

DUNDEE REIT

2009 Annual Report



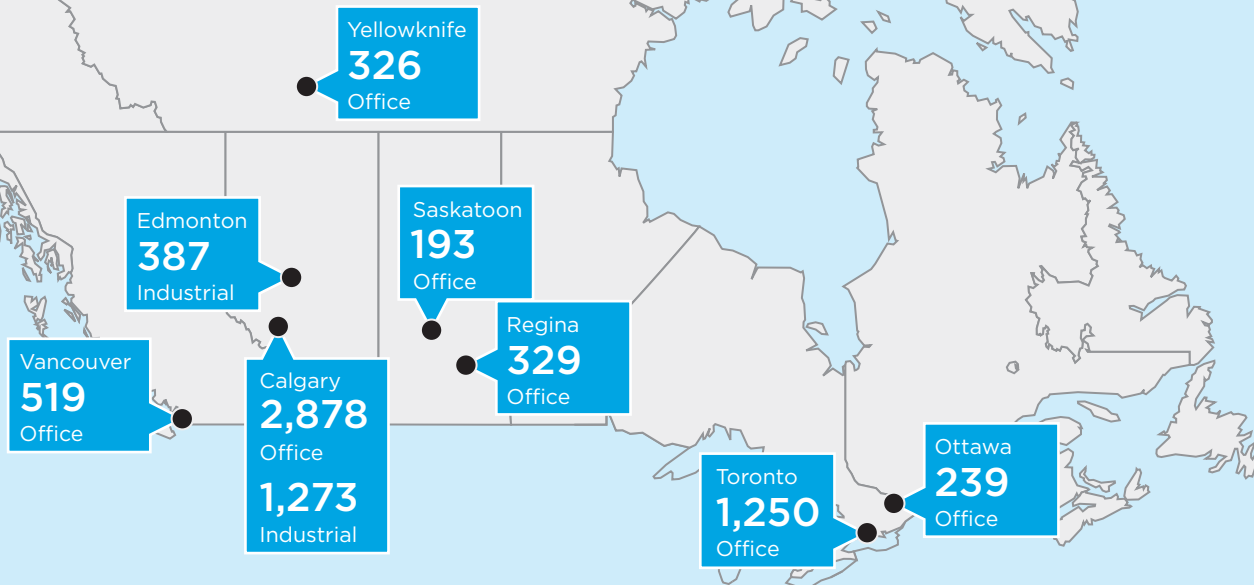
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Highlights

PORTFOLIO OVERVIEW

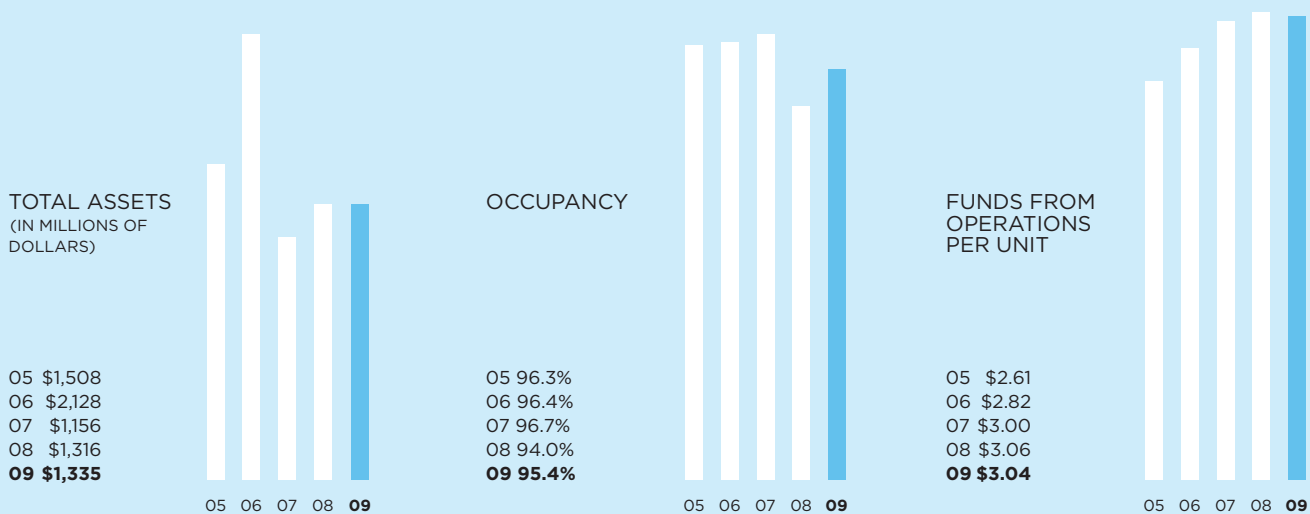
December 31, 2009 (thousands of square feet)



Office	Industrial	Portfolio
5,734	1,660	7,394

Dundee Real Estate Investment Trust

Dundee REIT is an unincorporated, open-ended real estate investment trust. We own approximately 7.4 million square feet of high-quality, affordable business premises located across Canada.



Letter to unitholders



MICHAEL J. COOPER
Vice Chairman and
Chief Executive Officer

“During a challenging economic time our portfolio produced solid results.”

We are pleased with our operational and financial performance in 2009. During a challenging economic time our portfolio produced solid results, we improved the quality of our cash flow and we strengthened our financial flexibility.

Our occupancy rate remained strong throughout the year, reflecting our success in renewing leases with existing tenants and attracting new tenants to our portfolio. Incremental improvements in occupancy as well as acquisitions contributed to increased net operating income both from the comparative portfolio and the overall portfolio on a quarterly basis and year-over-year. An impressive increase in our unit price throughout the year coupled with the completion of equity offerings has significantly increased our public float and has allowed us to grow our portfolio without increasing our leverage. The property acquisitions completed in the fourth quarter and subsequent to year-end have brought greater geographic diversification to our national portfolio and are improving the overall quality of our cash flows. In short, from all perspectives our business is getting stronger and our units are providing a very attractive investment option for those seeking a stable and reliable return.

According to Statistics Canada, our economy grew by 5% in the fourth quarter of 2009, an important indicator that the economic recovery is much stronger than initially anticipated. In fact, this was the largest quarterly increase since the third quarter of 2000, and suggests strong momentum going into 2010. The recession in Canada, which lasted for three quarters until mid-2009, played out very differently than in the United States. Confidence and liquidity have returned to the debt and capital markets and we believe that 2010 will prove to be a year of improving economic and leasing fundamentals.

The Calgary market remains challenging and increased competition for downtown office space has resulted in a significant decline in market rents. Our properties, however, are maintaining steady occupancy rates that are well above the average market rate and are producing consistent cash flow. We believe that Calgary-based businesses are performing well and are actually becoming more optimistic in their business outlook. The new supply of office space being delivered to the market will keep pressure on rental rates, but there is real demand for office space and we believe that in the longer term, once this market begins to improve it will likely do so more quickly than predicted. However, reducing our exposure to Calgary remains a priority. A couple of years ago, about 60% of our operating income was derived from the Calgary office segment. With the completion of our recent acquisitions, this has been reduced to less than 40%. As we continue to diversify our portfolio and reduce the percentage of our income derived from Calgary, its effect on our business as a whole will become less significant.

We look to the year ahead with optimism about our ability to capture rental rate uplifts as the recovery continues and pursue opportunities to grow our portfolio. We're of the view that properties acquired today will perform well against the generally conservative acquisition assumptions that reflect the current modest operating environment. The properties acquired over the last few months increase the overall quality of our asset base and the quality of our cash flow. Over time, we expect growing cash flow from these properties as they offer some leasing opportunities with respect to vacant space and have in-place rents that are below market. The assets we are currently looking at offer reasonable levered returns, but also have increasing, accretive cash flow. Given the current market conditions, we expect to acquire an additional \$400 million of assets this year that meet our criteria with respect to overall asset quality and accretive cash flow.

In the past we have not discussed our initiatives with respect to reducing the environmental impact of our operations. We recognize the role we must play with respect to environmental stewardship and sound environmental practices and are working to develop a corporate responsibility and sustainability reporting framework that will effectively convey our current practices, as well as our goals and objectives and our progress towards their achievement. While that framework is not yet ready, we wanted to provide a view into our current practices.

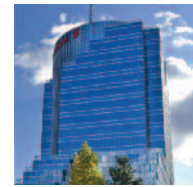
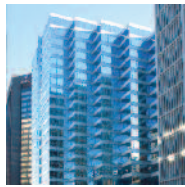
The Building Owners and Managers Association ("BOMA") has designed a national program called BOMA BEST (Building Environmental Standards) to address an industry need for realistic standards for energy and environmental performance of existing buildings based on accurate, independently verified information. To date, 3.2 million square feet of our office properties, representing about 50% of our office gross leasable area, have achieved the BOMA BEST green building certification and we anticipate certifying another 1.3 million square feet or 20% in 2010. Achieving certification demonstrates our compliance with industry best practices and includes performing energy and water audits, continually monitoring resource consumption and having a preventative maintenance program in place. The energy and water audits provide us with an in-depth look at current practices and what we can do to improve them. The next step is to develop and execute implementation plans to reduce electricity, gas and water consumption on a building by building basis. Our stringent preventative maintenance practices not only ensure the efficiency of our systems but also keep us on top of any issues as they arise and allow us to correct problems while they are still in their early stages. In addition, we have established environmental policies and procedures to help ensure that we meet or exceed all environmental laws and regulations in the management of our properties. Policy statements have been developed for waste reduction and diversion, water consumption and the use of environmentally friendly products and services. In 2008, we received two awards recognizing environmental excellence related to the major retrofit of the exterior cladding of a building in Yellowknife. In addition to improving tenant comfort, we achieved significant improvements in fuel and power consumption.

I am very pleased with the progress achieved over the past year. Dundee REIT is in significantly better shape as a business and as a public enterprise than I would have expected at this time last year. Given the uncertainty in the general markets and the poor returns investors have received in the stock market over the last couple of years, reliable cash flow is very attractive. The task at hand is to grow Dundee REIT and make it more valuable, and to do so in a way that gives investors the assurance they need that it is a safe investment. As long as we are able to raise new equity at a fair price and retain a conservative balance sheet, we can grow our business in a manner that makes it safer regardless of the economic environment. We are confident that 2010 will be a good year for investing in Canada's key real estate markets and that we will have the opportunity to once again grow Dundee REIT into a large diversified business and make it more valuable on a per unit basis.

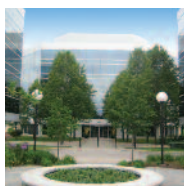


MICHAEL J. COOPER
Vice Chairman and
Chief Executive Officer

Portfolio listing



December 31, 2009	OWNERSHIP INTEREST (%)	OWNED SHARE OF TOTAL GLA (SQ. FT.)	OCCUPANCY (%)	SIGNIFICANT TENANTS
Office properties				
Station Tower, Surrey	100	217,887	97.0	Government of British Columbia; Government of Canada
4400 Dominion Street, Burnaby	100	91,875	88.2	Keystone Environment Ltd.; Syspro Software Ltd.; Kelron Distribution
625 Agnes Street, New Westminster	100	85,629	93.2	Government of British Columbia; Government of Canada
4370 Dominion Street, Burnaby	100	63,944	100.0	Jacques Whitford Environment; Odenza Marketing Group Inc.; Bayshore Home Support
960 Quayside Drive, New Westminster	100	59,880	98.3	Westminster Savings Credit Union; Royal Bank of Canada; Government of Canada
TELUS Tower, Calgary	50	354,315	100.0	TELUS Communications; Bantrel Co.; SNC Lavalin; Norwest Corporation; Government of Alberta
840-7th Avenue SW, Calgary	100	267,714	96.1	Hatch Optima Ltd.
McFarlane Tower, Calgary	100	240,138	95.0	Government of Alberta; Saxon Energy Services; Tusk Energy
Life Plaza, Calgary	100	236,847	90.4	MEG Energy Corp; Standard Land
Airport Corporate Centre, Calgary	100	148,253	94.7	Government of Canada; Government of Alberta
Franklin Atrium, Calgary	100	145,879	93.7	Care Factor Computer Services; Guest-Tek Interactive Entertainment
Roslyn Building, Calgary	100	132,043	93.1	Ensign Resource Service Group
IBM Corporate Park	33	117,625	100.0	Newalta Corporation; IBM Canada Ltd.
Atrium I, Calgary	100	110,138	95.0	Gemini Corporation
Atrium II, Calgary	100	109,636	92.7	Gemini Corporation
Joffre Place, Calgary	100	105,190	98.5	Wawanesa Mutual Insurance
Dominion Centre, Calgary	100	98,713	100.0	AMEC Americas Ltd. Energy & Mining
435 4th Avenue SW, Calgary	100	88,737	86.9	Phoenix Technologies Services; Profound Energy Inc.; Zapata Energy Corporation
2891 Sunridge Way, Calgary	100	87,368	100.0	Yellow Pages Group Co.
Kensington House, Calgary	100	77,417	100.0	IBI Group
AltaLink Place, Calgary	100	76,755	100.0	SNC Lavalin; Precision Drilling Corp.
3510 29th Street NE, Calgary	100	64,897	81.3	Schlumberger Canada Ltd.
2175 29th Street NE, Calgary	100	58,156	81.9	Mentor Engineering Inc.
2256 29th Street NE, Calgary	100	58,015	86.6	P&H Mine Pro
Mount Royal Place, Calgary	100	57,411	86.8	First Calgary Petroleum Ltd.
2121 29th Street NE, Calgary	100	57,050	100.0	Lifemark Health Management Inc.
Franklin Building, Calgary	100	50,577	95.2	TELUS Communications Inc.
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 of Canada
3030 Sunridge Way NE, Calgary	100	27,016	100.0	Shell Canada Energy Ltd.; Fortis Alberta Inc.; Western Hockey League
Sherwood Place, Regina	100	185,104	100.0	Co-operators Life Insurance; Conexus Credit Union; CGI Group
Victoria Tower, Regina	100	144,165	100.0	Government of Saskatchewan
Princeton Tower, Saskatoon	100	130,991	99.1	Government of Canada
Scotia Centre, Yellowknife	100	100,121	96.8	Government of NWT
Precambrian Building, Yellowknife	100	88,351	100.0	BHP Billiton Diamond Inc.; Government of NWT
Northwest Tower, Yellowknife	100	85,748	98.4	Government of NWT; Bell Canada
Preston Centre, Saskatoon	100	61,810	92.0	UMA Engineering Ltd.
Bellanca Building, Yellowknife	100	52,285	100.0	Government of Canada
6655-6725 Airport Road, Mississauga	100	329,728	100.0	Winners Merchants International; Aditya Birla Minacs; Livingston International Inc.
AIR MILES Tower, Toronto	100	322,557	99.1	Loyalty Management; TIC Travel Insurance; Smart & Biggar Management Ltd.; Dutton Brock LLP
720 Bay Street, Toronto	100	247,743	100.0	Government of Ontario
State Street Financial Centre, Toronto	50	206,973	100.0	State Street Trust Company; International Financial Data Services; Dundee Realty Management Corp.
2645 Skymark Avenue, Mississauga	100	142,487	100.0	WorleyParsons Canada; Fashion Distributors
Gateway Business Park, Ottawa	100	120,600	91.2	Academie de Linguistique; Eion Inc.; Cryptocard Corporation
1125 Innovation Drive, Ottawa	100	118,653	100.0	Edgewater Computer Systems Inc.; CAE Professional Services Inc.; Skywave Mobile Communication
Total office properties		5,734,259	96.7%	



December 31, 2009

	OWNERSHIP INTEREST (%)	OWNED SHARE OF TOTAL GLA (SQ. FT.)	OCCUPANCY (%)	SIGNIFICANT TENANTS
Industrial properties				
7102-7220 Barlow Trail SE, Calgary	100	222,590	100.0	Ice River Springs; Vaman Enterprises Ltd.; Sea NG Management Corp.
7004-7042 30th Street SE, Calgary	100	94,208	89.1	Control Chemical (1989) Corp.; Artic Truck Parts & Service; Aspen Grove Woodcraft
4710-4760 14th Street NE, Calgary	100	72,790	90.9	Collega International; Riomar Holdings Inc.; Royal Canadian Legion
2777 23rd Avenue NE, Calgary	100	67,250	100.0	Sleep Country Canada LP
2150 29th Street NE, Calgary	100	59,554	100.0	Zedi Inc.; ROE Logistics Inc.; Pitney Bowes of Canada Ltd.
1139-1165 40th Avenue NE, Calgary	100	57,344	92.9	Instabox Alberta Inc.
2151 32nd Street NE, Calgary	100	57,198	89.3	Coast Wholesale Appliances LP; Hafele Canada Inc.; Corporate Express Canada Inc.
501-529 36th Avenue SE, Calgary	100	57,152	100.0	Icon Stone and Tile Inc.; East West Plastic and Electric; DWA Interior Furnishings Inc.
4504-4576 14th Street NE, Calgary	100	57,026	94.9	McGregor & Thompson Hardware Ltd.; Alberta Dampproofing and Waterproofing Ltd.; Unlimited Video Staging
2928 Sunridge Way NE, Calgary	100	56,917	100.0	Everserve International Products Inc.; A.M.P.M. Services; Dawson's Coffee Services Ltd.
4402-4434 10th Street NE, Calgary	100	54,000	100.0	Budrich Industries; Scholastic Book Fairs Canada; Hydra Lawn & Garden Inc.
2985 23rd Avenue NE, Calgary	100	53,110	100.0	Symbiosys Genetics Inc.
535-561 36th Avenue SE, Calgary	100	41,440	100.0	The Flower Market
6804-6818 30th Street SE, Calgary	100	30,000	100.0	Khalliday Holdings Inc. o/a Spindle, Stairs & Railings; Enterprise Robert Thibert Inc.
2876 Sunridge Way NE, Calgary	100	30,000	100.0	Ametek (Canada) Inc.
6023-6039 Centre Street South, Calgary	100	28,792	100.0	Tac Mobility; Metro Hardwood Floors Ltd.; No Limits A.F.C. Inc.
4502-4516 10th Street NE, Calgary	100	28,667	100.0	Chateau Exteriors Ltd.; Gaults Distributors Inc.; Fitness Depot
6043-6055 Centre Street South, Calgary	100	25,200	100.0	Wolseley Canada Inc.; 2 Clean Inc.; Cal Spas & Billiards
530-544 38A Avenue SE, Calgary	100	24,000	100.0	Ian Heggie o/a JJ Lawn care; Rising Edge Engineering Ltd.; Kanas Corp.
1135-1149 45th Avenue NE, Calgary	100	21,552	62.4	International Furniture Wholesale; Avina Fresh Mushrooms Inc.; Hampton Construction
4620-4640 11th Street NE, Calgary	100	21,172	100.0	Productive Office Space Ltd.; Focus Canada Forwarders; The University of Calgary
102-114 61st Avenue SW, Calgary	100	18,900	100.0	Beauty Depot Enterprises; Jon William's Art Studio; Gainsborough Gallery/Framing
4001-4019 23rd Street NE, Calgary	100	15,787	100.0	Mobile Augers & Research Ltd.; Anwalt International Ltd.; Everharvest Enterprise Ltd.
2915-2925 58th Avenue SE, Calgary	100	15,600	100.0	East-West Express Inc.; Koch Tractor; Kullar Trucking Ltd.
4515-4519 1st Street SE, Calgary	100	14,340	100.0	Mars Blinds & Shutters Ltd.; Gourmet Royal; Windshield Surgeons Calgary Ltd.
3503-3521 62nd Avenue SE, Calgary	100	13,240	100.0	Eureka-Tech Inc.; Barudan Canada Inc.; Damarco Services & Restoration
4501-4509 1st Street SE, Calgary	100	13,200	100.0	Alpine Autowerks; Western High Voltage; Tinting Illusions
4523-4529 1st Street SE, Calgary	100	11,400	100.0	Audio Video Interiors Ltd.; Chinook Auto Upholstery
7122-7126 Barlow Trail SE, Calgary	100	5,400	100.0	Thermo Design Insulation Ltd.; Sunset Fireworks
7128-7132 Barlow Trail SE, Calgary	100	5,400	100.0	It's A Work Inc. o/a Storm Wrestling Academy; Libertas Industries Inc.; Mettler-Toledo Inc.
15303-128th Avenue, Edmonton	100	178,000	35.0	Highland Moving & Storage Ltd.
Alberta Park, Edmonton	100	130,162	98.0	McLeod Windows; North American Construction; Elite Marble & Granite
Park 19, Edmonton	100	48,365	100.0	Boden Fabricating
Wood Group ESP, Edmonton	100	30,353	100.0	Wood Group ESP (Canada) Ltd.
Total industrial properties		1,660,109	90.6%	
Total office and industrial properties		7,394,368	95.4%	

Redevelopment properties and properties held for sale

110 Sheppard Avenue East, Toronto	50	78,294
Gallery Building, Yellowknife	100	12,960

Total redevelopment properties and properties held for sale

91,254

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands, except rental rates, unit and 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 year ended December 31, 2009.

This management's discussion and analysis has been dated as at January 31, 2010, 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 Class B Units, Series 1
- "Units", meaning REIT Units, Series A; REIT Units, Series B; LP Class B Units, Series 1; and Special Trust Units, collectively

Certain market information has been obtained from the CB Richard Ellis MarketView, Fourth Quarter 2009, 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.

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. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; that the specified investment flow-through trust ("SIFT") Rules and the normal growth guidelines are not applicable to us; and other risks and factors described from time to time in the documents filed by the Trust with the securities regulators.

All forward-looking information is as of January 31, 2010, 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 business 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;
- providing predictable and sustainable cash distributions to unitholders and prudently managing distributions over time; 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.

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. Unitholders who enrol in the DRIP receive a bonus distribution of 4% with each reinvestment. At January 31, 2010, approximately 8% of our total units were enrolled in the DRIP, including 8% of the REIT A Units and 9% of the LP B Units. There is no equivalent program for the REIT B Units (see a description of Our Equity on page 9).

2009	Jan	Feb	Mar	Apr	May	June	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	\$11.89	\$13.75	\$12.75	\$13.40	\$15.05	\$15.15	\$16.50	\$19.30	\$19.46	\$19.25	\$19.17	\$20.75

OUR STRATEGY

Dundee REIT’s core strategy is to invest in the office and industrial sectors in key markets across Canada, providing a solid platform for stable and growing cash flows. The execution of that strategy, however, is continuously reviewed including acquisitions and dispositions, our capital structure, as well as our analysis of current economic conditions. Our executive team has worked together for many years and has experience operating through a number of real estate cycles. We are highly motivated to continue to increase the value of our portfolio and maintain a sharp focus on providing stable and reliable returns for our unitholders. In addition, Dundee REIT was among the first REITs to qualify as a real estate investment trust under the SIFT legislation and we are steadfast in maintaining that status.

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

Investing in high-quality office and industrial properties

Our portfolio is concentrated in Canada’s key urban markets and is comprised of properties that are well located, attractively priced and produce consistent cash flow. When considering acquisition opportunities we look for quality tenancies, strong occupancy, the appeal of the property to future tenants, how it complements our existing portfolio and how we can create additional value.

Optimizing the performance, value and cash flow of our portfolio

We manage our properties to optimize long-term cash flow and value. With fully internalized property management, we offer a strong team of highly experienced real estate professionals who are focused on achieving more from our assets. Occupancy rates across our portfolio have remained steady and strong for a number of years. We view this as strong evidence of the appeal of our properties and our ability to meet and exceed tenant expectations. Dundee REIT has a proven ability to identify and execute value-add opportunities and a track record for outperforming the real estate index.

Diversifying our portfolio to mitigate risk

With the acquisitions completed in 2009 and those that closed subsequent to year-end, we have demonstrated our commitment to once again achieving greater geographic diversification across our portfolio. We will continue to pursue growth by acquiring properties that enhance our overall portfolio, further improve the sustainability of distributions, strengthen our tenant profile and help mitigate risk. We have experience in each of Canada's key markets and have the flexibility to pursue the acquisition of office and industrial properties in whichever markets offer compelling investment opportunities.

Maintaining and strengthening our conservative financial profile

We have always operated our business in a disciplined manner, with a keen eye on financial analysis and balance sheet management to ensure that we maintain a prudent capital structure. We continue to generate cash flows sufficient to fund our distributions while maintaining a conservative debt ratio and balanced debt maturities.

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. Our assets are located in major urban centres across Canada including: Ottawa, Toronto, Saskatoon, Regina, Calgary, Edmonton, Vancouver and Yellowknife.

December 31				Owned gross leasable area (sq. ft.)		
	Office	Industrial	Total	2009	2008	
				%	Total	%
British Columbia	519,215	—	519,215	7	514,864	8
Alberta	2,877,728	1,660,109	4,537,837	61	4,724,573	69
Saskatchewan & NWT	848,575	—	848,575	12	849,329	12
Ontario	1,488,741	—	1,488,741	20	728,874	11
Total⁽¹⁾	5,734,259	1,660,109	7,394,368	100	6,817,640	100
Percentage	78%	22%	100%			
Total as at						
December 31, 2008⁽²⁾	4,969,858	1,847,782	6,817,640			
Percentage	73%	27%	100%			

⁽¹⁾ Excludes redevelopment properties and properties held for sale.

⁽²⁾ 7102 Barlow Trail has been restated as continuing operations.

Subsequent to year-end, we acquired approximately 1.1 million square feet of office space in Ontario. The addition of these properties reduces our exposure to the Alberta market from 61% of owned gross leasable area ("GLA") to 54%.

Office rental properties

Dundee REIT owns interests in 46 office properties (57 buildings) comprising approximately 5.7 million square feet, excluding redevelopment properties, located in Ottawa, Toronto, Saskatoon, Regina, Calgary, Vancouver and Yellowknife. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. The occupancy rate across our office portfolio remains high at 96.7%, well ahead of the national industry average occupancy rate of 90.1% (CB Richard Ellis, Canadian Office MarketView, Fourth Quarter 2009). Our occupancy rates include lease commitments for space which is currently being readied for occupancy but for which rent is not yet being recognized.

Subsequent to December 31, 2009, we acquired Adelaide Place, a two-tower Class A office complex in downtown Toronto comprising 655,000 square feet with an occupancy rate of 97%. We also acquired the Aviva Corporate Centre in Toronto, a four-building office complex comprising 439,000 square feet with an occupancy rate of 99%.

Additionally, in the second quarter of 2010, we will be purchasing a fully leased building located in suburban Toronto that will further geographically diversify our portfolio.

Industrial rental properties

Our industrial portfolio consists of 34 prime suburban industrial properties (37 buildings) comprising approximately 1.7 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. The occupancy rate across our industrial portfolio has softened to 90.6%, from 92.0% at the end of the third quarter. The industry average occupancy rates in our two industrial markets, Calgary and Edmonton, were 94.8% and 96.2%, respectively (CB Richard Ellis, Calgary and Edmonton Industrial MarketView, Fourth Quarter 2009).

OUR EQUITY

December 31	2009		Unitholders' equity 2008	
	Number of units	Amount	Number of units	Amount
REIT Units, Series A	21,247,397	\$ 312,743	16,947,240	\$ 271,087
REIT Units, Series B	16,316	362	16,316	371
LP Class B Units, Series 1	3,454,188	92,656	3,454,188	98,260
Cumulative foreign currency translation adjustment	—	(6,609)	—	(5,275)
Total	24,717,901	\$ 399,152	20,417,744	\$ 364,443

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 ("DRC"), related parties to Dundee REIT. Both the REIT Units and Special Trust Units entitle the holder to one vote for each unit 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.

At December 31, 2009, Dundee Corporation, directly and indirectly through its subsidiaries, held 921,299 REIT A Units and 3,454,188 LP B Units.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Operations				
Occupancy rate (period-end) ⁽¹⁾	95.4%	94.0%		
In-place rent per square foot (office and industrial) ⁽¹⁾	\$ 15.30	\$ 15.30		
Operating results				
Rental properties revenue ⁽²⁾	\$ 50,156	\$ 48,385	\$ 192,083	\$ 179,779
Net operating income ("NOI") ⁽³⁾	30,791	30,203	120,954	113,753
Funds from operations ("FFO") ⁽⁴⁾	17,363	16,985	67,633	64,652
Adjusted funds from operations ("AFFO") ⁽⁵⁾	13,033	11,745	49,783	43,856
Distributions				
Declared distributions	\$ 13,562	\$ 11,194	\$ 48,450	\$ 45,756
Distributions paid in cash	12,591	10,266	45,354	37,112
DRIP participation ratio	7%	8%	6%	19%
Deferral rate			77%	93%
Financing				
Weighted average interest rate (period-end)	5.75%	5.83%		
Interest coverage ratio	2.4 times	2.3 times	2.3 times	2.3 times
Per unit amounts				
Basic:				
FFO	\$ 0.70	\$ 0.82	\$ 3.04	\$ 3.06
Distributable income	0.59	0.65	2.55	2.40
Distribution rate	0.55	0.55	2.20	2.20
Total distributions as a percentage of distributable income	93%	85%	86%	92%
AFFO	0.52	0.57	2.24	2.08
Diluted:⁽⁶⁾				
FFO	\$ 0.69	\$ 0.80	\$ 3.00	\$ 3.01
Distributable income	0.60	0.65	2.57	2.40

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

(1) Excludes redevelopment properties and discontinued property.

(2) Prior year comparatives have been restated for discontinued operations.

(3) 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 37.

(4) FFO — the reconciliation of FFO to net income can be found on page 25.

(5) AFFO — the reconciliation of AFFO to distributable income can be found on page 28.

(6) Diluted amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures.

FINANCIAL OVERVIEW

Overall occupancy increased to 95.4% from 94.0% at the end of the prior year. Occupancy across our office portfolio has remained stable at 96.7% compared to last year, while our industrial portfolio has improved to 90.6% from 87.0%. Our operations remain strong, with continued year-over-year growth in our rental property revenue and NOI. Rental property revenue increased year-over-year by 7% to \$192.1 million and NOI increased by 6% to \$121.0 million. On a quarterly basis, rental property revenue and NOI grew by \$1.8 million and \$0.6 million, respectively, reflecting our ability to effectively manage our business as well as accretive leasing activity coming on-line. Details of our NOI begin on page 37.

We have a successful track record for managing our lease rollover activity. Renewal and new leasing activity have allowed us to take advantage of generally higher market rates in many of our market segments. The market rental rates in the Calgary office segment have declined over the past year; however, at 95.2%, our Alberta office portfolio occupancy remains well above the industry average. Details of our leasing profile are provided on page 14.

For the year, AFFO increased 14% to \$49.8 million, or \$2.24 per unit, largely reflecting solid growth in NOI, lower interest expense and the impact of deploying our capital.

In the fourth quarter we acquired \$96.9 million of office properties, bringing total acquisitions for the year to \$122.9 million. The acquisitions, comprising 596,000 square feet in Toronto and 239,000 square feet in Ottawa, provided our portfolio with greater geographic diversification and set the stage for further growth in 2010.

Financing activity for the year included the placement of \$36.0 million of new mortgage financing, \$26.7 million of assumed mortgages related to property acquisitions, \$15.5 million of principal repayments and \$54.5 million of mortgages discharged at maturity. Overall, the weighted average interest rate of our mortgage debt is 5.75%, down slightly from 5.83% in the prior year. We also raised \$67.3 million, net of costs, from an equity offering on September 9, 2009. Details of financing activity and debt begin on page 31.

OUTLOOK

We began the year with a great deal of uncertainty with respect to general economic conditions and their potential effect on our tenants, the credit markets and our business. A year later, the Canadian economy is outperforming that of many other countries and our business is performing soundly. Our occupancy rate has improved, our tenants continue to operate their businesses, we've successfully managed our debt maturities and we are growing our portfolio. Each of our key performance metrics demonstrates stability and, with the addition of high-quality Ontario-based assets bringing greater geographic diversity to our portfolio, our stock price is also on the rise.

Year-over-year, overall occupancy has increased with both the office and industrial portfolios performing well. The Calgary market represents our greatest challenge, as increased competition for downtown office space has resulted in a significant decline in market rents. We have been actively working with tenants well in advance of their expiries to secure commitments to renew or identify leasing opportunities and to ensure the continuity of our cash flow. While deterioration is expected to continue in this market, our occupancy rate is currently well above the average market rate and we have a proven ability to retain and attract tenants. In addition, the characteristics of our portfolio and tenant base are such that we don't believe we will be impacted to the same extent as the broader market. Further, as we continue to grow our portfolio, any changes in this market will have less of an impact on our overall performance.

Going into 2010, we are pleased with the condition of our company. We feel that confidence and liquidity have returned to the debt and capital markets and we no longer need to maintain a significant amount of cash on hand. Our team has a proven track record for creating value and, in many ways, Dundee REIT is ideally positioned to take advantage of opportunities that will become available in an improving economy. We look to the year ahead with optimism about our capability to grow our portfolio and improve our business.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

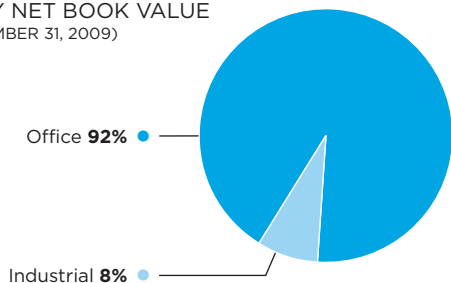
Rental properties

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

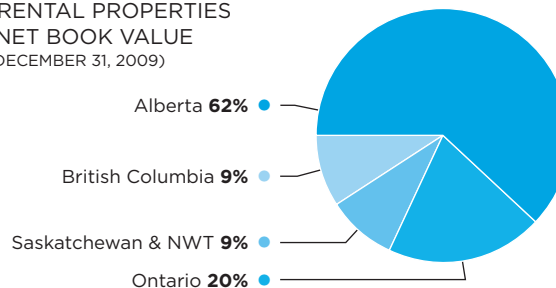
December 31				2009 ⁽¹⁾		2008 ⁽¹⁾
	Office	Industrial	Total	%	Total	%
British Columbia	\$ 99,834	\$ —	\$ 99,834	9	\$ 101,485	9
Alberta	646,207	90,310	736,517	62	761,650	68
Saskatchewan & NWT	107,754	—	107,754	9	109,490	10
Ontario	235,195	—	235,195	20	149,611	13
Total	\$1,088,990	\$ 90,310	\$ 1,179,300	100	\$ 1,122,236	100
Percentage	92%	8%	100%			
Total as at						
December 31, 2008	\$ 1,019,280	\$ 102,956	\$ 1,122,236			
Percentage	91%	9%	100%			

⁽¹⁾ Excludes \$1.8 million related to redevelopment properties and \$17.6 million related to discontinued properties (December 31, 2008 — excludes \$22.8 million related to Greenbriar Mall and \$1.0 million related to other redevelopment properties).

PORTFOLIO ASSET TYPE BY NET BOOK VALUE (AT DECEMBER 31, 2009)



GEOGRAPHIC DISTRIBUTION OF RENTAL PROPERTIES BY NET BOOK VALUE (AT DECEMBER 31, 2009)



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 MarketView, Fourth Quarter 2009. Market information for Saskatchewan and the Northwest Territories is based on local estimates.

British Columbia

The downtown Vancouver office market experienced a surge in leasing activity in the last part of the year, pushing the vacancy rate down to 5.8%. The amount of sublease space on the market also declined significantly, down 34%. Leasing activity in suburban Vancouver was mixed with the Surrey market remaining relatively strong but the Burnaby market experiencing weakness. Little activity is expected in the first half of 2010; however, it is anticipated that the economy will show some improvement in the second half of the year.

Alberta

In Calgary, the combined effect of 1.2 million square feet of new office supply coming on stream in 2009 and weakening demand for space from oil and gas companies resulted in rising vacancy rates and weakening rental rates throughout the year. Vacancy at year-end averaged about 15.6% across all classes with sublet space accounting for approximately 47% of total vacancy. It is anticipated that rental rates will continue to trend down as landlords work to maintain their tenant base. Slightly positive absorption in the fourth quarter indicates that there may be some demand for office space in 2010; however, the next 24 months will see another 2.5 million square feet added to the office inventory causing vacancy to continue to rise.

In Edmonton, a number of industrial projects comprising 1.3 million square feet were completed and added to inventory applying upward pressure on vacancy rates which rose to 3.8%. Looking ahead, it is anticipated that demand for industrial space will increase and that existing inventory will remain static as new speculative construction has dried up. The Edmonton office market remains strong with downtown vacancy at 7.9%.

Saskatchewan and NWT

Saskatoon's GDP growth in 2009, while flat, led the nation and is expected to continue doing so in the year ahead. Inventory in the downtown office market grew in 2009, ending the year at just over two million square feet. The demand for office space remains strong and even though vacancy has increased slightly to 6.1%, it remains low and there is continued upward pressure on rental rates.

The Regina market continues to offer stability and growth. It is expected that the high pace of infrastructure activity and potential spin-off effects from federal infrastructure spending will bode well for Regina in 2010. This office market comprises approximately 3.4 million square feet with virtually no vacancy. An announcement regarding the construction of at least one new office tower is expected in early 2010. Since it will not be ready for tenant occupancy until 2012, vacancy rates are expected to remain low with continued upward pressure on rental rates.

The economy of the Northwest Territories is driven by the government and resource-based businesses. With the resource sector expected to show modest growth and increased infrastructure spending, the outlook for Yellowknife calls for sustained gradual growth. Vacancy remains very tight in this market and we anticipate that rental rates will continue to increase throughout 2010.

Ontario

Although the economy has demonstrated some improvements, the addition of 3.2 million square feet of new office space in Toronto's financial core and a general weakening in demand continue to impact vacancy rates, which rose for the fourth consecutive quarter to 7.3% at year-end. The vacancy rate in suburban Toronto also increased to 11.7%. Net absorption is expected to return to positive levels by 2011.

The Ottawa office market remained relatively stable throughout 2009. Improvements in occupancy in the suburban east and west markets led to an improvement across the overall region with vacancy dropping to 5.7% at year-end. Overall, the region experienced positive absorption and asking rental rates increased.

Leasing profile

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

Performance indicators at December 31	2009	2008 ⁽¹⁾
Operating activities (office and industrial average)⁽²⁾		
Occupancy level	95.4%	94.0% ⁽¹⁾
Tenant maturity profile — average term to maturity (years)	4.5	4.5
In-place rental rates	\$ 15.30	\$ 15.30

⁽¹⁾ 7102 Barlow Trail has been restated as continuing operations.

⁽²⁾ Excludes redevelopment properties and properties held for sale.

Throughout the year we continued to capture rental rate increases across most of our markets. The average in-place rent in Ontario, however, was impacted by acquisitions completed during the fourth quarter that carried an average in-place rental rate of \$11.69, which lowered the average rate for Ontario and caused our overall average in-place rental rate to remain unchanged year-over-year.

In-place rental rates at December 31	2009	2008
British Columbia	\$ 16.38	\$ 15.59
Alberta	18.69	18.47
Saskatchewan & NWT	18.41	17.93
Ontario	14.56	17.49
Total office	17.34	17.94
Industrial		
Alberta	7.77	7.35
Overall	\$ 15.30	\$ 15.30

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

(percentage)	Q4 2009	Q3 2009	Q2 2009	Q1 2009 ⁽¹⁾	Q4 2008 ⁽¹⁾	Q3 2008	Q2 2008	Q1 2008
Office	96.7	95.9	96.0	96.4	96.6	97.6	97.4	96.0
Industrial	90.6	92.0	89.3	91.1	87.0	90.9	94.1	92.3
Overall ⁽²⁾	95.4	94.9	94.2	95.0	94.0	95.8	96.5	95.0

⁽¹⁾ 7102 Barlow Trail has been restated as continuing operations.

⁽²⁾ Excludes redevelopment properties and properties held for sale.

The overall percentage of occupied and committed space across our rental properties portfolio was 95.4% at quarter-end. The average occupancy rate across our office portfolio is 96.7%, an increase over the last quarter and the prior year and well above the national industry average of 90.1%. The average occupancy rate across our industrial portfolio is 90.6%, down from the last quarter due to a 24,000 square foot increase in vacancy, but an improvement over the prior year. The overall occupancy rates for industrial space in Calgary and Edmonton were 94.8% and 96.2%, respectively (CB Richard Ellis, Canadian office and Calgary and Edmonton Industrial MarketViews, Fourth Quarter 2009). Our occupancy rates discussed in this report include occupied and committed space at December 31, 2009.

(percentage)	Total portfolio			Comparative properties		
	December 31, 2009	September 30, 2009	December 31, 2008 ⁽¹⁾	December 31, 2009	September 30, 2009	December 31, 2008 ⁽¹⁾
Office						
British Columbia	95.3	93.5	96.9	95.3	93.5	96.9
Alberta	95.2	95.1	96.4	95.2	95.1	96.4
Saskatchewan & NWT	98.7	99.3	98.2	98.7	99.3	98.2
Ontario	99.1	96.4	95.2	99.6	99.6	98.6
Total office	96.7	95.9	96.6	96.4	96.3	97.1
Industrial						
Alberta	90.6	92.2	87.0	90.6	92.0	85.6
Overall⁽²⁾	95.4	94.9	94.0	94.9	95.2	94.2

⁽¹⁾ 7102 Barlow Trail has been restated as continuing operations.

⁽²⁾ Excludes redevelopment properties.

Vacancy schedule

The tables below distinguish between space that is currently vacant and space that is committed for future occupancy, and provide a continuity for the vacant space component.

During the fourth quarter, approximately 206,000 square feet of leases expired or were terminated, and we completed approximately 239,000 square feet of renewals and new leasing. Overall, we reduced vacancy by 51,000 square feet. Throughout the year approximately 1,216,000 square feet of leases expired or were terminated and we completed 1,260,000 square feet of renewals and new leasing. Of the vacant space at period-end, approximately 90,000 square feet, or 21%, is committed for future occupancy, leaving approximately 343,000 square feet available for lease.

(in square feet)	For the three months ended December 31, 2009		
	Office	Industrial	Total
Available for lease	210,732	132,338	343,070
Vacancy committed for future leases	67,392	74,992	142,384
Vacant space — October 1, 2009	278,124	207,330	485,454
Acquired/Disposed vacancy	(17,655)	—	(17,655)
Remeasurements	(461)	—	(461)
Expiries	96,001	80,202	176,203
Early terminations and bankruptcies	14,337	15,280	29,617
New leases	(72,587)	(84,361)	(156,948)
Renewals	(61,865)	(20,136)	(82,001)
Vacant space — December 31, 2009	235,894	198,315	434,209
Vacancy committed for future leases	49,083	41,852	90,935
Available for lease — December 31, 2009	186,811	156,463	343,274

(in square feet)	For the year ended December 31, 2009		
	Office	Industrial	Total
Available for lease	169,479	48,079	217,558
Vacancy committed for future leases	85,138	10,440	95,578
Vacant space — January 1, 2009	254,617	58,519	313,136
Vacancy on property previously held for sale	—	191,240	191,240
Vacant space — January 1, 2009 (restated)	254,617	249,759	504,376
Acquired/Disposed vacancy	(17,655)	(6,707)	(24,362)
Remeasurements	2,965	(4,734)	(1,769)
Expiries	751,691	358,475	1,110,166
Early terminations and bankruptcies	62,612	43,040	105,652
New leases	(279,680)	(322,103)	(601,783)
Renewals	(538,656)	(119,415)	(658,071)
Vacant space — December 31, 2009	235,894	198,315	434,209
Vacancy committed for future leases	49,083	41,852	90,935
Available for lease — December 31, 2009	186,811	156,463	343,274

The following two tables detail our lease maturity profile by asset type and geographic segment as at December 31, 2009. The tables distinguish between lease maturities that have yet to be renewed or re-leased and maturities for which we have a leasing commitment. The uncommitted line should be referenced when considering future leasing risks or opportunities and the committed line should be referenced when considering the impact of leasing activity.

We have a long and successful track record in managing our lease rollovers. During 2010, approximately 13% of our leases will expire. Of these expiries, approximately 26% have been renewed as of year-end, leaving 74% to be renewed by the end of 2010.

(in square feet)	Current vacancy	Current monthly tenancies	2010	2011	2012	2013	2014 to 2022	Total
Office — uncommitted	186,811	29,122	490,853	661,024	604,702	867,210	2,500,070	5,339,792
Office — committed	—	—	202,343	59,378	93,589	7,229	31,928	394,467
Total office	186,811	29,122	693,196	720,402	698,291	874,439	2,531,998	5,734,259
Industrial — uncommitted	156,463	15,200	211,930	227,150	346,013	203,139	439,514	1,599,409
Industrial — committed	—	—	46,600	14,100	—	—	—	60,700
Total industrial	156,463	15,200	258,530	241,250	346,013	203,139	439,514	1,660,109
Total — uncommitted	343,274	44,322	702,783	888,174	950,715	1,070,349	2,939,584	6,939,201
Total — committed	—	—	248,943	73,478	93,589	7,229	31,928	455,167
Total	343,274	44,322	951,726	961,652	1,044,304	1,077,578	2,971,512	7,394,368

(in square feet)	Current vacancy	Current monthly tenancies	2010	2011	2012	2013	2014 to 2022	Total
British Columbia — uncommitted	24,200	10,799	34,346	94,916	28,969	60,797	265,188	519,215
British Columbia — committed	—	—	—	—	—	—	—	—
Total British Columbia	24,200	10,799	34,346	94,916	28,969	60,797	265,188	519,215
Alberta — uncommitted	294,938	33,408	619,956	648,443	653,037	569,784	1,474,415	4,293,981
Alberta — committed	—	—	176,381	57,073	—	7,229	3,173	243,856
Total Alberta	294,938	33,408	796,337	705,516	653,037	577,013	1,477,588	4,537,837
Saskatchewan & NWT — uncommitted	10,691	115	19,773	74,531	207,828	125,723	334,676	773,337
Saskatchewan & NWT — committed	—	—	70,602	4,636	—	—	—	75,238
Total Saskatchewan & NWT	10,691	115	90,375	79,167	207,828	125,723	334,676	848,575
Ontario — uncommitted	13,445	—	28,708	70,284	60,881	314,045	865,305	1,352,668
Ontario — committed	—	—	1,960	11,769	93,589	—	28,755	136,073
Total Ontario	13,445	—	30,668	82,053	154,470	314,045	894,060	1,488,741
Total — uncommitted	343,274	44,322	702,783	888,174	950,715	1,070,349	2,939,584	6,939,201
Total — committed	—	—	248,943	73,478	93,589	7,229	31,928	455,167
Total	343,274	44,322	951,726	961,652	1,044,304	1,077,578	2,971,512	7,394,368

The following tables provide expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties as at December 31, 2009.

	Current monthly tenancies	2010	2011	2012	2013	2014 to 2022
Expiring rents						
Office	\$ 19.08	\$ 16.98	\$ 18.06	\$ 20.43	\$ 18.73	\$ 18.22
Industrial	7.27	8.91	8.09	6.75	9.77	8.59
Portfolio average	15.03	14.55	15.51	15.45	17.03	16.80
Market rents⁽¹⁾						
Office	\$ 19.39	\$ 16.62	\$ 16.69	\$ 18.88	\$ 16.03	\$ 17.90
Industrial	8.57	9.31	9.94	7.62	9.13	6.91
Market rent average	15.68	14.41	14.96	14.78	14.72	16.28

⁽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	2010	2011	2012	2013	2014 to 2022
Expiring rents						
British Columbia	\$ 19.99	\$ 12.98	\$ 15.47	\$ 15.38	\$ 17.11	\$ 18.92
Alberta office	18.18	17.36	19.24	21.55	21.33	20.07
Saskatchewan & NWT	74.67	24.52	18.25	21.13	20.55	17.44
Ontario	—	11.18	14.25	14.83	15.27	16.11
Alberta industrial	7.27	8.91	8.09	6.75	9.77	8.59
Portfolio average	15.03	14.55	15.51	15.45	17.03	16.80
Market rents⁽¹⁾						
British Columbia	\$ 25.00	\$ 16.09	\$ 17.17	\$ 21.35	\$ 14.54	\$ 21.03
Alberta office	16.06	16.59	15.47	17.05	15.71	17.58
Saskatchewan & NWT	20.00	25.75	25.09	22.79	22.54	20.35
Ontario	—	11.39	14.41	13.62	14.09	16.45
Alberta industrial	8.57	9.31	9.94	7.62	9.13	6.91
Market rent average	15.68	14.41	14.96	14.78	14.72	16.28

⁽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.

The average remaining lease term and other portfolio information as at December 31 is detailed below.

December 31	2009 ⁽¹⁾			2008 ⁽¹⁾		
	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.) ⁽²⁾	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.) ⁽²⁾
Office	4.75	10,198	\$ 17.34	4.89	9,544	\$ 17.94
Industrial	3.83	7,335	7.77	3.39	7,404	7.35
Portfolio average	4.54	9,414	15.30	4.52	8,907	15.30

⁽¹⁾ Excludes redevelopment properties.

⁽²⁾ Average in-place rents include straight-line rent adjustments.

Impact of Adelaide Place and Aviva Corporate Centre on portfolio indicators

Subsequent to December 31, 2009, we acquired Adelaide Place and Aviva Corporate Centre in Toronto. Overall, the acquisitions have the effect of generally improving the difference between expiring and market rents. The pro forma impact of these acquisitions on our portfolio rents is summarized below.

	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023
Expiring rents						
At December 31, 2009	\$ 15.03	\$ 14.55	\$ 15.51	\$ 15.45	\$ 17.03	\$ 16.80
Pro forma 2010 acquisitions	15.03	14.46	13.96	16.27	17.36	16.32
Market rents						
At December 31, 2009	\$ 15.68	\$ 14.41	\$ 14.96	\$ 14.78	\$ 14.72	\$ 16.28
Pro forma 2010 acquisitions	15.68	14.61	13.89	15.97	15.47	18.17

Acquisitions completed subsequent to year-end will lengthen the average remaining lease term and increase the average in-place rental rate.

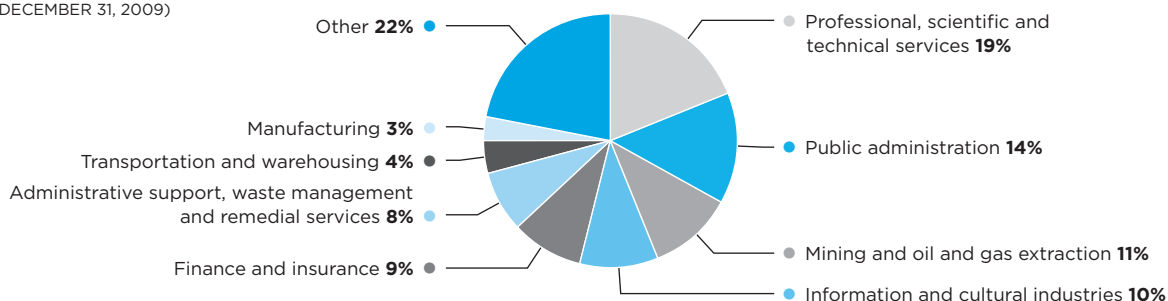
December 31, 2009	Pro forma 2010 acquisitions		
	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average net rent (per sq. ft.)
Office	4.81	10,173	\$ 17.07
Portfolio average	4.61	11,123	15.33

Tenant base profile

Our tenant base includes a wide range of high-quality tenants such as the government, large international corporations and small entrepreneurial businesses across the country. With 749 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 10,200 and 7,300 square feet, respectively, placing us at the lower end of our peer group. Effectively managing this diverse tenant base is one of our key strengths and has helped us maintain consistently high occupancy levels and to continually capitalize on rental rate uplifts.

The following chart 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, 2009)



The diversity of our tenant base helps to ensure segments that undergo greater than average stress do not unduly impact us. Much of the Alberta economy is influenced by the oil and gas sector, therefore our greatest area of vulnerability for this segment of our portfolio is not necessarily with respect to a specific industry sector as much as it is to the impact of the oil and gas sector on the general economy of Alberta. In the fourth quarter we completed four acquisitions in Ontario and, subsequent to year-end, we have completed two more in Toronto. The addition of these properties improves the geographic diversification of our portfolio and reduces our exposure to the Alberta market to 54% from 61% based on owned gross leasable area. We are very proactive in analyzing our portfolio and tenancies, and are focused on tenant retention and leasing. The manufacturing sector continues to feel the greatest impact from the current economic conditions and strengthening in the Canadian dollar. As indicated by the chart above, manufacturing comprises only a minor component of our portfolio.

The stability and quality of our cash flow is enhanced by the fact that government and government agencies contribute 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 and high-quality businesses. The table below sets out our ten largest tenants and outlines their contributions to our rental revenues.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
TELUS Communications	311,253	4.2	5.4	2013–2016
Government of Ontario	247,743	3.3	4.3	2014
Government of Canada	279,497	3.8	4.3	2010–2019
Loyalty Management Group	183,014	2.5	3.2	2017
Government of British Columbia	181,944	2.5	3.1	2010–2014
State Street Trust Company	122,344	1.7	2.7	2022
Government of Northwest Territories	121,793	1.6	2.7	2010–2014
Winners Merchants International	178,418	2.4	2.2	2010–2015
Government of Saskatchewan	141,469	1.9	1.8	2011–2018
Hatch Optima Ltd.	94,388	1.3	1.8	2016
Total	1,861,863	25.2	31.5	

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 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 and when appropriate, new equity or debt issues.

During the fourth quarter, only \$6.0 million of mortgage debt matured and was repaid with available cash. An additional \$11.7 million will mature in 2010. While the credit markets have increased the availability of capital, we remain cautious in managing our debt; however, we remain confident in our ability to refinance our maturities. Further discussion and information is provided on page 31 under "Financing activities".

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

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Cash generated from operating activities	\$ 11,342	\$ 7,266	\$ 59,507	\$ 41,126
Cash utilized in investing activities	(85,750)	(3,942)	(104,977)	(150,865)
Cash generated from (utilized in) financing activities	(22,940)	(30,550)	(11,577)	141,279
Increase (decrease) in cash and cash equivalents	\$ (97,348)	\$ (27,226)	\$ (57,047)	\$ 31,540

At December 31, 2009, cash and cash equivalents were \$12.0 million, a decrease of \$57.2 million year-over-year, reflecting cash utilized for acquisitions and the repayment of \$54.5 million of maturing debt, partially offset by \$67.3 million of net proceeds from the equity offering completed in the third quarter. Funds utilized during the fourth quarter included \$68.0 million to purchase four properties and \$13.8 million used as deposits on two additional properties that closed in the first quarter of 2010. With over \$12.0 million in cash, a further \$32.6 million, less letters of guarantee, available through our revolving credit facility and six unencumbered properties that can be leveraged, we are confident that we have adequate capital resources for 2010 and beyond.

Operating activities

The following table details the cash generated from operating activities.

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Net income	\$ 6,606	\$ 3,566	\$ 13,420	\$ 10,460
Non-cash items:				
Amortization of market rent adjustments on acquired leases	(2,297)	(3,270)	(10,276)	(12,736)
All other depreciation and amortization	12,903	13,732	51,326	54,652
(Gain) loss on disposal of rental properties	30	(336)	(4,255)	(79)
Provision for impairment in value of discontinued assets	2,212	—	11,513	—
Deferred unit compensation expense	220	151	858	399
Future income taxes	(4,203)	221	(3,739)	327
Straight-line rent adjustment	(412)	(298)	(1,053)	(1,026)
	15,059	13,766	57,794	51,997
Leasing costs incurred	(1,273)	(1,465)	(4,296)	(4,993)
Change in non-cash working capital	(2,444)	(5,035)	6,009	(5,878)
Cash generated from operating activities	\$ 11,342	\$ 7,266	\$ 59,507	\$ 41,126

Cash generated from operations for the quarter increased relative to the comparative period, mainly reflecting growth in NOI and fluctuations in non-cash working capital.

The amortization of market rent adjustments on acquired leases mainly represents the impact of leases with below-market rents, largely related to certain properties acquired from 2006 to 2009. Below-market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

Dundee REIT distributes 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 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 sheets and consolidated statements of income and comprehensive income. On December 31, 2009, we effected the transfer of our interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. In addition, on February 5, 2010, we sold our interest in the U.S. subsidiary. As a result of these transactions, we are no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates.

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.

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

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.

During the year, 1.3 million square feet were leased and occupied, and we incurred \$9.7 million in leasing costs and tenant improvements. Included in this amount is \$1.0 million incurred at IBM Corporate Park in Calgary for which we received a credit to the purchase price when the property was acquired in 2008. Excluding these costs, leasing costs and tenant improvements were \$8.7 million, or an average per square foot of \$9.40 for office and \$2.34 for industrial space. The leasing costs related to office space are higher than normal due to the completion of several large long-term leasing deals.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)	5,734,259	1,660,109	7,394,368
Occupied and committed	96.7%	90.6%	95.4%
Square footage leased and occupied in 2009	818,336	441,518	1,259,854
Leasing costs	\$ 3,513	\$ 476	\$ 3,989
Tenant improvements	\$ 5,177	\$ 559	\$ 5,736

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, 2009, and assume that market conditions remain consistent with our current experience.

	Office	Industrial
Estimated average annual leasing activity (sq. ft.)	696,000	311,000
Average leasing costs (per sq. ft.)	\$ 10.75	\$ 2.75
Expected average annual leasing costs	\$ 7,500	\$ 900

Other assets and liabilities

Other assets consist of leasing costs and tenant improvements, prepaid expenses, intangible assets and liabilities, deposits and restricted cash. Other liabilities consist of intangible liabilities related to leases acquired with below-market rates.

Leasing costs and tenant improvements increased by \$6.2 million for the year to \$39.6 million. This change includes an approximate \$8.2 million increase related to acquisitions and \$9.7 million related to current year leasing activity, less \$9.8 million in amortization and \$1.9 million related to the reclassification of properties sold or held for sale. Complete details of leasing costs and tenant improvements are provided in Note 5 of the consolidated 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 8 of the consolidated financial statements. During the year, net intangible assets increased by \$7.6 million to \$57.6 million, mainly due to \$21.3 million of acquisitions, offset by \$13.4 million of amortization and \$0.3 million of dispositions. Net intangible liabilities decreased \$6.9 million during the year to \$35.0 million, as a result of approximately \$10.7 million related to amortization, offset by a \$3.8 million increase related to acquisitions.

Deposits 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, 2009, the balance was \$13.9 million (December 31, 2008 — \$nil) comprising deposits paid for acquisitions completed in 2010.

Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages. As of December 31, 2009, the balance is \$1.7 million, a decrease of \$1.5 million from December 31, 2008.

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 may arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on our consolidated financial statements.

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

For the years ending December 31	Operating lease payments	Capital lease payments
2010	\$ 1,103	\$ 142
2011	968	106
2012	827	—
2013	687	—
Total	\$ 3,585	\$ 248

Effective September 1, 2009, we entered into three fixed price contracts to purchase natural gas with respect to 14 office properties in Calgary. The contracts expire on December 31, 2012, and guarantee total minimum payments of \$0.6 million annually for each of the years 2010, 2011 and 2012.

Funds from operations

Management believes FFO is an important measure of our operating performance. This non-GAAP measurement is a commonly used measure of performance of real estate operations; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs.

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Net income	\$ 6,606	\$ 3,566	\$ 13,420	\$ 10,460
Add (deduct):				
Depreciation of rental properties	7,075	6,993	28,283	27,106
Amortization of deferred leasing costs, tenant improvements and intangibles	5,683	6,621	22,583	27,109
Imputed amortization of leasing costs related to the rent supplement	—	—	—	17
Provision for impairment in value of discontinued assets	2,212	—	11,513	—
Gain on disposal of rental property	30	(336)	(4,255)	(79)
Future income taxes	(4,203)	221	(3,739)	327
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(40)	(80)	(172)	(288)
FFO	\$ 17,363	\$ 16,985	\$ 67,633	\$ 64,652
FFO per unit — basic	\$ 0.70	\$ 0.82	\$ 3.04	\$ 3.06
FFO per unit — diluted	\$ 0.69	\$ 0.80	\$ 3.00	\$ 3.01

FFO per unit was \$0.70 for the quarter, down 15% compared to the same period in 2008, mainly as a result of the dilutive effect of the equity offering completed in the third quarter. Total FFO increased by 2.2% to \$17.4 million in the quarter driven by NOI growth from comparative properties and accretive acquisitions. Below-market rents, which result in a non-cash amortization to our operating results, contributed \$2.4 million and \$10.7 to FFO in the quarter and year, respectively.

Diluted FFO, distributable income and AFFO per unit amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures. The weighted average number of units outstanding for basic and diluted FFO calculations for the quarter are 24,967,255 and 28,417,078, respectively. For the year, the weighted average number of units outstanding for basic and diluted FFO calculations are 22,216,344 and 25,645,266, respectively. Diluted FFO includes interest and amortization adjustments of \$2.3 million and \$9.2 million for the three- and twelve-month periods, respectively. The basic and diluted weighted average number of units outstanding include 52,988 and 71,484 vested deferred trust units for the quarter and the twelve-month period, respectively.

Distributions and distributable income

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of distributable income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining 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.

Distributable income

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Cash generated from operating activities	\$ 11,342	\$ 7,266	\$ 59,507	\$ 41,126
Add (deduct):				
Leasing costs incurred	1,273	1,465	4,296	4,993
Amortization of financing costs incurred prior to June 30, 2003	12	21	67	67
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	(12)	(7)	(45)	(7)
Amortization of tenant inducements	55	68	255	200
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(40)	(80)	(172)	(289)
Amortization of financing costs	(327)	(309)	(1,260)	(1,256)
Change in non-cash working capital	2,444	5,035	(6,009)	5,878
Distributable income	\$ 14,747	\$ 13,459	\$ 56,639	\$ 50,712
Distributable income per unit — basic	\$ 0.59	\$ 0.65	\$ 2.55	\$ 2.40
Distributable income per unit — diluted	\$ 0.60	\$ 0.65	\$ 2.57	\$ 2.40
Distributions per unit	\$ 0.55	\$ 0.55	\$ 2.20	\$ 2.20

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.

For the quarter ended December 31, 2009, distributable income per unit was \$0.59 and declared distributions per unit were \$0.55, representing a 93% payout ratio. In the prior year comparative period, distributable income per unit was \$0.65 and declared distributions per unit were \$0.55, representing an 84% payout ratio. Distributable income exceeded distributions paid and payable by \$1.2 million for the quarter. 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 \$41.0 million relating to REIT Units and \$7.6 million relating to LP B Units.

	Declared distributions	4% bonus distributions	Total
2009 distributions			
Paid in cash or reinvested in units	\$ 43,927	\$ 105	\$ 44,032
Payable at December 31, 2009	4,523	11	4,534
Total distributions	\$ 48,450	\$ 116	\$ 48,566
2009 reinvestment			
Reinvested to December 31, 2009	\$ 2,627	\$ 105	\$ 2,732
Reinvested on January 15, 2010	469	11	480
Total distributions reinvested	\$ 3,096	\$ 116	\$ 3,212
Distributions paid in cash	\$ 45,354		
Reinvestment to distribution ratio	6.4%		
Cash distribution payout ratio	93.6%		

Distributions declared in the period ended December 31, 2009, totalled \$48.5 million, up \$2.7 million over the comparative period. The increase reflects a higher number of units outstanding as a result of the equity issue completed in September 2009, as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units, offset by the purchase and cancellation of units under the normal course issuer bid in the second half of 2008. Of this amount, \$3.1 million, or approximately 6.4%, was reinvested in additional units resulting in a cash payout ratio of 93.6%.

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and cash distributions as well as the differences between net income and cash distributions in accordance with the guidelines.

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Net income	\$ 6,606	\$ 3,566	\$ 13,420	\$ 10,460
Cash flow from operating activities	11,342	7,266	59,507	41,126
Distributions paid and payable	13,594	11,225	48,566	46,102
Excess (shortfall) of cash flow from operating activities over cash distributions	\$ (2,252)	\$ (3,959)	\$ 10,941	\$ (4,976)

For the quarter, distributions paid and payable exceeded cash flow from operations as a result of changes in non-cash working capital balances. In establishing distribution payments, we do not take fluctuations in working capital into consideration and use a normalized amount as a proxy for leasing costs. Distributions paid and payable exceeded net income by \$7.0 million for the quarter and \$35.1 million for the year. This excess was mainly a result of a provision for impairment on a discontinued property and non-cash depreciation and amortization expense, which are not considered in determining our cash distribution policy.

Adjusted funds from operations

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Distributable income	\$ 14,747	\$ 13,459	\$ 56,639	\$ 50,712
Adjusted for:				
Normalized leasing costs and tenant improvements	(1,514)	(1,514)	(6,056)	(6,056)
Normalized non-recoverable recurring capital expenditures	(200)	(200)	(800)	(800)
AFFO	\$ 13,033	\$ 11,745	\$ 49,783	\$ 43,856
AFFO per unit — basic	\$ 0.52	\$ 0.57	\$ 2.24	\$ 2.08

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used 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 26, which reconciles distributable income to cash flow from operating activities.

Our calculation of AFFO starts with distributable income adjusted for an estimated amount 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. Our estimates of normalized leasing costs and tenant improvements are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2008, adjusted for properties that have been sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

AFFO per unit was \$0.52 for the quarter, down 9% compared to the same period in 2008 mainly due to the dilutive impact of the equity offering completed in the third quarter.

Investing activities

The following table details our cash utilized in investing activities.

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Investment in rental properties	\$ (2,699)	\$ (2,897)	\$ (5,921)	\$ (5,843)
Investment in tenant improvements	(1,300)	(889)	(6,121)	(2,731)
Acquisition of rental properties	(68,045)	—	(94,526)	(155,348)
Acquisition deposit on rental properties	(13,755)	—	(13,755)	—
Repayment of promissory note	—	—	—	12,116
Net proceeds from disposal of rental properties	(10)	—	14,927	—
Change in restricted cash, net	59	(156)	419	941
Cash utilized in investing activities	\$ (85,750)	\$ (3,942)	\$ (104,977)	\$ (150,865)

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

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Investing activities				
Acquisition of rental properties	\$ 96,939	\$ —	\$ 122,887	\$ 160,772
Building improvements	2,619	2,973	6,144	5,784

Acquisitions and dispositions

During 2009, we completed the following acquisitions:

For the year ended December 31, 2009	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
720 Bay Street, Toronto	office	50	123,870	100	\$ 25,948	\$ —	Sept. 1, 2009
1125-1145 Innovation Drive, Ottawa	office	100	118,563	100	16,679	—	Dec. 16, 2009
6655-6725 Airport Road, Mississauga	office	100	329,728	100	50,637	26,717	Dec. 18, 2009
Gateway Business Park, Ottawa	office	100	120,600	91	14,700	—	Dec. 30, 2009
2645 Skymark Avenue, Mississauga	office	100	142,487	100	14,923	—	Dec. 30, 2009
Total			835,248	99	\$ 122,887	\$ 26,717	

On December 30, 2009, we acquired 2645 Skymark Avenue in Mississauga for \$14.9 million. This building is located in the Airport Corporate Centre near the Toronto Pearson International Airport and comprises approximately 143,000 square feet of office and flex space.

On December 30, 2009, we acquired Gateway Office Park in Ottawa for \$14.7 million. This three-building office complex is located in the Kanata submarket in western Ottawa. The property was built between 1987 and 1989 and comprises approximately 121,000 square feet.

On December 18, 2009, we acquired 6655-6725 Airport Road in Mississauga for \$50.6 million and assumed two mortgages totalling \$26.7 million. This four-building office complex is located opposite Toronto's Pearson International Airport. The property, which was built between 1983 and 1987, comprises approximately 330,000 square feet of space.

On December 16, 2009, we acquired 1125-1145 Innovation Drive in Ottawa for \$16.7 million. The property consists of three linked suburban office buildings in the Kanata submarket. The property, which was built in 2001, contains approximately 119,000 square feet of space fully occupied by three tenants. Together with the acquisition of Gateway Office park, these properties will help Dundee REIT to re-establish a presence in Ottawa.

On September 1, 2009, we purchased our partner's 50% interest in 720 Bay Street in Toronto for \$25.9 million, inclusive of transaction costs. As the mortgage matured on the acquisition closing date, we and our former partner elected to repay the balance outstanding and therefore, there is no debt related to this property.

We sold two industrial properties located in Edmonton on August 21, 2009. These dispositions, along with adjustments from prior year sales, resulted in net consideration of \$14.9 million and gain on sale of \$4.3 million.

Acquisitions completed subsequent to year-end:

On January 18, 2010, we purchased Adelaide Place, comprising 181 University Avenue and 150 York Street in Toronto, for \$211.5 million before transaction costs. This two-tower Class A office complex is located in the financial core of Toronto, on the north side of Adelaide Street West between York Street and University Avenue, and is connected to Toronto's PATH underground walkway system. It contains approximately 655,000 square feet of space, the vast majority of which is office but also includes some retail and a bank branch at grade level. Both towers were extensively retrofitted in 2001, including a full exterior re-cladding and re-glazing and connection to the Enwave Deep Lake Water Cooling System. The buildings are certified BOMA BEST Level 3.

On February 10, 2010, we acquired the Aviva Corporate Centre in Toronto, a 438,000 square foot multi-tenant office complex with ancillary warehouse space for \$45.7 million before transaction costs. Three office buildings comprise approximately 351,000 square feet, the majority of which is leased to Aviva, one of the world's largest insurance companies. The fourth building, which comprises approximately 87,000 square feet of warehouse space, is currently vacant and offers some redevelopment potential. Dundee REIT previously acquired this property in 2006 but it was included in the sale of our portfolio of properties in eastern Canada in 2007.

Building improvements

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Building improvements:				
Recurring recoverable	\$ 1,774	\$ 2,381	\$ 5,102	\$ 4,315
Recurring non-recoverable	—	20	32	179
Non-recurring	845	572	1,010	1,290
Total	\$ 2,619	\$ 2,973	\$ 6,144	\$ 5,784

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. Non-recurring building improvements represent expenditures for major capital additions that generally would not be expected to re-occur over the useful life of the building. These expenditures represent major structural improvements, development and re-development costs. Capital expenditures or expenditures accrued for rental property building improvements and equipment were \$2.6 million for the three-month period (December 31, 2008 — \$3.0 million), and \$6.1 million for the year (December 31, 2008 — \$5.8 million). Recurring recoverable expenditures incurred include elevator modernization, roofing upgrades, lighting and fire panel upgrades. Non-recurring capital expenditures of \$1.0 million include approximately \$0.7 million for development of an office building in Yellowknife, and \$0.1 million for the exterior wall restoration of an office building in Saskatchewan.

Purchase obligations

We have an agreement to purchase, from a former joint venture partner, a fully leased office building, currently under construction, at a future date for \$20.8 million. Maximum adjustments to the closing price will not exceed \$0.5 million. The closing is expected to take place in the first half of 2010. Funding for this purchase is available through cash on hand and an available line of credit.

Construction obligation

We have agreed to construct an office building in Yellowknife, that is fully leased to the Government of Canada for a ten-year term. Construction costs are estimated to be \$20.0 million and will be funded by cash on hand and our line of credit.

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. During the fourth quarter of 2009, we repaid \$6.0 million of matured mortgage debt.

The following table details our cash generated from financing activities.

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Mortgages placed, net of costs	\$ (255)	\$ 1	\$ 35,993	\$ 95,312
Mortgage principal repayments	(3,937)	(3,758)	(15,498)	(13,934)
Mortgage lump sum repayments	(5,958)	—	(54,496)	(508)
Term debt principal repayments	(30)	(18)	(126)	(106)
Convertible debentures issued, net of costs	—	—	—	119,200
Distributions paid on Units	(12,797)	(10,358)	(44,730)	(37,501)
Purchase of REIT A Units under normal course issuer bid	—	(16,428)	—	(21,798)
Units issued, net of costs	37	11	67,280	614
Cash generated from (utilized in) financing activities	\$ (22,940)	\$ (30,550)	\$ (11,577)	\$ 141,279

Debt

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

December 31	2009	2008
Financing activities		
Average interest rate	5.75%	5.83%
Level of debt (debt-to-gross book value)	59.3%	61.4%
Interest coverage ratio ⁽¹⁾	2.3 times	2.3 times
Proportion of total debt due in current year	3.4%	10.2%
Debt – average term to maturity (years)	4.9	5.5
Variable rate debt as percentage of total debt	3.7%	5.8%

⁽¹⁾ The interest coverage ratio is calculated as NOI from continuing operations plus interest and fee income, less general and administrative expense from continuing operations, divided by interest expense.

We currently use cash flow performance indicators, including the interest coverage ratio, to assess our ability to meet our financing obligations. Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. Our current interest coverage ratio is 2.3 times, and reflects our ability to cover interest expense requirements. Our average interest rate as at December 31, 2009, was 5.75%, down slightly from the start of the year, mainly reflecting lower interest rates on variable rate mortgages.

The new and assumed mortgages related to the Adelaide Place and Aviva Corporate Centre acquisitions completed subsequent to year-end will significantly reduce our weighted average interest rate to 5.64% and slightly lengthen our average term to maturity. Our debt-to-gross book value and interest coverage ratio will remain consistent with the ratios reported at December 31, 2009.

Effective June 30, 2009, we classified our 50% interest in Greenbriar Mall located in Atlanta, Georgia, as a discontinued asset as discussed in Note 20 of the consolidated financial statements. As a result, we have excluded \$16.8 million of related mortgage debt from our analysis due to its non-recourse nature.

Variable rate debt as a percentage of total debt decreased to 3.7% as a result of the reclassification of Greenbriar Mall as a discontinued asset.

December 31	2009			2008		
	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	\$ 695,608	\$ 31,293	\$ 726,901	\$ 703,409	\$ 51,039	\$ 754,448
Term debt	219	—	219	345	—	345
6.5% Debentures	3,293	—	3,293	3,277	—	3,277
5.7% Debentures	7,743	—	7,743	7,703	—	7,703
6.0% Debentures	118,904	—	118,904	117,922	—	117,922
Total	\$ 825,767	\$ 31,293	\$ 857,060	\$ 832,656	\$ 51,039	\$ 883,695
Percentage	96.3%	3.7%	100%	94.2%	5.8%	100%

Mortgages payable include \$2.7 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2008 — \$3.8 million). Amounts recorded as at December 31, 2009 for the 6.5%, 5.7% and 6.0% Debentures are net of \$1.7 million of premiums allocated to their conversion features (December 31, 2008 — \$2.0 million). The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activity

During the quarter, we made scheduled repayments of \$4.0 million on mortgages and term debt and repaid an additional \$6.0 million upon the maturity of a mortgage related to one property.

A demand revolving credit facility is available up to a formula-based maximum not to exceed \$40.0 million, bearing interest generally at the bank prime rate (2.25% as at December 31, 2009) plus 1.5%, or bankers' acceptance rates, plus 3.0%. As a result of the sale of two properties which provided collateral security for the facility, as at December 31, 2009, the formula-based amount available is \$32.6 million. The facility is now secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. Currently, \$1.1 million of the facility is being utilized in the form of letters of guarantee. The facility matures on April 30, 2010. We have not commenced the renewal process but are confident that we will renew this facility at a level that meets the needs of our acquisition strategy for 2010.

We currently have \$12.0 million in cash, a revolving credit facility and six unencumbered properties which may be leveraged to provide additional financing.

Subsequent to year-end, we placed \$120.0 million of mortgage financing contemporaneously with the acquisition of Adelaide Place with a face rate of 4.795% and term of five years. We also assumed a \$30.6 million mortgage with a face rate of 5.3% upon acquiring Aviva Corporate Centre.

Changes in debt levels are as follows:

For the three months ended December 31, 2009				
	Mortgages	Term debt	Convertible debentures	Total
Debt as at September 30, 2009	\$ 710,474	\$ 249	\$ 129,654	\$ 840,377
New debt assumed on rental property acquisitions	26,717	—	—	26,717
Scheduled repayments	(3,937)	(30)	—	(3,967)
Lump sum repayments	(5,958)	—	—	(5,958)
Amortization and other adjustments	(395)	—	286	(109)
Debt as at December 31, 2009	\$ 726,901	\$ 219	\$ 129,940	\$ 857,060

For the year ended December 31, 2009				
	Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2008	\$ 754,448	\$ 345	\$ 128,902	\$ 883,695
New debt assumed on rental property acquisitions	26,717	—	—	26,717
New debt placed	36,779	—	—	36,779
Scheduled repayments	(15,498)	(126)	—	(15,624)
Lump sum repayments	(54,496)	—	—	(54,496)
Discontinued liability	(16,825)	—	—	(16,825)
Amortization and other adjustments	(4,224)	—	1,038	(3,186)
Debt as at December 31, 2009	\$ 726,901	\$ 219	\$ 129,940	\$ 857,060

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average interest rate on balance due at maturity %	Weighted average face rate on balance due at maturity %
2010	\$ 11,691	\$ 17,603	\$ 29,294	3.4	5.38	5.38
2011	71,987	17,293	89,280	10.3	6.01	6.79
2012	99,994	15,303	115,297	13.4	5.57	5.46
2013	102,480	11,956	114,436	13.3	4.79	5.17
2014	191,570	10,019	201,589	23.3	6.72	5.96
2015 and thereafter	293,497	19,816	313,313	36.3	5.53	5.48
Total	\$ 771,219	\$ 91,990	863,209	100		5.68
Fair value adjustments			947			
Transaction costs			(7,096)			
Total			\$ 857,060			

Convertible debentures

With respect to the 6.0% Debentures, the total principal outstanding at January 31, 2010, was \$125.0 million, and is convertible into approximately 3,019,323 REIT A Units. For the 5.7% Debentures, the total principal outstanding at January 31, 2010, was \$7.8 million and is convertible into approximately 260,200 REIT A Units. For the 6.5% debentures, the total principal outstanding was \$3.5 million and is convertible to approximately 139,520 REIT A Units.

Equity

The following table summarizes the changes in our outstanding equity:

	REIT A Units	REIT B Units	LP B Units	Total
Units issued and outstanding on				
December 31, 2008	16,947,240	16,316	3,454,188	20,417,744
Units issued pursuant to DRIP	196,987	—	—	196,987
Units issued pursuant to the Unit Purchase Plan	10,997	—	—	10,997
Units issued pursuant to Deferred				
Unit Incentive Plan	239,873	—	—	239,873
Units issued pursuant to public offering	3,852,500	—	—	3,852,500
Unit redemption	(200)	—	—	(200)
Total units outstanding on December 31, 2009	21,247,397	16,316	3,454,188	24,717,901
Percentage of all units	86.0%	—%	14.0%	100.0%
Units issued pursuant to DRIP on January 15, 2010	18,004	—	2,494	20,498
Units issued pursuant to the Unit Purchase Plan	—	—	—	—
Units issued pursuant to public offering	5,520,000	—	—	5,520,000
Total units outstanding on January 31, 2010	26,785,401	16,316	3,456,682	30,258,399
Percentage of all units	89%	—%	11%	100%

Public offering of units

On September 9, 2009, we completed a public offering of 3,350,000 REIT A Units at a price of \$18.35 per unit, for gross cash proceeds of \$61.5 million. On September 29, 2009, we issued an additional 502,500 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of approximately \$9.2 million. Costs related to the offering of \$3.6 million were charged directly to unitholders' equity.

On January 7, 2010, we completed a public offering of 5,520,000 REIT A Units at a price of \$18.75 per unit, for gross proceeds of \$103.5 million. Costs related to the offering were approximately \$4.9 million.

Normal course issuer bid

On September 23, 2009, the Trust renewed its normal course issuer bid. Under the bid, Dundee REIT has the ability to purchase for cancellation up to a maximum of 1,648,026 REIT A Units (representing 10% of the REIT's public float, comprising 16,480,260 REIT A Units on September 17, 2009) through the facilities of the TSX. The bid commenced on September 26, 2009, and will remain in effect until the earlier of September 25, 2010, or the date on which the Trust has purchased the maximum number of units permitted under the bid. As of December 31, 2009, the maximum number of REIT A Units remaining for purchase under the bid is 1,648,026. Based on the closing price of the REIT A Units on December 31, 2009, the Trust may purchase up to \$34.2 million worth of REIT A Units. No units were acquired in 2009 pursuant to this bid.

OUR RESULTS OF OPERATIONS

	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Revenues				
Rental properties revenue	\$ 50,156	\$ 48,385	\$ 192,083	\$ 179,779
Interest and fee income	409	786	1,676	3,663
	50,565	49,171	193,759	183,442
Expenses				
Rental properties operating expenses	19,365	18,182	71,129	66,026
Interest	12,190	12,642	49,736	48,226
Depreciation of rental properties	7,025	6,711	27,512	26,018
Amortization of leasing costs, tenant improvements and intangibles	5,665	6,485	22,231	26,609
General and administrative	1,608	1,875	6,706	6,740
	45,853	45,895	177,314	173,619
Income before income taxes	4,712	3,276	16,445	9,823
Income taxes				
Current income taxes	2	9	12	13
Future income taxes	(2,232)	150	(1,768)	349
	(2,230)	159	(1,756)	362
Income before discontinued operations	6,942	3,117	18,201	9,461
Discontinued operations	(336)	449	(4,781)	999
Net income	\$ 6,606	\$ 3,566	\$ 13,420	\$ 10,460

Income statement results

Rental properties revenue

Revenues include net rental income from rental properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions completed in the second half of 2008 and in 2009 and comparative property growth were the primary drivers of the \$1.8 million, or 3.7%, increase in rental property revenue over the comparative quarter. Similarly, for the twelve-month period, rental properties revenue increased by \$12.3 million or 6.8%.

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. The \$0.4 million decrease over the comparative quarter is mainly a result of investing undeployed cash at generally lower interest rates. For the year, the \$2.0 million decrease is a result of deploying our cash through property acquisitions and paying down maturing debt.

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, and repairs and maintenance. Expenses for the quarter increased \$1.2 million, or 6.5%, reflecting higher recoverable operating costs and the additional costs associated with properties acquired over the course of 2008. For the year, operating expenses increased by \$5.1 million or 7.7%, mainly reflecting the impact of acquisitions.

Interest expense

Interest expense for the quarter declined \$0.5 million over the comparative quarter, mainly reflecting the repayment of mortgage debt in the current and prior quarters. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.3 times. For the year, interest expense increased by \$1.5 million or 3.1%, mainly reflecting a full year of interest related to debt placed on the AIR MILES Tower in July 2008.

Depreciation of rental properties

Acquisitions completed in 2008 and 2009 resulted in a \$0.3 million, or 4.7%, increase in depreciation over the comparative period. For the year, depreciation increased by \$1.5 million or 5.7%, reflecting the impact of acquired properties.

Amortization of leasing costs, tenant improvements and intangibles

Amortization decreased \$0.8 million, or 12.6%, over the comparative quarter, largely due to asset write-offs at the time of lease expiries. Similarly, for the year, amortization decreased by \$4.4 million or 16.5%.

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 quarter were \$1.6 million, a decrease of \$0.3 million or 14.2% from the comparative period. For the year, expenses decreased by 1%.

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 were taxable and any tax-related costs are reflected in the consolidated balance sheets and consolidated statements of income. On December 31, 2009, we effected the transfer of our interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. In addition, on February 5, 2010, we disposed of our interest in the U.S. subsidiary. As a result of these transactions we are no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates. For the three- and twelve-month periods, we recovered \$2.1 million of future taxes related to the re-organization of a taxable Canadian subsidiary.

Discontinued operations

Discontinued operations include assets that have been sold or classified as held for sale and meet specific criteria as discontinued assets in accordance with GAAP. These operations are disclosed separately on the consolidated statements of net income. Discontinued operations include two industrial properties sold for gross proceeds of \$15.1 million in the third quarter, and the classification of a joint venture office property in Toronto classified as held for sale in the fourth quarter. The disposition of our interest in Greenbriar Mall, which was classified as held for sale in June 2009, was completed on February 5, 2010 for proceeds of \$0.3 million. Further information is provided in Note 20 to the consolidated financial statements.

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 and as disclosed in Note 19 to the consolidated financial statements. During the twelve-month period, we received \$1.9 million related to the DRC Services Agreement. Other costs recovered from DRC include \$3.4 million for staff, operating and administrative costs. We paid \$6.0 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.

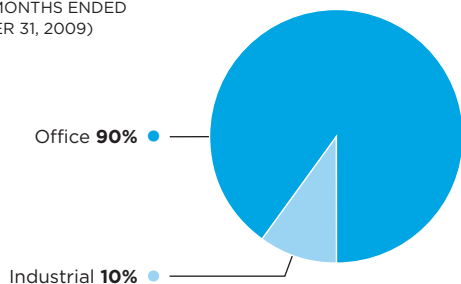
	For the three months ended December 31		For the years ended December 31	
	2009	2008	2009	2008
Net income	\$ 6,606	\$ 3,566	\$ 13,420	\$ 10,460
Add (deduct):				
Interest expense	12,190	12,642	49,736	48,226
Depreciation of rental properties	7,025	6,711	27,512	26,018
Amortization of leasing costs, tenant improvements and intangibles	5,665	6,485	22,231	26,609
General and administrative expenses	1,608	1,875	6,706	6,740
Interest and fee income	(409)	(786)	(1,676)	(3,663)
Income taxes	(2,230)	159	(1,756)	362
Depreciation, amortization, interest, gain (loss) on disposal of rental properties and impairment loss, included in discontinued operations	402	529	7,043	2,937
NOI including discontinued operations	\$ 30,857	\$ 31,181	\$ 123,216	\$ 117,689

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before discontinued operations, increased 2% for the quarter over the comparative period. The increase is attributable to strong comparable property growth and income generated by properties acquired in 2008 and 2009. Discontinued operations includes the results of two industrial buildings in Edmonton that were sold August 31, 2009, the results of our 50% interest in a Toronto-based office property, and the results and impairment loss of Greenbriar Mall effective June 30, 2009.

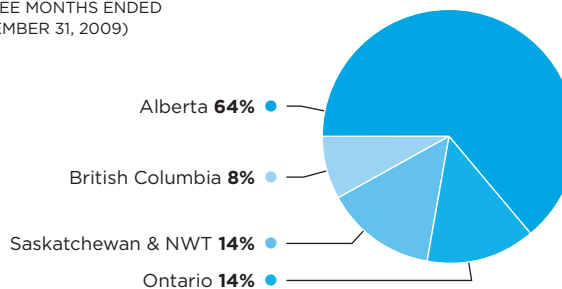
	For the three months ended December 31				For the years ended December 31			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
Office	\$ 27,854	\$ 27,623	\$ 231	1	\$ 109,823	\$ 103,055	\$ 6,768	7
Industrial	2,937	2,580	357	14	11,131	10,698	433	4
NOI	30,791	30,203	588	2	120,954	113,753	7,201	6
Discontinued operations	66	978	(912)		2,262	3,936	(1,674)	
NOI including discontinued operations	\$ 30,857	\$ 31,181	\$ (324)	(1)	\$ 123,216	\$ 117,689	\$ 5,527	5

	For the three months ended December 31				For the years ended December 31			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
British Columbia	\$ 2,493	\$ 2,411	\$ 82	3	\$ 10,010	\$ 9,200	\$ 810	9
Alberta	19,584	20,406	(822)	(4)	78,461	77,528	933	1
Saskatchewan & NWT	4,394	4,212	182	4	17,227	15,266	1,961	13
Ontario	4,320	3,174	1,146	36	15,256	11,759	3,497	30
NOI	30,791	30,203	588	2	120,954	113,753	7,201	6
Discontinued operations	66	978	(912)		2,262	3,936	(1,674)	
NOI including discontinued operations	\$ 30,857	\$ 31,181	\$ (324)	(1)	\$ 123,216	\$ 117,689	\$ 5,527	5

NOI BY SEGMENT
(THREE MONTHS ENDED
DECEMBER 31, 2009)



NOI BY REGION
(THREE MONTHS ENDED
DECEMBER 31, 2009)



NOI comparative portfolio

NOI shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2008. Discontinued operations contributing to NOI in comparative periods are shown separately to conform to the required income statement presentation. 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			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
Office	\$ 21,918	\$ 21,733	\$ 185	1	\$ 87,593	\$ 82,400	\$ 5,193	6
Industrial	2,906	2,592	314	12	11,007	10,615	392	4
Comparative properties	24,824	24,325	499	2	98,600	93,015	5,585	6
Acquisitions	3,399	2,425	974		11,332	7,215	4,117	
Rent supplement	—	—	—		—	34	(34)	
GAAP adjustments	2,568	3,453	(885)		11,022	13,489	(2,467)	
NOI	30,791	30,203	588	2	120,954	113,753	7,201	6
Discontinued operations	66	978	(912)		2,262	3,936	(1,674)	
NOI including discontinued operations	\$ 30,857	\$ 31,181	\$ (324)	(1)	\$ 123,216	\$ 117,689	\$ 5,527	5

	For the three months ended December 31				For the year ended December 31			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
British Columbia	\$ 2,190	\$ 2,028	\$ 162	8	\$ 8,593	\$ 8,390	\$ 203	2
Alberta	16,615	16,581	34	—	65,980	63,564	2,416	4
Saskatchewan & NWT	4,318	4,129	189	5	16,890	14,954	1,936	13
Ontario	1,701	1,587	114	7	7,137	6,107	1,030	17
Comparative properties	24,824	24,325	499	2	98,600	93,015	5,585	6
Acquisitions	3,399	2,425	974		11,332	7,215	4,117	
Rent supplement	—	—	—		—	34	(34)	
GAAP adjustments	2,568	3,453	(885)		11,022	13,489	(2,467)	
NOI	30,791	30,203	588	2	120,954	113,753	7,201	6
Discontinued operations	66	978	(912)		2,262	3,936	(1,674)	
NOI including discontinued operations	\$ 30,857	\$ 31,181	\$ (324)	(1)	\$ 123,216	\$ 117,689	\$ 5,527	5

Overall, comparative properties are achieving incremental improvements in both occupancy and rental rates as reflected by increases in NOI of 2% and 6% on a quarterly and annual basis, respectively. Comparative office NOI increased by \$0.2 million or 1% for the quarter, reflecting both occupancy and rental rate increases. Our industrial portfolio increased by \$0.3 million or 12%, reflecting rental rate increases and slightly higher occupancy. Properties acquired in 2008 and 2009 contributed \$1.0 million to NOI growth.

Comparative office portfolio

	For the three months ended December 31				For the years ended December 31			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
British Columbia	\$ 2,190	\$ 2,028	\$ 162	8	\$ 8,593	\$ 8,390	\$ 203	2
Alberta	13,709	13,989	(280)	(2)	54,973	52,949	2,024	4
Saskatchewan & NWT	4,318	4,129	189	5	16,890	14,954	1,936	13
Ontario	1,701	1,587	114	7	7,137	6,107	1,030	17
Comparative properties	21,918	21,733	185	1	87,593	82,400	5,193	6
Acquisitions	3,399	2,425	974		11,332	7,215	4,117	
Rent supplement	—	—	—		—	34	(34)	
GAAP adjustments	2,537	3,465	(928)		10,898	13,406	(2,508)	
Office NOI	\$ 27,854	\$ 27,623	\$ 231	1	\$ 109,823	\$ 103,055	\$ 6,768	7

We achieved growth across our comparative office portfolio for both the three- and twelve-month periods. Our properties in British Columbia continued to perform well with growth in rental income offsetting a slight reduction in occupancy. Our portfolio in Saskatchewan and the Northwest Territories also produced strong growth due to rental rate increases and an occupancy increase at a building in Saskatoon. The Ontario portfolio produced strong NOI growth driven by the leasing of two previously vacant floors at State Street Financial Centre, which offset increased vacancy elsewhere. NOI from our office portfolio in Alberta was up on an annual basis, however, decreased by \$0.3 million, or 2%, compared to the same quarter in 2008, mainly as a result of a significant vacancy at the Airport Corporate Centre in Calgary.

Comparative industrial portfolio

	For the three months ended December 31				For the years ended December 31			
	2009	2008	Growth		2009	2008	Growth	
			Amount	%			Amount	%
Alberta	\$ 2,906	\$ 2,592	\$ 314	12	\$ 11,007	\$ 10,615	\$ 392	4
Comparative properties	2,906	2,592	314	12	11,007	10,615	392	4
GAAP adjustments	31	(12)	43		124	83	41	
Industrial NOI	\$ 2,937	\$ 2,580	\$ 357	14	\$ 11,131	\$ 10,698	\$ 433	4

Comparative industrial NOI increased by 12% on a quarterly basis, largely as a result of rental rate increases and occupancy increasing to 90.6% from 85.6%. The improved occupancy reflects leasing at our Barlow Trail properties in Calgary, offset by vacancy in Edmonton.

NOI prior quarter comparison

The comparative properties disclosed in the following tables are properties acquired prior to July 1, 2009. Comparative property NOI increased by 2%, or \$0.6 million, mainly as a result of occupancy increases in our office portfolio together with increases in property management and leasing fees earned by our property management business. NOI from the office portfolio increased by \$0.5 million or 2% mainly reflecting improved occupancy at two office properties in Calgary. Our industrial portfolio's results were in line with the previous quarter.

	For the three months ended			
	December 31, 2009	September 30, 2009	Growth	
			Amount	%
Office	\$ 24,564	\$ 24,017	\$ 547	2
Industrial	2,906	2,898	8	—
Comparative properties	27,470	26,915	555	2
Acquisitions	753	159	594	
GAAP adjustments	2,568	2,772	(204)	
NOI	30,791	29,846	945	3
Discontinued operations	66	261	(195)	
NOI including discontinued operations	\$ 30,857	\$ 30,107	\$ 750	2

	For the three months ended			
	December 31, 2009	September 30, 2009	Growth	
			Amount	%
British Columbia	\$ 2,418	\$ 2,397	\$ 21	1
Alberta	17,428	16,851	577	3
Saskatchewan & NWT	4,318	4,293	25	1
Ontario	3,306	3,374	(68)	(2)
Comparative properties	27,470	26,915	555	2
Acquisitions	753	159	594	
GAAP adjustments	2,568	2,772	(204)	
NOI	30,791	29,846	945	3
Discontinued operations	66	261	(195)	
NOI including discontinued operations	\$ 30,857	\$ 30,107	\$ 750	2

SELECTED ANNUAL INFORMATION

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

December 31	2009	2008	2007
Revenues	\$ 193,759	\$ 183,442	\$ 157,154
Income before discontinued operations	18,201	9,461	11,058
Net income	13,420	10,460	762,302
Total assets	1,335,242	1,315,987	1,156,441
Debt	857,060	883,695	680,479
Distributions declared	48,450	45,756	79,534
Per unit amounts:			
Basic income from continuing operations	\$ 0.82	\$ 0.45	\$ 0.29
Basic net income	0.60	0.50	19.95
Diluted income from continuing operations	0.82	0.45	0.29
Diluted net income	0.60	0.50	19.94

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2008.

	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Revenues								
Rental properties revenue	\$ 50,156	\$ 47,398	\$ 46,387	\$ 48,142	\$ 48,385	\$ 45,801	\$ 43,471	\$ 42,122
Interest and fee income	409	299	491	477	786	969	745	1,163
	50,565	47,697	46,878	48,619	49,171	46,770	44,216	43,285
Expenses								
Rental properties operating expenses	19,365	17,551	16,219	17,994	18,182	16,918	15,286	15,640
Interest	12,190	12,487	12,552	12,507	12,642	12,694	11,716	11,174
Depreciation of rental properties	7,025	6,935	6,767	6,785	6,711	6,719	6,495	6,093
Amortization of leasing costs, tenant improvements and intangibles	5,665	5,338	5,608	5,620	6,485	6,865	6,723	6,536
General and administrative	1,608	1,667	1,710	1,721	1,875	1,750	1,694	1,421
	45,853	43,978	42,856	44,627	45,895	44,946	41,914	40,864
Income before income and large corporations taxes	4,712	3,719	4,022	3,992	3,276	1,824	2,302	2,421
Income taxes (recovery)								
Current income and large corporations taxes	2	4	—	6	9	63	(4)	(55)
Future income taxes	(2,232)	87	137	240	150	7	95	97
Income tax expense (recovery)	(2,230)	91	137	246	159	70	91	42
Income before discontinued operations	6,942	3,628	3,885	3,746	3,117	1,754	2,211	2,379
Discontinued operations	(336)	4,099	(8,657)	113	449	371	(104)	283
Net income (loss)	\$ 6,606	\$ 7,727	\$ (4,772)	\$ 3,859	\$ 3,566	\$ 2,125	\$ 2,107	\$ 2,662
Net income (loss) per unit								
Basic	\$ 0.26	\$ 0.35	\$ (0.23)	\$ 0.18	\$ 0.17	\$ 0.10	\$ 0.10	\$ 0.13
Diluted ⁽¹⁾	\$ 0.26	\$ 0.35	\$ (0.23)	\$ 0.18	\$ 0.17	\$ 0.10	\$ 0.10	\$ 0.13

⁽¹⁾ Excludes impact of 6.5%, 5.7% and 6.0% Debentures, which are currently not dilutive to net income.

Calculation of funds from operations and distributable income

	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Net income (loss)	\$ 6,606	\$ 7,727	\$ (4,772)	\$ 3,859	\$ 3,566	\$ 2,125	\$ 2,107	\$ 2,662
Add (deduct):								
Depreciation of rental properties	7,075	7,021	7,095	7,092	6,993	6,990	6,763	6,360
Amortization of leasing costs, tenant improvements and intangibles	5,683	5,377	5,779	5,744	6,621	6,985	6,850	6,653
Future income taxes	(4,203)	107	67	290	221	(38)	76	68
Imputed amortization of leasing costs related to the rent supplement	—	—	—	—	—	—	8	10
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(40)	(35)	(35)	(61)	(80)	(66)	(87)	(56)
(Gain) loss on disposal of rental properties and land held for sale	30	(4,285)	—	—	(336)	(169)	426	—
Provision for (reversal of) impairment in value of rental property	2,212	297	9,004	—	—	—	—	—
Funds from operations	\$ 17,363	\$ 16,209	\$ 17,138	\$ 16,924	\$ 16,985	\$ 15,827	\$ 16,143	\$ 15,697
Funds from operations per unit⁽²⁾								
Basic ⁽¹⁾	\$ 0.70	\$ 0.74	\$ 0.82	\$ 0.81	\$ 0.82	\$ 0.75	\$ 0.76	\$ 0.74
Diluted	\$ 0.69	\$ 0.73	\$ 0.80	\$ 0.79	\$ 0.80	\$ 0.73	\$ 0.74	\$ 0.72
Cash generated from operating activities	\$ 11,342	\$ 15,973	\$ 14,807	\$ 17,385	\$ 7,266	\$ 12,631	\$ 9,644	\$ 11,585
Add (deduct):								
Deferred leasing costs incurred	1,273	1,166	1,012	845	1,465	1,788	980	760
Amortization of financing costs incurred prior to June 30, 2003	12	11	21	23	21	17	18	11
Amortization of non-recoverable costs incurred prior to June 30, 2003	(12)	(12)	(12)	(9)	(7)	—	—	—
Amortization of tenant inducements	55	60	58	81	68	43	41	37
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(40)	(35)	(35)	(61)	(80)	(66)	(87)	(56)
Amortization of financing costs	(327)	(302)	(326)	(305)	(309)	(302)	(332)	(313)
Change in non-cash working capital	2,444	(3,400)	(1,098)	(3,955)	5,035	(1,681)	2,199	325
Distributable income ("DI")	\$ 14,747	\$ 13,461	\$ 14,427	\$ 14,004	\$ 13,459	\$ 12,430	\$ 12,463	\$ 12,349
Distributable income per unit⁽²⁾								
Basic ⁽¹⁾	\$ 0.59	\$ 0.62	\$ 0.69	\$ 0.67	\$ 0.65	\$ 0.59	\$ 0.59	\$ 0.58
Diluted	\$ 0.60	\$ 0.62	\$ 0.68	\$ 0.67	\$ 0.65	\$ 0.59	\$ 0.59	\$ 0.58
Weighted average units outstanding for FFO and DI								
Basic	24,967,255	21,883,358	21,018,003	20,956,343	20,720,901	21,248,773	21,300,089	21,179,939
Diluted	28,417,078	25,312,351	24,456,839	24,392,013	24,144,476	24,676,672	24,719,316	24,609,778

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

(2) Please see pages 25 and 26 for further discussion on FFO and distributable income.

SECTION III – DISCLOSURE CONTROLS AND PROCEDURES

For the December 31, 2009, financial year-end, the Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”), together with other members of management, have evaluated the design and operational effectiveness of Dundee REIT’s disclosure controls and procedures, as defined in National Instrument 52-109. The Certifying Officers have concluded that the disclosure controls and procedures for recording, processing and summarizing material information are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by Dundee REIT and its consolidated subsidiary entities, within the required time periods.

The internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. Using the framework established in “Risk Management and Governance: Guidance on Control (COCO Framework)”, published by the CICA, the Certifying Officers, together with other members of management, have evaluated and concluded that the design and operation of Dundee REIT’s internal controls over financial reporting are effective for the financial year-end December 31, 2009.

There were no changes in the internal controls over financial reporting during the financial year-end December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the REIT’s 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 leasable 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 AND INDUSTRIAL 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 and industrial 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 of any particular property, operating or acquisition debt facility, 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 scheduled over several years, with limited exposure in any given year.

INSURANCE

We carry general liability, umbrella liability and excess liability insurance with a total limit of \$76.0 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 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.

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 long-lived assets

Under Canadian GAAP, management is required to write down to fair value any long-lived asset that is determined to have been impaired. Dundee REIT's long-lived assets consist of rental properties, intangible assets and liabilities, and leasing costs and tenant improvements relating to those properties. The fair value of rental properties and their associated leasing costs and tenant improvements 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.

Impairment of amounts receivable

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated income statements within operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated income statements. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

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.

Leasing costs and tenant improvements

Leasing costs and tenant improvements may include:

- 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; and
- 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.

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.

CHANGES IN ACCOUNTING POLICIES

Deferred recoverable costs

On January 1, 2009, the Trust adopted amendments to The Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1000, “Financial Statement Concepts” and new CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which replaced CICA Handbook Section 3062, “Goodwill and Other Intangible Assets”, and 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.

Under these amendments, the deferral and matching of operating expenses over future revenues is no longer appropriate. The impact of these amendments increased revenue properties by \$1.9 million, decreased deferred costs by \$2.1 million and decreased unitholders’ equity by approximately \$0.2 million. The decrease in unitholder equity is due to deferred recoverable costs that are short-term and recurring maintenance costs which are better classified as operating expenses. The remainder of deferred recoverable costs has been reclassified to building improvements. These costs are considered to be betterments to the properties.

Future changes in accounting policies

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes accounting standards for a business combination. It provides the Canadian equivalent to IFRS 3, “Business Combinations”. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes accounting standards for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "Consolidated and Separate Financial Statements".

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Trust is currently evaluating the impact of adopting these sections.

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("ASB") confirmed that International Financial Reporting Standards ("IFRS") will replace current accounting standards and interpretations for public companies for fiscal years beginning on or after January 1, 2011.

IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. The Trust has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated. We do not expect the adoption of IFRS to have a material impact on the reported cash flows of the Trust, but it is expected to have a material impact on the consolidated balance sheet and statement of net income including IFRS transition adjustments against opening retained earnings for retrospective application of standards, where required.

The conversion from Canadian GAAP to IFRS will be applicable in the first quarter of 2011, when the current and comparative information will be prepared under IFRS. We have performed an initial assessment of the impact of IFRS and expect significant accounting policy changes pertaining to investment property, joint ventures, equity and revenue recognition upon transition.

The transition process will consist of three primary phases: the scoping and diagnostic phase; the impact analysis, evaluation and design phase; and the implementation and review phase.

The diagnostic phase of the project was completed in 2008, which included identifying major accounting differences or their relevance and formulating key IFRS conversion issues to be resolved in the second phase of the project. We have provided IFRS education for key employees responsible for financial reporting.

The impact analysis, evaluation and design phase of the project is currently progressing through the establishment of functional implementation teams who are responsible for effecting required changes to business and accounting processes and systems. This second phase is currently ongoing and is expected to be completed by mid-2010.

The implementation and review phase includes implementing recommendations that were approved during the second phase. Phase three will ensure that all policies that require changes are properly implemented and that training is provided to all stakeholders.

The following table summarizes the key elements identified in phases two and three and timing for transitioning to IFRS and the progress made with respect to each activity:

Key activities	Milestones	Status
Financial statement presentation:		
<ul style="list-style-type: none"> Identify differences between IFRS and the Trust's existing policies and procedures under Canadian accounting standards Quantify the effects of conversion to IFRS Analyze and select one-time policy choice exemptions to be adopted at the transition date Assess and implement revisions to accounting and procedures manuals where required Prepare financial statements and related note disclosures in compliance with IFRS 	<ul style="list-style-type: none"> Assessment and quantification of the significant effects of the conversion will be completed by Q3 2010 Revised accounting policy and procedures manuals in place by January 1, 2011 	<ul style="list-style-type: none"> Completed the identification of significant IFRS differences Selection of one-time policy choices have been identified Evaluation and selection of accounting policy alternatives has commenced and will continue to be assessed Revised accounting policy and procedures manuals will be drafted throughout 2010 Preparation of IFRS financial statements and notes disclosure has commenced
Training and communication:		
<ul style="list-style-type: none"> Develop awareness of the likely effects of the transition throughout the company Provide company specific training on revised policies and procedures to affected personnel Provide timely communication on the impacts of our conversion to external stakeholders Provide topic specific training to key employees involved in implementation 	<ul style="list-style-type: none"> Specific detailed training to be rolled out in Q2 and Q3 2010 Changes related to conversion to be communicated to affected employees throughout 2010 	<ul style="list-style-type: none"> Key employees involved in the IFRS conversion team have attended training courses in 2008 and 2009 Training and resource documents have been updated for recent amendments and interpretations Continuous communication to external stakeholders through MD&A disclosures. Future disclosures will provide further detail on the impacts of the transition once key accounting policy and implementation decisions have been made
Business impact assessments:		
<ul style="list-style-type: none"> Determine impact of IFRS accounting standards on business activities Develop a valuation process for investment properties Identify impact of conversion on contracts including financial covenants and employee compensation plans Complete any required changes to affected agreements 	<ul style="list-style-type: none"> Impact on contracts identified by Q2 2010 Complete opening balance sheet by Q3 2010 	<ul style="list-style-type: none"> Valuation of investment properties at January 1, 2010 has been substantially completed Significant IFRS differences have been identified, including potential impacts on the Declaration of Trust, co-ownership and partnership agreements, debt agreements and lease agreements
Information technology and data systems:		
<ul style="list-style-type: none"> Identify changes required to information systems and implement solutions Determine and implement solutions for capturing information relating to the parallel run of Canadian GAAP and IFRS financial information 	<ul style="list-style-type: none"> Necessary changes to information systems implemented by Q4 2010 Solution for capturing financial information under dual GAAP reporting to be finalized by Q2 2010 	<ul style="list-style-type: none"> Required changes to information systems and data collection processes are being identified as each work stream progresses
Control environment:		
<ul style="list-style-type: none"> For all changes to policies and procedures identified, assess effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") and implement any necessary changes Design and implement internal controls over the IFRS changeover process 	<ul style="list-style-type: none"> Document and design key controls over investment property valuation process Internal controls over IFRS changeover process in place by Q3 2010 Conduct implementation audit by internal control during Q4 2010 Update CEO/CFO certification process by Q4 2010 	<ul style="list-style-type: none"> Design of investment property valuation process has commenced IFRS differences with process impacts have been identified

As we continue to evaluate the impact of adopting IFRS on our business activities, processes and accounting policies, we will continue to revisit the conversion plan. Accordingly, changes to the plan may be required as more information becomes known.

Impact of adoption of IFRS

Adoption of IFRS will initially require retrospective application as of the transition date, on the basis that an entity has prepared its financial statements in accordance with IFRS since its formation. Certain adoptive relief mechanisms are available under IFRS to assist with difficulties associated with reformulating historical accounting information. The general relief mechanism is to allow for prospective, rather than retrospective treatment, under certain conditions as prescribed by IFRS 1, "First-time Adoption of International Financial Reporting Standards". The standard specifies that adjustments arising on the conversion to IFRS from Canadian GAAP should be recognized in opening retained earnings.

IFRS 1: First-time Adoption of International Financial Reporting Standards ("IFRS 1")

The adoption of IFRS requires application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires an entity to apply all IFRSs effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 provides certain mandatory exceptions and permits limited optional exemptions in specified areas of certain standards from this general requirement. Certain exemptions including cumulative translation differences, designation of previously recognized financial instruments and arrangements containing a lease are not expected to be applicable to the Trust. Certain relevant first-time adoption options are discussed below.

Business combinations (refer to discussion under IFRS Accounting Standards)

IFRS 1 generally provides for the business combinations standard to be applied either retrospectively or prospectively from the date of transition to IFRS (or to restate all business combinations after a selected date). Retrospective application would require an entity to restate all prior transactions that meet the definition of a business under IFRS. Pending the outcome of the decision to early adopt CICA Handbook Section 1582, "Business Combinations", which is the equivalent of the IFRS standard, this exception may not be applicable to the Trust.

Leases

Adoption of the IFRS Leases standard will initially require retrospective application as of the transition date, on the basis that an entity has prepared its financial statements in accordance with IFRS since its formation. As discussed below under IFRS Accounting Standards, Leases, there will be Canadian GAAP IFRS differences relating to the calculation of rental revenue on a straight-line basis and the income statement classification of the amortization of tenant incentives against rental revenue.

Share-based payments

Generally an entity may elect prospective application for options granted on or after November 7, 2002, or for grants after November 7, 2002, that vested before the later of: (i) the date of transition to IFRS; and (ii) January 1, 2005. Although the impact is not expected to be significant, Dundee is still in the process of assessing the application of this first-time adoption option.

Borrowing costs

Prior to January 1, 2009, the capitalization of borrowing costs was optional under IFRS. At adoption, an entity may designate any date on or before January 1, 2010 to commence capitalization of borrowing costs relating to all qualifying development projects commencing after such date. It is currently expected that this first-time adoption option will have no application to Dundee due to the application of fair value on transition.

IFRS accounting standards

IFRS is premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement and disclosure. The following paragraphs outline the significant accounting policies, which are required, or we currently expect to apply upon adoption of IFRS, that will be significantly different than Canadian GAAP accounting policies. As discussed below, we currently expect that certain IFRS accounting standards will significantly impact net income. We also expect that the IFRS standard will impact key performance indicators such as NOI, FFO, AFFO, interest coverage ratio and debt-to-gross book value. We cannot quantify at this time the impact that the future adoption of these IFRS standards will have on our financial statements and operating performance measures; however, we expect the impact to be material.

This discussion has been prepared using the standards and interpretations currently issued and expected to be effective for Dundee's first annual reporting period under IFRS for the year ended December 31, 2011 and for each quarter commencing March 31, 2011. Certain accounting policies currently expected to be adopted under IFRS, and the application of such policies to certain transactions or circumstances may be modified and, as a result, the impact may be different than our current expectations. Further, the IASB is currently in the process of amending, or expects to amend, numerous accounting standards that will be applicable to the Trust. As these IFRS standards are amended, and as the Trust continues to evaluate the impact of adoption on its processes and accounting policies, Dundee will provide updated disclosure where appropriate.

Investment property

IFRS defines an investment property as a property held to earn rental revenue or for capital appreciation or both. A key characteristic of an investment property is that it generates cash flows largely independently of the other assets held by an entity. All of Dundee's rental properties will qualify as investment property.

As with Canadian GAAP, investment property is initially measured at cost; however subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for its investment property.

- (a) The fair value model requires an entity to record a gain or loss in net earnings arising from a change in the fair value of investment property in the period of change. The determination of fair value is based upon, among other things, rental revenue from current leases, and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental revenue from future leases in the light of current conditions, less future cash outflows in respect of tenant improvement costs and the investment property operations. Under the fair value model, lease- and tenant-related amounts currently reported under Canadian GAAP as Deferred Costs, Intangible Assets and Intangible Liabilities would be presented as an investment property component (see discussions below). No depreciation related to investment property is recognized under the fair value model.
- (b) The cost model is generally consistent with Canadian GAAP in that separate components are recognized for each significant part of an asset, which is carried at its cost less any accumulated depreciation and any accumulated impairment losses. It is expected that the balance sheet categorization of certain components, such as the differential between contractual and market rents which are currently reported by the Trust as Intangible Assets and Liabilities for Canadian GAAP presentation, would be presented as an investment property component under IFRS. Tenant improvement costs that are currently presented as Deferred Costs may be re-characterized as tenant incentives and would be presented with Prepaid Expenses and Other Assets. Where an entity selects the cost model, it is required to disclose, at least annually, the fair value of investment property in the notes to its financial statements.

Impairment

Under Canadian GAAP, impairment is recognized for non-financial assets based on estimated fair value when the undiscounted future cash flows from an asset, or group of assets, is less than the carrying value. Under IFRS, an entity is required to recognize an impairment charge if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value-in-use, is less than its carrying value. Value-in-use is the discounted present value of estimated future cash flows expected to arise from the planned use of an asset and from its disposal at the end of its useful life. This standard would only be applicable to the Trust if the cost model is adopted.

Business combinations

Both IFRS and current Canadian GAAP require the acquisition method of accounting for all business combinations, however significant differences exist between the two frameworks in other areas. The most significant differences are that under IFRS transaction costs are expensed immediately whereas under Canadian GAAP such amounts are included in the cost of the asset. Further, IFRS requires the purchaser to measure any non-controlling interest in the acquiree at either fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets, whereas Canadian GAAP requires minority interest to be measured at the non-controlling interest's proportionate share of the historic carrying value of the acquiree's identifiable net assets. Additionally, contingent consideration under IFRS is recognized at fair value on the date of acquisition, with subsequent changes generally recognized in net earnings. Under Canadian GAAP contingent consideration is recognized initially to the extent such amounts are assured beyond a reasonable doubt, and any change is recognized in the carrying cost of the asset.

The IFRS definition of a business is broader than the current Canadian GAAP definition and may capture single asset acquisitions. By definition investment property includes all ancillary processes that may not be significant to the overall operation of the investment property. In circumstances where only some minor ancillary processes are acquired with an investment property, this may lead to an assessment that such investment property acquisitions are the acquisition of an asset, rather than the acquisition of a business. Under Canadian GAAP, the Trust accounts for its property acquisitions as asset acquisitions, rather than a business combination. The Trust is in the process of assessing which of its rental properties will qualify as asset acquisitions versus the acquisition of a business; however, it does not expect that the standard will have a material impact.

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations". This section is the equivalent of the IFRS standard and applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, but may be early adopted at the beginning of a fiscal year. The Trust is currently evaluating whether or not to early adopt this standard.

Leases

Both Canadian GAAP and IFRS require tenant incentives to be recorded as a reduction of rental revenue. However, the IFRS definition of tenant incentives differs from what the Trust currently applies under Canadian GAAP, which may result in more tenant improvement costs being amortized against revenue. Consequently, management currently expects a reduction in the rental revenue as a result of this change under IFRS; however it cannot quantify the impact of any adjustment at the present time.

IFRS requires rental revenue to be determined on a straight-line basis considering all rents from the inception of the lease, whereas Canadian GAAP only required rental revenue to be recognized on a straight-line basis prospectively commencing on January 1, 2004. As a result, the Trust expects that this difference, applied retrospectively, will result in a reduction of straight-line rental revenue under IFRS; however, management cannot quantify the impact of this adjustment at the present time.

If the fair value model is selected, the Trust would cease to account for the differential between contractual and market rents on the acquisition of investment property thereby reducing rental revenue and net operating income under IFRS; however, management cannot quantify the impact of this adjustment at the present time.

Basis of consolidation

The International Accounting Standards Board is in the process of amending certain IFRS that will, if implemented in their current form, prohibit proportionate consolidation of joint ventures that are held through a legal entity, or where the venturers do not have rights to individual assets or obligations of the venture, because joint venturers in these circumstances do not have a direct ownership of the underlying net assets of the joint venture. IFRS currently allows joint ventures in these circumstances to be either proportionately consolidated or equity accounted.

Where the Trust's joint venture activities are jointly controlled assets, wherein the Trust has an undivided interest in the net assets, it is currently expected that Dundee will continue to proportionately consolidate these activities. Where the Trust controls an entity, like Canadian GAAP, it will continue to consolidate that entity under IFRS. The Trust is in the process of assessing the implication of these proposed amendments to certain IFRS on its co-ownership activities.

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 Officer



MARIO BARRAFATO
Senior Vice President and
Chief Financial Officer

Toronto, Ontario, February 23, 2010

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, 2009 and 2008 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, 2009 and 2008 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 23, 2010

Consolidated balance sheets

(in thousands of dollars) December 31	Note	2009	2008
(Restated, see Note 2)			
Assets			
Rental properties	4	\$ 1,181,058	\$ 1,145,993
Leasing costs and tenant improvements	5	39,589	33,438
Amounts receivable	6	8,881	11,877
Prepaid expenses and other assets	7	17,718	5,443
Cash and cash equivalents		12,022	69,267
Intangible assets	8	57,558	49,969
Assets held for sale	20	18,416	—
		\$1,335,242	\$ 1,315,987
Liabilities			
Debt	9	\$ 857,060	\$ 883,695
Amounts payable and accrued liabilities	10	22,525	18,772
Distributions payable	11	4,534	3,749
Future income tax liability	15	—	3,387
Intangible liabilities	8	35,031	41,941
Liabilities related to assets held for sale	20	16,940	—
		936,090	951,544
Unitholders' equity	12	399,152	364,443
		\$1,335,242	\$ 1,315,987

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	2009	2008
Revenues			
Rental properties revenue		\$ 192,083	\$ 179,779
Interest and fee income		1,676	3,663
		193,759	183,442
Expenses			
Rental properties operating expenses		71,129	66,026
Interest	14	49,736	48,226
Depreciation of rental properties		27,512	26,018
Amortization of leasing costs, tenant improvements and intangibles		22,231	26,609
General and administrative		6,706	6,740
		177,314	173,619
Income before income taxes		16,445	9,823
Provision for (recovery of) income taxes	15		
Current income taxes		12	13
Future income taxes		(1,768)	349
		(1,756)	362
Income before discontinued operations		18,201	9,461
Discontinued operations	20	(4,781)	999
Net income		\$ 13,420	\$ 10,460
Basic and diluted income (loss) per unit			
Continuing operations	16	\$ 0.82	\$ 0.45
Discontinued operations		(0.22)	0.05
Net income		\$ 0.60	\$ 0.50
Net income		\$ 13,420	\$ 10,460
Other comprehensive income (loss)			
Change in foreign currency translation adjustment		(1,334)	968
Comprehensive income		\$ 12,086	\$ 11,428

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, 2009		20,417,744	\$ 536,093	\$ 806,598	\$ (972,790)	\$ (5,275)	\$ 364,626
Adjustment to opening unitholders' equity to comply with new accounting standards	2	—	—	(183)	—	—	(183)
Unitholders' equity, January 1, 2009 (restated)		20,417,744	536,093	806,415	(972,790)	(5,275)	364,443
Net income		—	—	13,420	—	—	13,420
Distributions paid	11	—	—	—	(44,032)	—	(44,032)
Distributions payable	11	—	—	—	(4,534)	—	(4,534)
Public offering of REIT A Units	12	3,852,500	70,693	—	—	—	70,693
Distribution Reinvestment Plan	12	196,987	3,051	—	—	—	3,051
Unit Purchase Plan	12	10,997	180	—	—	—	180
Deferred Unit Incentive Plan	12	—	858	—	—	—	858
Deferred Units exchanged for REIT A Units	12	239,873	—	—	—	—	—
Issue costs	12	—	(3,590)	—	—	—	(3,590)
Unit redemption		(200)	(3)	—	—	—	(3)
Change in foreign currency translation adjustment		—	—	—	—	(1,334)	(1,334)
Unitholders' equity, December 31, 2009		24,717,901	\$ 607,282	\$ 819,835	\$(1,021,356)	\$ (6,609)	\$ 399,152

See accompanying notes to the consolidated financial statements

(in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
Unitholders' equity,							
January 1, 2008		20,863,819	\$ 544,850	\$ 796,138	\$ (926,605)	\$ (6,243)	\$ 408,140
Adjustment to opening unitholders' equity to comply with new accounting standards	2	—	—	(183)	—	—	(183)
Unitholders' equity,							
January 1, 2008 (restated)		20,863,819	544,850	795,955	(926,605)	(6,243)	407,957
Net income		—	—	10,460	—	—	10,460
Distributions paid		—	—	—	(42,353)	—	(42,353)
Distributions payable		—	—	—	(3,749)	—	(3,749)
Distribution							
Reinvestment Plan	12	305,799	8,670	—	—	—	8,670
Unit Purchase Plan	12	23,222	700	—	—	—	700
Deferred Unit Incentive Plan	12	—	399	—	—	—	399
Deferred Units exchanged for REIT A Units	12	10,492	—	—	—	—	—
Normal course issuer bid		(826,900)	(21,715)	—	(83)	—	(21,798)
Conversion of							
6.5% Debentures	12	24,920	623	—	—	—	623
Conversion of							
5.7% Debentures	12	16,392	492	—	—	—	492
Issue costs		—	(86)	—	—	—	(86)
Equity portion of 6.0% Debentures		—	2,160	—	—	—	2,160
Change in foreign currency translation adjustment		—	—	—	—	968	968
Unitholders' equity,							
December 31, 2008		20,417,744	\$ 536,093	\$ 806,415	\$ (972,790)	\$ (5,275)	\$ 364,443

See accompanying notes to the consolidated financial statements

Consolidated statements of cash flows

(in thousands of dollars) For the years ended December 31	Note	2009	2008
Generated from (utilized in) operating activities			
Net income		\$ 13,420	\$ 10,460
Non-cash items:			
Depreciation of rental properties		28,283	27,106
Amortization of leasing costs, tenant improvements and intangibles		22,583	27,109
Amortization of financing costs		1,260	1,256
Amortization of fair value adjustment on acquired debt		(800)	(819)
Gain on disposal of rental properties	20	(4,255)	(79)
Provision for impairment in value of discontinued assets	20	11,513	—
Deferred unit compensation expense		858	399
Future income taxes		(3,739)	327
Amortization of market rent adjustments on acquired leases		(10,276)	(12,736)
Straight-line rent adjustment		(1,053)	(1,026)
		57,794	51,997
Deferred leasing costs incurred		(4,296)	(4,993)
Change in non-cash working capital	22	6,009	(5,878)
		59,507	41,126
Generated from (utilized in) investing activities			
Investment in rental properties		(5,921)	(5,843)
Investment in tenant improvements		(6,121)	(2,731)
Acquisition of rental properties	3	(94,526)	(155,348)
Acquisition deposit on rental properties		(13,755)	—
Net proceeds from disposal of rental properties	20	14,927	—
Repayment of promissory note		—	12,116
Change in restricted cash, net		419	941
		(104,977)	(150,865)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs		35,993	95,312
Mortgage principal repayments		(15,498)	(13,934)
Mortgage lump sum repayments		(54,496)	(508)
Term debt principal repayments		(126)	(106)
Convertible debentures issued, net of costs		—	119,200
Distributions paid on Units	11	(44,730)	(37,501)
Purchase of REIT A Units under normal course issuer bid		—	(21,798)
Units issued for cash, net of costs		67,280	614
		(11,577)	141,279
Increase (decrease) in cash and cash equivalents		(57,047)	31,540
Cash and cash equivalents, beginning of year		69,267	37,727
Cash and cash equivalents, end of year		\$ 12,220	\$ 69,267
Cash and cash equivalents from continuing operations		\$ 12,022	\$ 69,267
Cash and cash equivalents from assets held for sale		198	—
Cash and cash equivalents, end of year		\$ 12,220	\$ 69,267

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.

Equity is described in Note 12; however, for simplicity, throughout the Notes reference is made 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 Class B Units, Series 1
- “Units”, meaning REIT Units, Series A; REIT Units, Series B; LP Class B Units, Series 1; and Special Trust Units, collectively

At December 31, 2009, Dundee Corporation, the majority shareholder of Dundee Realty Corporation (“DRC”), directly and indirectly through its subsidiaries, held 921,299 REIT A Units and 3,454,188 LP B Units (December 31, 2008 — 780,851 and 3,454,188 Units, respectively).

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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. Significant estimates and assumptions include impairment of accounts receivable, impairment of long-lived assets, impairment of intangible assets and liabilities and the purchase price allocations used for acquired properties. Actual results could differ from those estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Trust and its wholly owned subsidiaries. The Trust carries certain of its activities through co-ownerships and joint ventures, and records its proportionate share of the respective assets, liabilities, revenue and expenses of those ventures.

Revenue recognition

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 Trust's recovery experience 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 include 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. 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 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 straight-line basis over their estimated useful lives ranging from five to ten years. Building improvements are depreciated over their estimated useful lives, which range from 10 to 20 years depending on the type of improvement.

Purchase price allocations

As a result of revised CICA accounting and disclosure standards 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 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.

Leasing costs and tenant improvements

Deferred costs may include:

- leasing costs, which include leasing fees and costs, except for initial leasing costs that are included in rental properties, and deferred leasing costs acquired. 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; and
- 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.

Impairment of amounts receivable

Trade receivables are recognized initially at fair value. A provision for impairment is established when there is objective evidence that collection will not be possible under the original terms of the contract. Indicators of impairment include delinquency of payment and significant financial difficulty of the tenant. The carrying amount of the asset is reduced through an allowance account, and the amount of the loss is recognized in the consolidated statements of net income within operating expenses. Bad debt write-offs occur when the Trust determines collection is not possible. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of net income. Trade receivables that are less than three months past due are not considered impaired unless there is evidence that collection is not possible.

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 when 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 relating to incorporated subsidiaries. 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, is 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 rate change is substantively enacted.

Unit-based compensation plan

As described in Note 12, Dundee REIT has a Deferred Unit Incentive Plan 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 consolidated 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, 2009, cash and cash equivalents includes \$4,294, representing the Trust's proportionate share of cash balances of joint ventures (December 31, 2008 — \$1,232). Excluded from cash and cash equivalents are amounts held for repayment of tenant security deposits as required by various lending agreements.

Financial instruments

The Trust follows CICA accounting standards for financial instruments 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.

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.

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. Interest expense related to financial liabilities, including deferred financing costs, is recognized using the effective interest rate method.

Section 3862 of the Handbook, "Financial Instruments — Disclosures", outlines the criteria under which the fair value of financial instruments is recognized and measured. In June 2009, the CICA issued amendments to Section 3862. The standard expands disclosure requirements regarding the reliability of the inputs used in the measurement of financial instruments. The section has also been amended to require disclosure of the three levels of fair value hierarchy for the recognized financial instruments as well as additional liquidity disclosures. Adoption of this standard did not have an impact on the financial position or the results of operations of the Trust except for additional disclosure.

Financial assets are comprised of cash and cash equivalents and amounts receivables. Financial liabilities are comprised of mortgages payable, convertible debentures and amounts payables. For certain financial instruments, including cash and cash equivalents, amounts receivable, amounts payable and accrued liabilities, and distributions payable, the carrying amounts approximate fair values due to their immediate or short-term maturity. The fair values of 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.

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. 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.

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.

Changes in accounting policies in 2009

Deferred recoverable costs

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 matching revenues and expenses to eliminate the current practice of recognizing as assets those items that do not meet the definition and recognition criteria.

Under these changes, effective January 1, 2009, the deferral and matching of recoverable operating expenses over future revenues is no longer appropriate. The impact of this accounting change, which was applied on a retroactive basis, increased rental properties by \$1,943 and decreased deferred costs by \$2,126. Unitholders' equity also decreased by \$183 for maintenance costs previously capitalized as deferred recoverable costs but which are now required to be expensed under the revised accounting pronouncements.

Future changes in accounting policies

International Financial Reporting Standards (“IFRS”)

In January 2006, the CICA Accounting Standards Board (“ASB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies are required to comply with IFRS for fiscal years beginning on or after January 1, 2011, with comparative figures presented on the same basis. In February 2008, the CICA ASB confirmed that January 1, 2011, would be the effective date for the initial adoption of IFRS.

IFRS are premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have a material impact on the reported cash flows of the Trust, it will have a material impact on the Trust’s consolidated balance sheet and statements of net income and comprehensive income. The Trust has performed an initial assessment of the impact of IFRS and has identified significant accounting policy changes pertaining to investment property, joint ventures and lease incentives that will be required or are currently expected to be applied by the Trust upon its adoption of IFRS that will be significantly different than its Canadian GAAP accounting policies.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes accounting standards for a business combination. It provides the Canadian equivalent to IFRS 3, “Business Combinations”. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes accounting standards for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, “Consolidated and Separate Financial Statements”.

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Trust is currently evaluating the impact of adopting these sections.

Note 3

PROPERTY ACQUISITIONS

Below are the acquisitions completed during the years ended December 31, 2009 and December 31, 2008.

For the year ended December 31, 2009	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
720 Bay Street, Toronto	office	50	123,870	100	\$ 25,948	\$ —	September 1, 2009
1125-1145 Innovation Drive, Ottawa	office	100	118,563	100	16,679	—	December 16, 2009
6655-6725 Airport Road, Mississauga	office	100	329,728	100	50,637	26,717	December 18, 2009
Gateway Business Park, Ottawa	office	100	120,600	91	14,700	—	December 30, 2009
2645 Skymark Avenue, Mississauga	office	100	142,487	100	14,923	—	December 30, 2009
Total			835,248	99	\$ 122,887	\$ 26,717	

For the year ended December 31, 2008	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
AIR MILES Tower, Toronto	office	100	322,557	92	\$ 91,988	\$ —	January 31, 2008
IBM Corporate Park, Calgary	office	33	118,804	100	57,300	—	May 14, 2008
4370 Dominion Street, Burnaby	office	100	63,943	99	11,484	2,111	July 10, 2008
Total			505,304	95	\$ 160,772	\$ 2,111	

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

For the years ended December 31	2009	2008
Rental properties		
Land	\$ 20,418	\$ 30,531
Buildings	76,846	126,440
	97,264	156,971
Tenant improvements acquired	8,181	6,271
Intangible assets		
Value of in-place leases	6,714	7,431
Lease origination costs	2,176	2,012
Value of above-market rent leases	1,471	419
Value of tenant relationships	10,909	5,944
	126,715	179,048
Intangible liabilities		
Value of below-market rent leases	(3,828)	(18,276)
Total purchase price	\$ 122,887	\$ 160,772

The consideration paid consists of:

For the years ended December 31	2009	2008
Cash		
Paid during the year	\$ 94,526	\$ 155,348
Deposit	—	2,350
	94,526	157,698
Assumed mortgages at fair value	26,717	2,111
Assumed accounts payable, accrued liabilities and adjustments to purchase price	1,644	963
Total consideration	\$ 122,887	\$ 160,772

The allocation of the purchase price to fair values of assets acquired and liabilities assumed for the property acquisition completed during the current year has not been finalized and will be subject to adjustment.

Note 4

RENTAL PROPERTIES

December 31	2009			2008 (Restated, see Note 2)		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 235,025	\$ —	\$ 235,025	\$ 223,382	\$ —	\$ 223,382
Buildings and improvements	1,053,465	(110,358)	943,107	1,013,958	(93,928)	920,030
Fixed assets and equipment	2,011	(843)	1,168	2,439	(882)	1,557
Rental properties under development	1,758	—	1,758	1,024	—	1,024
Total	\$1,292,259	\$ (111,201)	\$ 1,181,058	\$1,240,803	\$ (94,810)	\$ 1,145,993

Note 5

LEASING COSTS AND TENANT IMPROVEMENTS

December 31	2009			2008 (Restated, see Note 2)		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Leasing costs	\$ 14,214	\$ (4,292)	\$ 9,922	\$ 12,455	\$ (3,765)	\$ 8,690
Tenant improvements	49,418	(19,751)	29,667	42,862	(18,114)	24,748
Total	\$ 63,632	\$ (24,043)	\$ 39,589	\$ 55,317	\$ (21,879)	\$ 33,438

Note 6

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments totalling \$2,972 (December 31, 2008 — \$2,805).

December 31	2009	2008
Trade receivables, net	\$ 2,048	\$ 2,372
Straight-line rent receivables	7,409	6,714
Other accounts receivable (payable)	(576)	2,791
	\$ 8,881	\$ 11,877

December 31	2009	2008
Trade receivables	\$ 3,141	\$ 2,921
Less: Provision for impairment of trade receivables	(1,093)	(549)
Trade receivables, net	\$ 2,048	\$ 2,372

The movement in the provision for impairment of trade receivables during the years ended December 31, was as follows:

	2009	2008
As at January 1	\$ 549	\$ 413
Provision for impairment of trade receivables	1,428	543
Receivables written off during the year as uncollectible	(884)	(218)
Reduction of other receivables written off during the year	—	(216)
Translation adjustment	—	27
As at December 31	\$ 1,093	\$ 549

As at December 31, 2009, trade receivables of approximately \$325 were past due but not considered impaired. The Trust has ongoing relationships with these tenants and default is not expected.

Note 7

PREPAID EXPENSES AND OTHER ASSETS

December 31	2009		2008	
Prepaid expenses	\$	2,110	\$	2,175
Deposits		13,887		24
Restricted cash		1,721		3,244
Total	\$	17,718	\$	5,443

Deposits largely represents amounts provided by the Trust in connection with property acquisitions completed in 2010. See Note 24 — “Subsequent events” for further details. Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages.

Note 8

INTANGIBLE ASSETS AND LIABILITIES

December 31	2009			2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	\$ 3,914	\$ (1,140)	\$ 2,774	\$ 2,754	\$ (1,058)	\$ 1,696
Value of in-place leases	37,727	(17,625)	20,102	39,561	(19,462)	20,099
Lease origination costs	9,383	(3,718)	5,665	8,284	(3,402)	4,882
Value of tenant relationships	39,635	(10,618)	29,017	32,901	(9,609)	23,292
Total	\$ 90,659	\$ (33,101)	\$ 57,558	\$ 83,500	\$ (33,531)	\$ 49,969
Intangible liabilities						
Value of below-market rent leases	\$ 60,854	\$ (25,823)	\$ 35,031	\$ 68,654	\$ (26,713)	\$ 41,941

Note 9

DEBT

December 31	2009	2008
Mortgages	\$ 726,901	\$ 754,448
Convertible debentures	129,940	128,902
Term debt	219	345
Total	\$ 857,060	\$ 883,695

At December 31, 2009, convertible debentures comprised \$118,904 of 6.0% Debentures, \$7,743 of 5.7% Debentures and \$3,293 of 6.5% Debentures (December 31, 2008 — \$117,922, \$7,703 and \$3,277, respectively). Mortgages are secured by charges on specific rental properties.

On January 14, 2008, the Trust issued \$125,000 principal amount convertible unsecured subordinated debentures (the “6.0% Debentures”). The 6.0% Debentures bear interest at 6.0% per annum, payable semi-annually on June 30 and December 31 each year, and mature on December 31, 2014. Each 6.0% Debenture is convertible at any time by the debenture holder into 24.15459 REIT A Units, per one thousand dollars of face value, representing a conversion price of \$41.40 per unit. The 6.0% Debentures may not be redeemed prior to December 31, 2010. On or after December 31, 2010, and prior to December 31, 2012, the 6.0% 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 weighted average trading price for the Trust’s units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after December 31, 2012, and prior to December 31, 2014, the 6.0% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. In accordance with Section 3863 of the CICA Handbook, the 6.0% Debentures were initially recorded on the consolidated balance sheet as debt of \$122,840 less costs of \$5,800, and equity of \$2,160. As at December 31, 2009, the outstanding principal amount is \$125,000 (December 31, 2008 — \$125,000).

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 A 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 3863 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. As at December 31, 2009, the outstanding principal amount is \$7,806 (December 31, 2008 — \$7,806).

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 A 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 3863 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. As at December 31, 2009, the outstanding principal amount is \$3,488 (December 31, 2008 — \$3,488).

A demand revolving credit facility was renewed on May 31, 2009, and is available up to a formula-based maximum not to exceed \$40,000, bearing interest generally at the bank prime rate (2.25% as at December 31, 2009) plus 1.5% or bankers' acceptance rates plus 3.0%. The facility is secured by a first-ranking collateral mortgage on two of the Trust's properties and a second-ranking collateral mortgage on one property. As at December 31, 2009, the formula-based amount available under this facility was \$32,608, less \$1,090 drawn in the form of letters of guarantee (December 31, 2008 — \$nil drawn). The facility expires on April 30, 2010.

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

December 31	Weighted average interest rates			Debt amount	
	2009	2008	Maturity dates	2009	2008
Fixed rate					
Mortgages	5.68%	5.70%	2010—2019	\$ 695,608	\$ 703,409
Convertible debentures	7.03%	7.03%	2014—2015	129,940	128,902
Term debt	9.03%	9.03%	2010—2011	219	345
Total fixed rate debt	5.90%	5.90%		825,767	832,656
Variable rate					
Mortgages	2.01%	4.54%	2013	31,293	51,039
Total variable rate debt	2.01%	4.54%		31,293	51,039
Total debt	5.75%	5.83%		\$ 857,060	\$ 883,695

The scheduled principal repayments and debt maturities are as follows:

For the years ending December 31	Mortgages	Term debt	Convertible debentures	Total
2010	\$ 29,178	\$ 116	\$ —	\$ 29,294
2011	89,177	103	—	89,280
2012	115,297	—	—	115,297
2013	114,436	—	—	114,436
2014	73,101	—	128,488	201,589
2015 and thereafter	305,507	—	7,806	313,313
	726,696	219	136,294	863,209
Financing costs and fair value adjustments	205	—	(6,354)	(6,149)
	\$ 726,901	\$ 219	\$ 129,940	\$ 857,060

Included in mortgages is \$2,671 in fair value adjustments (December 31, 2008 — \$3,755), which reflects the fair value adjustments for mortgages assumed as part of acquisitions, net of \$2,465 of unamortized financing costs (December 31, 2008 — \$2,263). The convertible debentures are reduced by a \$1,724 premium allocated to their conversion features (December 31, 2008 — \$2,008) and \$4,630 of unamortized financing costs (December 31, 2008 — \$5,384). The fair value adjustment, premium and financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

The fair value of mortgages and debentures are estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. The fair value of debentures uses quoted market prices from an active market.

The estimated fair value of debt is as follows:

December 31	2009	2008
Mortgages	\$ 730,809	\$ 705,088
Convertible debentures	134,923	95,181
Term debt	219	345
Total	\$ 865,951	\$ 800,614

Note 10

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31	2009	2008
Trade payables	\$ 1,602	\$ 183
Accrued liabilities and other payables	9,521	9,086
Accrued interest	3,426	3,571
Deposits	6,159	5,030
Rent received in advance	1,817	902
Total	\$ 22,525	\$ 18,772

Note 11

DISTRIBUTIONS

The following table breaks down distribution payments for the year ended December 31, 2009:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	\$ 37,109	\$ 36	\$ 7,585	\$ 44,730
Paid by way of reinvestment in units	3,051	—	—	3,051
Less: Payable at December 31, 2008	(3,114)	(3)	(632)	(3,749)
Plus: Payable at December 31, 2009	3,899	3	632	4,534
Total	\$ 40,945	\$ 36	\$ 7,585	\$ 48,566

The amount payable at December 31, 2009, was satisfied on January 15, 2010, by \$4,073 in cash, \$412 of 18,004 REIT A Units and \$57 of 2,494 LP B Units. Included in the total distributions is \$105 representing the 4% bonus distribution that forms part of the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

Dundee REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances 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 lesser 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. The Trust declares distributions of \$0.183 per unit per month, or \$2.20 per year.

Note 12

UNITHOLDERS' EQUITY

December 31	2009		2008 (Restated, see Note 2)	
	Number of units	Amount	Number of units	Amount
REIT Units, Series A	21,247,397	\$ 312,743	16,947,240	\$ 271,087
REIT Units, Series B	16,316	362	16,316	371
LP Class B Units, Series 1	3,454,188	92,656	3,454,188	98,260
Cumulative foreign currency translation adjustment	—	(6,609)	—	(5,275)
Total	24,717,901	\$ 399,152	20,417,744	\$ 364,443

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.

For the years ended December 31, 2009 and 2008, there were no exchanges made by Dundee Corporation of LP B Units for REIT B Units and subsequently to REIT A Units. In the fourth quarter of 2008, DRC acquired 460,000 REIT B Units from a third party, and subsequently converted these units to REIT A 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, 2009, 3,454,188 Special Trust Units were issued and outstanding (December 31, 2008 — 3,454,188 issued and outstanding).

Dundee REIT's Declaration of Trust provides each of Dundee Corporation and GE Real Estate ("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.

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, 2009, 20,787,397 LP Class A Units (December 31, 2008 — 16,487,240), 3,454,188 LP Class B Units, Series 1 (December 31, 2008 — 3,454,188) and 476,316 LP Class B Units, Series 2 (December 31, 2008 — 476,316) were issued and outstanding. As at December 31, 2009 and December 31, 2008, 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, 2009	16,947,240	\$ 271,221	16,316	\$ 371	3,454,188	\$ 98,309	\$ (5,275)	20,417,744	\$ 364,626
Adjustment to opening unitholders' equity to comply with new accounting standards	—	(134)	—	—	—	(49)	—	—	(183)
Unitholders' equity,									
January 1, 2009 (restated)	16,947,240	271,087	16,316	371	3,454,188	98,260	(5,275)	20,417,744	364,443
Net income	—	11,412	—	27	—	1,981	—	—	13,420
Distributions paid	—	(37,046)	—	(33)	—	(6,953)	—	—	(44,032)
Distributions payable	—	(3,899)	—	(3)	—	(632)	—	—	(4,534)
Public offering of REIT A Units	3,852,500	70,693	—	—	—	—	—	3,852,500	70,693
Distribution Reinvestment Plan	196,987	3,051	—	—	—	—	—	196,987	3,051
Unit Purchase Plan	10,997	180	—	—	—	—	—	10,997	180
Deferred Unit Incentive Plan	—	858	—	—	—	—	—	—	858
Deferred Units exchanged for REIT A Units	239,873	—	—	—	—	—	—	239,873	—
Issue costs	—	(3,590)	—	—	—	—	—	—	(3,590)
Unit redemption	(200)	(3)	—	—	—	—	—	(200)	(3)
Change in foreign currency translation adjustment	—	—	—	—	—	—	(1,334)	—	(1,334)
Unitholders' equity,									
December 31, 2009	21,247,397	\$ 312,743	16,316	\$ 362	3,454,188	\$ 92,656	\$ (6,609)	24,717,901	\$ 399,152

Public offering of REIT A Units

On September 9, 2009, the Trust completed a public offering of 3,350,000 REIT A Units at a price of \$18.35 per unit for gross cash proceeds of \$61,473. On September 29, 2009, the Trust issued an additional 502,500 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriters for gross proceeds of approximately \$9,220. Costs related to the offering totalled \$3,590 and were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment Plan ("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, 2009, 196,987 REIT A Units and nil LP B Units were issued under the DRIP for \$3,051 (December 31, 2008 — 166,960 REIT A Units and 138,839 LP B Units for \$8,670).

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT A Units by existing unitholders. 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, 2009, 10,997 REIT A Units were issued under the Unit Purchase Plan for \$180 (December 31, 2008 — 23,222 REIT A Units for \$700).

Conversion of debentures

During the year ended December 31, 2009, no debentures were converted. During the period ended December 31, 2008, the Trust issued 24,920 REIT A Units upon conversion of \$623 of the 6.5% Debentures and 16,392 REIT A Units upon conversion of \$492 of the 5.7% Debentures.

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of deferred trust units to trustees, officers and employees, as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit and the related income deferred trust units vest evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available 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, 2009, \$858 of compensation expense was recorded (December 31, 2008 — \$399) and included in general and administrative expenses. 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 related 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 January 1, 2008	\$ 32.66	233,511	35,086	268,597
Granted during the year	33.45	84,846	33,437	118,283
Cancelled	30.68	(450)	(5)	(455)
REIT A Units issued	30.61	(8,681)	(1,811)	(10,492)
Fractional units paid in cash	—	—	(47)	(47)
Outstanding at January 1, 2009	\$ 32.94	309,226	66,660	375,886
Granted during the year	13.49	98,003	32,126	130,129
REIT A Units issued	27.92	(189,311)	(50,562)	(239,873)
Fractional units paid in cash	—	—	(9)	(9)
Outstanding and payable at December 31, 2009	\$ 28.55	217,918	48,215	266,133
Vested but not issued at December 31, 2009	\$ 30.88	53,438	20,132	73,570

On January 2, 2009, trustees and senior management elected to have 233,293 REIT A Units issued for vested deferred trust units and income deferred trust units. An additional 6,580 units were exchanged in the second quarter of 2009. For the year ended December 31, 2008, a total of 10,492 REIT A Units were issued for vested deferred trust units and income deferred trust units.

On February 17, 2009, 79,100 deferred trust units were granted to trustees and senior managers. A further 18,903 deferred trust units were granted to trustees who elected to receive their 2009 annual retainer in the form of deferred trust units rather than cash.

Normal course issuer bid

The Trust renewed its normal course issuer bid which commenced on September 26, 2009, and will remain in effect until the earlier of September 25, 2010, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 1,648,026 REIT A Units (representing 10% of the REIT's public float of 16,480,260 REIT A Units at the time of renewal through the facilities of the TSX). As of December 31, 2009, no purchases had been made. Based on the closing price of the REIT A Units on December 31, 2009, the Trust may purchase up to \$34,197 worth of REIT A Units.

For the year ended December 31, 2008, the Trust purchased 826,900 REIT A Units for \$21,798, pursuant to its previous bid which expired on September 25, 2009.

Note 13

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. These amounts include the joint venture properties classified as held for sale in 2009. Amounts relating to a property that was previously held as a joint venture but which is now entirely owned by the Trust have been excluded.

December 31	2009	Total	Proportionate share	
		2008	2009	2008
Assets	\$ 458,889	\$ 519,514	\$ 193,139	\$ 228,138
Liabilities	291,986	354,539	126,426	157,326

For the years ended December 31	Proportionate share	
	2009	2008
Revenues	\$ 35,488	\$ 34,689
Expenses	40,242	30,772
	\$ (4,754)	\$ 3,917

For the years ended December 31	2009	2008
Cash flow generated from (utilized in):		
Operating activities	\$ 11,279	\$ 7,177
Investing activities	(1,816)	(1,275)
Financing activities	(7,090)	(6,096)
Increase (decrease) in cash and cash equivalents	\$ 2,373	\$ (194)

The Trust is contingently liable for the obligations of the other owners of the unincorporated joint ventures at December 31, 2009, in the aggregate amount of \$147,446 (December 31, 2008 — \$174,963). In each case, however, the co-owners' share of assets is available to satisfy these obligations.

Note 14

INTEREST

Interest incurred and charged to earnings is recorded as follows:

For the years ended December 31	2009	2008
Interest expense incurred, at stated rate of debt	\$ 49,332	\$ 47,983
Amortization of financing costs	1,229	1,116
Amortization of fair value adjustments on acquired debt	(800)	(819)
Interest capitalized	(25)	(54)
Interest expense	\$ 49,736	\$ 48,226

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 property considered to be under redevelopment. Non-cash adjustments to interest expense are recorded as a change in non-cash working capital in the consolidated statements of cash flows.

Note 15

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. As the income tax obligations relating to the distributions are those of the unitholders, no provision for income taxes is required on such amounts.

Canadian and U.S.-based incorporated subsidiaries are subject to tax on their respective taxable income at their corresponding legislated rates. Certain of our Canadian and U.S. subsidiaries are taxable and any tax-related costs are reflected in the consolidated balance sheets and consolidated statements of income and comprehensive income. On December 31, 2009, we effected the transfer of our interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. On February 5, 2010, we disposed of our interest in the U.S. entity. As a result of these transactions we are no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates. A future income tax liability as at December 31, 2009, of \$nil (December 31, 2008 — \$3,387) 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, 2009, exceeds the corresponding tax cost by approximately \$46,000 (December 31, 2008 — \$37,000).

A reconciliation of income tax expense for the year is as follows:

For the years ended December 31	2009	2008
Income before income taxes	\$ 16,445	\$ 9,823
Income (loss) before income taxes from discontinued operations	(6,705)	976
	9,740	10,799
Less: income allocable to unitholders	(8,440)	(9,827)
Income subject to Canadian tax in consolidated entity	1,300	972
Tax thereon at 29% current statutory rate (2008 — 29.5%)	377	289
Foreign current and future tax recovery in respect of foreign entities	(1,924)	(23)
Elimination of future tax liability in connection with reorganization	(2,133)	73
	(3,680)	339
Less: total income tax recovery from discontinued operations	(1,924)	(23)
Total income tax provision (recovery) from continuing operations	\$ (1,756)	\$ 362

Note 16

INCOME (LOSS) PER UNIT

The weighted average number of units outstanding was as follows:

For the years ended December 31	2009	2008
REIT A Units and REIT B Units	18,690,672	17,439,521
LP B Units	3,454,188	3,402,438
Vested deferred trust units	71,484	269,769
Total weighted average number of units outstanding for basic income per unit amounts	22,216,344	21,111,728
Add incremental units:		
Unvested deferred trust units	—	4,521
Income deferred trust units	9,812	1,087
Total weighted average number of units outstanding for diluted income per unit amounts	22,226,156	21,117,336

Income per unit information is based on the weighted average number of Units outstanding for the year. The calculation of diluted per unit information considers the potential exercise of outstanding unvested deferred trust units and income deferred trust units, and the incremental REIT Units to be issued upon an assumed conversion of all outstanding debentures, to the extent that these are dilutive. The incremental unvested deferred trust units represent the potential units that would have to be purchased in the open market to fund the unvested obligation of the weighted average number of unvested deferred trust units outstanding for the year.

The 3,419,043 incremental REIT A Units to be issued upon an assumed conversion of all debentures outstanding at year-end (December 31, 2008 — 3,419,043) have been excluded from the calculation of diluted net income (loss) per unit as they are anti-dilutive.

Note 17

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 a minimum of 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 Dundee Management Limited Partnership (“DMLP”). For 2009, the total cost recognized and cash payments for employee future benefits, consisting of cash contributed to the defined contribution plan, was \$107 (2008 — \$101).

Note 18

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.

For the year ended December 31, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	\$ 175,635	\$ 16,448	\$ 192,083	\$ —	\$ 192,083
Operating expenses	65,812	5,317	71,129	—	71,129
Net operating income	109,823	11,131	120,954	—	120,954
Depreciation of rental properties	24,611	2,901	27,512	—	27,512
Amortization of deferred leasing costs, tenant improvements and intangibles	20,673	1,558	22,231	—	22,231
Segment income	\$ 64,539	\$ 6,672	\$ 71,211	\$ —	71,211
Interest expense					(49,736)
General and administrative expenses					(6,706)
Interest and fee income					1,676
Income taxes					1,756
Discontinued operations					(4,781)
Net income					\$ 13,420
Segment rental properties	\$1,088,990	\$ 90,310	\$ 1,179,300	\$ 1,758	\$ 1,181,058
Capital expenditures					
Investment in rental properties	\$ (4,993)	\$ (217)	\$ (5,210)	\$ (711)	\$ (5,921)
Investment in tenant improvements	(5,177)	(559)	(5,736)	(385)	(6,121)
Acquisition of rental properties	(94,526)	—	(94,526)	—	(94,526)
Deferred leasing costs	(3,513)	(476)	(3,989)	(307)	(4,296)
Total capital expenditures	\$ (108,209)	\$ (1,252)	\$ (109,461)	\$ (1,403)	\$ (110,864)

For the year ended December 31, 2008	Office	Industrial	Segment total	Other	Total
Operations					
Revenues	\$ 163,834	\$ 15,945	\$ 179,779	\$ —	\$ 179,779
Operating expenses	60,779	5,247	66,026	—	66,026
Net operating income	103,055	10,698	113,753	—	113,753
Depreciation of rental properties	23,272	2,746	26,018	—	26,018
Amortization of deferred leasing costs, tenant improvements and intangibles	25,011	1,598	26,609	—	26,609
Segment income	\$ 54,772	\$ 6,354	\$ 61,126	\$ —	61,126
Interest expense					(48,226)
General and administrative expenses					(6,740)
Interest and fee income					3,663
Income taxes					(362)
Discontinued operations					999
Net income					\$ 10,460
Segment rental properties	\$ 1,019,280	\$ 102,956	\$ 1,122,236	\$ 23,757	\$ 1,145,993
Capital expenditures					
Investment in rental properties	\$ (5,545)	\$ (120)	\$ (5,665)	\$ (178)	\$ (5,843)
Investment in tenant improvements	(2,249)	(345)	(2,594)	(137)	(2,731)
Acquisition of rental properties	(155,348)	—	(155,348)	—	(155,348)
Deferred leasing costs	(3,962)	(1,027)	(4,989)	(4)	(4,993)
Total capital expenditures	\$ (167,104)	\$ (1,492)	\$ (168,596)	\$ (319)	\$ (168,915)

Note 19

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. Dundee REIT, Dundee Management Limited Partnership (“DMLP”) and DRC are parties to an administrative services agreement (the “Services Agreement”) that is in effect until June 30, 2013. Effective August 24, 2007, Dundee REIT also has an asset management agreement (the “Asset Management Agreement”) with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries.

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, reflecting the market value of the properties at August 23, 2007 (the date of the sale of our portfolio of properties in eastern Canada) and the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;
- 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, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to (i) 1.0% of the purchase price of a property, on the first \$100,000 of properties acquired; (ii) 0.75% of the purchase price of a property on the next \$100,000 of properties acquired; and (iii) 0.50% of the purchase price on properties acquired in excess of \$200,000; and
- 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.

For the year ended December 31, 2009, the Trust received total fees from DRC of \$1,903 (December 31, 2008 — \$1,942). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended December 31, 2009, include \$3,405 for staff, operating and administration costs (December 31, 2008 — \$3,047).

The Trust incurred total fees of \$6,020 in the year ended December 31, 2009 (December 31, 2008 — \$6,213), under the Asset Management Agreement.

Included in amounts receivable at December 31, 2009, is \$(155) related to the Services Agreement (December 31, 2008 — \$(43)), \$224 related to the Asset Management Agreement (December 31, 2008 — \$210) and \$158 related to other amounts owed by DRC (December 31, 2008 — \$156). Accrued liabilities and other payables at December 31, 2009, include \$954 for amounts related to the Asset Management Agreement (December 31, 2008 — \$nil) and \$nil for other amounts collected on behalf of DRC (December 31, 2008 — \$nil).

Note 20

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The results of operations of any property that has been sold and identified as discontinued operations are reported separately and comparative amounts are reclassified as discontinued operations. Any property identified as held for sale is also reported separately in the current year.

During the fourth quarter of 2009, the Trust classified a joint venture office property as held for sale. The property's carrying value was established to be the lower of its carrying value and its estimated fair value less selling costs. No impairment was recognized on the transfer of the property to assets held for sale.

On August 31, 2009, the Trust sold two industrial properties located in Edmonton, Alberta, for which it received \$14,927, net of adjustments for prior year sales, and recognized a \$4,255 gain.

Subsequent to year-end, on February 5, 2010, the Trust completed the sale of its 50% interest in Greenbriar Mall in Atlanta, Georgia, to its joint venture partner, for which it received \$250 including reimbursement for certain costs. The Trust is now discharged from all rights and obligations relating to the property. Previously, on June 9, 2009, the lender had begun foreclosure proceedings on the property after management concluded that any additional funds required to meet the lender's debt-to-market value requirements were not warranted from a business perspective and allowed the mortgage to go into default. As at December 31, 2009, a total provision for impairment of \$11,513 was recognized, including a \$4,904 write-down in the carrying value of the net assets of the property, and a \$6,609 provision for the accumulated foreign currency translation adjustment associated with the investment in the net assets of the property. The future tax liability of \$1,971 associated with the U.S. operations was also written off. Accordingly, discontinued assets in the amount of \$9,953 reported at year-end represent the Trust's carrying value of the property based on its estimated fair value and the \$16,825 discontinued liability represents the mortgage liability.

During the fourth quarter of 2008, the Trust classified an industrial property located in Alberta as held for sale. The property's carrying value was established to be the lower of its carrying value or its estimated fair value less selling costs. No impairment was recognized on the transfer of the property to assets held for sale. During the second quarter of 2009, a new tenant entered into a lease agreement and a separate agreement to purchase the property after November 1, 2012. As a result, the property has been reclassified as continuing operations. The property's carrying value, adjusted for depreciation and amortization expense that would have been recognized had it been continuously classified as held and used as a rental property, is established to be the lower of its carrying value or its estimated fair value at the end of the second quarter of 2009.

For the year ending December 31, 2008, the Trust recognized an additional \$79 of net gains, reflecting revisions to its prior year cost of sale estimate associated with previously sold properties.

The following table presents the assets and liabilities of the discontinued properties as at December 31, 2009.

Assets	
Rental properties	\$ 17,644
Deferred costs	561
Prepaid expenses and other assets	13
Cash and short-term deposits	198
	\$ 18,416
Liabilities	
Mortgages payable	\$ 16,825
Accounts payable, accrued liabilities and other	115
	\$ 16,940

The following table summarizes the net income (loss) from discontinued operations:

For the years ended December 31	2009	2008
Revenues		
Rental properties revenue	\$ 8,825	\$ 8,212
Interest and other income	17	39
	8,842	8,251
Expenses		
Rental properties operating expenses	6,563	4,275
Interest	586	1,490
Depreciation of rental properties	771	1,088
Amortization of deferred leasing costs, tenant improvements and intangibles	352	501
General and administrative	17	—
	8,289	7,354
Income before undernoted	553	897
Provision for impairment in value of discontinued assets	11,513	—
Gain on disposal of rental properties	(4,255)	(79)
Current income taxes	47	—
Future income tax recovery	(1,971)	(23)
Net income (loss) from discontinued operations	\$ (4,781)	\$ 999

Note 21

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 consolidated financial statements of Dundee REIT.

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

Years ending December 31	Operating lease payments	Capital lease payments
2010	\$ 1,103	\$ 142
2011	968	106
2012	827	—
2013	687	—
2014	—	—
Total	\$ 3,585	\$ 248

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of approximately \$4,300.

Effective September 1, 2009, the Trust entered into three fixed price contracts to purchase natural gas with respect to 14 office properties in Calgary. The contracts expire on December 31, 2012, and commit the Trust to total minimum payments of \$598 annually for each of the years 2010, 2011 and 2012.

The Trust has entered into an agreement to purchase, from a former joint venture partner, a fully leased office building currently under construction, at a future date for \$20,788, with maximum adjustments to the closing price not to exceed \$500. The closing date is expected to be in the first half of 2010. Funding for this development is available through cash on hand and an available line of credit.

During the second quarter of 2009, the Trust committed to construct an office property in Yellowknife, Northwest Territories, which is fully leased for a ten-year term to the Government of Canada. Estimated construction costs are \$20,000. Funding for this development is available through cash on hand and an available line of credit.

Note 22

SUPPLEMENTARY CASH FLOW INFORMATION

For the years ended December 31	2009	2008
Decrease (increase) in accounts receivable	\$ 3,537	\$ (1,760)
Decrease in deferred costs (other than leasing costs)	373	672
Decrease (increase) in prepaid expenses and other assets (excluding restricted cash and promissory notes)	(56)	77
Increase (decrease) in accounts payable and accrued liabilities (excluding leasing costs)	2,375	(5,170)
Increase (decrease) in accounts payable relating to leasing costs	(220)	303
Change in non-cash working capital	\$ 6,009	\$ (5,878)

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

For the years ended December 31	2009	2008
Interest	\$ 49,975	\$ 48,827
Income taxes	21	166

Note 23

CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS RISK MANAGEMENT

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.

The Trust's capital consists of debt, including mortgages, convertible debentures and lines of credit, and unitholders' equity. The Trust's objectives in managing capital are to ensure adequate operating funds are available to maintain consistent and sustainable unitholder distributions, to fund leasing costs and capital expenditure requirements, and to provide for resources needed to acquire new properties.

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross book value. Other significant indicators include weighted average interest rate, average term to maturity of debt and variable debt as a portion to total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions, capital expenditures and for evaluating the need to raise funds for further expansion. Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These include loan to value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary general partner level, and all have been complied with.

The Trust's equity consists of Units, in which the carrying value is impacted by earnings and unitholder distributions. The Trust endeavours to make annual distributions of \$2.20 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditure and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percent of distributable income and distributable income per unit.

The Trust's Declaration of Trust limits its interest coverage ratio to no less than 1.4 times. The interest coverage ratio is calculated as net operating income from continuing operations plus interest and fee income less general and administrative expenses, divided by interest expense from continuing operations. At December 31, 2009, the Trust's interest coverage ratio was 2.3 times, reflecting its ability to cover interest expense requirements.

For the years ended December 31	2009	2008
Rental properties revenue	\$ 192,083	\$ 179,779
Rental properties operating expense	71,129	66,026
Net operating income	120,954	113,753
Add: interest and fee income	1,676	3,663
Less: general and administrative expenses	6,706	6,740
	\$ 115,924	\$ 110,676
Interest expense	\$ 49,736	\$ 48,226
Interest coverage ratio	2.3 times	2.3 times

CICA Handbook Section 3862, "Financial Instruments — Disclosures", places increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Trust manages those risks, including market, credit and liquidity risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has some exposure to interest rate risk primarily as a result of its variable rate debt. Variable rate debt at December 31, 2009, was 3.7% of the Trust's total debt (December 31, 2008 — 5.9%). 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.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for the year ended December 31, 2009. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts.

	Carrying amount	Interest rate risk			
		-1%		+1%	
		Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents ⁽¹⁾	\$ 12,022	\$ (120)	\$ (120)	\$ 120	\$ 120
Financial liabilities					
Variable rate mortgages ⁽²⁾	\$ 31,293	\$ 313	\$ 313	\$ (313)	\$ (313)

⁽¹⁾ Cash and cash equivalents are short-term investments with an original maturity of three months or less, and exclude cash subject to restrictions that prevent its use for current purposes. These balances generally receive bank prime less 1.85%. Cash and cash equivalents are short term in nature and the current balance may not be representative of the balance for the rest of the year.

⁽²⁾ Variable rate mortgages include a floating rate mortgage at a rate of LIBOR plus 0.355%, to a maximum of 8.75% and a floating rate mortgage at a rate of LIBOR plus 0.62%.

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 unitholders' 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, and the associated currency risks are considered immaterial.

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. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. A further description of credit risk relating to tenants is disclosed in Note 6. Cash and cash equivalents, deposits and restricted cash carry minimal credit risk, as all funds are maintained with highly reputable financial institutions.

Liquidity risk is the risk that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Trust manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. A schedule of principal repayments and debt maturities is provided in Note 9.

Note 24

SUBSEQUENT EVENTS

On January 7, 2010, the Trust completed a public offering of 5,520,000 REIT A Units at a price of \$18.75 per unit, for gross proceeds of \$103,500. Costs related to the offering were approximately \$4,885.

Effective January 18, 2010, the Trust completed the purchase of Adelaide Place, an office property located in Toronto, consisting of two buildings of approximately 655,000 square feet. The purchase price for the property excluding transaction costs was approximately \$211,500.

Effective February 5, 2010, the Trust transferred its interest in Greenbriar Mall, a retail property located in Atlanta, Georgia, to its joint venture partner. The Trust received proceeds of \$250 for the transfer and has been discharged of all obligations and rights related to the property.

On February 10, 2010, the Trust completed the purchase of Aviva Corporate Centre, a four-building office property located in Toronto, consisting of approximately 438,000 square feet. The purchase price for the property, excluding transaction costs, was approximately \$45,700, and the Trust assumed a mortgage of approximately \$30,600 at a face rate of 5.3% maturing in February 2017.

Trustees and officers

Trustees

Dr. Günther Bautz¹

ULM, GERMANY

Counsellor on Intellectual Property to
Braun GmbH

Detlef Bierbaum^{2,4}

KÖLN, GERMANY

Member of the Supervisory Board,
Bankhaus Sal. Oppenheim jr. & Cie. KGaA

Donald K. Charter

TORONTO, ONTARIO

Corporate Director and President,
3Cs Corporation

Michael J. Cooper²

TORONTO, ONTARIO

Vice Chairman and Chief Executive Officer,
Dundee REIT

Peter A. Crossgrove^{1,3,4}

TORONTO, ONTARIO

Chairman and Interim Chief Executive Officer,
Excellon Resources Inc.

Joanne Ferstman

TORONTO, ONTARIO

Vice Chairman and Head of Capital Markets,
DundeeWealth Inc.

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^{2,5}

INNISFIL, ONTARIO

President and Chief Executive Officer,
Dundee Corporation

Duncan Jackman⁴

TORONTO, ONTARIO

Chairman, President and CEO,
E-L Financial Corporation Limited

Robert Tweedy⁴

TORONTO, ONTARIO

Chairman, Useppa Holdings Limited

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

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

Notes

Notes

Corporate information

Head office

DUNDEE REAL ESTATE INVESTMENT TRUST

State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1
Phone: (416) 365-3535
Fax: (416) 365-6565

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
Phone: (514) 982-7555 or
1 800 564-6253
Fax: (416) 263-9394 or
1 888 453-0330
E-mail: service@computershare.com

Auditors

PRICEWATERHOUSECOOPERS LLP

Royal Trust Tower, Suite 3000
Toronto-Dominion Centre
77 King Street West
Toronto, Ontario M5K 1G8

Corporate counsel

OSLER, HOSKIN & HARCOURT LLP

Box 50, 1 First Canadian Place
Toronto, Ontario M5X 1B8

Investor relations

Phone: (416) 365-3536
Toll free: 1 877 365-3535
E-mail: info@dundeereit.com
Web site: www.dundeereit.com

Taxation of distributions

Distributions paid to unitholders in
respect of the tax year ending
December 31, 2009, are taxed as follows:
Other income: 18.3%
Taxable capital gains: 4.3%
Return of capital: 77.4%

Management estimates that 65% of the
distributions to be made by the REIT
in 2010 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 meeting of unitholders

Thursday, May 6, 2010, at 4:00 pm (EST)
The Toronto Board of Trade
East Ballroom
1 First Canadian Place
100 King Street West
Toronto, Ontario

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

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