In 2007, we were able to monetize and return a significant portion of this value to our investors. Looking ahead, we will continue to deploy capital strategically, to pursue growth opportunistically, to benefit from the potential embedded in our portfolio, and to create value for our unitholders.

Michael J. Cooper

Vice Chairman and Chief Executive Officer

MANY IDEAS. ONE PURPOSE

The business of real estate does not change much between different companies. What sets one apart from another is management and performance. We have a strong and experienced team at Dundee REIT, with a proven track record for creating value. In an environment that is always changing and increasingly competitive, our approach — entrepreneurial and opportunistic but grounded by financial acumen — has served our unitholders well.

Our transaction team examines every aspect of an acquisition – including the quality of the building, its location, capital expenditure requirements, and cash flow projections – to determine its future impact on AFFO and whether it would add value to our portfolio both in the short and long terms.

Tang Liu

Vice President, Research and Analysis

30 ADELAIDE STREET EAST, TORONTO
Dundee was responsible for the innovative redevelopment of an obsolete and vacant property, creating a new downtown office complex with suburban campus amenities at an affordable price.

$1.6 billion returned to unitholders

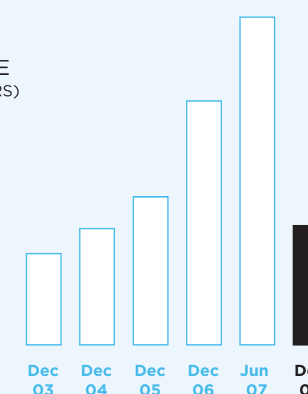
Our ongoing success is largely due to the individual expertise of our people and their capacity to create value through collaboration. We provide our staff with effective leadership, access to management and plenty of autonomy, which enables them to do what they do best. We also encourage creativity and provide an environment in which everyone can express their ideas and opinions. The result is an engaged and effective team distinguished by a great sense of ownership in its work and pride in what it does.

In 2007, we completed the most significant transaction in our history — selling nearly two-thirds of our assets and reducing our outstanding share capital by a proportionate amount. Selling our portfolio in Eastern Canada freed us of mature assets that offered consistent performance but which lacked the desired level of internal growth potential. Our current portfolio is based in Western Canada and possesses tremendous embedded growth potential. The transaction was quite unique in that the majority of our assets were sold, those possessing the greatest growth potential were retained and $1.6 billion was returned to investors.

The externalization of management has ensured that unitholders will continue to benefit from the expertise of the team that has driven Dundee REIT's success from its beginning. Having reduced the size of our enterprise by nearly two-thirds, Dundee REIT would not have been able to sustain a team of this size and calibre without the benefit of a management contract.

ENTERPRISE VALUE
(IN MILLIONS OF DOLLARS)

Dec 03 $1,027
Dec 04 $1,309
Dec 05 $1,667
Dec 06 $2,759
Jun 07 $3,694
Dec 07 $1,346



840 7th AVENUE, CALGARY
Located in downtown Calgary, we took 13,000 square feet back from a tenant in 2007 and re-leased the space for more than double the rent.

YOU CAN'T MOVE AHEAD BY STAYING STILL

Over the years our ultimate goal has remained the same — create increasing value for investors. In pursuing this goal, our tactics have occasionally changed, but we have proven to be consistently successful. Over the past ten years, Dundee has raised about $1.2 billion, given about $2.0 billion back to investors and continues as a public enterprise with a market capitalization over $700 million.

Our estimate of market rents for office space in Calgary is more than double our current expiring rents. In 2008, over 225,000 square feet of space is up for renewal in this market, providing us with a tremendous opportunity to capitalize on rent escalations.

Randy Cameron

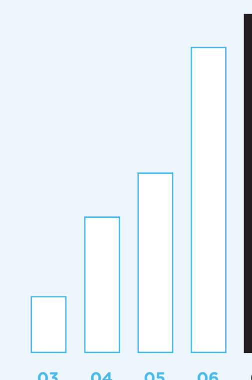
Senior Vice President, Western Canada

We began 2007 with a critical mass of office and industrial properties in key urban markets across the country. Following the strategic re-alignment of our portfolio, our assets are now concentrated in Western Canada with a heavier weighting in the office segment. The profile of our portfolio positions us to benefit from the economic vitality of Western Canada in general, and the strong economy of Alberta, in particular. Alberta remains the most vibrant market in the country with Calgary currently being Canada's most expensive office market. Some analysts may feel that the rapid growth experienced in this market is not sustainable, but we remain bullish. Over 70% of our assets are concentrated in Alberta, and we will continue to capitalize on the difference between in-place and market rents by capturing significant rental uplifts as leases mature or are terminated over the next several years.

The quality of our performance is supported by the diversity and strength of our tenants. Our properties house a wide range of high-quality tenants, including large international corporations and small entrepreneurial businesses as well as a significant number of government offices and government agencies. With a large number of tenants occupying smaller than average lease areas, our risk exposure to any single lease or tenant is relatively low. Our emphasis on tenant relations and our strong reputation in the marketplace with both brokers and tenants has helped us to manage this diversity and enabled us to maintain consistently high occupancy levels.

ACQUISITIONS
(IN MILLIONS OF DOLLARS)

03 $108
04 $273
05 $351
06 $598
07 $665



+9%
comparative properties NOI

FOLLOWING OUR INSTINCTS

A priority for us in the fourth quarter of 2007 was strengthening our balance sheet. With the volatility in the stock market and the uncertainty in the debt and credit markets producing a higher cost of capital, we felt it prudent to refinance most of our debt coming due in 2008. We ended the year with a lower average interest rate, minimal renewal exposure in 2008, a small proportion of variable rate debt and a longer average term to maturity.

Dundee REIT was quickly short-listed when the AIR MILES Tower became available. We pursued this property because of its high-quality, desirable amenities and location. The building is 92% occupied, with nearly 60% of the space under a long-term lease to AIR MILES, and also offers upside potential as we lease the upper floors. This acquisition underscores our commitment to the Toronto market.

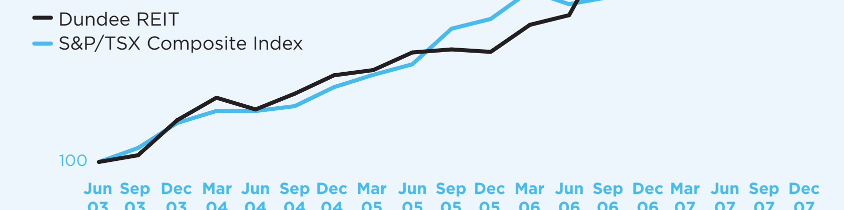
Katy Choi

Manager, Research and Analysis

$2.20

annual distributions

TOTAL RETURN



Early in 2008, our balance sheet was further strengthened by the completion of a $125 million convertible debenture offering and the reinstatement of our distribution reinvestment plan (the "DRIP"). Participation in our DRIP is about 25% — which translates into an annual cash reinvestment of approximately $11 million. Having officially qualified as a real estate investment trust well ahead of the 2011 deadline, we start 2008 free of any limitations related to the income trust legislation, and are no longer subject to the Normal Growth Guidelines. Overall, we are in great financial shape and, at a time when cash is king, we are in the enviable position of being able to wait out any turbulence in the markets while having the flexibility to take advantage of opportunities that may arise.

We have great confidence in the strength of our team, our portfolio, and our potential for growth. Our intrinsic growth potential coupled with our proven ability to complete accretive acquisitions provides us with a solid foundation for growing returns throughout 2008. Looking ahead, we intend to broaden our exposure in other markets and will be opportunistic in our pursuit of creating value. This may include acquiring individual assets or portfolios, either on our own or with partners — whatever makes the best sense in the given circumstances. As always, we will continue to be creative in enhancing unitholder returns while retaining a low tolerance for risk. We will approach all opportunities with the knowledge and judgment that come from years of industry experience and we will follow our instincts that have served our investors so well in the past.

AIR MILES TOWER, TORONTO
This Class A office building is located downtown at the corner of University Avenue and Dundas Street. It features three levels of underground parking as well as a direct connection to the subway.

PORTFOLIO OVERVIEW

High-quality, affordable business premises. We have a strong presence in Calgary, and also have valuable assets in Vancouver, Edmonton, Saskatoon, Regina, Yellowknife and Toronto.

Lee Valley Building
Edmonton, Alberta

3250 Sunridge Way NE
Calgary, Alberta

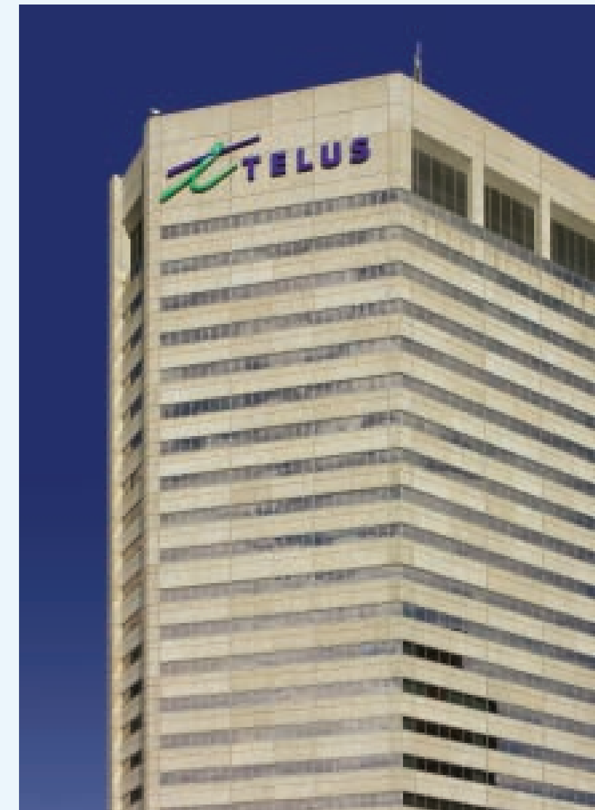
Sherwood Place
Regina, Saskatchewan

4400 Dominion Street
Burnaby, British Columbia

Station Tower
Surrey, British Columbia

720 Bay Street
Toronto, Ontario

Joffre Place
Calgary, Alberta



Telus Tower
Calgary, Alberta

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PORTFOLIO LISTING

December 31, 2007	OWNERSHIP INTEREST (%)	OWNED SHARE OF TOTAL GLA (SQ. FT.)	OCCUPANCY (%)	SIGNIFICANT TENANTS
Office property				
Station Tower, Surrey	**100**	**213,978**	**99.9**	Government of British Columbia; Government of Canada; Fraser Health Authority
4400 Dominion Street, Burnaby	**100**	**91,039**	**92.8**	Keystone Environmental Ltd.
625 Agnes Street, New Westminster	**100**	**85,042**	**94.7**	Government of British Columbia; Government of Canada
960 Quayside Drive, New Westminster	**100**	**59,880**	**95.1**	Westminster Savings Credit Union
Telus Tower, Calgary	**50**	**353,835**	**99.8**	Telus Communications; SNC Lavalin Inc.; Bantrel; Northwest Corporation; Public Works
840 7th Avenue SW, Calgary	**100**	**260,171**	**94.9**	Hatch Optima Ltd.
McFarlane Tower, Calgary	**100**	**237,873**	**98.2**	Alberta Infrastructure; Tusk Energy; Saxon Energy Solutions
Life Plaza, Calgary	**100**	**236,257**	**98.4**	Ashton Jenkins Mann; MEG Energy Corp.
Airport Corporate Centre	**100**	**148,363**	**100.0**	Government of Canada; Calgary Health Region; WestJet
Franklin Atrium, Calgary	**100**	**144,274**	**91.6**	Care Factor Computer Services, Guest-Tek
Roslyn Building, Calgary	**100**	**132,186**	**98.4**	Ensign Resource Service Group
Atrium I, Calgary	**100**	**109,890**	**100.0**	Gemini Corp.
Atrium II, Calgary	**100**	**109,595**	**80.0**	Gemini Corp.
Joffre Place, Calgary	**100**	**104,830**	**97.6**	Wawanesa Mutual Insurance
Dominion Centre, Calgary	**100**	**98,597**	**100.0**	AMEC Americas Ltd. Energy
435 4th Avenue SW, Calgary	**100**	**88,738**	**100.0**	Phoenix Technology Services Inc.
2891 Sunridge Way, Calgary	**100**	**87,368**	**100.0**	Yellow Pages
Kensington House, Calgary	**100**	**77,279**	**100.0**	IBI Leaseholds
AltaLink Place, Calgary	**100**	**76,755**	**100.0**	SNC Lavalin
ACC Centre, Calgary	**100**	**64,897**	**100.0**	Alberta Computer & Cable
2175 29th Street NE, Calgary	**100**	**58,001**	**100.0**	Mentor Engineering
2256 29th Street NE, Calgary	**100**	**57,955**	**100.0**	Eaton Yale
2121 29th Street NE, Calgary	**100**	**57,050**	**100.0**	Lifemark Health Management Inc.
Mount Royal Place, Calgary	**100**	**57,018**	**96.4**	First Calgary Petroleums Ltd.
Franklin Building, Calgary	**100**	**50,577**	**100.0**	Telus Communications
2886 Sunridge Way NE, Calgary	**100**	**44,230**	**100.0**	Weatherford Canada Partnership
ARAM Building, Calgary	**100**	**36,428**	**100.0**	ARAM Systems Ltd.
3250 Sunridge Way NE, Calgary	**100**	**27,180**	**100.0**	Royal Bank Action Direct
3030 Sunridge Way NE, Calgary	**100**	**26,894**	**100.0**	Sure Northern Energy Ltd.
Sherwood Place, Regina	**100**	**184,985**	**100.0**	Conexus Credit Union, Co-operators Life Insurance, CGI
Victoria Tower, Regina	**100**	**144,165**	**100.0**	Saskatchewan Property Management
Princeton Tower, Saskatoon	**100**	**131,796**	**91.3**	Government of Canada
Preston Centre, Saskatoon	**100**	**61,810**	**97.5**	UMA Engineering
Scotia Centre, Yellowknife	**100**	**101,296**	**95.0**	Commissioner of NWT
Precambrian Building, Yellowknife	**100**	**87,484**	**80.3**	Capitol Theatres
Northwest Tower, Yellowknife	**100**	**85,036**	**99.7**	Commissioner of NWT; NorthWestel
Bellanca Building, Yellowknife	**100**	**52,285**	**100.0**	Federal Government of Canada
State Street Financial Centre, Toronto	**50**	**206,967**	**86.1**	International Financial Data Services; State Street Trust Company Canada; Dundee REIT
720 Bay Street, Toronto	**50**	**123,872**	**100.0**	Government of Ontario
110 Sheppard Avenue East, Toronto	**50**	**75,465**	**93.1**	Equifax Canada; Eckler Partners Ltd.
Total office[1]		**4,451,341**	**96.7%**	

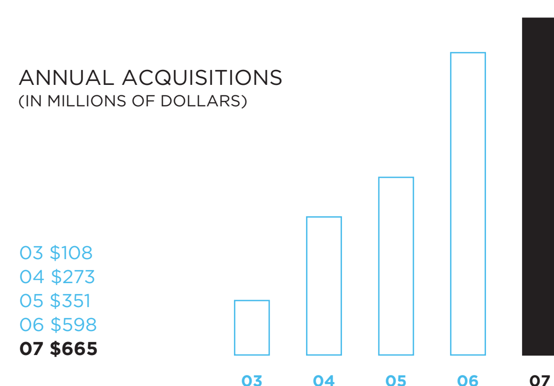
[1]Excludes redevelopment properties

December 31, 2007	OWNERSHIP INTEREST (%)	OWNED SHARE OF TOTAL GLA (SQ. FT.)	OCCUPANCY (%)	SIGNIFICANT TENANTS
Industrial property				
7102-7220 Barlow Trail SE, Calgary	**100**	**222,570**	**74.1**	Magnum Designs; Sea NG Management Corp.
15303 128th Avenue, Edmonton	**100**	**178,000**	**100.0**	Connect Logistics; Highland Moving and Storage
Alberta Park, Edmonton	**100**	**130,162**	**98.0**	McLeod Windows; North American Construction
Bonaventure Centre, Edmonton	**100**	**115,318**	**100.0**	Brink's Canada; Dansons Inc.
7004-7042 30th Street SE, Calgary	**100**	**94,208**	**100.0**	Control Chemical; Arctic Truck Parts & Service
4710-4760 14th Street NE, Calgary	**100**	**72,780**	**100.0**	Collega International
Lee Valley Building, Edmonton	**100**	**72,577**	**100.0**	Lee Valley Tools Ltd.
2777 23rd Avenue NE, Calgary	**100**	**67,250**	**100.0**	Sleep Country Inc.
2150 29th Street NE, Calgary	**100**	**59,386**	**100.0**	Universal Measurements Solutions
1139-1165 40th Avenue NE, Calgary	**100**	**57,344**	**100.0**	Instabox (Alberta) Limited
2151 32nd Street NE, Calgary	**100**	**57,198**	**100.0**	Coast Wholesale Appliances
501-529 36th Avenue SE, Calgary	**100**	**57,145**	**100.0**	Icon Stone and Tile
4504-4576 14th Street NE, Calgary	**100**	**57,090**	**100.0**	McGregor & Thompson Hardware
2928 Sunridge Way NE, Calgary	**100**	**56,796**	**100.0**	Eversource National Products
4402-4434 10th Street NE, Calgary	**100**	**54,000**	**100.0**	Budrich Industries
2985 23rd Avenue NE, Calgary	**100**	**53,110**	**100.0**	Sembiosys Genetics Inc.
Park 19, Edmonton	**100**	**48,365**	**100.0**	Boden Fabricating
535-561 36th Avenue SE, Calgary	**100**	**41,440**	**100.0**	The Flower Market
Wood Group ESP, Edmonton	**100**	**30,353**	**100.0**	Wood Group ESP (Canada) Ltd.
6804-6818 30th Street SE, Calgary	**100**	**30,000**	**100.0**	Spindle, Stairs & Railings
2876 Sunridge Way NE, Calgary	**100**	**30,000**	**100.0**	Ametek (Canada) Inc.
6023-6039 Centre Street South, Calgary	**100**	**28,800**	**100.0**	Tac Mobility
4502-4516 10th Street NE, Calgary	**100**	**28,667**	**100.0**	Chateau Exteriors Ltd.
6043-6055 Centre Street South, Calgary	**100**	**25,200**	**100.0**	Westburne-Wolseley Canada Inc.
530-544 38A Avenue SE, Calgary	**100**	**24,000**	**100.0**	Kansas Corporation; Rising Edge Engineering; JJ Lawncare and Maintenance and Bradbosh Lawn Services Inc.
1135-1149 45th Avenue NE, Calgary	**100**	**21,538**	**100.0**	International Furniture Wholesalers
4620-4640 11th Street NE, Calgary	**100**	**21,097**	**100.0**	Mona Art Deco Corp.
102-114 61st Avenue SW, Calgary	**100**	**18,900**	**100.0**	Rapid Brake Centres; Great Northern Bedding Company
4001-4019 23rd Street NE, Calgary	**100**	**15,787**	**100.0**	Mobile Augers & Research Ltd.
2915-2925 58th Avenue SE, Calgary	**100**	**15,600**	**100.0**	East-West Express Inc.
4515-4519 1st Street SE, Calgary	**100**	**14,340**	**100.0**	Mars Blinds & Shutters
3503-3521 62nd Avenue SE, Calgary	**100**	**13,240**	**100.0**	Eurika-Tech Inc.
4501-4509 1st Street SE, Calgary	**100**	**13,200**	**100.0**	Western High Voltage Test Centre Inc.; Alpine Autoworks
4523-4529 1st Street SE, Calgary	**100**	**11,400**	**100.0**	Audio Video Interiors Ltd.
7122-7126 Barlow Trail SE, Calgary	**100**	**5,400**	**100.0**	Thermo & Design Insulation; Sunset Fireworks; Comokero Enterprises
7128-7132 Barlow Trail SE, Calgary	**100**	**5,400**	**100.0**	Libertas Industries Inc.; Mettler Toledo Inc.; Storm Wrestling Academy
Total industrial		**1,847,661**	**96.7%**	
Total office and industrial		**6,299,002**	**96.7%**	
Redevelopment properties				
Gallery Building, Yellowknife	**100%**	**12,960**		
Greenbriar Mall, Atlanta	**50%**	**397,695**		
Total redevelopment		**410,655**		

PERFORMANCE AT-A-GLANCE

This at-a-glance highlights some of the more significant information that is found in the management's discussion and analysis, which follows on page 17.

ANNUAL ACQUISITIONS
(IN MILLIONS OF DOLLARS)



With $2 billion in acquisitions since 2003, we have added considerable value to Dundee REIT. In 2007 alone we completed transactions totalling $665 million, adding 3.7 million square feet of properties to our portfolio.

A HEALTHY BALANCE SHEET AND DECREASING INTEREST RATES

Since June 2003, we have continuously decreased our weighted average interest rate from 7.19% to 5.76% at the end of 2007. Over the same time, our interest coverage ratio has risen steadily to 2.51 times, reflecting the Trust's ability to cover interest expense requirements.

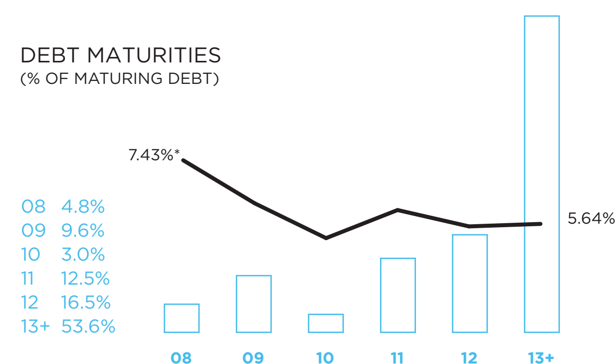
Return of

$1.6B

to unitholders

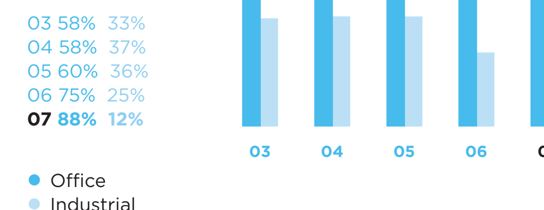
In August 2007, Dundee REIT sold the Eastern Portfolio and returned $1.6 billion to its unitholders. In connection with this strategic sale, we re-aligned our portfolio with a focus on Western Canada.

DEBT MATURITIES
(% OF MATURING DEBT)



*Line graph overlay represents average expiring interest rates.

NOI BY SEGMENT
(%)



As a result of the strategic re-alignment of our portfolio, the office segment now generates approximately 88% of our net operating income.

Comparative properties NOI

+9%

in 2007

We continue to achieve impressive organic growth, driven mainly by rising rental rates across both our office and industrial portfolios. NOI from our comparative office portfolio increased by 8% and the industrial portfolio by 13%.

RISING RENTAL RATES

Average in-place net rent (per sq. ft.)	2007	2006
Office	$ 16.30	$ 13.67
Industrial	6.71	5.47
Portfolio average	13.49	10.00

Occupancy increased to

96.7%

in 2007

AFFO per unit

+5%

in 2007

Adjusted funds from operations ("AFFO") is an important measure of our economic performance and our ability to pay distributions. It is generally accepted as one of the most appropriate measures for assessing real estate performance. Our AFFO increased from $2.19 per unit in 2006 to $2.29 per unit in 2007. For more details and a reconciliation of AFFO to cash generated from operating activities see pages 34–36.

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Management's discussion and analysis

(All dollar amounts in tables are presented in thousands, except rental rates, unit or per unit amounts)

SECTION I — OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee REIT for the years ended December 31, 2007, and December 31, 2006.

This management's discussion and analysis has been dated as at January 31, 2008, except where otherwise noted. For simplicity, throughout this discussion we may make reference to the following:

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A and REIT Units, Series B
- "LP B Units", meaning the LP B Units, Series 1
- "Units", meaning REIT Units, Series A; REIT Units, Series B; and, Special Trust Units, collectively

Certain market information has been obtained from the CB Richard Ellis Market View, 4th Quarter 2007, a publication prepared by a commercial firm that provides information relating to the 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.

On August 24, 2007, Dundee REIT completed the sale of its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the "Eastern Portfolio") to GE Real Estate ("GE") for a total purchase price of approximately $2.3 billion, including the assumption of liabilities by GE relating to the Eastern Portfolio (the "Transaction"). Dundee REIT's portfolio now comprises office and industrial properties located primarily in Western Canada with an estimated market value of approximately $1.5 billion. As a result of this Transaction, Dundee REIT has transformed into a more growth-oriented, opportunistic real estate investment trust. Dundee REIT continues to own the property manager that manages the assets of the REIT. The cash proceeds received on closing were used to redeem approximately 29.9 million outstanding units for $47.50 per unit (the "Redemption"). In addition, GE purchased approximately 3.5 million outstanding units at a purchase price of $47.50 per unit (the "Transfer").

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 REIT's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; 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. Certain assumptions made in preparing forward-looking information and our objectives include the assumption that the Canadian economy will remain stable in 2008 and that inflation will remain relatively low. We have also assumed that interest rates will remain stable in 2008, that conditions within the real estate market, including competition for acquisitions and estimated market rental rates, will be consistent with the current climate, that the Canadian capital markets will continue to provide us with access to equity and/or debt at reasonable rates and that the specified investment flow-through trust ("SIFT") Rules and the Normal Growth Guidelines are not applicable to us.

All forward-looking information speaks as of January 31, 2008, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including the latest annual information form of Dundee REIT. These filings are also available on our web site at www.dundeereit.com.

OUR OBJECTIVES

We are committed to:

- managing our activities to provide growing cash flow and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy;
- building a diversified, growth-oriented portfolio of office and industrial properties in Canada, based on an established platform in Western Canada;
- providing predictable and sustainable cash distributions to unitholders and prudently increasing distributions over time, allowing investors to benefit from the growth in its real estate operations; and
- maintaining a REIT that satisfies the REIT Exception under the new SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions and be more competitive in the real estate industry than other REITs which have not satisfied the REIT Exception.

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit or $2.20 on an annual basis. We also have a Distribution Reinvestment and Unit Purchase Plan ("DRIP"), which allows unitholders to have their distributions automatically reinvested into additional units of the Trust. Unitholders who enrol in the DRIP receive a bonus distribution of 4% with each reinvestment (see a description of Our Equity on page 20).

In connection with the Transaction, the DRIP was suspended in June 2007 and Dundee REIT has since paid all distributions in cash rather than allowing unitholders to reinvest distributions in additional units of Dundee REIT. Starting with the January 2008 distribution payable on February 15, 2008, the DRIP has been reinstated. All terms and conditions of the DRIP remain the same.

2007	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Distribution rate	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183
Month-end closing price	$39.95	$40.68	$39.70	$40.10	$39.64	$46.00	$43.35	$37.23	$38.73	$36.75	$36.43	$33.72

OUR STRATEGY

Dundee REIT's strategy is to rely on a core portfolio of office and industrial properties that provides a solid platform for stable and growing returns. Consistent with our strategy in the past, management intends to increase cash flow by adding value to existing properties, pursuing accretive acquisitions and identifying new trends and opportunities in the real estate market. In addition, our strategy will continue to include working within the capital markets to enhance value through the efficient use of capital and utilizing private and public debt and public equity to provide unitholders with the highest possible returns.

Our track record includes issuing equity at increasing prices to finance rapid growth, increasing and decreasing our level of debt based on the relative cost of debt and equity, selling major portions of our portfolio when the value was high, increasing the growth potential of our remaining operations and returning capital to our unitholders when we had excess capital.

Dundee REIT's methodology to meet its strategy and objectives includes:

Effectively managing our business

We manage our properties to optimize long-term cash flow and value. Dundee REIT benefits from the expertise of a group of highly experienced real estate professionals through our internal property management function. In addition, through the asset management agreement, Dundee REIT benefits from the expertise of Dundee Realty Corporation ("DRC"), which provides the strategy, leadership and execution of Dundee REIT's operating plan. All of these professionals have worked together for many years and will continue to work together to increase the value of Dundee REIT's portfolio through continuous and active analysis of how its properties and its portfolio as a whole can achieve optimal performance. We will continue to identify strengths and weaknesses of individual properties and our portfolio as a whole, which allows us to quickly reposition assets when desirable.

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We actively manage our debt levels and interest rates in order to minimize financing and interest rate risk while maximizing overall performance. Dundee REIT manages its debt maturities in order to mitigate interest rate exposure and to ensure that there are no significant maturities in any given year. Lease maturities are similarly managed to maintain continuity of income and to avoid significant lease turnovers and their associated leasing costs in any given year.

Pursuing growth

Dundee REIT will achieve growth by acquiring properties that enhance its overall portfolio, further improve the sustainability of distributions and help it mitigate risk. Dundee REIT's growth strategy is to acquire office and industrial properties in those Canadian markets that offer compelling investment opportunities and reposition existing properties where opportunities exist. Dundee REIT continuously evaluates individual properties, portfolios and entities with a view to maximizing performance and achieving the best value and growth potential.

Meeting the needs of our tenants

Dundee REIT has a committed team of in-house property management professionals. A strong relationship with our tenants is critical to our success. We strive to be the preferred landlord by meeting and anticipating our tenants' needs. We believe that providing a consistent, high level of service puts us in a better position to re-lease space to existing tenants and helps attract new tenants to lease vacant space quickly and cost-effectively.

OUR ASSETS

We provide high-quality, affordable business premises with a primary focus on mid-sized urban and suburban office properties as well as industrial and prestige industrial properties. The majority of our assets are concentrated in Western Canada, primarily in Calgary as well as Vancouver, Edmonton, Saskatoon, Regina, Yellowknife and Toronto.

Owned gross leasable area (sq. ft.)[1]

December 31	2007				2006	
	Office	Industrial	Total	%	Total	%
British Columbia	**449,939**	**—**	**449,939**	**7**	213,632	1
Alberta	**2,746,241**	**1,847,661**	**4,593,902**	**73**	3,952,545	21
Saskatchewan & NWT	**848,857**	**—**	**848,857**	**14**	844,955	5
Ontario	**406,304**	**—**	**406,304**	**6**	406,631	2
Sold properties	**—**	**—**	**—**	**—**	13,015,703	71
Total as at December 31, 2007	**4,451,341**	**1,847,661**	**6,299,002**	**100**	18,433,466	100
Percentage	**71%**	**29%**	**100%**			
Total as at December 31, 2006	10,121,765	8,311,701	18,433,466			
Percentage	55%	45%	100%			

[1] Excludes redevelopment properties.

Office rental properties

Dundee REIT owns 40 office properties (42 buildings) comprising approximately 4.5 million square feet, excluding redevelopment properties, located in Vancouver, Calgary, Edmonton, Regina, Saskatoon, Yellowknife and Toronto. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. At December 31, 2007, the average occupancy rate across our office portfolio was 96.7%. Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized. The national industry average occupancy rate was 93.3% (CB Richard Ellis, Canadian Office Market View, 4th Quarter 2007).

Industrial rental properties

Our industrial portfolio consists of 36 prime suburban industrial properties (40 buildings) comprising approximately 1.8 million square feet, concentrated in Calgary and Edmonton. Dundee REIT's strategy is to own clusters of properties, allowing it to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. At December 31, 2007, the average occupancy rate across our industrial portfolio was 96.7%. The market vacancy rate in both Calgary and Edmonton as at December 31, 2007, was 2.2% and 2.5%, respectively (CB Richard Ellis, Canadian Industrial Market View, 4th Quarter 2007).

Development and redevelopment properties

We were partners in two joint ventures to develop office and prestige industrial properties in major Canadian markets. Effective November 1, 2007, we completed the sale of our interest in Barker Business Park (Phase II) in Richmond Hill, Ontario, and Tullamore Business Park in Caledon, Ontario, for proceeds of approximately $16.8 million. In connection with the sale of our interest in the Barker Business Park (Phase II), we provided subordinate mortgage financing to our former joint venture partner in the amount of approximately $11.7 million at an interest rate of 11% to finance the construction of certain improvements on those lands. These mortgages were subsequently repaid in February 2008. In addition, we agreed to acquire, on completion and subject to the satisfaction of certain conditions, a 63,000 square foot office building situated on 5.7 acres, which is subject to a long-term lease with a multi-national tenant for a purchase price of approximately $20.8 million.

Two of our properties are currently classified as redevelopment properties. Properties are generally classified as redevelopment until the project is completed and produces positive cash flow after servicing specific debt.

OUR EQUITY

				Unitholders' equity
December 31		2007		2006
	Number of units	Amount	Number of units	Amount
REIT Units, Series A	**17,072,154**	**$ 300,216**	34,854,553	$ 745,348
REIT Units, Series B	**476,316**	**14,376**	—	—
LP Class B Units, Series 1	**3,315,349**	**99,791**	8,565,095	147,879
Cumulative foreign currency translation adjustment	**—**	**(6,243)**	—	(5,116)
Total	**20,863,819**	**$ 408,140**	43,419,648	$ 888,111

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP B Units. The LP B Units are held by Dundee Corporation and Dundee Realty Corporation, related parties to Dundee REIT, and the REIT B Units are held by GE. Both the REIT A Units and Special Trust Units entitle the holder to one vote for each unit held at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT B Units, at the option of the holder, which can then be converted into REIT A Units. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT A Units. The REIT A Units and REIT B Units have economic and voting rights equivalent in all material respects to each other.

Effective May 1, 2006, the terms of the LP B Units were amended to provide that they may not be transferred to a third party, other than subsidiaries of Dundee Corporation and Dundee Realty Corporation. As a result, if Dundee Corporation and Dundee Realty Corporation wish to transfer the LP B Units to a third party, they must first convert the LP B Units into REIT B Units. This amendment allows us to treat the outstanding LP B Units as equity for financial statement purposes in accordance with Canadian generally accepted accounting principles ("GAAP"). As a result, effective May 1, 2006, all LP B Units are presented as equity. Prior to this date, the LP B Units were presented as non-controlling interest.

Amendments to Declaration of Trust and other governing documents

Together with the Transaction, we made certain amendments to our Declaration of Trust and to other governing documents of the Trust and its subsidiaries. In general, the Trust and its subsidiaries cannot take any action that would prevent it from qualifying as a "real estate investment trust" (as defined in the *Income Tax Act*) and the Trust could not take any action that at any time prior to January 1, 2008, would cause it to exceed "normal growth" as determined by the Normal Growth Guidelines pertaining to specified investment flow-through trusts or partnerships ("SIFTs"), or to be subject to tax under paragraph 122(1) (b) of the *Income Tax Act*, which specifies taxes payable by a SIFT entity. Also, amendments were made to provide for the surrender, exchange for purchase or cancellation, or transfer of LP Class A Units, Series 1, and LP Class B Units, Series 2, in connection with the Redemption and Transfer.

Amendments made to the Declaration of Trust included:

- providing Dundee Corporation the right to appoint up to a majority of trustees less one provided it owns at least an aggregate of two million REIT A Units, REIT B Units and/or LP B Units;
- granting pre-emptive rights on the issuance of REIT A Units or any securities convertible into or exchangeable for REIT A Units to both Dundee Corporation and GE to maintain their same proportionate interest in the Trust; and
- permitting our investment committee to delegate investment decisions to our senior management (including those acting on our behalf pursuant to the asset management agreement).

Amendments made to the Partnership Agreement of Dundee Properties Limited Partnership ("DPLP") included:

- the business of DPLP must be located exclusively in Canada;
- DPLP may only invest in equity interests in office and industrial revenue-producing properties;
- DPLP may invest in up to 25% of equity of non-qualifying investments subject to meeting the general REIT qualifications discussed above;
- certain restrictions regarding acquisitions, investments in joint ventures, holding securities, investments in operating businesses, investments in partnerships, and investments in mortgages or mortgage bonds were removed;
- DPLP is permitted to undertake construction and development activities for the maintenance of real property or enhancing the revenue stream from real property provided it is not on a brownfield site;
- removal of limitations on the maximum amount of total debt as a percentage of the Trust's gross book value, the maximum amount of floating rate debt as a percentage of total debt and the limitation of the maximum amount of new debt as a percentage of the market value of a specific property; and
- DPLP will maintain an interest coverage ratio of no less than 1.4 times.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	Three months ended December 31		Years ended December 31	
	2007	2006	**2007**	2006
Operations				
Occupancy rate (period-end)[1]	**96.7%**	96.4%		
In-place rent per square foot (office and industrial)[1]	**$ 13.49**	$ 10.00		
Operating results				
Rental properties revenue	**$ 42,921**	$ 32,242	**$ 155,161**	$ 102,389
Net operating income[2] ("NOI")	**26,456**	19,106	**97,679**	60,216
Funds from operations[3] ("FFO")	**16,127**	29,167	**114,539**	97,269
Adjusted funds from operations[4] ("AFFO")	**11,054**	22,954	**87,484**	75,402
Distributions				
Distributable income[5]	**$ 12,320**	$ 26,654	**$ 99,305**	$ 89,002
Reinvestment to distribution ratio[6]	**n/a**	26.4%	**14.9%**	30.6%
Cash distribution ratio[7]	**100%**	73.6%	**85.1%**	69.4%
Financing				
Weighted average interest rate (period-end)	**5.76%**	5.95%		
Interest coverage ratio	**2.51 times**	2.46 times		
Per unit amounts				
Basic:				
FFO	**$ 0.76**	$ 0.74	**$ 3.00**	$ 2.82
Distributable income	**0.58**	0.67	**2.60**	2.58
Distribution rate	**0.55**	0.55	**2.20**	2.20
Total distributions as a % of distributable income	**92.9%**	83.9%	**80.6%**	87.0%
AFFO	**0.52**	0.58	**2.29**	2.19
Diluted:[8]				
FFO	**$ 0.76**	$ 0.71	**$ 2.95**	$ 2.69
Distributable income	**0.58**	0.65	**2.57**	2.48

NOI, FFO, distributable income and AFFO are key measures of performance used by real estate operating companies; however, they are not defined by GAAP, do not have standard meanings and may not be comparable with other industries or income trusts.

[1] Excludes redevelopment properties.

[2] NOI — rental property revenues less operating expenses, excluding redevelopment and discontinued operations. Prior year comparatives have been restated as a result of discontinued operations. The reconciliation of NOI to net income can be found on page 45.

[3] FFO — the reconciliation of FFO to net income can be found on page 33.

[4] AFFO — the reconciliation of AFFO to distributable income can be found on page 36.

[5] The reconciliation of distributable income to cash generated from operating activities can be found on page 34.

[6] These percentages do not include the additional 4% distributions available under the DRIP.

[7] Cash distribution ratio represents the amount of distribution paid in cash and not reinvested through the DRIP. The ratio calculation can be found on page 35.

[8] Diluted amounts assume the conversion of the 6.5% and 5.7% Debentures.

FINANCIAL OVERVIEW

Overall occupancy remains very strong at 96.7%, with lease rollover activity allowing us to take advantage of generally higher market rental rates, especially in our Calgary office portfolio. Our average office portfolio occupancy rate remains well above the national industry average. Details of our leasing profile are provided on page 26.

During the second quarter, we made the strategic decision to sell our portfolio of assets located primarily in Ontario, Québec and Newfoundland and to re-align our portfolio with a focus on Western Canada. This transaction was completed in the third quarter. Our continuing operations demonstrate strong financial results as evidenced by NOI growth of $7.3 million or 38% compared to the same period in 2006. For the year, NOI increased $37.5 million or 62% compared to the same period in 2006. The office portfolio now generates nearly 88% of our NOI. Details of our NOI begin on page 45.

For the quarter, distributable income decreased 54% to $12.3 million, on which we declared distributions of $11.5 million. For the year, distributable income increased 12% to $99.3 million, on which we declared distributions of $79.5 million. As a result of the participation in our DRIP, our year-to-date cash payout ratio is 85.1% of declared distributions. Details of our distributions and distributable income begin on page 34.

For the quarter, AFFO decreased $11.9 million or $0.06 per unit, largely reflecting the impact of the Transaction. For the year, AFFO increased $12.1 million or $0.10 per unit, a 16% increase over the prior year period. The improvement reflects our commitment to grow our AFFO through acquisitions and effectively manage our leasing and capital costs. Details of our AFFO are provided on page 36.

OUTLOOK

The past year was monumental for Dundee REIT and its unitholders. We completed another year of record-breaking acquisitions, adding $665.5 million of high-quality properties to our portfolio, and completed the sale of approximately two-thirds of our portfolio for $2.3 billion. In connection with the strategic sale of our Eastern Portfolio, we returned approximately $1.6 billion to unitholders, and realigned our portfolio with a focus on Western Canada.

The changes made to our organizational structure in August 2007 provide us with greater control over how we manage our enterprise and greater flexibility in our pursuit of growth. We felt confident making these changes with the knowledge and certainty that we will always be governed by the *Income Tax Act* and the requirements of maintaining our mutual fund trust status. And, with the completion of our reorganization in December 2007, Dundee REIT now qualifies as a REIT under the SIFT Rules. This positions us uniquely amongst our peers as Dundee REIT is the first to qualify. Qualifying as a REIT provides investors with certainty regarding the taxation of distributions and allows us to raise equity and grow beyond the Normal Growth Guidelines.

Alberta remains the strongest market in the country. Over 70% of our assets are concentrated in this province and our portfolio continues to produce solid growth. The second half of 2007 brought some softening in demand for space in Calgary; however, growth is expected to continue at a slightly slower, more sustainable pace. Regardless, with the average market rent well above our expiring rents, our lease maturity profile positions us to capture significant rental uplifts as leases mature or are terminated.

There is a degree of economic uncertainty in the Canadian marketplace as a result of the sub-prime issues and the related fears of a recession in the U.S. The impact in Canada has been volatility in both stock market and the credit markets, producing a higher cost of capital. In the fourth quarter we completed a significant amount of refinancing at lower rates on debt coming due in 2008. Early in 2008, we completed a $125.0 million convertible debenture offering. In addition, we have a $50.0 million demand revolving credit facility that is presently undrawn. We are confident that with the strength of our balance sheet we are well-positioned to pursue accretive acquisition opportunities as they arise.

In 2008, our existing portfolio offers tremendous organic growth potential on its own. We will, however, continue to pursue opportunities to grow our portfolio and create value. While our portfolio is currently focused on Western Canada, Dundee REIT is not committed to any single market nor are we committed to any single strategy in seeking the appropriate acquisitions. As in the past, we will pursue strategic acquisitions opportunistically. This may include acquiring individual assets or portfolio acquisitions, either on our own or with partners — whatever makes the best sense given the then current market conditions.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

Rental properties

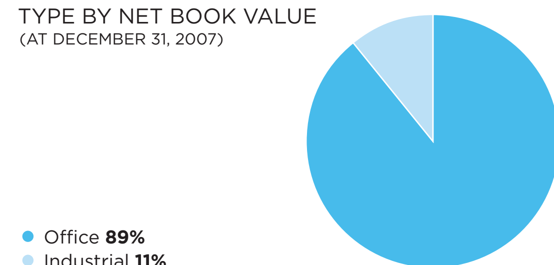
During the fourth quarter, we acquired two office properties comprising 149,000 square feet for approximately $52.5 million. Throughout 2007, we completed $665.5 million of acquisitions comprising 3.7 million square feet of office and industrial properties.

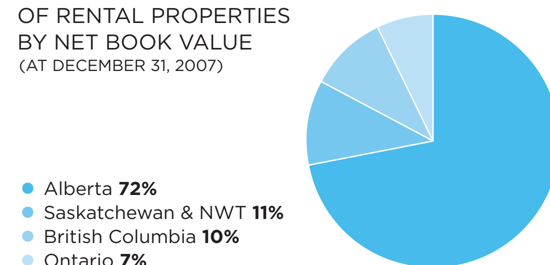
During the third quarter, we sold our Eastern Portfolio to GE for a total purchase price of approximately $2.3 billion, including the assumption of liabilities by GE relating to the Eastern Portfolio. Our operating portfolio now comprises office and industrial properties located primarily in Western Canada. Further detail on the Transaction is provided on page 42.

The net book value of segmented rental properties by geography and asset type is set out below.

December 31			2007[1]		2006[1]
	Office	Industrial	Total	%	Total	%
British Columbia	$ 94,072	$ —	$ 94,072	10	$ 51,594	3
Alberta	606,782	105,134	711,916	72	501,772	28
Saskatchewan & NWT	111,813	—	111,813	11	112,910	6
Ontario	66,551	—	66,551	7	66,799	4
Sold properties	—	—	—	—	1,052,116	59
Total as at December 31, 2007	$ 879,218	$ 105,134	$ 984,352	100	$ 1,785,191	100
Percentage	89%	11%	100%			
Total as at December 31, 2006	$ 1,381,034	$ 404,157	$ 1,785,191			
Percentage	77%	23%	100%			

[1] Excludes $19.0 million related to Greenbriar Mall and $0.9 million related to other redevelopment properties totalling $19.9 million (December 31, 2006 — $31.6 million).





Market information

In an effort to give additional context for our portfolio, provided below is some general information with respect to those markets where we have established a critical mass of properties. The source for market occupancy, vacancy, availability and rental rates for British Columbia, Alberta and Ontario is CB Richard Ellis Market View, 4th Quarter 2007. Market information for Saskatchewan and the Northwest Territories is based on local estimates.

The majority of our assets are concentrated in Western Canada, with over 70% located in the province of Alberta alone. The properties are leased to a wide range of high-quality office and industrial tenants. The ever-rising global demand for oil has had a significant impact on Alberta's real estate market. While Alberta is expected to remain the driving force of Canada's economy, we believe that provinces surrounding Alberta will also benefit from the buoyant economy.

British Columbia

The Greater Vancouver office market remained strong in the fourth quarter and vacancy rates continued to drop. At year-end, the overall vacancy rate for the Vancouver region was 6.3%. With nearly one million square feet of absorption throughout 2007, Vancouver continues to be a popular place to do business.

Overall, vacancy rates have declined in the suburbs as well. However, a number of large vacancies in the Surrey and New Westminster submarkets have kept the vacancy rates in these markets abnormally high.

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Alberta

Calgary has become Canada's most expensive office market and 2007 was another strong year. High labour costs, low unemployment and high construction costs, however, have also created challenges. While demand for space has softened somewhat during the second half of 2007, growth is expected to continue at a slightly slower, more sustainable pace.

The Calgary downtown office market showed an increase in overall vacancy to 3.4% from a historical low of 0.5% at the end of 2006. Given that approximately 1.5 million square feet of new product, comprising four buildings, was added to this market in 2007, this remains a very healthy marketplace. The Calgary suburban market showed a slight increase in overall vacancy in the fourth quarter to 3.8% due to the completion of new construction projects; however, overall absorption remained positive with large downtown tenants opting to relocate to the suburbs.

The Calgary industrial market remained extremely tight in the fourth quarter. The year-end overall vacancy rate decreased to an all-time low of 0.9%. New construction added an additional 3.7 million square feet of industrial inventory in 2007.

Edmonton's industrial market enjoyed continuous growth in 2007, driven by the demand for logistic and warehouse space resulting from investments in the oil sands infrastructure. The market finished the year strong with year-to-date absorption of 4.6 million square feet, the highest level of industrial absorption on record, and with vacancy remaining flat year-over-year. Industrial lease rates have shown remarkable increases in 2007 with demand outpacing supply for most of the year. Average rental rates range between $6.50—$14.00 per square foot. It's not anticipated that the vacancy rate will climb significantly in 2008, as space is absorbed from across the 2.9 million square feet of new developments that are currently under construction.

Saskatchewan and Northwest Territories

The natural resources sector continues to fuel not only the Alberta economy but also that of the surrounding provinces. The Saskatchewan market demonstrated exceptional growth in 2007 and this trend is expected to continue. Strong demand kept vacancy rates low with Regina recording the second lowest vacancy rate in the country after Calgary. Saskatoon was Canada's hottest housing market and benefited from major projects such as the PotashCorp mine expansion.

Saskatoon's downtown office market remains active as the vacancy rate continues to decline to an estimated 4.8% at the end of 2007. There are limited options available within the downtown core for any tenancies, in particular those with space requirements over 10,000 square feet. Over the last quarter, the lack of space has translated into moderately higher rental rates in quality downtown buildings.

The office market in Regina remained strong in 2007 with the reported vacancy rate of 2.1% at year-end. In connection with increased demand from both public and private sector tenants, rates are steadily increasing. Rental rates for all classes are averaging $12.00—$23.00 per square foot. With the lack of available space and the demand for office space expected to remain strong, tenants are forced to contemplate new construction in order to accommodate their requirements.

Oil and gas exploration and production, diamond and gold mining, government administration and tourism largely drive the economy in Yellowknife. The office market in Yellowknife continues to be stable. There has been a minor increase in both federal and territorial activity; however, it seems that many groups and agencies are waiting for announcements regarding the Mackenzie Pipeline and Canada's northern defense initiative. Both are expected to have a major impact on employment and office requirements in this city. The vacancy rate at the end of the fourth quarter was approximately 4.0%.

Ontario

Toronto's office market remained upbeat in 2007 despite growing concerns in the manufacturing sector due to the rise of the Canadian dollar and signs of recession in the United States. Job losses in the manufacturing sector, however, were offset by jobs created in the construction and services industry, particularly with respect to the condominium boom.

The Greater Toronto Area ("GTA") office market posted its lowest ever vacancy rate of 7.2%. As a direct consequence, the overall quoted asking net rental rate increased to $15.92 per square foot. The downtown Toronto vacancy rate followed this trend also achieving an historic low vacancy rate of 5.5% in the fourth quarter. The North Toronto market vacancy rate increased slightly to 5.4%, but the overall quoted asking net rental rate in this market increased to $15.16 per square foot in the fourth quarter.

Leasing profile

The following key performance indicators related to our leasing profile influence the cash generated from operating activities:

Performance indicators at December 31[1]	2007	2006
Operating activities (office and industrial average)		
Occupancy level	**96.7%**	96.4%
Tenant maturity profile — average term to maturity (years)	**3.9 years**	4.6 years
In-place rental rates	**$ 13.49**	$ 10.00

[1] Excludes redevelopment properties.

For the period-end, the percentage of occupied and committed space is as follows:

(Percentage)	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Office	**96.7**	**98.3**	**96.5**	**97.0**	97.0	96.4	96.1	96.1
Industrial	**96.7**	**94.0**	**95.8**	**97.0**	95.6	95.9	95.7	95.2
Overall	**96.7**	**97.0**	**96.2**	**97.0**	96.4	96.2	95.9	95.6

Excludes redevelopment properties.

The overall percentage of occupied and committed space across our rental properties portfolio was 96.7% at quarter-end. Our average office portfolio occupancy rate declined slightly to 96.7%; however, remains well ahead of the national industry average of 93.3%. The average occupancy rate across our industrial portfolio increased to 96.7%. The market availability rates for industrial space in Calgary and Edmonton were 2.2% and 2.5%, respectively (CB Richard Ellis, Canadian Office and Industrial Market Views, 4th Quarter 2007). The Dundee REIT occupancy rates discussed in this report include occupied and committed space at December 31, 2007, and exclude space to which the rent supplement is applied.

	Total portfolio		Comparative properties	
(Percentage) December 31	2007	2006	2007	2006
Office				
British Columbia	**96.8**	99.6	**99.9**	99.6
Alberta	**97.7**	99.4	**98.1**	99.4
Saskatchewan & NWT	**95.8**	95.5	**95.8**	95.5
Ontario	**91.6**	97.4	**91.6**	97.4
Sold properties	**—**	96.4	**—**	—
Total office	**96.7**	97.0	**96.9**	98.2
Industrial				
Alberta	**96.7**	99.6	**96.7**	99.6
Sold properties	**—**	94.3	**—**	—
Total industrial	**96.7**	95.6	**96.7**	99.6
Overall	**96.7**	96.4	**96.8**	98.7

Excludes redevelopment properties.

The percentage of occupied and committed space across our portfolio remains strong. While rates across a large part of our western Canadian portfolio represent virtually full economic occupancy, we currently have a vacancy in a downtown Toronto property due to a lease expiry.

The following tables provide a summary of leasing activity in our continuing portfolio to December 31, 2007.

	For the three months ended December 31, 2007		
(in square feet)	Office	Industrial	Total
Vacant space available — October 1, 2007	71,056	117,856	188,912
Remeasurements	804	1,325	2,129
Acquisitions	2,909	—	2,909
Leases terminated/expiring	168,368	142,801	311,169
Total space available for lease	243,137	261,982	505,119
New tenants	41,192	164,605	205,797
Renewals	55,577	37,121	92,698
Total space leased	96,769	201,726	298,495
Total space available for lease — December 31, 2007	146,368	60,256	206,624
Net (increase) decrease in vacant space	(75,312)	57,600	(17,712)

	For the year ended December 31, 2007		
(in square feet)	Office	Industrial	Total
Vacant space available — January 1, 2007	301,707	367,202	668,909
Net impact of sale of Eastern Portfolio	(240,726)	(360,106)	(600,832)
	60,981	7,096	68,077
Remeasurements	7,340	(45)	7,295
Acquisitions	29,268	—	29,268
Leases terminated/expiring	454,415	494,357	948,772
Total space available for lease	552,004	501,408	1,053,412
New tenants	192,218	232,009	424,227
Renewals	213,418	209,143	422,561
Total space leased	405,636	441,152	846,788
Total space available for lease — December 31, 2007	146,368	60,256	206,624
Net increase in vacant space	(85,387)	(53,160)	(138,547)

During the fourth quarter, approximately 311,000 square feet of leases expired or were terminated, and we completed approximately 298,000 square feet of renewals and new leasing, resulting in an 18,000 square foot increase in vacant space.

Throughout the year, approximately 949,000 square feet of leases expired or were terminated, 29,000 square feet of vacant space was acquired, and we completed 847,000 square feet of renewals and new leasing, resulting in a 139,000 square foot increase in vacant space.

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Lease maturity profile as at December 31, 2007, by asset type and geographic segment:

(in square feet)	Current vacancy	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter	Total
Office	146,368	64,376	555,076	607,857	642,825	567,038	1,867,801	4,451,341
Industrial	60,256	60,150	249,365	291,593	237,742	316,166	632,389	1,847,661
Total	206,624	124,526	804,441	899,450	880,567	883,204	2,500,190	6,299,002
Percentage	3.3%	2.0%	12.7%	14.3%	14.0%	14.0%	39.7%	100.0%

Excludes redevelopment properties.

(in square feet)	Current vacancy	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter	Total
British Columbia	14,186	7,287	39,168	127,298	28,403	74,652	158,945	449,939
Alberta	122,904	116,941	476,301	548,827	751,254	743,942	1,833,733	4,593,902
Saskatchewan & NWT	35,600	—	266,519	75,386	85,914	61,223	324,215	848,857
Ontario	33,934	298	22,453	147,939	14,996	3,387	183,297	406,304
Total	206,624	124,526	804,441	899,450	880,567	883,204	2,500,190	6,299,002
Percentage	3.3%	2.0%	12.7%	14.3%	14.0%	14.0%	39.7%	100.0%

Excludes redevelopment properties.

We have a long and successful track record in managing our lease rollovers. In 2008, approximately 13% of our leases will be up for renewal. With average market rents well above expiring rents, particularly in Alberta where the majority of our properties are located, our lease maturity profile affords us the opportunity to take advantage of the market conditions. As a result, we anticipate generating substantially higher cash flow as space is re-leased.

The following table provides expiring rents across our portfolio as well as an estimate of average market rents as at December 31, 2007:

	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter
Expiring rents						
Office	$ 11.03	$ 12.89	$ 15.44	$ 14.96	$ 18.95	$ 19.45
Industrial	5.62	5.90	5.57	8.60	7.26	7.46
Portfolio average	8.41	10.72	12.24	13.25	14.77	16.42
Market rents[1]						
Office	$ 27.89	$ 21.01	$ 21.85	$ 26.49	$ 26.71	$ 26.56
Industrial	6.13	8.18	7.17	10.33	9.33	7.68
Market rent average	17.38	17.04	17.09	22.13	20.49	21.78

[1] Estimate only, based on current market rents with no allowance for increases in future years and subject to change with market conditions in each market segment.

	Current monthly tenancies	2008	2009	2010	2011	2012 and thereafter
Expiring rents						
British Columbia	$ 13.74	$ 14.23	$ 19.95	$ 15.35	$ 14.20	$ 15.43
Alberta	8.10	8.69	8.79	12.71	14.26	15.64
Saskatchewan & NWT	—	13.64	19.57	17.98	21.87	17.70
Ontario	—	13.06	14.69	8.87	10.04	22.83
Portfolio average	8.41	10.72	12.24	13.25	14.77	16.42
Market rents[1]						
British Columbia	$ 14.51	$ 14.43	$ 20.71	$ 18.80	$ 15.77	$ 19.00
Alberta	17.57	18.18	15.97	22.65	20.85	22.44
Saskatchewan & NWT	—	15.76	22.40	20.28	22.32	18.37
Ontario	—	12.50	15.43	12.50	12.50	23.68
Market rent average	17.38	17.04	17.09	22.13	20.49	21.78

[1] Estimate only, based on current market rents with no allowance for increases in future years and subject to change with market conditions in each market segment.

Our estimate of the average 2008 market rental rate is approximately 59% higher than our 2008 expiring rental rate. While this is a positive indicator, the marketplace remains competitive and any uplift in our overall average rent will depend on the specific market and the amount of space rolling into the higher net rental rates.

Average remaining lease term and other portfolio information is as follows:

December 31	**2007**			2006		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**[1]	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)[1]
Office	**4.08**	**9,121**	**$ 16.30**	4.72	8,554	$ 13.67
Industrial	**3.50**	**7,909**	**$ 6.71**	4.36	13,024	$ 5.47
Portfolio average	**3.91**	**8,728**	**$ 13.49**	4.56	10,105	$ 10.00

All amounts exclude redevelopment properties.

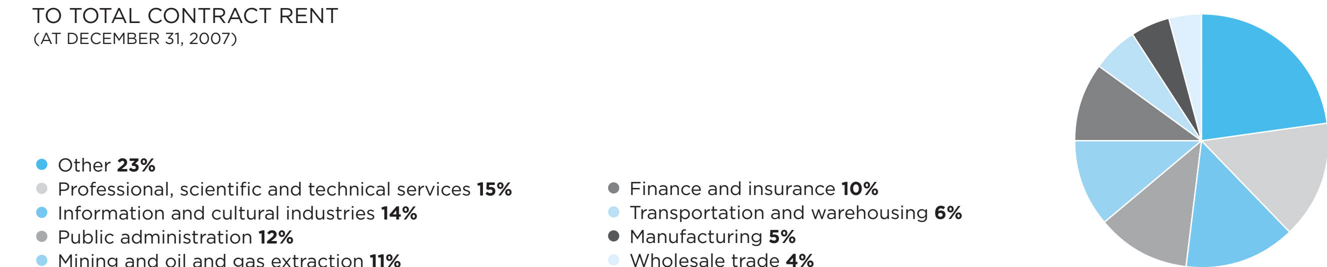
[1] Average in-place rents include straight-line rent adjustments.

The sale of the Eastern Portfolio and the change in the composition of our portfolio had a significant impact on our average in-place rents and also impacted the average tenant size and average remaining lease term. We view our lease maturity profile as an opportunity to capture an uplift on below market rents as the leases roll over.

Our tenant base includes a wide range of high-quality tenants, including government, large international corporations and small entrepreneurial businesses across the country. With 698 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 9,100 and 7,900 square feet, respectively, placing us at the lower end of our peer group. Effectively managing this diverse tenant base has become a key strength and has helped us to maintain consistently high occupancy levels.

The following graph illustrates the diversity of our tenant base broken down by the percentage contribution to total contract rent. Tenants have been classified according to their North American Industry Classification System ("NAICS") codes. NAICS is a system used for classifying the industry in which tenants operate.

TENANT BASE BY PERCENTAGE CONTRIBUTION TO TOTAL CONTRACT RENT
(AT DECEMBER 31, 2007)



The stability and quality of our cash flow is further enhanced by government and government agencies contributing 18% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable businesses. The table below highlights the quality of these tenancies and outlines their contribution to our cash flow.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
TELUS Communications	311,479	4.9%	6.9%	2013—2016
Government of Canada	281,216	4.5%	5.8%	2008—2016
Government of British Columbia	168,365	2.7%	3.5%	2008—2014
Government of Northwest Territories	109,937	1.7%	3.0%	2008—2012
Government of Ontario	123,872	2.0%	2.9%	2009
State Street Trust Company	93,589	1.5%	2.8%	2012
SNC Lavalin	87,382	1.4%	2.1%	2012
International Financial Data Services	67,262	1.1%	1.9%	2013
Government of Saskatchewan	139,529	2.2%	1.8%	2008
Hatch Optima Ltd.	68,691	1.1%	1.5%	2011—2016
Total	1,451,322	23.1%	32.2%	

Liquidity and capital resources

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

The following table details the change in cash and cash equivalents:

	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Cash generated from operating activities	**$ 9,952**	$ 24,003	**$ 83,967**	$ 87,862
Cash generated (utilized) in investing activities	**(30,045)**	(93,260)	**925,746**	(470,595)
Cash generated (utilized) from financing activities	**49,857**	127,141	**(1,042,983)**	437,214
Increase (decrease) in cash and cash equivalents	**$ 29,764**	$ 57,884	**$ (33,270)**	$ 54,481

At December 31, 2007, cash and cash equivalents were $37.7 million, an increase of $29.8 million compared to the third quarter, and a decrease of $33.3 million compared to December 31, 2006. The decrease was a result of the cash flows indicated above, including the impact of acquisitions, new financing activity, equity issues and the impact of the Transaction. We have a total of $50.0 million in revolving credit facilities, of which approximately $49.8 million is available to provide further funding for working capital or as a bridge facility to fund acquisitions.

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Operating activities

The following table details the cash generated from operating activities:

	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Net income	**$ 29,224**	$ 7,952	**$ 762,302**	$ 11,218
Non-cash items:				
Amortization of market rent adjustments on acquired leases	**(3,393)**	(1,622)	**(11,833)**	(4,124)
All other depreciation and amortization	**13,287**	20,590	**83,053**	70,591
Provision for (reversal of) impairment in value of rental properties	**(6,298)**	—	**1,352**	—
Internalization of property manager	**—**	615	**1,230**	13,678
(Gain) loss on disposal of rental properties and land	**(4,968)**	4	**(733,816)**	(3,009)
Deferred unit compensation expense	**—**	354	**1,177**	1,170
Future income taxes	**(15,539)**	(111)	**(823)**	2,314
Straight-line rent adjustment	**(200)**	(767)	**(2,946)**	(3,164)
Non-controlling interest	**—**	—	**—**	1,876
	12,113	27,015	**99,696**	90,550
Deferred leasing costs incurred	**(690)**	(2,352)	**(5,628)**	(6,097)
Change in non-cash working capital	**(1,471)**	(660)	**(10,101)**	3,409
Cash generated from operating activities	**$ 9,952**	$ 24,003	**$ 83,967**	$ 87,862

Cash generated from operations for the year decreased as a result of the loss of contribution from the Eastern Portfolio, partially offset by the contribution of acquisitions completed in Western Canada.

The gain on disposal of rental properties and land is primarily due to the sale of our Eastern Portfolio, which resulted in a gain on sale of $721.9 million.

The amortization of market rent adjustments on acquired leases represents the impact of leases with below market rents, mainly related to certain properties acquired in Alberta during 2006 and 2007. Below market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

As of June 12, 2007, amendments were made to the *Income Tax Act*, modifying the tax treatment of certain publicly traded trusts and partnerships that are SIFTs, such that certain distributions and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes. Certain real estate investment trusts that satisfy specified conditions are excluded from the SIFT definition and therefore will not be subject to the SIFT Rules (the "REIT Exception"). As the Trust did not meet the technical REIT Exception as at June 12, 2007, a future income tax liability in the amount of $40.0 million was recorded as at June 12, 2007, based on the temporary differences that were expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income for the quarter ended June 30, 2007. During the quarter ended September 30, 2007, a future income tax liability in the amount of $25.0 million relating to assets sold during the quarter was reversed and recorded as a component of discontinued operations. During the quarter ended December 31, 2007, as a result of modifying the organizational structure of Dundee REIT, the Trust now meets the REIT Exception as at December 31, 2007, and accordingly the remaining $15.0 million of the future income tax liability was reversed and recorded as a recovery through the consolidated statement of net income and comprehensive income.

Dundee REIT distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation to pay tax rests with each unitholder and no current tax provision is currently required on the majority of Dundee REIT's income. Certain of our Canadian and U.S. subsidiaries are taxable and any tax-related costs are reflected in the consolidated balance sheet and consolidated statement of income and comprehensive income.

The straight-line rent adjustment represents the difference between the straight-line method of rental revenue recognition and the cash rents received. Any cumulative difference is included in accounts receivable.

Deferred leasing costs include fees and related costs, except for initial leasing costs that are included in rental properties, and deferred leasing costs associated with acquisitions. Deferred leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense.

In the second quarter of 2006, we fully internalized our property management function through the purchase of the remaining 50% interest of Dundee Management Limited Partnership ("DMLP"). On closing, 92,000 LP B Units were issued, placed in trust and enrolled in the DRIP to satisfy the maximum number of units that DRC could be entitled to receive on June 30, 2007, as a result of completing qualifying property acquisitions. The cost of these units was expensed and added to cumulative capital as qualifying properties were acquired. As of June 30, 2007, DRC received the maximum 100,000 LP B Units that it was entitled to receive.

Leasing costs and tenant improvements

Leasing costs include leasing fees and related costs, broker commissions and tenant inducements. Tenant improvements include costs incurred to make leasehold improvements. Leasing costs and tenant improvement expenditures 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, and leasing costs associated with office space are generally higher than costs associated with industrial space.

For the ongoing properties, leasing costs for the year ended December 31, 2007, decreased 13% to $5.1 million, while leasing activity increased 35% and resulted in 847,000 square feet of leasing commitments. While both the office and industrial portfolios experienced increased leasing activity, a reduction in leasing costs in the office portfolio resulting from very strong markets was slightly offset by increased industrial leasing costs. The higher industrial leasing costs mainly relate to a new lease at a mixed-use building in Edmonton. These expenditures related to the office component of the building and resulted in a significant increase in NOI compared to the previous tenant.

Performance indicators	Office[1]	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	4,451,341	1,847,661	6,299,002
Occupied and committed	96.7%	96.7%	96.7%
Square footage leased and occupied in 2007	408,549	507,131	915,680
Leasing costs	$ 1,442	$ 645	$ 2,087
Tenant improvements	$ 930	$ 2,037	$ 2,967

[1] Excludes redevelopment properties.

The table below provides our annualized estimates of expected leasing activity and leasing costs over a two- to three-year time horizon. These estimates are based on our portfolio at December 31, 2007, and assume that market conditions remain consistent with our current experience.

	Office	Industrial
Estimated average annual leasing activity (sq. ft.)	616,000	335,000
Average leasing costs (per sq. ft.)	$ 8.75	$ 2.00
Expected average annual leasing costs	$ 5,386	$ 670

Other assets and liabilities

Other assets consist of deferred costs, prepaid expenses, intangible assets and liabilities, mezzanine loans, deposits and restricted cash. Other liabilities consist of intangible liabilities related to leases acquired with below market rates.

Year-to-date deferred costs declined $42.0 million. This change includes an approximate $47.7 million decrease related to dispositions, a $15.9 million increase in deferred charges related to acquisitions and a $12.7 million increase in additional deferred expenditures, less $16.5 million in amortization and $7.0 million of deferred financing costs that was transferred to the related debt upon adopting new accounting policies for financial instruments in the first quarter of 2007. Complete details of deferred costs are provided in Note 5 of the financial statements.

Intangible assets and liabilities include the value of above and below market leases, in-place leases, lease origination costs and tenant relationships. Complete details of these assets and liabilities are provided in Note 9 of the financial statements. During the year, net intangible liabilities increased by $3.5 million, mainly comprising a $13.5 million reduction related to dispositions and $12.8 million of amortization, offset by $29.8 million related to acquisitions. Net intangible assets decreased $34.0 million during the year, comprising approximately $71.3 million related to dispositions and $27.2 million in amortization expense, offset by $64.5 million in acquisitions.

Effective November 1, 2007, the Trust sold its 60% interest in two joint venture projects. As part of the transaction, all mezzanine loans were repaid and the related agreements were terminated.

Deposits of $2.6 million represent cash amounts held for the repayment of tenant security deposits as required by various lending agreements and deposits for potential acquisitions. As of December 31, 2007, the balance is down $1.4 million from December 31, 2006, mainly due to the sale of properties.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages. As of December 31, 2007, the balance is $4.2 million, down $1.4 million from December 31, 2006.

Commitments and contingencies

We are contingently liable with respect to 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 our financial statements.

Our future minimum commitments under operating and capital leases are as follows:

Year ending December 31	Operating lease payments	Capital lease payments
2008	$ 1,046	$ 142
2009	843	142
2010	738	142
2011	722	106
2012	682	—
2013 and thereafter	615	—
Total	$ 4,646	$ 532

Funds from operations

Management believes FFO is an important measure of our operating performance. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs.

In 2005, the Real Property Association of Canada ("REALpac") provided guidelines on the definition of FFO to help promote more consistent disclosure. Until such time as all income trusts adopt this policy as we have, our computation of FFO may not be comparable to other REITs or income trusts.

	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Net income	**$ 29,224**	$ 7,952	**$ 762,302**	$ 11,218
Add (deduct):				
Depreciation of rental properties	**6,193**	11,259	**42,984**	39,908
Amortization of deferred leasing costs, tenant improvements and intangibles	**7,286**	9,384	**40,942**	30,643
Imputed amortization of leasing costs related to the rent supplement	**6**	81	**234**	694
Internalization of property manager	**—**	615	**1,230**	13,678
(Gain) loss on disposal of rental property and land	**(4,968)**	4	**(733,816)**	(3,009)
Provision for (reversal of) impairment in value of rental property	**(6,298)**	—	**1,352**	—
Future income tax	**(15,539)**	(111)	**(823)**	2,314
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(77)**	(17)	**(166)**	(53)
Income tax expense incurred as a result of the Transaction	**300**	—	**300**	—
Non-controlling interest	**—**	—	**—**	1,876
FFO	**$ 16,127**	$ 29,167	**$ 114,539**	$ 97,269
FFO per unit — basic	**$ 0.76**	$ 0.74	**$ 3.00**	$ 2.82
FFO per unit — diluted	**$ 0.76**	$ 0.71	**$ 2.95**	$ 2.69

The 6.0% increase in FFO per unit for the twelve-month period is primarily due to revenue generated by acquisitions as well as rising rental rates. Below market rents, which result in a non-cash amortization to our operating results, positively impacted FFO by $3.4 million and $11.8 million for the three- and twelve-month periods, respectively.

Diluted FFO per unit amounts assume the conversion of the 6.5% and 5.7% Debentures. The weighted average number of Units outstanding for basic and diluted FFO calculations for the quarter are 21,107,542 and 21,566,798, respectively. Diluted FFO includes interest and amortization adjustments of $0.2 million. Year-to-date, the weighted average number of Units outstanding for basic and diluted FFO calculations are 38,218,427 and 39,790,023, respectively. Diluted FFO includes interest and amortization adjustments of $2.8 million. The basic and diluted weighted average number of units outstanding include 263,905 and 147,565 vested deferred trust units for the three- and twelve-month periods, respectively.

Distributions and distributable income

Our Declaration of Trust requires us to make monthly cash distributions to our unitholders equal to at least 80% of distributable income ("DI") on an annual basis. Amounts retained in excess of the distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate with time and should not affect our distribution policy, we disregard it when determining distributable income.

We also exclude the impact of deferred 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. Additionally, we exclude the impact of the amortization of deferred financing and non-recoverable costs that were incurred prior to the formation of the Trust, but deduct amortization of non-real estate assets such as software, office equipment and building improvement costs incurred after the formation of the Trust.

For the year ended December 31, 2007, distributable income per unit was $2.60 and declared distributions were $2.20, representing an 85% payout ratio on a per unit basis. In the prior year comparative period, distributable income per unit was $2.58 and declared distributions were $2.20, also representing an 85% payout ratio on a per unit basis.

Distributable income

	For the three months ended December 31		For the year ended December 31	
	2007	2006	2007	2006
Cash generated from operating activities	**$ 9,952**	$ 24,003	**$ 83,967**	$ 87,862
Add (deduct):				
Deferred leasing costs incurred	**690**	2,352	**5,628**	6,097
Amortization of deferred financing costs incurred prior to June 30, 2003	**20**	65	**269**	335
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**(4)**	16	**31**	73
Amortization of tenant inducement	**25**	20	**113**	19
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(77)**	(17)	**(166)**	(53)
Amortization of deferred financing costs	**(57)**	(445)	**(938)**	(1,922)
Change in non-cash working capital	**1,471**	660	**10,101**	(3,409)
Income tax expense incurred as a result of the Transaction	**300**	—	**300**	—
Distributable income	**$ 12,320**	$ 26,654	**$ 99,305**	$ 89,002
Distributable income per unit — basic	**$ 0.58**	$ 0.67	**$ 2.60**	$ 2.58
Distributable income per unit — diluted	**$ 0.58**	$ 0.65	**$ 2.57**	$ 2.48
Distributions	**$ 0.55**	$ 0.55	**$ 2.20**	$ 2.20

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Distributable income is not defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust to facilitate the determination of distributions to our unitholders. In compliance with the Canadian Securities Administrators Staff Notice 52-306 (Revised) "Non-GAAP Financial Measures", our table reconciles distributable income to cash generated from operating activities.

Distributable income exceeds distributions paid and payable by $0.9 million and $19.3 million for the quarter and year-to-date, respectively. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

Distributions

The distributions presented in the table below comprise $66.2 million relating to REIT A Units, $0.5 million relating to REIT B Units and $13.3 million relating to LP B Units. Prior to June 28, 2007, cash distributions were only paid to holders of the REIT A Units as there were no REIT B Units outstanding and all of the LP B Units were enrolled in the DRIP. As of June 28, 2007, the DRIP was temporarily suspended in connection with the sale of the Eastern Portfolio. As a result, all distributions paid on and after July 15, 2007, were paid in cash. The DRIP was reinstated in January 2008.

	Declared distributions	4% additional distributions	Total
2007 distributions			
Paid in cash or reinvested in units	$ 75,716	$ 474	$ 76,190
Payable at December 31, 2007	3,818	—	3,818
Total distributions	$ 79,534	$ 474	$ 80,008
2007 reinvestment			
Reinvested to December 31, 2007	$ 11,844	$ 474	$ 12,318
Reinvested on January 15, 2008	—	—	—
Total distributions reinvested	$ 11,844	$ 474	$ 12,318
Distributions paid in cash	$ 67,690		
Reinvestment to distribution ratio	14.9%		
Cash distribution payout ratio	85.1%		

Distributions declared in the year ended December 31, 2007, totalled $79.5 million, an increase of $3.0 million over the comparative period. Of this amount, $11.8 million or 14.9% was reinvested in additional units. As a result of the temporary suspension of the DRIP, our cash payout ratio for our distributions rose to 85.1% (2006 — 69.4%). The increase in declared distributions is the result of an incremental increase in Units generated through the DRIP, REIT A Units issued as part of public offerings completed in 2006 and 2007, as well as REIT A Units issued on the conversion of debentures, offset by the impact of the Redemption that occurred prior to the record date of the August distribution.

Effective July 6, 2007, the Canadian Securities Administrators announced amendments to National Policy 41-201 *Income Trusts and Other Indirect Offerings*, providing additional guidance with respect to disclosure around distributable cash. The following table outlines the differences between cash flow from operating activities and cash distributions as well as the differences between net income and cash distributions in accordance with the guidelines:

	For the three months ended December 31		For the year ended December 31	
	2007	2006	2007	2006
Net income	**$ 29,224**	$ 7,952	**$ 762,302**	$ 11,218
Cash flow from operating activities	**$ 9,952**	$ 24,003	**$ 83,967**	$ 87,862
Distributions paid and payable	**$ 11,450**	$ 22,373	**$ 80,008**	$ 77,449
Excess/(shortfall) of cash flow from operating activities over cash distributions	**$ (1,498)**	$ 1,630	**$ 3,959**	$ 10,413
Excess/(shortfall) of net income over cash distributions	**$ 17,774**	$ (14,421)	**$ 682,294**	$ (66,231)

For the twelve-month period, cash flow from operating activities exceeded distributions paid and payable by $4.0 million, reflecting our ability to fund distributions from cash from operating activities. During the quarter, distributions paid and payable exceeded cash flow from operating activities by $1.5 million mainly due to the decrease in accounts payable since September 30, 2007. This shortfall was funded by our cash and cash equivalents. We do not expect cash distributions to exceed cash flow from operating activities in the future, other than for changes in non-cash working capital balances. In 2007, net income exceeded distributions paid and payable by $17.8 million and $682.3 million for the three and twelve months, respectively. This excess was mainly a result of non-cash depreciation, amortization expense, gains on sale and future income taxes, which are not considered in determining our cash distribution policy.

Adjusted funds from operations

	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Distributable income	**$ 12,320**	$ 26,654	**$ 99,305**	$ 89,002
Adjusted for:				
Normalized leasing costs and tenant improvements	**(1,149)**	(3,350)	**(10,732)**	(12,200)
Normalized non-recoverable recurring capital expenditures	**(117)**	(350)	**(1,089)**	(1,400)
AFFO	**$ 11,054**	$ 22,954	**$ 87,484**	$ 75,402
AFFO per unit — basic	**$ 0.52**	$ 0.58	**$ 2.29**	$ 2.19

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This measurement is generally accepted as one of the most appropriate measures for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs. Please see our description of distributable income on page 34, which reconciles distributable income to cash flow from operating activities. Our calculation of AFFO starts with our distributable income and then deducts an estimate of normalized non-recoverable maintenance capital expenditures, leasing costs and tenant improvements that we expect to incur based on our current portfolio and expected average leasing activity.

The decline in AFFO was largely as a result of the sale of the Eastern Portfolio. The continuing portfolio comprises growth-oriented assets where the narrowing between market and in-place rents will translate into future AFFO growth.

Investing activities

The following table details our cash utilized in investing activities:

	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Investment in rental properties	**$ (1,647)**	$ (2,659)	**$ (11,295)**	$ (9,173)
Investment in tenant improvements	**(656)**	(3,662)	**(6,424)**	(7,667)
Investment in land development	**(138)**	(1,047)	**(3,111)**	(2,103)
Acquisition of rental properties and land	**(43,004)**	(98,140)	**(560,324)**	(484,667)
Acquisition deposit on rental properties	**(1,700)**	(3,600)	**(2,600)**	(3,600)
Receipt of mezzanine loan	**3,918**	13,142	**3,450**	9,487
Investment in promissory note	**(11,747)**	—	**(11,747)**	—
Vendor take-back mortgage repayment	**—**	3,450	**—**	3,450
Net proceeds from disposal of rental properties and land	**24,740**	(78)	**1,516,385**	24,922
Change in restricted cash, net	**189**	(666)	**1,412**	(1,244)
Cash generated from (utilized) in investing activities	**$ (30,045)**	$ (93,260)	**$ 925,746**	$ (470,595)

Key performance indicators in the management of our investment activities are:

	For the three months ended December 31		For the year ended December 31	
Performance indicators	**2007**	2006	**2007**	2006
Investing activities				
Acquisition of rental properties and land	**$ 52,461**	$ 103,259	**$ 665,478**	$ 598,489
Building improvements	**$ 1,615**	$ 3,444	**$ 10,575**	$ 9,028

Acquisitions and dispositions

During the fourth quarter, we completed two acquisitions for $52.5 million, adding approximately 149,000 square feet to our portfolio. Throughout 2007, we completed acquisitions totalling $665.5 million.

During the third quarter, we sold our Eastern Portfolio to GE for a total purchase price of approximately $2.3 billion, including the assumption of liabilities by GE relating to the Eastern Portfolio. Our operating portfolio now comprises office and industrial properties located primarily in Western Canada. Further detail on the Transaction is provided on page 42.

During the third quarter, we sold a 174,000 square foot industrial property located in Montréal, Québec, for proceeds of $8.0 million. During the fourth quarter we sold a 109,000 square foot industrial property in Calgary, Alberta, for $8.2 million and disposed of our interest in two joint-venture projects, Barker Business Park (Phase II) in Richmond Hill, Ontario, and Tullamore Business Park in Caledon, Ontario, for proceeds of approximately $16.8 million.

For the year ended December 31, 2007	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
30 and 55 St. Clair Avenue West, Toronto[1]	office	100	426,000	96	$ 110,798	$ —	January 9, 2007
625 Agnes Street, New Westminster	office	100	83,000	88	14,587	—	January 24, 2007
Aspen Portfolio, Calgary	office	100	543,000	99	172,130	29,225	March 13, 2007
HCI Portfolio, Vaughan, Burlington and Mississauga[1]	industrial	100	2,100,000	98	237,721	56,528	May 1, 2007
501 Applewood Crescent, Vaughan[1]	industrial	100	76,000	100	6,787	—	May 1, 2007
154 University Avenue, Toronto[1]	office	100	67,000	100	13,784	5,487	May 10, 2007
4400 Dominion Street, Burnaby	office	100	91,000	93	18,637	—	June 27, 2007
Airport Corporate Centre, Calgary	office	100	148,000	100	38,207	—	July 6, 2007
Development property, Yellowknife	office	100	—	—	366	—	August 30, 2007
435-4th Avenue, Calgary	office	100	89,000	100	35,735	9,457	October 9, 2007
960 Quayside Drive, New Westminster	office	100	60,000	95	16,726	—	November 29, 2007
Total			3,683,000	98	$ 665,478	$ 100,697	

[1] Disposed of as a part of the Eastern Portfolio.

Acquisitions and dispositions subsequent to year-end

On January 31, 2008, we completed the purchase of the AIR MILES Tower, a 322,000 square foot office building located at 438 University Avenue in downtown Toronto, for a purchase price of approximately $92.4 million.

Building improvements

	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Building improvements:				
Recurring recoverable	**$ 404**	$ 2,306	**$ 4,236**	$ 5,066
Recurring non-recoverable	**2**	440	**1,562**	637
Non-recurring	**1,209**	698	**4,777**	3,325
Total	**$ 1,615**	$ 3,444	**$ 10,575**	$ 9,028

For the three-month period, capital expenditures or expenditures accrued for rental property building improvements and equipment were $1.6 million (December 31, 2006 — $3.4 million). The $0.4 million recurring recoverable costs incurred in the quarter included $0.1 million for elevator repair, $0.1 million for boiler work, and $0.2 million for general building maintenance required throughout the portfolio. Non-recurring expenditures of $1.2 million in the quarter included $0.7 million to re-clad an office property in the continuing portfolio.

For the year, expenditures on building improvements totalled $10.6 million (December 31, 2006 — $9.0 million). Recurring recoverable costs totalled $4.2 million, of which $2.2 million relates to the continuing portfolio, comprising $0.7 million for air conditioning work, $0.4 million for various roof replacements, and $1.1 million for general building maintenance. Year-to-date, $1.6 million in recurring non-recoverable costs were incurred, of which only $0.1 million relates to the continuing portfolio. Non-recurring expenditures of $4.8 million for the year include approximately $1.6 million that relates to the continuing portfolio, comprising approximately $1.4 million to re-clad an office property and $0.2 million for general maintenance and construction costs.

As part of our acquisition due diligence, we endeavour to identify any near-term capital expenditure requirements and factor those costs into our investment analysis and purchase price negotiations. Such potential expenditures are approved in the acquisition process and will be identified as incurred. Anticipated non-recoverable capital expenditures associated with both the current quarter and year-to-date acquisitions are expected to be approximately $1.7 million and will be incurred over the next two to three years. These expenditures were factored into the purchase price paid for our acquisitions.

Financing activities

We finance the ownership of our assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures. Our debt strategy includes managing our maturity schedule to help mitigate interest rate risk and limit exposure in any given year, as well as fixing the rates and extending loan terms as long as possible when interest rates are favourable.

As part of the Transaction, the cash proceeds received on the sale of our Eastern Portfolio were used to redeem 29,915,284 outstanding Units for $47.50 per unit. In addition, GE purchased 3,473,687 outstanding units at a purchase price of $47.50 per unit.

The following table details our cash generated from financing activities:

	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Mortgages placed, net of costs	**$ 155,093**	$ 48,323	**$ 391,266**	$ 294,985
Mortgage principal repayments	**(2,784)**	(6,917)	**(24,896)**	(25,380)
Mortgage lump sum repayments	**(47,205)**	(32,429)	**(68,983)**	(79,486)
Term debt principal repayments	**21**	(66)	**(65)**	(364)
Term debt lump sum repayments	**(6,921)**	—	**(6,921)**	(14,957)
Term debt placed, net of costs	**6**	44	**84**	6,139
Demand revolving credit facility	**(36,901)**	(10,362)	**—**	—
Distributions paid on REIT Units	**(11,442)**	(15,138)	**(70,534)**	(50,074)
Redemption of units	**—**	—	**(1,420,980)**	—
Deferred trust and income deferred units cancelled	**—**	—	**(5,492)**	—
Units issued, net of costs	**(10)**	143,686	**163,538**	306,351
Cash generated from (utilized in) financing activities	**$ 49,857**	$ 127,141	**$(1,042,983)**	$ 437,214

Debt

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

December 31	**2007**	2006
Financing activities		
Average interest rate	**5.76%**	5.95%
Level of debt (debt-to-enterprise value)	**50.6%**	41.8%
Interest coverage ratio	**2.51 times**	2.46 times
Proportion of total debt due within one year	**4.8%**	4.7%
Debt — average term to maturity (years)	**6.1**	5.8
Variable rate debt as percentage of total debt	**2.4%**	2.2%

Our amended Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. This ratio is calculated by dividing NOI from continuing operations plus interest and fee income, less general and administrative expenses by interest expense from continuing operations. The interest coverage ratio replaces the limit on our overall debt-to-gross book value in our Declaration of Trust as a key metric in evaluating the management of our debt. The interest coverage ratio is 2.51 times as at December 31, 2007, and reflects our ability to cover interest expense requirements. The slight decline in the interest coverage ratio from the 2.59 times achieved in the third quarter reflects the impact of the sale of the Eastern Portfolio as well as having undeployed cash during the quarter.

Our average interest rate as at December 31, 2007, was 5.76%, an improvement over both the prior quarter and the prior year (Q3 — 5.87%, 2006 — 5.95%). The improvement is mainly due to mortgage financing activity, the proceeds of which were partially used to repay credit facilities at higher interest rates.

Variable rate debt as a percentage of total debt decreased during the quarter as a result of repaying revolving credit facilities, but is slightly higher than in 2006, mainly as a result of the sale of the Eastern Portfolio.

December 31			**2007**			2006
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 651,844**	**$ 16,344**	**$ 668,188**	$ 1,036,909	$ 19,402	$ 1,056,311
Term debt	**451**	**—**	**451**	2,238	5,526	7,764
6.5% Debentures	**3,857**	**—**	**3,857**	24,438	—	24,438
5.7% Debentures	**7,983**	**—**	**7,983**	65,281	—	65,281
Total	**$ 664,135**	**$ 16,344**	**$ 680,479**	$ 1,128,866	$ 24,928	$ 1,153,794
Percentage	**97.6%**	**2.4%**	**100%**	97.8%	2.2%	100%

Mortgages payable include a $4.8 million fair value adjustment (December 31, 2006 — $9.6 million) reflecting the fair value of mortgages assumed in connection with acquisitions. During the year, $78.1 million of debentures were converted into 2,739,923 REIT A Units. Amounts recorded as at December 31, 2007, for the 6.5% and 5.7% Debentures are net of the $0.1 million premiums allocated to their conversion features. The fair value adjustment and premium are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method. Further details on the conversions are provided on page 41.

Debt financing activity

During the year we secured approximately $393.1 million in new mortgage financing of which $218.7 million related to the continuing portfolio. The new financings relating to the continuing portfolio were completed with an average term to maturity of 6.9 years and an average interest rate of 5.6%. As a result, our overall average interest rate decreased to 5.76% and our average term to maturity was extended to 6.1 years.

A demand revolving credit facility is available up to a formula-based maximum of $50.0 million, bearing interest generally at the bank prime rate (6.0% as at December 31, 2007) plus 0.375% or bankers' acceptance rates. The expiration of the facility was extended to April 30, 2008, and is secured by a first-ranking collateral mortgage on four of the Trust's properties and a second-ranking collateral mortgage on one property. As at December 31, 2007, $nil was drawn.

Changes in debt levels are as follows:

	For the three months ended December 31, 2007				
	Mortgages	Term debt	Revolving[1] credit facilities	Convertible debentures	Total
Debt as at September 30, 2007	$ 553,859	$ 7,756	$ 36,901	$ 13,068	$ 611,584
New debt assumed on rental property acquisitions	9,457	—	—	—	9,457
New debt placed	155,599	293	—	—	155,892
Scheduled repayments	(2,784)	—	—	—	(2,784)
Lump sum repayments	(47,205)	(7,619)	(36,901)	—	(91,725)
Conversion to unit equity	—	—	—	(1,284)	(1,284)
Amortization and other adjustments	(738)	21	—	56	(661)
Debt as at December 31, 2007	**$ 668,188**	**$ 451**	**$ —**	**$ 11,840**	**$ 680,479**

	For the year ended December 31, 2007				
	Mortgages	Term debt	Revolving[1] credit facilities	Convertible debentures	Total
Debt as at December 31, 2006	$ 1,056,311	$ 7,764	$ —	$ 89,719	$ 1,153,794
Adjustment on adoption of new financial instrument accounting standard	(3,596)	—	—	(3,746)	(7,342)
New debt assumed on rental property acquisitions	97,457	—	—	—	97,457
New debt placed	393,099	371	237,562	—	631,032
Scheduled repayments	(24,896)	(65)	—	—	(24,961)
Lump sum repayments	(68,983)	(7,619)	(237,562)	—	(314,164)
Assumed by purchaser on property dispositions	(774,735)	—	—	—	(774,735)
Conversion to unit equity	—	—	—	(78,105)	(78,105)
Amortization and other adjustments	(6,469)	—	—	3,972	(2,497)
Debt as at December 31, 2007	**$ 668,188**	**$ 451**	**$ —**	**$ 11,840**	**$ 680,479**

[1] Our credit facilities have not exceeded the maximum amounts available at any time during the year.

DUNDEE REIT 2007 Annual Report

Effective January 1, 2007, we adopted new accounting standards for recognizing and measuring financial assets and liabilities on our balance sheet. This standard is applied prospectively and does not permit the restatement of prior periods. As a result of adopting the standard, deferred financing costs of $3.6 million and $3.7 million have been deducted from mortgages and convertible debentures, respectively.

In connection with the sale of the Eastern Portfolio, $774.7 million in mortgages were repaid or assumed by GE. During the fourth quarter, we assumed a $9.5 million mortgage related to a property acquired in Calgary.

December 31	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average interest rate on balance due at maturity %
2008	$ 19,304	$ 13,447	$ 32,751	4.8	7.43
2009	51,766	13,661	65,427	9.6	6.22
2010	5,867	14,359	20,226	3.0	5.24
2011	70,348	14,231	84,579	12.5	6.03
2012	99,997	12,085	112,082	16.5	5.57
2013 and thereafter	334,601	28,929	363,530	53.6	5.64
Total	$ 581,883	$ 96,712	678,595	100.0	5.78
Fair value adjustments			4,716		
Deferred financing costs			(2,832)		
Total			$ 680,479		

Convertible debentures

During the year we issued 2,739,923 REIT A Units upon the conversion of $78.1 million of the principal amount of 6.5% and 5.7% Debentures.

With respect to the 6.5% Debentures, we issued 818,880 REIT A Units upon the conversion of $20.5 million of the principal amount. Subsequent to year-end, we issued an additional 3,480 REIT A Units upon the conversion of $0.1 million of the principal amount. The total principal amount outstanding at January 31, 2008, was $4.0 million, and is convertible into 160,960 REIT A Units.

With respect to the 5.7% Debentures, we issued 1,921,043 REIT Units upon the conversion of $57.6 million of the principal amount. Subsequent to year-end, we issued an additional 3,698 REIT A Units upon the conversion of $0.1 million of the principal amount. The total principal amount outstanding at January 31, 2008, was $8.2 million, and is convertible into approximately 272,900 REIT A Units.

Effective January 14, 2008, the Trust completed a public offering of $125.0 million principal amount of convertible unsecured subordinated debentures with a coupon rate of 6% per annum payable semi-annually on June 30 and December 31, commencing on June 30, 2008, and due on December 31, 2014. A portion of the principal relating to the conversion feature will be classified as a component of unitholders' equity.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2006	34,854,553	—	8,565,095	43,419,648
Units issued pursuant to public offerings	4,195,000	—	—	4,195,000
Units issued pursuant to internalization of property manager	—	—	44,674	44,674
Units issued pursuant to DRIP	335,159	—	13,259	348,418
Unit Purchase Plan	1,170	—	—	1,170
Units issued pursuant to Deferred Unit Incentive Plan	30,370	—	—	30,370
Unit redemption	(25,813,362)	(4,102,022)	—	(29,915,384)
Conversion of 6.5% Debentures	818,880	—	—	818,880
Conversion of 5.7% Debentures	1,921,043	—	—	1,921,043
Exchange of units	729,341	4,578,338	(5,307,679)	—
Total units outstanding on December 31, 2007	17,072,154	476,316	3,315,349	20,863,819
Percentage of all units	81.8%	2.3%	15.9%	100%
Units issued pursuant Deferred Unit Incentive Plan	9,758	—	—	9,758
Conversion of 6.5% Debentures	3,480	—	—	3,480
Conversion of 5.7% Debentures	3,698	—	—	3,698
Total units outstanding on January 31, 2008	17,089,090	476,316	3,315,349	20,880,755
Percentage of all units	81.8%	2.3%	15.9%	100%

Normal course issuer bid

On August 30, 2007, we filed with the Toronto Stock Exchange ("TSX") a Notice of Intention to make a normal course issuer bid. Under the bid, Dundee REIT will have the ability to purchase for cancellation up to a maximum of 1,359,844 of its REIT A Units (representing 10% of the REIT's public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. The bid commenced on September 5, 2007, and will remain in effect until the earlier of September 4, 2008, or the date on which the REIT has purchased the maximum number of units permitted under the bid. The Trust's average daily trading volume for the then most recently completed six months was 360,465 REIT A Units. As of December 31, 2007, the number of issued and outstanding REIT A Units is 17,072,154. Based on the December 31, 2007, closing price of the REIT A Units, the Trust may purchase up to $45.9 million worth of REIT A Units. To date the Trust has not made any acquisition pursuant to this bid.

SALE OF THE EASTERN PORTFOLIO TO GE REAL ESTATE

On August 24, 2007, we completed the sale of the Eastern Portfolio to GE for a total purchase price of $2.3 billion, including the assumption of liabilities by GE relating to this portfolio (the "Transaction"). Dundee REIT continues to own a portfolio of office and industrial properties located primarily in Western Canada, with an estimated market value of approximately $1.5 billion, and a subsidiary of Dundee REIT continues to perform the property management function.

On closing, Dundee REIT received cash of approximately $1.5 billion. The cash consideration received was approximately $100 million less than the anticipated $1.6 billion as a result of certain properties that we were not able to transfer to GE on closing due to the purchase rights of our co-owners or certain tenants ("Holdback Properties"). The cash proceeds received on closing were used to redeem approximately 29.9 million outstanding units for $47.50 per unit (the "Redemption"). In addition, GE purchased approximately 3.5 million outstanding units at a purchase price of $47.50 per unit (the "Transfer"), which gave GE an approximate 16% equity interest in the Trust. Dundee REIT incurred transaction costs of approximately $18.5 million in relation to the Transaction. These costs include $4.3 million related to accelerated vesting of deferred trust units and income deferred trust units, $2.1 million relating to the purchase and cancellation of deferred trust units and income trust units from trustees, senior officers and transferring employees who had elected such purchases, and $3.9 million related to the special award of deferred trust units in connection with the Transaction.

On closing, Dundee REIT entered into an asset management agreement with DRC (the "Asset Management Agreement") pursuant to which DRC provides asset management services to Dundee REIT with respect to the Western Portfolio. The Asset Management Agreement is for an initial term of five years and is renewable for further five-year terms in accordance with the Termination and Term provisions of the agreement. Also on closing, DRC and GE entered into an asset management agreement pursuant to which DRC provides asset management services to GE with respect to the Eastern Portfolio.

On closing, GE also entered into an administrative services agreement with Dundee REIT, pursuant to which DMLP will, for up to a two-year term, provide certain general office support services, including information systems support, human resources and payroll services, regulatory compliance services, accounting services and such other services as GE may reasonably request from time to time.

The Transaction was approved by more than 99% of the votes cast by unitholders, including over 99% of the votes cast by minority unitholders, at a special unitholder meeting held on August 15, 2007. Unitholders also approved various amendments to the governing documents of Dundee REIT and its subsidiaries in respect of the governance and operation of the Trust, including the modification of Dundee Corporation's existing board appointment rights and changes to the investment guidelines and operating policies of Dundee REIT's operating subsidiary, DPLP.

Subsequent to August 24, 2007, we sold one property to its tenant for proceeds of $8.0 million. We have retained our interest in the remaining Holdback Properties located in Toronto and Atlanta.

OUR RESULTS OF OPERATIONS

	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Revenues				
Rental properties revenue	**$ 42,921**	$ 32,242	**$ 155,161**	$ 102,389
Interest and fee income	**1,023**	1,252	**2,941**	3,631
	43,944	33,494	**158,102**	106,020
Expenses				
Rental properties operating expenses	**16,035**	12,364	**55,603**	38,978
Interest	**10,154**	9,295	**37,822**	34,032
Depreciation of rental properties	**6,180**	5,087	**23,361**	16,567
Amortization of deferred leasing costs, tenant improvements and intangibles	**7,282**	3,650	**23,346**	12,397
General and administrative	**1,534**	1,861	**7,600**	6,812
	41,185	32,257	**147,732**	108,786
Income (loss) before the undernoted item	**2,759**	1,237	**10,370**	(2,766)
Internalization of property manager	**—**	(615)	**(1,230)**	(13,678)
Gain on disposal of rental property and land	**—**	9	**2,328**	(220)
Reversal of (provision for) impairment of rental property previously recorded as held for sale	**6,298**	—	**(1,352)**	—
Income (loss) before income taxes	**9,057**	631	**10,116**	(16,664)
Income taxes				
Current income	**8**	22	**30**	62
Future income taxes	**(15,539)**	(111)	**(823)**	2,314
	(15,531)	(89)	**(793)**	2,376
Income (loss) before non-controlling interest and discontinued operations	**24,588**	720	**10,909**	(19,040)
Income attributable to non-controlling interest	**—**	—	**—**	(1,003)
Income (loss) before discontinued operations	**24,588**	720	**10,909**	(20,043)
Discontinued operations	**4,636**	7,232	**751,393**	31,261
Net income	**$ 29,224**	$ 7,952	**$ 762,302**	$ 11,218

Rental properties revenue

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs, property taxes, parking revenues and other miscellaneous revenues from tenants. The $52.8 million or 52% increase in rental property revenue is primarily a result of additional revenues generated by acquisitions.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from quarter to quarter. Reduced interest on smaller bank balances and mezzanine loans resulted in a $0.7 million decline in interest.

Rental properties operating expenses

Operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. Expenses for the twelve months increased $16.6 million or 43%, mainly reflecting the additional costs associated with acquired properties; however, this is offset by 52% growth in rental properties revenue.

Interest expense

Interest expense for the twelve-month period increased $3.8 million reflecting debt assumed on acquisitions and financing activity completed during the year. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, is 2.51 times as at December 31, 2007.

Depreciation of rental properties

Depreciation increased by $6.8 million or 41% compared with the same year in 2006 mainly as a result of acquisitions.

Amortization of deferred leasing costs, tenant improvements and intangibles

Amortization for the year was $23.3 million, an increase of $11 million or 88% over the comparative year. The increase is largely due to the allocation of a portion of the purchase price to intangibles on new acquisitions since 2006.

General and administrative expenses

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the year were $7.6 million, an increase of $0.8 million or 12% over the comparative year resulting from increased management expenses including executive compensation, listing fees, and audit and consulting expenses.

Income tax expense

Dundee REIT distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation to pay tax rests with each unitholder and no tax provision is currently required on the majority of Dundee REIT's income. Certain of our Canadian and U.S. subsidiaries are taxable and any tax-related costs are reflected in the balance sheet and income statement.

As the Trust did not meet the technical REIT Exception as at June 12, 2007, a future income tax liability in the amount of $40.0 million was recorded as at June 12, 2007, based on the temporary differences that were expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income for the quarter ended June 30, 2007. During the quarter ended September 30, 2007, a future income tax liability in the amount of $25.0 million relating to assets sold during the quarter was reversed and recorded as a component of discontinued operations. As a result of modifying our organizational structure in December 2007, the Trust has met the REIT Exception as at December 31, 2007, and accordingly the remaining $15.0 million of the future income tax liability was reversed and recorded as a recovery through the consolidated statement of net income and comprehensive income.

Discontinued operations

Discontinued operations include assets that have been categorized as held for sale or sold and meet specific criteria as discontinued assets in accordance with GAAP. These operations are disclosed separately on the income statement. Discontinued operations primarily refers to the Eastern Portfolio and includes the net gain recorded on the sale.

Related-party transactions

From time to time Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Effective August 24, 2007, Dundee REIT entered into the Asset Management Agreement with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries as disclosed in Note 20 to the financial statements. Prior to May 1, 2006, Dundee REIT, DPLP (an indirect subsidiary of Dundee REIT), DMLP (an indirect subsidiary of Dundee REIT), and DRC were parties to a property management agreement and an administrative services agreement (the "Management Agreement" and the "Services Agreement"). In addition, DMLP and DRC are parties to a separate administrative services agreement. Effective May 1, 2006, the Trust acquired DRC's 50% interest in DMLP. As a result, DRC is no longer party to the Management Agreement, other than to its rent supplement obligation, and the Services Agreement. DMLP and DRC have extended the term of the DRC Services Agreement until June 30, 2013.

During the year, we received $0.4 million in fees related to the rent supplement and $1.9 million related to the DRC Services Agreement and paid $2.1 million related to the Asset Management Agreement.

Net operating income

Net operating income is an important measure used by management to evaluate the operating performance of the properties; however, it is not defined by GAAP, does not have a standard meaning and may not be comparable with other income trusts. Provided below is our reconciliation of NOI to net income:

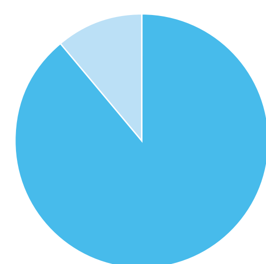
	For the three months ended December 31		For the year ended December 31	
	2007	2006	**2007**	2006
Net income	**$ 29,224**	$ 7,952	**$ 762,302**	$ 11,218
Add (deduct):				
Interest expense	**10,154**	10,262	**37,822**	34,032
Depreciation of rental properties	**6,180**	5,849	**23,361**	16,567
Amortization of deferred leasing costs, tenant improvements and intangibles	**7,282**	3,852	**23,346**	12,397
General and administrative expenses	**1,534**	1,861	**7,600**	6,812
Gain on disposal of rental property and land	**—**	220	**(2,328)**	220
Provision for (reversal of) impairment in value of rental property	**(6,298)**	—	**1,352**	—
Internalization of property manager	**—**	615	**1,230**	13,678
Interest and fee income	**(1,023)**	(1,252)	**(2,941)**	(3,631)
Income taxes	**(15,531)**	1,967	**(793)**	2,376
Non-controlling interest	**—**	393	**—**	1,003
Depreciation, amortization, interest, provision for impairment, future income taxes, gain or loss on disposition, and non-controlling interest included in discontinued operations	**(4,682)**	15,317	**(669,055)**	71,234
NOI including redevelopment and discontinued operations	**$ 26,840**	$ 47,036	**$ 181,896**	$ 165,906

We define NOI as the total of rental property revenues less rental property operating expenses. NOI, before redevelopment and discontinued operations, for the quarter increased 38% over the comparative period, primarily due to income generated by properties acquired in 2006 and 2007. NOI generated by our comparative portfolio increased $0.7 million or 7% for the quarter and $3.6 million or 9% for the year, largely driven by increased occupancy and higher rental rates achieved on renewals and new leasing. Discontinued operations mainly reflects the results of the Eastern Portfolio.

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Office	**$ 23,468**	$ 16,307	$ 7,161	44	**$ 85,595**	$ 49,699	$ 35,896	72
Industrial	**2,988**	2,799	189	7	**12,084**	10,517	1,567	15
NOI	**26,456**	19,106	7,350	38	**97,679**	60,216	37,463	62
Redevelopment	**430**	772	(342)		**1,879**	3,195	(1,316)	
Discontinued operations	**(46)**	27,158	(27,204)		**82,338**	102,495	(20,157)	
NOI including redevelopment and discontinued operations	**$ 26,840**	$ 47,036	$ (20,196)	(43)	**$ 181,896**	$ 165,906	$ 15,990	10

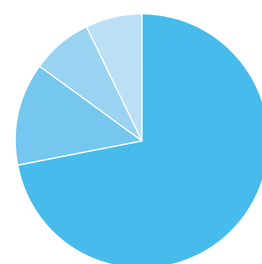
	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
British Columbia	**$ 1,929**	$ 1,172	$ 757	65	**$ 6,702**	$ 4,696	$ 2,006	43
Alberta	**18,997**	12,615	6,382	51	**68,746**	39,095	29,651	76
Saskatchewan & NWT	**3,546**	3,423	123	4	**14,242**	8,728	5,514	63
Ontario	**1,984**	1,896	88	5	**7,989**	7,697	292	4
NOI	**26,456**	19,106	7,350	38	**97,679**	60,216	37,463	62
Redevelopment	**430**	772	(342)		**1,879**	3,195	(1,316)	
Discontinued operations	**(46)**	27,158	(27,204)		**82,338**	102,495	(20,157)	
NOI including redevelopment and discontinued operations	**$ 26,840**	$ 47,036	$ (20,196)	(43)	**$ 181,896**	$ 165,906	$ 15,990	10

NOI BY SEGMENT
(THREE MONTHS ENDED DECEMBER 31, 2007)



- Office **89%**
- Industrial **11%**

NOI BY REGION
(THREE MONTHS ENDED DECEMBER 31, 2007)



- Alberta **72%**
- Saskatchewan & NWT **13%**
- Ontario **8%**
- British Columbia **7%**

NOI comparative portfolio

NOI shown below highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. The Eastern Portfolio is classified as discontinued operations. The discontinued operations that contributed to NOI are shown separately to conform to the required income statement presentation. The following review of operations focuses on our continuing portfolio. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of market rent adjustments on acquired leases.

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Office	**$ 7,915**	$ 7,437	$ 478	6	**$ 31,435**	$ 29,014	$ 2,421	8
Industrial	**2,704**	2,497	207	8	**10,808**	9,596	1,212	13
Comparative properties	**10,619**	9,934	685	7	**42,243**	38,610	3,633	9
Acquisitions	**12,262**	7,363	4,899		**43,426**	16,777	26,649	
Rent supplement	**22**	23	(1)		**86**	43	43	
GAAP adjustments	**3,553**	1,786	1,767		**11,924**	4,786	7,138	
NOI	**26,456**	19,106	7,350	38	**97,679**	60,216	37,463	62
Redevelopment	**430**	772	(342)		**1,879**	3,195	(1,316)	
Discontinued operations	**(46)**	27,158	(27,204)		**82,338**	102,495	(20,157)	
NOI including redevelopment and discontinued operations	**$ 26,840**	$ 47,036	$ (20,196)	(43)	**$ 181,896**	$ 165,906	$ 15,990	10

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Alberta	**$ 7,340**	$ 6,733	$ 607	9	**$ 28,729**	$ 25,796	$ 2,933	11
British Columbia	**1,120**	1,155	(35)	(3)	**4,822**	4,646	176	4
Saskatchewan & NWT	**185**	208	(23)	(11)	**812**	768	44	6
Ontario	**1,974**	1,838	136	7	**7,880**	7,400	480	6
Comparative properties	**10,619**	9,934	685	7	**42,243**	38,610	3,633	9
Acquisitions	**12,262**	7,363	4,899		**43,426**	16,777	26,649	
Rent supplement	**22**	23	(1)		**86**	43	43	
GAAP adjustments	**3,553**	1,786	1,767		**11,924**	4,786	7,138	
NOI	**26,456**	19,106	7,350	38	**97,679**	60,216	37,463	62
Redevelopment	**430**	772	(342)		**1,879**	3,195	(1,316)	
Discontinued operations	**(46)**	27,158	(27,204)		**82,338**	102,495	(20,157)	
NOI including redevelopment and discontinued operations	**$ 26,840**	$ 47,036	$ (20,196)	(43)	**$ 181,896**	$ 165,906	$ 15,990	10

Comparative NOI growth was driven by rising rental rates across our office and industrial portfolios nationally.

Comparative office portfolio

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
British Columbia	**$ 1,120**	$ 1,155	$ (35)	(3)	**$ 4,822**	$ 4,646	$ 176	4
Alberta	**4,636**	4,236	400	9	**17,921**	16,200	1,721	11
Saskatchewan & NWT	**185**	208	(23)	(11)	**812**	768	44	6
Ontario	**1,974**	1,838	136	7	**7,880**	7,400	480	6
Comparative properties	**7,915**	7,437	478	6	**31,435**	29,014	2,421	8
Acquisitions	**12,034**	7,125	4,909		**42,437**	16,121	26,316	
Rent supplement	**22**	23	(1)		**86**	90	(4)	
GAAP adjustments	**3,497**	1,722	1,775		**11,637**	4,474	7,163	
Office NOI	**$ 23,468**	$ 16,307	$ 7,161	44	**$ 85,595**	$ 49,699	$ 35,896	72

Our comparative office portfolio remains well occupied with most Western markets boasting virtually full economic occupancy. Strong comparative NOI growth in the office portfolio is largely a result of higher rental rates achieved on renewals and new leasing. The Alberta office portfolio leads our growth, benefiting from leasing activity and rising rental rates. Occupancy in the comparative Alberta office portfolio is at 98.0% at period-end compared to 99.4% in the prior year comparative period.

Comparative industrial portfolio

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2007	2006	Amount	%	**2007**	2006	Amount	%
Alberta	**$ 2,704**	$ 2,497	$ 207	8	**$ 10,808**	$ 9,596	$ 1,212	13
Comparative properties	**2,704**	2,497	207	8	**10,808**	9,596	1,212	13
Acquisitions	**228**	238	(10)		**989**	656	333	
Rent supplement	**—**	—	—		**—**	(47)	47	
GAAP adjustments	**56**	64	(8)		**287**	312	(25)	
Industrial NOI	**$ 2,988**	$ 2,799	$ 189	7	**$ 12,084**	$ 10,517	$ 1,567	15

Our comparative industrial portfolio contributed strong results in the three- and twelve-month periods due to the impact of higher rental rates achieved on leasing.

NOI prior quarter comparison

The comparative properties disclosed in the following table are based on properties that were acquired prior to July 1, 2007.

Overall, comparative properties are maintaining a high level of occupancy, achieving incremental improvements in rental rates and producing modest growth in NOI. Comparative property NOI was up $0.3 million in the quarter primarily due to rental rate increases in Alberta. The increase in NOI was offset by reduced economies of scale in operating our property management platform as a result of the sale of our Eastern Portfolio. The incremental cost of adding more properties will be minimal as our platform has the capability of managing a much larger portfolio so the costs per square foot of managing our portfolio will be reduced with each new property acquired.

	For the three months ended			
			Growth	
	December 31, 2007	September 30, 2007	Amount	%
Office	**$ 18,760**	$ 18,852	$ (92)	—
Industrial	**2,932**	3,022	(90)	(3)
Comparative properties	**21,692**	21,874	(182)	(1)
Acquisitions	**1,189**	605	584	
Rent supplement	**22**	17	5	
GAAP adjustments	**3,553**	3,162	391	
NOI	**26,456**	25,658	798	3
Redevelopment	**430**	426	4	
Discontinued operations	**(46)**	20,487	(20,533)	
NOI including redevelopment and discontinued operations	**$ 26,840**	$ 46,571	$ (19,731)	(42)

	For the three months ended			
			Growth	
	December 31, 2007	September 30, 2007	Amount	%
Alberta	**$ 14,396**	$ 14,454	$ (58)	—
British Columbia	**1,798**	1,798	—	—
Saskatchewan & NWT	**3,495**	3,624	(129)	(4)
Ontario	**2,003**	1,998	5	—
Comparative properties	**21,692**	21,874	(182)	(1)
Acquisitions	**1,189**	605	584	
Rent supplement	**22**	17	5	
GAAP adjustments	**3,553**	3,162	391	
NOI	**26,456**	25,658	798	3
Redevelopment	**430**	426	4	
Discontinued operations	**(46)**	20,487	(20,533)	
NOI including redevelopment and discontinued operations	**$ 26,840**	$ 46,571	$ (19,731)	(42)

NOI from the office portfolio decreased $0.1 million mainly as a result of higher seasonal operating costs. NOI from the industrial portfolio decreased mainly as a result of a vacancy at an industrial property in Edmonton that has since been re-leased with the lease scheduled to commence in March 2008.

SELECTED ANNUAL INFORMATION

The following table provides select financial information for the past three years:

December 31	**2007**	2006	2005
Revenues	**$ 158,102**	$ 291,440	$ 222,759
Income before discontinued operations	**10,909**	7,848	6,566
Net income	**762,302**	11,218	4,309
Total assets	**1,156,441**	2,127,920	1,507,713
Debt	**680,479**	1,153,794	943,621
Distributions declared	**79,534**	76,511	56,072
Per unit amounts:			
Basic income from continuing operations	**$ 0.29**	$ 0.25	$ 0.38
Basic net income	**19.95**	0.35	0.25
Diluted income from continuing operations	**0.29**	0.25	0.29
Diluted net income	**19.94**	0.35	0.16

QUARTERLY INFORMATION

The following tables show quarterly information since December 31, 2005.

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Revenues								
Rental properties revenue	**$ 42,921**	$ 40,464	$ 38,334	$ 33,442	$ 32,242	$ 30,431	$ 21,388	$ 18,328
Interest and fee income	**1,023**	574	680	664	1,252	1,032	849	498
	43,944	41,038	39,014	34,106	33,494	31,463	22,237	18,826
Expenses								
Rental properties operating expenses	**16,035**	14,379	13,139	12,050	12,364	11,174	7,997	7,443
Interest	**10,154**	9,794	9,168	8,706	9,295	9,968	7,780	6,989
Depreciation of rental properties	**6,180**	6,135	5,823	5,223	5,087	4,996	3,549	2,935
Amortization of deferred leasing costs, tenant improvements and intangibles	**7,282**	5,862	6,004	4,198	3,650	4,507	2,384	1,856
General and administrative	**1,534**	1,887	1,977	2,202	1,861	1,687	1,756	1,508
	41,185	38,057	36,111	32,379	32,257	32,332	23,466	20,731
Income before the undernoted items	**2,759**	2,981	2,903	1,727	1,237	(869)	(1,229)	(1,905)
Internalization of property manager	**—**	—	—	(1,230)	(615)	27	(13,090)	—
Gain (loss) on disposal of rental property and land held for sale	**—**	854	1,474	—	9	(445)	216	—
Reversal of (provision for) impairment of rental property previously held for sale	**6,298**	(7,650)	—	—	—	—	—	—
Income (loss) before income and large corporations taxes	**9,057**	(3,815)	4,377	497	631	(1,287)	(14,103)	(1,905)
Income taxes								
Current income and large corporations taxes	**8**	7	10	5	22	(82)	77	45
Future income taxes (recovery)	**(15,539)**	(25,198)	40,031	(117)	(111)	(202)	2,453	174
Income tax expense (recovery)	**(15,531)**	(25,191)	40,041	(112)	(89)	(284)	2,530	219
Income (loss) before non-controlling interest and discontinued operations	**24,588**	21,376	(35,664)	609	720	(1,003)	(16,633)	(2,124)
Loss (income) attributable to non-controlling interest	**—**	—	—	—	—	—	(1,342)	339
Income (loss) before discontinued operations	**24,588**	21,376	(35,664)	609	720	(1,003)	(17,975)	(1,785)
Discontinued operations	**4,636**	731,074	7,874	7,809	7,232	7,826	11,229	4,974
Net income (loss)	**$ 29,224**	$ 752,450	$ (27,790)	$ 8,418	$ 7,952	$ 6,823	$ (6,746)	$ 3,189
Net income (loss) per unit								
Basic	**$ 1.38**	$ 19.82	$ (0.57)	$ 0.19	$ 0.24	$ 0.19	$ (0.23)	$ 0.15
Diluted[1]	**$ 1.38**	$ 19.81	$ (0.57)	$ 0.19	$ 0.24	$ 0.19	$ (0.23)	$ 0.15

[1] Excludes impact of 6.5% and 5.7% Debentures, which are currently not dilutive to net income.

Calculation of funds from operations and distributable income

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Net income (loss)	**$ 29,224**	**$ 752,450**	**$ (27,790)**	**$ 8,418**	**$ 7,952**	**$ 6,823**	**$ (6,746)**	**$ 3,189**
Add (deduct):								
Depreciation of rental properties	6,193	10,960	13,495	12,336	11,259	10,824	9,255	8,570
Amortization of deferred leasing costs, tenant improvements and intangibles	7,286	10,825	12,988	9,843	9,384	9,007	6,527	5,725
Future income tax	(15,539)	(25,198)	40,031	(117)	(111)	(202)	2,453	174
Imputed amortization of leasing costs related to the rent supplement	6	61	88	79	81	68	289	256
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(77)	(42)	(29)	(18)	(17)	(18)	(13)	(5)
(Gain) loss on disposal of rental properties and land held for sale	(4,968)	(727,374)	(1,474)	—	4	415	(3,453)	24
Provision for (reversal of) impairment in value of rental property	(6,298)	7,650	—	—	—	—	—	—
Internalization of property manager	—	—	—	1,230	615	(27)	13,090	—
Income tax expense incurred as a result of the Transaction	300	—	—	—	—	—	—	—
Non-controlling interest	—	—	—	—	—	—	527	1,349
Funds from operations	**$ 16,127**	**$ 29,332**	**$ 37,309**	**$ 31,771**	**$ 29,167**	**$ 26,890**	**$ 21,929**	**$ 19,282**
Funds from operations per unit								
Basic[1]	$ 0.76	$ 0.77	$ 0.76	$ 0.71	$ 0.74	$ 0.74	$ 0.67	$ 0.67
Diluted	$ 0.76	$ 0.76	$ 0.75	$ 0.69	$ 0.71	$ 0.70	$ 0.64	$ 0.63
Cash generated from operating activities	**$ 9,952**	**$ 6,794**	**$ 35,150**	**$ 32,071**	**$ 24,003**	**$ 22,058**	**$ 24,634**	**$ 17,167**
Add (deduct):								
Deferred leasing costs incurred	690	2,026	1,554	1,358	2,352	972	1,739	1,034
Amortization of deferred financing costs incurred prior to June 30, 2003	20	67	94	87	65	81	94	94
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	(4)	5	13	16	16	17	19	21
Amortization of tenant inducements	25	31	33	26	20	—	—	—
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(77)	(42)	(29)	(18)	(17)	(18)	(13)	(5)
Loss (gain) on disposal of rental property	—	—	—	—	—	—	(25)	24
Amortization of deferred financing costs	(57)	(259)	(316)	(306)	(445)	(619)	(425)	(433)
Income tax expense incurred as a result of the Transaction	300	—	—	—	—	—	—	—
Change in non-cash working capital	1,471	16,412	(3,517)	(4,265)	660	1,378	(5,524)	78
Distributable income	**$ 12,320**	**$ 25,034**	**$ 32,982**	**$ 28,969**	**$ 26,654**	**$ 23,869**	**$ 20,499**	**$ 17,980**
Distributable income per unit								
Basic[1]	$ 0.58	$ 0.66	$ 0.67	$ 0.64	$ 0.67	$ 0.66	$ 0.63	$ 0.62
Diluted	$ 0.58	$ 0.65	$ 0.66	$ 0.63	$ 0.65	$ 0.63	$ 0.60	$ 0.59
Weighted average units outstanding for FFO and DI								
Basic	21,107,542	37,961,439	49,115,213	44,954,392	39,588,295	36,350,417	32,727,091	28,968,219
Diluted	21,566,798	39,020,277	51,306,940	47,732,198	43,447,393	42,292,776	38,953,240	35,281,362

[1] The LP Class B Units, Series 1, are included in the calculation of basic FFO per unit and basic DI per unit.

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES

As of December 31, 2007, the Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the design and operational effectiveness of Dundee REIT's disclosure controls and procedures, as defined in Multilateral Instrument 52-109. They have concluded that the disclosure controls and procedures were adequate and effective to provide reasonable assurance that information required to be disclosed by Dundee REIT in its annual filings, interim filings or other reports filed or submitted by it under applicable Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by such laws.

In addition, as of December 31, 2007, the Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the design of the Dundee REIT's internal controls over financial reporting as defined in Multilateral Instrument 52-109. The internal controls over financial reporting were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. They have concluded that the internal controls over financial reporting were appropriately designed. There were no changes made to the internal controls in 2007 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

SECTION IV — RISKS AND OUR STRATEGY TO MANAGE

Dundee REIT is exposed to various risks and uncertainties. Risks and uncertainties inherent in an investment in our units include but are not limited to the following:

REAL ESTATE OWNERSHIP

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

Our portfolio of properties generates income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than the existing lease. Our financial position would be adversely affected if a number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties were not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting our investment may be incurred. 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 such tenant and, thereby, cause a reduction in the cash flow available to us.

Our properties are located primarily in Western Canada, with a significant majority of our properties, measured by gross leaseable area, located in the province of Alberta. As a result, our properties are impacted by factors specifically affecting the real estate markets in Alberta, British Columbia, Saskatchewan and the Northwest Territories. These factors may differ from those affecting the real estate markets in other regions of Canada. If real estate conditions in Western Canada were to decline relative to real estate conditions in other regions, this could more adversely impact our revenues and results of operations than those of other more diversified REITs in Canada. Our ability to manage risk through geographical diversification is currently limited.

ILLIQUIDITY OF REAL ESTATE INVESTMENTS

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 making distributions. We manage our portfolio actively and are attentive to market conditions and property values. We review our properties on an ongoing basis to identify strengths and weaknesses of individual properties and our portfolio as a whole, allowing us to quickly reposition assets when warranted or identify non-core or underperforming assets for disposition.

COMPETITION IN THE OFFICE, INDUSTRIAL AND RETAIL REAL ESTATE MARKET

We compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the commercial office, industrial and retail properties of our competitors are newer, better located or better capitalized than our properties. Certain of these competitors have greater financial and other resources and greater operating flexibility than us. The existence of competing managers and owners could have a material adverse effect on our ability to lease space in our properties and on the rents we are able to charge, and could adversely affect our revenues and our ability to meet our obligations. We strive to deliver a level of service that meets or exceeds tenant expectations. We believe that providing a consistent, high level of service puts us in a better position to re-lease space to existing tenants and helps to attract new tenants to lease vacant space quickly and cost effectively.

ENVIRONMENTAL RISK

As an owner of real property, we are subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect our ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against us. In order to obtain financing for the purchase of a new property through traditional channels, we may be requested to arrange for an environmental audit to be conducted. Although such an audit provides us and our lenders with some assurance, we may become subject to liability for undetected pollution or other environmental hazards on our properties against which we cannot insure, or against which we may elect not to insure where premium costs are disproportionate to our perception of relative risk.

We have formal policies and procedures to review and monitor environmental exposure. These policies include the requirement to obtain a Phase I Environmental Site Assessment, conducted by an independent and qualified environmental consultant, before acquiring any real property or any interest therein.

FINANCING RISK

Upon the expiry of the term of the financing or refinancing of any particular property or operating or acquisition debt facilities, refinancing may not be available in the amounts required or may be available only on terms less favourable to us than existing financing. We may require additional financing in order to grow and expand our operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. Future financing may take many forms, including debt or equity financing, which could alter the current debt-to-equity ratio or which could be dilutive to our unitholders. It is our intent to reduce the interest rate risk associated with refinancing by ensuring that debt maturities are staggered over several years, with limited exposure in any given year. In 2008, our exposure is limited to $19.3 million rolling at a 7.43% weighted average interest rate, which in the context of our business is not significant. For further information, please see the Our Resources and Financial Condition discussion beginning on page 24.

INSURANCE

We carry general liability, umbrella liability and excess liability insurance with a total limit of $80.0 million. For the property risks we carry "All Risks" property insurance including but not limited to flood, earthquake and loss of rental income insurance (with a 24-month indemnity period). We also carry Boiler and Machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident) that are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. We currently self-insure against terrorism risk for the entire Canadian 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 the properties, but we would continue to be obligated to repay any recourse mortgage indebtedness on such properties. Additionally, we generally have owners' title insurance policies with respect to our properties located in the United States. However, the amount of coverage under such policies may be less than the full value of such 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.

JOINT VENTURE, PARTNERSHIP AND CO-OWNERSHIP AGREEMENTS

We are a participant in joint ventures and partnerships with third parties in respect of four of the properties. A joint venture or partnership involves certain additional risks, including,

(i) the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with ours or take actions contrary to our instructions or requests or to our policies or objectives with respect to our real estate investments;

(ii) the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands on us to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by us or for which we will be liable and/or result in our suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;

(iii) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of, the ventures or partnerships, expose or subject us to liability; and

(iv) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when we may not desire to sell but may be forced to do so because we do not have the cash to purchase the other party's interests. Such rights may also inhibit our ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis we desire.

Our investment in properties through joint venture and partnership agreements is subject to the investment guidelines set out in our Declaration of Trust.

TAXATION RISK

On June 12, 2007, amendments to the *Income Tax Act* were substantively enacted and subsequently received Royal Assent on June 22, 2007, which modify the tax treatment of certain publicly traded trusts and partnerships that are SIFTs. See our discussion on income taxes under Critical Accounting Policies for details of SIFT Rules.

Under the SIFT Rules, a publicly traded REIT will be considered a SIFT unless it qualifies for the REIT Exception described under Critical Accounting Estimates. As a result of the reorganization completed on December 31, 2007, Dundee REIT has met the REIT Exception therefore the SIFT Rules and the Normal Growth Guidelines should not apply to Dundee REIT after 2007; however, no assurances can be made in this regard. If Dundee REIT does not qualify continuously for the REIT Exception, the SIFT Rules and the Normal Growth Guidelines may have an adverse impact on Dundee REIT and the holders of Units, on the value of the Units and the ability of Dundee REIT to undertake financings and acquisitions, and if the SIFT Rules were to apply, distributable cash of Dundee REIT may be materially reduced. The effect of the recently enacted SIFT Rules on the market for the Units is uncertain.

Since the SIFT Rules have only recently been enacted, the Canada Revenue Agency's administrative policies regarding the interpretation of the SIFT Rules and their application to the trusts and partnerships in which a publicly traded income fund holds a direct or indirect interest are still under review. As such, there may be a possible interpretation of the legislation under which the Trusts' subsidiary partnerships ("Partnerships") would be viewed as SIFTs. Management does not believe this to be the intent of the legislation and believes there to be valid technical arguments supporting the fact the Partnerships are not SIFTs.

SECTION V — CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING ESTIMATES

Management of Dundee REIT believes the policies outlined below are those most subject to estimation and management's judgment.

IMPAIRMENT OF ASSETS

Under Canadian GAAP, management is required to write down to fair value any long-lived asset that is determined to have been permanently impaired. Dundee REIT's long-lived assets consist of rental properties and deferred costs relating to those properties. The fair value of rental properties and their associated deferred costs is dependent upon anticipated future cash flows from operations over the anticipated holding period.

The review of anticipated cash flows involves subjective assumptions of estimated occupancy, rental rates and a residual value. In addition to reviewing anticipated cash flows, management assesses changes in business climates and other factors that may affect the ultimate value of the property. These assumptions are subjective and may not ultimately be achieved.

In the event these factors result in a carrying value that exceeds the sum of the undiscounted cash flows expected to result from the direct use and eventual disposition of the property, an impairment loss would be recognized.

PURCHASE PRICE ALLOCATIONS

For acquisitions initiated on or after September 12, 2003, the purchase price of a rental property is allocated based on estimated fair market values to land, building, deferred leasing costs acquired, lease origination costs associated with in-place leases, the value of above and below market leases and other intangible lease assets. Other intangible lease assets include the value of in-place leases and the value of tenant relationships, if any. For acquisitions initiated prior to September 12, 2003, the purchase price was allocated to land and building based on their respective fair market values.

INTANGIBLE ASSETS AND LIABILITIES

Intangible assets and liabilities include the value of above and below market leases, in-place leases, lease origination costs and tenant relationships. Intangible assets and liabilities are stated at historic cost less accumulated amortization and impairment charges, if any.

The values of the above and below market leases are amortized on a straight-line basis to rental property revenues over the remaining term of the associated lease. The value associated with in-place leases and tenant relationships is amortized on a straight-line basis over the expected term of the relationship, which includes an estimated probability of the lease renewal and the estimated term. Lease origination costs are amortized on a straight-line basis over the term of the applicable lease. In the event a tenant vacates its leased space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible will be expensed.

DEPRECIATION

The Trust uses the straight-line method of depreciation for rental properties, initial leasing costs and major expansions and renovations. The estimated useful life of the properties continues to be between 30 and 40 years. A significant portion of the acquisition cost of each property is allocated to building. The allocation of the acquisition cost to building and the determination of the useful life are based upon management's estimates. In the event the allocation to building is inappropriate or the estimated useful life of buildings proves incorrect, the computation of depreciation will not be appropriately reflected over future periods.

DEFERRED COSTS

Deferred costs may include:

- deferred leasing costs, which include leasing fees and costs, except for initial leasing costs that are included in rental properties, and deferred leasing costs acquired. Deferred leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense;
- tenant inducements, which are payments for which the tenant has no obligation to make leasehold improvements to the leased space and which are amortized against rental properties revenue on a straight-line basis over the term of the applicable lease;
- tenant improvements, which include costs incurred to make leasehold improvements to tenants' space and which are amortized on a straight-line basis over the term of the applicable lease to amortization expense;
- deferred recoverable operating expenses, which are amortized to operating expenses over the period during which they are recoverable from tenants;
- prior to January 1, 2007, deferred financing costs, which included debt issue fees and expenses that were amortized to interest expense on a straight-line basis over the term of the debt; and
- direct acquisition fees and costs, which exclude general and administrative costs, and which are deferred until the acquisition is completed and the costs are capitalized to the acquisition or the acquisition is abandoned and the costs are written off.

In the prior year, as a result of implementing the provisions of Emerging Issues Committee Abstract No. 156, "Accounting by a Vendor for Consideration Given to a Customer" ("EIC-156"), we have reclassified tenant improvements, which were previously included in deferred leasing costs, and presented tenant improvements as an investing activity on the statement of cash flows. The adoption of EIC-156 had the effect during the year ended December 31, 2006, of reducing deferred leasing costs incurred, increasing cash generated from operating activities and increasing cash utilized in investing activities by $7.7 million.

INCOME TAXES

On June 12, 2007, amendments to the *Income Tax Act* (Canada) were substantively enacted, which modify the tax treatment of certain publicly traded trusts and partnerships that are SIFTs.

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust is required by its Declaration of Trust to distribute all of its taxable income to its unitholders, which currently enables the Trust to deduct such distributions for income tax purposes. Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. Accordingly, prior to June 12, 2007, the only provision for income taxes recorded in the consolidated financial statements was to reflect the future tax obligations of these incorporated subsidiaries and comprise the amounts resulting from the differences in tax and book values relating to the underlying rental properties.

Under the SIFT Rules, certain distributions by a SIFT entity relating to income from a business carried on in Canada by the SIFT and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes and will accordingly will be taxed in the SIFT entity at a rate that is generally comparable to the combined provincial/federal corporate income tax rate for ordinary business income. Allocations or distributions of income and capital gains that are subject to the SIFT Rules will be treated as a taxable dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. For Canadian resident beneficiaries or partners, such dividend will be taxed as an eligible dividend and will be subject to the applicable gross-up and dividend tax credit rules. Pursuant to the normal growth guidelines issued in a press release by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT Rules will not apply until the 2011 taxation year to trusts or partnerships that would have been SIFTs on October 31, 2006, if the "SIFT trust" and "SIFT partnership" definitions in the *Income Tax Act* had been in force as of that date.

Certain real estate investment trusts that satisfy certain specified conditions (the "REIT Exception") are excluded from the SIFT definition and therefore will not be subject to the SIFT Rules. In order to qualify for the REIT Exception in respect of a taxation year, the REIT (i) must not, at any time in that taxation year, hold non-portfolio property other than "qualified REIT properties" (as defined in the *Income Tax Act*); (ii) must derive at least 95% of the REIT's revenues for that taxation year from rent generated by real or immovable properties, interest, capital gains from dispositions of real or immovable properties, dividends and royalties; (iii) must derive at least 75% of the REIT's revenues for that taxation year from rent, interest, mortgages or hypothecs on, and capital gains from the disposition of, real or immovable properties situated in Canada; and (iv) must, throughout the taxation year, hold real or immovable properties situated in Canada, cash and certain government-guaranteed debt with a total fair market value that is not less than 75% of the REIT's equity value.

As the Trust did not meet the technical REIT Exception as at June 12, 2007, a future income tax liability in the amount of $40.0 million was recorded as at June 30, 2007, based on the temporary differences that were expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income, for the period ended June 30, 2007. During the third quarter, a future income tax liability in the amount of $25.0 million relating to the assets sold during the quarter was reversed and recorded as a component of discontinued operations. During the quarter ended December 31, 2007, as a result of modifying the organizational structure of Dundee REIT, the Trust has met the REIT Exception as at December 31, 2007, and accordingly, the remaining $15.0 million was reversed and recorded as a recovery.

CHANGES IN ACCOUNTING POLICIES

Financial Instruments

On January 1, 2007, the Trust adopted Canadian Institute of Chartered Accountants ("CICA") accounting standards comprising CICA Handbook Section 3855, "Financial Instruments — Recognition and Measurement", and Section 1530, "Comprehensive Income".

Section 3855, "Financial Instruments — Recognition and Measurements" prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet, and at what amount. The standards require that all financial assets be classified as held for trading, available for sale, held to maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be, and classified as, held to maturity, which are required to be measured at amortized cost. Any adjustment to the Trust's financial statements as a result of adopting Section 3855 was recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated. The Trust was impacted as follows:

- Deferred financing costs have been reclassified to reduce the outstanding debt balances to which they relate with interest recognized based on the new effective interest rate derived from the resulting balance. Deferred financing costs of $7.0 million that were outstanding at the end of 2006 have been reclassified by reducing mortgages and convertible debentures by $3.6 million and $3.7 million, respectively, and by increasing prepaid expenses by $0.1 million. Unitholders' equity was increased by $0.4 million to adjust for the additional interest expense that was recognized in prior periods by amortizing deferred financing costs using the straight-line method compared to the interest expense that would have been recognized using the effective interest rate method.
- Guarantees provided by the Trust were not assigned any value, as it was determined that the likelihood that the guarantee would be called was minimal.
- The Trust completed a review of its significant lease, debt and energy contracts and has determined that no material embedded derivatives exist.

In conjunction with Section 3855, the Trust also adopted CICA Handbook Section 1530, "Comprehensive Income", which requires the Trust to disclose Other Comprehensive Income ("OCI") in its financial statements. The Trust has included this disclosure on its statement of net income. Foreign currency translation losses of $1.1 million related to the net investment in Greenbriar Mall are disclosed as OCI. Previously these amounts were disclosed as a component of unitholders' equity. Any change as a result of a reduction in the net investment will be disclosed as comprehensive income. The comparative financial statements were restated by reclassifying the opening cumulative foreign currency translation adjustment of $5.1 million to accumulated other comprehensive income on the statement of unitholders' equity, with 2006 being restated to conform with the new presentation.

Additional information relating to Dundee REIT, including the latest annual information form of Dundee REIT, 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 Real Estate Investment Trust. These financial statements have been prepared in accordance with Canadian GAAP, 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 is comprised of 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.

MICHAEL J. COOPER
Vice Chairman and
Chief Executive Office

MARIO BARRAFATO
Senior Vice President and
Chief Financial Officer

Toronto, Ontario, February 21, 2008

Auditors' report

To the Unitholders of Dundee Real Estate Investment Trust

We have audited the consolidated balance sheets of Dundee Real Estate Investment Trust (the "Trust") as at December 31, 2007 and 2006 and the consolidated statements of net income and comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Toronto, Ontario, February 21, 2008

Consolidated balance sheets

(in thousands of dollars) December 31	Note	2007	2006
Assets			
Rental properties	4	**$ 1,004,198**	$ 1,816,811
Deferred costs	5	**31,433**	73,455
Land	6	**—**	41,395
Amounts receivable	7	**9,761**	18,606
Prepaid expenses and other assets	8	**20,928**	20,240
Cash and cash equivalents		**37,727**	70,997
Intangible assets	9	**52,394**	86,416
		$ 1,156,441	$ 2,127,920
Liabilities			
Debt	10	**$ 680,479**	$ 1,153,794
Amounts payable and accrued liabilities	11	**24,389**	40,701
Distributions payable	12	**3,818**	8,013
Future income tax liability	16	**2,746**	3,950
Intangible liabilities	9	**36,869**	33,351
		748,301	1,239,809
Unitholders' equity	13	**408,140**	888,111
		$ 1,156,441	$ 2,127,920

See accompanying notes to the consolidated financial statements

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of net income and comprehensive income

(in thousands of dollars, except per unit amounts) For the years ended December 31	Note	2007	2006
Revenues			
Rental properties revenue		**$ 155,161**	$ 102,389
Interest and fee income		**2,941**	3,631
		158,102	106,020
Expenses			
Rental properties operating expenses		**55,603**	38,978
Interest	15	**37,822**	34,032
Depreciation of rental properties		**23,361**	16,567
Amortization of deferred leasing costs, tenant improvements and intangibles		**23,346**	12,397
General and administrative		**7,600**	6,812
		147,732	108,786
Income (loss) before the undernoted items		**10,370**	(2,766)
Internalization of property manager	24	**(1,230)**	(13,678)
Gain on disposition of land		**2,328**	—
Loss on disposition of rental property	26	**—**	(220)
Provision for impairment of rental property previously recorded as held for sale	21	**(1,352)**	—
Income (loss) before income taxes		**10,116**	(16,664)
Provision for (recovery of) income taxes	16		
Current income taxes		**30**	62
Future income taxes		**(823)**	2,314
		(793)	2,376
Income (loss) before non-controlling interest and discontinued operations		**10,909**	(19,040)
Income attributable to non-controlling interest	13	**—**	(1,003)
Income (loss) before discontinued operations		**10,909**	(20,043)
Discontinued operations	21	**751,393**	31,261
Net income		**$ 762,302**	$ 11,218
Basic income (loss) per unit	17		
Continuing operations		**$ 0.29**	$ (0.63)
Discontinued operations		**19.66**	0.98
Net income		**$ 19.95**	$ 0.35
Diluted income (loss) per unit	17		
Continuing operations		**$ 0.29**	$ (0.63)
Discontinued operations		**19.65**	0.98
Net income		**$ 19.94**	$ 0.35
Net income		**$ 762,302**	$ 11,218
Other comprehensive loss			
Change in foreign currency translation adjustment		**(1,127)**	(16)
Comprehensive income		**$ 761,175**	$ 11,202

See accompanying notes to the consolidated financial statements

Consolidated statements of unitholders' equity

(in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive loss	Total
Unitholders' equity, January 1, 2007		**43,419,648**	**$ 1,067,125**	**$ 33,388**	**$ (207,286)**	**$ (5,116)**	**$ 888,111**
Adjustment to opening unitholders' equity to comply with new accounting standard	**2**	**—**	**—**	**448**	**—**	**—**	**448**
Unitholders' equity, January 1, 2007 (restated)		**43,419,648**	**1,067,125**	**33,836**	**(207,286)**	**(5,116)**	**888,559**
Net income		**—**	**—**	**762,302**	**—**	**—**	**762,302**
Distributions paid	**12**	**—**	**—**	**—**	**(76,190)**	**—**	**(76,190)**
Distributions payable	**12**	**—**	**—**	**—**	**(3,818)**	**—**	**(3,818)**
Public offering of REIT A Units	**13**	**4,195,000**	**170,946**	**—**	**—**	**—**	**170,946**
Distribution Reinvestment Plan	**13**	**348,418**	**14,304**	**—**	**—**	**—**	**14,304**
Unit Purchase Plan	**13**	**1,170**	**51**	**—**	**—**	**—**	**51**
Deferred Unit Incentive Plan	**13**	**30,370**	**6,031**	**—**	**—**	**—**	**6,031**
Conversion of 6.5% Debentures	**13**	**818,880**	**20,472**	**—**	**—**	**—**	**20,472**
Conversion of 5.7% Debentures	**13**	**1,921,043**	**57,631**	**—**	**—**	**—**	**57,631**
Units issued on internalization of property manager	**24**	**44,674**	**1,230**	**—**	**—**	**—**	**1,230**
Issue costs		**—**	**(11,271)**	**—**	**—**	**—**	**(11,271)**
Unit redemptions	**13**	**(29,915,384)**	**(781,669)**	**—**	**(639,311)**	**—**	**(1,420,980)**
Change in foreign currency translation adjustment		**—**	**—**	**—**	**—**	**(1,127)**	**(1,127)**
Unitholders' equity, December 31, 2007		**20,863,819**	**$ 544,850**	**$ 796,138**	**$ (926,605)**	**$ (6,243)**	**$ 408,140**

(in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive loss	Total
Unitholders' equity, January 1, 2006		20,449,209	$ 446,678	$ 15,844	$ (85,680)	$ (5,100)	$ 371,742
Net income		—	—	11,218	—	—	11,218
Distributions paid		—	—	—	(63,089)	—	(63,089)
Distributions payable		—	—	—	(8,013)	—	(8,013)
Public offering of REIT A Units	13	10,190,000	319,981	—	—	—	319,981
Distribution Reinvestment Plan	13	830,516	24,717	—	—	—	24,717
Unit Purchase Plan	13	13,087	359	—	—	—	359
Conversion of 6.5% Debentures	13	1,935,640	48,391	—	—	—	48,391
Conversion of 5.7% Debentures	13	1,135,617	34,069	—	—	—	34,069
Issue of units on internalization of property manager	24	505,326	13,917	—	—	—	13,917
Deferred Unit Incentive Plan	13	22,888	1,170	—	—	—	1,170
Issue costs		—	(18,041)	—	—	—	(18,041)
Release of cumulative foreign currency translation adjustment on disposition of revenue property	26	—	—	—	—	3,686	3,686
Change in foreign currency translation adjustment		—	—	—	—	(1,329)	(1,329)
Reclassification of LP B Units	13	8,337,365	195,884	6,326	(50,504)	(2,373)	149,333
Unitholders' equity, December 31, 2006		43,419,648	$ 1,067,125	$ 33,388	$ (207,286)	$ (5,116)	$ 888,111

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(in thousands of dollars) For the years ended December 31	Note	2007	2006
Generated from (utilized in) operating activities			
Net income		**$ 762,302**	$ 11,218
Non-cash items:			
Depreciation of rental properties		**42,984**	39,908
Amortization of deferred leasing costs, tenant improvements and intangibles		**40,942**	30,643
Amortization of deferred financing costs		**938**	1,922
Amortization of fair value adjustment on acquired debt		**(1,811)**	(1,882)
Internalization of property manager		**1,230**	13,678
Gain on disposition of rental properties		**(731,488)**	(3,009)
Gain on disposition of land		**(2,328)**	—
Provision for impairment in value of rental property previously held for sale		**1,352**	—
Deferred unit compensation expense		**1,177**	1,170
Future income taxes		**(823)**	2,314
Amortization of market rent adjustments on acquired leases		**(11,833)**	(4,124)
Straight-line rent adjustment		**(2,946)**	(3,164)
Non-controlling interest		**—**	1,876
		99,696	90,550
Deferred leasing costs incurred		**(5,628)**	(6,097)
Change in non-cash working capital	23	**(10,101)**	3,409
		83,967	87,862
Generated from (utilized in) investing activities			
Investment in rental properties		**(11,295)**	(9,173)
Investment in tenant improvements		**(6,424)**	(7,667)
Investment in land development		**(3,111)**	(2,103)
Acquisition of rental properties and land	3	**(560,324)**	(484,667)
Acquisition deposit on rental properties		**(2,600)**	(3,600)
Investment in mezzanine loan		**(570)**	(3,680)
Receipt of mezzanine loan		**4,020**	13,167
Issuance of promissory note		**(11,747)**	—
Vendor take-back mortgage repayment		**—**	3,450
Net proceeds from disposition of rental properties	21	**1,496,351**	24,922
Net proceeds from disposition of land		**20,034**	—
Change in restricted cash, net		**1,412**	(1,244)
		925,746	(470,595)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs		**391,266**	294,985
Mortgage principal repayments		**(24,896)**	(25,380)
Mortgage lump sum repayments		**(68,983)**	(79,486)
Term debt principal repayments		**(65)**	(364)
Term debt lump sum repayments		**(6,921)**	(14,957)
Term debt placed, net of costs		**84**	6,139
Distributions paid on Units	12	**(70,534)**	(50,074)
Redemption of Units	13	**(1,420,980)**	—
Deferred trust units and income deferred trust units purchased and cancelled	21	**(5,492)**	—
Units issued for cash, net of costs		**163,538**	306,351
		(1,042,983)	437,214
Increase (decrease) in cash and cash equivalents		**(33,270)**	54,481
Cash and cash equivalents, beginning of year		**70,997**	16,516
Cash and cash equivalents, end of year		**$ 37,727**	$ 70,997

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements

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

Note 1

ORGANIZATION

Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dundee REIT include the accounts of Dundee REIT and its subsidiaries, together with Dundee REIT's proportionate share of the assets and liabilities, and revenues and expenses of joint ventures in which it participates.

Our equity is fully described in Note 13; however, for simplicity, throughout the Notes we may make reference to the following:

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A and REIT Units, Series B, collectively
- "LP B Units", meaning the LP B Units, Series 1
- "Units", meaning REIT Units, Series A; REIT Units, Series B; and, Special Trust Units, collectively

On December 12, 2007, the Trust announced that its unitholders approved, at a special meeting of unitholders, a special resolution relating to the modification of the organizational structure of Dundee REIT (the "Reorganization"). The Reorganization was proposed in order to provide greater certainty that Dundee REIT would be able to qualify as a "real estate investment trust" by January 1, 2008, for the purposes of the amendments to the *Income Tax Act* that modify the tax treatment of publicly traded specified investment flow-through trusts or partnerships ("SIFTs") that were implemented by the Canadian federal government on June 22, 2007. A trust that satisfies the definition of "real estate investment trust" throughout its taxation year is exempt from the taxes and the restricted growth that would otherwise apply under the SIFT rules.

The Reorganization was completed on December 31, 2007, the effect of which eliminated the trusts through which Dundee REIT holds its interest in Dundee Properties Limited Partnership ("DPLP"), the entity that holds the commercial revenue-producing properties, and replaced it with two limited partnerships. As a result of modifying the organizational structure, Dundee REIT qualifies as a real estate investment trust.

On August 24, 2007, the Trust completed the sale of its portfolio of real estate assets located principally in Ontario, Québec and Newfoundland (the "Eastern Portfolio") to GE Real Estate ("GE") including the assumption of liabilities by GE relating to the Eastern Portfolio (the "Transaction"). Dundee REIT's portfolio now comprises office and industrial properties located primarily in Western Canada, and a subsidiary of Dundee REIT continues to perform the property management function. The cash proceeds received on closing were used to redeem approximately 29.9 million outstanding Units for $47.50 per unit (the "Redemption"). In addition, GE purchased approximately 3.5 million outstanding Units at a purchase price of $47.50 per unit (the "Transfer"), which gave GE an approximate 16% equity interest in the Trust.

Pursuant to the Transaction, the Trust made certain amendments to its Declaration of Trust and to other governing documents of the Trust and its subsidiaries. In general, the Trust and its subsidiaries cannot take any action that would prevent it from qualifying as a "real estate investment trust" and the Trust could not take any action that at any time prior to January 1, 2008, would cause it to exceed "normal growth" as determined by the normal growth guidelines pertaining to SIFTs, or to be subject to tax under paragraph 122(1) (b) of the *Income Tax Act*, which specifies taxes payable by a SIFT entity. Also, amendments were made to provide for the surrender, exchange for purchase or cancellation, or transfer of LP Class A Units, Series 1 and LP Class B Units, Series 2, in connection with the Redemption and Transfer.

Amendments made to the Declaration of Trust included:

- providing Dundee Corporation the right to appoint up to a majority of trustees less one, provided it owns at least two million REIT A Units, REIT B Units and/or LP B Units;
- granting pre-emptive rights on the issuance of REIT A Units or any securities convertible into or exchangeable for REIT A Units to both Dundee Corporation and GE Real Estate to maintain their same proportionate interest in the Trust; and
- permitting our investment committee to delegate investment decisions to our senior management (including those acting on our behalf pursuant to the asset management agreement).

Amendments made to the Partnership Agreement of DPLP included:

- the business of DPLP must be located exclusively in Canada;
- DPLP may only invest in equity interests in office and industrial revenue-producing properties;
- DPLP may invest in up to 25% of the equity of non-qualifying investments subject to meeting the general REIT qualifications discussed above;
- certain restrictions regarding acquisitions, investments in joint ventures, holding securities, investments in operating businesses, investments in partnerships and investments in mortgages or mortgage bonds were removed;
- DPLP is permitted to undertake construction and development activities for the maintenance of real property or enhancing the revenue stream from real property, provided it is not on a brownfield site;
- limitations on the maximum amount of total debt as a percentage of the Trust's gross book value, the maximum amount of floating rate debt as a percentage of total debt and the maximum amount of new debt as a percentage of the market value of a specific property have been removed; and
- DPLP will maintain an interest coverage ratio of no less than 1.4 times.

On May 12, 2006, the Trust acquired the remaining 50% interest in Dundee Management Limited Partnership ("DMLP"), a joint venture with Dundee Realty Corporation ("DRC"), comprising property management operations relating to revenue properties. As discussed in Note 24 — "Internalization of property manager", this transaction increased the Trust's ownership of DMLP to 100%.

At December 31, 2007, Dundee Corporation, the majority shareholder of DRC, directly and indirectly through its subsidiaries held 333,520 REIT A Units and 3,315,349 LP B Units (December 31, 2006 — 127,955 and 8,565,095 units, respectively, including 55,326 units it was entitled to receive on June 30, 2007). Dundee Corporation purchased REIT A Units in the market through the year to satisfy its obligations with respect to its exchangeable debentures. At December 31, 2007, GE held 2,997,371 REIT A Units and 476,316 REIT B Units.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants ("CICA"). The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

On January 1, 2007, the Trust adopted CICA Handbook Section 1506 "Accounting Changes", which prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors. This standard did not affect the Trust's consolidated financial position, results of operations or cash flows.

CICA Handbook Section 1535, "Capital Disclosures", requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008, for the Trust. This standard will impact the Trust's disclosures but will not affect its consolidated financial position, results of operations or cash flows.

CICA Handbook Section 3862, "Financial Instruments — Disclosures" and Section 3863, "Financial Instruments — Presentation" replace Section 3861, "Financial Instruments — Disclosure and Presentation", revising and enhancing its disclosure requirements and carrying forward its presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008, for the Trust. This standard will impact the Trust's disclosure but will not affect its consolidated financial position, results of operations or cash flows.

Amendments to CICA Handbook Section 1000, "Financial Statement Concepts" and new CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces CICA Handbook Section 3062, "Goodwill and Other Intangible Assets", have been issued and apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The objectives of these amendments and new section are to:

- reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and
- clarify the application of the concept of matching revenues and expenses, such that the current practice of recognizing as assets items that do not meet the definition and recognition criteria is eliminated. The Trust is currently evaluating the impact of this standard on its consolidated financial statements.

Revenue recognition

Properties are considered operational at the earlier of the achievement of a predetermined level of occupancy or at the expiry of a reasonable period following substantial completion. The Trust has retained substantially all of the benefits and risks of ownership of its rental properties and therefore accounts for leases as operating leases.

Revenues from rental properties include base rents, recoveries of operating expenses including property taxes, percentage participation rents, lease cancellation fees, parking income and incidental income. The Trust uses the straight-line method of rental revenue recognition, whereby the total of cash rents due over the initial term of a lease are recognized in income evenly over that term. The difference between the amount recorded as revenue under the straight-line method and cash rents received is included in amounts receivable. Recoveries from tenants are recognized as revenues in the period in which the corresponding costs are incurred. Percentage participation rents are recognized on an accrual basis once tenant sales revenues exceed contractual thresholds. Other revenues are recorded as earned. The Trust provides an allowance for doubtful accounts against that portion of amounts receivable that is estimated to be uncollectible. Such allowances are reviewed periodically based on the recovery experience of the Trust and the creditworthiness of the debtor.

Rental properties

Rental properties are stated at historical cost less accumulated depreciation and impairment charges, if any. Rental properties under development includes interest on project-specific and general debt, property taxes, carrying charges and applicable general and administrative expenses incurred in the pre-development and construction periods, and initial leasing costs, less incidental revenues and expenses earned prior to the project being declared operational.

The Trust uses the straight-line method of depreciation for rental properties, building improvements, initial leasing costs and major expansions and renovations. The estimated useful life of the properties is between 30 and 40 years. Vehicles, office premises improvements, furniture and computer equipment are depreciated on a declining balance basis over their estimated useful lives ranging from 8% to 30% per annum. Building improvements are depreciated over their estimated useful lives, which range from 10 to 20 years depending on the type of improvement.

Land

Land under development includes all related development costs, interest on property-specific and general debt, property taxes and applicable general and administrative expenses incurred during construction, less miscellaneous revenue earned during the construction period.

Land held for development includes acquisition costs, pre-development costs, interest on specific debt and property taxes, less miscellaneous revenue earned. Interest on general debt and general and administrative expenses are not capitalized to land held for development.

Land held for sale includes acquisition costs, pre-development costs, interest on specific debt and property taxes, less miscellaneous revenue earned. Interest on general debt and general and administrative expenses are not capitalized to land held for sale.

Purchase price allocations

For acquisitions initiated on or after September 12, 2003, the purchase price of a rental property is allocated based on estimated fair values to land, building, deferred leasing costs acquired, lease origination costs associated with in-place leases, the value of above and below market leases and other intangible lease assets. Other intangible lease assets include the value of in-place leases and the value of tenant relationships, if any. The fair value of buildings is determined using the depreciated replacement cost approach. For acquisitions initiated prior to September 12, 2003, the purchase price was allocated to land and buildings based on their respective fair market values.

Intangible assets and liabilities

Intangible assets and liabilities include the value of above and below market leases, in-place leases, lease origination costs and tenant relationships. Intangible assets and liabilities are stated at historic cost less accumulated amortization and impairment charges, if any.

The values of above and below market leases are amortized on a straight-line basis to rental property revenues over the remaining term of the associated lease. The value associated with in-place leases is amortized on a straight-line basis over the remaining term of the lease. The value of tenant relationships is amortized on a straight-line basis over the remaining term of the lease plus an estimated renewal term. Lease origination costs are amortized on a straight-line basis over the term of the applicable lease. In the event a tenant vacates its space prior to the contractual termination of the lease and no rental payments are being made on the lease, any unamortized balance of the related intangible is expensed.

Impairment of long-lived assets

The Trust uses a two-step process for determining when an impairment of rental properties, land under development, land held for development and intangible assets should be recognized in the consolidated financial statements. If events or circumstances indicate that the carrying value of a property may be impaired, a recoverability analysis is performed based on estimated undiscounted future cash flows to be generated from property operations and the property's projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the property is written down to its estimated fair value and an impairment loss is recognized. Land held for sale is carried at the lower of capitalized cost and net realizable value.

Deferred costs

Deferred costs may include:

- deferred leasing costs, which include leasing fees and costs, except for initial leasing costs that are included in rental properties, and deferred leasing costs acquired. Deferred leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense;
- tenant inducements, which are payments for which the tenant has no obligation to make leasehold improvements to the leased space and which are amortized against rental properties revenue on a straight-line basis over the term of the applicable lease;
- tenant improvements, which include costs incurred to make leasehold improvements to tenants' space and which are amortized on a straight-line basis over the term of the applicable lease to amortization expense;
- deferred recoverable operating expenses, which are amortized to operating expenses over the period during which they are recoverable from tenants;
- prior to January 1, 2007, deferred financing costs, which included debt issue fees and expenses that were amortized to interest expense on a straight-line basis over the term of the debt; and
- direct acquisition fees and costs, which exclude general and administrative costs, and which are deferred until the acquisition is completed and the costs are capitalized to the acquisition or the acquisition is abandoned and the costs are written off.

Impairment of amounts receivable

Trade receivables are recognized initially at fair value with provisions for impairments. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the income statement within operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Impairment of loans receivable

Loans receivable are classified as impaired when, in the opinion of management, there is a reasonable doubt as to the timely collection of principal, interest and the underlying security of the loan. The carrying amount of a loan receivable classified as impaired is reduced to its estimated fair value.

Foreign currency translation

The Trust's foreign operations are considered financially self-sustaining and operationally independent. Accordingly, assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the average rate for the period. Translation gains and losses are deferred as a separate component of unitholders' equity until there is a realized reduction in the net investment in the foreign operation.

Income taxes

Dundee REIT uses the liability method of accounting for future income taxes. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amount of assets and liabilities and their carrying amounts for tax purposes. In addition, the benefit of tax losses available to be carried forward to future years for tax purposes, which are more likely than not to be realized, are recognized as a reduction of the income tax liability. Future income taxes are measured at the tax rates expected to apply in the future as temporary differences reverse and tax losses are utilized. Changes to future income taxes related to changes in tax rates are recognized in income in the period when the tax rate change is substantively enacted.

Unit-based compensation plan

Dundee REIT has a Deferred Unit Incentive Plan, as described in Note 13, that provides for the grant of deferred trust units and income deferred trust units to trustees, officers and employees, and affiliates and their service providers (including the asset manager). The Trust recognizes compensation expense on a straight-line basis over the period that the deferred units vest, based on the market price of REIT A Units on the date of grant. Deferred trust units that have vested but for which the corresponding REIT A Units have not been issued, and where the ultimate issuance of such REIT A Units is simply a matter of the passage of time, are considered to be outstanding from the date of vesting for basic income per unit calculations.

Cash and cash equivalents

For the purposes of the statements of cash flows, the Trust considers all short-term investments with an original maturity of three months or less to be cash equivalents, and excludes cash subject to restrictions that prevent its use for current purposes. As at December 31, 2007, cash and cash equivalents includes the Trust's proportionate share of cash balances of joint ventures of $2,116 (December 31, 2006 — $2,688). Excluded from cash and cash equivalents are amounts held for repayment of tenant security deposits as required by various lending agreements.

Non-controlling interest

On January 19, 2005, the Emerging Issues Committee of the CICA issued EIC-151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts", which requires income trusts with exchangeable securities issued by their subsidiaries to evaluate whether the exchangeable securities should be presented as unitholders' equity or non-controlling interest on the consolidated balance sheet. In order to be presented as unitholders' equity, the exchangeable securities must have distributions that are economically equivalent to distributions on units issued directly by the income trust and must also ultimately be exchanged for units of the income trust. The distributions on the LP B Units are economically equivalent to distributions on the REIT A Units. On May 12, 2006, the terms of the LP B Units were amended to restrict the transfer of such units except to a subsidiary of the holder. As a result, if an existing holder of LP B Units wants to transfer the LP B Units to a third party, they must first be converted to REIT B Units. This amendment permits the Trust to classify the outstanding LP B Units as equity for financial statement purposes in accordance with Canadian GAAP. Prior to the effective date of the amendment on May 1, 2006, because the LP B Units contained no conditions requiring either the conversion to REIT B Units or restricting their transferability to third parties, the LP B Units were presented as non-controlling interest in the consolidated financial statements. As a result, the Trust had accounted for the investment of the net proceeds from equity offerings in DPLP using the purchase method. In addition, the issuance of LP B Units under the Distribution Reinvestment Plan had resulted in a dilution of the Trust's ownership of DPLP.

Financial instruments

On January 1, 2007, the Trust adopted new CICA accounting standards comprising Section 3855, "Financial Instruments — Recognition and Measurement", Section 1530, "Comprehensive Income", and Section 3251, "Equity".

The standards require that all financial assets be classified as held for trading, available for sale, held to maturity or loans and receivables. In addition, the standards require that all financial assets be measured at fair value, with the exception of loans, receivables and investments intended to be, and classified as, held to maturity, which are required to be measured at amortized cost. Financial liabilities are classified either as held for trading, which are measured at fair value, or other liabilities, which are measured at amortized cost. Any adjustment to the Trust's financial statements as a result of adopting Section 3855 is recognized by restating the balance of opening unitholders' equity. Comparative periods are not permitted to be restated.

Accumulated other comprehensive income is included as a separate component of unitholders' equity and comprises only accumulated foreign currency gains and losses related to the Trust's net investment in Greenbriar Mall in Atlanta, Georgia. In accordance with Section 1530, the comparative financial statements have been restated by reclassifying the cumulative foreign currency translation adjustment to accumulated other comprehensive income.

All loans and receivables and all financial liabilities are recorded at amortized cost. Upon initial recognition, these instruments are recorded at fair value less any related transaction costs. As a result, effective January 1, 2007, financial liabilities were reduced by related deferred financing costs that were previously disclosed as a component of deferred costs (see Note 5). Deferred financing costs of $6,966 that related to outstanding debt at January 1, 2007, have been reclassified by reducing mortgages and convertible debentures by $3,596 and $3,746, respectively, and in the case of deferred financing costs related to revolving lines of credit, increasing prepaid expenses by $72. As required by the accounting standards, prior year comparative figures have not been restated.

Interest expense related to financial liabilities, including deferred financing costs, is recognized using the effective interest rate method. Prior to January 1, 2007, the deferred financing costs and the premium allocated to the conversion feature of the convertible debentures were amortized to interest expense on a straight-line basis over the life of the instrument to which the costs related. This had the effect of increasing interest expense by $448 (comprising $361 from the change in amortization of deferred financing costs and $87 from the change in amortization of the premium allocated to the conversion feature of the convertible debentures), compared to the interest expense that would have been recognized under the effective interest rate method. With the adoption of this new policy, these amounts have been recorded as a $448 increase in unitholders' equity as at January 1, 2007. As required by the accounting standards, prior year comparative figures have not been restated.

The fair values of the mezzanine loans, mortgages and term debt are determined by discounting the future contractual cash flows under current financing arrangements. The discount rates represent management's best estimate of borrowing rates presently available to the Trust for loans with similar terms and maturities. The fair value of the convertible debentures is based on the market value of the debentures.

For certain of the Trust's financial instruments, including cash and cash equivalents and short-term deposits, amounts receivable, amounts payable and accrued liabilities, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity.

Convertible debentures

Upon issuance, convertible debentures are separated into debt and equity components and recorded at amortized cost. These components are measured based on their respective estimated fair values at the date of issuance, less any related transaction costs. The fair value of the debt component 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. The value assigned to the equity component is the estimated fair value ascribed to the holders' option to convert the debentures into REIT A Units. In accordance with CICA Handbook Section 3855, effective January 1, 2007, the difference between the fair value of the debt and the face value is recognized as interest expense on an effective interest rate basis over the term to maturity of the debentures with corresponding accretion to the principal of the debt. Prior to January 1, 2007, this difference was recognized as interest expense on a straight-line basis.

Discontinued operations

The Trust classifies properties that meet certain criteria as held for sale and separately discloses any net income/loss and gain/loss on disposal for current and prior periods as discontinued operations. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a buyer for the property at a sales price that is reasonable in relation to the current estimated fair value of the property, and the sale is expected to be completed within a one-year period. Properties held for sale are carried at the lower of their carrying values and estimated fair values less costs to sell. In addition, assets held for sale are no longer depreciated. A property that is subsequently reclassified as held and in use is measured at the lower of: (a) its carrying amount before it was classified as held for sale, adjusted for any amortization expense that would have been recognized had it been continuously classified as held and in use; and (b) its estimated fair value at the date of the subsequent decision not to sell.

Variable interest entities

The Trust follows the requirements of CICA Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"), which provides guidance for applying the principles in CICA Handbook Section 1590, "Subsidiaries", to those entities defined as Variable Interest Entities ("VIEs"). This standard considers a VIE to be an entity in which either the equity at risk is not sufficient to permit it to finance its activities without additional subordinated financial support from other parties or equity investors lack either voting control, or an obligation to absorb expected losses, or the right to receive expected residual returns. AcG-15 requires consolidation of VIEs by the Primary Beneficiary. The Primary Beneficiary is defined as the party who has exposure to the majority of a VIE's expected losses and/or expected residual returns.

Note 3

PROPERTY ACQUISITIONS

The Trust completed the following acquisitions during the twelve months ended December 31, 2007 and 2006, which have contributed to operating results from the date of acquisition:

For the year ended December 31, 2007	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
30 and 55 St. Clair Avenue West, Toronto[1]	office	100	426,000	96	$ 110,798	$ —	January 9, 2007
625 Agnes Street, New Westminster	office	100	83,000	88	14,587	—	January 24, 2007
Aspen Portfolio, Calgary	office	100	543,000	99	172,130	29,225	March 13, 2007
HCI Portfolio, Vaughan, Burlington and Mississauga[1]	industrial	100	2,100,000	98	237,721	56,528	May 1, 2007
501 Applewood Crescent, Vaughan[1]	industrial	100	76,000	100	6,787	—	May 1, 2007
154 University Avenue, Toronto[1]	office	100	67,000	100	13,784	5,487	May 10, 2007
4400 Dominion Street, Burnaby	office	100	91,000	93	18,637	—	June 27, 2007
Airport Corporate Centre, Calgary	office	100	148,000	100	38,207	—	July 6, 2007
Development property, Yellowknife	office	100	—	—	366	—	August 30, 2007
435-4th Avenue, Calgary	office	100	89,000	100	35,735	9,457	October 9, 2007
960 Quayside Drive, New Westminster	office	100	60,000	95	16,726	—	November 29, 2007
Total			3,683,000	98	$ 665,478	$ 100,697	

[1] Disposed of as a part of the Eastern Portfolio.

For the year ended December 31, 2006	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Park 19, Edmonton	industrial	100	48,000	100	$ 2,726	$ —	January 10, 2006
70 Disco Road, Toronto[1]	industrial	100	99,000	100	7,577	3,117	January 12, 2006
SEC Portfolio, Québec[1]	office/ industrial	100	265,000	99	21,306	6,199	January 27, 2006
2440 Scanlan Street, London[1]	industrial	100	85,000	100	6,266	3,477	April 20, 2006
Sherwood Place, Regina	office	100	182,000	99	33,206	14,442	April 21, 2006
1400 boul. de la Rive Sud, Québec City[1]	office	100	77,000	100	12,062	—	May 1, 2006
4255 14th Avenue, Markham[1]	industrial	100	57,000	100	5,914	—	May 1, 2006
Princeton Portfolio, Western Canada	office/ industrial/land	100	530,000	94	96,818	43,835	May 17, 2006
10089 Jasper Avenue, Edmonton[1]	land	100	86,000	—	4,160	—	May 29, 2006
Barker Business Park (Phase II), Toronto	land	60	—	—	8,994	—	June 7, 2006
Calgary Office Portfolio, Calgary	office	100	822,000	98	218,257	23,339	June 15, 2006
Tullamore Business Park, Brampton	land	60	—	—	3,224	—	July 14, 2006
Victoria Tower, Regina	office	100	144,000	100	17,815	8,621	July 21, 2006
100 Legacy Road, Ottawa[1]	industrial	100	103,000	100	8,906	—	August 1, 2006
10079 Jasper Avenue, Edmonton[1]	land	10	—	—	310	—	August 4, 2006
Aviva Corporate Centre, Toronto[1]	office/ industrial	100	438,000	100	43,961	—	September 13, 2006
Station Tower Lands, Surrey[1]	land	100	—	—	3,728	—	September 21, 2006
2121 Argentia Road, Mississauga[1]	office	100	61,000	96	11,270	—	November 16, 2006
Airport Corporate Centre West, Mississauga[1]	office	100	357,000	86	66,253	—	November 28, 2006
2891 Sunridge Way NE, Calgary	office	100	88,000	100	25,736	—	December 20, 2006
Total			3,442,000	98	$ 598,489	$ 103,030	

[1] Disposed of as a part of the Eastern Portfolio.

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

For the years ended December 31	2007	2006
Rental properties		
Land	$ 180,693	$ 70,585
Buildings	434,290	458,119
Equipment	—	403
Properties under development	—	301
	614,983	529,408
Land		
Under development	—	29,925
Held for development	—	1,015
Held for sale	—	8,352
Third-party management contracts	—	195
Tenant improvements acquired	15,851	14,567
Intangible assets		
Value of in-place leases	31,609	25,149
Lease origination costs	5,313	5,512
Value of above-market rent leases	1,460	2,020
Value of tenant relationships	26,096	14,574
	695,312	630,717
Intangible liabilities		
Value of below-market rent leases	(29,834)	(32,228)
Total purchase price	$ 665,478	$ 598,489

The consideration paid consists of:

For the years ended December 31	2007	2006
Cash		
Paid during the period	$ 560,324	$ 484,667
Deposit	3,600	710
	563,924	485,377
Assumed mortgages at fair value	100,697	103,030
Vendor loan	—	6,750
Assumed accounts payable and accrued liabilities	857	3,332
Total consideration	$ 665,478	$ 598,489

Note 4
RENTAL PROPERTIES

December 31	2007 Cost	2007 Accumulated depreciation	2007 Net book value	2006 Cost	2006 Accumulated depreciation	2006 Net book value
Land	$ 191,935	$ —	$ 191,935	$ 300,553	$ —	$ 300,553
Buildings and improvements	875,619	(65,690)	809,929	1,627,185	(119,580)	1,507,605
Fixed assets and equipment	1,985	(502)	1,483	2,040	(773)	1,267
Rental properties under development	851	—	851	7,386	—	7,386
Total	$ 1,070,390	$ (66,192)	$ 1,004,198	$ 1,937,164	$ (120,353)	$ 1,816,811

Note 5
DEFERRED COSTS

December 31	2007 Cost	2007 Accumulated amortization	2007 Net book value	2006 Cost	2006 Accumulated amortization	2006 Net book value
Deferred leasing costs	$ 7,639	$ (4,710)	$ 2,929	$ 20,903	$ (7,490)	$ 13,413
Tenant improvements	36,115	(10,352)	25,763	72,690	(26,733)	45,957
Deferred recoverable costs	4,746	(2,007)	2,739	13,816	(7,409)	6,407
Deferred financing costs	—	—	—	11,705	(4,739)	6,966
Other deferred costs	507	(505)	2	1,847	(1,135)	712
Total	$ 49,007	$ (17,574)	$ 31,433	$ 120,961	$ (47,506)	$ 73,455

Amortization of deferred recoverable costs included in operating expenses for the year ended December 31, 2007, was $1,578 (December 31, 2006 — $1,872). Effective January 1, 2007, deferred financing costs are deducted from the specific debt carrying values to which they relate (see Notes 2 and 10).

Note 6
LAND

December 31	2007	2006
Land under development	$ —	$ 18,607
Land held for development	—	1,021
Land held for sale	—	21,767
Total	$ —	$ 41,395

Note 7

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments of $2,871 (December 31, 2006 — $6,659).

December 31	2007	2006
Trade receivables	$ 1,867	$ 3,660
Straight-line rents receivables	5,857	12,874
Other accounts receivables	2,037	2,072
	$ 9,761	$ 18,606

December 31	2007	2006
Trade receivables	$ 2,280	$ 5,093
Less: provision for impairment of trade receivables	(413)	(1,433)
Trade receivable, net	$ 1,867	$ 3,660

The movement in the provision for impairment of trade receivables during the year ended December 31, 2007, is as follows:

As at January 1, 2007	$ 1,433
Provision for impairment of trade receivables	133
Receivables written off during the year as uncollectible	(12)
Reduction due to sale of discontinued operations	(1,117)
Translation adjustment	(24)
As at December 31, 2007	$ 413

Note 8

PREPAID EXPENSES AND OTHER ASSETS

December 31	2007	2006
Prepaid expenses	$ 2,170	$ 6,729
Mezzanine loans	—	3,893
Promissory notes	11,963	—
Deposits	2,609	4,020
Restricted cash	4,186	5,598
Total	$ 20,928	$ 20,240

Effective November 1, 2007, the Trust sold its 60% interest in two joint venture projects (see Note 21). As part of the transaction, all mezzanine loans were repaid and related agreements terminated. Consideration for the sale included second and third mortgages totalling $11,747 bearing interest at 11.0% secured by the lands owned by the purchaser. On November 2, 2007, the Trust assigned the mortgages to DRC for a purchase price equal to the mortgage amounts. As consideration, the Trust received two promissory notes from DRC that bear interest at 10.9% compounded monthly.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages.

Note 9

INTANGIBLE ASSETS AND LIABILITIES

December 31	2007			2006		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above market rent leases	$ 2,481	$ (735)	$ 1,746	$ 7,134	$ (2,190)	$ 4,944
Value of in-place leases	36,469	(13,947)	22,522	53,558	(16,343)	37,215
Lease origination costs	6,680	(2,129)	4,551	13,974	(3,768)	10,206
Value of tenant relationships	29,818	(6,243)	23,575	42,168	(8,117)	34,051
Total	$ 75,448	$ (23,054)	$ 52,394	$ 116,834	$ (30,418)	$ 86,416
Intangible liabilities						
Value of below market rent leases	$ 53,786	$ (16,917)	$ 36,869	$ 40,049	$ (6,698)	$ 33,351

Note 10

DEBT

December 31	2007	2006
Mortgages	$ 668,188	$ 1,056,311
Convertible debentures	11,840	89,719
Term debt	451	7,764
Total	$ 680,479	$ 1,153,794

Mortgages are secured by charges on specific rental properties. Term debt is secured by charges on specific development lands and rental properties with certain flexibility to repay floating rate debt without incurring a penalty.

On April 1, 2005, the Trust issued $100,000 principal amount convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, and mature on March 31, 2015. Each 5.7% Debenture is convertible at any time by the debenture holder into 33.33 REIT Units, per one thousand dollars of face value, representing a conversion price of $30.00 per unit. The 5.7% Debentures may not be redeemed prior to March 31, 2009. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% 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, provided that the market price for the Trust's units is not less than $37.50. On or after March 31, 2011, the 5.7% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance with Section 3860 of the CICA Handbook, the 5.7% Debentures were initially recorded on the consolidated balance sheet as debt of $98,800 and equity of $1,200.

On June 21, 2004, the Trust issued $75,000 principal amount convertible unsecured subordinated debentures (the "6.5% Debentures"). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, and mature on June 30, 2014. Each 6.5% Debenture is convertible at any time by the debenture holder into 40 REIT Units, per one thousand dollars of face value, representing a conversion price of $25.00 per unit. The 6.5% Debentures may not be redeemed prior to June 30, 2008. On or after June 30, 2008, but prior to June 30, 2010, the 6.5% 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, provided the market price for the Trust's units is not less than $31.25. On or after June 30, 2010, the 6.5% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance with Section 3860 of the CICA Handbook, the 6.5% Debentures were initially recorded on the consolidated balance sheet as debt of $74,400 and equity of $600.

Convertible debentures comprise $7,983 of the 5.7% Debentures and $3,857 of the 6.5% Debentures.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $50,000, bearing interest generally at the bank prime rate (6.0% as at December 31, 2007) plus 0.375% or bankers' acceptance rates. The facility expires on April 30, 2008, and is secured by a first ranking collateral mortgage on four of the Trust's properties and a second ranking collateral mortgage on one property. As at December 31, 2007, the formula-based amount available under this facility was $49,779, of which $nil was drawn and $nil was utilized in the form of letters of guarantee (December 31, 2006 — $nil and $733, respectively).

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

December 31	Weighted average interest rates 2007	2006	Maturity dates	Debt amount 2007	2006
Fixed rate					
Mortgages	**5.70%**	5.89%	2008–2019	**$ 651,844**	$ 1,036,909
Convertible debentures	**6.59%**	6.08%	2014–2015	**11,840**	89,719
Term debt	**9.03%**	7.17%	2008–2011	**451**	2,238
Total fixed rate debt	**5.71%**	5.90%		**664,135**	1,128,866
Variable rate					
Mortgages	**7.70%**	8.40%	2008	**16,344**	19,402
Term debt	**—**	7.00%	2007	**—**	5,526
Total variable rate debt	**7.70%**	8.09%		**16,344**	24,928
Total debt	**5.76%**	5.95%		**$ 680,479**	$ 1,153,794

The scheduled principal repayments and debt maturities are as follows:

For the years ending December 31	Mortgages	Term debt	Convertible debentures	Total
2008	$ 32,645	$ 106	$ —	$ 32,751
2009	65,311	116	—	65,427
2010	20,099	127	—	20,226
2011	84,477	102	—	84,579
2012	112,082	—	—	112,082
2013 and thereafter	351,121	—	12,409	363,530
	665,735	451	12,409	678,595
Deferred financing cost and fair value adjustments	2,453	—	(569)	1,884
	$ 668,188	$ 451	$ 11,840	$ 680,479

Effective January 1, 2007, mortgages and convertible debentures were reduced by $7,342 in deferred financing costs comprising $6,894 that was outstanding at December 31, 2006, plus an adjustment of $448 to restate the balance to that which would have resulted using the effective interest rate method. As of December 31, 2007, $2,832 of deferred financing costs are included in mortgages and convertible debentures. As a result of this accounting policy change, interest is now recognized using the effective interest rate method.

Included in mortgages are $4,827 in fair value adjustments (December 31, 2006 — $9,567), which reflect the fair value adjustments for mortgages assumed as part of acquisitions. The convertible debentures are net of a $111 premium allocated to their conversion features and $458 of unamortized deferred financing costs. The fair value adjustment, discount and deferred financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

The estimated fair value of debt is as follows:

December 31	2007	2006
Mortgages	**$ 681,896**	$ 1,081,535
Convertible debentures	**15,365**	121,881
Term debt	**443**	7,733
Total	**$ 697,704**	$ 1,211,149

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Note 11
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31	2007	2006
Trade payables	**$ 270**	$ 1,664
Accrued liabilities and other payables	**14,762**	20,104
Accrued interest	**3,068**	6,072
Deposits	**4,422**	9,863
Rent received in advance	**1,867**	2,998
Total	**$ 24,389**	$ 40,701

Note 12
DISTRIBUTIONS

The following table sets out distribution payments for the year ended December 31, 2007:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 64,870	$ 472	$ 5,192	$ 70,534
Reimbursement from GE	(548)	(87)	—	(635)
Paid by way of reinvestment in REIT A Units	5,185	—	8,577	13,762
Paid by way of reinvestment in LP B Units	—	—	542	542
Less: payable at December 31, 2006	(6,393)	—	(1,620)	(8,013)
Plus: payable at December 31, 2007	3,124	87	607	3,818
Total	$ 66,238	$ 472	$ 13,298	$ 80,008

The amount payable at December 31, 2007, was satisfied on January 15, 2007, by way of $3,818 in cash. Included in the total distributions is $474 representing the 4% bonus distribution that forms part of the Distribution Reinvestment Plan ("DRIP"). In connection with the Transaction, effective June 28, 2007, the DRIP was temporarily suspended. Prior to suspension of the DRIP, the holders of LP B Units elected to receive their distribution reinvestment in the form of REIT A Units, except for those units issued to DRC on the internalization of the property manager, which DRC elected to receive in the form of LP B Units. The DRIP was reinstated for the January 2008 distribution, which was payable February 15, 2008.

GE was entitled to distributions of $635 for the month of August; however, pursuant to the Transaction Purchase Agreement, GE agreed to reimburse the Trust for the August distributions payment.

Our Declaration of Trust requires monthly cash distributions to unitholders of at least 80% of distributable income on an annual basis. The Trust may reduce the percentage of distributable income if the trustees determine it would be in the best interest of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or less than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust to the extent that such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust to facilitate the determination of distributions to unitholders. The Trust declares distributions of $0.183 per unit per month, or $0.549 per quarter.

Note 13
UNITHOLDERS' EQUITY

December 31		2007		2006
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**17,072,154**	**$ 300,216**	34,854,553	$ 745,348
REIT Units, Series B	**476,316**	**14,376**	—	—
LP Class B Units, Series 1	**3,315,349**	**99,791**	8,565,095	147,879
Cumulative foreign currency translation adjustment	**—**	**(6,243)**	—	(5,116)
Total	**20,863,819**	**$ 408,140**	43,419,648	$ 888,111

Dundee REIT Units

Dundee REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The REIT Units are divided into and issuable in two series: REIT Units, Series A and REIT Units, Series B. REIT Units are redeemable at the option of the holder, generally at any time, subject to certain restrictions, at a redemption price per REIT Unit equal to the lesser of 90% of a 20-day weighted average closing price prior to the redemption date and 100% of the closing market price on the redemption date. The total amount payable by Dundee REIT in any calendar month shall not exceed $50 unless waived by Dundee REIT's trustees at their sole discretion. Any dollar amount in excess of this monthly dollar maximum, unless waived, will be paid by notes of one of Dundee REIT's subsidiaries.

REIT Units, Series A and REIT Units, Series B, represent an undivided beneficial interest in Dundee REIT and in distributions made by Dundee REIT. No REIT Unit, Series A or REIT Unit, Series B, has preference or priority over any other. Each REIT Unit, Series A and REIT Unit, Series B, entitles the holder to one vote held at all meetings of unitholders.

On May 12, 2006, the terms of the LP B Units were amended to restrict the transfer of such units except to a subsidiary of the holder. As a result, if an existing holder of LP B Units wants to transfer the LP B Units to a third party, they must first be converted into REIT B Units. This amendment permits the Trust to classify the outstanding LP B Units as equity for financial statement purposes in accordance with GAAP. As a result, effective May 1, 2006, the LP B Units are presented as unitholders' equity. Prior to this date, the LP B Units were presented as non-controlling interest. For the year ended December 31, 2006, net income of $1,003 was attributable to the non-controlling interest in the consolidated statement of net income, and $873 was attributable to non-controlling interest in discontinued operations.

During the year ended December 31, 2007, 729,341 LP B Units were exchanged indirectly by Dundee Corporation for 729,341 REIT B Units which were then exchanged for 729,341 REIT A Units. The exchanges were valued at a pro rata carrying amount of the LP B Units.

On August 24, 2007, the Trust completed the Redemption and cancellation of 29,915,284 units for $47.50 per unit. These included 25,813,262 REIT A Units and 4,102,022 REIT B Units. The REIT B Units were initially exchanged from LP B Units and were valued at a pro rata carrying amount of the LP B Units.

In addition, GE purchased 3,473,687 outstanding units at a purchase price of $47.50 per unit. These include 2,997,371 REIT A Units and 476,316 REIT B Units. The REIT B Units were initially exchanged from LP B Units and were valued at a pro rata carrying amount of the LP B Units.

Special Trust Units are issued in connection with LP B Units. The Special Trust Units are not transferable separately from the LP B Units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP B Units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained upon the surrender or exchange of the LP B Units to which they relate. At December 31, 2007, 3,315,349 Special Trust Units were issued and outstanding (December 31, 2006 — 8,565,095 issued and outstanding). At December 31, 2006, 92,000 Special Trust Units were held in trust pursuant to the internalization of DMLP (see Note 24), 55,326 of which are included in the outstanding Special Trust Units at December 31, 2006. On June 30, 2006, DRC received the 100,000 Special Trust Units held in trust. All Special Trust Units are recorded at a nominal value.

Dundee REIT's Declaration of Trust provides Dundee Corporation and GE with a pre-emptive right pursuant to which Dundee REIT will not issue any REIT A Units, or any securities convertible into or exchangeable for REIT A Units, to any person without first making an offer to Dundee Corporation and GE to issue that number of REIT A Units, securities or a comparable number of LP B Units necessary to maintain the percentage of the outstanding voting interest in Dundee REIT held by Dundee Corporation and its affiliates or GE at the date of offer.

DPLP Units

DPLP is authorized to issue an unlimited number of LP Class A and an unlimited number of LP Class B limited partnership units and such other classes as the general partner of DPLP, a wholly owned subsidiary of Dundee REIT, may decide. The LP Class B Units have been issued in two series: LP Class B Units, Series 1, and LP Class B Units, Series 2.

The LP Class B Units, Series 1, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the REIT Units, Series A and REIT Units, Series B. Generally, each LP Class B Unit, Series 1, entitles the holder to a distribution equal to distributions declared on REIT Units, Series B, or if no such distribution is declared, on REIT Units, Series A. LP Class B Units, Series 1, may be surrendered or indirectly exchanged on a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions, for REIT Units, Series B. The LP Class B Units, Series 1, are not entitled to vote at any meeting of the limited partners of DPLP. Prior to May 1, 2006, the LP Class B Units, Series 1, were classified as non-controlling interest in accordance with EIC-151.

The LP Class A Units and LP Class B Units, Series 2, are entitled to vote at meetings of the limited partners of DPLP and each unit entitles the holder to a distribution equal to distributions on the LP Class B Units, Series 1. At December 31, 2007, 17,072,154 LP Class A Units (December 31, 2006 — 34,557,702), 3,315,349 LP Class B Units, Series 1 (December 31, 2006 — 8,565,095), and nil LP Class B Units, Series 2 (December 31, 2006 — 296,852), were issued and outstanding. At December 31, 2006, 92,000 LP Class B Units, Series 1, were held in trust pursuant to the internalization of DMLP, 55,326 of which are included in the outstanding LP Class B Units, Series 1, at December 31, 2006. On June 30, 2007, 100,000 LP B Units were released from in trust and issued to DRC (see Note 24). As at December 31, 2007, and December 31, 2006, all issued and outstanding LP Class A Units and LP Class B Units, Series 2, are owned indirectly by Dundee REIT and have been eliminated in the consolidated balance sheets.

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive loss	Total	
	Number of units	Amount	Number of units	Amount	Number of units	Amount		Number of units	Amount
Unitholders' equity, January 1, 2007	34,854,553	$ 745,348	—	$ —	8,565,095	$ 147,879	$ (5,116)	43,419,648	$ 888,111
Adjustment to opening unitholders' equity to comply with new accounting standard (Note 2)	—	360	—	—	—	88	—	—	448
Unitholders' equity, January 1, 2007 (restated)	34,854,553	745,708	—	—	8,565,095	147,967	(5,116)	43,419,648	888,559
Net income	—	641,622	—	10,839	—	109,841	—	—	762,302
Distributions paid	—	(63,114)	—	(385)	—	(12,691)	—	—	(76,190)
Distributions payable	—	(3,124)	—	(87)	—	(607)	—	—	(3,818)
Public offering of REIT A Units	4,195,000	170,946	—	—	—	—	—	4,195,000	170,946
Distribution Reinvestment Plan	335,159	13,762	—	—	13,259	542	—	348,418	14,304
Unit Purchase Plan	1,170	51	—	—	—	—	—	1,170	51
Deferred Unit Incentive Plan	30,370	6,031	—	—	—	—	—	30,370	6,031
Conversion of 6.5% Debentures	818,880	20,472	—	—	—	—	—	818,880	20,472
Conversion of 5.7% Debentures	1,921,043	57,631	—	—	—	—	—	1,921,043	57,631
Units issued on internalization of property manager (Note 24)	—	—	—	—	44,674	1,230	—	44,674	1,230
Issue costs	—	(11,271)	—	—	—	—	—	—	(11,271)
Exchange of Units	729,341	11,536	4,578,338	134,955	(5,307,679)	(146,491)	—	—	—
Unit redemptions	(25,813,362)	(1,290,034)	(4,102,022)	(130,946)	—	—	—	(29,915,384)	(1,420,980)
Change in foreign currency translation adjustment	—	—	—	—	—	—	(1,127)	—	(1,127)
Unitholders' equity, December 31, 2007	17,072,154	$ 300,216	476,316	$ 14,376	3,315,349	$ 99,791	$ (6,243)	20,863,819	$ 408,140

Public offering of REIT A Units

On March 12, 2007, the Trust completed a public offering of 3,700,000 REIT A Units at a price of $40.75 per unit for gross cash proceeds of $150,775. On March 29, 2007, the Trust issued an additional 495,000 REIT A Units pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of approximately $20,171. The exercise of the over-allotment option increased the total gross proceeds of the offering to approximately $170,946. Costs relating to the offering of $7,413 were charged directly to unitholders' equity.

On December 12, 2006, the Trust completed a public offering of 4,110,000 REIT A Units at a price of $36.50 per unit for gross proceeds of $150,015. Costs relating to the offering of $6,531 were charged to unitholders' equity.

On June 8, 2006, the Trust completed a public offering of 3,560,000 REIT A Units for gross cash proceeds of $100,036 at a price of $28.10 per unit. Costs relating to the offering of $4,426 were charged directly to unitholders' equity. As a result of classifying the LP B Units as equity effective May 1, 2006, no further purchase price adjustments resulted from investing the net proceeds in DPLP.

On April 7, 2006, the Trust completed a public offering of 2,200,000 REIT A Units for gross cash proceeds of $61,050 at a price of $27.75 per unit. On April 28, 2006, the Trust issued an additional 320,000 REIT A Units for gross proceeds of approximately $8,880 pursuant to the exercise of the over-allotment option granted to the underwriters. The exercise of the over-allotment option increased the total gross proceeds of the offering to approximately $69,930. Costs relating to the offering of $3,247 were charged directly to unitholders' equity. Prior to May 1, 2006, the Trust used the purchase method to account for the investment of the net proceeds in DPLP and recorded a purchase adjustment relating to the fair value increment of rental properties acquired of $5,898.

Distribution Reinvestment and Unit Purchase Plan

In August 2003, Dundee REIT established a Distribution Reinvestment and Unit Purchase Plan for holders of REIT A Units and LP B Units. On June 28, 2007, the DRIP was temporarily suspended in connection with the sale of the Eastern Portfolio to GE. The DRIP was reinstated for the January 2008 distribution payable on February 15, 2008.

The DRIP allows holders of REIT A Units or LP B Units, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee 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 REIT A Units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

For the year ended December 31, 2007, 335,158 REIT A Units and 13,259 LP B Units were issued under the DRIP for $14,304 (December 31, 2006 — 811,261 REIT A Units and 19,255 LP B Units for $24,717).

Unit Purchase Plan

The Unit Purchase Plan feature of the DRIP allows existing unitholders to purchase additional REIT A Units. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT A 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 feature of the DRIP.

For the year ended December 31, 2007, 1,170 REIT A Units were issued under the Unit Purchase Plan for $51 (December 31, 2006 — 13,087 REIT A Units for $359).

Conversion of debentures

During the year ended December 31, 2007, the Trust issued 818,880 REIT A Units upon conversion of $20,472 principal amount of the 6.5% Debentures (December 31, 2006 — issued 1,935,640 REIT A Units upon conversion of $48,391 principal amount) and 1,921,043 REIT A Units upon conversion of $57,631 principal amount of the 5.7% Debentures (December 31, 2006 — issued 1,135,617 REIT A Units upon conversion of $34,069 principal amount).

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of deferred trust units and income deferred trust units to trustees, officers and employees, and affiliates and their service providers (including the asset manager). Deferred trust units are granted at the discretion of the trustees while income deferred trust units are credited to holders of deferred trust units based on distributions paid on Units. Once vested, each deferred trust unit vests evenly over a three- or five-year period on the anniversary date of the grant, while income deferred trust units vest on the same date as the associated deferred trust unit. Subject to an election for certain participants to postpone receipt of REIT A Units, such units will be issued immediately upon vesting. Up to a maximum of one million deferred trust units are issuable under the Deferred Unit Incentive Plan. Compensation expense is recorded based on the fair market value of a REIT A Unit at the date of grant and amortized as earned over the vesting period or the remaining service period of the participant, whichever is less.

During the year ended December 31, 2007, $1,177 of compensation expense was recorded (December 31, 2006 — $1,170) and is included in general and administrative expenses. An additional $4,280 was recognized as a transaction cost related to the sale of the Eastern Portfolio as a result of the accelerated vesting of the deferred trust units. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount in relation to income deferred trust units is recognized in net income.

	Weighted average grant date value	Deferred trust units	Income deferred trust units	Total units
Outstanding at December 31, 2005	$ 23.60	200,167	25,041	225,208
Granted during the period	36.37	88,300	16,919	105,219
Cancelled	23.60	(3,000)	(237)	(3,237)
REIT A Units issued on vesting	23.67	(19,265)	(3,623)	(22,888)
Fractional units paid in cash	—	(2)	(24)	(26)
Outstanding at December 31, 2006	27.87	266,200	38,076	304,276
Granted during the period (see Note 21)	**42.69**	**94,200**	**16,136**	**110,336**
REIT A Units issued on vesting	**31.80**	**(27,715)**	**(2,655)**	**(30,370)**
Vested deferred units cancelled by management (see Note 21)	**29.56**	**(99,156)**	**(16,468)**	**(115,624)**
Fractional units paid in cash	**—**	**(18)**	**(3)**	**(21)**
Outstanding and payable at December 31, 2007	**$ 32.66**	**233,511**	**35,086**	**268,597**
Vested but not issued at December 31, 2007	**$ 32.66**	**233,511**	**35,086**	**268,597**

Normal course issuer bid

On August 30, 2007, the Trust filed with the Toronto Stock Exchange ("TSX") a Notice of Intention to make a normal course issuer bid. Under the bid, Dundee REIT will have the ability to purchase for cancellation up to a maximum of 1,359,844 REIT A Units (representing 10% of the REIT's public float of 13,598,446 REIT A Units on August 30, 2007) through the facilities of the TSX. The bid commenced on September 5, 2007, and will remain in effect until the earlier of September 4, 2008, or the date on which the Trust has purchased the maximum number of units permitted under the bid. The Trust's average daily trading volume for the then most recently completed six months was 360,465 REIT A Units. As of December 31, 2007, the number of issued and outstanding REIT A Units is 17,072,154. Based on the closing price of the REIT A Units on December 31, 2007, the Trust may purchase up to $45,854 worth of REIT A Units. To date the Trust has not made any purchases pursuant to this bid.

Note 14

JOINT VENTURES AND CO-OWNERSHIPS

The Trust participates in incorporated and unincorporated joint ventures, partnerships and co-ownerships (the "joint ventures") with other parties and accounts for its interests using the proportionate consolidation method. The following amounts represent the total assets and liabilities of rental property joint ventures in which the Trust participates and its proportionate share of the assets, liabilities, revenues, expenses and cash flows therein.

	Total		Proportionate share	
December 31	**2007**	2006	**2007**	2006
Assets	**$ 319,291**	$ 350,555	**$ 160,252**	$ 185,230
Liabilities	**233,596**	255,571	**116,954**	130,257

	Proportionate share	
For the years ended December 31	**2007**	2006
Revenues	**$ 31,816**	$ 29,927
Expenses	**29,522**	25,880
	$ 2,294	$ 4,047

For the years ended December 31	**2007**	2006
Cash flow generated from (utilized in):		
Operating activities	**$ 4,422**	$ 7,944
Financing activities	**16,014**	5,466
Investing activities	**(21,007)**	(15,231)
Decrease in cash and cash equivalents	**$ (571)**	$ (1,821)

The Trust is contingently liable for the obligations of the other owners of the unincorporated joint ventures at December 31, 2007, in the aggregate amount of $113,092 (December 31, 2006 — $122,001). In each case, however, the co-owners' share of assets is available to satisfy these obligations.

Note 15

INTEREST

Interest incurred and charged to earnings is recorded as follows:

For the years ended December 31	**2007**	2006
Interest expense incurred, at stated rate of debt	**$ 38,120**	$ 33,313
Amortization of deferred financing costs	**693**	1,450
Amortization of fair value adjustments on acquired debt	**(968)**	(643)
Interest capitalized	**(23)**	(88)
Interest expense	**$ 37,822**	$ 34,032

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the remaining life of the debt using the effective interest rate method. Interest capitalized includes interest on specified and general debt attributed to a recently acquired property considered to be under redevelopment and land under development.

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Note 16

INCOME TAXES

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust is required by its Declaration of Trust to distribute all of its taxable income to its unitholders, which currently enables the Trust to deduct such distributions for income tax purposes. Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. Accordingly, prior to June 12, 2007, the only provision for income taxes recorded in the consolidated financial statements was to reflect the future tax obligations of these incorporated subsidiaries and comprise the amounts resulting from the differences in tax and book values relating to the underlying rental properties.

On June 12, 2007, amendments to the *Income Tax Act* were substantively enacted and subsequently received Royal Assent on June 22, 2007, which modify the tax treatment of certain publicly traded trusts and partnerships that are SIFTs. Under the SIFT Rules, certain distributions by a SIFT entity relating to income from a business carried on in Canada by the SIFT and income, other than taxable dividends, or capital gains from non-portfolio properties (as defined in the *Income Tax Act*) will not be deductible for tax purposes and accordingly will be taxed in the SIFT entity at a rate that is generally comparable to the combined provincial/federal corporate income tax rate for ordinary business income. Allocations or distributions of income and capital gains that are subject to the SIFT Rules will be treated as a taxable dividend from a taxable Canadian corporation in the hands of the beneficiaries or partners of the SIFT. For Canadian resident beneficiaries or partners, such dividend will be taxed as an eligible dividend and will be subject to the applicable gross-up and dividend tax credit rules. Pursuant to the normal growth guidelines issued in a press release by the Department of Finance (Canada) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT Rules will not apply until the 2011 taxation year to trusts or partnerships that would have been SIFTs on October 31, 2006, if the "SIFT trust" and "SIFT partnership" definitions in the *Income Tax Act* had been in force as of that date.

Certain real estate investment trusts that satisfy certain specified conditions (the "REIT Exception") are excluded from the SIFT definition and therefore will not be subject to the SIFT Rules. In order to qualify for the REIT Exception in respect of a taxation year, the REIT (i) must not at any time in that taxation year hold non-portfolio property other than "qualified REIT properties" (as defined in the *Income Tax Act*); (ii) must derive at least 95% of the REIT's revenues for that taxation year from rent generated by real or immovable properties, interest, capital gains from dispositions of real or immovable properties, dividends and royalties; (iii) must derive at least 75% of the REIT's revenues for that taxation year from rent, interest, mortgages or hypothecs on, and capital gains from the disposition of, real or immovable properties situated in Canada; and (iv) must, throughout the taxation year, hold real or immovable properties situated in Canada, cash and certain government-guaranteed debt with a total fair market value that is not less than 75% of the REIT's equity value.

As the Trust did not meet the technical REIT Exception as at June 12, 2007, a future income tax liability in the amount of $40,000 was recorded as at June 30, 2007, based on the temporary differences that were expected to reverse on or after January 1, 2011. The future income tax liability was recorded as a charge to the consolidated statement of net income and comprehensive income for the period ended June 30, 2007. During the quarter ended September 30, 2007, a future income tax liability in the amount of $25,000 relating to assets sold during the quarter was reversed and recorded as a component of discontinued operations. During the quarter ended December 31, 2007, as a result of modifying the organizational structure of Dundee REIT, the Trust has met the REIT Exception as at December 31, 2007, and anticipates that it will continue to meet the REIT Exception in the future, and accordingly the remaining $15,000 of the future income tax liability was reversed and recorded as a recovery through the consolidated statement of net income and comprehensive income.

As the Trust has met the REIT Exception, and the Trust is not currently taxable, no current income taxes, other than those related to Canadian and U.S. subsidiaries, have been recorded for the year ended December 31, 2007.

Since the SIFT Rules have only recently been enacted, the Canada Revenue Agency's administrative policies regarding the interpretation of the SIFT Rules and their application to the trusts and partnerships in which a publicly traded income fund holds a direct or indirect interest are still under review. As such, there may be an interpretation of the legislation under which the Trusts' subsidiary partnerships ("Partnerships") would be viewed as SIFTs. Management does not believe this to be the intent of the legislation and believes there to be valid technical arguments supporting the fact that the Partnerships are not SIFTs.

Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. A future income tax liability as at December 31, 2007, of $2,746 (December 31, 2006 — $3,950) has been recorded to reflect the future tax obligations of these subsidiaries and comprises amounts resulting from the differences in tax and book values relating to the underlying rental properties. The reported carrying amount of Dundee REIT's net assets, excluding those in incorporated subsidiaries at December 31, 2007, exceeds the corresponding tax cost by approximately $24,000 (December 31, 2006 — $154,000).

A reconciliation of income tax expense for the period:

For the years ended December 31	2007	2006
Income (loss) before income taxes	$ 10,116	$ (16,664)
Income before income taxes from discontinued operations	751,693	31,261
	761,809	14,597
Less: income allocable to unitholders	(760,500)	(13,141)
Income subject to Canadian tax in consolidated entity	1,309	1,456
Tax thereon at 31.62% current statutory rate (2006 — 32.50%)	414	473
Foreign current and future tax expense (recovery) in respect of foreign entities	(923)	2,104
Other	16	(201)
	(493)	2,376
Less: total income tax expense from discontinued operations	300	—
Total income tax provision (recovery) from continuing operations	**$ (793)**	$ 2,376

Note 17

INCOME (LOSS) PER UNIT

The weighted average number of units outstanding was as follows:

For the years ended December 31	2007	2006
REIT A Units and REIT B Units	31,794,371	25,764,527
LP B Units	6,276,491	5,864,880
Vested deferred trust units	147,565	53,185
Total weighted average number of units outstanding for basic income per unit amounts	38,218,427	31,682,592
Add incremental units:		
Unvested deferred trust units	—	26,896
Income deferred trust units	17,366	26,243
Total weighted average number of units outstanding for diluted income per unit amounts	**38,235,793**	31,735,731

The 2,763,894 incremental LP B Units for the period January 1, 2006, to April 30, 2006, have been excluded from the calculation of diluted net income per unit as they were anti-dilutive.

The 1,554,745 incremental REIT A Units to be issued upon an assumed conversion of both debenture issues at December 31, 2007 (December 31, 2006 — 5,505,054 incremental REIT A Units) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

Note 18

EMPLOYEE FUTURE BENEFITS

The Trust has an optional defined contribution pension plan available to all full-time employees who have been employed by the Trust for one year. The pension plan covers employees of the Trust, Dundee Realty Management Corp., DRC and any other entity as appointed by the sponsor of the plan. The plan is sponsored by Dundee Realty Management Corp., a wholly owned subsidiary of DMLP. For 2007, the total cost recognized and cash payments for employee future benefits, consisting of cash contributed to the defined contribution plan, was $175 (2006 — $191).

Note 19

SEGMENTED INFORMATION

The Trust's rental properties have been segmented into office and industrial components. The Trust does not allocate interest expense to these segments since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes and general and administrative expenses are not allocated to the segment expenses.

In June 2006, the Trust sold Kameyosek Shopping Centre in Edmonton and a 50% interest in Greenbriar Mall in Atlanta. As a result, the Trust no longer actively operates in the retail segment and has classified these operations as "Other". Also, because the Trust's remaining interest in Greenbriar Mall is not significant, the Trust does not disclose segments by country as virtually all of its operations are conducted in Canada. Discontinued operations are not allocated to individual segments.

For the year ended December 31, 2007	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 134,081	$ 16,968	$ 151,049	$ 4,112	$ 155,161
Operating expenses	48,486	4,884	53,370	2,233	55,603
Net operating income	85,595	12,084	97,679	1,879	99,558
Depreciation of rental properties	19,846	2,977	22,823	538	23,361
Amortization of deferred leasing costs, tenant improvements and intangibles	21,283	1,898	23,181	165	23,346
Segment income	$ 44,466	$ 7,209	$ 51,675	$ 1,176	52,851
Interest expense					(37,822)
General and administrative expenses					(7,600)
Internalization of property manager					(1,230)
Gain on disposition of land					2,328
Provision for impairment of rental property previously recorded as held for sale					(1,352)
Interest and fee income					2,941
Income taxes					793
Discontinued operations					751,393
Net income					$ 762,302
Segment rental properties	$ 879,218	$ 105,125	$ 984,343	$ 19,855	$ 1,004,198
Capital expenditures					
Investment in rental properties	$ (7,284)	$ (2,152)	$ (9,436)	$ (1,859)	$ (11,295)
Investment in tenant improvements	(3,500)	(2,751)	(6,251)	(173)	(6,424)
Investment in land development	—	—	—	(3,111)	(3,111)
Acquisition of rental properties and land	(377,664)	(182,294)	(559,958)	(366)	(560,324)
Deferred leasing costs	(3,222)	(1,484)	(4,706)	(922)	(5,628)
Total capital expenditures	$ (391,670)	$ (188,681)	$ (580,351)	$ (6,431)	$ (586,782)

For the year ended December 31, 2006	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	$ 80,099	$ 15,788	$ 95,887	$ 6,502	$ 102,389
Operating expenses	30,400	5,271	35,671	3,307	38,978
Net operating income	49,699	10,517	60,216	3,195	63,411
Depreciation of rental properties	12,673	2,834	15,507	1,060	16,567
Amortization of deferred leasing costs, tenant improvements and intangibles	10,097	2,041	12,138	259	12,397
Segment income	$ 26,929	$ 5,642	$ 32,571	$ 1,876	34,447
Interest expense					(34,032)
General and administrative expenses					(6,812)
Internalization of property manager					(13,678)
Loss on disposition of rental property					(220)
Interest and fee income					3,631
Income taxes					(2,376)
Income attributable to non-controlling interest					(1,003)
Discontinued operations					31,261
Net income					$ 11,218
Segment rental properties	$ 1,381,034	$ 404,157	$ 1,785,191	$ 31,620	$ 1,816,811
Capital expenditures					
Investment in rental properties	$ (5,128)	$ (3,968)	$ (9,096)	$ (77)	$ (9,173)
Investment in tenant improvements	(5,552)	(1,833)	(7,385)	(282)	(7,667)
Investment in land development	—	—	—	(2,103)	(2,103)
Acquisition of rental properties and land	(408,878)	(37,892)	(446,770)	(37,897)	(484,667)
Deferred leasing costs	(4,396)	(1,683)	(6,079)	(18)	(6,097)
Total capital expenditures	$ (423,954)	$ (45,376)	$ (469,330)	$ (40,377)	$ (509,707)

Note 20
RELATED-PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Prior to May 1, 2006, Dundee REIT, DPLP, DMLP and DRC were parties to a property management agreement and an administrative services agreement (the “Management Agreement” and the “Services Agreement”). In addition, DMLP and DRC are parties to a separate administrative services agreement. Effective May 1, 2006, the Trust acquired DRC’s 50% interest in DMLP (see Note 24). As a result, DRC is no longer party to the Management Agreement, other than its rent supplement obligation, and the Services Agreement.

Asset Management Agreement

Effective August 24, 2007, Dundee REIT entered into an asset management agreement with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries (the “Asset Management Agreement”). 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 0.25% of the gross asset value of properties.
- incentive fee equal to 15% of Dundee REIT’s adjusted funds from operations per unit in excess of $2.65 per unit.
- 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: (i) 1.0% of the purchase price of a property, on the first $100,000 of properties in each fiscal year; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired in each fiscal year; and (iii) 0.50% of the purchase price on properties in excess of $200,000 in each fiscal year.
- financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions.

The Trust received total fees of $2,279 from DRC for the year ended December 31, 2007. These fees relate to the rent supplement received under the Management Agreement and fees under the Services Agreement. In the prior year, the Trust received total fees from DRC of $2,767 for the year. These fees relate to the rent supplement received under the Management Agreement and rental income and cost recoveries under the Services Agreement.

Pursuant to the Asset Management Agreement, the Trust paid to DRC total fees of $2,122 for the year ended December 31, 2007. In the prior year, the Trust paid to DRC total fees of $1,912 representing fees payable under the Management Agreement and Services Agreement prior to May 1, 2006, when the Trust purchased the remaining 50% of DMLP it did not already own.

Included in amounts receivable at December 31, 2007, is $15 related to the DRC Services Agreement (December 31, 2006 — $231). Accrued liabilities and other payables at December 31, 2007, include $363 for amounts related to the Asset Management Agreement (December 31, 2006 — $nil) and $751 for other amounts collected on behalf of DRC (December 31, 2006 — $316).

Included in prepaid expenses and other assets, the Trust has two promissory notes from DRC totalling $11,963, including $0.2 million of accrued interest, that bears interest at 10.9% compounded monthly. The principal outstanding may be repaid at any time in whole or in part without penalty or bonus. DRC has assigned second and third mortgages (see Note 8) to the Trust as security for the promissory notes.

Note 21
DISCONTINUED OPERATIONS

The fulfillment of obligations and realization of assets related to the properties noted below have been reclassified as discontinued operations to comply with the disclosure requirements of the CICA Handbook Section 3475. The results of operations of any property that has been sold and identified as discontinued operations are reported separately and comparative amounts are also reclassified as discontinued operations. Properties that are classified as held for sale are recorded at the lower of carrying amount or fair value less estimated costs to sell and are not depreciated while classified as held for sale. The results of these operations are identified separately as discontinued operations and comparative amounts are also reclassified.

On August 24, 2007, the Trust completed the sale of the Eastern Portfolio to GE for gross proceeds of $2,256,700 less estimated working capital adjustments net of capital expenditure adjustments of $3,288. Net proceeds include cash consideration of $1,483,622, which includes $9,468 of adjustments relating to the sale, and the assumption of liabilities of $771,116 by GE relating to this portfolio. The total disposition includes $1,550,017 of assets and $808,070 of liabilities. The Trust recognized a gain on sale of $721,867 that includes transaction costs of $18,481. Included in transaction costs is $4,280 relating to the accelerated vesting of 194,933 deferred trust units and 28,047 income deferred trust units; $2,135 relating to the purchase and cancellation by the Trust of 99,156 deferred trust units and 16,468 income deferred trust units from trustees, senior officers and employees transferred to DRC who had elected such purchases, the value of which represents the difference between $47.50 per unit and the grant date unit values; and $ 3,931 related to the special award of 92,000 deferred trust units in connection with the Transaction.

The Transaction was undertaken to provide unitholders an attractive redemption price, based on the proceeds of the disposition of the Eastern Portfolio, while keeping a portfolio of office and industrial properties located primarily in Western Canada. The new structure will allow the Trust to be a more growth-oriented and opportunistic real estate investment trust.

The assets comprising the Eastern Portfolio were previously included in the office and industrial segments in the segmented information. The following table presents the assets and liabilities sold pursuant to the Transaction.

Assets	
Rental properties	$ 1,383,546
Deferred costs	47,032
Land	27,561
Amounts receivable	12,289
Prepaid expenses and other assets	8,291
Cash and cash equivalents	5
Intangible assets	71,293
	$ 1,550,017
Liabilities	
Debt	$ 775,145
Amounts payable and accrued liabilities	19,454
Intangible liabilities	13,471
	$ 808,070

Related to the Transaction, on August 31, 2007, the Trust completed the sale of 3901 rue Jarry, Montréal, to its tenant, which exercised its first right to purchase the property. The Trust completed the sale for proceeds of $8,000 and recognized a gain of $4,653.

During the third quarter, the Trust had classified its remaining 50% interest in Greenbriar Mall located in Atlanta as held for sale as the finalization of its sale to GE was only pending consent of the property's mortgage lender, which the Trust expected to receive in the fourth quarter of 2007. The Trust had recorded the property at the lower of carrying value and fair value, less the estimated cost to sell and recognized an impairment loss of $1,352. The Trust had also decreased the carrying value of the property by an additional $6,298 relating to the cumulative foreign currency translation loss that was expected to be realized on the anticipated sale and realized reduction in the net investment in the foreign operation. As of December 31, 2007, it was determined that the sale of Greenbriar Mall to GE would not be completed as management did not believe that the required consent of the property's mortgage lender would be obtained. The extension period to complete the sale expired as of January 15, 2008. As the property is not being actively marketed, it has been reclassified as held and in use. As a result, the $6,298 write-down relating to the cumulative foreign currency translation has been reversed.

Effective November 1, 2007, the Trust sold its 60% interest in two joint venture projects to its former joint venture partner for total consideration of $16,770, in which all outstanding mezzanine loans were repaid and related agreements terminated. The Trust recognized a gain on sale of $2,553. Consideration for the sale included second and third mortgages totalling $11,747 secured by the lands owned by the purchaser.

On October 31, 2007, the Trust completed the sale of 2705–2737 57th Ave SE, a 20,711 square foot industrial property in Calgary, Alberta. The Trust received proceeds of $8,200 and recognized a gain on sale of $2,423.

On June 29, 2006, the Trust completed the sale of Kameyosek Shopping Centre, a 46,143 square foot retail property. The Trust received proceeds of $8,375 and recognized a gain on sale of $3,274.

The following table summarizes the income from discontinued operations:

For the years ended December 31	**2007**	2006
Revenues		
Rental properties revenue	**$ 147,578**	$ 185,581
Interest and fee income	**3**	15
	147,581	185,596
Expenses		
Rental properties operating expenses	**65,240**	83,086
Interest	**24,917**	32,020
Depreciation of rental properties	**19,623**	23,341
Amortization of deferred leasing costs, tenant improvements and intangibles	**17,596**	18,244
	127,376	156,691
Income before the undernoted items	**20,205**	28,905
Gain on disposition of rental properties, net	**731,488**	3,229
Current income taxes expense	**300**	—
Income from discontinued operations before non-controlling interest	**751,393**	32,134
Income attributable to non-controlling interest	**—**	(873)
Income from discontinued operations	**$ 751,393**	$ 31,261

Note 22

COMMITMENTS AND CONTINGENCIES

Dundee 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 financial statements of Dundee REIT.

Dundee REIT's future minimum commitments under operating and capital leases are as follows:

Year ending December 31	Operating lease payments	Capital lease payments
2008	$ 1,046	$ 142
2009	843	142
2010	738	142
2011	722	106
2012	682	—
2013 and thereafter	615	—
Total	$ 4,646	$ 532

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of $878.

The Trust has entered into a co-ownership agreement that includes typical rights of the co-owners for dispute resolution and a one-time put option exercisable by its co-owner. The put, if exercised, would require Dundee REIT to purchase the remaining 50% of the building, effective April 1, 2009, at the price paid by the Trust for its initial 50% interest in the property.

The Trust has entered a fixed price utility contract with respect to four office properties in Calgary. The contract is for a period of two years and locks the Trust in for total minimum payments of $1,635.

The Trust has entered into an agreement to purchase from a former joint venture partner an office building, currently under construction, at a future date for $20,788, with maximum adjustments to the closing price of $500. The closing date will be determined when the vendor notifies the Trust that the building is substantially complete, at which time, the Trust is permitted 20 days for due diligence.

Note 23
SUPPLEMENTARY CASH FLOW INFORMATION

For the years ended December 31		2007		2006
Increase in accounts receivable	$	(689)	$	(2,511)
Decrease in deferred costs (other than leasing costs)		224		1,249
Increase in prepaid expenses and other assets (excluding restricted cash and mezzanine loans)		(3,764)		(2,052)
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)		(5,902)		7,769
Increase (decrease) in accounts payable relating to leasing costs		30		(1,046)
Change in non-cash working capital	**$**	**(10,101)**	$	3,409

The following amounts were paid on account of interest and income taxes:

For the years ended December 31		2007		2006
Interest	$	38,265	$	32,957
Income taxes		38		175

Note 24
INTERNALIZATION OF PROPERTY MANAGER

On May 12, 2006, through DPLP, the Trust acquired DRC's 50% interest in DMLP, the entity that provides property management and real estate advisory services to the Trust. The transaction was effective May 1, 2006, and increased the Trust's ownership of DMLP to 100%.

On closing, 450,000 LP B Units were issued for total consideration of $12,393, of which $417 was allocated to the net tangible assets acquired of DMLP and $12,154, including $178 of transaction costs, was expensed. The $27.54 issue price per LP B Unit was estimated based on a five-day weighted average trading price of the REIT A Units on the Toronto Stock Exchange with the midpoint being May 4, 2006, the date the substantive terms of the internalization were publicly announced, net of an implied discount for issuance costs.

Also on closing, 92,000 LP B Units were issued, placed in trust and enrolled in the DRIP to satisfy the maximum number of units that DRC would be entitled to receive on June 30, 2007. The cost of these units was expensed and added to cumulative capital as qualifying properties were acquired. In the first quarter of 2007, DPLP acquired $214,432 (year ended December 31, 2006 — $340,568) of qualifying properties and accordingly $1,230 (year ended December 31, 2006 — $1,524) was expensed and added to cumulative capital representing the cost of the additional 44,674 LP B Units (year ended December 31, 2006 — 55,326 LP B Units) that DRC was entitled to receive on June 30, 2007. As of March 31, 2007, DRC had earned the maximum cumulative additional 100,000 LP B Units that it was entitled to receive, and subsequently these units were released from trust on June 30, 2007, to DRC.

Note 25
RISK MANAGEMENT

The Trust has some exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt at December 31, 2007, was 2.4% of the Trust's total debt (December 31, 2006 — 2.2%). 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.

Due to fluctuations in the exchange rate between the Canadian and U.S. dollars, the Trust is exposed to foreign exchange risk relating to its self-sustaining U.S. operations. The impact of foreign exchange fluctuations is deferred as a separate component of equity until there is a realized reduction in the net investment in the foreign operation.

The Trust currently does not employ hedging activities to manage its financial risks.

The Trust's assets consist of office and industrial rental properties. Credit risk arises from the possibility that tenants in rental properties may not fulfill their lease or contractual obligations. Further risks arise in the event that borrowers default on the repayment of their loans to the Trust. The Trust mitigates its credit risks by attracting tenants of sound financial standing, diversifying its mix of tenants and ensuring that adequate security has been provided in support of loans.

As an owner of real property, the Trust is subject to various federal, provincial, state and municipal laws relating to environmental matters. Such laws provide a range of potential liability, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect the Trust's ability to sell or redevelop such real estate or to borrow using such real estate as collateral and, potentially, could also result in civil claims against the Trust.

Note 26
DISPOSITION OF REVENUE PROPERTY

On June 2, 2006, the Trust completed the sale of a 50% interest in Greenbriar Mall located in Atlanta for net proceeds of $16,681 and recorded a $220 loss on the sale. As a result of the disposition, the Trust released a $3,686 cumulative foreign currency loss from its foreign currency translation adjustment, which was recognized as part of the loss on disposal. The disposition of Greenbriar Mall has not been presented as a discontinued operation as the Trust still has a significant continuing involvement in its operations.

Note 27
SUBSEQUENT EVENTS

Effective January 31, 2008, the Trust completed the purchase of the AIR MILES Tower, a 322,450 square foot office building located at 438 University Avenue in downtown Toronto, for a purchase price of approximately $92,362.

Effective January 14, 2008, the Trust completed a public offering of $125,000 principal amount of convertible unsecured subordinated debentures with a coupon rate of 6% per annum payable semi-annually on June 30 and December 31, commencing on June 30, 2008, and due on December 31, 2014. A portion of the principal relating to the conversion feature will be classified as a component of unitholders' equity.

Trustees and officers

Trustees

Dr. Günther Bautz[1]
ULM, GERMANY
Counsellor on Intellectual Property, Braun GmbH

Detlef Bierbaum[2, 4]
KÖLN, GERMANY
Partner, Bankhaus Sal. Oppenheim jr. & Cie

Donald K. Charter
TORONTO, ONTARIO
Corporate Director and President, 3C's Corporation

Michael J. Cooper[2]
TORONTO, ONTARIO
Vice Chairman and Chief Executive Officer, Dundee REIT

Peter A. Crossgrove[1, 3, 4]
TORONTO, ONTARIO
Corporate Director

Joanne Ferstman
TORONTO, ONTARIO
Executive Vice President and Chief Financial Officer, Dundee Corporation

Robert G. Goodall[1, 3]
MISSISSAUGA, ONTARIO
President, Canadian Mortgage Capital Corporation

David J. Goodman
TORONTO, ONTARIO
President and Chief Executive Officer DundeeWealth Inc.

Ned Goodman[2, 3, 5]
INNISFIL, ONTARIO
President and Chief Executive Officer, Dundee Corporation

Duncan Jackman[4]
TORONTO, ONTARIO
Chairman and CEO E-L Financial Corporation Limited

Robert Tweedy[4]
TORONTO, ONTARIO
Chairman, Useppa Holdings Limited

[1] Member of the Audit Committee
[2] Member of the Investment Committee
[3] Member of the Compensation Committee
[4] Member of the Governance and Environmental Committee
[5] Chairman of the Board of Trustees

Officers

Ned Goodman
CHAIRMAN

Michael J. Cooper
VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Michael Knowlton
PRESIDENT AND CHIEF OPERATING OFFICER

Mario Barrafato
SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

Jane Gavan
CORPORATE SECRETARY

Concept and Design: **THE WORKS www.worksdesign.com** Executive Photography: **Sandy Nicholson** Printing: **grafikom.MIL**

Corporate information

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State Street Financial Centre
30 Adelaide Street East, Suite 1600
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Phone: (416) 365-3535
Fax: (416) 365-6565

Transfer agent

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

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

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Taxation of distributions

Distributions paid to unitholders in respect of the tax year ending December 31, 2007, are taxed as follows:

January–August 2007
Other income: 88.2%
Taxable capital gains: 1.8%
Return of capital: 10.0%

September–December 2007
Other income: 36.7%
Taxable capital gains: 5.1%
Return of capital: 58.2%

Management estimates that 75% of the distributions to be made by the REIT in 2008 will be tax deferred.

Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols

REIT Units, Series A: D.UN
6.5% Convertible Debentures: D.DB
5.7% Convertible Debentures: D.DB.A
6.0% Convertible Debentures: D.DB.B

Annual and special meeting of unitholders

Wednesday, May 7, 2008, at 2:00 pm (MDT)
Fairmont Palliser Hotel
Turner Valley Room
133 9th Avenue SW
Calgary, Alberta

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 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.

To enrol, contact:

COMPUTERSHARE TRUST COMPANY OF CANADA
100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Services

Or call their Customer Contact Centre at 1 800 564-6253 (toll free) or (514) 982-7555

For more information, you may also visit our web site: www.dundeereit.com

DUNDEE REAL ESTATE INVESTMENT TRUST

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Toronto, Ontario M5C 3H1

www.dundeereit.com