DUNDEE REIT

2010
ANNUAL REPORT

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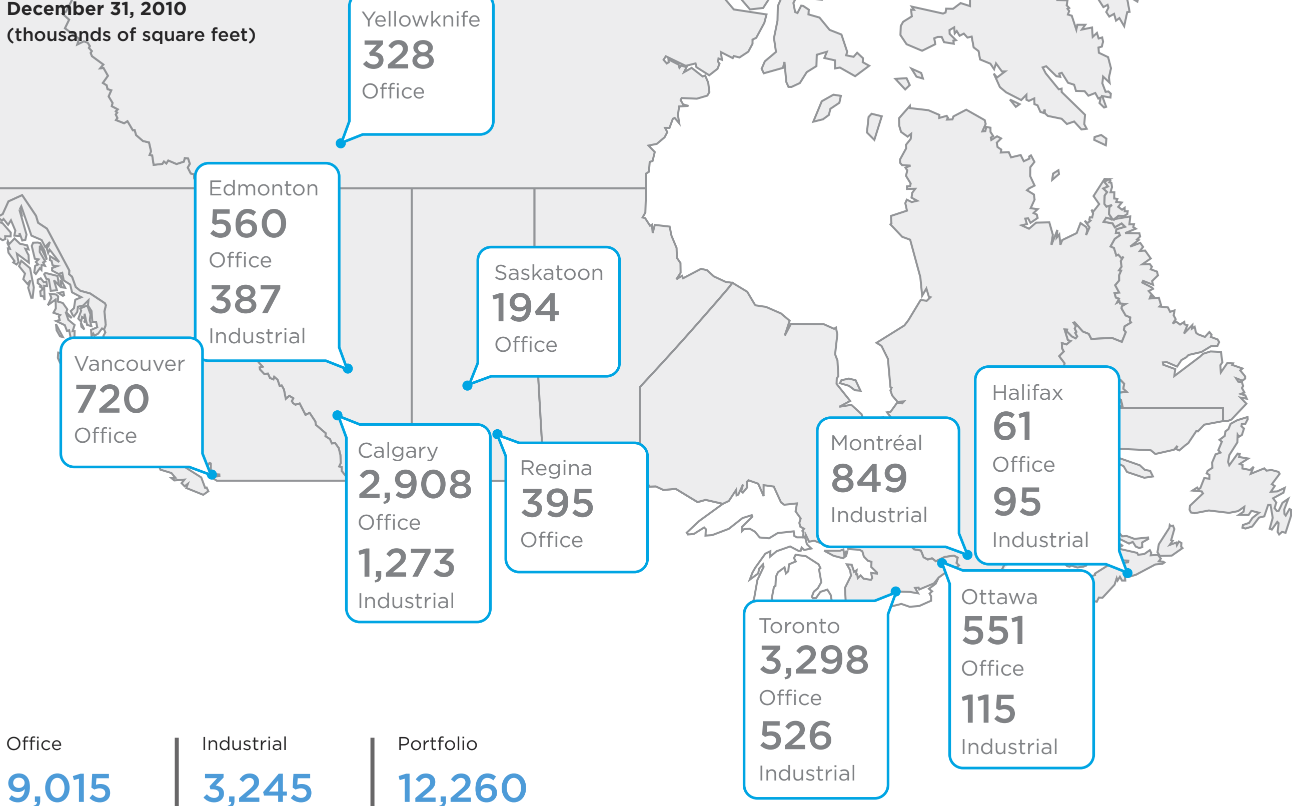
Highlights

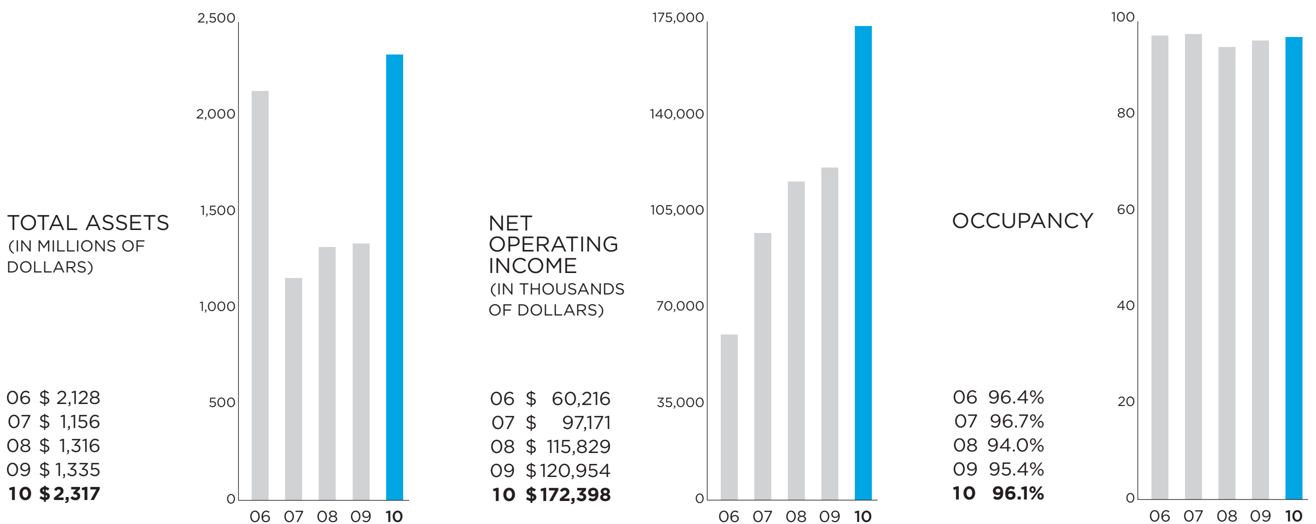
PORTFOLIO OVERVIEW

December 31, 2010
(thousands of square feet)



Dundee Real Estate Investment Trust

Dundee REIT is an unincorporated, open-ended real estate investment trust. We own approximately 12.3 million square feet of high-quality, affordable business premises located across Canada.



Letter to unitholders

In 2010, we continued to execute on our strategic objectives, and as a result, Dundee REIT is a significantly different company today than it was in 2009. Over the past year and a half, we acquired $1.5 billion in assets – adding nearly five million square feet to our portfolio and doubling the size of our business.

MICHAEL J. COOPER
Vice Chairman and Chief Executive Officer

And, while the size, diversification and quality of our portfolio have increased significantly, our consistent focus on operational excellence remains unchanged as demonstrated through continued strong occupancy and growth in comparative property net operating income. As our asset base has grown, so has our our capital structure. With 54.3 million units outstanding today and impressive unit price appreciation, our market capitalization has risen to over $1.7 billion and the liquidity of our stock has greatly improved. Overall, it's been a very good year for our unitholders.

Operating performance remained strong in 2010. Overall occupancy increased to 96.1% from 95.4% a year ago, reflecting leasing activity as well as acquired properties with higher in-place occupancy. More telling is that comparative property occupancy, which only measures the occupancy of properties owned in both periods, increased to 95.9% from 95.4% a year earlier. This 50 basis point improvement signifies the stability and strength of our operating platform. Leasing activity and acquisitions completed throughout the year have also contributed to lengthening the average remaining lease term of our overall portfolio to 5.9 years compared to 4.5 years in 2009. Our lease rollover profile combined with average in-place rents below market rents are positive indicators for future growth.

Financial performance in 2010 was in line with our expectations. Year-over-year, we produced 45% growth in rental property revenue and 43% growth in net operating income ("NOI"). NOI from comparable properties increased for the 22nd consecutive quarter, up by 2% over the prior year, reflecting continued strong occupancy. Adjusted funds from operations ("AFFO") increased by $33.8 million, or 68%, over 2009. On a per unit basis, however, AFFO was impacted by the timing of capital deployment and was down slightly to $2.16 per unit from $2.24 per unit in the prior year.

In 2010, we completed $922 million in acquisitions, comprising 3.4 million square feet of high-quality office space and 1.6 million square feet of industrial space. Once again, we have a national presence, increasing our portfolios in Toronto, Edmonton and Saskatoon and re-entering the Ottawa and Montréal markets.

To date in 2011, we have completed another $462 million of acquisitions, including the purchase of Realex Properties Corporation. Through this transaction we've added 24 office and industrial assets in Ontario and Alberta, totalling 1.8 million square feet, to our portfolio. Seven of the properties, comprising 945,000 square feet of predominantly office space, are located in the

downtown core of Kitchener and the University of Waterloo Technology Park in Waterloo, Ontario, giving us a significant presence in the heart of Canada's Technology Triangle. Also included in the portfolio were five office properties in Calgary and six office properties in Edmonton, Alberta, comprising 444,000 and 275,000 square feet, respectively, and two industrial buildings in Edmonton and four industrial properties located in smaller Alberta and British Columbia centres. This was a very complicated transaction but it provided a great opportunity to buy good quality real estate at a cap rate well in excess of 8%. Going forward, we will continue to seek growth through accretive acquisitions, although not likely at the same pace due to increased interest from both domestic and international investors.

In order to finance all of this growth, we completed five equity offerings, issuing 24.3 million units for gross proceeds of $593 million. The equity offerings, together with an impressive 70% increase in our unit price, have almost tripled our market capitalization. During the year, we also completed new and assumed debt financings totalling $467 million, reducing our weighted average interest rate by 32 basis points to 5.43%.

We remain committed to improving the sustainability of our properties and reducing our carbon footprint. Our focus is to obtain BOMA BESt qualifications for our office buildings, a measure designed by the Building Owners and Managers Association ("BOMA") to address an industry need for realistic standards of energy and environmental performance for existing buildings. To date, we have received or are close to receiving qualifications on 68% of our office portfolio (as measured by gross leasable area). In addition, we are moving towards a LEED EB qualification with a major tenant at a Toronto-based office building. And, together with another tenant, we are working on significant energy-savings initiatives, including Enwave deep water cooling. We will continue to pursue sustainability initiatives and look for new ways to improve performance. Although our efforts to improve sustainability will ultimately be well rewarded by existing and future tenants, we remain mindful throughout this process of the balance between capital expenditures and the affordability of our properties.

Simply stated, 2010 was a transformational year for Dundee REIT. Looking back, our goals for the year included adding value to our company through growth and diversification, improving the quality of our cash flows and increasing stock market liquidity. We are very pleased to have achieved success on each of these fronts. The properties recently acquired are high quality, located in central business districts and possess tremendous intrinsic growth potential, which we will work diligently to crystallize. We will stay focused on operational excellence, being responsive to our tenants and improving our sustainability. We are confident that the transformation of our company, coupled with the positive outlook for commercial real estate, has set the stage for continued growth.

MICHAEL J. COOPER
March 31, 2011

Portfolio listing

December 31, 2010	OWNERSHIP INTEREST (%)	OWNED SHARE OF TOTAL GLA (SQ. FT.)	OCCUPANCY (%)	SIGNIFICANT TENANTS
Office properties				
Station Tower, Surrey	**100**	**218,390**	**99.7**	Government of British Columbia; Government of Canada
4259-4299 Canada Way, Burnaby	**100**	**118,536**	**94.4**	HRDC; Webtech Wireless
4400 Dominion Street, Burnaby	**100**	**91,929**	**95.8**	Keystone Environmental Ltd.
625 Agnes Street, New Westminster	**100**	**85,633**	**94.4**	Government of British Columbia; Government of Canada
2665 Renfrew Street, Vancouver	**100**	**81,662**	**100.0**	The Art Institute of Vancouver
4370 Dominion Street, Burnaby	**100**	**63,834**	**79.6**	Jacques Whitford Stantec
960 Quayside Drive, New Westminster	**100**	**60,286**	**100.0**	Westminster Savings Credit Union
TELUS Tower, Calgary	**50**	**354,300**	**100.0**	Bantrel Co.; SNC Lavalin Inc.; TELUS Communications Inc.; Norwest Corporation; Government of Alberta
10250-101 Street, Edmonton	**100**	**296,961**	**78.8**	Aviva Canada Inc.; The City of Edmonton; HSBC Bank Canada
840-7th Avenue SW, Calgary	**100**	**268,742**	**100.0**	Hatch Ltd.; Jacobs Canada Inc.
10130-103 Street, Edmonton	**100**	**263,063**	**95.3**	Enbridge Pipelines Inc.; Government of Alberta
McFarlane Tower, Calgary	**100**	**240,941**	**94.9**	Government of Alberta; Saxon Energy Services Inc.; Polar Star Canadian Oil & Gas
Life Plaza, Calgary	**100**	**237,293**	**86.3**	Standard Lands Co. Inc.; Kemex Ltd.
Airport Corporate Centre, Calgary	**100**	**148,651**	**95.1**	Government of Alberta; Government of Canada
Franklin Atrium, Calgary	**100**	**146,929**	**94.1**	Care Factor Computer Services; Guest-Tek Interactive
Roslyn Building, Calgary	**100**	**130,927**	**93.8**	Ensign Drilling Inc.
IBM Corporate Park, Calgary	**33**	**117,628**	**100.0**	IBM Canada Ltd.; Newalta Corporation; London Life Insurance; Jardine Lloyd Thompson Canada
Atrium I, Calgary	**100**	**109,882**	**87.4**	Gemini Corporation
Atrium II, Calgary	**100**	**109,413**	**88.4**	Gemini Corporation
Joffre Place, Calgary	**100**	**105,898**	**85.8**	Wawanesa Mutual Insurance
Dominion Centre, Calgary	**100**	**98,739**	**96.7**	AMEC Americas Limited
435 4th Avenue SW, Calgary	**100**	**88,737**	**95.0**	Stratosphere Energy Corp.
2891 Sunridge Way, Calgary	**100**	**87,380**	**96.6**	Yellow Pages Group Co.
Kensington House, Calgary	**100**	**77,463**	**100.0**	IBI Leaseholds Limited
1035 7th Avenue SW, Calgary	**100**	**76,146**	**100.0**	Precision Drilling Corporation; SNC Lavalin Inc.
3510 29th Street NE, Calgary	**100**	**65,769**	**81.5**	Extreme Engineering
2175 29th Street NE, Calgary	**100**	**58,156**	**100.0**	Mentor Engineering Inc.
2256 29th Street NE, Calgary	**100**	**58,015**	**100.0**	P&H Minepro Services Canada Ltd.
Mount Royal Place, Calgary	**100**	**57,203**	**92.2**	Eni Canada Holding
2121 29th Street NE, Calgary	**100**	**56,648**	**63.1**	Lifemark Health Management Inc.
Franklin Building, Calgary	**100**	**50,577**	**95.2**	Government of Alberta
2886 Sunridge Way NE, Calgary	**100**	**44,230**	**100.0**	Weatherford Canada Partnership
ARAM Building, Calgary	**100**	**36,428**	**100.0**	ARAM Systems Corporation
110 Country Hills Landing NW, Calgary	**100**	**27,565**	**100.0**	Canadian Inspection Food Agency
3250 Sunridge Way NE, Calgary	**100**	**27,180**	**100.0**	The City of Calgary
3030 Sunridge Way NE, Calgary	**100**	**27,016**	**100.0**	Coffey Geotechnics Inc.
Sherwood Place, Regina	**100**	**185,103**	**100.0**	Co-Operators Life Insurance Co.; CGI Group; Conexus Credit Union
Victoria Tower, Regina	**100**	**144,165**	**100.0**	Government of Saskatchewan
Princeton Tower, Saskatoon	**100**	**131,696**	**99.1**	Government of Canada
Scotia Centre, Yellowknife	**100**	**101,033**	**94.6**	Government of NWT
Precambrian Building, Yellowknife	**100**	**88,933**	**91.1**	BHP Billiton Canada Inc.
Northwest Tower, Yellowknife	**100**	**85,972**	**91.2**	Government of NWT
Financial Building, Regina	**100**	**65,764**	**100.0**	Government of Saskatchewan
Preston Centre, Saskatoon	**100**	**61,810**	**96.6**	AECOM Canada Ltd.
Bellanca Building, Yellowknife	**100**	**52,285**	**100.0**	Government of Canada
Adelaide Place, Toronto	**100**	**653,687**	**97.4**	CIBC; DBRS; GCAN Insurance Company; Medcan Health Management Inc.
State Street Financial Centre, Toronto	**50**	**206,967**	**100.0**	International Financial Data Services; State Street Trust Company; Dundee Realty Management Corp.
Aviva Corporate Centre, Toronto	**100**	**352,425**	**100.0**	Aviva Canada Inc.
6655-6725 Airport Road, Mississauga	**100**	**329,728**	**100.0**	Livingston International Inc.; Minacs Worldwide Inc.; Winners Merchants International
AIR MILES Tower, Toronto	**100**	**322,557**	**100.0**	Dutton Brock; Loyalty Management; Smart & Biggar Management Limited; TIC Travel Insurance
720 Bay Street, Toronto	**100**	**247,743**	**100.0**	Government of Ontario
2075 Kennedy Road, Toronto	**100**	**201,730**	**96.8**	Carswell; Chase Paymentec; Dundee Securities Corporation; Sun Life Assurance Company
30 Eglinton Avenue West, Mississauga	**100**	**164,987**	**87.8**	Canada Dry Motts
625 Cochrane Drive, Markham	**100**	**162,547**	**96.3**	Delcan Corporation; Bank of Nova Scotia
2200-2204 Walkley Rd., Ottawa	**100**	**156,551**	**100.0**	Government of Canada
Valleywood Corporate Centre, Markham	**100**	**154,116**	**99.3**	BDO Dunwoody LLP; Family Guidance Group Inc.; Miller Thomson; Solvay Pharma Inc.

December 31, 2010	OWNERSHIP INTEREST (%)	OWNED SHARE OF TOTAL GLA (SQ. FT.)	OCCUPANCY (%)	SIGNIFICANT TENANTS
2645 Skymark Ave., Mississauga	100	142,487	100.0	Fashion Distributors; Worley Parsons Canada Ltd.
Gateway Business Park, Ottawa	100	120,407	92.5	Eion Inc.; Academie de Formation Linguistique
250 Dundas Street West, Toronto	100	119,188	95.1	Government of Ontario; Toronto Central Community Care
1125 Innovation Drive, Ottawa	100	118,653	100.0	CAE Professional Services; Edgewater Computer Systems Inc.
100 Gough Road, Markham	100	111,840	100.0	IBM Canada Ltd.
150 Metcalfe Street, Ottawa	100	109,398	92.2	Government of Canada
236 Brownlow Avenue, Dartmouth	100	60,794	94.8	Government of Canada; Lawton's Drug Stores Limited
6509 Airport Road, Mississauga	100	60,000	100.0	Lafarge Canada Inc.
2550 Argentia Road, Mississauga	100	51,639	83.5	Bridges GP Inc.
2625 Queensview Drive, Ottawa	100	46,156	100.0	Ottawa Centre for Research & Innovation
3035 Orlando Drive, Mississauga	100	16,754	86.3	The North West Company LP
Total office properties[1]		9,015,265	95.8%	

December 31, 2010	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 Water Co.; Vaman Enterprises Ltd.
7004-7042 30th Street SE, Calgary	100	94,013	100.0	Crane Carrie (Canada) Limited; Control Chemicals
4710-4760 14th Street NE, Calgary	100	72,822	91.0	Collega International
2777 23rd Avenue NE, Calgary	100	67,250	100.0	Sleep Country Canada
2150 29th Street NE, Calgary	100	59,554	100.0	Kilowatts Design Company Inc.
1139-1165 40th Avenue NE, Calgary	100	57,344	100.0	Instabox Alberta Inc.
2151 32nd Street NE, Calgary	100	57,198	89.3	Coast Wholesale Appliances LP
501-529 36th Avenue SE, Calgary	100	57,152	100.0	Icon Stone and Tile Inc.
4504-4576 14th Street NE, Calgary	100	57,085	91.8	Alberta Dampproofing and Waterproofing Ltd.
2928 Sunridge Way NE, Calgary	100	56,917	100.0	Eversource National Products Inc.
4402-4434 10th Street NE, Calgary	100	54,000	93.3	Budrich Industries
2985 23rd Avenue NE, Calgary	100	53,110	100.0	Sembiosys 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	Spindle, Stairs & Railings
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
4502-4516 10th Street NE, Calgary	100	28,667	87.4	Chateau Exteriors Ltd.
6043-6055 Centre Street South, Calgary	100	25,200	100.0	Wolseley Canada Inc.
530-544 38A Avenue SE, Calgary	100	24,000	100.0	Rising Edge Engineering Ltd.
1135-1149 45th Avenue NE, Calgary	100	21,552	87.5	International Furniture Wholesalers Alberta Ltd.
4620-4640 11th Street NE, Calgary	100	21,179	63.6	Core Corporate Relocations Inc.
102-114 61st Avenue SW, Calgary	100	18,900	100.0	Beauty Depot Enterprises
4001-4019 23rd Street NE, Calgary	100	15,787	100.0	Mobile Augers and Research Ltd.
2915-2925 58th Avenue SE, Calgary	100	15,583	100.0	Crazy Red's Transport Repair
4515-4519 1st Street SE, Calgary	100	14,340	100.0	Mars Blinds and Shutters Ltd.
3503-3521 62nd Avenue SE, Calgary	100	13,243	100.0	Eureka-Tech Inc.
4501-4509 1st Street SE, Calgary	100	13,200	100.0	Western High Voltage
4523-4529 1st Street SE, Calgary	100	11,400	100.0	Audio Video Interiors Ltd.
7122-7126 Barlow Trail SE, Calgary	100	5,400	100.0	Thermo Design Insulation Ltd.
7128-7132 Barlow Trail SE, Calgary	100	5,400	100.0	Mettler-Toledo, Inc.
15303-128th Avenue, Edmonton	100	178,143	100.0	Direct Right Cartage 2001 Inc.; Highland Moving & Storage Ltd.; McLeod Mercantile Ltd.
Alberta Park, Edmonton	100	130,162	59.6	Elite Marble & Granite Ltd.; North American Construction
Park 19, Edmonton	100	48,365	100.0	Boden Fabricating & Metal Prod
Wood Group ESP, Edmonton	100	30,353	100.0	Wood Group ESP
1421 Rue Ampere, Boucherville	100	457,875	100.0	Spectra Premium Industries Inc.
275 Wellington Street East, Aurora	100	317,000	100.0	Quebecor World Inc.
8000 Av Blaise-Pascal, Montreal	100	206,345	100.0	Quebecor World Inc.
1313 Autoroute Chomedey, Laval	100	184,493	100.0	Spectra Premium Industries Inc.
2340 St. Laurent Blvd., Ottawa	100	114,724	100.0	The Dollco Corporation
580 Industrial Road, London	100	113,595	100.0	Colabor Limited Partnership
970 Fraser Drive, Burlington	100	95,444	100.0	Sound Design Technologies Ltd.
105 Akerley Boulevard, Dartmouth	100	57,524	83.4	Domtar Inc.
30 Simmonds Drive, Dartmouth	100	37,240	92.3	Palmar Inc.
Total industrial properties[1]		3,244,381	96.9%	
Total office and industrial properties		12,259,646	96.1%	

(1) Excludes redevelopment properties.

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, 2010.

This management's discussion and analysis has been dated as at January 31, 2011, 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 2010, 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, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; 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, 2011, 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 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. At December 31, 2010, approximately 10% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), including 10% 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 10).

2010	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	$24.54	$25.14	$25.89	$25.70	$24.14	$24.45	$25.55	$25.43	$28.09	**$29.21**	**$29.76**	**$30.20**

OUR STRATEGY

Dundee REIT's core strategy remains unchanged — investing in the office and industrial sectors in key markets across Canada and providing a solid platform for stable and growing cash flows. The execution of that strategy, however, is continuously reviewed and includes acquisitions and dispositions, our capital structure and 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 to qualify as a real estate investment trust under the SIFT legislation, and we are steadfast in maintaining this status.

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

Investing in high-quality office and industrial properties

Our portfolio is concentrated in Canada's key urban markets and comprises high-quality 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 2010, we have demonstrated our commitment once again to achieving greater geographic diversification across our portfolio. We will continue to pursue growth but only when it enhances our overall portfolio, further improves the sustainability of distributions, strengthens our tenant profile and mitigates risk. We have experience in each of Canada's key markets and have the flexibility to pursue acquisitions 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 Halifax, Montréal, Ottawa, London, Toronto, Saskatoon, Regina, Calgary, Edmonton, Vancouver and Yellowknife.

Owned gross leasable area (sq. ft.)

December 31				**2010**		2009
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**720,270**	**—**	**720,270**	**6**	519,215	7
Alberta	**3,467,880**	**1,660,141**	**5,128,021**	**42**	4,537,837	61
Saskatchewan & NWT	**916,761**	**—**	**916,761**	**7**	848,575	12
Eastern Canada	**3,910,354**	**1,584,240**	**5,494,594**	**45**	1,488,741	20
Total[1]	**9,015,265**	**3,244,381**	**12,259,646**	**100**	7,394,368	100
Percentage	**74%**	**26%**	**100%**			
Total as at December 31, 2009	5,734,259	1,660,109	7,394,368			
Percentage	78%	22%	100%			

(1) Excludes redevelopment properties.

Subsequent to year-end, we have acquired approximately 385,000 square feet of office space in Ottawa and Saskatoon. Additionally, we have acquired Realex Properties Corp. ("Realex"). Realex owned interests in 24 office and industrial assets in Ontario, Alberta and British Columbia, totalling 1.8 million square feet, bringing our total gross leasable area to 14.5 million square feet. Seven of the properties, comprising 945,000 square feet of predominantly office space, are located in the downtown core of Kitchener and the University of Waterloo Technology Park in Waterloo, Ontario. Realex also owned five office properties in Calgary and six office properties in Edmonton, Alberta, comprising 444,000 and 275,000 square feet, respectively. In addition, the portfolio included four industrial assets located in smaller Alberta and British Columbia centres and two industrial buildings in Edmonton, Alberta. The following table shows the impact of these acquisitions on our portfolio.

			Owned gross leasable area (sq. ft.)	
February 8, 2011	Office	Industrial	Total	%
British Columbia	720,270	17,405	737,675	5
Alberta	4,187,125	1,824,771	6,011,896	41
Saskatchewan & NWT	1,126,361	—	1,126,361	8
Eastern Canada	5,030,341	1,584,240	6,614,581	46
Total[1]	11,064,097	3,426,416	14,490,513	100
Percentage	76%	24%	100%	

[1] Excludes redevelopment properties.

Office rental properties

At December 31, 2010, our ownership interests included 68 office properties (86 buildings) comprising approximately 9.0 million square feet located in Halifax, Ottawa, Toronto, Saskatoon, Regina, Calgary, Edmonton, 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 95.8%, well ahead of the national industry average occupancy rate of 90.5% (CB Richard Ellis, Canadian Office MarketView, Fourth Quarter 2010). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

During the fourth quarter, we acquired nine office properties totalling 1.1 million square feet in Halifax, Ottawa, Toronto, Calgary, Edmonton and Vancouver. Subsequent to year-end, we acquired approximately 2.0 million square feet located in Calgary, Edmonton, Saskatoon, Kitchener and Ottawa.

Industrial rental properties

At December 31, 2010, our industrial portfolio consisted of 43 prime suburban industrial properties (46 buildings) comprising approximately 3.2 million square feet, in Calgary, Edmonton, London, Toronto, Ottawa, Montréal and Halifax. The occupancy rate across our industrial portfolio is 96.9%. The average industry occupancy rates in Calgary and Edmonton, our two major industrial markets, were 95.9% and 96.7%, respectively (CB Richard Ellis, Calgary and Edmonton Industrial MarketViews, Fourth Quarter 2010). During the fourth quarter, we acquired two industrial buildings in Halifax, one building in Burlington and one building in London, totalling 0.3 million square feet. Subsequent to year-end, we acquired approximately 0.2 million square feet, located in British Columbia and Alberta.

OUR EQUITY

				Unitholders' equity
December 31		**2010**		2009
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**45,896,203**	**$ 834,261**	21,247,397	$ 312,743
REIT Units, Series B	**16,316**	**359**	16,316	362
LP Class B Units, Series 1	**3,481,733**	**88,181**	3,454,188	92,656
Cumulative foreign currency translation adjustment	**—**	**—**	—	(6,609)
Total	**49,394,252**	**$ 922,801**	24,717,901	$ 399,152

On February 4, 2011, we completed a public offering of 4.7 million REIT A units for gross proceeds of $143.9 million, less offering costs of $5.8 million. With this transaction, our total number of units outstanding is 54,182,641 units.

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, 2010, Dundee Corporation, directly and indirectly through its subsidiaries, held 976,506 REIT A Units and 3,481,733 LP B Units, for a total ownership interest of approximately 9%.

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	
	2010	2009	**2010**	2009
Operations				
Occupancy rate (period-end)(1)	**96.1%**	95.4%		
In-place rent per square foot (office and industrial)(1)	**$ 14.29**	$ 15.30		
Operating results				
Rental properties revenue(2)	**$ 81,162**	$ 50,156	**$ 279,352**	$ 192,083
Net operating income ("NOI")(3)	**48,484**	30,791	**172,398**	120,954
Funds from operations ("FFO")(4)	**30,381**	17,363	**105,071**	67,633
Adjusted funds from operations ("AFFO")(5)	**25,245**	13,033	**83,572**	49,783
Distributions				
Declared distributions	**$ 25,685**	$ 13,562	**$ 86,048**	$ 48,450
Distributions paid in cash	**22,947**	12,591	**77,651**	45,354
DRIP participation ratio	**10%**	7%	**10%**	6%
Financing				
Weighted average interest rate (period-end)	**5.43%**	5.75%		
Interest coverage ratio	**2.9 times**	2.4 times	**2.8 times**	2.3 times
Per unit amounts				
Basic:				
FFO	**$ 0.66**	$ 0.70	**$ 2.71**	$ 3.04
Distributable income ("DI")	**0.61**	0.59	**2.41**	2.55
Distribution rate	**0.55**	0.55	**2.20**	2.20
Total distributions as a percentage of distributable income	**90%**	93%	**91%**	86%
AFFO	**0.55**	0.52	**2.16**	2.24
Diluted:(6)				
FFO	**$ 0.66**	$ 0.69	**$ 2.71**	$ 3.00
Distributable income	**0.61**	0.60	**2.43**	2.57

NOI, FFO, DI 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 properties.

(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 38.

(4) FFO — the reconciliation of FFO to net income can be found on page 24.

(5) AFFO — the reconciliation of AFFO to distributable income can be found on page 27.

(6) Diluted amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures because they increase the outstanding number of units, although may not be dilutive to per unit amounts.

FINANCIAL OVERVIEW

This has been a very busy and exciting year for Dundee REIT. We have continued to pursue our strategic objectives of growing our business to diversify the portfolio, maintaining occupancy and increasing cash flow. During 2010, we made improvements on each of these fronts. We acquired approximately 4.9 million square feet of office and industrial properties in 2010 and completed another 2.2 million square feet of acquisitions subsequent to year-end. We also completed five equity offerings in 2010, and one on February 4, 2011. These changes result in a very different portfolio compared to a year ago.

AFFO increased by $33.8 million, or 68%, over 2009. On a per unit basis, AFFO decreased to $2.16 from $2.24 per unit in 2009, mainly due to the timing of deploying capital raised during the year. For the fourth quarter, AFFO increased by $12.2 million, or 94%, over 2009. On a per unit basis, AFFO increased to $0.55 from $0.52 in 2009 reflecting accretive acquisitions in 2010. Details of our FFO, DI and AFFO begin on page 24.

NOI from comparable properties increased by 2% over the prior year reflecting continued strong occupancy. Our operations remain strong, with continued year-over-year growth in rental property revenue and NOI. In 2010, rental property revenue increased by 45% to $279.4 million, and NOI increased by 43% to $172.4 million, mainly reflecting the impact of acquisitions completed in 2009 and 2010. Details of our NOI begin on page 38.

Overall occupancy increased to 96.1% from 95.4% a year ago. While occupancy across our office portfolio decreased slightly to 95.8% compared to 96.7%, our industrial portfolio has improved significantly with year-end occupancy reaching 96.9% compared to 90.6% a year earlier. Our comparative property occupancy increased to 95.9%, up 50 basis points over 2009, demonstrating the stability and strength of our operating platform.

The average remaining lease term increased to 5.87 years, mainly due to acquisitions completed with an average remaining lease term of 7.64 years. Our average in-place rents remain below market rents, a positive indicator of future growth. Details of our leasing profile begin on page 14.

In 2010, we acquired $922.2 million of properties comprising 3.4 million square feet of high-quality office space, together with 1.6 million square feet of industrial space. The acquisitions provide our portfolio with greater geographic diversification and set the stage for continued AFFO growth in 2011. Details of our acquisitions begin on page 29.

In 2010, we completed five equity offerings for gross proceeds of $593.0 million. We issued 24.3 million REIT A Units at prices ranging from $18.75 per unit to $29.85 per unit. Costs related to the offerings were approximately $26.8 million. These issuances, along with the increase in the price of our Units, have almost tripled our market capitalization since December 31, 2009. All of the proceeds have been deployed or are committed to be deployed. With respect to our mortgage debt, we placed $309.6 million of new debt at a weighted average interest rate of 4.63% and assumed an additional $156.8 million of mortgage debt at a weighted average interest rate of 5.17% upon acquiring nine properties during the year. This activity has reduced our weighted average interest rate to 5.43%, down from 5.75% in the prior year. Details of financing activity and debt begin on page 31.

OUTLOOK

The 18-month period from September 2009 to February 2011 has been a transformational time for Dundee REIT. In September 2009, Dundee REIT owned 6.8 million square feet of office and industrial properties, and 64% of the net operating income was derived from our Calgary office portfolio (a market that was in distress). We had 20.8 million units outstanding, a trading price of about $18 per unit, a market cap of approximately $375 million and the stock was relatively illiquid.

While the financial markets operated under a cloud of fear, it was clear to our management team that tenants were paying their rent, many were renewing their leases (some were even expanding) and we were attracting new tenants. Based on this, we decided to take advantage of market conditions to significantly change the company.

During the 18-month period, we added $1.5 billion of high-quality assets in prime locations, doubling the size of our business. Our NOI is more diversified with the Toronto office portfolio contributing NOI equal to that of our Calgary office portfolio. Our market cap has more than quadrupled to $1.6 billion, and with 54 million units outstanding, Dundee REIT's stock is very liquid.

In the fourth quarter, we closed on $277 million of acquisitions at a going-in cap rate of 7.0%, and subsequent to year-end, acquired Realex Properties Corporation, 400 Cumberland and Saskatoon Square for $462 million at a going-in cap rate of 7.9%. The following table was prepared to provide a better understanding of the impact of these acquisitions for the future. It also compares our business as at and for the quarter ended December 31, 2010, with pro forma results for the same period, assuming that all fourth quarter 2010 acquisitions and acquisitions completed up to February 8, 2011, had taken place on October 1, 2010.

For the three months ended December 31, 2010	Actual	Pro forma
Balance sheet		
Units outstanding (end of period)	49,394,252	54,143,752
Assets (book value)	$ 2,316,824	$ 2,670,000
Debt	$ 1,296,851	$ 1,507,000
Debt-to-gross book value	51.9%	53.1%
Income statement		
Gross leasable area (square feet)	12,259,646	14,490,513
Occupancy	96.1%	96.2%
Rollover 2011		
Square feet	1,393,985	1,586,930
Percentage of total	11.4%	11.0%
Weighted average remaining lease term	5.87	5.73
In-place rent	$ 14.29	$ 14.55
Market rent	$ 14.82	$ 14.82
NOI[1]	$ 44,112	$ 57,800
Interest	$ 16,271	$ 20,600
Weighted average interest rate	5.43%	5.46%
General and administrative	$ 2,625	$ 3,000

[1] Does not include GAAP adjustments and lease termination fees.

We look forward to 2011. Our team will continue to be responsive to our tenants, focus on asset management and look for transactions that will make our business more valuable.

SECTION II — EXECUTING THE STRATEGY

OUR RESOURCES AND FINANCIAL CONDITION

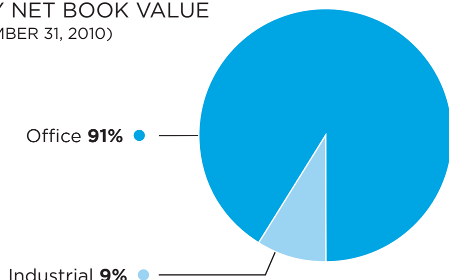
Rental properties

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

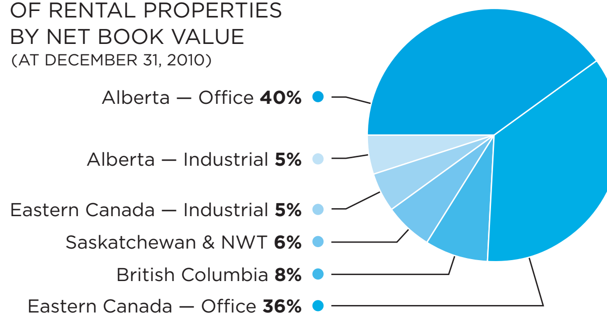
December 31				2010[1]		2009[1]
	Office	**Industrial**	**Total**	**%**	Total	%
British Columbia	**$ 151,294**	**$ —**	**$ 151,294**	**8**	$ 99,834	9
Alberta	**780,527**	**89,287**	**869,814**	**45**	736,517	62
Saskatchewan & NWT	**116,832**	**—**	**116,832**	**6**	107,754	9
Eastern Canada	**709,134**	**94,749**	**803,883**	**41**	235,195	20
Total	**$1,757,787**	**$ 184,036**	**$1,941,823**	**100**	$1,179,300	100
Percentage	**91%**	**9%**	**100%**			
Total as at December 31, 2009	$1,088,990	$ 90,310	$1,179,300			
Percentage	92%	8%	100%			

[1] Excludes $14.2 million related to redevelopment properties (December 31, 2009 — excludes $17.6 million related to discontinued properties and $1.8 million related to other redevelopment properties).

PORTFOLIO ASSET TYPE BY NET BOOK VALUE (AT DECEMBER 31, 2010)



GEOGRAPHIC DISTRIBUTION OF RENTAL PROPERTIES BY NET BOOK VALUE (AT DECEMBER 31, 2010)



Leasing profile

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

Performance indicators at December 31	**2010**	2009
Operating activities (office and industrial average)[1]		
Occupancy rate	**96.1%**	95.4%
Tenant maturity profile — average term to maturity (years)	**5.87**	4.54
In-place rental rates	**$ 14.29**	$ 15.30

[1] Excludes redevelopment properties and discontinued properties.

Throughout the year, we continued to capture rental rate increases across most of our markets with the exception of Calgary. The overall average in-place rents decreased due to the lower average rental rates for properties acquired in Ontario and Québec, and remain approximately 4% below existing market rates.

December 31	**2010**		2009
	In-place rent	**Market rent**	In-place rent
Office			
British Columbia	**$ 17.83**	**$ 19.91**	$ 16.38
Alberta	**18.12**	**16.83**	18.69
Saskatchewan & NWT	**18.47**	**24.62**	18.41
Eastern Canada	**15.45**	**16.46**	14.56
Total office	**$ 16.95**	**$ 17.72**	$ 17.34
Industrial			
Alberta	**$ 7.66**	**$ 7.80**	$ 7.77
Eastern Canada	**6.31**	**5.94**	—
Total industrial	**$ 6.99**	**$ 6.87**	$ 7.77
Overall	**$ 14.29**	**$ 14.82**	$ 15.30

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

(percentage)	**Q4 2010**	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009[1]
Office	**95.8**	96.6	96.6	97.0	96.7	95.9	96.0	96.4
Industrial	**96.9**	98.5	96.8	97.0	90.6	92.0	89.3	91.1
Overall[2]	**96.1**	97.1	96.6	97.0	95.4	94.9	94.2	95.0

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

(2) Excludes redevelopment properties and discontinued properties.

The overall percentage of occupied and committed space across our rental properties portfolio was 96.1% at year-end, an increase of 70 basis points over 2009, due to leasing activity and the acquisition of 31 properties with a weighted average occupancy of 96.8%. Occupancy levels decreased from the third quarter mainly reflecting acquired vacancy at an office property in Edmonton. Occupancy levels in our existing portfolio continue to be strong. In addition, occupancy levels in the acquired properties remain high, averaging 96.4%. The average occupancy rate across our office portfolio is 95.8% and remains well above the national industry average of 90.5%. The average occupancy rate across our industrial portfolio is 96.9%, an increase of 6.3% over the fourth quarter of 2009, mainly reflecting properties acquired in Eastern Canada with higher occupancy and increased occupancy in the comparative properties for our Alberta industrial portfolio. The overall occupancy rates for industrial space in Calgary, Edmonton, Montréal and Halifax were 95.1%, 93.9%, 89.6% and 95.3%, respectively (CB Richard Ellis, Canadian Office and Calgary, Edmonton, Montréal and Halifax Industrial MarketViews, Fourth Quarter 2010). Our occupancy rates discussed in this report include occupied and committed space at December 31, 2010.

	Total portfolio			Comparative properties		
(percentage)	**December 31, 2010**	September 30, 2010	December 31, 2009	**December 31, 2010**	September 30, 2010	December 31, 2009
Office						
British Columbia	**96.0**	96.5	95.3	**95.7**	96.5	95.3
Alberta	**93.2**	94.9	95.2	**94.4**	94.8	95.2
Saskatchewan & NWT	**97.4**	97.5	98.7	**97.2**	97.3	98.7
Eastern Canada	**97.8**	98.0	99.1	**99.4**	99.2	99.1
Total office	**95.8**	96.6	96.7	**96.2**	96.5	96.7
Industrial						
Alberta	**94.7**	97.4	90.6	**94.7**	97.4	90.6
Eastern Canada	**99.2**	100.0	—	**—**	—	—
Total industrial	**96.9**	98.5	90.6	**94.7**	97.4	90.6
Overall[1]	**96.1**	97.1	95.4	**95.9**	96.7	95.4

[1] Excludes redevelopment properties and discontinued properties.

On a comparative basis, our office portfolio continues to demonstrate strong leasing activity, evidenced by strong occupancy quarter over quarter. Our comparative industrial portfolio occupancy decreased in the quarter from 97.4% to 94.7%, primarily as a result of a tenant occupying two spaces in September, while transitioning from a 50,000 square foot space to a 96,000 square foot space.

Vacancy schedule

In-place vacant space has remained steady since the beginning of the quarter. The following tables 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 531,000 square feet of leases expired or were terminated, and we completed approximately 529,000 square feet of renewals and new leasing. On a year-to-date basis, approximately 1,832,000 square feet expired or were terminated, and we completed a significant number of renewals and new leasing of approximately 1,880,000 square feet. Of the vacant space at period-end, approximately 114,000 square feet, or 19.3%, is committed for future occupancy, leaving approximately 477,000 square feet available for lease.

	For the three months ended December 31, 2010		
(in square feet)	Office	Industrial	Total
Available for lease	270,913	43,313	314,226
Vacancy committed for future leases	139,455	31,511	170,966
Vacant space — October 1, 2010	410,368	74,824	485,192
Acquired vacancy	93,963	10,964	104,927
Vacant space — restated	504,331	85,788	590,119
Remeasurements	(987)	133	(854)
Expiries	338,353	124,213	462,566
Early terminations and bankruptcies	13,764	54,963	68,727
New leases	(186,390)	(55,037)	(241,427)
Renewals	(191,031)	(96,156)	(287,187)
Vacant space — December 31, 2010	478,040	113,904	591,944
Vacancy committed for future leases	100,530	13,924	114,454
Available for lease — December 31, 2010	377,510	99,980	477,490

	For the year ended December 31, 2010		
(in square feet)	Office	Industrial	Total
Available for lease	186,811	156,463	343,274
Vacancy committed for future leases	49,083	41,852	90,935
Vacant space — January 1, 2010	235,894	198,315	434,209
Acquired vacancy	182,911	10,964	193,875
Vacant space — restated	418,805	209,279	628,084
Remeasurements	12,900	(653)	12,247
Expiries	1,238,379	422,281	1,660,660
Early terminations and bankruptcies	92,004	79,363	171,367
New leases	(526,600)	(281,936)	(808,536)
Renewals	(757,448)	(314,430)	(1,071,878)
Vacant space — December 31, 2010	478,040	113,904	591,944
Vacancy committed for future leases	100,530	13,924	114,454
Available for lease — December 31, 2010	377,510	99,980	477,490

The following two tables detail our lease maturity profile by asset type and geographic segment as at December 31, 2010. 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.

For 2011, approximately 1,393,985 square feet of our leases will expire, of which approximately 365,171 square feet, or 26%, have been committed.

(in square feet)	Current vacancy	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023	Total
Office — uncommitted	377,510	5,507	846,111	872,511	1,250,345	795,840	4,334,062	8,481,886
Office — committed	—	—	321,648	50,209	—	—	161,522	533,379
Total office	377,510	5,507	1,167,759	922,720	1,250,345	795,840	4,495,584	9,015,265
Industrial — uncommitted	99,980	—	182,703	288,207	227,769	127,835	2,247,115	3,173,609
Industrial — committed	—	—	43,523	8,249	10,000	—	9,000	70,772
Total industrial	99,980	—	226,226	296,456	237,769	127,835	2,256,115	3,244,381
Total — uncommitted	477,490	5,507	1,028,814	1,160,718	1,478,114	923,675	6,581,177	11,655,495
Total — committed	—	—	365,171	58,458	10,000	—	170,522	604,151
Total	477,490	5,507	1,393,985	1,219,176	1,488,114	923,675	6,751,699	12,259,646

(in square feet)	Current vacancy	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023	Total
British Columbia — uncommitted	29,095	—	110,818	34,012	92,443	86,137	338,364	690,869
British Columbia — committed	—	—	14,113	—	—	—	15,289	29,402
Total British Columbia	29,095	—	124,931	34,012	92,443	86,137	353,653	720,271
Alberta — uncommitted	323,971	5,507	514,375	620,335	618,964	451,880	2,345,609	4,880,641
Alberta — committed	—	—	186,587	17,901	10,000	—	32,889	247,377
Total Alberta	323,971	5,507	700,962	638,236	628,964	451,880	2,378,498	5,128,018
Saskatchewan & NWT — uncommitted	24,164	—	57,159	171,516	116,433	65,628	436,669	871,569
Saskatchewan & NWT — committed	—	—	4,636	40,557	—	—	—	45,193
Total Saskatchewan & NWT	24,164	—	61,795	212,073	116,433	65,628	436,669	916,762
Eastern Canada — uncommitted	100,260	—	346,462	334,855	650,274	320,030	3,460,535	5,212,416
Eastern Canada — committed	—	—	159,835	—	—	—	122,344	282,179
Total Ontario & Québec	100,260	—	506,297	334,855	650,274	320,030	3,582,879	5,494,595
Total — uncommitted	477,490	5,507	1,028,814	1,160,718	1,478,114	923,675	6,581,177	11,655,495
Total — committed	—	—	365,171	58,458	10,000	—	170,522	604,151
Total	477,490	5,507	1,393,985	1,219,176	1,488,114	923,675	6,751,699	12,259,646

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, 2010. Expiring rents and market rents represent base rates and do not include the impact of tenant inducements.

	Current monthly tenancies	2011	2012	2013	2014	2015 to 2023
Expiring rents						
Office	$ 22.39	$ 16.01	$ 19.61	$ 18.65	$ 18.90	$ 18.39
Industrial	—	8.28	7.11	9.51	9.62	7.81
Portfolio average	22.39	14.63	16.50	17.24	17.62	14.98
Market rents[(1)]						
Office	$ 18.02	$ 16.68	$ 18.78	$ 16.48	$ 17.70	$ 18.03
Industrial	—	8.19	7.57	8.86	8.14	6.41
Market rent average	18.02	15.18	15.99	15.30	16.38	14.28

(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	2011	2012	2013	2014	2015 to 2023
Expiring rents						
Office						
British Columbia	$ —	$ 14.79	$ 14.77	$ 17.76	$ 13.32	$ 22.30
Alberta	22.39	16.59	20.93	22.03	18.80	20.10
Saskatchewan & NWT	—	22.50	22.62	21.12	27.62	17.82
Eastern Canada	—	14.51	17.19	16.24	18.71	16.52
Industrial						
Alberta	—	9.12	7.14	9.60	10.20	8.13
Eastern Canada	—	5.50	5.58	6.00	5.79	7.64
Portfolio average	22.39	14.63	16.50	17.24	17.62	14.98
Market rents[(1)]						
Office						
British Columbia	$ —	$ 16.08	$ 20.75	$ 14.65	$ 20.12	$ 22.25
Alberta	18.02	15.67	17.09	14.90	15.66	17.68
Saskatchewan & NWT	—	28.83	26.21	25.94	28.74	22.67
Eastern Canada	—	15.87	16.43	16.00	16.91	16.61
Industrial						
Alberta	—	8.86	7.59	8.94	8.47	7.29
Eastern Canada	—	6.00	6.00	6.00	6.00	5.93
Market rent average	18.02	15.18	15.99	15.30	16.38	14.28

(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 year-end is detailed below.

December 31	2010[1]			2009[1]		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent[2] (per sq. ft.)**	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent[2] (per sq. ft.)
Office	**4.87**	**9,838**	**$ 16.95**	4.75	10,198	$ 17.34
Industrial	**8.62**	**14,424**	**6.99**	3.83	7,335	7.77
Portfolio average	**5.87**	**10,750**	**14.29**	4.54	9,414	15.30

(1) Excludes redevelopment properties.

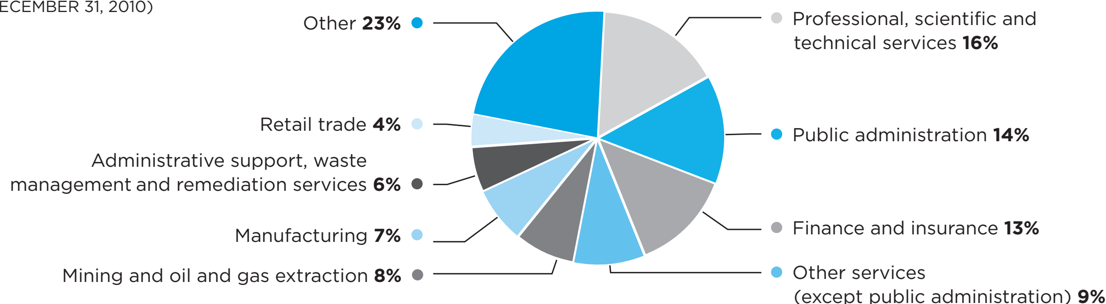
(2) Average in-place rents include straight-line rent adjustments.

Tenant base profile

Our tenant base includes a wide range of high-quality tenants such as municipal, provincial and federal governments, large international corporations and small entrepreneurial businesses across the country. With 1,096 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are 9,838 and 14,424 square feet, respectively. 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, 2010)



The diversity of our tenant base helps to ensure that those 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 specific to an industry sector as much as it is to the impact of the oil and gas sector on the general economy of Alberta. In 2010, we acquired 29 properties outside of Alberta, improving the geographic diversification of our portfolio, and reduced our exposure to the Calgary office market from 51% at the beginning of the year to 31% at the end of the year, based on NOI. We are very proactive in analyzing our portfolio and tenancies, and are focused on tenant retention and leasing.

The stability and quality of our cash flow is enhanced by the fact that government and government agencies contribute 15.3% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable high-quality businesses. The following table outlines their contributions to our rental revenues.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Average remaining lease term (years)
Government of Ontario	434,135	3.5	4.3	6.2
Government of Canada	336,187	2.7	3.4	3.0
TELUS Communications	311,253	2.5	3.4	5.0
Aviva	342,771	2.8	3.0	5.5
Enbridge Pipelines Inc.	189,232	1.5	2.9	9.7
Loyalty Management Group	183,014	1.5	2.1	6.8
Government of British Columbia	178,646	1.5	1.9	5.2
State Street Trust Company	122,344	1.0	1.7	10.6
Government of Saskatchewan	200,720	1.7	1.7	6.8
Government of Northwest Territories	114,465	1.0	1.6	2.2
Total	2,412,767	19.7	26.0	5.8

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 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 2010, only $5.2 million of our mortgage debt matured, of which $2.7 million matured in the fourth quarter. During 2011, a further $79.7 million is scheduled to mature, representing 6.2% of our total debt. 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	
	2010	2009	**2010**	2009
Cash generated from operating activities	**$ 19,591**	$ 11,342	**$ 79,383**	$ 59,507
Cash utilized in investing activities	**(211,416)**	(85,750)	**(747,321)**	(104,977)
Cash generated (utilized) from financing activities	**199,343**	(22,940)	**773,022**	(11,577)
Increase (decrease) in cash and cash equivalents	**$ 7,518**	$ (97,348)	**$ 105,084**	$ (57,047)

At December 31, 2010, cash and cash equivalents were $117.3 million, an increase of $105.1 million since December 31, 2009, mainly reflecting $566.7 million of net proceeds from equity offerings and $307.0 million in proceeds of mortgage financings completed in 2010, less $732.0 million utilized to fund acquisitions.

For the quarter, cash and cash equivalents increased by $7.5 million over the third quarter of 2010, mainly reflecting $110.3 million of net proceeds from equity offerings and $120.5 million of proceeds from mortgage financing, less $199.3 million utilized to fund acquisitions. We also have a further $36.1 million, less letters of guarantee, available through our revolving credit facility, and 15 unencumbered properties that can be leveraged. Subsequent to year-end, we acquired two additional unencumbered properties.

All of the cash on hand at December 31, 2010, was used to purchase properties subsequent to year-end. See discussion under Acquisitions on page 29.

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	
	2010	2009	**2010**	2009
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420
Non-cash items:				
Depreciation of rental properties	**11,342**	7,075	**40,656**	28,283
Amortization of market rent adjustments on acquired leases	**(2,335)**	(2,297)	**(10,820)**	(10,276)
All other depreciation and amortization	**12,868**	5,828	**40,402**	23,043
Loss (gain) on disposal of rental properties	**499**	662	**(2,296)**	7,258
Deferred unit compensation expense	**582**	220	**1,547**	858
Future income taxes	**—**	(2,623)	**—**	(3,739)
Straight-line rent adjustment	**(857)**	(412)	**(3,771)**	(1,053)
	27,821	15,059	**92,708**	57,794
Leasing costs incurred	**(3,368)**	(1,273)	**(8,265)**	(4,296)
Change in non-cash working capital	**(4,862)**	(2,444)	**(5,060)**	6,009
Cash generated from operating activities	**$ 19,591**	$ 11,342	**$ 79,383**	$ 59,507

Cash generated from operations for the quarter and for the year increased relative to the comparative period, reflecting growth from acquired properties, net of leasing costs incurred 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 since 2006. Below-market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

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 amounts receivable.

Leasing costs include fees, commissions, tenant inducements and related costs. Tenant inducements are amortized on a straight-line basis over the term of the applicable lease to rental property revenue, while other leasing costs are amortized on a straight-line basis 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 2010, we incurred $17.2 million for leasing costs and tenant improvements, of which $3.2 million related to prior year leasing activity or leases that will commence in 2011. We incurred $13.9 million for leasing costs and tenant improvements related to approximately 1.9 million square feet of space that was leased and occupied during 2010, representing an average per square foot cost of $8.42 for office space and $5.24 for industrial space. The leasing costs for our office portfolio are higher than our estimates due to leasing of an additional 0.6 million square feet of space, and mostly pertaining to acquisitions for which the leasing costs were factored into our underwriting decision of the properties on purchase. Similarly, industrial leasing costs are higher than our estimates due to acquisitions as well as $1.0 million incurred for the leasing of 0.1 million square feet at an Edmonton property, which is now 100% committed until 2025.

Performance indicators	Office	Industrial	Total
Operating activities (continuing portfolio)			
Portfolio size (sq. ft.)[1]	9,015,265	3,244,381	12,259,646
Occupied and committed	95.8%	96.9%	96.1%
Square footage leased and occupied in 2010	1,284,048	596,366	1,880,414
Leasing costs	$ 4,897	$ 1,608	$ 6,505
Tenant improvements	$ 5,921	$ 1,516	$ 7,437

[1] Excludes redevelopment properties.

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
2011	$ 1,012	$ 133
2012	865	133
2013	727	132
2014	16	—
Total	$ 2,620	$ 398

Effective February 1, 2010, we entered into three fixed price contracts to purchase electricity for 14 office properties in Calgary. The contracted volumes are based on historical electricity consumption of each of the buildings and allow us to effectively manage our operating expenses. The contracts expire on January 31, 2013, and commit the Trust to total minimum payments of $2.2 million for each of 2011 and 2012, and $0.2 million for 2013.

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 commit the Trust to total minimum payments of $0.6 million annually for 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	
	2010	2009	**2010**	2009
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420
Add (deduct):				
Depreciation of rental properties	**11,342**	7,075	**40,656**	28,283
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	5,683	**39,685**	22,583
Loss (gain) on disposal of rental properties	**499**	662	**(2,296)**	7,258
Future income taxes	**—**	(2,623)	**—**	(3,739)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(40)	**(204)**	(172)
Leasing costs and intangibles expensed on lease termination	**240**	—	**240**	—
FFO	**$ 30,381**	$ 17,363	**$ 105,071**	$ 67,633
FFO per unit — basic	**$ 0.66**	$ 0.70	**$ 2.71**	$ 3.04
FFO per unit — diluted	**$ 0.66**	$ 0.69	**$ 2.71**	$ 3.00

FFO per unit was $0.66 for the quarter, down 6% compared to $0.70 in 2009, mainly as a result of the timing of financings and deployment of capital during the year. Total FFO increased by 75% to $30.4 million in the quarter, driven by NOI growth from accretive acquisitions and comparative properties. Additionally, we recognized $1.5 million of termination income in the quarter. Above- and below-market rents, which result in a non-cash amortization to our operating results, contributed $2.3 million to FFO in the quarter.

FFO per unit was $2.71 for the year, down 11% compared to $3.04 in 2009, mainly as a result of timing of financings and deployment of capital during the year. Total FFO increased by $37.4 million in the year, driven by NOI growth from accretive acquisitions and comparative properties, and $1.5 million of termination income. Above- and below-market rents, which result in a non-cash amortization to our operating results, contributed $10.8 million in the year.

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 46,054,582 and 49,596,634, respectively. Diluted FFO includes interest and amortization adjustments related to convertible debentures of $2.4 million for the quarter and $9.3 million for the year. Year-to-date, the weighted average number of units outstanding for the calculation of basic and diluted FFO are 38,757,113 and 42,280,715, respectively. The basic and diluted weighted average number of units outstanding include 127,329 vested deferred trust units for the quarter and 106,107 for the year.

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 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. We include the impact of vendor head lease income that has not been recognized in net income.

Distributable income

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Funds from operations	**$ 30,381**	$ 17,363	**$ 105,071**	$ 67,633
Add (deduct):				
Amortization of marked-to-market adjustments on acquired debt	**(175)**	(182)	**(764)**	(800)
Amortization of financing costs incurred prior to June 30, 2003	**410**	327	**1,481**	1,260
Deferred compensation expense	**582**	220	**1,547**	858
Straight-line rent	**(857)**	(412)	**(3,771)**	(1,053)
Amortization of above-market rent	**607**	126	**1,581**	421
Amortization of below-market rent	**(2,942)**	(2,423)	**(12,401)**	(10,697)
Amortization of tenant inducements	**98**	57	**268**	256
Amortization of financing costs incurred subsequent to June 30, 2003	**(391)**	(315)	**(1,393)**	(1,193)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	**(10)**	(14)	**(42)**	(46)
Vendor head lease income	**171**	—	**608**	—
Revenue supplement from vendor on acquisition	**—**	—	**1,122**	—
	$ 27,874	$ 14,747	**$ 93,307**	$ 56,639
Distributable income per unit — basic	**$ 0.61**	$ 0.59	**$ 2.41**	$ 2.55
Distributable income per unit — diluted	**$ 0.61**	$ 0.60	**$ 2.43**	$ 2.57
Distributions per unit	**$ 0.55**	$ 0.55	**$ 2.20**	$ 2.20

For the quarter ended December 31, 2010, distributable income per unit was $0.61 and declared distributions per unit were $0.55, representing a 90% payout ratio. In the prior year comparative period, distributable income per unit was $0.59 and declared distributions per unit were $0.55, representing a 93% payout ratio. Distributable income exceeded distributions paid and payable by $2.1 million for the quarter. For the year ended December 31, 2010, basic and diluted distributable income per unit was $2.41 and $2.43, respectively, representing a 91% payout ratio. In the prior year, basic and diluted distributable income per unit was $2.55 and $2.57, respectively, representing an 86% payout ratio. Distributable income exceeded distributions paid and payable by $6.9 million for the year. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

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

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Cash generated from operating activities	**$ 19,591**	$ 11,342	**$ 79,383**	$ 59,507
Add (deduct):				
Leasing costs incurred	**3,368**	1,273	**8,265**	4,296
Amortization of financing costs incurred prior to June 30, 2003	**20**	12	**88**	67
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	**(11)**	(12)	**(43)**	(45)
Amortization of tenant inducements	**98**	56	**268**	255
Leasing costs and intangibles expensed on lease termination	**240**	—	**240**	—
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(41)	**(203)**	(172)
Amortization of financing costs	**(411)**	(327)	**(1,481)**	(1,260)
Change in non-cash working capital	**4,862**	2,444	**5,060**	(6,009)
Vendor head lease income	**171**	—	**608**	—
Revenue supplement from vendor on acquisition	**—**	—	**1,122**	—
Distributable income	**$ 27,874**	$ 14,747	**$ 93,307**	$ 56,639

Distributions

The distributions presented in the table below comprise $78.7 million relating to REIT Units and $7.6 million relating to LP B Units.

	Declared distributions	4% bonus distributions	Total
2010 distributions			
Paid in cash or reinvested in units	$ 77,009	$ 291	$ 77,300
Payable at December 31, 2010	9,039	34	9,073
Total distributions	$ 86,048	$ 325	$ 86,373
2010 reinvestment			
Reinvested to December 31, 2010	$ 7,269	$ 291	$ 7,560
Reinvested on January 15, 2011	1,128	34	1,162
Total distributions reinvested	$ 8,397	$ 325	$ 8,722

Distributions paid in cash	$ 77,651
Reinvestment to distribution ratio	9.8%
Cash distribution payout ratio	90.2%

Distributions declared for the year ended December 31, 2010, totalled $86.0 million, an increase of $37.6 million over the comparative period. Distributions declared for the quarter ended December 31, 2010, were $25.7 million, an increase of $12.1 million over the prior year comparative quarter. The increase reflects a larger number of units outstanding as a result of the equity issues completed in 2010 as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units. Of the distributions declared for the year, $8.4 million, or approximately 9.8 %, were reinvested in additional units resulting in a cash payout ratio of 90.2%.

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	
	2010	2009	**2010**	2009
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420
Cash flow from operating activities	**19,591**	11,342	**79,383**	59,507
Distributions paid and payable	**25,785**	13,594	**86,373**	48,566
Excess (shortfall) of cash flow from operating activities over distributions paid and payable	**(6,194)**	(2,252)	**(6,990)**	10,941

Distributions paid and payable exceeded cash flow from operations by $6.2 million for the quarter and by $7.0 million for the year. 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 $20.1 million for the quarter and by $59.4 million for the year. This excess was mainly a result of a 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	
	2010	2009	**2010**	2009
Distributable income	**$ 27,874**	$ 14,747	**$ 93,307**	$ 56,639
Adjusted for:				
Normalized leasing costs and tenant improvements	**2,554**	1,514	**9,435**	6,056
Normalized non-recoverable recurring capital expenditures	**75**	200	**300**	800
AFFO	**$ 25,245**	$ 13,033	**$ 83,572**	$ 49,783
AFFO per unit — basic	**$ 0.55**	$ 0.52	**$ 2.16**	$ 2.24

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 25, 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 2010, adjusted for properties that have been acquired or 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 $0.55 for the quarter, an increase of 6% compared to $0.52 in 2009, mainly due to the impact of acquisitions completed in 2009 and 2010. AFFO per unit was $2.16 for the year, a decrease of 4% compared to $2.24 in 2009, mainly due to equity issues late in the year for which cash had not yet been deployed.

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	
	2010	2009	**2010**	2009
Investment in rental properties	**$ (5,771)**	$ (2,699)	**$ (13,864)**	$ (5,921)
Investment in tenant improvements	**(2,807)**	(1,300)	**(8,936)**	(6,121)
Acquisition of rental properties	**(199,323)**	(68,045)	**(731,974)**	(94,526)
Acquisition deposit on rental properties	**(3,515)**	(13,755)	**(3,750)**	(13,755)
Net proceeds from disposal of rental properties	**—**	(10)	**10,850**	14,927
Change in restricted cash, net	**—**	59	**353**	419
Cash utilized in investing activities	**$ (211,416)**	$ (85,750)	**$ (747,321)**	$ (104,977)

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

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Investing activities				
Acquisition of rental properties	**$ 282,682**	$ 96,939	**$ 922,171**	$ 122,887
Building improvements	**2,094**	1,993	**8,397**	5,410
Development	**3,876**	626	**6,706**	734

Acquisitions

During 2010, we completed the following acquisitions:

For the year ended December 31, 2010	Property type	Interest acquired (%)	Acquired GLA [1] (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Date acquired
Adelaide Place, Toronto	office	100	654,249	98	$ 217,708	January 18, 2010
Aviva Corporate Centre, Toronto	office/redevelopment	100	436,704	99[2]	45,660	February 10, 2010
10130-103 Street, Edmonton	office	100	265,625	95	90,007	April 16, 2010
2340 St. Laurent Boulevard, Ottawa	industrial	100	114,724	100	11,344	April 26, 2010
4915-52 Street, Yellowknife	land	100	–	–	678	April 30, 2010
Financial Building, Regina	office	100	65,763	100	14,222	May 4, 2010
30 Eglinton Avenue West, Mississauga	office	100	164,987	90	38,543	May 31, 2010
625 Cochrane Drive, Markham	office	100	161,997	100	29,917	June 18, 2010
Valleywood Corporate Centre, Markham	office	100	154,116	98	31,645	June 18, 2010
275 Wellington Street East, Aurora	industrial	100	317,000	100	25,438	July 30, 2010
8000 av Blaise-Pascal, Montréal	industrial	100	206,305	100	11,296	July 30, 2010
6509 Airport Road, Mississauga	office	100	60,000	100	12,295	August 3, 2010
3035 Orlando Drive, Mississauga	office	100	16,754	86	2,410	August 3, 2010
2075 Kennedy Road, Toronto	office	100	201,730	96	31,750	August 12, 2010
1421 Rue Ampère, Boucherville	industrial	100	457,875	100	29,381	September 2, 2010
1313 Autoroute Chomedey, Laval	industrial	100	184,493	100	12,716	September 2, 2010
150 Metcalfe Street, Ottawa	office	100	109,374	91	34,540	September 16, 2010
236 Brownlow Avenue, Dartmouth	office	100	60,739	95	7,455	October 5, 2010
970 Fraser Drive, Burlington	industrial	100	95,444	100	7,090	October 19, 2010
2200 & 2204 Walkley Road, Ottawa	office	100	156,551	100	23,653	November 2, 2010
2625 Queensview Drive, Ottawa	office	100	46,156	100	8,656	November 5, 2010
30 Simmonds Drive, Dartmouth	industrial	100	37,240	88	1,621	November 22, 2010
105 Akerley Boulevard, Dartmouth	industrial	100	57,524	88	3,101	November 22, 2010
4259-4299 Canada Way, Burnaby	office	100	118,536	96	26,280	December 15, 2010
2665 Renfrew Street, Vancouver	office	100	81,662	100	34,649	December 21, 2010
AFIAA Portfolio, Toronto, Mississauga and Calgary	office	100	198,392	95	45,348	December 21, 2010
10250-101 Street, Edmonton	office	100	296,961	79	84,619	December 22, 2010
100 Gough Road, Toronto	office	100	111,840	100	30,475	December 30, 2010
580 Industrial Road, London	industrial	100	113,595	100	9,674	December 30, 2010
Total			4,946,336	97	$ 922,171	

[1] Gross leasable area ("GLA").

[2] Excludes redevelopment component of the property.

The Trust assumed mortgages with a fair value of $159 million on nine properties acquired in 2010.

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	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	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	

The Trust assumed mortgages with a fair value of $27 million on one property acquired in 2009.

Acquisitions completed during the fourth quarter

On October 5, 2010, we completed the purchase of Brownlow Centre in Dartmouth, Nova Scotia, for approximately $7.5 million. The property comprises 60,739 square feet of office space and is located in an office park in the greater Halifax area. At the time of acquisition, the property was 95% occupied and had an average remaining lease term of 3.6 years.

On October 19, 2010, we completed the purchase of 970 Fraser Drive in Burlington, Ontario, for approximately $7.1 million. The property comprises 95,444 square feet of industrial space and is located in the west end of the Greater Toronto Area. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 17.3 years.

On November 2, 2010, we completed the purchase of 2200 & 2204 Walkley Road in Ottawa, Ontario, for approximately $23.7 million. The properties comprise 156,551 square feet of office space and are located in the Ottawa east office node. At the time of acquisition, the properties were 100% leased and had an average remaining lease term of 4.6 years.

On November 5, 2010, we completed the purchase of 2625 Queensview Drive in Ottawa, Ontario, for approximately $8.7 million. The property comprises 46,156 square feet of office space and is located in the west end of Ottawa. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 6.6 years.

On November 22, 2010, we completed the purchase of 30 Simmonds Drive and 105 Akerley Boulevard in Dartmouth, Nova Scotia, for approximately $4.7 million. The properties comprise 94,764 square feet of flex-industrial space and are located in the greater Halifax area. At the time of acquisition, the properties were 88% leased and had an average remaining lease term of 1.9 years.

On December 15, 2010, we completed the purchase of 4259-4299 Canada Way in Burnaby, British Columbia, for approximately $26.3 million. The property comprises 118,536 square feet of office space and is located in the greater Vancouver area. At the time of acquisition, the property was 96% leased and had an average remaining lease term of 3.9 years.

On December 21, 2010, we completed the purchase of 2665 Renfrew Street in Vancouver, British Columbia, for approximately $34.6 million. The property comprises 81,662 square feet of office space and is located in the east end of Vancouver. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 9.5 years.

On December 21, 2010, we completed the purchase of the AFIAA Portfolio in Toronto, Mississauga and Calgary for approximately $45.3 million. The properties comprise 198,392 square feet of office space and are located in the Toronto, Mississauga and Calgary. At the time of acquisition, the properties were 95% leased and had an average remaining lease term of 5.3 years.

On December 22, 2010, we completed the purchase of 10250–101 Street in Edmonton, Alberta, for approximately $84.6 million. The property comprises 296,961 square feet of office space and is located in the central business district of Edmonton. At the time of acquisition, the property was 80% leased and had an average remaining lease term of 4.6 years.

On December 30, 2010, we completed the purchase of 100 Gough Road in Toronto, Ontario, for approximately $30.5 million. The property comprises 111,840 square feet of data centre space and is located in the north end of the Greater Toronto Area. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 5.8 years.

On December 30, 2010, we completed the purchase of 580 Industrial Road in London, Ontario, for approximately $9.7 million. The property comprises 113,595 square feet of industrial space and is located near Dundas Street and Airport Road in London. At the time of acquisition, the property was 100% leased and had an average remaining lease term of 6.3 years.

Acquisitions completed subsequent to year-end

Effective February 8, 2011, the Trust completed the acquisition of Realex. Realex owned interests in 24 office and industrial assets in Ontario and Alberta, consisting of approximately 1.8 million square feet. The Trust acquired all 18,712,663 outstanding common shares of Realex for $8.25 per common share, for approximately $154.4 million, and assumed mortgages of approximately $210.0 million.

Effective January 17, 2011, the Trust completed the acquisition of an office building in Ottawa, Ontario, consisting of approximately 175,000 square feet. The purchase price of the property, excluding transaction costs, was approximately $38.3 million.

Effective January 4, 2011, the Trust completed the acquisition of an office building in Saskatoon, Saskatchewan, consisting of approximately 210,000 square feet. The purchase price of the property, excluding transaction costs, was approximately $50 million.

Building improvements

During 2010, we incurred $8.4 million of expenditures related to improvements to our properties of which $7.7 million related to expenditures that will be recovered from tenants.

The table below represents amounts paid and accrued during the year.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Building improvements:				
Recurring recoverable	**$ 1,892**	$ 1,774	**$ 7,653**	$ 5,102
Recurring non-recoverable	**—**	—	**175**	32
Non-recurring	**202**	219	**569**	276
Total	**$ 2,094**	$ 1,993	**$ 8,397**	$ 5,410

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. Recurring recoverable expenditures of $7.7 million and $1.9 million for the year and quarter, respectively, included elevator modernization, roofing upgrades, lighting, and fire panel upgrades. Non-recurring building improvements represent expenditures for major capital additions that generally would not be expected to recur over the useful life of the building.

Development

During 2010, we incurred $6.7 million of expenditures related to buildings being developed, of which $6.3 million for the year and $3.6 million for the quarter relate to the construction of an office building in Yellowknife.

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 (excluding financing costs) 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. In the fourth quarter, we placed $121.8 million of new mortgage financing at a weighted average interest rate of 4.27% and an average term to maturity of eight years and assumed an additional $77.2 million at a weighted average interest rate of 4.96% and an average term to maturity of four years. During 2010, we placed $309.6 million of new mortgage financing at a weighted average interest rate of 4.63% and an average term to maturity of seven years and assumed an additional $156.8 million of mortgage debt at a weighted average rate of 5.17% and an average term to maturity of six years on acquisition of nine properties. We also made scheduled payments of $6.2 million and a lump sum payment of $2.7 million related to mortgage debt for the fourth quarter, and scheduled repayments of $21.5 million and a lump sum repayment of $5.2 million for the year.

The following table details our cash generated from financing activities.

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Mortgages placed, net of costs	**$ 120,541**	$ (255)	**$ 306,977**	$ 35,993
Mortgage principal repayments	**(6,154)**	(3,937)	**(21,496)**	(15,498)
Mortgage lump sum repayments	**(2,657)**	(5,958)	**(5,224)**	(54,496)
Term debt principal repayments	**(26)**	(30)	**(103)**	(126)
Distributions paid on Units	**(22,613)**	(12,797)	**(73,806)**	(44,730)
Units issued, net of costs	**110,252**	37	**566,674**	67,280
Cash generated from (utilized in) financing activities	**$ 199,343**	$ (22,940)	**$ 773,022**	$ (11,577)

Debt

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

December 31	**2010**	2009
Financing activities		
Average interest rate	**5.43%**	5.75%
Level of debt (debt-to-gross book value)	**51.9%**	59.3%
Interest coverage ratio[1]	**2.8 times**	2.3 times
Debt-to-EBITDA (years)[2]	**7.48**	9.43
Proportion of total debt due in current year	**8.4%**	3.4%
Debt — average term to maturity (years)	**4.8**	4.9
Variable rate debt as percentage of total debt	**2.2%**	3.7%

(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.

(2) Debt-to-EBITDA is calculated as total debt divided by annualized EBITDA for the current quarter. EBITDA is calculated as net income less non-cash items included in revenue plus interest expense, depreciation, amortization and a provision for income taxes.

We currently use cash flow performance and debt level indicators 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 2.8 times for the year and 2.9 times for the quarter, and reflects our ability to cover interest expense requirements. We also monitor our debt-to-EBITDA ratio to gauge our ability to pay off existing debt. Our current debt-to-EBITDA ratio is 7.48 years and reflects the approximate amount of time to pay off all debt. Our average interest rate as at December 31, 2010, was 5.43%, down slightly from the start of the year, mainly reflecting the impact of new and assumed mortgage financing completed at a weighted average rate of 4.81% and 4.54% for the year and the quarter, respectively. After accounting for market adjustments and financing costs, the weighted average effective interest rate is 4.79% and 4.35% for the year and the quarter, respectively.

Variable rate debt as a percentage of total debt decreased to 2.2% as a result of fixed term mortgage financing placed and assumed in the year.

December 31			**2010**			2009
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$ 1,136,906**	**$ 28,737**	**$ 1,165,643**	$ 695,608	$ 31,293	$ 726,901
Term debt	**341**	**—**	**341**	219	—	219
6.5% Debentures	**3,192**	**—**	**3,192**	3,293	—	3,293
5.7% Debentures	**7,752**	**—**	**7,752**	7,743	—	7,743
6.0% Debentures	**119,923**	**—**	**119,923**	118,904	—	118,904
Total	**$ 1,268,114**	**$ 28,737**	**$ 1,296,851**	$ 825,767	$ 31,293	$ 857,060
Percentage	97.8%	2.2%	100.0%	96.3%	3.7%	100.0%

Mortgages payable include $3.6 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2009 — $2.7 million). Amounts recorded as at December 31, 2010, for the 6.5%, 5.7% and 6.0% Debentures are net of $1.4 million of premiums allocated to their conversion features (December 31, 2009 — $1.7 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

New and assumed mortgage financing:

		For the three months ended December 31, 2010		
		Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective rate (%) [(1)]
New mortgages placed	$ 121,800	7.92	4.27	4.46
New mortgages assumed on rental property acquisitions	77,236	4.42	4.96	4.18
Overall	$ 199,036	6.56	4.54	4.35

		For the year ended December 31, 2010		
		Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective rate (%) [(1)]
New mortgages placed	$ 309,562	7.24	4.63	4.79
New mortgages assumed on rental property acquisitions	156,836	5.54	5.17	4.79
Overall	$ 466,398	6.67	4.81	4.79

(1) After accounting for the impact of financing costs and marked-to-market of mortgages assumed.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40.0 million, generally bearing interest at the bank prime rate (3.0% as at December 31, 2010) plus 1.5%, or bankers' acceptance rates, plus 3.0%. As at December 31, 2010, the formula-based amount available is $36.1 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, $1.5 million of the facility is being utilized in the form of letters of guarantee.

At December 31, 2010, we had $117.3 million in cash (all of which was used subsequent to quarter-end to acquire approximately 385,000 square feet of space in Saskatoon and Ottawa and an additional 1.8 million square feet for Realex, as discussed on page 8), a revolving credit facility and 15 unencumbered properties, which may be leveraged to provide additional financing.

Changes in debt levels are as follows:

For the three months ended December 31, 2010	Mortgages	Term debt	Convertible debentures	Total
Debt as at September 30, 2010	$ 974,723	$ 367	$ 130,662	$ 1,105,752
New debt assumed on rental property acquisitions	77,236	—	—	77,236
New debt placed	121,800	—	—	121,800
Scheduled repayments	(6,154)	(26)	—	(6,180)
Lump sum repayments	(2,657)	—	—	(2,657)
Conversion to unit equity	—	—	(99)	(99)
Amortization and other adjustments	695	—	304	999
Debt as at December 31, 2010	$ 1,165,643	$ 341	$ 130,867	$ 1,296,851

For the year ended December 31, 2010	Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2009	$ 726,901	$ 219	$ 129,940	$ 857,060
New debt assumed on rental property acquisitions	156,836	—	—	156,836
New debt placed	309,562	225	—	309,787
Scheduled repayments	(21,496)	(103)	—	(21,599)
Lump sum repayment	(5,224)	—	—	(5,224)
Conversion to unit equity	—	—	(174)	(174)
Amortization and other adjustments	(936)	—	1,101	165
Debt as at December 31, 2010	$ 1,165,643	$ 341	$ 130,867	$ 1,296,851

	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 (%)
2011	$ 79,692	$ 29,521	$ 109,213	8.3	5.78	6.42
2012	116,087	27,907	143,994	11.1	5.31	5.46
2013	99,914	24,890	124,804	9.6	5.10	5.48
2014	191,398	23,446	214,844	16.5	6.72	5.96
2015	205,882	20,030	225,912	17.3	4.82	4.75
2016 and thereafter	448,028	36,039	484,067	37.2	5.31	5.28
Total	$ 1,141,001	$ 161,833	1,302,834	100.0		5.41
Fair value adjustments			2,216			
Transaction costs			(8,199)			
Total			$ 1,296,851			

Convertible debentures

With respect to the 6.0% Debentures, the total principal outstanding at January 31, 2011, was $125 million and is convertible into approximately 3,018,478 REIT A Units. For the 5.7% Debentures, the total principal outstanding at January 31, 2011, was $7.8 million and is convertible into approximately 260,200 REIT A Units. For the 6.5% Debentures, the total principal outstanding was $3.3 million and is convertible into approximately 133,040 REIT A Units.

Financing commitments

As of December 31, 2010, we had entered into agreements for new mortgage financing totalling approximately $4.85 million, which closed January 14, 2011. Currently we have another $90.7 million under negotiation.

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, 2009	21,247,397	16,316	3,454,188	24,717,901
Units issued pursuant to DRIP	278,950	—	27,545	306,495
Units issued pursuant to the Unit Purchase Plan	15,739	—	—	15,739
Units issued pursuant to Deferred Unit Incentive Plan	19,463	—	—	19,463
Units issued pursuant to public offering	24,328,250	—	—	24,328,250
Conversion of debentures	6,404	—	—	6,404
Total units outstanding on December 31, 2010	45,896,203	16,316	3,481,733	49,394,252
Percentage of all units	92.9%	0.1%	7.0%	100.0%
Units issued pursuant to DRIP on January 15, 2011	34,960	—	2,024	36,984
Units issued pursuant to Unit Purchase Plan	985	—	—	985
Conversion of debentures	920	—	—	920
Units issued pursuant to public offering	4,749,500	—	—	4,749,500
Total units outstanding on February 4, 2011	50,682,568	16,316	3,483,757	54,182,641
Percentage of all units	93.5%	0.1%	6.4%	100%

Public offering of units

On December 21, 2010, the Trust completed a public offering of 3,864,000 REIT A Units at a price of $29.85 per unit, for gross proceeds of $115.3 million. Costs related to the offering totalled $5.2 million and were charged directly to unitholders' equity.

On September 2, 2010, the Trust completed a public offering of 5,669,500 REIT A Units at a price of $25.40 per unit, for gross proceeds of $144.0 million. Costs related to the offering totalled $6.3 million and were charged directly to unitholders' equity.

On June 2, 2010, the Trust completed a public offering of 4,100,000 REIT A Units at a price of $24.40 per unit, for gross proceeds of $100.0 million. On June 17, 2010, the Trust issued an additional 615,000 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter for gross proceeds of approximately $15.0 million. Costs related to the offering totalled $5.2 million and were charged directly to unitholders' equity.

On March 16, 2010, the Trust completed a public offering of 3,965,000 REIT A Units at a price of $25.25 per unit, for gross proceeds of $100.0 million. On March 26, 2010, the Trust issued an additional 594,750 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter for gross proceeds of approximately $15.0 million. Costs related to the offering totalled $5.2 million and were charged directly to unitholders' equity.

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 $103.5 million. Costs related to the offering totalled $4.7 million and were charged directly to unitholders' equity.

Public offering completed subsequent to year-end

On February 4, 2011, the Trust completed a public offering of 4,749,500 units at a price of $30.30 per unit, for gross proceeds of $143.9 million. Costs related to the offering totalled $5.8 million and were charged directly to unitholders' equity.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on November 3, 2010, and will remain in effect until the earlier of November 2, 2011, 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 4,010,675 REIT A Units (representing 10% of the REIT's public float of 40,106,751 REIT A Units at the time of renewal through the facilities of the TSX). As of December 31, 2010, no purchases had been made. Based on the closing price of REIT A Units on December 31, 2010, the Trust may purchase up to $121.1 million worth of REIT A Units.

For the year ended December 31, 2009, the Trust did not purchase any REIT A Units pursuant to its previous bid, which expired on September 25, 2010.

OUR RESULTS OF OPERATIONS

	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Revenues				
Rental properties revenue	**$ 81,162**	$ 50,156	**$ 279,352**	$ 192,083
Interest and fee income	**537**	409	**1,577**	1,676
	81,699	50,565	**280,929**	193,759
Expenses				
Rental properties operating expenses	**32,678**	19,365	**106,954**	71,129
Interest	**16,271**	12,190	**59,732**	49,736
Depreciation of rental properties	**11,342**	7,025	**40,656**	27,512
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	5,665	**39,685**	22,231
General and administrative	**2,625**	1,608	**9,317**	6,706
	75,548	45,853	**256,344**	177,314
Income before income taxes	**6,151**	4,712	**24,585**	16,445
Income taxes				
Current income taxes	**3**	2	**13**	12
Future income taxes	**—**	(2,232)	**—**	(1,768)
	3	(2,230)	**13**	(1,756)
Income before discontinued operations	**6,148**	6,942	**24,572**	18,201
Discontinued operations	**(426)**	(336)	**2,418**	(4,781)
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420

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 2009 and throughout 2010 and comparative property growth were the primary drivers of the $31.0 million, or 62%, increase in rental property revenue over the comparative quarter and $87.3 million, or 45%, for the year.

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 earned on bank accounts and related fees. These revenues are not necessarily of a recurring nature and the amounts will vary from quarter to quarter and year-over-year. The $0.1 million decrease over the prior year is mainly a result of investing underdeployed cash at lower rates in the first two quarters of 2010. The $0.1 million increase over the comparative quarter is mainly a result of interest earned on cash balances that were used to acquire properties early in the first quarter of 2011.

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, realty taxes, and repairs and maintenance. Expenses increased $13.3 million, or 69%, for the quarter and $35.8 million, or 50%, for the year, reflecting the additional costs associated with properties acquired and higher recoverable operating costs.

Interest expense

Interest expense increased $4.1 million, or 33%, for the quarter, and $10.0 million, or 20%, for the year, mainly reflecting the additional mortgage debt related to acquired properties as well as new financing entered into over 2010. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.8 times.

Depreciation of rental properties

Acquisitions completed in 2009 and 2010 resulted in a $4.3 million, or 61%, increase in depreciation over the comparative quarter, and $13.1 million, or 48%, over the prior year.

Amortization of leasing costs, tenant improvements and intangibles

Amortization increased $7.0 million, or 123%, over the comparative quarter, and $17.5 million, or 79%, over the prior year, largely due to acquisitions.

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 $2.6 million, an increase of $1.0 million, or 63%, over the comparative quarter, mostly due an increase in asset management fees as a result of acquisitions and $0.2 million of non-cash deferred unit incentive plan expenses. Expenses for the year were $9.3 million, an increase of $2.6 million, or 39%, over the prior year, mostly due to an increase in asset management fees as a result of acquisitions.

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.

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. 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 quarter, we received $0.5 million related to the DRC Services Agreement. Other costs recovered from DRC include $1.3 million for operating and administrative costs of regional offices. We paid $3.9 million related to the Asset Management Agreement. During the year, we received $2.1 million related to the DRC Services Agreement. Other costs recovered from DRC include $4.2 million for operating and administrative costs of regional offices. We paid $12.5 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. Below is our reconciliation of NOI to net income.

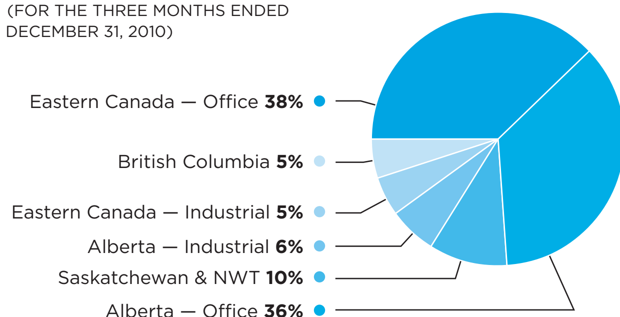
	For the three months ended December 31		For the years ended December 31	
	2010	2009	**2010**	2009
Net income	**$ 5,722**	$ 6,606	**$ 26,990**	$ 13,420
Add (deduct):				
Interest expense	**16,271**	12,190	**59,732**	49,736
Depreciation of rental properties	**11,342**	7,025	**40,656**	27,512
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	5,665	**39,685**	22,231
General and administrative expenses	**2,625**	1,608	**9,317**	6,706
Interest and fee income	**(537)**	(409)	**(1,577)**	(1,676)
Income taxes	**3**	(2,230)	**13**	(1,756)
Depreciation, amortization, interest, gain on disposal of rental properties and future income taxes, included in discontinued operations	**499**	402	**(2,296)**	7,043
NOI including discontinued operations	**$ 48,557**	$ 30,857	**$ 172,520**	$ 123,216

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before discontinued operations, increased 57% for the quarter and 43% for the year over the comparative periods. The increase is mainly attributable to income generated by properties acquired in 2009 and 2010 along with modest comparable property growth and a lease termination fee of $1.5 million received in the fourth quarter of 2010. The quarterly impact of the terminated lease is a decrease in NOI of $0.2 million. The space is expected to be leased by the third quarter of 2011.

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Office	**$ 43,065**	$ 27,854	$ 15,211	55	**$ 156,676**	$ 109,823	$ 46,853	43
Industrial	**5,419**	2,937	2,482	85	**15,722**	11,131	4,591	41
NOI	**48,484**	30,791	17,693	57	**172,398**	120,954	51,444	43
Discontinued operations	**73**	66	7		**122**	2,262	(2,140)	
NOI including discontinued operations	**$ 48,557**	$ 30,857	$ 17,700	57	**$ 172,520**	$ 123,216	$ 49,304	40

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,724**	$ 2,493	$ 231	9	**$ 10,413**	$ 10,010	$ 403	4
Alberta	**20,470**	19,584	886	5	**81,063**	78,461	2,602	3
Saskatchewan & NWT	**4,674**	4,394	280	6	**18,345**	17,227	1,118	6
Eastern Canada	**20,616**	4,320	16,296	377	**62,577**	15,256	47,321	310
NOI	**48,484**	30,791	17,693	57	**172,398**	120,954	51,444	43
Discontinued operations	**73**	66	7		**122**	2,262	(2,140)	
NOI including discontinued operations	**$ 48,557**	$ 30,857	$ 17,700	57	**$ 172,520**	$ 123,216	$ 49,304	40

NOI BY REGION
(FOR THE THREE MONTHS ENDED DECEMBER 31, 2010)



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, 2009. 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. Additionally, it excludes lease termination fees.

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Office	**$ 24,569**	$ 24,518	$ 51	—	**$ 98,717**	$ 97,791	$ 926	1
Industrial	**3,098**	2,906	192	7	**11,926**	11,007	919	8
Comparative properties	**27,667**	27,424	243	1	**110,643**	108,798	1,845	2
Lease termination fees	**1,519**	46	1,473		**1,689**	223	1,466	
Acquisitions	**16,445**	753	15,692		**45,986**	911	45,075	
GAAP adjustments	**2,853**	2,568	285		**14,080**	11,022	3,058	
NOI	**48,484**	30,791	17,693	57	**172,398**	120,954	51,444	43
Discontinued operations	**73**	66	7		**122**	2,262	(2,140)	
NOI including discontinued operations	**$ 48,557**	$ 30,857	$ 17,700	57	**$ 172,520**	$ 123,216	$ 49,304	40

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,514**	$ 2,418	$ 96	4	**$ 9,923**	$ 9,512	$ 411	4
Alberta	**17,229**	17,394	(165)	(1)	**69,129**	69,086	43	0
Saskatchewan & NWT	**4,319**	4,306	13	—	**17,283**	16,866	417	2
Eastern Canada	**3,605**	3,306	299	9	**14,308**	13,334	974	7
Comparative properties	**27,667**	27,424	243	1	**110,643**	108,798	1,845	2
Lease termination fees	**1,519**	46	1,473		**1,689**	223	1,466	
Acquisitions	**16,445**	753	15,692		**45,986**	911	45,075	
GAAP adjustments	**2,853**	2,568	285		**14,080**	11,022	3,058	
NOI	**48,484**	30,791	17,693	57	**172,398**	120,954	51,444	43
Discontinued operations	**73**	66	7		**122**	2,262	(2,140)	
NOI including discontinued operations	**$ 48,557**	$ 30,857	$ 17,700	57	**$ 172,520**	$ 123,216	$ 49,304	40

Overall, NOI from comparative properties increased by 1% to $27.7 million in the fourth quarter and by 2% to $110.6 million for the year. Industrial comparative properties grew by 7% and 8% for the quarter and the year, respectively, primarily as a result of increased occupancy. Comparative office NOI remained consistent with the prior year comparative periods. Properties acquired in 2009 and 2010 contributed $15.7 million to NOI growth in the quarter and $45.1 million in the year. In the quarter, a lease was terminated at State Street Financial Centre in downtown Toronto, resulting in lease termination fees of $1.5 million being recognized.

Comparative office portfolio

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
British Columbia	**$ 2,514**	$ 2,418	$ 96	4	**$ 9,923**	$ 9,512	$ 411	4
Alberta	**14,131**	14,488	(357)	(2)	**57,203**	58,079	(876)	(2)
Saskatchewan & NWT	**4,319**	4,306	13	—	**17,283**	16,866	417	2
Eastern Canada	**3,605**	3,306	299	9	**14,308**	13,334	974	7
Comparative properties	**24,569**	24,518	51	—	**98,717**	97,791	926	1
Lease termination fees	**1,514**	46	1,468		**1,683**	223	1,460	
Acquisitions	**14,251**	753	13,498		**42,549**	911	41,638	
GAAP adjustments	**2,731**	2,537	194		**13,727**	10,898	2,829	
Office NOI	**$ 43,065**	$ 27,854	$ 15,211	55	**$ 156,676**	$ 109,823	$ 46,853	43

NOI from our comparative office portfolio was $24.6 million for the quarter and $98.7 million for the year, an increase of $0.1 million and $0.9 million over the comparative periods. While we continue to experience occupancy declines in our Calgary region, this has been mitigated by an upside experience in our British Columbia and Eastern Canada office markets. In Eastern Canada (comparative properties consist of three buildings in downtown Toronto) NOI increased $0.3 million for the quarter and $1.0 million for the year, or 9% and 7%, respectively. This was a result of increases in average in-place rents. British Columbia continues to provide comparable property growth because of increases in average in-place rents at a building in Vancouver for the quarter. Year-over-year, we had a 40 basis point increase in occupancy and increases in in-place rents in British Columbia.

Comparative industrial portfolio

	For the three months ended December 31				For the years ended December 31			
			Growth				Growth	
	2010	2009	Amount	%	**2010**	2009	Amount	%
Alberta	**$ 3,098**	$ 2,906	$ 192	7	**$ 11,926**	$ 11,007	$ 919	8
Comparative properties	**3,098**	2,906	192	7	**11,926**	11,007	919	8
Lease termination fees	**5**	—	5		**6**	—	6	
Acquisitions	**2,194**	—	2,194		**3,437**	—	3,437	
GAAP adjustments	**122**	31	91		**353**	124	229	
Industrial NOI	**$ 5,419**	$ 2,937	$ 2,482	85	**$ 15,722**	$ 11,131	$ 4,591	41

We experienced growth in our industrial portfolio in both the three- and 12-month comparative prior year periods, contributing $0.2 million and $0.9 million, respectively, to the overall comparative property growth. This is primarily a result of increased occupancy in our Calgary properties.

NOI prior quarter comparison

The comparative properties disclosed in the following tables are properties acquired prior to July 1, 2010. Comparative property NOI increased by $0.6 million, or 1%, over the third quarter of 2010.

	For the three months ended			
			Growth	
	December 31, 2010	September 30, 2010	Amount	%
Office	**$ 36,691**	$ 36,264	$ 427	1
Industrial	**3,325**	3,162	163	5
Comparative properties	**40,016**	39,426	590	1
Lease termination fees	**1,519**	8	1,511	
Acquisitions	**4,096**	1,171	2,925	
GAAP adjustments	**2,853**	4,185	(1,332)	
NOI	**48,484**	44,790	3,694	8
Discontinued operations	**73**	—	73	
NOI including discontinued operations	**$ 48,557**	$ 44,790	$ 3,767	8

	For the three months ended			
			Growth	
	December 31, 2010	September 30, 2010	Amount	%
British Columbia	**$ 2,514**	$ 2,497	$ 17	1
Alberta	**19,005**	18,347	658	4
Saskatchewan & NWT	**4,601**	4,618	(17)	—
Eastern Canada	**13,896**	13,964	(68)	—
Comparative properties	**40,016**	39,426	590	1
Lease termination fees	**1,519**	8	1,511	
Acquisitions	**4,096**	1,171	2,925	
GAAP adjustments	**2,853**	4,185	(1,332)	
NOI	**48,484**	44,790	3,694	8
Discontinued operations	**73**	—	73	
NOI including discontinued operations	**$ 48,557**	$ 44,790	$ 3,767	8

NOI from the office portfolio grew by $0.4 million, or 1%, over the prior quarter primarily from an increase in comparative property NOI due to the expiration of free rent periods of tenants in certain Edmonton and Toronto properties of $0.6 million. Offsetting this the Trust incurred $0.3 million of non-recoverable expenses in the quarter. The industrial portfolio also experienced growth during this period of $0.2 million, or 5%, resulting from a decrease in non-recoverable expenses over the prior quarter.

SELECTED ANNUAL INFORMATION

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

December 31	**2010**	2009	2008
Revenues	**$ 280,929**	$ 193,759	$ 183,442
Income before discontinued operations	**24,572**	18,201	9,461
Net income	**26,990**	13,420	10,460
Total assets	**2,316,824**	1,335,242	1,315,987
Debt	**1,296,851**	857,060	883,695
Distributions declared	**86,048**	48,450	45,756
Per unit amounts:			
Basic income from continuing operations	**$ 0.64**	$ 0.82	$ 0.45
Basic net income	**0.70**	0.60	0.50
Diluted income from continuing operations	**0.64**	0.82	0.45
Diluted net income	**0.70**	0.60	0.50

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2009.

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenues								
Rental properties revenue	**$ 81,162**	$ 72,806	$ 64,374	$ 61,010	$ 50,156	$ 47,398	$ 46,387	$ 48,142
Interest and fee income	**537**	357	415	268	409	299	491	477
	81,699	73,163	64,789	61,278	50,565	47,697	46,878	48,619
Expenses								
Rental properties operating expenses	**32,678**	28,016	22,875	23,385	19,365	17,551	16,219	17,994
Interest	**16,271**	15,234	14,509	13,718	12,190	12,487	12,552	12,507
Depreciation of rental properties	**11,342**	11,147	9,632	8,535	7,025	6,935	6,767	6,785
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	9,786	8,464	8,803	5,665	5,338	5,608	5,620
General and administrative	**2,625**	2,326	2,301	2,065	1,608	1,667	1,710	1,721
	75,548	66,509	57,781	56,506	45,853	43,978	42,856	44,627
Income before income and large corporations taxes	**6,151**	6,654	7,008	4,772	4,712	3,719	4,022	3,992
Income taxes (recovery)								
Current income and large corporations taxes	**3**	3	3	4	2	4	—	6
Future income taxes	**—**	—	—	—	(2,232)	87	137	240
Income tax expense (recovery)	**3**	3	3	4	(2,230)	91	137	246
Income before discontinued operations	**6,148**	6,651	7,005	4,768	6,942	3,628	3,885	3,746
Discontinued operations	**(426)**	3	(2)	2,843	(336)	4,099	(8,657)	113
Net income (loss)	**$ 5,722**	$ 6,654	$ 7,003	$ 7,611	$ 6,606	$ 7,727	$ (4,772)	$ 3,859
Net income (loss) per unit								
Basic	**$ 0.12**	$ 0.16	$ 0.19	$ 0.25	$ 0.26	$ 0.35	$ (0.23)	$ 0.18
Diluted[1]	**$ 0.12**	$ 0.16	$ 0.19	$ 0.25	$ 0.26	$ 0.35	$ (0.23)	$ 0.18

[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 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Net income (loss)	**$ 5,722**	$ 6,654	$ 7,003	$ 7,611	$ 6,606	$ 7,727	$ (4,772)	$ 3,859
Add (deduct):								
Depreciation of rental properties	**11,342**	11,147	9,632	8,535	7,075	7,021	7,095	7,092
Amortization of leasing costs, tenant improvements and intangibles	**12,632**	9,786	8,464	8,803	5,683	5,377	5,779	5,744
Future income taxes	**—**	—	—	—	(2,623)	87	(1,493)	290
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(54)**	(52)	(54)	(44)	(40)	(35)	(35)	(61)
Gain on disposal of rental properties and land held for sale	**499**	(3)	9	(2,801)	662	(3,967)	10,564	—
Leasing costs and intangibles expensed on lease termination	**240**	—	—	—	—	—	—	—
Funds from operations	**$ 30,381**	$ 27,532	$ 25,054	$ 22,104	$ 17,363	$ 16,209	$ 17,138	$ 16,924
Funds from operations per unit								
Basic[1]	**$ 0.66**	$ 0.66	$ 0.69	$ 0.72	$ 0.70	$ 0.74	$ 0.82	$ 0.81
Diluted	**$ 0.66**	$ 0.66	$ 0.69	$ 0.71	$ 0.69	$ 0.73	$ 0.80	$ 0.79
Funds from operations	**$ 30,381**	$ 27,532	$ 25,054	$ 22,104	$ 17,363	$ 16,209	$ 17,138	$ 16,924
Add (deduct):								
Amortization of marked-to-market adjustment on acquired debt	**$ (175)**	$ (215)	$ (168)	$ (206)	$ (182)	$ (198)	$ (196)	$ (222)
Amortization of deferred financing costs incurred prior to June 30, 2003	**410**	370	364	337	327	301	326	305
Deferred compensation expense	**582**	351	394	220	221	220	221	197
Straight-line rent	**(857)**	(1,564)	(1,178)	(172)	(411)	(241)	(187)	(213)
Amortization of above-market rent	**607**	468	239	267	126	97	99	99
Amortization of below-market rent	**(2,942)**	(3,155)	(2,728)	(3,576)	(2,426)	(2,684)	(2,715)	(2,876)
Amortization of tenant inducements	**98**	66	55	49	57	59	58	81
Amortization of deferred financing amortization costs incurred subsequent to June 30, 2003	**(391)**	(349)	(344)	(309)	(315)	(291)	(305)	(282)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	**(10)**	(11)	(12)	(9)	(13)	(11)	(12)	(9)
Vendor head lease income and revenue supplement	**171**	677	787	95	—	—	—	—
Distributable income	**$ 27,874**	$ 24,170	$ 22,463	$ 18,800	$ 14,747	$ 13,461	$ 14,427	$ 14,004
Distributable income per unit								
Basic[1]	**$ 0.61**	$ 0.58	$ 0.62	$ 0.61	$ 0.59	$ 0.62	$ 0.69	$ 0.67
Diluted	**$ 0.61**	$ 0.59	$ 0.62	$ 0.62	$ 0.60	$ 0.62	$ 0.68	$ 0.67
Distributable income	**$ 27,874**	$ 24,170	$ 22,463	$ 18,800	$ 14,747	$ 13,461	$ 14,427	$ 14,004
Adjusted for:								
Normalized leasing cost and tenant improvements	**2,554**	2,505	2,287	2,089	1,514	1,514	1,514	1,514
Normalized non-recoverable recurring capital expenditures	**75**	75	75	75	200	200	200	200
Adjusted funds from operations	**$ 25,245**	$ 21,590	$ 20,101	$ 16,636	$ 13,033	$ 11,747	$ 12,713	$ 12,290
AFFO per unit								
Basic[1]	**$ 0.55**	$ 0.52	$ 0.55	$ 0.54	$ 0.52	$ 0.54	$ 0.61	$ 0.59
Weighted average units outstanding for FFO and DI								
Basic	**46,054,582**	41,627,961	36,418,168	30,713,775	24,967,255	21,883,358	21,018,003	20,956,343
Diluted	**49,596,634**	45,106,887	39,871,032	34,175,445	28,417,078	25,312,351	24,456,839	24,392,013

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

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES

For the December 31, 2010, 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 GAAP. Using the framework established in "Risk Management and Governance: Guidance on Control (COCO Framework)", published by 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, 2010.

There were no changes in the internal controls over financial reporting during the financial year-end December 31, 2010, which 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 could not 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.

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 compared to 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 three 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 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.

CHANGES IN ACCOUNTING POLICIES

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 prospectively applies 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 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. Dundee REIT will not be adopting these policies prior to January 1, 2011.

International Financial Reporting Standards

International Financial Reporting Standards ("IFRS") will become mandatory for Canadian public companies for financial periods beginning on or after January 1, 2011. The Trust will report under IFRS, commencing with its interim financial statements for the three months ending March 31, 2011. These financial statements will also include comparative results for the three months ended March 31, 2010.

IFRS conversion plan

The Trust has followed a three-phase IFRS conversion plan that addresses changes in accounting policies, the restatement of comparative periods, various education and training sessions on the adoption of IFRS as well as required changes to business processes and internal controls. The transition process consists 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 for their relevance and formulating key IFRS conversion issues to be resolved in the second phase of the project. We have provided IFRS education to key employees responsible for financial reporting. The impact analysis, evaluation and design phase of the project was completed in August 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. Phase three activities are substantially complete.

New controls are being put into place to address certain unique IFRS accounting and disclosure requirements; however, the Trust does not anticipate comprehensive changes to its current accounting and consolidation systems, its internal controls, or its disclosure control process as a result of the conversion to IFRS, except for new processes around the valuation of rental properties.

Impact of adoption of IFRS

The International Financial Reporting Standards are premised on a conceptual framework similar to GAAP, although significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not have an impact on the Trust's reported net cash flows, it will have a material impact on its consolidated balance sheets and statement of comprehensive income; the Trust is continuing to evaluate the impact of IFRS to the presentation and classification in its consolidated statements of cash flow. In particular, the Trust's opening consolidated balance sheet will reflect the revaluation of all investment properties to fair value. In addition, the Trust's intangible assets and liabilities will no longer be separately recognized. Also, the Trust's joint venture properties, which are currently proportionately consolidated, will be recorded as investments, accounted for using the equity method. Finally, the LP B Units, deferred trust units and the conversion feature attributed to the convertible debentures will be presented as liabilities because of the redemption feature of REIT Units. The Trust currently expects that the impact of all these differences on its January 1, 2010 opening balance sheet under IFRS compared to its December 31, 2009 balance sheet under GAAP will result in an increase in unitholders' equity from $399 million to approximately $502 million.

IFRS 1: First-Time Adoption of IFRS

The Trust's adoption of IFRS will require the application of IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity applies all IFRS effective at the end of its first IFRS reporting period, retrospectively. However, IFRS 1 does require certain mandatory exceptions, and permits limited optional exemptions. The following is the optional exemption available under IFRS 1, which is significant to the Trust and which the Trust expects to apply in preparation of its first financial statements under IFRS:

Foreign currency translation adjustments

International Accounting Standards ("IAS") 21, "The Effects of Changes in Foreign Exchange Rates", requires an entity to determine the translation differences in accordance with IFRS from the date on which a subsidiary was formed or acquired. IFRS 1 allows foreign currency translation adjustments for all foreign operations to be deemed zero at the date of transition to IFRS, with future gains or losses on subsequent disposal of any foreign operations to exclude translation differences arising from periods prior to the date of transition to IFRS. The Trust will elect to deem all foreign currency translation adjustments totalling $6.6 million at January 1, 2010, to be zero on transition to IFRS.

Business combinations

The Trust has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. The Trust has determined that property acquisitions completed to date do not meet the definition of a business combination.

IFRS 1 allows for certain other optional exemptions; however, the Trust does not expect such exemptions to be significant to its adoption of IFRS.

Impact of IFRS on financial position

The following paragraphs quantify and describe the expected impact of significant differences between the Trust's December 31, 2009 balance sheet under GAAP and its January 1, 2010 opening balance sheet under IFRS. This discussion has been prepared using the standards and interpretations currently issued and expected to be effective at the end of the Trust's first annual IFRS reporting period. Certain accounting policies expected to be adopted under IFRS may not be adopted and the application of such policies to certain transactions or circumstances may be modified and, as a result, the impact of the Trust's conversion to IFRS may be different than its current expectation. The amounts have not been audited or subject to review by the Trust's external auditor. The underlying values presented below are prepared using the procedures and assumptions that the Trust intends to follow in preparing its opening balance sheet upon adoption of IFRS.

Rental properties

The Trust considers its rental properties to be investment properties under IAS 40, "Investment Property" ("IAS 40"). Investment property includes land and buildings held primarily to earn rental income or for capital appreciation, or both, rather than for use in the production or supply of goods or for sale in the ordinary course of business. Similar to GAAP, investment property is initially recorded at cost under IAS 40. However, subsequent to initial recognition, IFRS requires that an entity choose either the cost or fair value model to account for its investment property. The Trust has elected to use the fair value model when preparing its financial statements under IFRS. As at January 1, 2010, the Trust expects the fair value of its rental property portfolio, including joint venture properties previously proportionately consolidated, to be approximately $176 million greater than their carrying value under GAAP, inclusive of corresponding intangible assets and liabilities recorded under GAAP. The offsetting adjustment is recorded directly to opening equity. However, this increase will be offset by the deconsolidation of certain of the Trust's joint venture properties that are discussed further below (see Investments in Joint Ventures on page 53).

As at January 1, 2011, the Trust expects the fair value of its rental property portfolio, including joint venture properties previously proportionately consolidated, to be approximately $412 million greater than their carrying value under GAAP, inclusive of corresponding intangible assets and liabilities recorded under GAAP. The offsetting adjustment comprises the opening valuation adjustment of $176 million, which is recorded directly to opening equity at January 1, 2010, and the balance of $236 million will be disclosed as a fair value adjustment, increasing net income for the year ended December 31, 2010.

For the valuation prepared at January 1, 2010, the Trust determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at January 1, 2010, less future cash outflows in respect of such leases. Fair values were determined using the discounted cash flow method and/or the direct capitalization method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates ranging between 8.0% and 10.5% and terminal capitalization rates ranging between 7.25% and 9.75%. The direct capitalization method applies a capitalization rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.75% to 9.50%. The weighted average capitalization rate for our property portfolio at January 1, 2010, is 8.00%.

For the valuation prepared at January 1, 2011, the Trust determined the fair value of each investment property based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at January 1, 2011, less future cash outflows in respect of such leases. Fair values were determined using the discounted cash flow method and/or by the direct capitalization method. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and using discount rates ranging between 6.75% and 10.50% and terminal capitalization rates ranging between 6.25% and 9.75%. The direct capitalization method applies a capitalization rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value was further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using capitalization rates in the range of 6.00% to 9.50%. The weighted average capitalization rate for our property portfolio at January 1, 2011, is 7.25%.

Investments in joint ventures

The Trust expects to have investments in joint ventures at January 1, 2010, of approximately $94.8 million under IFRS, inclusive of $30.0 million of fair value adjustments and net of liabilities reclassified to investments in joint ventures. These investments relate to investments in properties held through limited partnership structures that are proportionately consolidated under GAAP that will be equity accounted under IFRS and accordingly included in the investment in joint ventures account.

Intangible assets and liabilities

With the adoption of IFRS, the Trust will derecognize its intangible assets and liabilities that relate to assets or obligations otherwise considered in the determination of fair value of investment properties at January 1, 2010. The Trust expects this will result in a decrease to intangible assets and liabilities of $58 million and $35 million, respectively.

Debt

The Trust expects the reported balances of property-specific mortgages at January 1, 2010, to decrease by approximately $100 million under IFRS compared to balances reported in accordance with GAAP. The decrease primarily relates to the deconsolidation of debt related to investments in properties that are proportionately consolidated under GAAP that will be equity accounted under IFRS.

Subsidiary redeemable units

The Trust will be required under IAS 32, “Financial Instruments Presentation”, to present the LP B Units as a liability measured at amortized cost upon initial adoption of IFRS. The Trust expects to have subsidiary redeemable units at January 1, 2010, of approximately $72 million under IFRS. The presentation is required because each LP B Unit is exchangeable for a REIT Unit that, except for the available exemption under IAS 32, would normally be presented as a liability because of the redemption feature attached to the REIT Units. The LP B Units are presented as a component of unitholders’ equity under GAAP.

Conversion feature of convertible debentures

The Trust will be required under IAS 32, "Financial Instruments: Presentation", to present the conversion feature of the convertible debentures as a liability measured at fair value upon initial adoption of IFRS. The Trust expects the value of the conversion liability at January 1, 2010, to be approximately $5 million under IFRS. The presentation is required because the conversion feature permits the holder to convert the debenture into a REIT A Unit that, except for the available exemption under IAS 32, would normally be presented as a liability because of the redemption feature attached to the Trust Units. The conversion features were previously included as a component of unitholders' equity under GAAP.

Deferred trust units

The Trust will be required under IAS 32, "Financial Instruments: Presentation", to present deferred trust units as a liability measured at fair value upon initial adoption of IFRS. The Trust expects the value of this liability at January 1, 2010, to be approximately $3 million under IFRS. The presentation is required because the deferred trusts units are exchangeable for a REIT A Unit that, except for the available exemption under IAS 32, would normally be presented as a liability because of the redemption feature attached to the REIT Units. The vested deferred trust units were previously included as a component of unitholders' equity under GAAP.

Assets held for sale

The Trust expects assets held for sale to increase by $6.6 million as a result the Trust's IFRS 1 election deeming foreign currency translation adjustments to be zero on transition to IFRS. The increase relates to the provision for the foreign currency translation adjustment associated with the investment in the net assets of the related property.

Impact of IFRS on consolidated statements of net income and comprehensive income

The following paragraphs highlight the significant differences between GAAP and IFRS that will affect net income. This discussion has been prepared on a basis consistent with all known IFRS to GAAP differences using the accounting policies expected to be applied by the Trust on its adoption of IFRS using the standards anticipated to be in effect at December 31, 2011. Consequently, to the extent the accounting policies expected to be applied by the Trust on adoption of IFRS change, new standards are issued that are required to be adopted by the Trust, or to the extent the Trust identifies additional differences as it finalizes its assessment of IFRS, the discussion below may be impacted.

Fair value changes of investment property

The Trust has elected to measure investment property using the fair value model under IAS 40, "Investment Property", which requires a gain or loss arising from a change in the fair value of investment property in the period to be recognized in income. Net income during any given period may be greater or less than as determined under GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement.

Depreciation and amortization expense

Under the fair value model, depreciation of investment properties is not recorded. Additionally, the transition to IFRS in conjunction with the use of the fair value model will result in historic intangible balances established under GAAP in respect of asset acquisitions to no longer be separately recognized, and accordingly, not amortized under IFRS. The impact of no longer amortizing historic intangible balances along with no longer recording depreciation expense on the Trust's rental properties would result in an increase to net income.

Revenue recognition

IFRS requires rental revenue to be determined on a straight-line basis considering all rentals from the inception of the lease, whereas GAAP only required rental income to be recognized on a straight-line basis prospectively, commencing January 1, 2004. The Trust expects that this difference, applied retrospectively, would be insignificant. Also, as the Trust will no longer separately account for intangible assets and liabilities relating to acquired above- and below-market tenant leases, the related amortization of these balances to rental property revenue will be eliminated under IFRS. Finally, tenant improvements will be amortized over their lease terms as a reduction of revenue; however, because tenant improvements are included in the fair value of the property, there is a corresponding offset to the fair value adjustment.

Distributions on subsidiary redeemable units

IFRS requires that the LP B Units be presented as a liability. Because of this requirement, distributions on the LP B Units will be presented as interest expense on subsidiary redeemable units and included in the statements of net income. Under GAAP, these distributions were included directly in unitholders' equity.

Subsidiary redeemable units

The Trust will be required under IAS 39, "Financial Instruments Recognition and Measurement", to measure the liability related to the LP B Units at amortized cost at each reporting period, which will effectively result in a gain or loss arising from a change in the fair value of the LP B Units in the period to be recognized in income. Net income during any given period may be greater or less than as determined under GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement.

Conversion feature of convertible debentures

The Trust will be required under IAS 39, "Financial Instruments Recognition and Measurement", to measure the liability related to the conversion feature of the convertible debentures at fair value at each reporting period, and will require a gain or loss arising from a change in the fair value of the liability in the period to be recognized in income. Net income during any given period may be greater or less than as determined under GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement.

Deferred trust units

The Trust will be required under IAS 39, "Financial Instruments Recognition and Measurement", to measure the liability related to the deferred trust units over their vesting period and thereafter at fair value at each reporting period and will require any gain or loss arising from a change in the fair value of the liability in the period to be recognized in income as compensation expense. Net income during any given period may be greater or less than as determined under GAAP depending on whether an increase or decrease in fair value occurs during the period of measurement.

For a more detailed project plan and interim assessment of the impact on reporting, please refer to our 2009 Annual Report.

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 24, 2011

Independent auditor's report

To the Unitholders of Dundee Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Dundee Real Estate Investment Trust (the Trust) and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009 and the consolidated statements of net income and comprehensive income, unitholders' equity and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Trust and its subsidiaries as at December 31, 2010 and December 31, 2009 and the results of their operations and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

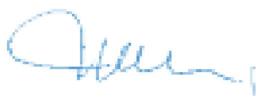
Toronto, Ontario, February 24, 2011

Consolidated balance sheets

(in thousands of dollars) December 31	Note	**2010**	2009
Assets			
Rental properties	4	**$1,955,980**	$ 1,181,058
Leasing costs and tenant improvements	5	**76,099**	39,589
Amounts receivable	6	**14,499**	8,881
Prepaid expenses and other assets	7	**9,529**	17,718
Cash and cash equivalents		**117,304**	12,022
Intangible assets	8	**143,413**	57,558
Assets held for sale	20	**—**	18,416
		$2,316,824	$1,335,242
Liabilities			
Debt	9	**$1,296,851**	$ 857,060
Amounts payable and accrued liabilities	10	**40,350**	22,525
Distributions payable	11	**9,073**	4,534
Intangible liabilities	8	**47,749**	35,031
Liabilities related to assets held for sale	20	**—**	16,940
		1,394,023	936,090
Unitholders' equity	12	**922,801**	399,152
		$2,316,824	$1,335,242

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	**2010**	2009
Revenues			
Rental properties revenue		**$ 279,352**	$ 192,083
Interest and fee income		**1,577**	1,676
		280,929	193,759
Expenses			
Rental properties operating expenses		**106,954**	71,129
Interest	14	**59,732**	49,736
Depreciation of rental properties		**40,656**	27,512
Amortization of leasing costs, tenant improvements and intangibles		**39,685**	22,231
General and administrative		**9,317**	6,706
		256,344	177,314
Income before income taxes		**24,585**	16,445
Provision for (recovery of) income taxes	15		
Current income taxes		**13**	12
Future income taxes		**—**	(1,768)
		13	(1,756)
Income before discontinued operations		**24,572**	18,201
Net income (loss) from discontinued operations	20	**2,418**	(4,781)
Net income		**$ 26,990**	$ 13,420
Basic and diluted income (loss) per unit	16		
Continuing operations		**$ 0.64**	$ 0.82
Discontinued operations		**0.06**	(0.22)
Net income		**$ 0.70**	$ 0.60
Net income		**$ 26,990**	$ 13,420
Other comprehensive income			
Change in foreign currency translation adjustment		**—**	(1,334)
Transfer foreign currency translation adjustment to net income on sale of property	20	**6,609**	—
Comprehensive income		**$ 33,599**	$ 12,086

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, 2010		24,717,901	$ 607,282	$ 819,835	$(1,021,356)	$ (6,609)	$ 399,152
Net income		—	—	26,990	—	—	26,990
Distributions paid	11	—	—	—	(77,300)	—	(77,300)
Distributions payable	11	—	—	—	(9,073)	—	(9,073)
Public offering of REIT A Units	12	24,328,250	593,025	—	—	—	593,025
Distribution Reinvestment Plan	12	306,495	8,028	—	—	—	8,028
Unit Purchase Plan	12	15,739	412	—	—	—	412
Deferred Unit Incentive Plan	12	—	1,547	—	—	—	1,547
Deferred Units exchanged for REIT A Units	12	19,463	—	—	—	—	—
Conversion of 6.5% Debentures	12	5,560	139	—	—	—	139
Conversion of 6.0% Debentures	12	844	35	—	—	—	35
Issue costs	12	—	(26,763)	—	—	—	(26,763)
Transfer foreign currency translation adjustment to net income on sale of property	20	—	—	—	—	6,609	6,609
Unitholders' equity, December 31, 2010		49,394,252	$1,183,705	$ 846,825	$(1,107,729)	$ —	$ 922,801

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, 2009		20,417,744	$ 536,093	$ 806,415	$ (972,790)	$ (5,275)	$ 364,443
Net income		—	—	13,420	—	—	13,420
Distributions paid		—	—	—	(44,032)	—	(44,032)
Distributions payable		—	—	—	(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

Consolidated statements of cash flows

(in thousands of dollars) For the years ended December 31	Note	**2010**	2009
Generated from (utilized in) operating activities			
Net income		**$ 26,990**	$ 13,420
Non-cash items:			
Depreciation of rental properties		**40,656**	28,283
Amortization of leasing costs, tenant improvements and intangibles		**39,685**	22,583
Amortization of financing costs		**1,481**	1,260
Amortization of fair value adjustment on acquired debt		**(764)**	(800)
(Gain) loss on disposal of rental properties	20	**(2,296)**	7,258
Deferred unit compensation expense		**1,547**	858
Future income taxes		**—**	(3,739)
Amortization of market rent adjustments on acquired leases		**(10,820)**	(10,276)
Straight-line rent adjustment		**(3,771)**	(1,053)
		92,708	57,794
Leasing costs incurred		**(8,265)**	(4,296)
Change in non-cash working capital	22	**(5,060)**	6,009
		79,383	59,507
Generated from (utilized in) investing activities			
Investment in rental properties		**(13,864)**	(5,921)
Investment in tenant improvements		**(8,936)**	(6,121)
Acquisition of rental properties	3	**(731,974)**	(94,526)
Acquisition deposit on rental properties		**(3,750)**	(13,755)
Net proceeds from disposal of rental properties	20	**10,850**	14,927
Change in restricted cash, net		**353**	419
		(747,321)	(104,977)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs		**306,977**	35,993
Mortgage principal repayments		**(21,496)**	(15,498)
Mortgage lump sum repayments		**(5,224)**	(54,496)
Term debt principal repayments		**(103)**	(126)
Distributions paid on Units	11	**(73,806)**	(44,730)
Units issued for cash, net of costs	12	**566,674**	67,280
		773,022	(11,577)
Increase (decrease) in cash and cash equivalents		**105,084**	(57,047)
Cash and cash equivalents, beginning of year — continuing operations		**12,022**	69,267
Cash and cash equivalents, beginning of year — from assets held for sale		**198**	—
Cash and cash equivalents, end of year		**$ 117,304**	$ 12,220

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.

The Trust's 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, 2010, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 976,506 REIT A Units and 3,481,733 LP B Units (December 31, 2009 — 921,299 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, estimates of useful lives of rental properties, impairment of long-lived assets, impairment of intangible assets and the determination of 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 on certain of its activities through co-ownerships and joint ventures, and records its proportionate share of the respective assets, liabilities, revenues 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 achieving its accounting completion date. Properties are considered to have achieved their accounting completion date at the earlier of the achievement of a predetermined level of occupancy or at the expiry of a reasonable period following substantial completion of construction.

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 ten 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 acquisition 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 that 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 intangibles 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 in the consolidated statement of net income.

Leasing costs and tenant improvements

Certain leasing costs and tenant improvements are included on the consolidated balance sheets of the Trust:

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

Foreign currency translation

In the current year, the Trust does not have any foreign operations that are considered financially self-sustaining and operationally independent. As a result, translation gains and losses are recognized in net income in the period they are incurred. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the consolidated balance sheet date. Revenues and expenses are translated at the average rate for the period.

For the comparative year, the Trust had U.S. operations and the foreign currency translations were deferred as a separate component of unitholders' equity. The Trust has divested from those U.S. operations in 2010 and, as a result, the carried forward accumulated foreign currency translation adjustments have been transferred from accumulated other comprehensive loss to net income.

Income taxes

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust distributes all of its taxable income to its unitholders, which 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.

In the comparative period, Dundee REIT used 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, 2010, cash and cash equivalents includes $8,735, representing the Trust's proportionate share of cash balances of joint ventures (December 31, 2009 — $4,294). 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 loss is included as a separate component of unitholders' equity. The balance carried forward from the prior year 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.

Financial assets comprise cash and cash equivalents and amounts receivable. Financial liabilities comprise mortgages payable, term debt, convertible debentures, amounts payable and accrued liabilities, and distributions payable. 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 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: (i) 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 (ii) 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.

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 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 identified significant accounting policy changes that it expects to apply upon adoption of IFRS which are significantly different than its GAAP policies. The Trust continues to evaluate the impact of these IFRS accounting policy changes, and is executing its convergence plan with the intent to prepare its first consolidated financial statements in accordance with IFRS for the three month period ending March 31, 2011. These consolidated financial statements will include comparative results for the periods commencing January 1, 2010.

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 preparing 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. Dundee REIT did not adopt these policies prior to January 1, 2011.

Note 3
PROPERTY ACQUISITIONS

Below are the acquisitions completed during the years ended December 31, 2010, and December 31, 2009.

These acquisitions have been accounted for using the purchase method. The earnings from the properties acquired have been included in the consolidated statement of net income and comprehensive income for the year commencing on their date of acquisition.

For the year ended December 31, 2010	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)[2]	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Adelaide Place, Toronto	office	100	654,249	98	$ 217,708	$ —	January 18, 2010
Aviva Corporate Centre, Toronto	office/redevelopment	100	436,704	99[1]	45,660	30,321	February 10, 2010
10130-103 Street, Edmonton	office	100	265,625	95	90,007	27,794	April 16, 2010
2340 St. Laurent Boulevard, Ottawa	industrial	100	114,724	100	11,344	—	April 26, 2010
4915-52 Street, Yellowknife	land	100	—	—	678	—	April 30, 2010
Financial Building, Regina	office	100	65,763	100	14,222	—	May 4, 2010
30 Eglinton Avenue West, Mississauga	office	100	164,987	90	38,543	21,496	May 31, 2010
625 Cochrane Drive, Markham	office	100	161,997	100	29,917	—	June 18, 2010
Valleywood Corporate Centre, Markham	office	100	154,116	98	31,645	—	June 18, 2010
275 Wellington Street East, Aurora	industrial	100	317,000	100	25,438	—	July 30, 2010
8000 av Blaise-Pascal, Montréal	industrial	100	206,305	100	11,296	—	July 30, 2010
6509 Airport Road, Mississauga	office	100	60,000	100	12,295	—	August 3, 2010
3035 Orlando Drive, Mississauga	office	100	16,754	86	2,410	—	August 3, 2010
2075 Kennedy Road, Toronto	office	100	201,730	96	31,750	—	August 12, 2010
1421 rue Ampère, Boucherville	industrial	100	457,875	100	29,381	—	September 2, 2010
1313 Autoroute Chomedey, Laval	industrial	100	184,493	100	12,716	—	September 2, 2010
150 Metcalfe Street, Ottawa	office	100	109,374	91	34,540	—	September 16, 2010
236 Brownlow Avenue, Dartmouth	office	100	60,739	95	7,455	—	October 5, 2010
970 Fraser Drive, Burlington	industrial	100	95,444	100	7,090	—	October 19, 2010
2200-2204 Walkley Road, Ottawa	office	100	156,551	100	23,653	18,242	November 2, 2010
2625 Queensview Drive, Ottawa	office	100	46,156	100	8,656	—	November 5, 2010
30 Simmonds Drive, Dartmouth	industrial	100	37,240	88	1,621	—	November 22, 2010
105 Akerley Boulevard, Dartmouth	industrial	100	57,524	88	3,101	—	November 22, 2010
4259-4299 Canada Way, Burnaby	office	100	118,536	96	26,280	17,184	December 15, 2010
2665 Renfrew Street, Vancouver	office	100	81,662	100	34,649	—	December 21, 2010
AFIAA Portfolio, Toronto, Mississauga and Calgary	office	100	198,392	95	45,348	—	December 21, 2010
10250–101 Street, Edmonton	office	100	296,961	79	84,619	25,957	December 22, 2010
100 Gough Road, Toronto	office	100	111,840	100	30,475	13,094	December 30, 2010
580 Industrial Road, London	industrial	100	113,595	100	9,674	4,780	December 30, 2010
Total			4,946,336	97	$ 922,171	$ 158,868	

[1] Excludes redevelopment component of the property.

[2] Gross leasable area ("GLA").

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	

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

For the years ended December 31	**2010**	2009
Rental properties		
Land	**$ 112,811**	$ 20,418
Buildings	**681,693**	76,846
Properties under development	**5,693**	—
	800,197	97,264
Tenant improvements acquired	**34,392**	8,181
Intangible assets		
Value of in-place leases	**44,712**	6,714
Lease origination costs	**8,325**	2,176
Value of above-market rent leases	**18,968**	1,471
Value of tenant relationships	**40,696**	10,909
	947,290	126,715
Intangible liabilities		
Value of below-market rent leases	**(25,119)**	(3,828)
Total purchase price	**$ 922,171**	$ 122,887

The consideration paid consists of:

For the years ended December 31	**2010**	2009
Cash		
Paid during the period	**$ 731,974**	$ 94,526
Deposits applied	**13,755**	—
	745,729	94,526
Assumed mortgages at fair value	**158,868**	26,717
Assumed non-cash working capital and adjustments to purchase price	**17,574**	1,644
Total consideration	**$ 922,171**	$ 122,887

During 2010, the allocation of the purchase price of properties acquired in 2009 was finalized. The value of intangible assets and liabilities and leasing costs has been reduced by approximately $9,700; the value of land has been reduced by approximately $4,900; and the value of buildings has increased by approximately $14,600. The allocation of the purchase price of properties acquired in 2010 was finalized in the fourth quarter of 2010. The value of intangible assets has been increased by approximately $11,800; the value of land has been reduced by approximately $1,300; and the value of buildings has been reduced by approximately $10,500. These adjustments are the result of finalized valuator appraisals received for the acquired properties.

Note 4
RENTAL PROPERTIES

December 31			**2010**			2009
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Land	**$ 347,834**	**$ —**	**$ 347,834**	$ 235,025	$ —	$ 235,025
Buildings and improvements	**1,743,059**	**(150,332)**	**1,592,727**	1,053,465	(110,358)	943,107
Fixed assets and equipment	**1,980**	**(718)**	**1,262**	2,011	(843)	1,168
Rental properties under development	**14,157**	**—**	**14,157**	1,758	—	1,758
Total	**$2,107,030**	**$ (151,050)**	**$1,955,980**	$1,292,259	$ (111,201)	$ 1,181,058

Rental properties with a net book value of $1,730,582 are pledged as security for mortgages. Rental properties with a net book value of $27,969 are pledged as first-ranking collateral and a rental property with a net book value of $69,016 is pledged as second-ranking collateral against the demand revolving credit facility.

Note 5
LEASING COSTS AND TENANT IMPROVEMENTS

December 31			**2010**			2009
	Cost	**Accumulated depreciation**	**Net book value**	Cost	Accumulated depreciation	Net book value
Leasing costs	**$ 20,564**	**$ (5,444)**	**$ 15,120**	$ 14,214	$ (4,292)	$ 9,922
Tenant improvements	**87,561**	**(26,582)**	**60,979**	49,418	(19,751)	29,667
Total	**$ 108,125**	**$ (32,026)**	**$ 76,099**	$ 63,632	$ (24,043)	$ 39,589

Note 6
AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments totalling $4,157 (December 31, 2009 — $2,972).

December 31	**2010**	2009
Trade receivables, net	**$ 2,587**	$ 2,048
Straight-line rent receivables	**11,208**	7,409
Other amounts receivable (payable)	**704**	(576)
Total	**$ 14,499**	$ 8,881

December 31	**2010**	2009
Trade receivables	**$ 3,134**	$ 3,141
Less: Provision for impairment of trade receivables	**(547)**	(1,093)
Trade receivables, net	**$ 2,587**	$ 2,048

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

	2010	2009
As at January 1	**$ 1,093**	$ 549
Provision for impairment of trade receivables	**496**	1,428
Receivables written off during the year as uncollectible	**(1,042)**	(884)
As at December 31	**$ 547**	$ 1,093

The carrying amount of amounts receivable is reduced through the use of an allowance account and any loss is recognized within property operating expenses. Where a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Any subsequent recovery of amounts previously written off is credited against operating expenses in the consolidated statement of net income.

Note 7
PREPAID EXPENSES AND OTHER ASSETS

December 31	**2010**	2009
Prepaid expenses	**$ 3,414**	$ 2,110
Deposits	**4,747**	13,887
Restricted cash	**1,368**	1,721
Total	**$ 9,529**	$ 17,718

Deposits largely represent amounts provided by the Trust in connection with property acquisitions. Restricted cash primarily represents tenant rent deposits and cash held as security for certain mortgages.

Note 8
INTANGIBLE ASSETS AND LIABILITIES

December 31			**2010**			2009
	Cost	**Accumulated amortization**	**Net book value**	Cost	Accumulated amortization	Net book value
Intangible assets						
Value of above-market rent leases	**$ 22,721**	**$ (2,559)**	**$ 20,162**	$ 3,914	$ (1,140)	$ 2,774
Value of in-place leases	**75,245**	**(24,274)**	**50,971**	37,727	(17,625)	20,102
Lease origination costs	**16,799**	**(5,198)**	**11,601**	9,383	(3,718)	5,665
Value of tenant relationships	**76,803**	**(16,124)**	**60,679**	39,635	(10,618)	29,017
Total	**$ 191,568**	**$ (48,155)**	**$ 143,413**	$ 90,659	$ (33,101)	$ 57,558
Intangible liabilities						
Value of below-market rent leases	**$ 78,717**	**$ (30,968)**	**$ 47,749**	$ 60,854	$ (25,823)	$ 35,031

Note 9
DEBT

December 31	**2010**	2009
Mortgages	**$ 1,165,643**	$ 726,901
Convertible debentures	**130,867**	129,940
Term debt	**341**	219
Total	**$ 1,296,851**	$ 857,060

Mortgages are secured by charges on specific rental properties.

As at December 31, 2010, convertible debentures comprise $119,923 of the 6.0% Debentures, $7,752 of the 5.7% Debentures and $3,192 of the 6.5% Debentures (December 31, 2009 — $118,904, $7,743 and $3,293, respectively).

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 "Financial Instruments — Presentation", 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, 2010, the outstanding principal amount was $124,965 (December 31, 2009 — $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, less costs of $4,558, and equity of $1,200. As at December 31, 2010, the outstanding principal amount was $7,806 (December 31, 2009 — $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, less costs of $3,605, and equity of $600. As at December 31, 2010, the outstanding principal amount was $3,349 (December 31, 2009 — $3,488).

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40,000, bearing interest generally at the bank prime rate (3.0% as at December 31, 2010) 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, 2010, the formula-based amount available under this facility was $36,075, less $1,540 drawn in the form of letters of guarantee (December 31, 2009 — $1,090 drawn).

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

	Weighted average interest rates			Debt amount	
December 31	**2010**	2009	Maturity dates	**2010**	2009
Fixed rate					
Mortgages	**5.32%**	5.68%	2011—2020	**$1,136,906**	$ 695,608
Convertible debentures	**7.03%**	7.03%	2014—2015	**130,867**	129,940
Term debt	**8.77%**	9.03%	2013	**341**	219
Total fixed rate debt	**5.49%**	5.90%		**1,268,114**	825,767
Variable rate					
Mortgages	**2.82%**	2.01%	2013	**28,737**	31,293
Total variable rate debt	**2.82%**	2.01%		**28,737**	31,293
Total debt	**5.43%**	5.75%		**$ 1,296,851**	$ 857,060

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Convertible debentures	Total
2011	$ 109,115	$ 98	$ —	$ 109,213
2012	143,878	116	—	143,994
2013	124,677	127	—	124,804
2014	86,530	—	128,314	214,844
2015	218,106	—	7,806	225,912
2016 and thereafter	484,067	—	—	484,067
	1,166,373	341	136,120	1,302,834
Financing costs and fair value adjustments	(730)	—	(5,253)	(5,983)
	$ 1,165,643	$ 341	$ 130,867	$ 1,296,851

Included in mortgages is $3,637 in fair value adjustments (December 31, 2009 — $2,671), which reflects the fair value adjustments for mortgages assumed as part of acquisitions, reduced by $4,367 of unamortized financing costs (December 31, 2009 — $2,465). The convertible debentures are reduced by a $1,421 premium allocated to their conversion features (December 31, 2009 — $1,724) and $3,832 of unamortized financing costs (December 31, 2009 — $4,630). 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 term debt is 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.

December 31	**2010**	2009
Mortgages	**$1,200,049**	$ 730,809
Convertible debentures	**141,381**	134,923
Term debt	**341**	219
Total	**$ 1,341,771**	$ 865,951

Note 10
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

December 31	**2010**	2009
Trade payables	**$ 2,375**	$ 1,602
Accrued liabilities and other payables	**21,626**	9,521
Accrued interest	**5,273**	3,426
Deposits	**7,833**	6,159
Rent received in advance	**3,243**	1,817
Total	**$ 40,350**	$ 22,525

Note 11
DISTRIBUTIONS

The following table breaks down distribution payments for the year ended December 31, 2010:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	$ 66,843	$ 36	$ 6,927	$ 73,806
Paid by way of reinvestment in REIT A Units	7,314	—	—	7,314
Paid by way of reinvestment in LP B Units	—	—	714	714
Less: Payable at December 31, 2009	(3,899)	(3)	(632)	(4,534)
Plus: Payable at December 31, 2010	8,430	3	640	9,073
Total	$ 78,688	$ 36	$ 7,649	$ 86,373

The amount payable at December 31, 2010, was satisfied on January 15, 2011, by $7,945 in cash, $1,066 of 34,960 REIT A Units and $62 of 2,023 LP B Units. Included in the total distributions is $325 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 declared distributions of $0.183 per unit per month, or $2.20 per year, during 2009 and 2010.

Note 12

UNITHOLDERS' EQUITY

December 31		2010		2009
	Number of units	**Amount**	Number of units	Amount
REIT Units, Series A	**45,896,203**	**$ 834,261**	21,247,397	$ 312,743
REIT Units, Series B	**16,316**	**359**	16,316	362
LP Class B Units, Series 1	**3,481,733**	**88,181**	3,454,188	92,656
Cumulative foreign currency translation adjustment	**—**	**—**	—	(6,609)
Total	**49,394,252**	**$ 922,801**	24,717,901	$ 399,152

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 or 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, 2010 and 2009, there were no exchanges made by Dundee Corporation of LP B Units for REIT B Units and subsequently for 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, 2010, 3,481,733 Special Trust Units were issued and outstanding (December 31, 2009 — 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 holders 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, 2010, 45,436,203 LP Class A Units (December 31, 2009 — 20,787,397), 3,481,733 LP Class B Units, Series 1 (December 31, 2009 — 3,454,188) and 476,316 LP Class B Units, Series 2 (December 31, 2009 — 476,316) were issued and outstanding. As at December 31, 2010 and December 31, 2009, 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, 2010	21,247,397	$ 312,743	16,316	$ 362	3,454,188	$ 92,656	$ (6,609)	24,717,901	$ 399,152
Net income	—	24,497	—	33	—	2,460	—	—	26,990
Distributions paid	—	(70,258)	—	(33)	—	(7,009)	—	—	(77,300)
Distributions payable	—	(8,430)	—	(3)	—	(640)	—	—	(9,073)
Public offering of REIT A Units	24,328,250	593,025	—	—	—	—	—	24,328,250	593,025
Distribution Reinvestment Plan	278,950	7,314	—	—	27,545	714	—	306,495	8,028
Unit Purchase Plan	15,739	412	—	—	—	—	—	15,739	412
Deferred Unit Incentive Plan	—	1,547	—	—	—	—	—	—	1,547
Deferred Units exchanged for REIT A Units	19,463	—	—	—	—	—	—	19,463	—
Conversion of 6.5% Debentures	5,560	139	—	—	—	—	—	5,560	139
Conversion of 6.0% Debentures	844	35	—	—	—	—	—	844	35
Issue costs	—	(26,763)	—	—	—	—	—	—	(26,763)
Transfer foreign currency translation adjustment to net income on sale of property	—	—	—	—	—	—	6,609	—	6,609
Unitholders' equity, December 31, 2010	45,896,203	$ 834,261	16,316	$ 359	3,481,733	$ 88,181	$ —	49,394,252	$ 922,801

Public offering of REIT A Units

On December 21, 2010, the Trust completed a public offering of 3,864,000 REIT A Units at a price of $29.85 per unit, for gross proceeds of $115,340. Costs related to the offering totalled $5,179 and were charged directly to unitholders' equity.

On September 2, 2010, the Trust completed a public offering of 5,669,500 REIT A Units at a price of $25.40 per unit, for gross proceeds of $144,005. Costs related to the offering totalled $6,325 and were charged directly to unitholders' equity.

On June 2, 2010, the Trust completed a public offering of 4,100,000 REIT A Units at a price of $24.40 per unit for gross proceeds of $100,040. On June 17, 2010, the Trust issued an additional 615,000 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter, for gross proceeds of approximately $15,007. Costs related to the offering totalled $5,157 and were charged directly to unitholders' equity.

On March 16, 2010, the Trust completed a public offering of 3,965,000 REIT A Units at a price of $25.25 per unit for gross proceeds of $100,116. On March 26, 2010, the Trust issued an additional 594,750 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter, for gross proceeds of approximately $15,017. Costs related to the offering totalled $5,180 and were charged directly to unitholders' equity.

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 totalled $4,887 and were charged directly to unitholders' equity.

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 of America, 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, 2010, 278,950 REIT A Units and 27,545 LP B Units were issued under the DRIP for $8,028 (December 31, 2009 — 196,987 REIT A Units and nil LP B Units for $3,051).

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 features of the DRIP. For the year ended December 31, 2010, 15,739 REIT A Units were issued under the Unit Purchase Plan for $412 (December 31, 2009 — 10,997 REIT A Units for $180).

Debenture conversions

During the year ended December 31, 2010, the Trust issued 5,560 REIT A Units upon conversion of $139 of the principal amount of the 6.5% Debentures (December 31, 2009 — nil) and 844 REIT A Units upon the conversion of $35 of the 6.0% Debentures (December 31, 2009 — nil).

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit and the related distribution of income deferred trust units vest evenly over a three- or five-year period on the anniversary date of the grant. 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, 2010, $1,547 of compensation expense was recorded (December 31, 2009 — $858) 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, 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 at January 1, 2010	**$ 28.55**	**217,918**	**48,215**	**266,133**
Granted during the year	24.96	98,666	29,502	128,168
Cancelled	13.49	(200)	(27)	(227)
REIT A Units issued	23.16	(15,937)	(3,526)	(19,463)
Fractional units paid in cash	—	—	(13)	(13)
Outstanding and payable at December 31, 2010	**$ 27.67**	**300,447**	**74,151**	**374,598**
Vested but not issued at December 31, 2010	**$ 30.10**	**63,949**	**37,916**	**101,865**

On February 23, 2010, 88,450 deferred trust units were granted to trustees and senior managers. A further 10,216 deferred trust units were granted to trustees who elected to receive their 2010 annual retainer in the form of deferred trust units rather than cash.

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.

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 November 3, 2010, and will remain in effect until the earlier of November 2, 2011, 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 4,010,675 REIT A Units (representing 10% of the REIT's public float of 40,106,751 REIT A Units at the time of renewal through the facilities of the TSX). As of December 31, 2010, no purchases had been made. Based on the closing price of REIT A Units on December 31, 2010, the Trust may purchase up to $121,122 worth of REIT A Units.

For the year ended December 31, 2009, the Trust did not purchase any REIT A Units pursuant to its previous bid, which expired on September 25, 2010.

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.

	Total		Proportionate share	
December 31	**2010**	2009	**2010**	2009
Assets	**$ 414,903**	$ 458,889	**$ 176,246**	$ 193,139
Liabilities	**244,350**	291,986	**104,604**	126,426

	Proportionate share	
For the years ended December 31	**2010**	2009
Revenues	**$ 30,477**	$ 35,488
Expenses	**16,039**	40,242
	$ 14,438	$ (4,754)

For the years ended December 31	**2010**	2009
Cash flow generated from (utilized in):		
Operating activities	**$ 13,658**	$ 11,279
Investing activities	**8,443**	(1,816)
Financing activities	**(17,662)**	(7,090)
Increase in cash and cash equivalents	**$ 4,439**	$ 2,373

The Trust is contingently liable for the obligations of the other owners of the unincorporated joint ventures at December 31, 2010, in the aggregate amount of $123,527 (December 31, 2009 — $147,446). 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	**2010**	2009
Interest expense incurred, at stated rate of debt	**$ 59,322**	$ 49,332
Amortization of financing costs	**1,481**	1,229
Amortization of fair value adjustments on acquired debt	**(764)**	(800)
Interest capitalized	**(307)**	(25)
Interest expense	**$ 59,732**	$ 49,736

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 non-cash adjustment to net income in determining cash flow from operating activities.

Note 15

INCOME TAXES

In 2009, Canadian and U.S.-based incorporated subsidiaries were subject to tax on their respective taxable incomes at their corresponding legislated rates. On December 31, 2009, the Trust effected the transfer of its interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. On February 5, 2010, the Trust disposed of its interest in the U.S. entity. As a result of these transactions, the Trust is no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates.

The reported carrying amount of Dundee REIT's net assets, excluding those in incorporated subsidiaries at December 31, 2010, exceeds the corresponding tax cost by approximately $24,000 (December 31, 2009 — $46,000).

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

For the years ended December 31	**2010**	2009
Income before income taxes	**$ 24,585**	$ 16,445
Income (loss) before income taxes from discontinued operations	**2,418**	(6,705)
	27,003	9,740
Less: Income allocable to unitholders	**(26,958)**	(8,440)
Income subject to Canadian tax in consolidated entity	**45**	1,300
Tax thereon at 29% current statutory rate (2009 — 29%)	**13**	377
Foreign current and future tax recovery in respect of foreign entities	**—**	(1,924)
Elimination of future tax liability in connection with reorganization	**—**	(2,133)
	13	(3,680)
Less: Total income tax recovery from discontinued operations	**—**	(1,924)
Total income tax provision (recovery) from continuing operations	**$ 13**	$ (1,756)

Note 16

INCOME PER UNIT

The weighted average number of units outstanding was as follows:

For the years ended December 31	**2010**	2009
REIT A Units and REIT B Units	**35,183,224**	18,690,672
LP B Units	**3,468,485**	3,454,188
Vested deferred trust units	**105,404**	71,484
Total weighted average number of units outstanding for basic income per unit amounts	**38,757,113**	22,216,344
Add incremental units:		
Unvested deferred trust units	**93,049**	—
Income deferred trust units	**13,058**	9,812
Total weighted average number of units outstanding for diluted income per unit amounts	**38,863,220**	22,226,156

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 A 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 3,412,638 incremental REIT A Units to be issued upon an assumed conversion of all debentures outstanding at December 31, 2010 (December 31, 2009 — 3,419,043) have been excluded from the calculation of diluted net income 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 2010, the total cost recognized and cash payments for employee future benefits, consisting of cash contributed to the defined contribution plan, was $147 (2009 — $107).

Note 18

SEGMENTED INFORMATION

The Trust's rental properties have been segmented into office and industrial components. The "other" category represents rental properties under development. 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, 2010	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 257,704	$ 21,648	$ 279,352	$ —	$ 279,352
Rental properties operating expenses	101,028	5,926	106,954	—	106,954
Net operating income	156,676	15,722	172,398	—	172,398
Depreciation of rental properties	37,123	3,533	40,656	—	40,656
Amortization of leasing costs, tenant improvements and intangibles	37,863	1,822	39,685	—	39,685
Segment income	$ 81,690	$ 10,367	$ 92,057	$ —	92,057
Interest expense					(59,732)
General and administrative expenses					(9,317)
Interest and fee income					1,577
Income taxes					(13)
Discontinued operations					2,418
Net income					$ 26,990
Segment rental properties	$1,757,787	$ 184,036	$1,941,823	$ 14,157	$1,955,980
Capital expenditures					
Investment in rental properties	$ (6,516)	$ (1,713)	$ (8,229)	$ (5,635)	$ (13,864)
Investment in tenant improvements	(7,285)	(1,651)	(8,936)	—	(8,936)
Acquisition of rental properties	(620,787)	(104,178)	(724,965)	(7,009)	(731,974)
Leasing costs	(6,517)	(1,727)	(8,244)	(21)	(8,265)
Total capital expenditures	$ (641,105)	$ (109,269)	$ (750,374)	$ (12,665)	$ (763,039)

For the year ended December 31, 2009	Office	Industrial	Segment total	Other	Total
Operations					
Rental properties revenue	$ 175,635	$ 16,448	$ 192,083	$ —	$ 192,083
Rental properties 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 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)
Leasing costs	(3,513)	(476)	(3,989)	(307)	(4,296)
Total capital expenditures	$ (108,209)	$ (1,252)	$ (109,461)	$ (1,403)	$ (110,864)

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, 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

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) 1.00% 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.

Related-party transactions

For the year ended December 31, 2010, the Trust received total fees from DRC of $2,051 (December 31, 2009 — $1,903). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the year ended December 31, 2010, include $4,182 for operating and administrative costs of regional offices (December 31, 2009 — $3,405), which are included in operating expenses of the Trust.

For the year ended December 31, 2010, the Trust incurred total fees of $12,506 (December 31, 2009 — $6,020) under the Asset Management Agreement. Of this amount, $5,843 (December 31, 2009 — $4,551) is included in general and administrative expenses; $5,547 (December 31, 2009 — $954) is included in property acquisitions; $841 (December 31, 2009 — $515) is included in financing costs and reported with debt; $252 (December 31, 2009 — $nil) is capitalized to properties under development; and $23 (December 31, 2009 — $nil) is included in rental properties operating expense.

Included in amounts receivable at December 31, 2010, is $(128) related to the Services Agreement (December 31, 2009 — $(155)); $328 related to the Asset Management Agreement (December 31, 2009 — $224); and $115 related to other amounts owed by DRC (December 31, 2009 — $158). Accrued liabilities and other payables at December 31, 2010, include $775 for amounts related to the Asset Management Agreement (December 31, 2009 — $954).

Included in rental properties revenue are amounts received from Dundee Securities Corporation, a subsidiary of Dundee Corporation, for the rental of office premises of $260 for the year ended December 31, 2010 (December 31, 2009 — $nil). These amounts have been recorded at the exchange amount.

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 relevant period.

During the fourth quarter of 2010, the Trust recognized an additional $499 in expenses for costs related to the sale of properties to GE Real Estate in 2007. These costs relate to the settlement of claims made by third parties, prior to the sale, on the sold properties.

On March 1, 2010, the Trust sold its 50% interest in a joint venture office property located in Toronto, Ontario. It received net proceeds of $10,665 and recognized a gain of $2,200.

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 net proceeds of $185. The Trust is now discharged from all rights and obligations relating to the property. 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. The sale closed in 2010 resulting in a net gain of $595 for the current year including the reclassification of the foreign currency translation adjustment from other comprehensive income.

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.

There were no assets held for sale at December 31, 2010.

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

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

The following table summarizes the net income from discontinued operations:

For the years ended December 31	**2010**	2009
Revenues		
Rental properties revenue	**$ 422**	$ 8,825
Interest and other income	**—**	17
	422	8,842
Expenses		
Rental properties operating expenses	**300**	6,563
Interest	**—**	586
Depreciation of rental properties	**—**	771
Amortization of leasing costs, tenant improvements and intangibles	**—**	352
General and administrative	**—**	17
	300	8,289
Income before undernoted	**122**	553
(Gain) loss on disposal of rental properties	**(2,296)**	7,258
Current income taxes	**—**	47
Future income tax recovery	**—**	(1,971)
Net income (loss) from discontinued operations	**$ 2,418**	$ (4,781)

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
2011	$ 1,012	$ 133
2012	865	133
2013	727	132
2014	16	—
Total	$ 2,620	$ 398

Purchase and other obligations

The Trust has entered into lease agreements that require tenant improvement costs of approximately $6,500.

Effective February 1, 2010, the Trust entered into three fixed price contracts to purchase electricity for 14 office properties in Calgary. The contracts expire on January 31, 2013, and commit the Trust to total minimum payments of $2,200 for each of 2011 and 2012, and $200 for 2013.

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 $600 annually for each of 2011 and 2012.

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, of which $6,700 has been incurred to date. 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	2010	2009
Decrease in amounts receivable	$ 2,083	$ 3,537
Decrease in tenant inducements	267	373
Increase in prepaid expenses and other assets, excluding restricted cash	(2,158)	(56)
Increase (decrease) in amounts payable and accrued liabilities (excluding leasing costs)	(4,014)	2,375
Decrease in amounts payable relating to leasing costs	(1,238)	(220)
Change in non-cash working capital	**$ (5,060)**	**$ 6,009**

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

For the years ended December 31	2010	2009
Interest	$ 57,531	$ 49,975
Income taxes	19	21

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 expenditures and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percentage of distributable income and distributable income per unit.

The Trust’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, 2010, the Trust’s interest coverage ratio was 2.8 times (December 31, 2009 — 2.3 times), reflecting its ability to cover interest expense requirements.

For the years ended December 31	**2010**	2009
Rental properties revenue	**$ 279,352**	$ 192,083
Rental properties operating expense	**106,954**	71,129
Net operating income	**172,398**	120,954
Add: Interest and fee income	**1,577**	1,676
Less: General and administrative expenses	**9,317**	6,706
	$ 164,658	$ 115,924
Interest expense	**$ 59,732**	$ 49,736
Interest coverage ratio	**2.8 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. In addition, there is interest rate risk associated with the Trust's fixed rate debt due to the expected requirement to refinance such debts in the year of maturity. Variable rate debt at December 31, 2010, was 2.2% of the Trust's total debt (December 31, 2009 — 3.7%). 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 liabilities and fixed rate debt maturing within one year, for the year ended December 31, 2010. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts as well as for refinanced fixed rate debts.

		Interest rate risk			
		–1%		+1%	
	Carrying amount	Income	Equity	Income	Equity
Financial liabilities					
Variable rate mortgages[1]	$ 28,737	$ 287	$ 287	$ (287)	$ (287)
Fixed rate mortgages due within one year	79,692	797	797	(797)	(797)

[1] Variable rate mortgages include a floating rate mortgage at a rate of LIBOR plus 0.62%.

The Trust is not exposed to currency risk.

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

The Trust's assets consist of office and industrial rental properties. Credit risk arises from the possibility that tenants in rental properties may not fulfill their lease or contractual obligations. 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. 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

Effective February 8, 2011, the Trust completed the acquisition of Realex Properties Corporation (Realex). Realex owned interests in 24 office and industrial assets in Ontario and Alberta, totalling approximately 1.8 million square feet. The Trust acquired all 18,712,663 outstanding common shares of Realex for $8.25 per common share, or approximately $154,379 excluding transaction costs, and assumed mortgages of approximately $210,128.

On February 4, 2011, the Trust completed a public offering of 4,749,500 REIT A Units at a price of $30.30 per unit, for gross proceeds of $143,910. Costs related to the offering totalled $5,756 and were charged directly to unitholders' equity.

Effective January 17, 2011, the Trust completed the acquisition of an office building in Ottawa, Ontario, consisting of approximately 175,000 square feet. The purchase price of the property, excluding transaction costs, was approximately $38,300.

Effective January 4, 2011, the Trust completed the acquisition of an office building in Saskatoon, Saskatchewan, consisting of approximately 210,000 square feet. The purchase price of the property, excluding transaction costs, was approximately $50,000.

Trustees and officers

Trustees

Detlef Bierbaum[2,4]
KÖLN, GERMANY
Member of the Supervisory Board, Sal Oppenheim KAG

Donald K. Charter
TORONTO, ONTARIO
President and Chief Executive Officer, Corsa Capital Ltd.

Michael J. Cooper[2]
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
President and Chief Executive Officer, Dundee Capital Markets 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 Jackman[1,4]
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Chairman, President and CEO, E-L Financial Corporation Limited

K. Kellie Leitch
TORONTO, ONTARIO
Orthopaedic Paediatric Surgeon, Hospital for Sick Children and Professor, University of Toronto

Robert Tweedy[4]
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

Corporate information

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Transfer agent

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

COMPUTERSHARE TRUST COMPANY OF CANADA

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E-mail: service@computershare.com

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Investor relations

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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, 2010, are taxed as follows:
Other income: 27.5%
Taxable capital gains: 0.6%
Return of capital: 71.9%

Management estimates that 60% of the distributions to be made by the REIT in 2011 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 12, 2011, 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

Concept and Design: THE WORKS www.worksdesign.com

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