2013 Annual Report

Better Communities to Work In

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

Dundee REIT has been around since 2003, and we've been investing in high quality office properties in key markets across Canada. This is so we can create stable and growing cash flows for our investors. Just over a decade later, we're happy to announce that we're moving into a new and exciting time in our business. We want to let everyone know that starting May 12, 2014, Dundee REIT's name will be Dream Office REIT.

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

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

Stock Exchange Listing

On the Toronto Stock Exchange, Dream Office REIT will continue to trade under these listing symbols:

REIT Units:
D.UN

5.5% Series H
Convertible Debentures:
D.DB.H

5.95% Senior Unsecured Debentures, Series K:
D.DB.K

dream
office REIT

Letter to unitholders

Our underlying business performed well in 2013 as we increased operating cash flow, strengthened our balance sheet and invested significantly in both our properties and our management platform.

For 2013, adjusted funds from operations (“AFFO”) increased by 2.5% even though our overall debt level decreased. AFFO per unit for the year was $2.47 compared to $2.41 in 2012. On a leverage neutral basis, our 2013 AFFO per unit would have been $2.51, reflecting 4.1% of AFFO growth. We further strengthened our balance sheet by reducing our debt and refinancing maturing debt with low-cost, long-term financing. We also became an issuer of unsecured debt, completing three issuances totalling $450 million to date. With this new source of capital, we have been able to increase our pool of unencumbered assets and strengthen our overall financial position. Our net operating income from comparative properties increased by 1% over the prior year. Leasing activity was strong, but with an increase in the supply of office space combined with slowing tenant demand, we saw our occupancy decline by 80 basis points over the prior year. Even though our occupancy levels have declined, our buildings have performed better than the national averages.

The foundation of our portfolio is solid with a significant downtown presence and a high-quality tenant roster. The current leasing environment is challenging and requires us to look for new ways to retain tenants and increase revenue. A key to this strategy is investing capital in our buildings and, as a result, improve the value and attractiveness to tenants and reduce operating costs. By doing so, our tenants will have a better experience at our buildings, leading to improved tenant retention, quicker leasing of available space and realization of higher rental rates. We have been modernizing elevators, upgrading lobbies and common areas and creating better outdoor spaces for our tenants to enjoy, all of which increases tenant satisfaction. We continue to invest in energy saving initiatives across the portfolio. Designating capital to building improvements such as lighting and water fixture retrofits, boiler and machinery replacements reduces energy costs and makes our buildings more competitive from a cost perspective. These initiatives, combined with a team of 18 talented leasing professionals across Canada who stay in close contact with existing and prospective tenants, will contribute significantly to keeping our buildings occupied.

We are also looking at ways to generate additional revenue and value from our existing buildings through intensification and alternative uses, especially in our downtown buildings where urbanization allows for opportunities to increase revenue in both office and retail space.

We plan to improve the overall quality of our portfolio by disposing of non-core assets, such as those that are special purpose, peripherally located or in declining locations with lower potential for long-term income growth. We have underwritten and identified these properties, which when sold could fund improvement initiatives. We expect to start the selling process shortly.

By investing recoverable capital to retain and attract tenants, having our experienced leasing team actively pursue renewals and new deals, creating retail space to generate higher income, and strategically selling non-core assets to invest in properties that offer more long-term growth, we will make our portfolio stronger.

In May 2014, we will be introducing our new platform-wide branding and the renaming of our Trust to Dream Office REIT. For a preview, please refer to the insert in the inside front cover of the printed annual report, or visit our website www.dundeereit.com.

As always, we thank you for your continued support and look forward to the upcoming year.

Michael J. Cooper
Chief Executive Officer
March 15, 2014

At-a-glance

December 31, 2013

$7.1B

TOTAL ASSETS

8.9%

MARKET RENTS ABOVE IN-PLACE RENTS

2.9x

INTEREST COVERAGE RATIO

11,500

AVERAGE TENANT SIZE (square feet)

5.1

AVERAGE REMAINING LEASE TERM (years)

47.6%

LEVEL OF DEBT

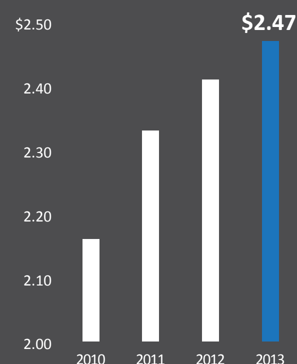
Dundee REIT owns and operates high-quality, well-located and competitively priced business premises. The portfolio comprises approximately 24.6 million square feet of central business district and suburban office properties located in Canada's key office markets.

Diversified, High-Quality Tenants

Tenant	% of gross rental revenue	% of owned area	Wtd. avg. remaining lease term (years)
Government of Canada	7.3	6.6	3.0
Bank of Nova Scotia	7.3	4.0	10.5
Government of Ontario	3.1	2.7	5.6
Bell Canada	1.9	1.5	4.3
Government of Québec	1.8	2.8	12.7
Enbridge Pipelines Inc.	1.5	1.0	5.1
Telus	1.4	1.2	2.3
Government of Saskatchewan	1.4	1.5	2.9
State Street Trust Company	1.4	1.0	8.3
Government of Alberta	1.2	1.3	3.9

Adjusted Funds from Operations

(per unit)

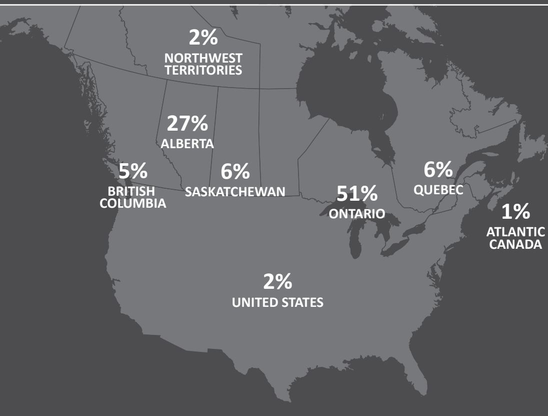


94.3%

OCCUPANCY

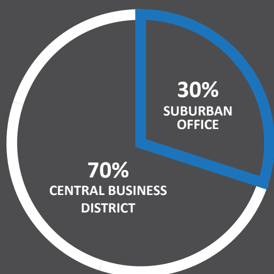
Geographic Diversification

(% net operating income)



Net Operating Income Breakdown

Q4/13



Photos (left to right, top to bottom):
655 Bay Street, Toronto
Station Tower, Surrey
700 rue de la Gauchetière, Montreal
Barclay Centre I&II, Calgary
HSBC Bank Place, Edmonton
5001 Yonge Street, Toronto
Adelaide Place, Toronto

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Photos (top to bottom):
Scotia Plaza, Toronto
IBM Corporate Park, Calgary
Enbridge Place, Edmonton

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, 2013. Unless otherwise indicated, our discussion of assets, liabilities, revenue and expenses includes our investment in joint ventures, which are equity accounted at our proportionate share of assets, liabilities, revenue and expenses.

During Q4 2012, the Trust sold its industrial segment comprising 77 properties (the "Industrial Portfolio") to Dundee Industrial Real Estate Investment Trust ("Dundee Industrial"). As part of the consideration, the Trust received in return limited partnership units of Dundee Industrial Limited Partnership (a subsidiary of Dundee Industrial), which are exchangeable for units of Dundee Industrial. As at December 31, 2013, Dundee REIT's retained interest in Dundee Industrial is approximately 22.9% and is accounted for as an equity investment. Unless otherwise indicated, our operating metrics and financial information for the current period and prior periods reflect the investment property portfolio excluding assets sold and held for sale as well as the 77 industrial properties sold to Dundee Industrial.

This management's discussion and analysis ("MD&A") is dated as at February 27, 2014.

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" and "subsidiary redeemable units", meaning the LP Class B Units, Series 1

Certain market information has been obtained from CBRE, *Canadian Market Statistics*, Fourth Quarter 2013, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, its accuracy and completeness 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 on 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 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 rates.

Although the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking information is disclosed in this MD&A as part of our Results of Operations under the heading "Adjusted funds from operations". 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; and our continued compliance with the real estate investment trust ("REIT") exception under the specified investment flow-through trust ("SIFT") legislation; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of February 27, 2014. 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 our latest Annual Information Form. Certain 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 and maintaining a diversified, growth-oriented portfolio of office 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

On February 20, 2013, we announced that we would be increasing our annual distribution rate to $2.24 per unit or $0.187 per unit on a monthly basis, from the 2012 annual distribution rate of $2.20 and $0.183 on a monthly basis. The new rate of distribution commenced with the April 30, 2013 record date. At December 31, 2013, approximately 24% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”). There is no equivalent program for the REIT B Units (for a description of distributions, refer to the section “Our Equity”).

				2013				2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Annualized distribution rate	**$ 2.24**	$ 2.24	$ 2.24	$ 2.20	$ 2.20	$ 2.20	$ 2.20	$ 2.20
Monthly distribution rate	**$ 0.187**	$ 0.187	$ 0.187	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183
Period-end closing unit price	**$ 28.82**	$ 29.04	$ 32.64	$ 36.65	$ 37.43	$ 37.66	$ 38.19	$ 35.20
Annualized distribution yield on closing unit price (%)	**7.8%**	7.7%	6.9%	6.0%	5.9%	5.8%	5.8%	6.3%

OUR STRATEGY

With the sale of substantially all of our Industrial Portfolio in the fourth quarter of 2012, Dundee REIT’s core strategy is to invest in office properties in key markets across Canada, providing a solid platform for stable and growing cash flows. We are the largest pure-play office REIT in Canada. The majority of our portfolio comprises central business district office properties concentrated in nine of Canada’s top ten office markets. The execution of our strategy is continuously reviewed, including acquisitions and dispositions, our capital structure and our analysis of current economic conditions. Our executive team is seasoned, knowledgeable and highly motivated to continue to increase the value of our portfolio and provide stable, reliable and growing returns for our unitholders. In addition, Dundee REIT is steadfast in maintaining its status as a REIT under the SIFT legislation.

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

Investing in high-quality office properties

Dundee REIT has an established presence in key urban markets across Canada. Our portfolio comprises high-quality office properties that are well-located and 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 a fully internalized property manager, 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 and have been consistently above the national average. We view this as compelling 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.

Diversifying our portfolio to mitigate risk

Since the credit crisis in 2009, we have carefully repositioned our portfolio through a significant number of accretive, high-quality acquisitions. In addition to expanding and diversifying our geographic footprint across the country, the acquisitions have served to enhance the stability of our business, diversifying and strengthening the quality of our revenue stream and increasing cash flow. Our existing tenant base is well diversified, representing a number of industries and different space requirements, and offers strong financial covenants. Our lease maturity profile is well staggered over the next ten years. We will continue to pursue opportunities for growth but only when it enhances our overall portfolio, further improves the sustainability of our 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 flow sufficient to fund our distributions while maintaining a conservative debt ratio and staggered debt maturities.

OUR ASSETS

Dundee REIT provides high-quality, well-located and attractively priced business premises. Our portfolio comprises central business district and suburban office properties predominantly located in major urban centres across Canada including Toronto, Calgary, Edmonton, Montreal, Ottawa and Vancouver.

At December 31, 2013, our ownership interests included 186 office properties (218 buildings) totalling approximately 24.7 million square feet of gross leasable area ("GLA"), including 24.6 million square feet of office properties and 0.1 million square feet of properties held for sale and redevelopment properties. The occupancy rate across our office portfolio remains high at 94.3%, well ahead of the national industry average occupancy rate of 90.3% (CBRE, *Canadian Market Statistics*, Fourth Quarter 2013). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

	Owned GLA (sq. ft.)			
	December 31, 2013		December 31, 2012	
	Total	**%**	Total	%
Western Canada	**5,100,835**	**21**	4,447,819	19
Calgary	**3,959,943**	**16**	3,684,326	16
Toronto	**11,175,423**	**45**	10,489,256	46
Eastern Canada[1]	**4,325,590**	**18**	4,326,892	19
Total[2]	**24,561,791**	**100**	22,948,293	100

(1) Includes two properties located in the U.S.

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

During the year ended December 31, 2013, we acquired properties totalling approximately 1.7 million square feet of GLA for approximately $604.9 million.

In addition to pursuing accretive acquisitions, management remains focused on portfolio analysis and pruning assets that may no longer fit within our strategy or that we believe may have reached their maximum growth potential. During the past two years, we completed the sale of approximately $0.7 billion of non-strategic and other non-core assets, comprising 5.9 million square feet. The proceeds from the asset sales were redeployed in a variety of ways to strengthen the business, including redeeming $126.5 million of convertible debentures on December 31, 2012, which reduced our overall level of debt and lowered interest costs.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Operations				
Occupancy rate (year-end)(1)			**94.3%**	95.1%
Average in-place net rent per square foot (year-end)(1)			**$ 17.83**	$ 17.22
Operating results				
Investment properties revenue	**$ 208,418**	$ 191,999	**$ 800,531**	$ 686,564
Net operating income ("NOI")(2)(3)	**115,899**	105,471	**451,233**	384,192
Comparative properties NOI(2)(3)	**69,747**	69,628	**279,023**	276,600
Funds from operations ("FFO")(4)	**78,242**	68,905	**306,247**	263,488
Adjusted funds from operations ("AFFO")(5)	**66,984**	58,060	**261,776**	221,960
Fair value adjustments to investment properties, excluding transaction costs(2)	**(19,578)**	49,719	**135,292**	123,363
Distributions				
Declared distributions	**$ 59,989**	$ 55,357	**$ 235,751**	$ 203,596
Distributions paid in cash	**45,433**	43,613	**187,291**	160,024
DRIP participation ratio	**24%**	21%	**21%**	21%
Financing				
Weighted average effective interest rate on debt (year-end)			**4.18%**	4.33%
Weighted average face rate of interest on debt (year-end)			**4.22%**	4.50%
Level of debt (net debt-to-gross book value)(6)			**47.6%**	47.8%
Interest coverage ratio(6)			**2.92 times**	2.70 times
Net average debt-to-EBITDFV (years)(6)			**8.0**	8.4
Net debt-to-adjusted EBITDFV (years)(6)			**8.0**	8.1
Debt – average term to maturity (years)			**4.6**	5.1
Per unit amounts(7)				
Distribution rate	**0.56**	0.55	**2.23**	2.20
Basic:				
FFO(4)	**$ 0.72**	$ 0.68	**$ 2.88**	$ 2.86
AFFO(5)	**0.62**	0.57	**2.47**	2.41
Diluted:				
FFO(4)	**0.72**	0.68	**2.87**	2.85
Payout ratio (%)				
FFO (basic)	**78%**	81%	**77%**	77%
AFFO (basic)	**90%**	96%	**90%**	91%

(1) Includes investments in joint ventures and excludes redevelopment properties, properties sold, assets held for sale and discontinued operations.

(2) Includes investments in joint ventures and excludes properties sold, assets held for sale and discontinued operations.

(3) NOI (non-GAAP measure) is defined as total of net rental income, including the share of net rental income from investment in joint ventures and property management income, excluding net rental income from discontinued operations, properties sold and assets held for sale. The reconciliation of NOI to net rental income can be found in section "Our results of operations" under the heading "Net operating income".

(4) FFO (non-GAAP measure) – The reconciliation of FFO to net income can be found in section "Our results of operations" under the heading "Funds from operations and adjusted funds from operations".

(5) AFFO (non-GAAP measure) – The reconciliation of AFFO to cash flow from operations can be found in section "Our results of operations" under the heading "Funds from operations and adjusted funds from operations".

(6) The calculation of the following non-GAAP measures, level of debt, interest coverage ratio, net average debt-to-EBITDFV and net debt-to-adjusted EBITDFV are included in the "Non-GAAP measures" section of the MD&A.

(7) A description of the determination of basic and diluted amounts per unit can be found in section "Non-GAAP measures" under the heading "Weighted average number of units".

FINANCIAL OVERVIEW

Total AFFO for the quarter was $67.0 million, an increase of $8.9 million, or 15.4%, over the prior year comparative quarter (year ended December 31, 2013 – $261.8 million, an increase of $39.8 million, or 17.9%, over the prior year comparative period). AFFO on a per unit basis increased from $0.57 per unit to $0.62 per unit, over the prior year comparative quarter (year ended December 31, 2013 – an increase from $2.41 per unit to $2.47 per unit over the prior year comparative period).

Total FFO for the quarter was $78.2 million, an increase of $9.3 million, or 13.6%, over the prior year comparative quarter (year ended December 31, 2013 – $306.2 million, an increase of $42.8 million, or 16.2%, over the prior year comparative period). Diluted FFO on a per unit basis increased from $0.68 per unit to $0.72 per unit over the prior year comparative quarter (year ended December 31, 2013 – an increase from $2.85 per unit to $2.87 per unit over the prior year comparative period).

The increase in basic AFFO and diluted FFO per unit over the prior year comparative quarter and period resulted from:

- a decrease in the weighted average cost of debt throughout 2013, due in part to the redemption of all the outstanding 6.5% Debentures, 5.7% Debentures, 6.0% Debentures and 7.0% Debentures totalling $126.5 million on December 31, 2012;
- the sale of the Industrial Portfolio to Dundee Industrial at the beginning of Q4 2012 while carrying excess cash on hand on and off throughout 2012 and throughout most of Q4 2012, which had a dilutive impact on AFFO per unit throughout Q4 2012;
- 2.1 million Units purchased for cancellation under the normal course issuer bid during the year;
- accretive acquisitions completed in 2012 and 2013; and
- 0.2% growth in comparative property NOI over the prior year comparative quarter and 0.9% growth over the prior year comparative period.

Partially offsetting this was:

- the effect of our continuous efforts to de-leverage throughout 2012 and 2013, to further strengthen our balance sheet.

On a quarterly basis, NOI from comparative properties increased by $0.1 million, or 0.2%, over the prior year comparative quarter (year ended December 31, 2013 – $2.4 million, or 0.9%, increase over the prior year comparative period), with increases across all regions except for Western Canada where it had a decline of 2.3%, or $0.4 million, over the prior year comparative quarter and a decline of 0.7%, or $0.4 million, over the prior year comparative period. Overall, the increase was mainly driven by higher rental rates achieved on new leasing completed over the past year and the benefit of step rents, all offset by lower occupancy across all regions.

In-place and committed occupancy remains strong at 94.3%, below the 95.1% at Q4 2012, yet still well above industry averages.

Average in-place rents continue to strengthen across the portfolio. We ended the quarter with an average in-place rent of $17.83 per square foot, representing a $0.61 per square foot increase over Q4 2012 of $17.22 per square foot. Estimated average market rents remain about 9% above average in-place rents, representing an opportunity to increase NOI as space is renewed or leased.

During the fourth quarter, we purchased 83 Yonge Street, in Toronto, for a total purchase price of $8.1 million (before transaction costs). This property is adjacent to an existing building owned by the Trust.

We ended the quarter with strong debt metrics, repaying two mortgages during the quarter. Over the past 15 months, our net debt-to-gross book value improved to 47.6% compared to 50.5% at the beginning of Q4 2012. During Q4 2013, our weighted average face rate of interest remained low at 4.22% and our interest coverage ratio remained solid at 2.92 times.

On January 21, 2014, the Trust completed the issuance of $150 million aggregate principal amount of Series C senior unsecured debentures ("Series C Debentures"). The Series C Debentures bear interest at a rate of 4.074% with a maturity date of January 21, 2020. The net proceeds of $148.6 million from the Series C Debentures were mainly used to pay down $87.5 million of the demand revolving credit facilities and five mortgages totalling $59.3 million. This further strengthened the Trust's debt metrics by reducing our variable rate debt from 8.7% at December 31, 2013 to 6.2% of total debt, and prolonged our debt maturity from 4.6 years at December 31, 2013 to 4.7 years.

OUTLOOK

Our business environment changed in 2013. Concern over rising interest rates, slowing job growth and increased office supply led to a significant decline in our unit price.

The underlying business performed well in 2013. Our AFFO per unit for the year was $2.47 compared to $2.41 in 2012. On a leverage neutral basis, our 2013 AFFO per unit would have been $2.51, reflecting 4.1% of AFFO growth. We reduced our overall debt level and continued to take advantage of low-cost, longer term secured financing. We also became an issuer of unsecured debt, completing three issuances totalling $450 million. With this new source of capital, we have been able to increase our pool of unencumbered assets and strengthen our overall financial position.

The concerns expressed by the market are reasonable and we have responded by focusing our efforts on maintaining occupancy as best as we can. Even though our occupancy levels have declined, our buildings have performed better than the national averages.

While the foundation of our platform is solid with our significant downtown presence and high-quality tenant roster, we continue to look for new ways to adapt to this more challenging operating environment. We are looking at new ideas to increase the income and value of our properties from intensification and alternative uses, especially in our downtown buildings where urbanization allows for opportunities to increase revenue in both office and retail space. We have also made changes to our organizational structure, empowering our operating group to be more aggressive in overall portfolio management. We are also looking to enter into strategic partnerships that can be profitable for our business.

Our history shows we have been able to adapt as the operating environment changes. With the significant investments we are making in our buildings and our people, we are prepared for both the challenges and opportunities that lie ahead.

SECTION II – EXECUTING THE STRATEGY

OUR OPERATIONS

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

Performance indicators[1]	December 31, 2013	December 31, 2012
Occupancy rate	**94.3%**	95.1%
Average in-place net rental rates (per sq. ft.)	**$ 17.83**	$ 17.22
Tenant maturity profile – average term to maturity (years)	**5.13**	5.49

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

Occupancy

At December 31, 2013, the overall percentage of occupied and committed space across our total portfolio remained strong at 94.3%, well above the national industry average of 90.3% (CBRE, *Canadian Market Statistics*, Fourth Quarter 2013). Occupancy rates discussed in this report with respect to our portfolio include occupied and committed space at December 31, 2013.

On a total property basis, the occupancy rate across our portfolio declined slightly from 94.6% at September 30, 2013 and 95.1% at December 31, 2012 to 94.3% at December 31, 2013, with decreases in all regions. On a comparative property basis, the average occupancy level for the quarter, excluding committed space, decreased 0.7% compared to the prior quarter and 1.7% compared to the prior year same period.

	Total portfolio[1]			Comparative properties[2]		Comparative properties[3]	
(percentage)	**December 31, 2013**	September 30, 2013	December 31, 2012	**December 31, 2013**	September 30, 2013	**December 31, 2013**	December 31, 2012
Office							
Western Canada	**93.0**	93.3	94.3	**93.0**	93.3	**92.3**	94.3
Calgary	**93.5**	94.2	94.4	**93.5**	94.2	**93.0**	94.5
Toronto	**94.5**	94.7	94.7	**94.5**	94.7	**94.2**	94.7
Eastern Canada	**96.1**	96.1	97.8	**96.1**	96.1	**96.1**	97.8
Total office	**94.3**	94.6	95.1	**94.3**	94.6	**94.0**	95.2

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

(2) Comparative properties include all properties owned by the Trust at September 30, 2013, excluding redevelopment properties and properties held for sale.

(3) Comparative properties include all properties owned by the Trust at December 31, 2012, excluding redevelopment properties and properties held for sale.

The table below details the percentage of occupied and committed space for the last eight quarters, demonstrating the strength and consistency of our leasing profile.

				2013				2012
(percentage)[1]	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Office	**94.3**	94.6	94.9	94.7	95.1	95.1	95.2	95.2
Industrial[2]	**-**	-	-	-	-	-	97.1	97.4
Overall	**94.3**	94.6	94.9	94.7	95.1	95.1	95.6	95.6
National industry average[3]	**90.3**	90.9	91.3	91.5	91.5	91.7	91.8	91.8

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

(2) At September 30, 2012, the industrial properties were reclassified as discontinued operations and subsequently sold.

(3) National industry average occupancy rates obtained from CBRE, Canadian Market Statistics quarterly reports.

Vacancy schedule

During the quarter, vacancy increased by approximately 224,000 square feet. The increase was driven mainly by Calgary and suburban Toronto which accounted for approximately 103,000 square feet and 47,000 square feet, respectively. Approximately 50% of the negative absorption is committed for future occupancy that will commence in the second half of the year. Leasing activity included approximately 791,000 square feet of renewals and approximately 174,000 square feet of new leases, offset by approximately 1,189,000 square feet of lease expiries and terminations.

During the year, vacancy increased by approximately 414,000 square feet, mainly in Western Canada, Calgary and suburban Toronto. Leasing activity included approximately 2,319,000 square feet of renewals and approximately 1,014,000 square feet of new leases, offset by approximately 3,747,000 square feet of lease expiries and terminations.

At December 31, 2013, vacant space committed for future occupancy increased by approximately 160,000 square feet over the prior quarter to approximately 387,000 square feet. This increase in leasing activity has provided the Trust the opportunity to commit to longer-term leases and to capitalize on higher in-place rents on future commitments.

(in square feet)	Three months ended December 31, 2013[1]	As a % of total GLA	Year ended December 31, 2013[1]	As a % of total GLA
Available for lease at beginning of period	1,334,959	5.4%	1,116,569	4.5%
Vacancy committed for future leases	227,363	0.9%	163,533	0.7%
Vacant space at beginning of period	1,562,322	6.4%	1,280,102	5.2%
Acquired vacancy	3,360	0.0%	46,762	0.2%
Reclassified to held for sale	-	0.0%	(12,165)	0.0%
Re-measurements/reclassifications	(1,133)	0.0%	60,215	0.2%
Vacant space at beginning of period – restated	1,564,549	6.4%	1,374,914	5.6%
Expiries	1,165,865	4.7%	3,676,265	15.0%
Early terminations and bankruptcies	23,476	0.1%	70,564	0.3%
New leases	(174,081)	(0.7)%	(1,014,248)	(4.1)%
Renewals	(791,031)	(3.2)%	(2,318,717)	(9.4)%
Vacant space – December 31, 2013	1,788,778	7.3%	1,788,778	7.3%
Vacancy committed for future occupancy	386,783	1.6%	386,783	1.6%
Available for lease – December 31, 2013	1,401,995	5.7%	1,401,995	5.7%

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

In-place net rental rates

Average in-place net rents across our total portfolio at December 31, 2013 increased to $17.83 per square foot from $17.74 per square foot at September 30, 2013, reflecting accretive acquisitions and rent uplifts in all regions. We believe estimated market rents are approximately 9% higher than our portfolio average in-place net rents, affording us a competitive advantage in attracting and retaining tenants as well as the opportunity to capture additional value as leases roll over. Market rents are determined based on current leasing activities.

	December 31, 2013[1]			September 30, 2013[1]			December 31, 2012		
Total office portfolio (in square feet)	**Average in-place net rent**	**Market rent**	**Market rent/ in-place rent (%)**	Average in-place net rent[1]	Market rent[2]	Market rent/ in-place rent (%)	Average in-place net rent[1]	Market rent[2]	Market rent/ in-place rent (%)
Office									
Western Canada	**$ 18.65**	**$ 20.60**	**10.5**	$ 18.49	$ 20.60	11.4	$ 18.24	$ 20.66	13.3
Calgary	**20.76**	**24.18**	**16.5**	20.77	24.71	19.0	19.53	25.14	28.7
Toronto	**18.62**	**19.67**	**5.6**	18.47	19.70	6.7	18.18	19.42	6.8
Eastern Canada	**12.29**	**13.22**	**7.6**	12.33	13.22	7.2	12.08	13.25	9.7
Total	**$ 17.83**	**$ 19.42**	**8.9**	$ 17.74	$ 19.52	10.0	$ 17.22	$ 19.38	12.5

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

(2) Comparative figures have been restated to conform to the current period presentation.

Leasing and tenant profile

The average remaining lease term and other portfolio information are detailed in the following table. The portfolio average remaining lease term at December 31, 2013 is 5.13 years, down from 5.23 years at September 30, 2013 and 5.49 years at December 31, 2012, largely reflecting the impact of leases rolling off in the quarter and during 2013.

	December 31, 2013[1]			September 30, 2013[1]			December 31, 2012[1]		
	Average remaining lease term (years)	**Average tenant size (sq. ft.)**	**Average in-place net rent (per sq. ft.)**	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.)
Western Canada	**3.76**	**10,043**	**$ 18.65**	3.92	10,075	$ 18.49	4.17	9,736	$ 18.24
Calgary	**3.81**	**9,807**	**20.76**	3.83	9,718	20.77	3.90	9,260	19.53
Toronto	**5.11**	**11,186**	**18.62**	5.18	11,124	18.47	5.29	10,959	18.18
Eastern Canada	**7.89**	**18,961**	**12.29**	8.11	18,951	12.33	8.58	18,308	12.08
Total	**5.13**	**11,461**	**$ 17.83**	5.23	11,414	$ 17.74	5.49	11,146	$ 17.22

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

The following table details our lease maturity profile by geographic segment at December 31, 2013. The table distinguishes 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. Our lease maturity profile remains staggered, with 11.8% expiring in 2014, 9.4% expiring in 2015, 16.1% expiring in 2016 and 13.7% expiring in 2017. Approximately 1.0 million square feet or 34.0% of the space expiring in 2014 is renewed or leased.

(in square feet)	Current vacancy	Current monthly/ short-term tenancies	2014	2015	2016	2017	2018+	Total
Western Canada – uncommitted	356,804	4,082	539,509	516,439	880,358	803,202	1,900,894	5,001,288
Western Canada – committed	-	-	88,627	6,284	4,636	-	-	99,547
Total Western Canada	356,804	4,082	628,136	522,723	884,994	803,202	1,900,894	5,100,835
Calgary – uncommitted	257,327	100,971	276,831	347,877	906,606	490,793	1,244,946	3,625,351
Calgary – committed	-	-	269,533	39,428	5,487	20,144	-	334,592
Total Calgary	257,327	100,971	546,364	387,305	912,093	510,937	1,244,946	3,959,943
Toronto – uncommitted	619,562	5,879	969,053	958,714	1,720,913	1,605,012	4,542,445	10,421,578
Toronto – committed	-	-	531,230	22,993	158,014	2,633	38,975	753,845
Total GTA/Toronto	619,562	5,879	1,500,283	981,707	1,878,927	1,607,645	4,581,420	11,175,423
Eastern Canada – uncommitted	168,302	-	136,401	407,920	268,608	451,408	2,722,362	4,155,001
Eastern Canada – committed	-	-	99,261	-	3,569	-	67,759	170,589
Total Eastern Canada	168,302	-	235,662	407,920	272,177	451,408	2,790,121	4,325,590
Total – uncommitted	1,401,995	110,932	1,921,794	2,230,950	3,776,485	3,350,415	10,410,647	23,203,218
Total – committed	-	-	988,651	68,705	171,706	22,777	106,734	1,358,573
Total[1]	1,401,995	110,932	2,910,445	2,299,655	3,948,191	3,373,192	10,517,381	24,561,791

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

The following table details expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in similar properties at December 31, 2013. Expiring rents and market rents represent base rates and do not include the impact of lease incentives. Currently, our 2014 expiring rents are approximately 6.2% below market and our 2015 expiring rents are approximately 11.7% below market, which, when coupled with our well-staggered lease rollover profile, positions us to continue capturing rate gains with new leasing.

		Current monthly/ short-term tenancies	2014	2015	2016	2017	2018+
Expiring rents							
Western Canada	$	12.78	16.98	16.89	17.04	21.14	21.56
Calgary		48.21	21.52	16.18	20.52	20.67	23.57
Toronto		4.31	14.68	15.81	16.71	20.43	22.46
Eastern Canada		-	15.82	16.19	15.55	15.16	12.65
Portfolio average	$	44.58	16.39	16.19	17.62	19.93	20.04
Market rents(1)							
Office							
Western Canada	$	15.27	19.02	18.86	19.04	20.05	22.40
Calgary		29.97	22.49	23.23	26.55	21.55	23.77
Toronto		16.53	15.20	17.02	17.26	21.02	21.34
Eastern Canada		-	16.25	15.23	15.58	14.80	12.33
Market rent average	$	28.72	17.40	18.09	19.79	20.03	19.63

(1) Estimate only; based on current market rents with no allowance for increases in future years. Subject to changes in market conditions.

Initial direct leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs and broker commissions incurred in negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances. Initial direct leasing costs and lease incentives are dependent upon 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 flex office and industrial space.

For the year ended December 31, 2013, we incurred approximately $45.3 million in leasing costs and lease incentives, of which $37.1 million related to tenants taking occupancy of the space in 2013, representing an average cost of $11.12 per square foot leased. The remaining leasing costs and lease incentives of $8.2 million related to tenants taking occupancy of the space in 2012.

Performance indicators		Total
Operating activities (continuing portfolio)(1)		
Portfolio size (sq. ft.)		24,561,791
Occupied and committed		94.3%
Square footage leased and occupied in 2013		3,332,965
Lease incentives and initial direct leasing costs (for space leased and occupied in 2013)	$	37,078
Lease incentives and initial direct leasing costs per square foot (for space leased and occupied in 2013)	$	11.12

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

Tenant base profile

Our tenant base includes municipal, provincial and federal governments as well as a wide range of high-quality large international corporations, including Canada's third-largest bank and three of Canada's prominent law firms, and small to medium-sized businesses across Canada. With approximately 2,300 tenants, our risk exposure to any single large lease or tenant is low. The average size of our office tenants is approximately 11,500 square feet. Effectively managing this diverse tenant base is one of our key strengths and has helped us to maintain consistently high occupancy levels and to continually capitalize on rental rate increases.

The stability and quality of our cash flow is further enhanced by the fact that rental revenue from government and government agencies comprises approximately 17.5% of our total rental revenue. The list of our 20 largest tenants includes both federal and provincial governments as well as other nationally and internationally recognizable high-quality corporations and businesses. The following table outlines their contributions to our rental revenue.

Tenant	Owned area (sq. ft.)	Owned area (%)	Gross rental revenue (%)	Weighted average remaining lease term (years)
Government of Canada	1,620,774	6.6	7.3	3.0
Bank of Nova Scotia	988,979	4.0	7.3	10.5
Government of Ontario	670,353	2.7	3.1	5.6
Bell Canada	376,694	1.5	1.9	4.3
Government of Québec	695,629	2.8	1.8	12.7
Enbridge Pipelines Inc.	248,577	1.0	1.5	5.1
Telus	287,803	1.2	1.4	2.3
Government of Saskatchewan	374,736	1.5	1.4	2.9
State Street Trust Company	244,936	1.0	1.4	8.3
Government of Alberta	325,208	1.3	1.2	3.9
Aviva Canada Inc.	335,900	1.4	1.1	2.6
Newalta Corporation	187,297	0.8	1.1	5.8
Government of British Columbia	272,867	1.1	1.1	3.7
Borell Management	124,795	0.5	1.0	3.0
Loyalty Management	194,018	0.8	1.0	3.8
SNC-Lavalin Inc.	209,002	0.9	0.8	6.4
Miller Thomson	137,049	0.6	0.8	9.7
Winners Merchants International	219,685	0.9	0.8	1.5
Cenovus Energy	140,605	0.6	0.8	9.5
Cassels Brock Blackwell	94,507	0.4	0.7	11.0
Total	7,749,414	31.6	37.5	5.8

OUR RESOURCES AND FINANCIAL CONDITION

Our discussion of assets and liabilities below includes our investment in joint ventures that are equity accounted for, at our proportionate share of assets and liabilities.

	December 31, 2013			December 31, 2012		
	Amounts per consolidated financial statements	Share from investment in joint ventures	Total	Amounts per consolidated financial statements	Share from investment in joint ventures	Total
Assets						
NON-CURRENT ASSETS						
Investment properties	**$ 6,241,685**	**$ 1,061,436**	**$ 7,303,121**	$ 5,477,560	$ 1,038,867	$ 6,516,427
Investment in Dundee Industrial	**166,317**	**-**	**166,317**	160,976	-	160,976
Investment in joint ventures	**527,255**	**(527,255)**	**-**	490,770	(490,770)	-
Other non-current assets	**104,822**	**2,804**	**107,626**	95,301	2,940	98,241
	7,040,079	**536,985**	**7,577,064**	6,224,607	551,037	6,775,644
CURRENT ASSETS						
Promissory notes receivable	**-**	**-**	**-**	42,000	-	42,000
Amounts receivable	**28,476**	**2,520**	**30,996**	31,106	2,100	33,206
Prepaid expenses and other assets	**9,450**	**432**	**9,882**	10,714	440	11,154
Cash and cash equivalents	**31,017**	**2,862**	**33,879**	24,014	7,179	31,193
	68,943	**5,814**	**74,757**	107,834	9,719	117,553
Assets held for sale	**15,921**	**-**	**15,921**	20,547	-	20,547
Total assets	**$ 7,124,943**	**$ 542,799**	**$ 7,667,742**	$ 6,352,988	$ 560,756	$ 6,913,744
Liabilities						
NON-CURRENT LIABILITIES						
Debt	**$ 2,884,481**	**$ 496,410**	**$ 3,380,891**	$ 2,470,337	$ 489,976	$ 2,960,313
Subsidiary redeemable units	**101,978**	**-**	**101,978**	132,078	-	132,078
Tenant security deposits	**18,848**	**235**	**19,083**	16,847	354	17,201
Deferred Unit Incentive Plan	**18,535**	**-**	**18,535**	18,754	-	18,754
Other financial liabilities	**19**	**-**	**19**	1,772	-	1,772
Deferred tax liabilities	**5,167**	**-**	**5,167**	4,492	-	4,492
	3,029,028	**496,645**	**3,525,673**	2,644,280	490,330	3,134,610
CURRENT LIABILITIES						
Debt	**264,535**	**11,678**	**276,213**	308,089	36,992	345,081
Amounts payable and accrued liabilities	**88,749**	**34,476**	**123,225**	76,896	33,434	110,330
Distributions payable	**19,493**	**-**	**19,493**	18,056	-	18,056
	372,777	**46,154**	**418,931**	403,041	70,426	473,467
Liabilities related to assets held for sale	**-**	**-**	**-**	9,268	-	9,268
Total liabilities	**$ 3,401,805**	**$ 542,799**	**$ 3,944,604**	$ 3,056,589	$ 560,756	$ 3,617,345

Investment properties

For the year ended December 31, 2013, the value of our investment property portfolio, including those assets held in joint ventures and excluding redevelopment properties and assets held for sale, increased to $7.3 billion from $6.5 billion at December 31, 2012, representing a weighted average cap rate of 6.19% and 6.35%, respectively.

During Q4 2013, we:

- acquired an office property for $8.1 million, excluding transaction costs;
- incurred $11.7 million in building improvements and $13.9 million in lease incentives; and
- recorded a net fair value loss of $14.4 million.

During Q3 2013, we:

- acquired office properties for $140.3 million, excluding transaction costs;
- incurred $13.8 million in building improvements and $9.1 million in lease incentives; and
- recorded a net fair value gain of $1.6 million.

During Q2 2013, we:

- acquired office properties for $360.1 million, excluding transaction costs;
- incurred $6.3 million in building improvements and $11.6 million in lease incentives; and
- recorded a net fair value gain of $54.8 million.

During Q1 2013, we:

- acquired an office property for $84.0 million, excluding transaction costs;
- sold non-core assets for gross proceeds of $21.5 million;
- incurred $4.4 million in building improvements and $10.7 million in lease incentives; and
- recorded a net fair value gain of $78.6 million.

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a cap rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value is further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using cap rates in the range of 5.15% to 9.00%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal capitalization rates specific to each property.

The fair value of our investment properties, including investment in joint ventures, is set out below:

			Total portfolio
	December 31, 2013	September 30, 2013	December 31, 2012
Western Canada	**$ 1,491,535**	$ 1,484,415	$ 1,272,704
Calgary	**1,396,921**	1,402,052	1,148,522
Toronto	**3,565,210**	3,551,212	3,257,009
Eastern Canada	**839,455**	834,236	827,492
Total	**7,293,121**	7,271,915	6,505,727
Add:			
Redevelopment properties	**10,000**	10,400	10,700
Assets held for sale	**20,481**	20,413	20,295
Total portfolio	**$ 7,323,602**	$ 7,302,728	$ 6,536,722
Less:			
Investment in joint ventures	**1,061,436**	1,064,630	1,038,867
Assets held for sale	**20,481**	20,413	20,295
Total per consolidated balance sheets	**$ 6,241,685**	$ 6,217,685	$ 5,477,560

The value of our total portfolio increased by $20.9 million in Q4 2013, of which $8.5 million reflects acquisitions during the quarter, and $25.6 million is attributable to building improvements, initial direct leasing costs and lease incentives. Offsetting this is $14.4 million of fair value loss recorded during the quarter, mainly attributable to changes in leasing assumptions primarily in downtown Calgary and the Greater Toronto Area, and the remainder due to foreign currency translation gains net of amortization of lease incentives. The weighted average cap rate across our portfolio remained flat at 6.19% compared to Q3 2013.

	Comparative properties[1]		
	December 31, 2013	September 30, 2013	Change
Western Canada	**$ 1,491,535**	$ 1,484,415	$ 7,120
Calgary	**1,396,921**	1,402,052	(5,131)
Toronto	**3,556,729**	3,551,212	5,517
Eastern Canada	**839,455**	834,236	5,219
Total	**7,284,640**	7,271,915	12,725
Add:			
Redevelopment properties	**10,000**	10,400	(400)
Assets held for sale	**20,481**	20,413	68
Total portfolio	**$ 7,315,121**	$ 7,302,728	$ 12,393
Less:			
Investment in joint ventures	**1,061,436**	1,064,630	(3,194)
Assets held for sale	**20,481**	20,413	68
Total comparative properties	**$ 6,233,204**	$ 6,217,685	$ 15,519

(1) Comparative properties are properties owned by the Trust at September 30, 2013.

On a comparative property basis (excluding redevelopment properties and assets held for sale), the fair value increased by $12.7 million compared to Q3 2013.

The value of our Western Canada portfolio increased by $7.1 million during the quarter, mainly due to $2.1 million of building improvements and initial direct leasing costs and lease incentive additions, as well as a $5.5 million fair value gain, which reflects changes in leasing assumptions, all offset by the amortization of lease incentives.

The value of our Calgary portfolio decreased by $5.1 million, mainly due to a $12.0 million fair value loss recorded during the quarter, which reflects a 3 basis points ("bps") weighted average cap rate increase and changes in leasing assumptions, offset by $7.1 million of building improvements and initial direct leasing costs and lease incentive additions.

The value of our Toronto portfolio increased by $5.5 million, mainly due to $14.8 million of building improvements and initial direct leasing costs and lease incentive additions, offset by a $7.9 million fair value loss recorded during the quarter, which reflects changes in leasing assumptions.

The value of our Eastern Canada portfolio increased by $5.2 million, mainly due to $3.1 million of foreign currency adjustments to the U.S. properties and $1.7 million of building improvements and initial direct leasing costs and lease incentive additions recorded during the quarter.

	Capitalization rates					
	Total portfolio					
	December 31, 2013		September 30, 2013		December 31, 2012	
	Range (%)	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	**5.75–8.75**	**6.56**	5.75–8.75	6.55	5.75–9.25	6.63
Calgary	**5.50–7.50**	**6.22**	5.50–7.75	6.19	5.75–8.50	6.76
Toronto	**4.83–9.00**	**5.95**	5.15–9.25	5.96	5.25–9.25	6.05
Eastern Canada	**6.00–7.75**	**6.48**	6.00–7.75	6.49	5.75–7.75	6.48
Total	**5.15–9.00**	**6.19**	5.15–9.25	6.19	5.25–9.25	6.35

Investing activities

Key performance indicators in the management of our investing activities include the following:

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Investing activities[1]				
Acquisition of investment properties[2]	**$ 8,481**	$ 154,561	**$ 548,658**	$ 336,265
Acquisition of equity accounted interest in 100 Yonge Street, Toronto[2]	**-**	-	**56,273**	-
Acquisition of equity accounted interest in Scotia Plaza	**-**	-	**-**	875,509
Acquisition of Whiterock investment properties[2]	**-**	-	**-**	1,419,899
Building improvements	**11,737**	9,609	**36,229**	20,410
Development projects	**-**	-	**-**	1,945

(1) Includes investments in joint ventures, assets related to discontinued operations and properties held for sale.

(2) Amount represents purchase price including transaction costs.

Acquisitions

During the year ended December 31, 2013, we completed the following acquisitions:

	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)		Purchase price[1]	Date acquired
Broadmoor Plaza, Edmonton	**office**	**100.0**	**371,561**	**98.5**	**$**	**84,892**	**March 15, 2013**
887 Great Northern Way, Vancouver (Discovery Parks)	**office**	**100.0**	**164,364**	**100.0**		**68,068**	**April 8, 2013**
340–350 3rd Avenue North, Saskatoon (T&T Towers) and 14505–14555 Bannister Road, Calgary (Parke at Fish Creek)	**office**	**100.0**	**191,147**	**99.1**		**62,610**	**April 12, 2013**
20 Toronto Street and 137 Yonge Street, Toronto	**office**	**100.0**	**422,990**	**99.4**		**145,983**	**April 30, 2013**
212 King Street West, Toronto	**office**	**100.0**	**73,277**	**100.0**		**38,730**	**May 24, 2013**
100 Yonge Street, Toronto	**office**	**66.7**	**161,525**	**99.4**		**56,273**	**June 26, 2013**
IBM Corporate Park, Calgary	**office**	**66.7**	**238,171**	**98.1**		**124,377**	**August 13, 2013**
4561 Parliament Avenue, Regina (Harbour Landing Business Park)	**office**	**100.0**	**38,975**	**100.0**		**15,517**	**September 16, 2013**
83 Yonge Street, Toronto	**office**	**100.0**	**11,521**	**71.2**		**8,481**	**December 2, 2013**
Total			**1,673,531**	**98.9**	**$**	**604,931**	

(1) Includes $14.7 million in transaction costs.

During the year ended December 31, 2012, we completed the following acquisitions:

	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)		Purchase price[1]	Date acquired
5001 Yonge Street, Toronto	office	100.0	309,138	100.0	$	112,984	January 19, 2012
67 Richmond Street West, Toronto	office	100.0	44,996	100.0		14,464	January 30, 2012
Whiterock Portfolio	office/ industrial/retail	100.0	7,368,679[2]	97.6		1,419,899	March 2, 2012
Parking lots, Saskatoon	office	100.0	9,567	100.0		18,242	March 12, 2012
1 Riverside Drive, Windsor	office	100.0	235,915	78.0		36,014	April 26, 2012
Scotia Plaza, Toronto	office	66.7	1,317,795	99.5		875,509[3]	June 15, 2012
Trans America Group properties, Edmonton	office/industrial	60.0	373,121	88.7		75,787	October 4, 2012
30 Adelaide Street East (State Street Financial Centre), Toronto	office	50.0	206,967	99.9		78,774	December 28, 2012
Total			9,866,178	97.2	$	2,631,673	

(1) Includes $41.8 million in transaction costs.

(2) Includes 437,715 square feet reclassified to assets held for sale.

(3) Equity accounted investment.

The acquisition of Whiterock was completed on March 2, 2012, and was accounted for as a business combination. The acquisition included $1.4 billion of investment properties. The purchase was funded with $159.8 million in cash and the issuance of 12,580,347 REIT A Units, valued at $34.56 per unit, representing a total consideration of $594.6 million.

Building improvements

Building improvements represent investments made to ensure optimal building performance. For the three and twelve months ended December 31, 2013, we incurred $11.7 million and $36.2 million, respectively, in expenditures related to building improvements, substantially all of which are recoverable from tenants.

Recurring recoverable expenditures for the three and twelve months ended December 31, 2013 were $2.4 million and $10.2 million, respectively, and included elevator, roof and heating, ventilation and air conditioning replacements as well as parking upgrades. Recoverable enhancement projects for the three and twelve months ended December 31, 2013 were $8.1 million and $14.0 million, respectively. For the three and twelve months ended December 31, 2013, approximately $0.9 million and $4.1 million, respectively, was spent on sustainability and environmental initiatives, substantially all of which is recovered from tenants. Non-recurring building improvements included capital expenditures that generally would not be expected to recur over the useful life of the building.

The table below represents amounts either paid or accrued during the period:

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Building improvements[1]				
Recurring recoverable	**$ 2,429**	$ 2,028	**$ 10,190**	$ 6,252
Recurring recoverable enhancement projects	**8,088**	2,382	**14,023**	3,502
Recoverable – identified upon acquisition	**202**	2,805	**6,005**	4,405
Recurring non-recoverable	**78**	510	**1,344**	314
Non-recurring	**34**	611	**543**	2,828
Sustainability and environmental initiatives	**906**	1,273	**4,124**	3,109
Total	**$ 11,737**	$ 9,609	**$ 36,229**	$ 20,410

(1) Includes investment in joint ventures that are equity accounted, assets related to discontinued operations – industrial properties and properties held for sale.

Development

For the three and twelve months ended December 31, 2013, there were no expenditures for development. During the first quarter of 2012, we completed construction of the Gallery Building, an office property in Yellowknife that is fully leased to the Government of Canada for a ten-year term, which commenced in March 2012.

Dispositions

Pursuant to the strategic repositioning of our portfolio, we completed the following dispositions for the years ended December 31, 2013 and December 31, 2012:

Year ended December 31, 2013	Property type	Disposed GLA (sq. ft.)	Gross proceeds[1]	Mortgages/ term loan discharged	Loss on sale	Date disposed
625 University Park Drive, Regina	office	17,145	$ 5,182	$ -	$ (68)[2]	January 31, 2013
2640, 2510–2550 Quance Street, Regina	office	69,554	16,300	8,767	(215)[2]	January 31, 2013
Total		86,699	$ 21,482	$ 8,767	$ (283)	

(1) Gross proceeds before transaction costs.

(2) Loss on sale recognized is related to the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

Year ended December 31, 2012	Property type	Disposed GLA (sq. ft.)		Gross proceeds[1]		Mortgages/ term loan discharged		Net gain (loss) on sale	Date disposed
ARAM Building, Calgary	office	36,428	$	7,700	$	-	$	(314)[2]	February 2, 2012
West Chambers, Edmonton	office	92,560		24,200		6,786		(849)[2]	August 15, 2012
4250 Albert Street, Regina	retail	41,238		9,600		5,126		(11)[2]	August 15, 2012
885 Don Mills Road, Toronto	office	59,449		8,975		4,547		1,770	August 30, 2012
12804–137th Avenue, Edmonton	retail	54,514		18,900		12,633		(653)[2]	September 14, 2012
Bisma Centre, Calgary	office	27,496		9,200		-		2,054	September 19, 2012
998 Parkland Drive, Halifax	retail	33,857		7,170		4,624		67	October 4, 2012
193 Malpeque Road, Charlottetown	retail	41,573		5,100		-		(43)[2]	October 4, 2012
655 University Avenue, Charlottetown	retail	26,043		3,800		2,357		25	October 4, 2012
Industrial Portfolio	industrial	5,134,114		575,469		225,592		1,147	October 4, 2012
7102–7220 Barlow Trail SE, Calgary	industrial	234,676		10,150		-		(516)[2]	November 30, 2012
Total		5,781,948	$	680,264	$	261,665	$	2,677	

(1) Gross proceeds before transaction costs.

(2) Loss on sale recognized is related to the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

OUR FINANCING

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 repayments, interest payments and property acquisitions. We expect to meet all of our ongoing obligations with current cash and cash equivalents, cash flows generated from operations, conventional mortgage refinancing and, as growth requires and when appropriate, new equity or debt issues.

Our discussion of financing activities will be based on the debt balances below, which include debt related to investment in joint ventures that are equity accounted, at our proportionate ownership, and debt associated with assets held for sale.

		December 31, 2013		December 31, 2012
Debt	**$**	**3,662,543**	$	3,314,594
Less debt related to:				
Investment in joint ventures		**508,088**		526,968
Assets held for sale		**5,439**		9,200
Debt (per consolidated financial statements)	**$**	**3,149,016**	$	2,778,426

Debt

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

	December 31, 2013	**Pro forma**[6]	December 31, 2012[5]
Financing activities[1]			
Weighted average effective interest rate (year-end)[2]	**4.18%**	**4.19%**	4.33%
Weighted average face rate of interest (year-end)[3]	**4.22%**	**4.22%**	4.50%
Level of debt (net debt-to-gross book value)[4]	**47.6%**	**47.6%**	47.8%
Interest coverage ratio (times)[4]	**2.92**	**2.92**	2.70
Net average debt-to-EBITDFV (years)[4]	**8.0**	**8.0**	8.4
Net debt-to-adjusted EBITDFV (years)[4]	**8.0**	**8.0**	8.1
Proportion of total debt due in following year	**7.7%**	**3.7%**	10.5%
Debt – average term to maturity (years)	**4.6**	**4.7**	5.1
Variable rate debt as percentage of total debt	**8.7%**	**6.2%**	4.3%

(1) The key performance indicators for December 31, 2012 exclude the results of operations and the debt of discontinued operations.

(2) Weighted average effective interest rate is calculated as the weighted average face rate of interest net of amortization of fair value adjustments and financing costs of all interest bearing debt, including debt related to investment in joint ventures that are equity accounted.

(3) Weighted average face rate of interest includes debt related to investment in joint ventures that are equity accounted.

(4) The calculation of the following non-GAAP measures are included in the "Non-GAAP Measures" section of the MD&A: level of debt, interest coverage ratio and net average debt-to-EBITDFV and net debt-to-adjusted EBITDFV.

(5) Comparative figures have been restated to conform to the presentation in the current year.

(6) The key performance indicators include pro forma adjustments that take into consideration the redeployment of the net proceeds received from the Series C Debentures offering on January 21, 2014.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 2.92 times, demonstrating our ability to more than adequately cover interest expense requirements. We also monitor our debt-to-EBITDFV ratio to gauge our ability to repay existing debt. Our current net average debt-to-EBITDFV ratio is 8.0 years. Our weighted average face rate of interest at December 31, 2013 is 4.22%, down 6 bps from 4.28% at September 30, 2013, and down 28 bps from 4.50% at December 31, 2012. After accounting for fair value adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 4.18% at December 31, 2013, down 4 bps from 4.22% at September 30, 2013, and down 15 bps from 4.33% at December 31, 2012.

Variable rate debt as a percentage of total debt increased to 8.7% from 5.8% at September 30, 2013 and 4.3% at December 31, 2012, reflecting the draw on the demand revolving credit facilities throughout 2013 and the issuance of Series B Debentures during the quarter.

On January 21, 2014, the Trust completed the issuance of $150 million aggregate principal amount of Series C senior unsecured debentures ("Series C Debentures"). The Series C Debentures bear interest at a rate of 4.074% with a maturity date of January 21, 2020. Interest on the Series C Debentures is payable semi-annually on January 21 and July 21, with the first payment commencing on July 21, 2014. Costs related to the issuance of the Series C Debentures approximated $1.4 million. The net proceeds of $148.6 million from the Series C Debentures were mainly used to pay down $87.5 million of the demand revolving credit facilities and repay five mortgages totalling $59.3 million. This further strengthened the Trust's debt metrics by reducing our variable rate debt from 8.7% at December 31, 2013 to 6.2% of total debt, and prolonged our debt maturity from 4.6 years at December 31, 2013 to 4.7 years.

	December 31, 2013			December 31, 2012		
	Fixed	**Variable**	**Total(1)**	Fixed	Variable	Total(1)
Mortgages	**$ 2,901,120**	**$ 89,590**	**$ 2,990,710**	$ 2,902,942	$ 74,889	$ 2,977,831
Term debt	**825**	**-**	**825**	248	-	248
Demand revolving credit facilities	**-**	**103,946**	**103,946**	-	67,557	67,557
Term loan facility	**181,530**	**-**	**181,530**	180,837	-	180,837
Convertible debentures	**51,885**	**-**	**51,885**	52,092	-	52,092
Debentures	**209,312**	**124,335**	**333,647**	36,029	-	36,029
Total	**$ 3,344,672**	**$ 317,871**	**$ 3,662,543**	$ 3,172,148	$ 142,446	$ 3,314,594
Percentage	**91.3%**	**8.7%**	**100.0%**	95.7%	4.3%	100.0%

(1) Includes debt related to investment in joint ventures, which are equity accounted, and assets held for sale.

Mortgages payable include $16.8 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2012 – $19.9 million). Amounts recorded at December 31, 2013 for the convertible debentures include a net fair value adjustment of $0.8 million (December 31, 2012 – $1.0 million), recorded at the time of assumption. The fair value adjustments and premiums, net of discounts, are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $171.5 million, in the form of rolling one-month bankers' acceptances ("BAs") bearing interest at the BA rates plus 1.75% or at the bank's prime rate (3.0% as at December 31, 2013) plus 0.75%, and is secured by nine properties as first-ranking mortgages. The demand revolving credit facility matured on March 5, 2013 and was extended to March 5, 2014. At December 31, 2013, $104.0 million was drawn (December 31, 2012 – $54.0 million drawn) on the facility and the formula-based amount available under this facility was $67.5 million (December 31, 2012 – $117.5 million). Subsequent to year-end, the Trust repaid the entire $104.0 million outstanding balance of this facility with a portion of the net proceeds received from the Series C Debentures offering and cash on hand. Furthermore, on February 25, 2014, this facility was extended to March 5, 2016 with the same terms.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40.0 million, bearing interest at the bank's prime rate (3.0% as at December 31, 2013) plus 1.5%. This facility is secured by first-ranking collateral mortgages on two properties. The facility matured on April 30, 2013 and was subsequently extended to April 30, 2014 with the interest rate revised to the bank's prime rate plus 1.25%. At December 31, 2013, nothing was drawn (December 31, 2012 – $13.7 million drawn) on the facility and the formula-based amount available under this facility was $27.7 million, less $1.5 million in the form of letters of guarantee (December 31, 2012 – $26.3 million less $1.6 million in the form of letters of guarantee).

A demand revolving credit facility is available up to a formula-based maximum not to exceed $35.0 million, bearing interest at the bank's prime rate (3.0% as at December 31, 2013) plus 0.85%. This facility is secured by second-ranking mortgages on two properties. The facility matured on April 30, 2013. On April 29, 2013, the facility was extended to April 30, 2014 with the interest rate revised to the bank's prime rate plus 0.75% or BA rates plus 1.75%. This facility was also amended to include a bulge facility of $90.0 million for the period from April 29, 2013 to May 2, 2013, bearing the same interest rate. On April 30, 2013, $90.0 million was drawn on the bulge facility to fund the acquisition of 20 Toronto Street and 137 Yonge Street in Toronto. The facility was repaid in full with the net proceeds received from the public offering completed on May 1, 2013. The bulge facility expired on May 2, 2013 and was not subsequently renewed. At December 31, 2013, nothing was drawn (December 31, 2012 – $nil drawn) on the facility and the formula-based amount available under this facility was $35.0 million, less $2.2 million in the form of letters of guarantee (December 31, 2012 – $35.0 million less $2.0 million in the form of letters of guarantee). On February 20, 2014, the Trust extended this facility to April 30, 2015 with the same terms.

A revolving acquisition and operating facility is available up to $35.0 million. The facility can be increased by up to an additional $20.0 million. Interest is borne generally at the bank's prime rate (3.0% as at December 31, 2013) plus 0.85% or BA rates plus 1.85%. The facility is secured by a first-ranking collateral mortgage on one property and a second-ranking collateral mortgage on one property and the guarantee of the Trust. The facility expired on August 23, 2013 and was subsequently extended to April 30, 2014 with the interest rate revised to the bank's prime rate plus 0.75% or BA rates plus 1.75%. At December 31, 2013, nothing was drawn (December 31, 2012 – $nil drawn) on the facility and the amount available under this facility was $35.0 million, less $0.3 million in the form of letters of guarantee (December 31, 2012 – $35.0 million, less $0.3 million in the form of letters of guarantee). On February 20, 2014, the Trust extended this facility to April 30, 2015 with the same terms.

On June 13, 2013, the Trust completed the issuance of $175.0 million aggregate principal amount of Series A senior unsecured debentures ("Series A Debentures"). The Series A Debentures bear interest at a face rate of 3.424% per annum with a maturity date of June 13, 2018. The Series A Debentures were rated BBB (low) by DBRS, which was the Trust's first debt offering that was an investment grade rated entity. Interest on the Series A Debentures is payable semi-annually on June 13 and December 13, with the first payment commencing on December 13, 2013. Costs related to the issuance of the Series A Debentures totalled $1.6 million.

On October 9, 2013, the Trust completed the issuance of $125.0 million aggregate principal amount of Series B floating senior unsecured debentures ("Series B Debentures"). The Series B Debentures bear interest at a rate of three-month CDOR plus 170 basis points with a maturity date of January 9, 2017. Interest on the Series B Debentures is payable quarterly in arrears on January 9, April 9, July 9 and October 9, with the first payment commencing on January 9, 2014. Costs related to the issuance of the Series B Debentures totalled $0.7 million.

We also have a $188.0 million term loan facility outstanding. This facility expires on August 15, 2016, and bears interest monthly at BA rates plus 1.85%. In order to manage the interest rate fluctuations, we have entered into two interest rate swap agreements (the "swaps") to effectively fix the interest rate. We have applied hedge accounting to the swaps. On August 15, 2012, we repaid $4.5 million on the term loan facility as one of the properties securing the facility was sold. As at December 31, 2013, $183.5 million was drawn on the term loan facility.

At December 31, 2013, we had $33.9 million in cash (including cash held in investment in joint ventures that are equity accounted) and $161.2 million available from our revolving credit facilities. In addition, we have 15 unencumbered properties as at December 31, 2013 that may be leveraged to provide additional financing. Subsequent to year-end, an additional five properties were added to the unencumbered list subsequent to the discharge of five mortgages, bringing the total to 20 properties.

Changes in debt levels, including debt related to investment in joint ventures that are equity accounted and assets held for sale, are as follows:

	Year ended December 31, 2013						
	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
Debt as at December 31, 2012	$ 2,977,831	$ 248	$ 67,557	$ 180,837	$ 52,092	$ 36,029	$ 3,314,594
New debt assumed on rental property acquisitions	53,110	-	-	-	-	-	53,110
New debt placed	251,049	969	645,889	-	-	300,000	1,197,907
Scheduled repayments	(77,049)	(366)	-	-	-	-	(77,415)
Lump sum repayments	(206,834)	-	(609,567)	-	-	-	(816,401)
Mortgages discharged on property dispositions	(8,767)	-	-	-	-	-	(8,767)
Foreign exchange	3,710	-	-	-	-	-	3,710
Other adjustments[1]	(2,340)	(26)	67	693	(207)	(2,382)	(4,195)
Debt as at December 31, 2013	$ 2,990,710	$ 825	$ 103,946	$ 181,530	$ 51,885	$ 333,647	$ 3,662,543

(1) Other adjustments include financing costs on new debt placed, fair value adjustments, amortization of financing costs and amortization of fair value adjustments.

For the year ended December 31, 2013, the Trust completed approximately $251.0 million of secured mortgages with an average face rate of 4.1% and an average term of 8.8 years. In addition, the Trust completed $300.0 million of unsecured debentures with an average face rate of 3.2% and an average term to maturity of 4.3 years. Overall, this resulted in a weighted average face rate of 3.6% and a weighted average term to maturity of 6.3 years.

	Three months ended December 31, 2013						
	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
Debt as at September 30, 2013	$ 3,031,619	$ 993	$ 119,876	$ 181,385	$ 51,939	$ 209,307	$ 3,595,119
New debt placed	-	-	105,823	-	-	125,000	230,823
Scheduled repayments	(22,038)	(142)	-	-	-	-	(22,180)
Lump sum repayments	(20,115)	-	(121,824)	-	-	-	(141,939)
Foreign exchange	1,894	-	-	-	-	-	1,894
Other adjustments[1]	(650)	(26)	71	145	(54)	(660)	(1,174)
Debt as at December 31, 2013	$ 2,990,710	$ 825	$ 103,946	$ 181,530	$ 51,885	$ 333,647	$ 3,662,543

(1) Other adjustments include financing costs on new debt placed, fair value adjustments, amortization of financing costs and amortization of fair value adjustments.

Our current debt profile is balanced with staggered maturities over the next 15 years. The following is our debt maturity profile as at December 31, 2013:

Debt maturities		Outstanding balance		Demand revolving credit facilities		Scheduled principal repayments on non-matured debt		Amount[1]	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2014	$	97,913	$	-	$	79,749	$	177,662	4.9	5.27	5.83
2015		446,217		-		75,419		521,636	14.2	3.90	4.16
2016		567,367		-		65,238		632,605	17.3	4.37	4.39
2017		454,299		-		54,874		509,173	13.9	4.16	4.42
2018		374,861		-		48,629		423,490	11.6	4.00	3.93
2019 and thereafter		1,178,257		-		112,564		1,290,821	35.3	4.29	4.16
Subtotal before demand revolving credit facilities		3,118,914		-		436,473		3,555,387	97.2	4.23	4.26
2014		-		104,000		-		104,000	2.8	2.98	2.98
Subtotal	$	3,118,914	$	104,000	$	436,473	$	3,659,387	100.0	4.18	4.22
Fair value adjustments								18,248			
Financing costs								(15,092)			
Total							$	3,662,543			

(1) Includes debt related to investment in joint ventures which are equity accounted and assets held for sale.

Subsequent to year-end, the Trust repaid approximately 61% of the mortgages due in 2014, totalling approximately $59.3 million, and repaid the entire $104 million outstanding balance of the demand revolving credit facilities.

Convertible debentures

The total principal amounts outstanding for the convertible debentures are as follows:

	Date issued	Maturity date		**Outstanding principal December 31, 2013**		Outstanding principal February 27, 2014	REIT A Units if converted February 27, 2014
5.5% Series H Debentures	December 9, 2011	March 31, 2017	**$**	**51,128**	$	51,128	1,393,569

On December 31, 2012, we redeemed all the outstanding 6.5% Debentures, 5.7% Debentures, 6.0% Debentures and 7.0% Debentures. The redemption price was determined in accordance with the provisions of the indentures and supplemental debentures related to the redeemed convertible debentures. The aggregate principal amount redeemed was $126.5 million. Debt settlement costs of $2.7 million were recorded on the consolidated statements of comprehensive income relating to the write-off of financing costs and fair value adjustments related to the redeemed convertible debentures.

The fair value of the conversion features of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At December 31, 2013, the conversion feature amounted to a $0.3 million financial asset (December 31, 2012 – $1.4 million financial liability).

Debentures

The total principal amounts outstanding for debentures as at December 31, 2013 are as follows:

	Date issued	Maturity date	Interest rate		Outstanding principal December 31, 2013
Series A	June 13, 2013	June 13, 2018	3.42%	$	175,000
Series B	October 9, 2013	January 9, 2017	2.98%[(1)]		125,000
Series K	April 26, 2011	April 26, 2016	5.95%		25,000
Series L	August 8, 2011	September 30, 2016	5.95%		10,000
Total				$	335,000

(1) Variable interest rate at three-month CDOR rate plus 1.7%.

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.

Dundee REIT's future minimum commitments under operating and finance leases, including investment in joint ventures that are equity accounted, are as follows:

		December 31, 2013		
		Operating lease payments		**Finance lease payments**
No longer than 1 year	**$**	**1,118**	**$**	**28**
1–5 years		**1,870**		**111**
Longer than 5 years		**8,411**		**2,238**
Total	**$**	**11,399**	**$**	**2,377**

		December 31, 2012		
		Operating lease payments		Finance lease payments
No longer than 1 year	$	498	$	237
1–5 years		1,165		-
Longer than 5 years		1,350		-
Total	$	3,013	$	237

During the year ended December 31, 2013, we paid $1.1 million (December 31, 2012 – $1.5 million) in minimum lease payments, which have been included in comprehensive income for the period.

In an effort to manage the volatility of electricity prices, the Trust has entered into fixed price contracts to purchase electricity over the next three years as follows:

	Number of properties	Expiry date		Minimum payments due 2014		2015		2016		Total
Electricity										
Edmonton, Parkland County and Strathcona County	9	May 31, 2015	$	755	$	327	$	-	$	1,082
Calgary, Edmonton and Strathcona County	51	December 31, 2016		5,276		5,186		2,873		13,335
Total				6,031		5,513		2,873		14,417

OUR EQUITY

Our discussion of equity includes LP Class B Units, Series 1 ("subsidiary redeemable units"), which are economically equivalent to REIT Units. Pursuant to IFRS, the subsidiary redeemable units are classified as a liability in our consolidated financial statements.

			Unitholders' equity	
	December 31, 2013		December 31, 2012	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**103,420,221**	**$ 3,721,454**	97,618,625	$ 3,295,983
REIT Units, Series B	**-**	**-**	16,316	713
Accumulated other comprehensive income (loss)	**-**	**1,684**	-	(297)
	103,420,221	**3,723,138**	97,634,941	3,296,399
Add: LP B Units	**3,538,457**	**101,978**	3,528,658	132,078
Total	**106,958,678**	**$ 3,825,116**	101,163,599	$ 3,428,477

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 Dream Asset Management Corp. ("DAM"), formerly known as Dundee Realty Corporation, 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, 2013, DREAM Unlimited Corp., directly and indirectly through its subsidiaries, held 773,939 REIT A Units and 383,823 LP B Units for a total ownership interest of approximately 1.1%.

The following table summarizes the changes in our outstanding equity:

	REIT A Units	REIT B Units	LP B Units	Total
Total Units issued and outstanding on January 1, 2013	97,618,625	16,316	3,528,658	101,163,599
Units issued pursuant to public offering	6,353,750	-	-	6,353,750
Units issued pursuant to the Distribution Reinvestment and Unit Purchase Plan ("DRIP")	1,509,148	-	9,799	1,518,947
Units issued pursuant to the Unit Purchase Plan	12,212	-	-	12,212
Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	44,970	-	-	44,970
REIT B Units exchanged for REIT A Units	16,316	(16,316)	-	-
Normal course issuer bid	(2,134,800)	-	-	(2,134,800)
Total Units outstanding on December 31, 2013	103,420,221	-	3,538,457	106,958,678
Percentage of all Units	96.7%	0.0%	3.3%	100.0%
Units issued pursuant to DRIP on January 15, 2014	176,636	-	-	176,636
Units issued pursuant to DRIP on February 15, 2014	176,437	-	-	176,437
Units issued pursuant to Unit Purchase Plan	686	-	-	686
Normal course issuer bid	(11,000)	-	-	(11,000)
Total Units outstanding on February 27, 2014	103,762,980	-	3,538,457	107,301,437
Percentage of all Units	96.7%	0.0%	3.3%	100.0%

On May 1, 2013, we completed a public offering of 6,353,750 REIT A Units, including an over-allotment option, at a price of $36.20 per unit for gross proceeds of $230.0 million. Costs related to the offering totalled $9.7 million and were charged directly to unitholders' equity.

On March 2, 2012, Dundee REIT took up approximately 40.9% of the outstanding Whiterock units under its offer to acquire any and all Whiterock units in consideration for $16.25 or 0.4729 REIT A Units, as elected by Whiterock unitholders. Approximately 9,832,563, or 27%, of the Whiterock units were tendered to our offer for cash totalling $159.8 million and the remaining Whiterock units were redeemed by Whiterock in consideration for 0.4729 REIT A Units for each Whiterock unit. In total, we issued 12,580,347 REIT A Units in connection with the transaction, which were recorded at $34.56 per unit, representing total equity consideration valued at $434.8 million.

On March 28, 2012, we completed a public offering of 6,555,000 REIT A Units, including an over-allotment option, at a price of $35.35 per unit for gross proceeds of $231.7 million. Costs related to the offering totalled $9.4 million and were charged directly to unitholders' equity.

On June 12, 2012, we completed a public offering of 10,392,550 REIT A Units, including the over-allotment option, at a price of $35.90 per unit for gross proceeds of $373.1 million. Costs related to the offering totalled $14.6 million and were charged directly to unitholders' equity.

Short form base shelf prospectus

On November 26, 2012, the Trust issued a short form base shelf prospectus, which is valid for a 25-month period, during which time the Trust may offer and issue, from time to time, units and debt securities convertible into or exchangeable for Units of the Trust, or any combination thereof, with an aggregate offering price of up to $2.0 billion. As at December 31, 2013, no units and $300 million of unsecured debentures have been issued under the short form base shelf prospectus. On January 21, 2014, an additional $150 million of unsecured debentures were issued under the short form base shelf prospectus.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on May 14, 2013, and will remain in effect until the earlier of May 13, 2014, or the date on which the Trust has purchased the maximum number of REIT A Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 8,849,219 REIT A Units (representing 10% of the Trust's public float of 88,492,185 REIT A Units at the time of entering the bid through the facilities of the Toronto Stock Exchange). At December 31, 2013, 2,134,800 REIT A Units had been purchased under the bid and subsequently cancelled for a total cost of $60.7 million.

Subsequent to year-end, the Trust purchased an additional 11,000 REIT A Units under the normal course issuer bid for cancellation for a total cost of approximately $0.3 million.

Distribution policy

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining 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. We exclude the impact of transaction costs expensed on business combinations as these costs are considered part of the acquisition cost of the properties. Additionally, we exclude the impact of the amortization of financing costs 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 and office equipment incurred after the formation of the Trust. We include the impact of vendor head lease income that has not been recognized in net income.

	Three months ended December 31, 2013			Year ended December 31, 2013		
	Declared distributions	4% bonus distributions[2]	Total	Declared distributions	4% bonus distributions[2]	Total
2013 distributions[1]						
Paid in cash or reinvested in units	$ 39,752	$ 381	$ 40,133	$ 215,514	$ 1,737	$ 217,251
Payable at December 31, 2013	20,237	189	20,426	20,237	189	20,426
Total distributions	59,989	570	60,559	$ 235,751	$ 1,926	$ 237,677
2013 reinvestment[1]						
Reinvested to December 31, 2013	$ 9,529	$ 381	$ 9,910	$ 43,433	$ 1,737	$ 45,170
Reinvested on January 15, 2014	5,027	201	5,228	5,027	201	5,228
Total distributions reinvested	$ 14,556	$ 582	$ 15,138	$ 48,460	$ 1,938	$ 50,398
Distributions paid in cash[1]	$ 45,433			$ 187,291		
Reinvestment to distribution ratio	24.3%			20.6%		
Cash payout ratio	75.7%			79.4%		

(1) Includes distributions on LP B Units.

(2) Unitholders who participate in the DRIP receive an additional distribution of units equal to 4% of each cash distribution that was reinvested.

Distributions declared for the three months ended December 31, 2013 were $60.0 million, up $4.6 million over the comparative prior year period. Distributions declared for the year ended December 31, 2013 were $235.8 million, up $32.2 million over the comparative prior year period. The increase mainly reflects a larger number of Units outstanding as a result of the equity issues completed in 2012 and 2013, distributions reinvested in additional Units and vested deferred trust units exchanged for REIT A Units, as well as an increase in the distribution rate commencing Q2 2013. Of the distributions declared for the three months ended December 31, 2013, $14.6 million, or approximately 24.3%, were reinvested in additional Units (year ended December 31, 2013 – $48.5 million or approximately 20.6%), resulting in a three months ended December 31, 2013 cash payout ratio of 75.7% (year ended December 31, 2013 – 79.4%).

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

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Net income	**$ 59,756**	$ 100,542	**$ 445,011**	$ 291,073
Cash flows from operating activities[1]	**66,473**	45,394	**234,098**	178,295
Add:				
Investment in lease incentives and initial direct leasing costs	**14,011**	5,908	**38,706**	16,136
Change in non-cash working capital	**1,990**	3,447	**12,090**	40,037
Adjusted cash flows from operating activities	**82,474**	54,749	**284,894**	234,468
Distributions paid and payable[2]	**60,559**	55,838	**237,677**	205,350
Excess (shortfall) of net income over distributions paid and payable	**(803)**	44,704	**207,334**	85,723
Excess (shortfall) of cash flow from operating activities over distributions paid and payable	**5,914**	(10,444)	**(3,579)**	(27,055)
Excess (shortfall) of adjusted cash flows from operating activities over distributions paid and payable	**21,915**	(1,089)	**47,217**	29,118

(1) Cash flows from operating activities exclude cash flows from transaction costs on acquired businesses, and include operating cash flows from investment in joint ventures that are equity accounted.

(2) Includes distributions on LP B Units.

When establishing distribution payments, we do not take into consideration fluctuations in working capital and transaction costs on business combinations, but rather use a normalized amount as a proxy for leasing costs.

For the three months ended December 31, 2013, adjusted cash flows from operating activities exceeded distributions paid and payable by $21.9 million ($47.2 million for the year ended December 31, 2013). Net income is not used as a proxy for distributions as it includes fair value changes on investment properties and fair value changes on financial instruments, which are not reflective of the Trust’s ability to make distributions.

OUR RESULTS OF OPERATIONS

	Three months ended December 31, 2013			2012		
	Amounts included in consolidated financial statements	**Share of income from investment in joint ventures**	**Total**	Amounts included in consolidated financial statements	Share of income from investment in joint ventures	Total
Investment properties revenue	**$ 179,574**	**$ 28,844**	**$ 208,418**	$ 162,014	$ 29,985	$ 191,999
Investment properties operating expenses	**(78,732)**	**(13,439)**	**(92,171)**	(71,623)	(13,941)	(85,564)
Net rental income from continuing operations	**100,842**	**15,405**	**116,247**	90,391	16,044	106,435
Other income and expenses						
General and administrative	**(6,155)**	**-**	**(6,155)**	(5,774)	(81)	(5,855)
Share of net income and dilution gain from investment in Dundee Industrial	**3,027**	**-**	**3,027**	1,568	-	1,568
Share of net income from investment in joint ventures	**5,415**	**(5,415)**	**-**	10,488	(10,488)	-
Fair value adjustments to investment properties	**(8,898)**	**(5,484)**	**(14,382)**	45,595	(487)	45,108
Net loss on sale of investment properties	**-**	**-**	**-**	(1,289)	-	(1,289)
Interest:						
Debt	**(33,857)**	**(4,508)**	**(38,365)**	(33,239)	(5,028)	(38,267)
Subsidiary redeemable units	**(1,981)**	**-**	**(1,981)**	(1,944)	-	(1,944)
Debt settlement and other costs, net	**-**	**-**	**-**	(3,066)	-	(3,066)
Depreciation and amortization	**(691)**	**(2)**	**(693)**	(613)	-	(613)
Interest and fee income	**938**	**4**	**942**	1,435	40	1,475
Fair value adjustments to financial instruments	**251**	**-**	**251**	(4,179)	-	(4,179)
Income before income taxes and discontinued operations	**58,891**	**-**	**58,891**	99,373	-	99,373
Deferred income taxes recovery (expense)	**865**	**-**	**865**	(263)	-	(263)
Income from continuing operations	**59,756**	**-**	**59,756**	99,110	-	99,110
Income from discontinued operations	**-**	**-**	**-**	1,432	-	1,432
Net income for the period	**59,756**	**-**	**59,756**	100,542	-	100,542
Other comprehensive income (loss)						
Unrealized gain (loss) on interest rate swap agreements	**(480)**	**-**	**(480)**	344	-	344
Unrealized foreign currency translation gain	**1,085**	**-**	**1,085**	320	-	320
	605	**-**	**605**	664	-	664
Comprehensive income for the period	**$ 60,361**	**$ -**	**$ 60,361**	$ 101,206	$ -	$ 101,206

						Years ended December 31,
			2013			2012
	Amounts per consolidated financial statements	**Share of income from investment in joint ventures**	**Total**	Amounts per consolidated financial statements	Share of income from investment in joint ventures	Total
Investment properties revenue	**$ 687,172**	**$ 113,359**	**$ 800,531**	$ 607,796	$ 78,768	$ 686,564
Investment properties operating expenses	**(295,672)**	**(51,971)**	**(347,643)**	(259,249)	(36,175)	(295,424)
Net rental income from continuing operations	**391,500**	**61,388**	**452,888**	348,547	42,593	391,140
Other income and expenses						
General and administrative	**(23,859)**	**(202)**	**(24,061)**	(21,132)	(82)	(21,214)
Share of net income and dilution gain from investment in Dundee Industrial	**15,697**	**-**	**15,697**	1,568	-	1,568
Share of net income (loss) from investment in joint ventures	**84,382**	**(84,382)**	**-**	(254)	254	-
Fair value adjustments to investment properties	**79,277**	**41,345**	**120,622**	105,572	(23,964)	81,608
Net gain (loss) on sale of investment properties	**(283)**	**-**	**(283)**	1,530	-	1,530
Acquisition related costs	**-**	**-**	**-**	(17,549)	-	(17,549)
Interest:						
Debt	**(130,169)**	**(18,200)**	**(148,369)**	(125,118)	(13,779)	(138,897)
Subsidiary redeemable units	**(7,897)**	**-**	**(7,897)**	(7,758)	-	(7,758)
Debt settlement costs	**(241)**	**-**	**(241)**	(3,798)	-	(3,798)
Depreciation and amortization	**(2,527)**	**(4)**	**(2,531)**	(2,042)	(4)	(2,046)
Interest and fee income	**4,635**	**55**	**4,690**	5,045	168	5,213
Fair value adjustments to financial instruments	**34,840**	**-**	**34,840**	(16,588)	(5,186)	(21,774)
Income before income taxes and discontinued operations	**445,355**	**-**	**445,355**	268,023	-	268,023
Deferred income taxes	**(344)**	**-**	**(344)**	(1,849)	-	(1,849)
Income from continuing operations	**445,011**	**-**	**445,011**	266,174	-	266,174
Income from discontinued operations	**-**	**-**	**-**	24,899	-	24,899
Net income for the year	**445,011**	**-**	**445,011**	291,073	-	291,073
Other comprehensive income						
Unrealized gain on interest rate swap agreements	**39**	**-**	**39**	1,227	-	1,227
Unrealized foreign currency translation gain	**1,942**	**-**	**1,942**	78	-	78
	1,981	**-**	**1,981**	1,305	-	1,305
Comprehensive income for the year	**$ 446,992**	**$ -**	**$ 446,992**	$ 292,378	$ -	$ 292,378

Basis of accounting

Our discussion of income from continuing operations includes our share of income from investment in joint ventures and excludes the prior year comparative quarter and year results of the 77 industrial properties sold to Dundee Industrial REIT on October 4, 2012, which are included in income from discontinued operations.

Investment properties revenue

Investment properties revenue includes net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Revenues generated by acquisitions completed in 2012 and 2013, mainly the Whiterock Portfolio, Scotia Plaza, Trans America Group properties, 30 Adelaide Street East, 20 Toronto Street and 137 Yonge Street, and IBM Corporate Park were the primary drivers of the $16.4 million, or 8.6%, increase in investment properties revenue over the prior year comparative quarter, and $114.0 million, or 16.6%, increase in investment properties revenue over the prior year.

Investment properties operating expenses

Investment properties operating expenses 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 changes in occupancy levels and levels of repairs and maintenance. Operating expenses increased by $6.6 million, or 7.7%, over the prior year comparative quarter, and increased by $52.2 million, or 17.7%, over the prior year, mainly driven by the acquisitions of the Whiterock Portfolio, Scotia Plaza, Trans America Group properties, 30 Adelaide Street East, 20 Toronto Street and 137 Yonge Street, and IBM Corporate Park.

General and administrative expenses

General and administrative expenses primarily comprise expenses related to corporate management, Board of Trustees' fees and expenses, investor relations and asset management fees. For Q4 2013, general and administrative expenses included a $0.9 million non-cash component relating to the DUIP, a decrease of $0.1 million over the prior year comparative quarter mainly driven by a fair value adjustment to the DUIP. On a cash basis, general and administrative expenses increased $0.6 million over the prior year comparative quarter, primarily as a result of increased asset management fees related to acquisitions completed in 2012 and 2013, along with higher general corporate costs and professional fees resulting from the growth of the portfolio. For the year ended December 31, 2013, general and administrative expenses included a $4.1 million non-cash component relating to the DUIP, representing a decrease of $0.1 million over the prior year comparative period, primarily as a result of fair value adjustments to the DUIP, offset by more units vesting. On a cash basis, general and administrative expenses increased $3.1 million over the prior year comparative period, primarily as a result of increased asset management fees related to acquisitions completed in 2012 and 2013, along with higher general corporate costs and professional fees resulting from the growth of the portfolio.

Fair value adjustments to investment properties

During Q4 2013, a $14.4 million fair value loss was recorded, reflecting changes to leasing assumptions. For the year ended December 31, 2013, a $120.6 million fair value gain was recorded, primarily reflecting cap rate compression in all major central business districts in all regions since last year-end, offset by fair value losses recorded during Q4 2013 due to changes to leasing assumptions. For the year ended December 31, 2013, the weighted average cap rate across our portfolio was 6.19% (September 30, 2013 – 6.19%; and December 31, 2012 – 6.35%).

Net gain (loss) on sale of investment properties

For Q4 2013 and the prior year comparative quarter, there were no dispositions of investment properties. For the year ended December 31, 2013, the Trust recorded a $0.3 million loss on the disposition of two non-core investment properties, and during the prior year comparative period, the Trust recorded a $1.5 million net gain on the disposition of ten non-core investment properties. Net gain (loss) on the disposition of investment properties have been mainly driven by the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

Acquisition related costs

For Q4 2013 and Q4 2012, no acquisition related costs were incurred. For the year ended December 31, 2013, no acquisition related costs were incurred, while for the prior year comparative period, $17.5 million in acquisition related costs attributable to the business acquisition of Whiterock in March 2012 were recorded.

Interest expense – debt

Interest expense on debt increased by $0.1 million, or 0.3%, over the prior year comparative quarter and increased by $9.5 million, or 6.8%, over the prior year comparative period. The increase in interest expense resulted mainly from new debt assumed from acquisitions in 2012 and for the year ended December 31, 2013, as well as new financings entered into in 2012 and for the year ended December 31, 2013. This was offset by interest savings resulting from the refinancing of maturing debt at lower interest rates for the years ended December 31, 2013 and December 31, 2012, discharge of debt due to dispositions of investment properties and the redemption of the convertible debentures at the end of 2012.

Interest expense – subsidiary redeemable units

Interest expense on subsidiary redeemable units increased marginally over the prior year comparative quarter and $0.1 million over the prior year comparative period, reflecting a greater number of subsidiary redeemable units outstanding as a result of the Distribution Reinvestment Plan up to the end of Q1 2013 and an increase in the distribution rate commencing Q2 2013.

Depreciation and amortization

During Q4 2013, depreciation and amortization expense increased by $0.1 million, or 13.1%, over the prior year comparative quarter primarily due to an increase in property and equipment. For the year ended December 31, 2013, depreciation and amortization expense increased by $0.5 million, or 23.7%, over the prior year comparative period primarily due to a full quarter of amortization in Q1 2013 of external management contracts acquired as part of the acquisition of Whiterock in March 2012 and an increase in property and equipment.

Interest and fee income

Interest and fee income comprises fees earned from third-party property management, including management, construction and leasing fees, and interest earned on bank accounts and related fees. Except for the third-party property management fees, the income included in interest and fee income is not necessarily of a recurring nature and the amounts may vary quarter-over-quarter. During Q4 2013, interest and fee income decreased by $0.5 million, or 34.3%, over the prior year comparative quarter and decreased by $0.5 million, or 10.1%, over the prior year comparative period primarily due to the $0.3 million one-time interest income earned on the promissory notes receivable in Q4 2012 and the interest income earned on the excess cash on hand during Q4 2012.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include re-measurement on the conversion feature of the convertible debenture, re-measurement of the carrying value of subsidiary redeemable units and re-measurement of deferred trust units.

Our re-measurement of the conversion feature of the convertible debenture resulted in a gain of $0.2 million during the quarter (gain of $1.7 million for the year ended December 31, 2013), mainly as a result of fluctuations in the inputs used to value the conversion feature of the convertible debenture.

Our re-measurement of the carrying value of subsidiary redeemable units resulted in a gain of $0.8 million during Q4 2013 (a gain of $30.5 million for the year ended December 31, 2013), mainly as a result of unit price decline throughout the year.

The re-measurement of the deferred trust units resulted in a loss of $0.7 million during Q4 2013, mainly as a result of the unit price decline over the prior quarter. For the year ended December 31, 2013, the re-measurement of the deferred trust units resulted in a net gain of $2.7 million, mainly due to the pattern of vesting of units during the year.

Related party transactions

From time to time, the Trust and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms and as disclosed in Note 27 to the consolidated financial statements. During Q4 2013, we received $3.5 million related to the DAM Services Agreement (year ended December 31, 2013 – $8.5 million) and also recovered $4.5 million for operating and administrative costs (year ended December 31, 2013 – $14.4 million) for expenses incurred by the Trust on behalf of related parties, pursuant to the agreement. Pursuant to the Asset Management Agreement, we paid $4.6 million during Q4 2013 (year ended December 31, 2013 – $20.6 million), including $4.3 million (year ended December 31, 2013 – $16.6 million) reported in general administrative expenses for asset management fees, $0.1 million (year ended December 31, 2013 – $3.2 million) related to property acquisition costs and $0.2 million (year ended December 31, 2013 – $0.8 million) recorded as a financing cost.

Deferred income taxes recovery (expense)

During Q4 2013 and for the year ended December 31, 2013, $0.9 million of a deferred income tax recovery and $0.3 million of deferred income taxes, respectively, were recognized relating to the two investment properties located in the United States.

Income from discontinued operations

During Q4 2013 and for the year ended December 31, 2013, there were no discontinued operations. Income from discontinued operations for the prior year comparative quarter and period related to the 77 industrial properties that were sold as of October 4, 2012.

Other comprehensive income

Included in other comprehensive income for the quarter is a $0.5 million unrealized loss on interest rate swap agreements and a $1.1 million unrealized foreign currency translation gain related to the two properties located in the United States. For the year ended December 31, 2013, a $0.04 million unrealized gain on interest rate swap agreements resulting from changes in interest rates, and a $1.9 million unrealized foreign currency translation gain related to the two properties located in the United States resulting from the appreciation of the U.S. dollar, was recorded.

Net operating income ("NOI")

We define NOI as the total of net rental income, including the share of net rental income from investment in joint ventures and property management income, excluding net rental income from discontinued operations, properties sold and assets held for sale.

NOI is an important measure used by management in evaluating property operation; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Net rental income (per consolidated financial statements)	**$ 100,842**	$ 90,391	**$ 391,500**	$ 348,547
Add:				
Share of net rental income from investments in joint ventures	**15,405**	16,044	**61,388**	42,593
NOI from discontinued properties	**-**	395	**-**	28,111
NOI	**116,247**	106,830	**452,888**	419,251
Less:				
NOI from discontinued properties	**-**	395	**-**	28,111
NOI from properties sold and other properties held for sale	**348**	964	**1,655**	6,948
NOI (excluding discontinued operations and properties sold and other properties held for sale)	**$ 115,899**	$ 105,471	**$ 451,233**	$ 384,192

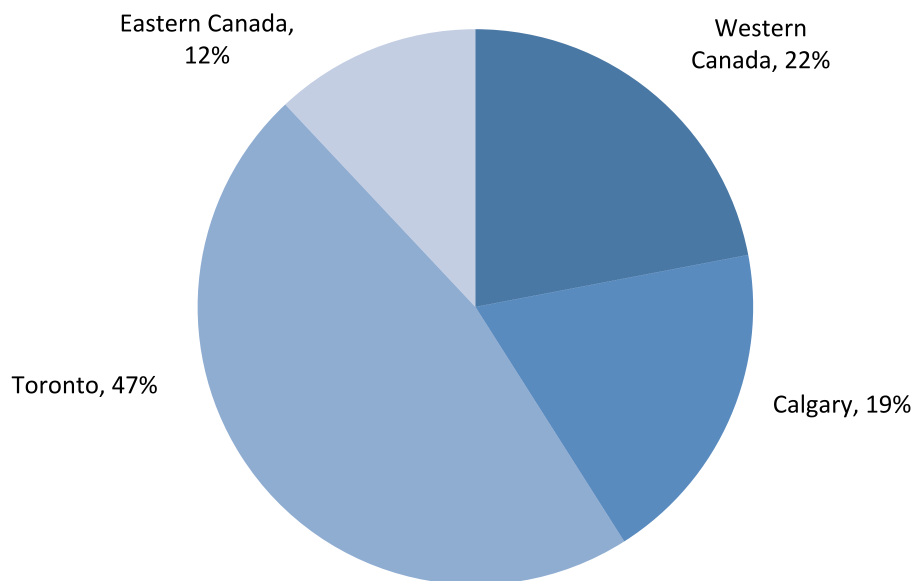
NOI excluding income from discontinued operations, properties sold and properties held for sale for the three months ended December 31, 2013 was $115.9 million, representing a 9.9% increase over the prior year comparative quarter (for the year ended December 31, 2013 – $451.2 million, representing a 17.4% increase over the prior year comparative period). The increase is mainly attributable to income generated by investment properties acquired in 2012 and 2013 as well as comparative property NOI growth.

	Three months ended December 31,				Years ended December 31,			
			Growth				Growth	
	2013	2012	Amount	%	**2013**	2012	Amount	%
Western Canada	**$ 25,312**	$ 21,413	$ 3,899	18.2	**$ 95,410**	$ 79,825	$ 15,585	19.5
Calgary	**21,697**	19,755	1,942	9.8	**80,789**	78,029	2,760	3.5
Toronto	**54,415**	49,919	4,496	9.0	**216,221**	171,697	44,524	25.9
Eastern Canada	**14,475**	14,384	91	0.6	**58,813**	54,641	4,172	7.6
NOI(1)	**115,899**	105,471	10,428	9.9	**451,233**	384,192	67,041	17.4
NOI from discontinued operations(1)	**-**	395	(395)		**-**	28,111	(28,111)	
NOI from properties sold(1) and properties held for sale	**348**	964	(616)		**1,655**	6,948	(5,293)	
NOI including income from discontinued operations, properties sold and assets held for sale	**$ 116,247**	$ 106,830	$ 9,417	8.8	**$ 452,888**	$ 419,251	$ 33,637	8.0

(1) Includes straight-line rents and amortization of lease incentives.

NOI BY REGION

(Three months ended December 31, 2013)



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 table are properties acquired prior to January 1, 2012. Income from discontinued operations, properties sold and properties held for sale contributing to NOI in comparative periods are shown separately. Comparative NOI and NOI attributed to acquisitions exclude lease termination fees, bad debt expense, straight-line rents and amortization of lease incentives.

On a quarterly basis, NOI from comparative properties increased by 0.2%, or $0.1 million, over the prior year comparative quarter (year ended December 31, 2013 – 0.9%, or $2.4 million, increase over the prior year comparative period), with increases across all regions except for Western Canada. The overall increase was mainly driven by higher rental rates achieved on new leasing completed over the past year and the benefit of step rents, all offset by lower occupancy across all regions.

	Three months ended December 31,				Years ended December 31,			
			Growth				Growth	
	2013	2012	Amount	%	**2013**	2012	Amount	%
Western Canada	**$ 16,466**	$ 16,852	$ (386)	(2.3)	**$ 65,523**	$ 65,965	$ (442)	(0.7)
Calgary	**19,661**	19,609	52	0.3	**77,611**	77,116	495	0.6
Toronto	**24,812**	24,382	430	1.8	**99,586**	98,249	1,337	1.4
Eastern Canada	**8,808**	8,785	23	0.3	**36,303**	35,270	1,033	2.9
Comparative properties	**69,747**	69,628	119	0.2	**279,023**	276,600	2,423	0.9
Lease termination fees and other	**621**	(131)	752		**2,127**	108	2,019	
Properties held for redevelopment	**(113)**	(94)	(19)		**(532)**	281	(813)	
Acquisitions	**45,717**	35,320	10,397		**169,543**	103,352	66,191	
Straight-line rent	**1,848**	2,015	(167)		**7,415**	7,888	(473)	
Amortization of lease incentives	**(1,921)**	(1,267)	(654)		**(6,343)**	(4,037)	(2,306)	
NOI	**115,899**	105,471	10,428	9.9	**451,233**	384,192	67,041	17.4
NOI from discontinued operations[1]	**-**	395	(395)		**-**	28,111	(28,111)	
NOI from properties sold and properties held for sale[1]	**348**	964	(616)		**1,655**	6,948	(5,293)	
NOI including income from discontinued operations, properties sold and assets held for sale	**$ 116,247**	$ 106,830	$ 9,417	8.8	**$ 452,888**	$ 419,251	$ 33,637	8.0

(1) Includes straight-line rents and amortization of lease incentives.

Western Canada decreased by 2.3%, or $0.4 million, over the prior year comparative quarter (year ended December 31, 2013 – 0.7%, or $0.4 million, decrease over the prior year comparative period) primarily due to declines in occupancy in downtown Edmonton. Offsetting this were higher occupancies in suburban Edmonton, higher rents on renewals and step-up in rental rates for certain tenants.

Calgary increased by 0.3%, or $0.1 million, over the prior year comparative quarter (year ended December 31, 2013 – 0.6%, or $0.5 million, increase over the prior year comparative period), primarily due to higher rents on renewals and step-up in rental rates for certain tenants, offset by lower occupancies across Calgary.

Toronto increased by 1.8%, or $0.4 million, over the prior year comparative quarter (year ended December 31, 2013 – 1.4%, or $1.3 million, increase over the prior year comparative period), mainly driven by higher rents on renewals and step-up in rental rates for certain tenants, offset by lower occupancies across the Toronto region.

Eastern Canada increased by 0.3%, or $0.02 million, over the prior year comparative quarter (year ended December 31, 2013 – 2.9%, or $1.0 million, increase over the prior year comparative period), primarily due to higher rents on renewals and step-up in rental rates for certain tenants, the expiry of free rent periods, and lower non-recoverable expenses. Offsetting this were lower occupancies across the Eastern Canada region.

For the three months ended December 31, 2013, we recognized lease termination fees and other adjustments of $0.6 million (year ended December 31, 2013 – $2.1 million).

NOI prior quarter comparison

The comparative properties disclosed in the following table include properties acquired prior to July 1, 2013.

	Three months ended			
			Growth	
	December 31, 2013	September 30, 2013	Amount	%
Western Canada	**$ 24,694**	$ 24,410	$ 284	1.2
Calgary	**20,353**	20,547	(194)	(0.9)
Toronto	**54,304**	54,839	(535)	(1.0)
Eastern Canada	**13,885**	14,304	(419)	(2.9)
Comparative properties	**113,236**	114,100	(864)	(0.8)
Lease termination fees and other	**621**	620	1	
Properties held for redevelopment	**(113)**	(106)	(7)	
Acquisitions	**2,228**	1,020	1,208	
Straight-line rent	**1,848**	1,859	(11)	
Amortization of lease incentives	**(1,921)**	(1,521)	(400)	
NOI	**115,899**	115,972	(73)	(0.1)
NOI from properties sold and properties held for sale[1]	**348**	468	(120)	
NOI including income from discontinued operations, properties sold and assets held for sale	**$ 116,247**	$ 116,440	$ (193)	(0.2)

(1) Includes straight-line rent and amortization of lease incentives.

As measured against Q3 2013, overall comparative property NOI decreased by 0.8%, or $0.9 million, driven by decreases across all regions except for Western Canada. Our NOI in Western Canada increased by 1.2%, or $0.3 million, over Q3 2013, as we increased occupancy in Metro Vancouver, downtown Edmonton and Victoria and renewed tenants at rents above those previously in place. Our NOI in Calgary decreased by 0.9%, or $0.2 million, over Q3 2013, primarily due to a decline in occupancy, offset by higher rents on renewals and step-up in rental rates for certain tenants. Toronto NOI decreased by 1.0%, or $0.5 million, over Q3 2013, mainly driven by a slight decline in occupancy in certain suburban properties, offset by higher rents on renewed leases and higher parking revenue. Eastern Canada NOI decreased by 2.9%, or $0.4 million, over Q3 2013, mainly driven by lower occupancy in certain properties in the Maritimes, downtown Ottawa, Montreal and Quebec City.

For the three months ended December 31, 2013, we recognized lease termination fees and other adjustments of $0.6 million.

Funds from operations and adjusted funds from operations

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Net income for the period	**$ 59,756**	$ 100,542	**$ 445,011**	$ 291,073
Add (deduct):				
Share of net income and dilution gain from investment in Dundee Industrial	**(3,027)**	(1,568)	**(15,697)**	(1,568)
Share of FFO from investment in Dundee Industrial	**3,860**	3,458	**15,104**	3,458
Depreciation of property and equipment	**370**	254	**1,193**	851
Amortization of external management contracts	**323**	359	**1,338**	1,321
Amortization of lease incentives	**1,936**	1,278	**6,347**	4,383
Loss (gain) on sale of investment properties	**-**	142	**283**	(2,677)
Interest expense on subsidiary redeemable units	**1,981**	1,944	**7,897**	7,758
Acquisition related costs	**-**	-	**-**	17,551
Leasing incentives expensed on lease terminations	**-**	-	**45**	287
Fair value adjustments to investment properties	**8,898**	(45,595)	**(79,277)**	(110,759)
Fair value adjustments to investment properties held in joint ventures	**5,484**	487	**(41,345)**	23,964
Fair value adjustments to financial instruments	**(251)**	4,179	**(34,840)**	16,588
Fair value adjustments of DUIP included in general and administrative expenses	**(166)**	181	**(230)**	745
Hedge-break fee for financial instrument held in equity accounted investments	**-**	-	**-**	5,186
Debt settlement costs	**-**	3,066	**241**	3,798
Deferred income taxes expense (recovery)	**(865)**	263	**344**	1,849
Other	**(57)**	(85)	**(167)**	(320)
FFO	**$ 78,242**	$ 68,905	**$ 306,247**	$ 263,488

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Funds from operations	**$ 78,242**	$ 68,905	**$ 306,247**	$ 263,488
Add (deduct):				
Share of FFO from investment in Dundee Industrial	**(3,860)**	(3,458)	**(15,104)**	(3,458)
Share of AFFO from investment in Dundee Industrial	**3,116**	2,597	**12,052**	2,597
Amortization of fair value adjustments on assumed debt	**(1,370)**	(1,426)	**(6,633)**	(7,976)
Deferred unit compensation expense	**1,109**	904	**4,317**	3,415
Straight-line rent	**(1,848)**	(2,120)	**(7,415)**	(9,313)
Revenue supplement from vendor on acquisition	**-**	-	**-**	1,495
Other	**(400)**	(41)	**(260)**	(56)
	74,989	65,361	**293,204**	250,192
Deduct:				
Normalized initial direct leasing costs and lease incentives	**8,005**	7,301	**31,428**	28,232
AFFO	**$ 66,984**	$ 58,060	**$ 261,776**	$ 221,960

Funds from operations

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
FFO	**$ 78,242**	$ 68,905	**$ 306,247**	$ 263,488
FFO per unit – basic	**$ 0.72**	$ 0.68	**$ 2.88**	$ 2.86
FFO per unit – diluted	**$ 0.72**	$ 0.68	**$ 2.87**	$ 2.85

Total FFO for the quarter was $78.2 million, an increase of $9.3 million, or 13.6%, over the prior year comparative quarter (year ended December 31, 2013 – $306.2 million, an increase of $42.8 million, or 16.2%, over the prior year comparative period). Diluted FFO on a per unit basis increased from $0.68 per unit to $0.72 per unit over the prior year comparative quarter (year ended December 31, 2013 – an increase from $2.85 per unit to $2.87 per unit over the prior year comparative period).

Adjusted funds from operations

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
AFFO	**$ 66,984**	$ 58,060	**$ 261,776**	$ 221,960
AFFO per unit – basic	**$ 0.62**	$ 0.57	**$ 2.47**	$ 2.41

Total AFFO for the quarter was $67.0 million, an increase of $8.9 million, or 15.4%, over the prior year comparative quarter (year ended December 31, 2013 – $261.8 million, an increase of $39.8 million, or 17.9%, over the prior year comparative period). AFFO on a per unit basis increased from $0.57 per unit to $0.62 per unit over the prior year comparative quarter (year ended December 31, 2013 – an increase from $2.41 per unit to $2.47 per unit over the prior year comparative period).

The increase in basic AFFO and diluted FFO per unit over the prior year comparative quarter and period resulted from:

- a decrease in the weighted average cost of debt throughout 2013, due in part to the redemption of all the outstanding 6.5% Debentures, 5.7% Debentures, 6.0% Debentures and 7.0% Debentures totalling $126.5 million on December 31, 2012;
- the sale of the Industrial Portfolio to Dundee Industrial at the beginning of Q4 2012 while carrying excess cash on hand on and off throughout 2012 and throughout most of Q4 2012, which had a dilutive impact on AFFO per unit throughout Q4 2012;
- 2.1 million Units purchased for cancellation under the normal course issuer bid during the year;
- accretive acquisitions completed in 2012 and 2013; and
- 0.2% growth in comparative property NOI over the prior year comparative quarter and 0.9% growth over the prior year comparative period.

Partially offsetting this was:

- the effect of our continuous efforts to de-leverage throughout 2013, to further strengthen our balance sheet.

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Cash generated from operating activities	**$ 64,081**	$ 32,574	**$ 195,237**	$ 134,950
Add (deduct):				
Share of AFFO from investment in Dundee Industrial	**3,116**	2,597	**12,052**	2,597
Share of net income (loss) from investment in joint ventures	**5,415**	10,488	**84,382**	(254)
Initial direct leasing costs and lease incentives	**7,244**	8,859	**37,502**	23,577
Transaction costs on acquired businesses including those recorded in investment in joint ventures	**-**	-	**-**	17,551
Change in non-cash working capital	**(6,815)**	11,649	**9,066**	44,074
Adjustments for investment in joint ventures:				
Fair value adjustments to investment properties	**5,484**	487	**(41,345)**	23,964
Straight-line rent	**170**	189	**648**	214
Amortization of lease incentives	**30**	137	**328**	406
Hedge-break fee for financial instrument	**-**	-	**-**	5,186
Revenue supplement from vendor on acquisition	**-**	-	**-**	1,495
Normalized initial direct leasing costs and lease incentives	**(8,005)**	(7,301)	**(31,428)**	(28,232)
Other	**(3,736)**	(1,619)	**(4,666)**	(3,568)
AFFO	**$ 66,984**	$ 58,060	**$ 261,776**	$ 221,960

SELECTED ANNUAL INFORMATION

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

	2013	2012	2011
Investment properties revenue	**$ 800,531**	$ 686,564	$ 407,272
Income from continuing operations	**445,011**	266,174	355,110
Net income	**445,011**	291,073	400,920
Total assets	**7,667,742**	6,913,744	4,466,467
Debt	**3,662,543**	3,314,594	2,254,756
Distributions declared	**235,751**	203,596	131,168
Units outstanding			
REIT Units, Series A	**103,420,221**	97,618,625	66,193,060
REIT Units, Series B	**-**	16,316	16,316
LP Class B Units, Series 1	**3,538,457**	3,528,658	3,506,107

QUARTERLY INFORMATION

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

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Investment properties revenue	**$ 179,574**	$ 175,044	$ 170,589	$ 161,965	$ 162,014	$ 157,421	$ 156,684	$ 131,677
Investment properties operating expenses	**(78,732)**	(74,181)	(73,570)	(69,189)	(71,623)	(66,459)	(65,177)	(55,990)
Net rental income from continuing operations	**100,842**	100,863	97,019	92,776	90,391	90,962	91,507	75,687
Other income and expenses								
General and administrative	**(6,155)**	(6,115)	(5,844)	(5,722)	(5,774)	(5,748)	(5,267)	(4,343)
Share of net income and dilution gain from investment in Dundee Industrial	**3,027**	3,454	2,884	6,332	1,568	-	-	-
Share of net income (loss) from investment in joint ventures	**5,415**	12,474	38,977	27,516	10,488	12,105	(31,354)	8,507
Fair value adjustments to investment properties	**(8,898)**	68	26,745	61,362	45,595	17,307	11,213	31,457
Net gain (loss) on sale of investment properties	**-**	-	-	(283)	(1,289)	2,988	-	(169)
Acquisition related costs	**-**	-	-	-	-	(230)	-	(17,319)
Interest:								
Debt	**(33,857)**	(33,174)	(32,340)	(30,798)	(33,239)	(32,439)	(32,512)	(26,928)
Subsidiary redeemable units	**(1,981)**	(1,982)	(1,986)	(1,948)	(1,944)	(1,941)	(1,938)	(1,935)
Debt settlement and other costs, net	**-**	-	(241)	-	(3,066)	(732)	-	-
Depreciation and amortization	**(691)**	(631)	(632)	(573)	(613)	(574)	(554)	(301)
Interest and fee income	**938**	1,488	1,001	1,208	1,435	1,413	1,255	942
Fair value adjustments to financial instruments	**251**	16,389	18,852	(652)	(4,179)	4,144	(8,120)	(8,433)
Income before income taxes and discontinued operations	**58,891**	92,834	144,435	149,218	99,373	87,255	24,230	57,165
Deferred income taxes recovery (expense)	**865**	(475)	(182)	(552)	(263)	(921)	(665)	-
Income from continuing operations	**59,756**	92,359	144,253	148,666	99,110	86,334	23,565	57,165
Income from discontinued operations	**-**	-	-	-	1,432	4,634	8,278	10,555
Net income	**59,756**	92,359	144,253	148,666	100,542	90,968	31,843	67,720
Other comprehensive income (loss)								
Unrealized gain (loss) on interest rate swap agreements	**(480)**	(557)	1,511	(435)	344	259	(1,906)	2,530
Unrealized foreign currency translation gain (loss)	**1,085**	(793)	1,194	456	320	(1,107)	588	277
	605	(1,350)	2,705	21	664	(848)	(1,318)	2,807
Comprehensive income	**$ 60,361**	$ 91,009	$ 146,958	$ 148,687	$ 101,206	$ 90,120	$ 30,525	$ 70,527

Calculation of funds from operations

(in thousands of Canadian dollars)

				2013				2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NET INCOME	**$ 59,756**	$ 92,359	$ 144,253	$ 148,666	$ 100,542	$ 90,968	$ 31,843	$ 67,720
Add (deduct):								
Share of net income and dilution gain from investment in Dundee Industrial	**(3,027)**	(3,454)	(2,884)	(6,332)	(1,568)	-	-	-
Share of FFO from investment in Dundee Industrial	**3,860**	3,932	3,780	3,532	3,458	-	-	-
Depreciation of property and equipment	**370**	308	299	215	254	221	193	183
Amortization of property management contracts	**323**	323	335	358	359	413	412	138
Amortization of lease incentives	**1,936**	1,542	1,625	1,244	1,278	1,068	1,023	1,014
Net loss (gain) on disposal of investment properties	**-**	-	-	283	142	(2,988)	-	169
Interest expense on subsidiary redeemable units	**1,981**	1,982	1,986	1,948	1,944	1,941	1,938	1,935
Acquisition related costs, net	**-**	-	-	-	-	230	2	17,319
Leasing incentives expensed on lease terminations	**-**	-	42	3	-	45	13	229
Fair value adjustments to investment properties	**8,898**	(68)	(26,745)	(61,362)	(45,595)	(15,294)	(13,319)	(36,551)
Fair value adjustments to investment properties held in joint ventures	**5,484**	(1,555)	(28,084)	(17,189)	487	(1,336)	30,438	(5,625)
Fair value adjustments to financial instruments	**(251)**	(16,389)	(18,852)	652	4,179	(4,144)	8,120	8,433
Fair value of DUIP included in general and administrative expenses	**(166)**	(159)	(42)	137	181	188	203	173
Debt settlement and other costs, net	**-**	-	241	-	3,066	732	-	-
Hedge-break fee for financial instrument held in joint venture	**-**	-	-	-	-	-	5,186	-
Deferred income taxes expense (recovery)	**(865)**	475	182	552	263	921	665	-
Other	**(57)**	2	(96)	(38)	(85)	(86)	(84)	(66)
FFO	**$ 78,242**	$ 79,298	$ 76,040	$ 72,669	$ 68,905	$ 72,879	$ 66,633	$ 55,071
FFO per unit – basic[1]	**$ 0.72**	$ 0.73	$ 0.72	$ 0.72	$ 0.68	$ 0.72	$ 0.72	$ 0.74
FFO per unit – diluted[1]	**$ 0.72**	$ 0.73	$ 0.71	$ 0.71	$ 0.68	$ 0.72	$ 0.72	$ 0.73

(1) The LP B Units are included in the calculation of basic and diluted FFO per unit.

				2013				2012
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
FUNDS FROM OPERATIONS	**$ 78,242**	$ 79,298	$ 76,040	$ 72,669	$ 68,905	$ 72,879	$ 66,633	$ 55,071
Add (deduct):								
Share of FFO from investment in Dundee Industrial	**(3,860)**	(3,932)	(3,780)	(3,532)	(3,458)	-	-	-
Share of AFFO from investment in Dundee Industrial	**3,116**	3,154	3,050	2,732	2,597	-	-	-
Amortization of fair value adjustments on assumed debt	**(1,370)**	(1,511)	(1,807)	(1,946)	(1,426)	(2,349)	(2,528)	(1,673)
Deferred unit compensation expense	**1,109**	1,108	1,129	971	904	904	858	749
Straight-line rent	**(1,848)**	(1,865)	(1,887)	(1,815)	(2,120)	(2,720)	(2,342)	(2,131)
Revenue supplement from vendor on acquisition	**-**	-	-	-	-	299	598	598
Other	**(400)**	250	(53)	(57)	(41)	(11)	(2)	(2)
	74,989	76,502	72,692	69,022	65,361	69,002	63,217	52,612
Deduct:								
Normalized initial direct leasing costs and lease incentives	**8,005**	8,204	7,812	7,407	7,301	7,716	7,256	5,959
Adjusted funds from operations	**$ 66,984**	$ 68,298	$ 64,880	$ 61,615	$ 58,060	$ 61,286	$ 55,961	$ 46,653
AFFO per unit – basic[1]	**$ 0.62**	$ 0.63	$ 0.61	$ 0.61	$ 0.57	$ 0.61	$ 0.61	$ 0.63
Weighted average units outstanding for FFO and AFFO								
Basic (in thousands)	**108,082**	108,671	106,226	101,564	101,184	100,564	91,948	74,527
Diluted (in thousands)	**109,691**	110,290	107,861	103,171	106,021	105,536	97,011	78,663

(1) The LP B Units are included in the calculation of basic AFFO per unit.

NON-GAAP MEASURES

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

Funds from operations ("FFO")

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

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income in section "Our results of operations" under the heading "Funds from operations and adjusted funds from operations".

Adjusted funds from operations ("AFFO")

Management believes 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.

Our calculation of AFFO includes a deduction for an estimated amount of normalized initial direct leasing costs and lease incentives that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years multiplied by the average cost per square foot that we incurred and committed to in 2013, 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.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", AFFO has been reconciled to cash generated from operating activities in section "Our results of operations" under the heading "Funds from operations and adjusted funds from operations".

Weighted average number of units

The basic weighted average number of units outstanding used in the FFO and AFFO calculations includes the weighted average of all REIT Units, LP B Units, and vested but unissued deferred trust units and income deferred trust units. The diluted weighted average number of units for the three and twelve months ended December 31, 2013 assumes the conversion of the 5.5% Series H Debentures, as they are dilutive. The diluted weighted average number of units for the three and twelve months ended December 31, 2012 assumes the conversion of the 6.5%, 5.7%, 6.0%, 7.0% and 5.5% Series H Debentures, as they are dilutive. Diluted FFO for the quarter excludes $0.7 million (year ended December 31, 2013 – $2.9 million) in interest related to convertible debentures.

	Three months ended December 31,		Years ended December 31,	
	2013	2012	**2013**	2012
Weighted average units outstanding for basic per unit amounts (in thousands)	**108,082**	101,184	**106,164**	92,048
Weighted average units outstanding for diluted per unit amounts (in thousands)	**109,691**	106,021	**107,773**	96,805

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

Management believes this non-GAAP measurement is an important measure in the management of our debt levels. The level of debt as shown below is determined as total debt (net of cash on hand), which includes debt related to investment in joint ventures that are equity accounted and debt related to assets held for sale, divided by total assets. Total assets include assets of investment in joint ventures that are equity accounted and the reversal of accumulated depreciation of property and equipment and cash on hand).

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the level of debt (debt-to-gross book value).

				December 31, 2013
	Amounts per consolidated financial statements	**Share of amounts from investment in joint ventures**		**Total**
Non-current debt	$ **2,884,481**	$ **496,410**	$	**3,380,891**
Current debt	**264,535**	**11,678**		**276,213**
Debt before undernoted items	**3,149,016**	**508,088**		**3,657,104**
Add: Debt related to assets held for sale	**-**	**5,439**		**5,439**
Less: Cash on hand[3]	**(23,436)**	**-**		**(23,436)**
Total debt (net of cash on hand)	**3,125,580**	**513,527**		**3,639,107**
Total assets	**7,124,943**[1]	**542,799**		**7,667,742**[2]
Add: Accumulated depreciation of property and equipment	**3,135**	**-**		**3,135**
Less: Cash on hand[3]	**(23,436)**	**-**		**(23,436)**
Total assets (excluding accumulated depreciation of property and equipment and cash on hand)	$ **7,104,642**	$ **542,799**	$	**7,647,441**
Net debt-to-gross-book value				**47.6%**

(1) Includes net assets of investment in joint ventures that are equity accounted.

(2) Total assets are determined as total assets, including assets related to investment in joint ventures that are equity accounted for and assets held for sale.

(3) Cash on hand represents cash at year-end, excluding cash held in joint ventures and co-owned properties.

			December 31, 2012[3]
	Amounts per consolidated financial statements	Share of amounts from investment in joint ventures	Total
Non-current debt	$ 2,470,337	$ 489,976	$ 2,960,313
Current debt	308,089	36,992	345,081
Debt before undernoted items	2,778,426	526,968	3,305,394
Add: Debt related to assets held for sale	9,200	-	9,200
Less: Cash on hand[4]	(15,704)	-	(15,704)
Total debt (net of cash on hand)	2,771,922	526,968	3,298,890
Total assets	6,352,988[1]	560,756	6,913,744[2]
Add: Accumulated depreciation of property and equipment	1,946	-	1,946
Less: Cash on hand[4]	(15,704)	-	(15,704)
Total assets (excluding accumulated depreciation of property and equipment and cash on hand)	$ 6,339,230	$ 560,756	$ 6,899,986
Net debt-to-gross-book value			47.8%

(1) Includes net assets of investment in joint ventures that are equity accounted.

(2) Total assets are determined as total assets, including assets related to investment in joint ventures that are equity accounted for and assets held for sale.

(3) Comparative figures have been restated to conform to the presentation in the current period.

(4) Cash on hand represents cash at year-end, excluding cash held in joint ventures and co-owned properties.

Interest coverage ratio

Management believes this non-GAAP measurement is an important measure in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio for the years ended December 31, 2013 and December 31, 2012 include the results from investment in joint ventures that are equity accounted. Interest coverage ratio as shown below is calculated as net rental income from continuing operations plus interest and fee income, less general and administrative expenses, all divided by interest expense on total debt.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the interest coverage ratio.

						For the year ended December 31, 2013
		Amounts per consolidated financial statements		**Share of amounts per investment in joint ventures**		**Total**
Net rental income from continuing operations	**$**	**391,500**	**$**	**61,388**	**$**	**452,888**
Add: Interest and fee income		**4,635**		**55**		**4,690**
Less: General and administrative expenses		**(23,859)**		**(202)**		**(24,061)**
Total		**372,276**		**61,241**		**433,517**
Interest expense – debt	**$**	**130,169**	**$**	**18,200**	**$**	**148,369**
Interest coverage ratio (times)						**2.92**

						For the year ended December 31, 2012
		Amounts per consolidated financial statements		Share of amounts per investment in joint ventures		Total
Net rental income from continuing operations	$	348,547	$	42,593	$	391,140
Add: Interest and fee income		5,045		168		5,213
Less: General and administrative expenses		(21,132)		(82)		(21,214)
Total		332,460		42,679		375,139
Interest expense – debt	$	125,118	$	13,779	$	138,897
Interest coverage ratio (times)						2.70

Net average debt-to-EBITDFV

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, based on its historical operating performance, to repay our average debt.

Net average debt-to-EBITDFV as shown below is calculated as total average debt (net of cash on hand), which includes debt related to investment in joint ventures that are equity accounted and debt related to assets held for sale, divided by annualized EBITDFV for the current quarter. EBITDFV is calculated as income from continuing operations adjusted for: non-cash items included in investment properties revenue, fair value adjustments to investment properties and financial instruments, share of net income from Dundee Industrial, distributions received from Dundee Industrial, gain/loss on sale of investment properties, interest expense, depreciation and amortization and income taxes.

Net debt-to-adjusted EBITDFV

Management believes this non-GAAP measurement is an important measure in determining the time it takes the Trust, on a go forward basis, based on its normalized operating performance to repay our debt.

Net debt-to-adjusted EBITDFV as shown below is calculated as total debt (net of cash on hand), which includes debt related to investment in joint ventures that are equity accounted and debt related to assets held for sale, divided by adjusted EBITDFV – annualized. Adjusted EBITDFV – annualized is calculated as EBITDFV plus normalized NOI of acquired properties for the quarter.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the Net debt-to-EBITDFV – average for the year and Net debt-to-EBITDFV – Q4 annualized.

						December 31, 2013
		Amounts per consolidated financial statements		**Share of amounts per investment in joint ventures**		**Total**
Non-current debt	$	2,884,481	$	496,410	$	3,380,891
Current debt		264,535		11,678		276,213
Debt before undernoted items		3,149,016		508,088		3,657,104
Add: Debt related to assets held for sale		-		5,439		5,439
Less: Weighted average debt adjustment[(1)]		(5,249)		-		(5,249)
Less: Cash on hand[(2)]		(23,436)		-		(23,436)
Total weighted average debt (net of cash on hand)	$	3,120,331	$	513,527	$	3,633,857
Add-back: Weighted average debt adjustment[(1)]		5,249		-		5,249
Total debt (net of cash on hand)	$	3,125,580	$	513,527	$	3,639,106
Income from continuing operations	$	54,341	$	5,415	$	59,756
Non-cash items included in investment properties revenue[(3)]		(127)		200		73
Fair value adjustments to investment properties		8,898		5,484		14,382
Fair value adjustment to financial instruments		(253)		-		(253)
Share of net income from Dundee Industrial		(3,027)		-		(3,027)
Distributions received from Dundee Industrial		2,849		-		2,849
Interest – debt		33,857		4,508		38,365
Interest – subsidiary redeemable units		1,981		-		1,981
Depreciation and amortization		691		2		693
Deferred income taxes recovery		(865)		-		(865)
EBITDFV – quarterly	$	98,345	$	15,609	$	113,954
Normalized NOI of acquired properties for the quarter		98		-		98
Adjusted EBITDFV – quarterly	$	98,443	$	15,609	$	114,052
EBITDFV – annualized					$	455,816
Adjusted EBITDFV – annualized					$	456,208
Net average debt-to-EBITDFV (years)						8.0
Net debt-to-adjusted EBITDFV (years)						8.0

(1) Weighted average debt adjustment reflects outstanding debt at period-end, prorated for the number of days outstanding during the period.

(2) Cash on hand represents cash at year-end, excluding cash held in joint ventures and co-owned properties.

(3) Includes adjustments for straight-line rent and amortization of leasing costs.

		December 31, 2012[4]			
		Amounts per consolidated financial statements	Share of amounts per investment in joint ventures		Total
Non-current debt	$	2,470,337	$ 489,976	$	2,960,313
Current debt		308,089	36,992		345,081
Debt before undernoted items		2,778,426	526,968		3,305,394
Add: Debt related to assets held for sale		9,200	-		9,200
Add (less): weighted average debt adjustment[1]		109,080	(1,308)		107,772
Less: Cash on hand[2]		(15,704)	-		(15,704)
Total weighted average debt (net of cash on hand)	$	2,881,002	$ 525,660	$	3,406,662
Add-back: Weighted average debt adjustment[1]		(109,080)	1,308		(107,772)
Total debt (net of cash on hand)	$	2,771,922	$ 526,968	$	3,298,890
Income from continuing operations	$	88,622	$ 10,488	$	99,110
Non-cash items included in investment properties revenue[3]		(789)	(52)		(841)
Fair value adjustments to investment properties		(45,595)	487		(45,108)
Fair value adjustment to financial instruments		4,179	-		4,179
Share of net income from Dundee Industrial		(1,568)	-		(1,568)
Distributions received from Dundee Industrial		2,711	-		2,711
Loss on sale of investment properties		1,289	-		1,289
Interest – debt		33,239	5,028		38,267
Interest – subsidiary redeemable units		1,944	-		1,944
Depreciation and amortization		613	-		613
Deferred income taxes		263	-		263
EBITDFV – quarterly	$	84,908	$ 15,951	$	100,859
Normalized NOI of acquired properties for the quarter		1,083	-		1,083
Adjusted EBITDFV – quarterly	$	85,991	$ 15,951	$	101,942
EBITDFV – annualized				$	403,436
Adjusted EBITDFV – annualized				$	407,768
Net average debt-to-EBITDFV (years)					8.4
Net debt-to-adjusted EBITDFV (years)					8.1

(1) Weighted average debt adjustment reflects outstanding debt at period-end, prorated for the number of days outstanding during the period.

(2) Cash on hand represents cash at year-end, excluding cash held in joint ventures and co-owned properties.

(3) Includes adjustments for straight-line rent and amortization of leasing costs.

(4) Comparative figures have been restated to include adjustments for share of net income from Dundee Industrial, distribution received from Dundee Industrial and normalized NOI of acquired properties for the quarter.

Investment in joint ventures

The Trust’s proportionate share of the financial position and results of operation of its investment in joint ventures, which are accounted for using the equity method in the financial statements and as presented and discussed throughout the MD&A using the proportionate consolidation method, are non-GAAP measures. A reconciliation of the financial position and results of operations to the consolidated balance sheets and consolidated statements of comprehensive income can be found in “Our Resources and Financial Condition” and “Our Results of Operations” sections of the MD&A, respectively.

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

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

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

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

SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

Dundee REIT is exposed to various risks and uncertainties, many of which are beyond our control. The following is a review of the material risks and uncertainties that could materially affect our operations and future performance.

Real estate ownership

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

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

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

Rollover of leases

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

Concentration of properties and tenants

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

Financing

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

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

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

Changes in law

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

Interest rates

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

Environmental risk

As an owner of real property, we are subject to various federal, provincial 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.

Joint arrangements

We are a participant in jointly controlled entities and co-ownerships, combined ("joint arrangements") with third parties. A joint arrangement involves certain additional risks, including:

(i) the possibility that such third parties 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 third parties 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 third parties' 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 the joint arrangement;

(iii) the risk that such third parties may, through their activities on behalf of or in the name of the joint arrangements, expose or subject us to liability; and

(iv) the need to obtain third parties' 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 arrangements 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 arrangement within the time frame or otherwise on the basis we desire.

Our investment in properties through joint arrangements is subject to the investment guidelines set out in our Declaration of Trust.

Competition

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

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

Insurance

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

SECTION V – CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

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

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING POLICY CHANGES

Changes in accounting policies

Dundee REIT's changes in accounting policies are described in Note 5 in the consolidated financial statements.

Future accounting policy changes

Dundee REIT's future accounting policy changes are described in Note 6 in the consolidated financial statements.

Additional information relating to Dundee REIT, including the latest annual information form of Dundee REIT, is available on SEDAR at www.sedar.com.

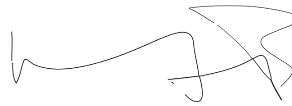
Management's responsibility for the consolidated financial statements

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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments when appropriate.

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

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

Michael J. Cooper
Vice Chairman and Chief Executive Officer



Mario Barrafato
Senior Vice President and Chief Financial Officer

Toronto, Ontario, February 27, 2014

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 and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Real Estate Investment Trust and its subsidiaries as at December 31, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario, February 27, 2014

Consolidated balance sheets

(in thousands of Canadian dollars)

	Note		December 31, 2013		December 31, 2012
Assets					
NON-CURRENT ASSETS					
Investment properties	9	**$**	**6,241,685**	$	5,477,560
Investment in Dundee Industrial	10		**166,317**		160,976
Investment in joint ventures	11		**527,255**		490,770
Other non-current assets	12		**104,822**		95,301
			7,040,079		6,224,607
CURRENT ASSETS					
Promissory notes receivable	13		**-**		42,000
Amounts receivable	14		**28,476**		31,106
Prepaid expenses and other assets			**9,450**		10,714
Cash and cash equivalents			**31,017**		24,014
			68,943		107,834
Assets held for sale	21		**15,921**		20,547
Total assets		**$**	**7,124,943**	$	6,352,988
Liabilities					
NON-CURRENT LIABILITIES					
Debt	15	**$**	**2,884,481**	$	2,470,337
Subsidiary redeemable units	16		**101,978**		132,078
Tenant security deposits			**18,848**		16,847
Deferred Unit Incentive Plan	17		**18,535**		18,754
Other financial liabilities, net	15		**19**		1,772
Deferred tax liabilities, net	25		**5,167**		4,492
			3,029,028		2,644,280
CURRENT LIABILITIES					
Debt	15		**264,535**		308,089
Amounts payable and accrued liabilities	18		**88,749**		76,896
Distributions payable	19		**19,493**		18,056
			372,777		403,041
Liabilities related to assets held for sale	21		**-**		9,268
Total liabilities			**3,401,805**		3,056,589
Equity					
Unitholders' equity			**3,039,189**		2,829,662
Retained earnings			**682,265**		467,034
Accumulated other comprehensive income (loss)	29		**1,684**		(297)
Total equity	20		**3,723,138**		3,296,399
Total liabilities and equity		**$**	**7,124,943**	$	6,352,988

See accompanying notes to the consolidated financial statements.

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

JOANNE FERSTMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of comprehensive income

(in thousands of Canadian dollars)

	Note	Years ended December 31, 2013	2012
Investment properties revenue		**$ 687,172**	$ 607,796
Investment properties operating expenses		**(295,672)**	(259,249)
Net rental income from continuing operations		**391,500**	348,547
Other income and expenses			
General and administrative		**(23,859)**	(21,132)
Share of net income and dilution gain from investment in Dundee Industrial	10	**15,697**	1,568
Share of net income (loss) from investment in joint ventures	11	**84,382**	(254)
Fair value adjustments to investment properties	9	**79,277**	105,572
Net gain (loss) on sale of investment properties	21	**(283)**	1,530
Acquisition related costs	7	**-**	(17,549)
Interest:			
Debt	22	**(130,169)**	(125,118)
Subsidiary redeemable units	22	**(7,897)**	(7,758)
Debt settlement and other costs, net	23	**(241)**	(3,798)
Depreciation and amortization		**(2,527)**	(2,042)
Interest and fee income		**4,635**	5,045
Fair value adjustments to financial instruments	24	**34,840**	(16,588)
Income before income taxes and discontinued operations		**445,355**	268,023
Deferred income taxes	25	**(344)**	(1,849)
Income from continuing operations		**445,011**	266,174
Income from discontinued operations	21	**-**	24,899
Net income for the year		**445,011**	291,073
Other comprehensive income			
Items that will be reclassified subsequently to net income:			
Unrealized gain on interest rate swap agreements	29	**39**	1,227
Unrealized foreign currency translation gain	29	**1,942**	78
		1,981	1,305
Comprehensive income for the year		**$ 446,992**	$ 292,378

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of Canadian dollars, except for number of units)

		Attributable to unitholders of the Trust								
	Note	Number of Units		Unitholders' equity		Retained earnings		Accumulated other comprehensive income (loss)		Total
Balance at January 1, 2013		**97,634,941**	**$**	**2,829,662**	**$**	**467,034**	**$**	**(297)**	**$**	**3,296,399**
Net income for the year		**-**		**-**		**445,011**		**-**		**445,011**
Distributions paid	19, 20	**-**		**-**		**(210,287)**		**-**		**(210,287)**
Distributions payable	19, 20	**-**		**-**		**(19,493)**		**-**		**(19,493)**
Public offering of REIT A Units	20	**6,353,750**		**230,006**		**-**		**-**		**230,006**
Distribution Reinvestment Plan	20	**1,509,148**		**47,899**		**-**		**-**		**47,899**
Unit Purchase Plan	20	**12,212**		**429**		**-**		**-**		**429**
Deferred units exchanged for REIT A Units	17, 20	**44,970**		**1,641**		**-**		**-**		**1,641**
Cancellation of REIT A Units under normal course issuer bid	20	**(2,134,800)**		**(60,665)**		**-**		**-**		**(60,665)**
Issue costs	20	**-**		**(9,783)**		**-**		**-**		**(9,783)**
Other comprehensive income	20, 29	**-**		**-**		**-**		**1,981**		**1,981**
Balance at December 31, 2013		**103,420,221**	**$**	**3,039,189**	**$**	**682,265**	**$**	**1,684**	**$**	**3,723,138**

		Attributable to unitholders of the Trust								
	Note	Number of Units		Unitholders' equity		Retained earnings		Accumulated other comprehensive income (loss)		Total
Balance at January 1, 2012		66,209,376	$	1,745,283	$	373,553	$	(1,602)	$	2,117,234
Net income for the year		-		-		291,073		-		291,073
Distributions paid	19, 20	-		-		(179,536)		-		(179,536)
Distributions payable	19, 20	-		-		(18,056)		-		(18,056)
Public offering of REIT A Units	20	16,947,550		604,812		-		-		604,812
REIT A Units issued for Whiterock transaction	7, 20	12,580,347		434,777		-		-		434,777
Distribution Reinvestment Plan	20	1,200,028		44,127		-		-		44,127
Unit Purchase Plan	20	15,296		578		-		-		578
Deferred units exchanged for REIT A Units	17, 20	25,290		876		-		-		876
Conversion of debentures	20	657,054		17,498		-		-		17,498
Conversion feature on debentures	20	-		5,674		-		-		5,674
Issue costs	20	-		(23,963)		-		-		(23,963)
Other comprehensive income	20, 29	-		-		-		1,305		1,305
Balance at December 31, 2012		97,634,941	$	2,829,662	$	467,034	$	(297)	$	3,296,399

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

(in thousands of Canadian dollars)

	Note	Years ended December 31, 2013	2012
Generated from (utilized in) operating activities			
Net income for the year		**$ 445,011**	$ 291,073
Non-cash items:			
Share of net income and dilution gain from investment in Dundee Industrial	10	**(15,697)**	(1,568)
Share of net loss (income) from investment in joint ventures	11	**(84,382)**	254
Amortization and depreciation	28	**5,399**	2,029
Other adjustments	28	**120**	4,624
Net loss (gain) on sale of investment properties	21	**283**	(2,677)
Deferred unit compensation expense	17	**4,087**	4,160
Straight-line rent adjustment		**(6,767)**	(9,898)
Fair value adjustments to investment properties	9	**(79,277)**	(110,759)
Fair value adjustments to financial instruments	24	**(34,840)**	16,588
Deferred income taxes	25	**344**	1,849
Investment in lease incentives and initial direct leasing costs		**(37,502)**	(23,577)
Interest paid on subsidiary redeemable units	22	**7,524**	6,926
Change in non-cash working capital	28	**(9,066)**	(44,074)
		195,237	134,950
Generated from (utilized in) investing activities			
Investment in building improvements		**(26,903)**	(20,199)
Investment in development projects	9	**-**	(1,945)
Acquisition of Whiterock, net of cash acquired	7	**-**	(147,134)
Acquisition of investment properties	8	**(485,060)**	(235,019)
Acquisition deposits on investment properties		**(15,813)**	(1,150)
Net proceeds from disposal of investment properties		**11,469**	212,486
Purchase of property and equipment		**(4,876)**	-
Acquisition of equity accounted investments		**(33,021)**	(844,766)
Distributions from investment in joint ventures		**2,700**	443,888
Distributions from investment in Dundee Industrial		**10,345**	-
Repayment of promissory notes receivable		**42,000**	-
Change in restricted cash		**(452)**	181
		(499,611)	(593,658)
Generated from (utilized in) financing activities			
Borrowings	15	**1,197,881**	950,102
Repayments	15	**(854,106)**	(994,642)
Financing costs additions	15	**(4,492)**	(4,849)
Mortgage break fees	23	**-**	(5,626)
Distributions paid on Units	19	**(180,444)**	(147,601)
Interest paid on subsidiary redeemable units	22	**(7,524)**	(6,926)
Cancellation of REIT A Units under normal course issuer bid	20	**(60,665)**	-
Units issued for cash	20	**230,435**	605,390
Unit issue costs	20	**(9,783)**	(23,963)
		311,302	371,885
Increase (decrease) in cash and cash equivalents		**6,928**	(86,823)
Foreign exchange gain (loss) on cash held in foreign currency		**75**	(155)
Cash transferred on disposition of discontinued operations		**-**	(878)
Cash and cash equivalents, beginning of year		**24,014**	111,870
Cash and cash equivalents, end of year		**$ 31,017**	$ 24,014

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except for 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 consolidated subsidiaries. Dundee REIT's portfolio comprises office properties located in urban centres across Canada and the United States ("U.S."). A subsidiary of Dundee REIT performs the property management function.

The Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "D.UN". Dundee REIT's consolidated financial statements for the year ended December 31, 2013 were authorized for issuance by the Board of Trustees on February 27, 2014, after which date they may only be amended with the Board of Trustees' approval.

Equity is described in Note 20; 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
- "Units", meaning REIT Units, Series A, REIT Units, Series B, and Special Trust Units, collectively

Subsidiary redeemable units classified as a liability are described in Note 16; however, for simplicity, throughout the Notes, reference is made to "subsidiary redeemable units", meaning the LP Class B Units, Series 1 of Dundee Properties Limited Partnership ("DPLP").

At December 31, 2013, DREAM Unlimited Corp., indirectly through its subsidiaries, held 773,939 REIT A Units and 383,823 subsidiary redeemable units.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of presentation and statement of compliance

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dundee REIT and its subsidiaries. Subsidiaries are fully consolidated from the date of acquisition, the date on which the Trust obtains control, and continue to be consolidated until the date such control ceases. Control exists when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Equity accounted investments

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

The financial results of the Trust's equity accounted investments are included in the Trust's consolidated financial statements using the equity method, whereby the investment is carried on the consolidated balance sheets at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in the share of net earnings from equity accounted investments in the consolidated statements of comprehensive income. Dilution gains and losses arising from changes in the Trust's interest in equity accounted investments are recognized in earnings. If the Trust's investment is reduced to zero, additional losses are not provided for, and a liability is not recognized, unless the Trust has incurred legal or constructive obligations, or made payments on behalf of the equity accounted investment.

At each reporting date, the Trust evaluates whether there is objective evidence that its interest in an equity accounted investment is impaired. The entire carrying amount of the equity accounted investment is compared to the recoverable amount, which is the higher of the value in use or fair value less costs to sell. The recoverable amount of each investment is considered separately.

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

Joint arrangements

The Trust enters into joint arrangements via joint operations and joint ventures. A joint arrangement with a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control is referred to as joint operations. Joint arrangements that involve the establishment of a separate entity in which each venture has rights to the net assets of the arrangements are referred to as joint ventures. In a co-ownership arrangement the Trust owns jointly one or more investment properties with another party and has direct rights to the investment property, and obligations for the liabilities relating to the co-ownership.

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

Note 3

ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

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

Investment properties

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

The initial cost of properties under development includes the acquisition cost of the property, direct development costs, realty taxes and borrowing costs directly attributable to properties under development. Borrowing costs associated with direct expenditures on properties under development are capitalized. The amount of capitalized borrowing costs is determined first by reference to project-specific borrowings, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross cost incurred on those borrowings less any investment income arising on their temporary investment. Borrowing costs are capitalized from the commencement of the development until the date of practical completion when the property is substantially ready for its intended use or sale. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Practical completion is when the property is capable of operating in the manner intended by management. Generally, this occurs on completion of construction and receipt of all necessary occupancy and other material permits.

If the Trust has pre-leased space at or prior to the start of the development, and the lease requires tenant improvements that enhance the value of the property, practical completion is considered to occur when such improvements are completed.

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

Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other reportable segments. The Trust's primary format for segment reporting is based on business segments. The business segments, office properties, are based on the Trust's management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, determined to be the Chief Executive Officer ("CEO") of the Trust. The operating segments derive their revenue primarily from rental income from lessees. All of the Trust's business activities and operating segments are reported within the office property segments.

Other non-current assets

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

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

Revenue recognition

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

Business combinations

The purchase method of accounting is used for acquisitions meeting the definition of a business. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

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

Goodwill

Goodwill arises on the acquisition of businesses and represents the excess of the consideration transferred over and above the Trust's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored by the Trust at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

External property management contracts

External property management contracts assumed in a business combination are recorded on the consolidated balance sheets and arise when the Trust acquires less than 100% of an investment property, but manages the investment property and earns a property management fee from the co-owner. External property management contracts are in place as long as the property is co-owned by the Trust and are amortized on a straight-line basis into comprehensive income over ten years.

Distributions

Distributions to unitholders are recognized as a liability in the period in which the distributions are approved by the Board of Trustees and are recorded as a reduction of retained earnings.

Income taxes

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts. The Trust expects to continue to distribute its taxable income and to qualify as a real estate investment trust ("REIT") for the foreseeable future.

For U.S. subsidiaries, income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Deferred income taxes are computed using substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle.

Unit-based compensation plan

As described in Note 17, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of deferred trust units and income deferred trust units to trustees, officers, employees and affiliates and their service providers (including the asset manager). Unvested deferred trust units are recorded as a liability, and compensation expense is recognized over the vesting period at amortized cost based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding REIT A Units, with changes in fair value recognized in comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are only settled in REIT A Units.

Cash and cash equivalents

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

Financial instruments

Designation of financial instruments

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

	Classification	Measurement
Financial assets		
Promissory notes receivable	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Restricted cash and deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Mortgages	Other liabilities	Amortized cost
Term debt	Other liabilities	Amortized cost
Debentures	Other liabilities	Amortized cost
Subsidiary redeemable units	Other liabilities	Amortized cost
Deposits	Other liabilities	Amortized cost
Deferred Unit Incentive Plan	Other liabilities	Amortized cost
Amounts payable and accrued liabilities	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Convertible debentures – host instrument	Other liabilities	Amortized cost
Convertible debentures – conversion feature	Fair value through profit or loss	Fair value
Interest rate swaps	Cash flow hedge	Fair value

Financial assets

The Trust classifies its non-derivative financial assets with fixed or determinable payments that are not quoted in an active market as loans and receivables. All financial assets are initially measured at fair value, less any related transaction costs, and are subsequently measured at amortized cost.

Promissory notes receivable are initially measured at fair value and are subsequently measured at amortized cost less impairment losses. The amount of the loss is measured as the difference between the promissory notes receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate and the amount of the loss is recognized in the consolidated statements of comprehensive income.

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

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

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

Mortgages, term debt and debentures are initially recognized at fair value less related transaction costs, or at fair value when assumed in a business or asset acquisition. Subsequent to initial recognition, mortgages and term debt are recognized at amortized cost. Borrowing costs that are directly attributable to investment properties under development are capitalized.

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

Deferred trust units and the subsidiary redeemable units are measured at amortized cost because they are settled in REIT A Units and REIT B Units, which in accordance with IAS 32 are considered liabilities. Consequently, the deferred units and subsidiary redeemable units are remeasured each reporting period based on the fair value of REIT Units, with changes in the liabilities recorded in comprehensive income. Distributions paid on subsidiary redeemable units are recorded as interest expense in comprehensive income. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Derivative financial instruments and hedging activities
Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and subsequently remeasured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged. The Trust has designated its interest rate swaps as a hedge of the interest under the term loan facility.

At the inception of the transaction, the Trust documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Trust also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statements of comprehensive income.

Amounts accumulated in equity are reclassified to other comprehensive income or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time are recognized in the consolidated statements of comprehensive income immediately.

Interest on debt

Interest on debt includes coupon interest, amortization of premiums allocated to the conversion features of the convertible debentures, and amortization of ancillary costs incurred in connection with the arrangement of borrowings. Finance costs are amortized to interest expense unless they relate to a qualifying asset in which case they are capitalized.

Equity

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

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

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

Provisions

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

Where there are a number of similar obligations, the likelihood an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Assets held for sale and discontinued operations

Assets and liabilities (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Investment properties continue to be measured at fair value and the remainder of the disposal group is stated at the lower of the carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Trust that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business, or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

Foreign currencies

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Trust and the presentation currency for the consolidated financial statements.

Assets and liabilities related to properties held in a foreign entity with a functional currency other than the Canadian dollar are translated at the rate of exchange at the consolidated balance sheet dates. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income.

Note 4

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

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

Critical accounting judgments

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

Investment in Dundee Industrial Real Estate Investment Trust ("Dundee Industrial")

Management has assessed the level of influence the Trust has on Dundee Industrial and has determined it has significant influence. Management assessed whether or not the Trust has control over Dundee Industrial based on whether the Trust has the practical ability to direct the relevant activities of Dundee Industrial unilaterally. In making its judgment, management considered the Trust's initial absolute 44.1% interest in Dundee Industrial combined with the 2.1% absolute interest held by the CEO of the Trust, together totalling 46.2% (identified as a de facto agent of the Trust) (December 31, 2013 – 22.9% and 1.5%, respectively, and together totalling 24.4%; and December 31, 2012 – 30.9% and 1.4%, respectively, and together totalling 32.3%) as well as the relative dispersion of the remaining interests in Dundee Industrial. Management also reviewed Dundee Industrial's Amended and Restated Declaration of Trust to determine what decisions with respect to relevant activities are required to be put to a unitholder vote and the level of approvals required by those votes. Management concluded that the Trust, combined with the CEO of the Trust, does not have the ability to control the voting interest to direct the relevant activities of Dundee Industrial, and therefore has concluded the Trust does not control Dundee Industrial.

Investment properties

Critical judgments are made in respect of the fair values of investment properties and the investment properties held in equity accounted investments. The fair values of these investments are reviewed regularly by management with reference to independent property valuations and market conditions existing at the reporting date, using generally accepted market practices. The independent valuators are experienced, nationally recognized and qualified in the professional valuation of office buildings in their respective geographic areas. Judgment is also applied in determining the extent and frequency of independent appraisals. At each annual reporting period, a select number of properties, determined on a rotational basis, will be valued by qualified valuation professionals. For properties not subject to independent appraisals, internal appraisals are prepared by management during each reporting period.

The Trust makes judgments with respect to whether lease incentives provided in connection with a lease enhance the value of the leased space, which determines whether or not such amounts are treated as tenant improvements and added to investment properties. Lease incentives, such as cash, rent-free periods and lessee- or lessor-owned improvements, may be provided to lessees to enter into an operating lease. Lease incentives that do not provide benefits beyond the initial lease term are included in the carrying amount of investment properties and are amortized as a reduction of rental revenue on a straight-line basis over the term of the lease.

Judgment is also applied in determining whether certain costs are additions to the carrying amount of the investment property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying amount of the development property.

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

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

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

In particular, the Trust considers the following:

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

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

Impairment
The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to the Investment in Dundee Industrial, promissory notes receivable, amounts receivable, property and equipment, external management contracts, and goodwill.

IAS 39, "Financial instruments: Recognition and measurement", requires management to use judgment in determining if the Trust's financial assets are impaired. In making this judgment, the Trust evaluates, among other factors, the duration and extent to which the fair value of the investment is less than its carrying amount; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

IAS 36, "Impairment of Assets" ("IAS 36"), requires management to use judgment in determining the recoverable amount of assets tested for impairment, including goodwill. Judgment is involved in estimating the fair value less cost to sell or value-in-use of the cash-generating units ("CGUs") to which goodwill has been allocated, including estimates of growth rates, discount rates and terminal rates. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

The Trust's goodwill balance is allocated to the office properties group of CGUs (herein referred to as the goodwill CGU). The recoverable amount of the Trust's goodwill CGU is determined based on the value-in-use approach. For the purpose of this impairment test, the Trust uses cash flow projections forecasted out for a ten-year period, consistent with the internal financial budgets approved by management on a property-by-property basis. The key assumptions used in determining the value-in-use of the goodwill CGU are the estimated growth rate, discount rate and terminal rate. In arriving at the growth rate, the Trust considers past experience and inflation, as well as industry trends. The Trust utilizes weighted average cost of capital ("WACC") to determine the discount rate and terminal rate. The WACC reflects specific risks that would be attributable to the Trust. As the Trust is not subject to taxation, no adjustment is required to adjust the WACC on a pre-tax basis.

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

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

Valuation of financial instruments
The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the deferred trust units, the convertible debenture conversion feature, interest rate swaps and the fair value disclosure of the convertible debentures, mortgages and term debt. The critical assumptions underlying the fair value measurements and disclosures include the market price of REIT Units, market interest rates for mortgages, term debt and unsecured debentures, and assessment of the effectiveness of hedging relationships.

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

Note 5

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

Financial instruments: disclosures

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended to require annual disclosure of information on rights to offset financial instruments and related arrangements. The Trust adopted this amendment effective January 1, 2013. The amendments to IFRS 7 had no impact on the amounts recognized in the Trust's consolidated financial statements or note disclosures for the year ended December 31, 2013, but resulted in additional disclosures in the consolidated financial statements for the year ended December 31, 2013. Refer to Note 15 for further details. The new disclosures are required for all recognized financial instruments that are offset in accordance with IAS 32. They also apply to recognized financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether the financial instruments are offset in accordance with IAS 32.

Impairment

The IASB published an amendment to IAS 36 in May 2013 on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Trust until January 1, 2014; however, the Trust has early adopted the amendment as at January 1, 2013.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces the guidance on control and consolidation in IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"), and Standing Interpretations Committee ("SIC-12"), "Consolidation – Special Purpose Entities". IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Trust assessed its consolidation conclusions on January 1, 2013, and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

Joint arrangements

IFRS 11, "Joint Arrangements" ("IFRS 11"), supersedes IAS 31, "Interests in Joint Ventures", and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, the Trust recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") (amended in 2011). The other amendments to IAS 28 did not affect the Trust. The Trust has classified its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

Disclosures of interests in other entities

In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates, including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e., special purpose entities). The Trust adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 resulted in disclosures of condensed financial statements of associates, subsidiaries, and joint arrangements in the Trust's consolidated financial statements for the year ended December 31, 2013. Refer to Note 11 for further details.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Trust adopted IFRS 13 on January 1, 2013, on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Trust to measure fair value and did not result in any measurement adjustments as at January 1, 2013. Refer to Note 32 for further details on the fair value of financial instruments. The adoption of IFRS 13 also resulted in incremental disclosures with respect to unobservable inputs and sensitivity of fair value measurements of Level 3 non-financial assets in the Trust's consolidated financial statements for the year ended December 31, 2013. Refer to Note 33 for further details.

Presentation of items of other comprehensive income

The Trust has adopted the amendments to IAS 1, "Presentation of Items of Other Comprehensive Income" ("IAS 1"), effective January 1, 2013. These amendments required the Trust to group other comprehensive income items by those that will be reclassified subsequently to the consolidated statements of comprehensive income and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income.

Note 6

FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009, updated and further amended in October 2010 and November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the consolidated statement of net income (loss), unless this creates an accounting mismatch. IFRS 9 was amended to (i) include guidance on hedge accounting, (ii) allow entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income (without having to adopt the remainder of IFRS 9) and (iii) remove the previous mandatory effective date of January 1, 2015, although the standard is available for early adoption. The Trust has yet to assess IFRS 9's full impact and intends to adopt IFRS 9 in the accounting period beginning on or after January 1, 2015. The Trust will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

Consolidated financial statements

Amendments to IFRS 10, IFRS 12 and IAS 27, "Separate financial statements – Investment entities": The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These investments require an investment entity to measure those subsidiaries at fair value through profit or loss, in accordance with IFRS 9, in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2014. The Trust is currently evaluating the impact of these amendments on the consolidated financial statements.

Accounting for levies imposed by governments

IFRIC 21, "Levies" ("IFRIC 21"), provides guidance on accounting for levies in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The Trust is currently assessing the impact of this interpretation on the consolidated financial statements.

Note 7

BUSINESS COMBINATIONS

Business combination in the year ended December 31, 2012

On March 2, 2012, Dundee REIT acquired Whiterock Real Estate Investment Trust ("Whiterock") for total cash consideration of $159,779 and the issuance of 12,580,347 REIT A Units for $434,777, representing total consideration of $594,556. On closing, the fair value of the net identifiable assets and liabilities acquired equalled $532,498. The total consideration exceeded the net identifiable assets and liabilities by $62,058, which has been recorded as goodwill on acquisition. The Whiterock portfolio consisted of 7.4 million square feet of office, industrial and retail properties.

Dundee REIT took up approximately 40.9% of the outstanding units of Whiterock under its offer to acquire any and all units in consideration for $16.25 per unit, or 0.4729 units of Dundee REIT, as elected by depositing unitholders. Approximately 9,832,563, or 27%, of the Whiterock units were tendered to Dundee REIT's offer for cash totalling $159,779. No elections were pro-rated under the offer. The remaining outstanding units of Whiterock were redeemed by Whiterock in consideration for 0.4729 units of Dundee REIT, or 12,580,347 REIT A Units.

The fair value of the 12,580,347 REIT A Units issued as part of the consideration for Whiterock was $34.56 per unit, being the published share price at 8 a.m. on March 2, 2012, the time Dundee REIT acquired control.

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

	Note		
Investment properties, including $106,754 classified as assets held for sale on date of acquisition		$	1,419,889
Other non-current assets			2,802
Amounts receivable			6,243
Cash and cash equivalents			12,645
Prepaid expenses			2,799
External management contracts			16,512
Amounts payable and accrued liabilities assumed			(29,989)
Deposits			(3,855)
Deferred tax net liabilities			(2,633)
Financial instruments			(3,363)
Assumed debt			(888,552)
Total identifiable net assets and liabilities			532,498
Goodwill(1)	12		62,058
Fair value of consideration		$	594,556

(1) Goodwill arises principally from the ability to realize synergies on integration of the Trust's operating platform with Whiterock's as well as projected future growth.

Acquisition related costs comprise of $17,549 in transaction costs. Included in the acquired amounts receivable are trade receivables with a fair value of $433 and other amounts receivable with a fair value of $5,810. The gross contractual amount for trade receivables is $2,833, of which $2,400 is expected to be uncollectible.

During the year ended December 31, 2012, the Trust recognized $125,970 of revenue and $59,348 of comprehensive income, before fair value adjustments, related to the acquisition of Whiterock. Had the acquisition occurred on January 1, 2012, the Trust would have recognized an additional $26,481 of revenue and $7,691 of comprehensive income, before fair value adjustments.

Note 8

PROPERTY ACQUISITIONS

Detailed below are the acquisitions completed during the years ended December 31, 2013 and December 31, 2012.

Year ended December 31, 2013	**Property type**	**Interest acquired (%)**		**Purchase price[1]**		**Fair value of mortgage assumed**	**Date acquired**
Broadmoor Plaza, Edmonton	**office**	**100.0**	**$**	**84,892**	**$**	**-**	**March 15, 2013**
887 Great Northern Way, Vancouver (Discovery Parks)	**office**	**100.0**		**68,068**		**31,405**	**April 8, 2013**
340–350 3rd Avenue North, Saskatoon (T&T Towers) and 14505–14555 Bannister Road, Calgary (Parke at Fish Creek)	**office**	**100.0**		**62,610**		**-**	**April 12, 2013**
20 Toronto Street and 137 Yonge Street, Toronto	**office**	**100.0**		**145,983**		**-**	**April 30, 2013**
212 King Street West, Toronto	**office**	**100.0**		**38,730**		**-**	**May 24, 2013**
IBM Corporate Park, Calgary	**office**	**66.7**		**124,377**		**-**	**August 13, 2013**
4561 Parliament Avenue, Regina (Harbour Landing Business Park)	**office**	**100.0**		**15,517**		**-**	**September 16, 2013**
83 Yonge Street, Toronto	**office**	**100.0**		**8,481**		**-**	**December 2, 2013**
Total			**$**	**548,658**	**$**	**31,405**	

(1) Includes transaction costs.

Year ended December 31, 2012	Property type	Interest acquired (%)		Purchase price[1]		Fair value of mortgage assumed	Date acquired
5001 Yonge Street, Toronto	office	100.0	$	112,984	$	-	January 19, 2012
67 Richmond Street West, Toronto	office	100.0		14,464		6,104	January 30, 2012
Parking lots, Saskatoon	office	100.0		18,242		-	March 12, 2012
1 Riverside Drive, Windsor	office	100.0		36,014		-	April 26, 2012
Trans America Group properties, Edmonton[2]	office/ industrial	60.0		75,787		41,780	October 4, 2012
30 Adelaide Street East (State Street Financial Centre), Toronto[3]	office	50.0		78,774		27,045	December 28, 2012
Total			$	336,265	$	74,929	

(1) Includes transaction costs.

(2) Prior to October 4, 2012, the Trust held its 40% interests in these nine co-ownerships through a partnership interest acquired with the Whiterock transaction and they were accounted for as co-ownerships. On October 4, 2012, the Trust acquired the remaining 60% interests previously held by the co-owners. The cost to acquire the 60% interests not previously owned by the Trust, including transaction costs, was $75,787.

(3) Prior to December 28, 2012, the Trust held its 50% interest in 30 Adelaide Street East (State Street Financial Centre) in Toronto through a partnership interest which was accounted for as a joint venture. On December 28, 2012, the Trust acquired the remaining 50% interest previously held by the partner. The cost to acquire the 50% interest not previously owned by the Trust, including transaction costs, was $78,774.

The consideration paid for the acquisitions completed during the years ended December 31, 2013 and December 31, 2012 consisted of:

		2013		2012
Cash:				
Paid during the year	**$**	**485,060**	$	235,019
Deposits applied		**16,813**		6,150
		501,873		241,169
Assumed mortgages at fair value		**31,405**		74,929
Assumed non-cash working capital and accrued transaction costs		**15,380**		20,167
Total consideration	**$**	**548,658**	$	336,265

Note 9

INVESTMENT PROPERTIES

	Note		Year ended December 31, 2013
Balance as at January 1, 2013		**$**	**5,477,560**
Additions:			
Property acquisitions	8		**548,658**
Transfer of interest from investment in joint ventures[1]			**61,823**
Building improvements			**31,023**
Lease incentives and initial direct leasing costs			**43,910**
Total additions to investment properties			**685,414**
Gains and losses included in net income:			
Fair value adjustments to investment properties			**79,277**
Amortization of lease incentives			**(6,471)**
Total gains included in net income			**72,806**
Gains and losses included in other comprehensive income			
Foreign currency translation gain			**5,905**
Total gains included in other comprehensive income			**5,905**
Balance as at December 31, 2013		**$**	**6,241,685**
Change in unrealized gains included in net income for the year ended December 31, 2013			
Change in fair value of investment properties		**$**	**79,277**

(1) On August 13, 2013, the Trust acquired the remaining 66.7% interest in IBM Corporate Park in Calgary. Prior to August 13, 2013, the Trust held a 33.3% interest in the property through a partnership interest and accounted for it as a joint venture.

	Note		Year ended December 31, 2012
Balance as at January 1, 2012		$	4,154,179
Additions:			
Acquisitions from business combinations	7		1,419,889
Property acquisitions	8		336,265
Transfer of interest from investment in joint ventures[2]			77,692
Building improvements			20,199
Lease incentives and initial direct leasing costs			23,577
Development projects			1,945
Amortization of lease incentives			(3,976)
Investment properties disposed			(643,367)
Investment properties classified as held for sale			(20,295)
Foreign currency translation gain			693
Fair value adjustments to investment properties – continuing operations			105,572
Fair value adjustments to investment properties – discontinued operations			5,187
Balance as at December 31, 2012		$	5,477,560

(2) On December 28, 2012, the Trust acquired the remaining 50% interest in 30 Adelaide Street East (State Street Financial Centre) in Toronto. Prior to December 28, 2012, the Trust held a 50% interest in the property through a partnership interest and accounted for it as a joint venture.

Investment properties have been reduced by $29,661 (December 31, 2012 – $21,002) related to straight-line rent receivables, which have been reclassified to other non-current assets.

The key valuation metrics for investment properties, including investment in joint ventures, and excluding assets related to discontinued operations and assets held for sale, are set out below:

Investment properties		**December 31, 2013**		December 31, 2012	
			Weighted		Weighted
Input	Class	**Range**	**average**	Range	average
Stabilized NOI	office	**n/a**	**$ 407,405**	n/a	n/a
Capitalization rate (“cap rate”) (%)		**5.25–9.00**	**6.34**	5.50–9.25	6.49
Discount rate (%)		**6.50–10.50**	**7.48**	6.50–10.50	7.64
Terminal rate (%)		**5.75–9.75**	**6.73**	5.75–9.75	6.80
Cash flows		**n/a**	**$ 365,827**	n/a	n/a

n/a – not applicable

Investment in joint ventures		**December 31, 2013**		December 31, 2012	
			Weighted		Weighted
Input	Class	**Range**	**average**	Range	average
Stabilized NOI	office	**n/a**	**$ 55,318**	n/a	n/a
Capitalization rate (“cap rate”) (%)		**5.15–6.00**	**5.29**	5.25–8.50	5.49
Discount rate (%)		**6.25–7.50**	**6.44**	6.75–9.00	6.97
Terminal rate (%)		**5.25–6.75**	**5.50**	5.25–8.25	5.54
Cash flows		**n/a**	**$ 55,373**	n/a	n/a

n/a – not applicable

Total portfolio		**December 31, 2013**		December 31, 2012	
			Weighted		Weighted
Input	Class	**Range**	**average**	Range	average
Stabilized NOI	office	**n/a**	**$ 462,723**	n/a	n/a
Capitalization rate (“cap rate”) (%)		**5.15–9.00**	**6.19**	5.25–9.25	6.35
Discount rate (%)		**6.25–10.50**	**7.33**	6.50–10.50	7.53
Terminal rate (%)		**5.25–9.75**	**6.55**	5.25–9.75	6.62
Cash flows		**n/a**	**$ 421,200**	n/a	n/a

n/a – not applicable

Generally, an increase in stabilized NOI will result in an increase to the fair value of an investment property. An increase in the cap rate will result in a decrease to the fair value of an investment property. The cap rate magnifies the effect of a change in stabilized NOI, with a lower rate resulting in a greater impact to the fair value of an investment property than a higher rate. Under the discounted cash flow methods, an increase in cash flows will result in an increase to the fair value of an investment property. An increase in the discount rate will result in a decrease to the fair value of an investment property. The discount rate magnifies the effect of a change in cash flows, with a lower discount rate resulting in a greater impact to the fair value of an investment property.

If the cap rate were to increase by 25 basis points (“bps”), the value of investment properties (excluding assets held for sale) would decrease by $245,100. If the cap rate were to decrease by 25 bps, the value of investment properties (excluding assets held for sale) would increase by $264,300.

Investment properties, including investment in joint ventures and excluding assets related to discontinued operations and assets held for sale, with an aggregate fair value of $2,045,384 for the year ended December 31, 2013 (December 31, 2012 – $2,951,306) were valued by qualified external valuation professionals.

Investment properties, including investment in joint ventures and excluding assets related to discontinued operations and assets held for sale, with a fair value of $5,939,978 (December 31, 2012 – $5,869,242) are pledged as security for the mortgages.

Investment properties, including investment in joint ventures and excluding assets related to discontinued operations and other assets held for sale, pledged as security for demand revolving credit facilities and the term loan facility, are as follows:

		Number of properties		Fair value	
Facility	Ranking	**December 31, 2013**	December 31, 2012	**December 31, 2013**	December 31, 2012
Demand revolving credit facilities:					
Formula-based maximum not to exceed $171,500	first ranking	**9**	9	**$ 259,158**	$ 248,459
Formula-based maximum not to exceed $40,000	first ranking	**2**	2	**42,700**	39,846
	second ranking	**-**	1	**-**	81,349
Formula-based maximum not to exceed $35,000	second ranking	**2**	2	**212,209**	181,349
Formula-based maximum not to exceed $35,000	first ranking	**1**	1	**36,400**	37,486
	second ranking	**1**	1	**114,100**	111,861
Term loan facility	first ranking	**8**	8	**308,050**	269,602
				$ 972,617	$ 969,952

Note 10

INVESTMENT IN DUNDEE INDUSTRIAL

Dundee Industrial is an unincorporated, open-ended real estate investment trust listed on the Toronto Stock Exchange under the symbol “DIR.UN.” Dundee Industrial owns a portfolio of 206 primarily light industrial properties comprising approximately 15.7 million square feet of gross leasable area.

On March 6, 2013, Dundee Industrial issued 10,465,000 Units in an underwritten public offering at a price of $11.00 per unit. Dundee REIT did not participate in the offering and, as a result, its share in Dundee Industrial was diluted to 25.8%.

On May 15, 2013, Dundee Industrial issued 7,460,654 Units in satisfaction of the purchase of 95% of the outstanding common shares of C2C Industrial Properties Inc. (“C2C”) at a price of $10.56 per unit. Dundee REIT did not participate in the offering and, as a result, its share in Dundee Industrial was diluted to 23.1%.

On July 19, 2013, Dundee Industrial issued 387,399 Units to acquire the remaining outstanding common shares of C2C by way of an amalgamation.

On October 4, 2012, Dundee REIT completed the sale of 77 industrial properties to Dundee Industrial for a total sale price of approximately $575,469 (including working capital adjustments). The sale price of the 77 industrial properties was satisfied by cash consideration of approximately $136,267; the receipt of $160,346 of Class B limited partnership units of Dundee Industrial Limited Partnership (“DILP”) (a subsidiary of Dundee Industrial), which are exchangeable for units of Dundee Industrial; and promissory notes receivable from Dundee Industrial of $42,000, offset by an amount due to Dundee Industrial of $457 and mortgages assumed on disposition. Dundee REIT’s initial interest in Dundee Industrial was approximately 44.1%.

On December 13, 2012, Dundee Industrial issued 13,570,000 units in an underwritten public offering at a price of $10.60 per unit. Dundee REIT did not participate in the offering and, as a result, its share in Dundee Industrial was diluted to 30.9%.

		Year ended December 31,	
		2013	2012
Investment in Dundee Industrial, beginning of year	**$**	**160,976**	$ -
Initial purchase of limited partnership units of Dundee Industrial Limited Partnership		**-**	160,346
Units purchased through Distribution Reinvestment Plan		**939**	1,773
Distributions received		**(11,295)**	(2,711)
Share of net income from investment in Dundee Industrial		**13,720**	1,052
Dilution gain		**1,977**	516
Investment in Dundee Industrial, end of year	**$**	**166,317**	$ 160,976
Dundee Industrial units held, end of year		**16,282,096**	16,198,745
Ownership %, end of year		**22.9%**	30.9%

At December 31, 2013, the fair value of the Trust's interest in Dundee Industrial was $144,097 (December 31, 2012 – $181,426).

The following amounts represent the ownership interest in the assets, liabilities, revenues, expenses and cash flows in the investment in Dundee Industrial, in which the Trust participates.

	At 100%		At % ownership interest	
		December 31,		December 31,
	2013	2012	**2013**	2012[(1)]
Non-current assets				
Investment properties	**$ 1,540,791**	$ 1,147,410	**$ 358,449**	$ 363,853
Other non-current assets	**39,416**	36,595	**9,170**	11,605
Deferred income tax assets	**1,075**	-	**250**	-
	1,581,282	1,184,005	**367,869**	375,458
Current assets				
Amounts receivable	**4,051**	2,860	**942**	907
Prepaid expenses and other assets	**4,214**	3,378	**980**	1,071
Cash and cash equivalents	**258**	2,306	**60**	731
	8,523	8,544	**1,982**	2,709
Total assets	**$ 1,589,805**	$ 1,192,549	**$ 369,851**	$ 378,167
Non-current liabilities				
Debt	**$ 728,341**	$ 548,959	**$ 169,441**	$ 174,080
Subsidiary redeemable units	**144,096**	181,426	**144,096**	181,426
Tenant security deposits	**9,357**	5,750	**2,177**	1,823
Conversion feature on the convertible debentures	**973**	6,228	**226**	1,975
Deferred Unit Incentive Plan	**1,028**	51	**239**	16
	883,795	742,414	**316,179**	359,320
Current liabilities				
Debt	**112,041**	100,886	**26,065**	31,992
Amounts payable and accrued liabilities	**19,949**	20,999	**4,641**	6,659
Distributions payable	**3,204**	2,039	**745**	646
	135,194	123,924	**31,451**	39,297
Total liabilities	**$ 1,018,989**	$ 866,338	**$ 347,630**	$ 398,617
Net assets (liabilities)	**$ 570,816**	$ 326,211	**$ 22,221**	$ (20,450)
Add-back:				
Subsidiary redeemable units			**144,096**	181,426
Investment in Dundee Industrial			**$ 166,317**	$ 160,976

(1) Comparative figures have been reclassified to conform to the current year presentation.

	At 100%		At % ownership interest	
	Year ended December 31, 2013	Period from July 20, 2012 to December 31, 2012	**Year ended December 31, 2013**	Period from July 20, 2012 to December 31, 2012
Investment properties revenue	**$ 142,944**	$ 17,202	**$ 34,402**	$ 6,345
Investment properties operating expenses	**(44,017)**	(4,667)	**(10,593)**	(1,717)
Net rental income	**98,927**	12,535	**23,809**	4,628
Other income and expenses				
General and administrative	**(7,346)**	(855)	**(1,768)**	(322)
Fair value adjustments to investment properties	**1,151**	6,048	**277**	2,278
Acquisition related costs	**(11,018)**	(11,528)	**(2,652)**	(3,641)
Interest on debt	**(30,100)**	(3,244)	**(7,244)**	(1,208)
Interest on subsidiary redeemable units	**(11,295)**	(2,711)	**(11,295)**	(2,711)
Debt settlement gains	**36**	-	**9**	-
Depreciation and amortization	**(46)**	-	**(11)**	-
Interest and fee income	**244**	16	**58**	5
Fair value adjustments to other financial instruments	**6,320**	(1,827)	**1,521**	(688)
Fair value adjustments to subsidiary redeemable units	**38,268**	(19,307)	**38,268**	(19,307)
Deferred income taxes	**(1,160)**	-	**(279)**	-
Net income (loss) before the undernoted adjustments	**$ 83,981**	$ (20,873)	**$ 40,693**	$ (20,966)
Add-back:				
Interest on subsidiary redeemable units			**11,295**	2,711
Fair value adjustments to subsidiary redeemable units			**(38,268)**	19,307
Share of net income from investment in Dundee Industrial			**$ 13,720**	$ 1,052

Note 11

JOINT ARRANGEMENTS

The Trust participates in partnerships ("joint ventures") with other parties that own investment properties and accounts for its interests using the equity method.

On June 26, 2013, the Trust acquired a two-thirds interest in 100 Yonge Street, an office building in downtown Toronto, for approximately $56,273 (including transaction costs). The Trust has entered into a joint venture with H&R REIT, the owner of the remaining one-third interest in this office building. The acquisition was funded by the assumption of a mortgage of $25,477 (at fair value) with the balance funded by cash.

On August 13, 2013, the Trust acquired the remaining 66.7% interest in IBM Corporate Park in Calgary for approximately $124,377 (including transaction costs). Prior to August 13, 2013, the Trust held a 33.3% interest in the property through a partnership interest and accounted for it as a joint venture.

On June 15, 2012, the Trust acquired a two-thirds interest in the Scotia Plaza complex in downtown Toronto for $844,339. Dundee REIT has entered into a joint venture with H&R REIT, the owner of the remaining one-third interest in the complex. The acquisition was financed with seven-year first mortgage bonds contracted by the joint venture, of which the portion attributable to the Trust is $433,333, and proceeds from the June 12, 2012 public equity offering. Acquisition costs attributable to the Trust amounted to $31,170.

On December 28, 2012, the Trust acquired the remaining 50% interest in 30 Adelaide Street East (State Street Financial Centre) in Toronto. Prior to December 28, 2012, the Trust held a 50% interest in the property through a partnership interest and accounted for it as a joint venture.

The investment properties that the joint ventures hold are consistent in terms of the class and type of properties held in the Trust's portfolio.

		Ownership interest (%)	
Name	Location	**December 31, 2013**	December 31, 2012
Scotia Plaza	Toronto, Ontario	**66.7**	66.7
100 Yonge Street	Toronto, Ontario	**66.7**	-
Telus Tower	Calgary, Alberta	**50.0**	50.0
IBM Corporate Centre	Calgary, Alberta	**-**	33.3
Capital Centre[1]	Edmonton, Alberta	**-**	25.0
Plaza 124[1]	Edmonton, Alberta	**-**	25.0
Riverbend Atrium[1]	Calgary, Alberta	**-**	25.0
Stockman Centre[1]	Calgary, Alberta	**-**	25.0

(1) As at December 31, 2013, these joint ventures were reclassified as assets held for sale.

	Net assets at % ownership interest	
	December 31,	
Name	**2013**	2012
Scotia Plaza	**$ 430,681**	$ 393,905
Telus Tower	**68,093**	54,414
100 Yonge Street	**28,481**	-
Other	**-**	42,451
Total net assets	**$ 527,255**	$ 490,770

	Share of net income (loss) at % ownership interest	
	Years ended December 31,	
Name	**2013**	2012
Scotia Plaza	**$ 57,441**	$ (19,298)
Telus Tower	**17,676**	10,261
100 Yonge Street	**(3,359)**	-
Other	**12,624**	8,783
Share of net income (loss) from investment in joint ventures	**$ 84,382**	$ (254)

The following amounts represent 100% and the Trust's ownership interest in the assets, liabilities, revenues, expenses and cash flows in the equity accounted investments in which the Trust participates, excluding the interest in Dundee Industrial which is disclosed separately in Note 10.

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
		December 31,		December 31,
	2013	2012	**2013**	2012
Non-current assets				
Investment properties	**$ 1,305,919**	$ 1,265,509	**$ 870,612**	$ 843,672
Other non-current assets	**2,623**	1,000	**1,748**	666
	1,308,542	1,266,509	**872,360**	844,338
Current assets				
Amounts receivable	**3,518**	2,292	**2,345**	1,528
Prepaid expenses	**541**	551	**361**	367
Cash and cash equivalents	**1,247**	2,889	**831**	1,926
	5,306	5,732	**3,537**	3,821
Total assets	**$ 1,313,848**	$ 1,272,241	**$ 875,897**	$ 848,159
Non-current liabilities				
Debt	**$ 612,329**	$ 625,470	**$ 408,219**	$ 416,980
Tenant security deposits	**274**	279	**183**	186
	612,603	625,749	**408,402**	417,166
Current liabilities				
Debt	**13,793**	13,359	**9,195**	8,906
Amounts payable and accrued liabilities	**41,428**	42,273	**27,619**	28,182
	55,221	55,632	**36,814**	37,088
Total liabilities	**$ 667,824**	$ 681,381	**$ 445,216**	$ 454,254
Net assets	**$ 646,024**	$ 590,860	**$ 430,681**	$ 393,905

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
		December 31,		December 31,
	2013	2012	**2013**	2012
Investment properties revenue	**$ 132,138**	$ 72,566	**$ 88,092**	$ 48,377
Investment properties operating expenses	**(61,927)**	(34,279)	**(41,285)**	(22,853)
Net rental income	**70,211**	38,287	**46,807**	25,524
Other income and expenses				
General and administrative	**(420)**	(124)	**(280)**	(82)
Fair value adjustments to investment properties	**37,513**	(47,755)	**25,009**	(31,836)
Interest on debt	**(21,189)**	(11,647)	**(14,126)**	(7,765)
Interest and fee income	**46**	71	**31**	47
Fair value adjustments to financial instruments	**-**	(7,779)	**-**	(5,186)
Net income (loss) for the year	**$ 86,161**	$ (28,947)	**$ 57,441**	$ (19,298)

	Scotia Plaza At 100%		Scotia Plaza At 66.7%	
		December 31,		December 31,
	2013	2012	**2013**	2012
Cash flow generated from (utilized in):				
Operating activities	**$ 44,502**	$ 22,755	**$ 29,668**	$ 15,170
Investing activities	**(1,310)**	-	**(873)**	-
Financing activities	**(44,834)**	(19,866)	**(29,890)**	(13,244)
Increase (decrease) in cash and cash equivalents	**$ (1,642)**	$ 2,889	**$ (1,095)**	$ 1,926

	Telus Tower At 100%		Telus Tower At 50%	
		December 31,		December 31,
	2013	2012	**2013**	2012
Non-current assets				
Investment property	**$ 277,978**	$ 246,894	**$ 138,989**	$ 123,447
Other non-current assets	**2,036**	3,042	**1,018**	1,521
	280,014	249,936	**140,007**	124,968
Current assets				
Amounts receivable	**164**	978	**82**	489
Prepaid expenses	**79**	106	**40**	53
Cash and cash equivalents	**4,147**	6,217	**2,073**	3,108
	4,390	7,301	**2,195**	3,650
Total assets	**$ 284,404**	$ 257,237	**$ 142,202**	$ 128,618
Non-current liabilities				
Debt	**$ 131,685**	$ 135,152	**$ 65,842**	$ 67,576
Tenant security deposits	**76**	76	**38**	38
	131,761	135,228	**65,880**	67,614
Current liabilities				
Debt	**3,708**	3,566	**1,854**	1,783
Amounts payable and accrued liabilities	**12,750**	9,614	**6,375**	4,807
	16,458	13,180	**8,229**	6,590
Total liabilities	**$ 148,219**	$ 148,408	**$ 74,109**	$ 74,204
Net assets	**$ 136,185**	$ 108,829	**$ 68,093**	$ 54,414

	Telus Tower At 100%		Telus Tower At 50%	
		December 31,		December 31,
	2013	2012	**2013**	2012
Investment property revenue	**$ 29,651**	$ 26,289	**$ 14,826**	$ 13,145
Investment property operating expenses	**(11,194)**	(10,815)	**(5,597)**	(5,407)
Net rental income	**18,457**	15,474	**9,229**	7,738
Other income and expenses				
Fair value adjustments to investment properties	**22,817**	11,130	**11,409**	5,565
Interest on debt	**(5,957)**	(6,105)	**(2,979)**	(3,053)
Depreciation and amortization	**-**	(9)	**-**	(4)
Interest and fee income	**36**	30	**17**	15
Net income for the year	**$ 35,353**	$ 20,520	**$ 17,676**	$ 10,261

	Telus Tower At 100%		Telus Tower At 50%	
		December 31,		December 31,
	2013	2012	**2013**	2012
Cash flow generated from (utilized in):				
Operating activities	**$ 17,548**	$ 14,466	**$ 8,774**	$ 7,233
Investing activities	**(8,060)**	(55)	**(4,030)**	(27)
Financing activities	**(11,558)**	(13,280)	**(5,779)**	(6,640)
Increase (decrease) in cash and cash equivalents	**$ (2,070)**	$ 1,131	**$ (1,035)**	$ 566

	100 Yonge Street At 100%		100 Yonge Street At 66.7%	
		December 31,		December 31,
	2013	2012	**2013**	2012
Non-current assets				
Investment property	**$ 77,752**	$ -	**$ 51,835**	$ -
Other non-current assets	**57**	-	**38**	-
	77,809	-	**51,873**	-
Current assets				
Amounts receivable	**140**	-	**93**	-
Prepaid expenses	**46**	-	**31**	-
	186	-	**124**	-
Total assets	**$ 77,995**	$ -	**$ 51,997**	$ -
Non-current liabilities				
Debt	**$ 33,523**	$ -	**$ 22,349**	$ -
Tenant security deposits	**21**	-	**14**	-
	33,544	-	**22,363**	-
Current liabilities				
Debt	**944**	-	**629**	-
Amounts payable and accrued liabilities	**723**	-	**482**	-
Bank indebtedness	**63**	-	**42**	-
	1,730	-	**1,153**	-
Total liabilities	**$ 35,274**	$ -	**$ 23,516**	$ -
Net assets	**$ 42,721**	$ -	**$ 28,481**	$ -

	100 Yonge Street At 100%		100 Yonge Street At 66.7%	
		December 31,		December 31,
	2013	2012	**2013**	2012
Investment property revenue	**$ 6,090**	$ -	**$ 4,060**	$ -
Investment property operating expenses	**(3,785)**	-	**(2,523)**	-
Net rental income	**2,305**	-	**1,537**	-
Other income and expenses				
Fair value adjustments to investment properties	**(6,732)**	-	**(4,488)**	-
Interest on debt	**(612)**	-	**(408)**	-
Net loss for the year	**$ (5,039)**	$ -	**$ (3,359)**	$ -

		100 Yonge Street At 100%			100 Yonge Street At 66.7%	
			December 31,			December 31,
		2013	2012		**2013**	2012
Cash flow generated from (utilized in):						
Operating activities	**$**	**1,847**	$ -	**$**	**1,231**	$ -
Investing activities		**-**	-		**-**	-
Financing activities		**(1,910)**	-		**(1,273)**	-
Increase in bank indebtedness	**$**	**(63)**	$ -	**$**	**(42)**	$ -

Co-owned investment properties

The Trust's interests in co-owned investment properties are accounted for based on the Trust's share of interest in the assets, liabilities, revenues and expenses of the properties. The co-owned investment properties acquired in the year ended December 31, 2012 relate to the acquisition of Whiterock, as described in Note 7.

		Ownership interest (%)	
Name	Location	**December 31, 2013**	December 31, 2012
10199-101st Street NW	Edmonton, Alberta	**50.0**	50.0
St. Albert Trail Centre	Edmonton, Alberta	**50.0**	50.0
2810 Matheson Boulevard East	Mississauga, Ontario	**49.9**	49.9
50 and 90 Burnhamthorpe (Sussex Centre)	Mississauga, Ontario	**49.9**	49.9
300–304 The East Mall (Valhalla Executive Centre)	Mississauga, Ontario	**49.9**	49.9
Tillsonburg Gateway Centre	Tillsonburg, Ontario	**49.9**	49.9
185–195 The West Mall	Toronto, Ontario	**49.9**	49.9
460 Two Nations Crossing	Fredericton, New Brunswick	**40.0**	40.0
350–450 Lansdowne Street	Kamloops, British Columbia	**40.0**	40.0
275 Dundas Street West (London City Centre)	London, Ontario	**40.0**	40.0
80 Whitehall Drive	Markham, Ontario	**40.0**	40.0
6501–6523 Mississauga Road	Mississauga, Ontario	**40.0**	40.0
6531–6559 Mississauga Road	Mississauga, Ontario	**40.0**	40.0
2010 Winston Park Drive	Oakville, Ontario	**40.0**	40.0
219 Laurier Avenue West	Ottawa, Ontario	**40.0**	40.0
55 Norfolk Street South	Simcoe, Ontario	**40.0**	40.0
10 Lower Spadina Avenue	Toronto, Ontario	**40.0**	40.0
49 Ontario Street	Toronto, Ontario	**40.0**	40.0
401–405 The West Mall (Commerce West)	Toronto, Ontario	**40.0**	40.0
2261 Keating Cross Road	Victoria, British Columbia	**40.0**	40.0
117 Kearney Lake Road	Halifax, Nova Scotia	**35.0**	35.0
Centre 70	Calgary, Alberta	**15.0**	15.0

The following amounts represent the ownership interest in the assets, liabilities, revenues and expenses of the co-owned properties in which the Trust participates.

		December 31, 2013		December 31, 2012
Non-current assets				
Investment properties	**$**	**450,837**	$	454,703
Other non-current assets		**1,787**		1,106
		452,624		455,809
Current assets				
Amounts receivable		**1,918**		8,251
Prepaid expenses and other assets		**456**		453
Cash and cash equivalents		**7,581**		8,310
		9,955		17,014
Total assets	**$**	**462,579**	$	472,823
Non-current liabilities				
Debt	**$**	**213,424**	$	183,678
Deposits		**1,363**		1,635
		214,787		185,313
Current liabilities				
Debt		**18,877**		52,514
Amounts payable and accrued liabilities		**7,285**		8,676
		26,162		61,190
Total liabilities	**$**	**240,949**	$	246,503

		Years ended December 31,		
		2013		2012
Investment properties revenue	**$**	**52,790**	$	48,204
Investment properties operating expenses		**(25,564)**		(22,721)
Net rental income from continuing operations		**27,226**		25,483
Other income and expenses				
General and administrative		**-**		(3)
Fair value adjustments to investment properties		**(9,308)**		(16,515)
Interest on debt		**(9,518)**		(8,909)
Interest and fee income		**3**		-
Income from continuing operations		**8,403**		56
Income from discontinued operations		**-**		(4,782)
Net income (loss) for the year	**$**	**8,403**	$	(4,726)

Note 12

OTHER NON-CURRENT ASSETS

		December 31, 2013		December 31, 2012
Property and equipment, net of accumulated depreciation of $3,135 (December 31, 2012 – $1,946)	**$**	**6,709**	$	3,022
Deposits		**2,919**		4,858
Restricted cash		**2,617**		2,165
Straight-line rent receivable		**29,661**		21,002
External management contracts, net of accumulated amortization of $2,457 (December 31, 2012 – $1,119)		**10,545**		11,883
Goodwill		**52,371**		52,371
Total	**$**	**104,822**	$	95,301

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

The Trust leases various vehicles and machinery under non-cancellable finance lease agreements. The lease terms are between four and ten years.

External management contracts and goodwill

	Note		External management contracts		Goodwill
As at January 1, 2012		$	-	$	-
Amounts recorded on acquisition of Whiterock	7		16,512		62,058
Amounts allocated to discontinued operations	21		(2,053)		(8,064)
Write-off on termination of contracts	23		(1,255)		-
Derecognition of goodwill due to properties disposed			-		(1,369)
Reclassified to assets held for sale			-		(254)
Amortization of external management contracts – discontinued operations			(125)		-
Amortization of external management contracts – continuing operations			(1,196)		-
As at December 31, 2012			11,883		52,371
Amortization of external management contracts – continuing operations			(1,338)		-
As at December 31, 2013		$	10,545	$	52,371

The Trust performed its annual goodwill impairment test as at December 31, 2013 in accordance with the methodology set out in IAS 36, by comparing the recoverable amount of the goodwill CGU using the value-in-use approach to its carrying amount. For the purpose of this impairment test, the key assumptions used included an estimated growth rate of 3.0%, a discount rate of 5.8% and a terminal rate of 5.8%. The Trust performed a sensitivity analysis on each of the key assumptions, assuming a 1% unfavourable change for each individual assumption while holding the other assumptions constant, and determined that none of these scenarios would result in the carrying amount of the goodwill CGU to exceed the recoverable amount for sensitivity purposes. Based on the impairment test performed, the Trust concluded that no goodwill impairment existed as at December 31, 2013.

As a result of the disposition of the industrial properties portfolio during 2012, goodwill of $8,064 and property management contracts of $2,053 were allocated to the disposal group and included in the determination of the net gain on sale (see Note 21). Goodwill amounting to $1,369 was further derecognized as a result of other properties disposed during 2012 and $254 was reclassified to assets held for sale. In connection with the acquisition of the co-owner's interest in the Trans America Group properties during 2012, the external management contracts for these properties were terminated, resulting in the write-off of the intangible asset of $1,255 (see Note 23).

Note 13

PROMISSORY NOTES RECEIVABLE

		December 31, 2013		December 31, 2012
Promissory notes receivable	$	-	$	42,000

On October 4, 2012, the Trust entered into promissory notes receivable from a subsidiary of Dundee Industrial totalling $42,000. The promissory notes receivable bore interest at 3.1%. On January 10, 2013, the promissory notes receivable and accrued interest were fully repaid by Dundee Industrial.

Note 14

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating $11,450 (December 31, 2012 – $7,010).

	Note		December 31, 2013		December 31, 2012
Trade receivables		$	9,671	$	12,772
Less: Provision for impairment of trade receivables			(2,113)		(1,993)
Trade receivables, net			7,558		10,779
Other amounts receivable	27		20,918		20,327
		$	28,476	$	31,106

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

	Years ended December 31,			
		2013		2012
As at January 1	$	1,993	$	955
Provision for impairment of trade receivables		813		1,424
Receivables written off during the year as uncollectible		(693)		(386)
As at December 31	$	2,113	$	1,993

The carrying value of amounts receivable approximates fair value due to their current nature. As at December 31, 2013, trade receivables of approximately $3,205 (December 31, 2012 – $7,161) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

The Trust leases office properties to tenants under operating leases. Minimum rental commitments, including investment in joint ventures, on non-cancellable tenant operating leases over their remaining terms are as follows:

		December 31, 2013
2014	$	393,528
2015 to 2017		919,753
2018 to 2031		784,027
	$	2,097,308

Note 15

DEBT

	December 31, 2013	December 31, 2012
Mortgages[(1)(2)]	**$ 2,477,183**	$ 2,441,663
Term debt	**825**	248
Demand revolving credit facilities[(2)]	**103,946**	67,557
Term loan facility[(2)]	**181,530**	180,837
Convertible debentures	**51,885**	52,092
Debentures	**333,647**	36,029
Total	**3,149,016**	2,778,426
Less: Current portion	**264,535**	308,089
Non-current debt	**$ 2,884,481**	$ 2,470,337

(1) Net of financing costs of $8,079.

(2) Secured by charges on specific investment properties (refer to Note 9).

Convertible debentures

	Carrying value	
	December 31, 2013	December 31, 2012
5.5% Series H Debentures	**$ 51,885**	$ 52,092

	Date issued	Maturity date	Original principal issued	Interest rate	Outstanding principal amount December 31, 2013	December 31, 2012
5.5% Series H Debentures	December 9, 2011	March 31, 2017	$ 51,650	5.5%	**$ 51,128**	$ 51,128

5.5% Series H Debentures

The 5.5% Series H Debentures are convertible at the request of the holder, subject to certain terms and conditions, into 27.25648 REIT A Units per one thousand dollars of face value, representing a conversion price of $36.69 per unit. The 5.5% Series H Debentures are redeemable at the principal amount at the Trust's option, subject to certain terms and conditions, from March 31, 2015, and prior to March 31, 2016, provided the 20-day weighted average trading price of the Units is at least $45.87, and at their principal amount on and after March 31, 2016. Interest on the 5.5% Series H Debentures is payable semi-annually on March 31 and September 30.

Principal redemptions

On December 31, 2012 (the "Redemption Date"), the Trust completed the redemption of its remaining 6.5% Debentures, 5.7% Debentures, 6.0% Debentures and 7.0% Series G Debentures (the "Redeemed Debentures"), in accordance with the provisions of the indentures and supplemental indentures related to the Redeemed Debentures. The redemption price was paid in cash and was equal to the aggregate of (i) $1 for each $1 principal amount of Redeemed Debentures issued and outstanding on the Redemption Date and (ii) all accrued and unpaid interest on the Redeemed Debentures up to, but excluding, the Redemption Date. Debt settlement costs incurred are described in Note 23.

Details of the convertible debentures redeemed on December 31, 2012 are as follows:

	Interest rate		Principal redeemed
6.5% Debentures	6.5%	$	452
5.7% Debentures	5.7%		1,139
6.0% Debentures	6.0%		124,785
7.0% Series G Debentures	7.0%		118
	6.0%	$	126,494

Debentures

The principal amount outstanding and the carrying value for each series of debentures are as follows:

					December 31, 2013		December 31, 2012
	Date issued	Maturity date	Original principal issued	Interest face rate	**Outstanding principal**	**Carrying value**	Carrying value
Series A Debentures	June 13, 2013	June 13, 2018	$ 175,000	3.42%	**$ 175,000**	**$ 173,582**	$ -
Series B Debentures	October 9, 2013	January 9, 2017	125,000	2.98%[(1)]	**125,000**	**124,335**	-
Series K Debentures	April 26, 2011	April 26, 2016	35,000	5.95%	**25,000**	**25,526**	25,741
Series L Debentures	August 8, 2011	September 30, 2016	10,000	5.95%	**10,000**	**10,204**	10,288
			$ 345,000		**$ 335,000**	**$ 333,647**	$ 36,029

(1) Variable interest rate at three-month CDOR rate plus 1.7%.

Series A Debentures

On June 13, 2013, the Trust completed the issuance of $175,000 aggregate principal amount of Series A senior unsecured debentures ("Series A Debentures"). The Series A Debentures bear interest at a coupon rate of 3.424% per annum with a maturity date of June 13, 2018. Interest on the Series A Debentures is payable semi-annually on June 13 and December 13, with the first payment commencing on December 13, 2013. Costs related to the issuance of the Series A Debentures totalled $1,590.

The Trust has the option to redeem the Series A Debentures at a redemption price equal to the greater of Canada Yield Price and par plus any accrued and unpaid interest. The Canada Yield Price is defined as the amount that would return a yield on investment for the remaining term to maturity equal to the Canada bond rate with equal term to maturity plus a spread of 0.475%.

Series B Debentures

On October 9, 2013, the Trust completed the issuance of $125,000 aggregate principal amount of Series B floating senior unsecured debentures ("Series B Debentures"). The Series B Debentures bear interest at a three-month CDOR rate plus 1.7% per annum with a maturity date of January 9, 2017. Interest on the Series B Debentures is payable quarterly in arrears on January 9, April 9, July 9 and October 9, with the first payment commencing on January 9, 2014. Costs related to the issuance of the Series B Debentures totalled $720.

Series K and Series L Debentures

The Series K and Series L Debentures are redeemable at the Trust's option, subject to certain terms and conditions. Interest is payable monthly.

Demand revolving credit facilities

A demand revolving credit facility is available up to a formula-based maximum not to exceed $171,500, in the form of rolling one-month bankers' acceptances ("BAs") bearing interest at the BA rates plus 1.75% or at the bank's prime rate (3.0% as at December 31, 2013) plus 0.75%, and is secured by nine properties as first-ranking mortgages. The demand revolving credit facility matured on March 5, 2013 and was extended to March 5, 2014. At December 31, 2013, $104,000 was drawn (December 31, 2012 – $54,000 drawn) on the facility and the formula-based amount available under this facility was $67,500 (December 31, 2012 – $117,535). Subsequent to year-end, the Trust repaid in full $104,000 of this facility with the net proceeds received from the Series C Debentures offering and cash on hand. Furthermore, on February 25, 2014, this facility was extended to March 5, 2016 with the same terms.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40,000, bearing interest at the bank's prime rate (3.0% as at December 31, 2013) plus 1.5%. This facility is secured by first-ranking collateral mortgages on two properties. The facility matured on April 30, 2013 and was subsequently extended to April 30, 2014 with the interest rate revised to the bank's prime rate plus 1.25%. At December 31, 2013, nothing was drawn (December 31, 2012 – $13,677 drawn) on the facility and the formula-based amount available under this facility was $27,690, less $1,534 in the form of letters of guarantee (December 31, 2012 – $26,323, less $1,626 in the form of letters of guarantee).

A demand revolving credit facility is available up to a formula-based maximum not to exceed $35,000, bearing interest at the bank's prime rate (3.0% as at December 31, 2013) plus 0.85%. This facility is secured by second-ranking mortgages on two properties. The facility matured on April 30, 2013. On April 29, 2013, the facility was extended to April 30, 2014 with the interest rate revised to the bank's prime rate plus 0.75% or BA rates plus 1.75%. This facility was also amended to include a bulge facility of $90,000 for the period from April 29, 2013 to May 2, 2013, bearing the same interest rate. On April 30, 2013, $90,000 was drawn on the bulge facility to fund the acquisition of 20 Toronto Street and 137 Yonge Street in Toronto. The facility was repaid in full with the net proceeds received from the public offering completed on May 1, 2013. The bulge facility expired on May 2, 2013 and was not subsequently renewed. At December 31, 2013, nothing was drawn (December 31, 2012 – $nil drawn) on the facility and the formula-based amount available under this facility was $35,000, less $2,181 in the form of letters of guarantee (December 31, 2012 – $35,000, less $2,031 in the form of letters of guarantee). On February 20, 2014, the Trust extended this facility to April 30, 2015 with the same terms.

A revolving acquisition and operating facility is available up to $35,000. The facility can be increased by up to an additional $20,000. Interest is borne generally at the bank's prime rate (3.0% as at December 31, 2013) plus 0.85% or BA rates plus 1.85%. The facility is secured by a first-ranking collateral mortgage on one property and a second-ranking collateral mortgage on one property and the guarantee of the Trust. The facility expired on August 23, 2013 and was subsequently extended to April 30, 2014 with the interest rate revised to the bank's prime rate plus 0.75% or BA rates plus 1.75%. At December 31, 2013, nothing was drawn (December 31, 2012 – $nil drawn) on the facility and the amount available under this facility was $35,000, less $300 in the form of letters of guarantee (December 31, 2012 – $35,000, less $300 in the form of letters of guarantee). On February 20, 2014, the Trust extended this facility to April 30, 2015 with the same terms.

Term loan facility

On August 15, 2011, the Trust entered into a term loan facility for $188,000 in the form of rolling one-month BA rates. The term loan facility bears interest at BA rates plus 1.85% payable monthly. The term loan facility was originally secured by first-ranking collateral mortgages on nine properties. On August 15, 2012, the Trust repaid $4,547 on the term loan facility as one of the properties securing the facility was sold. At December 31, 2013, $183,453 was outstanding on the term loan facility, secured by first-ranking collateral mortgages on eight properties. The term loan facility expires on August 15, 2016.

On August 15, 2011, the Trust entered into interest rate swap agreements to modify the interest rate profile of the current variable rate debt on the $188,000 term loan facility, without an exchange of the underlying principal amounts. On December 31, 2013, the notional amount of interest rate swap agreements hedged against the term loan facility was $183,453. The Trust has applied hedge accounting to this relationship, whereby the change in fair value of the effective portion of the hedging derivative is recognized in other comprehensive income. Settlement of both the fixed and variable portions of the interest rate swaps occurs on a monthly basis.

The following tables provide a continuity of debt for the years ended December 31, 2013 and December 31, 2012:

							Year ended December 31, 2013
	Mortgages	**Term debt**	**Demand revolving credit facilities**	**Term loan facility**	**Convertible debentures**	**Debentures**	**Total**
Balance as at January 1, 2013	**$ 2,441,663**	**$ 248**	**$ 67,557**	**$ 180,837**	**$ 52,092**	**$ 36,029**	**$ 2,778,426**
Borrowings	**251,049**	**943**	**645,889**	**-**	**-**	**300,000**	**1,197,881**
Repayments	**(244,173)**	**(366)**	**(609,567)**	**-**	**-**	**-**	**(854,106)**
Financing cost additions	**(1,904)**	**-**	**(278)**	**-**	**-**	**(2,310)**	**(4,492)**
Assumed debt	**29,839**	**-**	**-**	**-**	**-**	**-**	**29,839**
Foreign exchange adjustments	**3,707**	**-**	**-**	**-**	**-**	**-**	**3,707**
Other adjustments[(1)]	**(2,998)**	**-**	**345**	**693**	**(207)**	**(72)**	**(2,239)**
Balance as at December 31, 2013	**$ 2,477,183**	**$ 825**	**$ 103,946**	**$ 181,530**	**$ 51,885**	**$ 333,647**	**$ 3,149,016**

(1) Other adjustments include fair value adjustments, amortization of financing costs and amortization of fair value adjustments.

								Year ended December 31, 2012
	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Bridge loan facility	Total
Balance as at January 1, 2012	$ 1,805,571	$ 504	$ 2,435	$ 184,654	$ 131,353	$ -	$ -	$ 2,124,517
Borrowings	474,789	24	255,289	-	-	-	220,000	950,102
Repayments	(408,442)	(280)	(224,347)	(4,547)	(126,686)	(10,340)	(220,000)	(994,642)
Financing cost additions	(4,220)	-	(629)	-	-	-	-	(4,849)
Assumed debt	821,156	-	34,300	-	59,927	45,000	-	960,383
Discharge of debt (dispositions)	(250,896)	-	-	-	-	-	-	(250,896)
Conversion to unitholders' equity	-	-	-	-	(17,498)	-	-	(17,498)
Foreign exchange adjustments	450	-	-	-	-	-	-	450
Debt classified as assets held for sale	(9,200)	-	-	-	-	-	-	(9,200)
Other adjustments[(1)]	12,455	-	509	730	4,996	1,369	-	20,059
Balance as at December 31, 2012	$ 2,441,663	$ 248	$ 67,557	$ 180,837	$ 52,092	$ 36,029	$ -	$ 2,778,426

(1) Other adjustments include fair value adjustments, amortization of financing costs and amortization of fair value adjustments.

Debt weighted average effective interest rates and maturities

	Weighted average effective interest rates[1]			Debt amount	
	December 31, 2013	December 31, 2012	Maturity dates	**December 31, 2013**	December 31, 2012
Fixed rate					
Mortgages	**4.53%**	4.56%	2014–2028	**$ 2,387,593**	$ 2,392,766
Term debt	**5.91%**	7.83%	2016	**825**	248
Term loan facility[2]	**3.83%**	3.83%	2016	**181,530**	180,837
Convertible debentures	**3.80%**	3.80%	2017	**51,885**	52,092
Debentures	**3.89%**	5.02%	2016–2018	**209,312**	36,029
Total fixed rate debt	**4.42%**	4.50%		**2,831,145**	2,661,972
Variable rate					
Mortgages	**3.64%**	4.26%	2015–2018	**89,590**	48,897
Demand revolving credit facilities	**2.97%**	3.90%	2014	**103,946**	67,557
Series B Debentures	**3.09%**	-	2017	**124,335**	-
Total variable rate debt	**3.20%**	4.05%		**317,871**	116,454
Total debt	**4.30%**	4.48%		**$ 3,149,016**	$ 2,778,426

(1) The effective interest rate method includes the impact of fair value adjustments on assumed debt and financing costs.

(2) Under a hedging arrangement, the Trust has entered into two interest rate swap agreements to fix the interest rate of the term loan facility: a five-year interest rate swap on a notional balance of $129,783, fixing interest at a bankers' acceptance rate of 1.67% plus a spread of 185 bps; and a three-year interest rate swap on a notional balance of $53,670, fixing interest at a bankers' acceptance rate of 1.18% plus a spread of 185 bps. The effective interest rate on the term loan facility is 3.83% after accounting for financing costs.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Demand revolving credit facilities	Term loan facility	Convertible debentures	Debentures	Total
2014	$ 160,234	$ 301	$ 104,000	$ -	$ -	$ -	$ 264,535
2015	509,244	317	-	-	-	-	509,561
2016	339,284	207	-	183,453	-	35,000	557,944
2017	322,233	-	-	-	51,128	125,000	498,361
2018	217,717	-	-	-	-	175,000	392,717
2019 and thereafter	919,788	-	-	-	-	-	919,788
	2,468,500	825	104,000	183,453	51,128	335,000	3,142,906
Financing costs	(8,079)	-	(54)	(1,923)	-	(2,082)	(12,138)
Fair value adjustments	16,762	-	-	-	757	729	18,248
	8,683	-	(54)	(1,923)	757	(1,353)	6,110
	$ 2,477,183	$ 825	$ 103,946	$ 181,530	$ 51,885	$ 333,647	$ 3,149,016

Other financial instruments

The Trust has other financial instruments as follows:

		December 31, 2013		December 31, 2012
Fair value of interest rate swaps – liability	$	**365**	$	549
Fair value of interest rate swaps – asset		**(29)**		(174)
Conversion feature on the convertible debentures – liability (asset)		**(317)**		1,397
Other financial instruments – liability	$	**19**	$	1,772

The Trust's interest rate swap agreements are subject to master netting agreements that create a legally enforceable right to offset, by the counterparty, the related interest rate swap financial assets and liabilities.

Interest rate swaps

The following table summarizes the details of the interest rate swaps that are outstanding at December 31, 2013:

Transaction date		Term loan facility principal amount (notional)	Fixed interest rate	Maturity date	Financial instrument classification		Fair value
August 15, 2011	$	129,783	3.52%	August 15, 2016	Cash flow hedge	$	365
August 15, 2011		53,670	3.03%	August 15, 2014	Cash flow hedge		(29)
Non-current debt	$	183,453	3.38%			$	336

For those interest rate swaps designated as cash flow hedges, the Trust has assessed that there is no ineffectiveness in the hedges of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in other comprehensive income. At December 31, 2013, the aggregate fair value of the interest rate swaps amounted to a $336 financial liability (December 31, 2012 – $375 financial liability). The associated unrealized gains or losses that are recognized in other comprehensive income will be reclassified into net income in the same period or periods during which the interest payments on the hedged item affect net income.

Conversion feature on the convertible debentures

The movement in the conversion feature on the convertible debentures for the year is as follows:

	Note		Year ended December 31, 2013		Year ended December 31, 2012
Balance as at January 1		$	**1,397**	$	6,426
Assumed from business combination			**-**		3,363
Reduction of conversion feature on the convertible debentures converted during the year			**-**		(5,674)
Remeasurement of conversion feature on convertible debentures	24		**(1,714)**		(2,718)
Balance as at December 31		$	**(317)**	$	1,397

Note 16

SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

	Note	**Year ended December 31, 2013**			Year ended December 31, 2012		
		Number of units issued and outstanding		**Amount**	Number of units issued and outstanding		Amount
Balance as at January 1		**3,528,658**	**$**	**132,078**	3,506,107	$	114,445
Distribution Reinvestment Plan		**9,799**		**361**	22,551		826
Remeasurement of carrying value of subsidiary redeemable units	24	**-**		**(30,461)**	-		16,807
Balance as at December 31		**3,538,457**	**$**	**101,978**	3,528,658	$	132,078

During the year ended December 31, 2013, the Trust incurred $7,897 (December 31, 2012 – $7,758) in distributions on the subsidiary redeemable units, which is included as interest expense in comprehensive income (see Note 22).

DPLP, a subsidiary of Dundee REIT, is authorized to issue an unlimited number of LP Class B limited partnership units. These units have been issued in two series: subsidiary redeemable units and LP Class B Units, Series 2. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to REIT A Units. Generally, each subsidiary redeemable unit 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. Subsidiary redeemable units 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.

Holders of the 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 subsidiary redeemable units. As at December 31, 2013 and December 31, 2012, all issued and outstanding LP Class B Units, Series 2 are owned indirectly by Dundee REIT and have been eliminated in the consolidated balance sheets.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable 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 on the surrender or exchange of the subsidiary redeemable units to which they relate. As at December 31, 2013, 3,538,457 Special Trust Units were issued and outstanding (December 31, 2012 – 3,528,658).

Note 17

DEFERRED UNIT INCENTIVE PLAN

The Deferred Unit Incentive Plan ("DUIP") provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit and the related distribution of income deferred trust units vest evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to postpone receipt of REIT A Units, such units will be issued immediately on vesting. As at December 31, 2013, up to a maximum of 1.75 million (December 31, 2012 – 1.75 million) deferred trust units are issuable under the DUIP.

The movement in the DUIP balance was as follows:

	Note		
As at January 1, 2012		$	12,971
Compensation during the year			4,160
REIT A Units issued for vested deferred trust units	20		(876)
Remeasurements of carrying value of deferred trust units	24		2,499
As at December 31, 2012			18,754
Compensation during the year			4,087
REIT A Units issued for vested deferred trust units	20		(1,641)
Remeasurements of carrying value of deferred trust units	24		(2,665)
As at December 31, 2013		$	18,535

During the year ended December 31, 2013, $4,087 of compensation expense was recorded (December 31, 2012 – $4,160) and included in general and administrative expenses. For the same period, a fair value gain of $2,665 (December 31, 2012 – fair value loss of $2,499) was recognized, representing the remeasurement of the DUIP liability during the year.

	Deferred trust units	Income deferred trust units	Total units
Outstanding at January 1, 2012	388,855	100,813	489,668
Granted during the year	125,391	30,077	155,468
REIT A Units issued	(21,204)	(4,086)	(25,290)
Fractional Units paid in cash	-	(21)	(21)
Outstanding at December 31, 2012	493,042	126,783	619,825
Granted during the year	143,159	49,878	193,037
REIT A Units issued	(37,050)	(7,920)	(44,970)
Fractional Units paid in cash	-	(26)	(26)
Cancelled	(1,771)	(57)	(1,828)
Outstanding and payable at December 31, 2013	597,380	168,658	766,038
Vested but not issued at December 31, 2013	231,816	127,548	359,364

On February 20, 2013, 131,300 deferred trust units were granted to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Of the units granted, 32,000 relate to key management personnel. The grant date value of these deferred trust units was $37.54 per unit granted.

On May 8, 2013, 11,859 deferred trust units were granted to trustees who elected to receive their 2013 annual retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $36.68 per unit granted.

On February 23, 2012, 114,100 deferred trust units were granted to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Of the units granted, 29,000 relate to key management personnel. The grant date value of these deferred trust units was $34.54 per unit granted. On June 25, 2012, an additional 11,291 deferred trust units were granted to trustees who elected to receive their 2012 annual retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $37.64 per unit granted.

Note 18

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note		December 31, 2013		December 31, 2012
Trade payables	27	**$**	**10,215**	$	6,571
Accrued liabilities and other payables	27		**51,684**		51,905
Accrued interest			**11,565**		10,858
Rent received in advance			**15,285**		7,562
Total		**$**	**88,749**	$	76,896

Note 19

DISTRIBUTIONS

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 such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts.

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

					Total			
		REIT Units, Series A		REIT Units, Series B		**2013**		2012
Paid in cash	$	180,426	$	18	**$**	**180,444**	$	147,601
Paid by way of reinvestment in REIT A Units		47,899		-		**47,899**		44,127
Less: Payable at December 31, 2012 (December 31, 2011)		(18,053)		(3)		**(18,056)**		(12,192)
Plus: Payable at December 31, 2013 (December 31, 2012)		19,493		-		**19,493**		18,056
Total	$	229,765	$	15	**$**	**229,780**	$	197,592

On December 18, 2013, the Trust announced a cash distribution of $0.18666 per REIT A Unit for the month of December 2013. The amount payable at December 31, 2013 was satisfied on January 15, 2014 by $14,277 in cash and $5,228 in connection with the issuance of 176,636 REIT A Units.

On January 17, 2014, the Trust announced a cash distribution of $0.18666 per REIT A Unit for the month of January 2014. The January 2014 distribution was satisfied on February 15, 2014 by $14,387 in cash and $5,147 in connection with the issuance of 176,438 REIT A Units.

On February 21, 2014, the Trust announced a cash distribution of $0.18666 per REIT A Unit for the month of February 2014. The February 2014 distribution will be payable on March 15, 2014 to unitholders of record at February 28, 2014.

During 2013, the Trust declared monthly distributions of $0.183 per unit up to March 31, 2013 and $0.18666 per unit thereafter, or $2.229 per unit for the year ended December 31, 2013, and declared monthly distributions of $0.183 per unit, or $2.196 per unit for the year ended December 31, 2012.

Note 20

EQUITY

	December 31, 2013		December 31, 2012	
	Number of Units	**Amount**	Number of Units	Amount
REIT Units, Series A	**103,420,221**	**$ 3,721,454**	97,618,625	$ 3,295,983
REIT Units, Series B	**-**	**-**	16,316	713
Accumulated other comprehensive income (loss)	**-**	**1,684**	-	(297)
Total	**103,420,221**	**$ 3,723,138**	97,634,941	$ 3,296,399

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. The Special Trust Units may only be issued to holders of subsidiary redeemable units.

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 at all meetings of unitholders.

	REIT Units, Series A		REIT Units, Series B			Total	
	Number of Units	Amount	Number of Units	Amount	Accumulated other comprehensive income (loss)	Number of Units	Amount
Equity, January 1, 2013	**97,618,625**	**$ 3,295,983**	**16,316**	**$ 713**	**$ (297)**	**97,634,941**	**$ 3,296,399**
Net income for the year	**-**	**444,969**	**-**	**42**	**-**	**-**	**445,011**
Distributions paid	**-**	**(210,272)**	**-**	**(15)**	**-**	**-**	**(210,287)**
Distributions payable	**-**	**(19,493)**	**-**	**-**	**-**	**-**	**(19,493)**
Public offering of REIT A Units	**6,353,750**	**230,006**	**-**	**-**	**-**	**6,353,750**	**230,006**
Distribution Reinvestment Plan	**1,509,148**	**47,899**	**-**	**-**	**-**	**1,509,148**	**47,899**
Unit Purchase Plan	**12,212**	**429**	**-**	**-**	**-**	**12,212**	**429**
Deferred units exchanged for REIT A Units	**44,970**	**1,641**	**-**	**-**	**-**	**44,970**	**1,641**
REIT B Units exchanged for REIT A Units	**16,316**	**740**	**(16,316)**	**(740)**	**-**	**-**	**-**
Cancellation of REIT A Units under normal course issuer bid	**(2,134,800)**	**(60,665)**	**-**	**-**	**-**	**(2,134,800)**	**(60,665)**
Issue costs	**-**	**(9,783)**	**-**	**-**	**-**	**-**	**(9,783)**
Other comprehensive income	**-**	**-**	**-**	**-**	**1,981**	**-**	**1,981**
Equity, December 31, 2013	**103,420,221**	**$ 3,721,454**	**-**	**$ -**	**$ 1,684**	**103,420,221**	**$ 3,723,138**

	REIT Units, Series A		REIT Units, Series B			Total	
	Number of Units	Amount	Number of Units	Amount	Accumulated other comprehensive income (loss)	Number of Units	Amount
Equity, January 1, 2012	66,193,060	$ 2,118,116	16,316	$ 720	$ (1,602)	66,209,376	$ 2,117,234
Net income for the year	-	291,044	-	29	-	-	291,073
Distributions paid	-	(179,503)	-	(33)	-	-	(179,536)
Distributions payable	-	(18,053)	-	(3)	-	-	(18,056)
Public offering of REIT A Units	16,947,550	604,812	-	-	-	16,947,550	604,812
REIT A Units issued for Whiterock	12,580,347	434,777	-	-	-	12,580,347	434,777
Distribution Reinvestment Plan	1,200,028	44,127	-	-	-	1,200,028	44,127
Unit Purchase Plan	15,296	578	-	-	-	15,296	578
Deferred units exchanged for REIT A units	25,290	876	-	-	-	25,290	876
Conversion of debentures	657,054	17,498(1)	-	-	-	657,054	17,498
Conversion feature on debentures	-	5,674	-	-	-	-	5,674
Issue costs	-	(23,963)	-	-	-	-	(23,963)
Other comprehensive income	-	-	-	-	1,305	-	1,305
Equity, December 31, 2012	97,618,625	$ 3,295,983	16,316	$ 713	$ (297)	97,634,941	$ 3,296,399

(1) Amount represents carrying value of convertible debentures on conversion.

Public offering of REIT A Units

On May 1, 2013, the Trust completed a public offering of 6,353,750 REIT A Units, including an over-allotment option, at a price of $36.20 per unit, for gross proceeds of $230,006. Costs related to the offering totalled $9,700 and were charged directly to unitholders' equity.

On March 2, 2012, Dundee REIT took up approximately 40.9% of the outstanding Whiterock units under its offer to acquire any and all Whiterock units in consideration for $16.25 or 0.4729 REIT A Units, as elected by Whiterock unitholders. Approximately 9,832,563, or 27%, of the Whiterock units were tendered to the Trust's offer for cash totalling $159,779 and the remaining Whiterock units were redeemed by Whiterock in consideration for 0.4729 REIT A Units for each Whiterock unit. In total, the Trust issued 12,580,347 REIT A Units in connection with the transaction, which were recorded at $34.56 per unit, representing total equity consideration valued at $434,777.

On March 28, 2012, the Trust completed a public offering of 6,555,000 REIT A Units, including an over-allotment option, at a price of $35.35 per unit for gross proceeds of $231,719. Costs related to the offering totalled $9,353 and were charged directly to unitholders' equity.

On June 12, 2012, the Trust completed a public offering of 10,392,550 REIT A Units, including the over-allotment option, at a price of $35.90 per unit for gross proceeds of $373,093. Costs related to the offering totalled $14,564 and were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of REIT A Units or subsidiary redeemable units, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee REIT reinvested in additional units. Unitholders who participate in the DRIP receive an additional distribution of units equal to 4% of each cash distribution that was reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT A Units on the Toronto Stock Exchange ("TSX") 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, 2013, 1,509,148 REIT A Units were issued under the DRIP for $47,899 (December 31, 2012 – 1,200,028 REIT A Units for $44,127).

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 the same manner as the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2013, 12,212 REIT A Units were issued under the Unit Purchase Plan for $429 (December 31, 2012 – 15,296 REIT A Units for $578).

Debenture conversions

For the year ended December 31, 2013, there were no debenture conversions. For the year ended December 31, 2012, the following REIT A Units were issued on the conversion of principal amounts of the convertible debentures.

	Year ended December 31, 2012		
	REIT A Units issued		Principal amount
6.5% Debentures	98,520	$	2,463
5.7% Debentures	213,311		6,400
6.0% Debentures	4,347		180
6.0% Series F Debentures	232,332		6,495
7.0% Series G Debentures	108,544		1,994
Total	657,054	$	17,532

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on May 14, 2013 and will remain in effect until the earlier of May 13, 2014 or the date on which the Trust has purchased the maximum number of REIT A Units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 8,849,219 REIT A Units (representing 10% of the Trust's public float of 88,492,185 REIT A Units at the time of entering the bid through the facilities of the TSX). At December 31, 2013, 2,134,800 REIT A Units had been purchased and subsequently cancelled under the bid for a total cost of $60,665.

Subsequent to year-end, the Trust purchased an additional 11,000 REIT A Units under the normal course issuer bid for cancellation for a total cost of $298.

Short form base shelf prospectus

On November 26, 2012, the Trust issued a short form base shelf prospectus, which is valid for a 25-month period, during which time the Trust may offer and issue, from time to time, units and debt securities convertible into or exchangeable for units of the Trust, or any combination thereof, with an aggregate offering price of up to $2,000,000. As at December 31, 2013, no units and $300,000 of unsecured debentures have been issued under the short form base shelf prospectus.

On January 21, 2014, the Trust completed the issuance of $150,000 aggregate principal amount of Series C senior unsecured debentures. Refer to Note 34, "Subsequent events", for further discussion.

Note 21

DISCONTINUED OPERATIONS AND ASSETS AND RELATED LIABILITIES HELD FOR SALE

Discontinued operations – industrial properties

On October 4, 2012, the Trust completed the sale of its entire Industrial segment (77 industrial properties in total) to Dundee Industrial for a total sale price of approximately $575,469 (including working capital adjustments). The sale price of the 77 industrial properties was satisfied by cash consideration of approximately $136,267, the issuance of $160,346 of limited partnership units of Dundee Industrial Limited Partnership (a subsidiary of Dundee Industrial), which are exchangeable for units of Dundee Industrial, promissory notes receivable from Dundee Industrial of $42,000, offset by an amount due to Dundee Industrial of $457 and the assumption of mortgages. The Trust is now discharged from all rights and obligations relating to the 77 industrial properties. As a result of the sale, the Trust recognized a net gain of $1,147 in income from discontinued operations. The Trust currently owns a 22.9% interest in Dundee Industrial. The revenues and expenses are as follows:

	Years ended December 31,	
	2013	2012
Investment properties revenue	**$ -**	$ 37,628
Investment properties operating expenses	-	(9,517)
Net rental income	-	28,111
Other income and expenses		
General and administrative	-	(970)
Fair value adjustments to investment properties	-	5,187
Net gain on sale of investment properties	-	1,147
Acquisition related costs	-	(2)
Interest on debt	-	(8,448)
Depreciation and amortization	-	(127)
Interest and fee income	-	1
Income from discontinued operations	**$ -**	$ 24,899

Assets and related liabilities held for sale

As at December 31, 2013, the Trust reclassified certain investment in joint ventures totalling $15,921 as assets held for sale. The Trust's proportionate share of these joint ventures' assets and liabilities were $21,619 and $5,698, respectively. At December 31, 2013, management had committed to a plan of sale of the underlying properties, and therefore the investment in these joint ventures have been reclassified as non-current assets held for sale.

As at December 31, 2012, the Trust reclassified three retail buildings as held for sale. At December 31, 2012, management had committed to a plan of sale, and therefore the properties have been reclassified as non-current assets held for sale.

	December 31, 2013	December 31, 2012
Investment properties	**$ -**	$ 20,295
Investment in joint ventures	**15,921**	-
Other non-current assets	**-**	249
Prepaid expenses	**-**	3
Assets held for sale	**15,921**	20,547
Debt	**-**	9,200
Deposits	**-**	17
Accounts payable and accrued liabilities	**-**	51
Liabilities related to assets held for sale	**-**	9,268
Net assets	**$ 15,921**	$ 11,279

Investment properties held for sale

	Years ended December 31,	
	2013	2012
Balance as at January 1	**$ 20,295**	$ 7,700
Add (deduct):		
Investment properties reclassified as held for sale	**-**	111,952
Investment properties disposed of during the year	**(20,295)**	(99,357)
Balance as at December 31	**$ -**	$ 20,295

For the year ended December 31, 2013, the following dispositions were completed:

Year ended December 31, 2013	**Property type**	**Disposed GLA (sq. ft.)**	**Gross proceeds[1]**	**Mortgages/ term loan discharged**	**Loss on sale**	**Date disposed**
625 University Park Drive, Regina	**office**	**17,145**	**$ 5,182**	**$ -**	**$ (68)[2]**	**January 31, 2013**
2640, 2510–2550 Quance Street, Regina	**office**	**69,554**	**16,300**	**8,767**	**(215)[2]**	**January 31, 2013**
Total		**86,699**	**$ 21,482**	**$ 8,767**	**$ (283)**	

(1) Gross proceeds before transaction costs.

(2) Loss on sale recognized is related to the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

For the year ended December 31, 2012, the following dispositions were completed:

Year ended December 31, 2012	Property type	Disposed GLA (sq. ft.)	Gross proceeds[1]	Mortgages/ term loan discharged	Net gain (loss) on sale	Date disposed
ARAM Building, Calgary	office	36,428	$ 7,700	$ -	$ (314)[2]	February 2, 2012
West Chambers, Edmonton	office	92,560	24,200	6,786	(849)[2]	August 15, 2012
4250 Albert Street, Regina	retail	41,238	9,600	5,126	(11)[2]	August 15, 2012
885 Don Mills Road, Toronto	office	59,449	8,975	4,547	1,770	August 30, 2012
12804 - 137th Avenue, Edmonton	retail	54,514	18,900	12,633	(653)[2]	September 14, 2012
Bisma Centre, Calgary	office	27,496	9,200	-	2,054	September 19, 2012
998 Parkland Drive, Halifax	retail	33,857	7,170	4,624	67	October 4, 2012
193 Malpeque Road, Charlottetown	retail	41,573	5,100	-	(43)[2]	October 4, 2012
655 University Avenue, Charlottetown	retail	26,043	3,800	2,357	25	October 4, 2012
7102–7220 Barlow Trail SE, Calgary	industrial	234,676	10,150	-	(516)[2]	November 30, 2012
Total		647,834	$ 104,795	$ 36,073	$ 1,530	

(1) Gross proceeds before transaction costs.

(2) Loss on sale recognized is related to the write-off of financing costs and fair value adjustments associated with the debt discharged, transaction costs and the write-off of goodwill associated with the cash-generating unit.

Note 22

INTEREST

Interest on debt

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

	Years ended December 31, 2013	2012
Interest expense incurred, at contractual and hedged rate of debt	**$ 133,768**	$ 129,310
Amortization of financing costs	**3,034**	3,280
Amortization of fair value adjustments on assumed debt	**(6,633)**	(7,396)
Interest capitalized to investment properties	**-**	(76)
Interest expense	**130,169**	125,118
Add (deduct):		
Amortization of financing costs	**(3,034)**	(3,280)
Amortization of fair value adjustments on assumed debt	**6,633**	7,396
Cash interest paid for discontinued operations	**-**	8,844
Change in accrued interest	**(580)**	(2,998)
Interest capitalized to investment properties	**-**	76
Cash interest paid	**$ 133,188**	$ 135,156

Certain debts assumed in connection with acquisitions have 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 expected life of the debt using the effective interest rate method. Interest capitalized includes interest on specified and general debt attributed to a property considered to be under redevelopment. Non-cash adjustments to interest expense are recorded as a change in non-cash working capital in the consolidated statements of cash flows.

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income are recorded as follows:

	Years ended December 31,	
	2013	2012
Paid in cash	**$ 7,524**	$ 6,926
Paid by way of reinvestment in subsidiary redeemable units	**361**	826
Less: Interest payable at December 31, 2012 (December 31, 2011)	**(648)**	(642)
Plus: Interest payable at December 31, 2013 (December 31, 2012)	**660**	648
Total	**$ 7,897**	$ 7,758

Note 23

DEBT SETTLEMENT AND OTHER COSTS, NET

Debt settlement costs include mortgage break fees, costs incurred on redemption of convertible debentures and fair value adjustments written off on debt extinguishment.

Other costs consist of the write-off of the external management contracts associated with the Trust's acquisition of its co-owner's interest in the Trans America Group properties on October 4, 2012, which resulted in the termination of the external management contracts for these properties.

	Years ended December 31,	
	2013	2012
Mortgage break fees	**$ -**	$ 5,626
Debt settlement costs incurred on redemption of convertible debentures	**-**	2,713
Fair value adjustments written off on debt extinguishment	**241**	(5,796)
Write-off of external management contracts	**-**	1,255
Total	**$ 241**	$ 3,798

Note 24

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

		Years ended December 31,	
	Note	**2013**	2012
Remeasurement of conversion feature on convertible debentures	15	**$ 1,714**	$ 2,718
Remeasurement of carrying value of subsidiary redeemable units	16	**30,461**	(16,807)
Remeasurement of deferred trust units	17	**2,665**	(2,499)
		$ 34,840	$ (16,588)

Note 25

INCOME TAXES

The Trust is subject to taxation in the U.S. on the taxable income earned by its investment properties located in the U.S. at a rate of approximately 38.46% (December 31, 2012 – 38.46%). A deferred tax asset arises from the loss carry-forwards of the U.S. subsidiaries. A deferred tax liability arises from the temporary differences between the carrying value and the tax basis of the net assets of the U.S. subsidiaries. The tax effects of temporary differences arise from investment properties. The loss carry-forwards and the tax effects of temporary differences that give rise to the recognition of deferred tax assets and liabilities are presented below:

		December 31, 2013		December 31, 2012
Deferred tax assets				
Loss carry-forwards	**$**	**1,484**	$	389
Deferred tax liabilities				
Investment properties		**(6,651)**		(4,881)
Deferred tax liabilities, net	**$**	**(5,167)**	$	(4,492)

A reconciliation between the expected income taxes based upon the 2013 and 2012 statutory rates and the income tax expense recognized during the years ended December 31, 2013 and December 31, 2012 are as follows:

		December 31, 2013		December 31, 2012
Income taxes computed at the statutory rate of nil that is applicable to the Trust	**$**	**-**	$	-
Deferred income taxes		**344**		1,849
	$	**344**	$	1,849

Note 26

SEGMENTED INFORMATION

The Trust completed the sale of 77 industrial properties on October 4, 2012. As a result, the Trust no longer has an industrial segment.

For the year ended December 31, 2012, the Trust's investment properties were segmented into office and industrial components. Investment properties classified as held for sale were included in "Other" for segment disclosure. The Trust did 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, general and administrative expenses, interest and fee income, and fair value adjustments to financial instruments were not allocated to the segment expenses.

For the year ended December 31, 2012, the segments include the Trust's proportionate share of its joint ventures. The column entitled "Reconciliation" adjusts the segmented results to account for these joint ventures using the equity method of accounting as applied in these consolidated financial statements.

Year ended December 31, 2012	Office	Industrial	Segment total	Other[1]	Subtotal	Reconciliation[2]	Total
Operations							
Investment properties revenue	$ 684,808	$ 37,628	$ 722,436	$ 1,756	$ 724,192	$ (116,396)	$ 607,796
Investment properties operating expenses	(294,849)	(9,517)	(304,366)	(575)	(304,941)	45,692	(259,249)
Net rental income from continuing operations	389,959	28,111	418,070	1,181	419,251	(70,704)	348,547
Share of net loss from investment in joint ventures	-	-	-	-	-	(254)	(254)
Fair value adjustments to investment properties	82,587	5,187	87,774	(979)	86,795	18,777	105,572
Segment income	472,546	33,298	505,844	202	506,046	(52,181)	453,865
Other income (expenses)							
General and administrative	-	-	-	(22,184)	(22,184)	1,052	(21,132)
Share of net income and dilution gain from investment in Dundee Industrial	-	-	-	1,568	1,568	-	1,568
Net gain on sale of investment properties	-	-	-	2,677	2,677	(1,147)	1,530
Acquisition related costs	-	-	-	(17,551)	(17,551)	2	(17,549)
Interest:							
Debt	-	-	-	(147,345)	(147,345)	22,227	(125,118)
Subsidiary redeemable units	-	-	-	(7,758)	(7,758)	-	(7,758)
Debt settlement and other costs, net	-	-	-	(3,798)	(3,798)	-	(3,798)
Depreciation and amortization	-	-	-	(2,173)	(2,173)	131	(2,042)
Interest and fee income	-	-	-	5,214	5,214	(169)	5,045
Fair value adjustments to financial instruments	-	-	-	(21,774)	(21,774)	5,186	(16,588)
Income before income taxes and discontinued operations	472,546	-	472,546	(204,523)	268,023	-	268,023
Deferred income taxes	-	-	-	(1,849)	(1,849)	-	(1,849)
Income from continuing operations	472,546	-	472,546	(206,372)	266,174	-	266,174
Income from discontinued operations	-	33,298	33,298	(8,399)	24,899	-	24,899
Net income	$ 472,546	$ 33,298	$ 505,844	$ (214,771)	$ 291,073	$ -	$ 291,073

Capital expenditures

Year ended December 31, 2012	Office	Industrial	Segment total	Other[1]	Subtotal	Reconciliation[3]	Total
Investment in building improvements	$ (20,203)	$ (101)	$ (20,304)	$ -	$ (20,304)	$ 105	$ (20,199)
Investment in lease incentives and initial direct leasing costs	(23,979)	(956)	(24,935)	(95)	(25,030)	1,453	(23,577)
Investment in development projects	(1,945)	-	(1,945)	-	(1,945)	-	(1,945)
Acquisition of investment properties	(235,019)	-	(235,019)	-	(235,019)	-	(235,019)
Acquisition of Whiterock	(129,408)	(17,726)	(147,134)	-	(147,134)	-	(147,134)
Total capital expenditures	$ (410,554)	$ (18,783)	$ (429,337)	$ (95)	$ (429,432)	$ 1,558	$ (427,874)

(1) Includes corporate amounts not specifically related to the segments and amounts for assets held for sale.

(2) Includes the Trust's proportionate share of its joint ventures, accounted for using the equity method of accounting and discontinued operations – industrial properties.

(3) Includes the Trust's proportionate share of its joint ventures, accounted for using the equity method of accounting.

Note 27

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Dundee REIT, Dundee Management Limited Partnership (a wholly owned subsidiary of DPLP) and DREAM Asset Management Corp. ("DAM"), formerly known as Dundee Realty Corporation, a subsidiary of DREAM Unlimited Corp., are parties to an administrative services and cost sharing agreement (the "Services Agreement"). Effective August 24, 2007, Dundee REIT also has an asset management agreement (the "Asset Management Agreement") with DAM pursuant to which DAM 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, defined as the fair value of the properties at August 23, 2007 (the date of the sale of our portfolio of properties in Eastern Canada) plus the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;
- incentive fee equal to 15% of Dundee REIT's adjusted funds from operations per unit in excess of $2.65 per unit;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to: (i) 1.0% of the purchase price of a property on the first $100,000 of properties acquired; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and (iii) 0.50% of the purchase price of a property acquired in excess of $200,000 of properties acquired; and
- financing fee equal to the lesser of actual expenses incurred by DAM in supplying services relating to financing transactions and 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT.

Pursuant to the Asset Management Agreement, the Trust paid fees to DAM as follows:

	Years ended December 31,	
	2013	2012
Fees paid		
Fees paid by Dundee REIT under the Asset Management Agreement:		
Base annual management fee (included in general and administrative expenses)	**$ 16,568**	$ 14,946
Acquisition fee (included in acquisition related costs/investment properties)	**3,201**	14,199
Expense reimbursements related to financing arrangements (included in debt/unitholders' equity)	**825**	694
Capital expenditures fee (included in properties under development)	**-**	69
Total fees paid under the Asset Management Agreement	**$ 20,594**	$ 29,908

Shared Services and Cost Sharing Agreement

The existing Asset Management Agreement provides the Trust and DAM, from time to time, the opportunity to agree on additional services to be provided to the Trust for which DAM is to be reimbursed for its costs. To formalize and expand this arrangement, the Trust entered into a Shared Services and Cost Sharing Agreement with DAM on December 1, 2013. The agreement is for a one-year term and will be automatically renewed for further one-year terms unless and until the agreement is terminated in accordance with its terms or by mutual agreement of the parties. Pursuant to the agreement, DAM will be providing additional administrative and support services in order to expand and improve DAM's service capability in connection with the provision of its asset management services. DAM will receive an annual fee sufficient to reimburse it for all the expenses incurred in providing these additional administrative and support services. Additionally, the Trust will also reimburse DAM in each calendar year for its share of costs incurred in connection with certain business transformation services provided by DAM.

During the year ended December 31, 2013, the Trust paid $nil to DAM pursuant to the Shared Services and Cost Sharing Agreement. There are no amounts due to DAM as at December 31, 2013 pertaining to this agreement.

The Trust's future commitment under the Shared Services and Cost Sharing Agreement over the next seven years is $6,590.

Services Agreement

Pursuant to the Services Agreement, the Trust received from or paid to DAM costs incurred on behalf of the other party. For the year ended December 31, 2013, the Trust processed on behalf of DAM certain costs and shared services totalling $8,525 (year ended December 31, 2012 – $3,951). The Trust also processed on behalf of DAM, at cost, operating and administration costs of regional offices of $14,412 (year ended December 31, 2012 – $12,723). For the year ended December 31, 2013, DAM processed certain costs on behalf of the Trust of $1,429 (year ended December 31, 2012 – $1,403).

Amounts due to and from related parties

Included in amounts receivable at December 31, 2013 is $2,815 (December 31, 2012 – $1,532) related to the Services Agreement and $2,386 (December 31, 2012 – $3,267) related to parking revenue DAM received on behalf of the Trust and other cost reimbursements. Amounts payable and accrued liabilities at December 31, 2013 include $3,332 (December 31, 2012 – $4,129) related to the Asset Management Agreement.

Included in amounts receivable is a distribution receivable from Dundee Industrial of $950 (December 31, 2012 – $938) related to the cash distribution of $0.05833 per Dundee Industrial REIT Unit, for the month of December 2013. Furthermore, included in amounts receivable at December 31, 2013 is $917 (December 31, 2012 – $4,207) related to ongoing shared service cost recoveries from Dundee Industrial. Amounts payable at December 31, 2013 include $75 (December 31, 2012 – $4,248) related to the industrial properties.

In 2012, the Trust entered into promissory notes receivable with a subsidiary of Dundee Industrial totalling $42,000 (see Note 13). The promissory notes receivable were repaid in January 2013.

Other reimbursements from related parties

For the year ended December 31, 2013, the Trust processed on behalf of Dundee Industrial certain costs and shared services of $5,130 (year ended December 31, 2012 – $572).

Compensation of key management personnel

Compensation of key management personnel for the years ended December 31 is as follows:

	Years ended December 31,	
	2013	2012
Unit-based awards[1]	**$ 1,201**	$ 998

(1) Deferred trust units granted vest over a five-year period with one-fifth of the deferred trust units vesting each year. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the year.

Note 28

SUPPLEMENTARY CASH FLOW INFORMATION

The components of the changes in non-cash working capital under operating activities include:

	Years ended December 31,	
Continuing operations	**2013**	2012
Decrease (increase) in amounts receivable	**$ 2,642**	$ (12,269)
Decrease in prepaid expenses and other assets	**264**	2,700
Decrease (increase) in other non-current assets	**47**	(4,498)
Decrease in amounts payable and accrued liabilities	**(12,896)**	(31,509)
Increase in tenant security deposits	**877**	1,502
Change in non-cash working capital	**$ (9,066)**	$ (44,074)

The components of amortization and depreciation under operating activities include:

		Years ended December 31,	
	Note	**2013**	2012
Amortization of lease incentives	9	**$ 6,471**	$ 3,976
Amortization of external management contracts	12	**1,338**	1,321
Amortization of financing costs	22	**3,034**	3,280
Amortization of fair value adjustments on assumed debt	22	**(6,633)**	(7,396)
Depreciation on property and equipment		**1,189**	848
Total		**$ 5,399**	$ 2,029

The components of changes in other adjustments to operating activities include:

		Years ended December 31,	
	Note	**2013**	2012
Reinvestment in subsidiary redeemable units	16	**$ 361**	$ 826
Mortgage break fees	23	**-**	5,626
Debt settlement costs incurred on redemption of convertible debentures	23	**-**	2,713
Write-off of external management contracts	23	**-**	1,255
Fair value adjustments written off on debt extinguishment	23	**(241)**	(5,796)
Other adjustments to operating activities		**$ 120**	$ 4,624

	Years ended December 31,	
Discontinued operations	**2013**	2012
Cash flow generated from (utilized in):		
Operating activities	**$ -**	$ 9,591
Investing activities	**-**	78,493
Financing activities	**-**	(88,159)
Decrease in cash and cash equivalents	**$ -**	$ (75)

The following amounts were paid on account of interest:

	Note		Years ended December 31, 2013		2012
Interest					
Debt	22	**$**	**133,188**	$	135,156
Subsidiary redeemable units	22		**7,524**		6,926

There were no cash income taxes paid during the years ended December 31, 2013 and 2012.

Note 29

SUPPLEMENTAL OTHER COMPREHENSIVE INCOME (LOSS) INFORMATION

												Years ended December 31,
						2013						2012
		Opening balance January 1		**Net change during the year**		**Closing balance December 31**		Opening balance January 1		Net change during the year		Closing balance December 31
Unrealized gain (loss) on interest rate swap agreements	**$**	**(375)**	**$**	**39**	**$**	**(336)**	$	(1,602)	$	1,227	$	(375)
Unrealized foreign currency translation gain		**78**		**1,942**		**2,020**		-		78		78
Accumulated other comprehensive income (loss)	**$**	**(297)**	**$**	**1,981**	**$**	**1,684**	$	(1,602)	$	1,305	$	(297)

Note 30

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.

At December 31, 2013, Dundee REIT's future minimum commitments under operating and finance leases are as follows:

		Operating lease payments		Finance lease payments
No longer than 1 year	$	1,118	$	28
1–5 years		1,870		111
Longer than 5 years		8,411		2,238
Total	$	11,399	$	2,377

During the year ended December 31, 2013, the Trust paid $1,122 (December 31, 2012 – $1,472) in minimum lease payments, which has been included in comprehensive income for the period.

At December 31, 2013 and December 31, 2012, the Trust had no contribution commitments with respect to its investment in joint ventures.

The Trust's share of contingent liabilities arising from its investments in joint ventures is as follows:

	December 31, 2013	December 31, 2012
Contingent liabilities for the obligation of the other owners of investments in joint ventures	**$ 305,850**	$ 353,468

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $15,328.

The Trust has entered into fixed price contracts to purchase electricity as follows:

	Number of properties	Expiry date	Minimum payments due 2014	2015	2016	Total
Electricity						
Edmonton, Parkland County and Strathcona County	9	May 31, 2015	$ 755	$ 327	$ -	$ 1,082
Calgary, Edmonton and Strathcona County	51	December 31, 2016	5,276	5,186	2,873	13,335
Total			6,031	5,513	2,873	14,417

Note 31

CAPITAL MANAGEMENT

The primary objectives of the Trust's capital management are to ensure it remains within its quantitative banking covenants and to improve its credit rating. The Trust was assigned for the first time a credit rating of BBB (low) with a stable trend as part of the Series A and Series B Debentures offering during 2013.

The Trust's capital consists of debt, including mortgages, convertible debentures, debentures, subsidiary redeemable units and demand revolving credit facilities, 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 carrying value. Other significant indicators include weighted average interest rate, average term to maturity of debt and variable debt as a portion of total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions and capital expenditures, and for evaluating the need to raise funds for further expansion. Various mortgages have debt covenant requirements that are monitored by the Trust to ensure there are no defaults. These covenants include loan-to-value ratios, cash flow coverage ratios, interest coverage ratios and debt service coverage ratios. These covenants are measured at the subsidiary limited partnership 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 $2.24 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 ratios include the proportion of distributions paid in cash, DRIP participation ratio, and total distributions as a percent of distributable income and distributable income per unit.

During the year, the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

Note 32

FINANCIAL INSTRUMENTS

Risk management

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

Market risk is the risk 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. The Trust is exposed to the variability in market interest rates on maturing debt to be renewed. Variable rate debt at December 31, 2013 was 10.1% of the Trust's total debt (December 31, 2012 – 4.2%). Included in fixed rate debt is the term loan facility of $183,453, which has a variable rate of interest at bankers' acceptances plus 1.85% payable monthly. The Trust has entered into two interest rate swap agreements, one for three years at 3.03% for a notional value of $53,670 and one for five years at 3.52% for a notional value of $129,783, fixing the rate of interest at 3.38%. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and variable 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 financial assets and liabilities for the prospective 12-month period. A 1% change is considered a reasonable level of fluctuation on variable rate financial assets and liabilities.

					Interest rate risk
		-1%		1%	
	Amount	Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents[(1)]	$ 31,017	$ (310)	$ (310)	$ 310	$ 310
Financial liabilities					
Fixed rate debt due to mature in 2014 and total variable debt	$ 406,936	$ 407	$ 407	$ (407)	$ (407)

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

The Trust is not exposed to significant foreign exchange risks.

The Trust's assets consist of office properties. Credit risk arises from the possibility that tenants in investment 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 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 as they become due.

Derivatives and hedging activities

The Trust uses interest rate swaps to manage its cash flow risk associated with changes in interest rates on variable rate debt. As at December 31, 2013, the Trust had the following interest rate swaps outstanding (December 31, 2012 – $183,453):

Hedging item	Notional	Rate (%)	Maturity	Fair value	Hedged item
Interest rate swap	$ 53,670	3.03	August 15, 2014	$ 365	Interest payments on forecasted issuance of bankers' acceptances
Interest rate swap	$ 129,783	3.52	August 15, 2016	$ (29)	Interest payments on forecasted issuance of bankers' acceptances

The maximum term over which interest rate hedging gains and losses reflected in other comprehensive income will be recognized is five years as the hedged interest payments occur.

Note 33

FAIR VALUE MEASUREMENTS

Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year.

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

	Carrying value as at	Fair value as at December 31, 2013		
	December 31, 2013	**Level 1**	**Level 2**	**Level 3**
Recurring measurements				
Non-financial assets				
Investment properties	**$ 6,241,685**	**$ -**	**$ -**	**$ 6,241,685**
Financial liabilities (assets)				
Conversion feature on the convertible debentures	**$ (317)**	**$ -**	**$ (317)**	**$ -**
Interest rate swaps	**$ 336**	**$ -**	**$ 336**	**$ -**

	Carrying value as at	December 31, 2012		
	December 31, 2012	Level 1	Level 2	Level 3
Financial liabilities				
Conversion feature on the convertible debentures	$ 1,397	$ -	$ -	$ 1,397
Interest rate swaps	$ 375	$ -	$ 375	$ -

Financial instruments carried at amortized cost where the carrying value does not approximate fair value are noted below:

	Carrying value as at	Fair value as at December 31, 2013		
	December 31, 2013	Level 1	Level 2	Level 3
Fair values disclosed				
Mortgages	**$ 2,477,183**	**$ -**	**$ -**	**$ 2,507,543**
Term loan facility	**181,530**	**-**	**-**	**184,635**
Convertible debentures	**51,885**	**52,718**	**-**	**-**
Debentures	**333,647**	**335,311**	**-**	**-**
Investment in Dundee Industrial	**166,317**	**144,097**	**-**	**-**

	December 31, 2012	
	Carrying value	Fair value
Mortgages	$ 2,441,663	$ 2,520,972
Term loan facility	180,837	183,453
Convertible debentures	52,092	56,113
Debentures	36,029	35,975

Promissory notes receivable, amounts receivable, cash and cash equivalents, subsidiary redeemable units, tenant security deposits, the Deferred Unit Incentive Plan, amounts payable and accrued liabilities, and distributions payable are carried at amortized cost which approximates fair value due to their short-term nature.

Investment properties

The Trust's accounting policy as indicated in Note 3 is to fair value investment properties using the income approach which is derived from two methods: overall capitalization rate method and discounted cash flow method, which result in these measurements being classified as Level 3 in the fair value hierarchy. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates. In applying the overall capitalization rate method, the stabilized net operating income ("stabilized NOI") of each property is divided by any appropriate capitalization rate ("cap rate").

The key assumptions in the valuation of investment properties are as follows:

- Cap rate – based on actual location, size and quality of the properties and taking into account any available market data at the valuation date.
- Stabilized NOI – revenues less property operating expenses adjusted for items such as average lease-up costs, long-term vacancy rates, non-recoverable capital expenditures, management fees, straight-line rents and other non-recurring items.
- Discount rate – reflecting current market assessments of the uncertainty in the amount and timing of cash flows.
- Terminal rate – taking into account assumptions regarding vacancy rates and market rents.
- Cash flows – based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties.

In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", the Trust classified certain investment in joint ventures totalling $15,921 as assets held for sale. The fair value of the assets held for sale approximates the carrying value of the net assets.

Investment properties are valued on a highest and best use basis. For all of the Trust's investment properties, the current use is considered the highest and best use.

Investment properties valuation process

The Trust is responsible for determining the fair value measurements included in the consolidated financial statements. The Trust includes a valuations team that prepares a valuation of each investment property every quarter. The valuations team is headed by an experienced valuator. On a quarterly basis, the Trust engages independent professionally qualified valuators who hold a recognized relevant professional qualification and have recent experience in the locations and categories of the investment properties to complete valuations of selected properties. The Trust's objective is to have each property valued by an independent valuator at least once every three years. For properties subject to an independent valuation report, the valuations team verifies all major inputs to the valuation and reviews the results with the independent valuators. The valuations team reports directly to the Chief Financial Officer ("CFO") of the Trust. Discussion of valuation processes, key inputs and results are held between the CFO and the valuations team at least once every quarter, in line with the Trust's quarterly reporting rules. Changes in Level 3 fair values are analyzed at each reporting date during the quarterly valuation discussions between the CFO and the valuations team.

Convertible debentures and interest rate swaps

The convertible debentures have two components of value – a conventional bond and a call on the equity of the Trust through conversion. Based on its terms (see Note 15) the conversion feature is an embedded derivative and has been separated from the host contract and classified as a financial liability through profit and loss.

The fair value of the conversion feature, categorized in Level 2, is calculated based on the paper by K. Tsiveriotis and C. Fernandes, beginning January 1, 2013. In this model, a convertible bond consists of two components, an equity component and a debt component, and these components have different default risks. The equity component is discounted at the risk-free rate. The equity component has no default risk since the Trust can always issue its own units. The debt component is discounted at the risk-free rate plus a credit spread. Previously, in 2012, this was considered to be a Level 3 financial instrument.

The fair value of the conversion feature on the convertible debentures was determined using critical inputs, some of which are not directly observable based on market data. The critical inputs are the unit price and the units' distribution yield, the underlying unit volatility, the risk-free rate and the assumed credit spread.

A qualified independent consultant calculates the fair value measurement for the financial liability classified as Level 2. The valuation processes and results are determined and reviewed by senior management. The inputs and processes used in the valuation and the results thereof are reviewed by senior management and discussed with the qualified independent consultant to ensure conformity with IFRS.

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

- Volatility: Historical volatility as at December 31, 2013 was derived from the historical prices of the Trust with maturity equal to the term to maturity of the convertible debentures.
- Credit spread: The credit spread of the convertible debentures was imputed from the traded price of the convertible debentures as at December 31, 2013.

	Credit spread	Volatility
5.5% Series H Debentures	2.54%	14.2%

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

The following table shows the changes in fair value of the conversion option from a 5% increase or decrease in volatility and a 100 bps increase or decrease in credit spread, holding all other inputs constant.

	Impact of change to volatility		Impact of change to credit spread	
	+5%	-5%	+100 bps	-100 bps
Increase (decrease) in fair value as at December 31, 2013	$ 542	$ (229)	$ 481	$ (510)

The Trust also uses the following techniques in determining the fair value disclosed for the following financial liabilities classified as Level 1, 2 and 3:

Mortgages and term loan facility

The fair value of mortgages and term loan facility as at December 31, 2013 is determined by discounting the expected cash flows of each mortgage and term loan facility using spreads ranging from 1.85% to 2.00%. The spreads are determined using the Government of Canada benchmark bond yield for instruments of similar maturity adjusted for the Trust's specific credit risk. In determining the adjustment for credit risk, the Trust considers market conditions, the value of the properties that the mortgage is secured by and other indicators of the Trust's creditworthiness.

Convertible debentures

The fair value of convertible debentures as at December 31, 2013 is based on the convertible debentures' trading price on or about December 31, 2013.

Debentures

The fair value of debentures that are traded as at December 31, 2013 is based on the debentures' trading price on or about December 31, 2013. The fair values of debentures that are non-trading as at December 31, 2013 are based on the debentures' par value.

Demand revolving credit facilities

The fair value of the demand revolving credit facilities as at December 31, 2013 approximates their carrying value due to their short-term nature.

Note 34

SUBSEQUENT EVENTS

On January 21, 2014, the Trust completed the issuance of $150,000 aggregate principal amount of Series C senior unsecured debentures ("Series C Debentures"). The Series C Debentures bear interest at a rate of 4.074% with a maturity date of January 21, 2020. Interest on the Series C Debentures is payable semi-annually on January 21 and July 21, with the first payment commencing on July 21, 2014. Costs related to the issuance of the Series C Debentures approximated $1,400. The net proceeds of $148,600 from the Series C Debentures were mainly used to pay down $87,500 of the demand revolving credit facilities and five mortgages totalling $59,300.

Trustees

Detlef Bierbaum [1, 2, 4]
Köln, Germany
Corporate Director

Donald K. Charter [1]
Toronto, Ontario
Corporate Director

Michael J. Cooper [2]
Toronto, Ontario
Chief Executive Officer
Dundee REIT

Peter A. Crossgrove [1, 3, 4]
Toronto, Ontario
Corporate Director

Joanne Ferstman [5]
Toronto, Ontario
Corporate Director

Robert G. Goodall [1, 3]
Mississauga, Ontario
President
Canadian Mortgage Capital Corporation

David J. Goodman
Toronto, Ontario
Corporate Director

Duncan Jackman [1, 3, 4]
Toronto, Ontario
Chairman, President and CEO
E-L Financial Corporation Limited

Robert Tweedy [4]
Toronto, Ontario
Corporate Director

Officers

Joanne Ferstman
Chair

Michael J. Cooper
Chief Executive Officer

Mario Barrafato
Senior Vice President and
Chief Financial Officer

Ana Radic
Chief Operating Officer

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 Chair of the Board of Trustees

Corporate information

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Website: www.dundeereit.com

Taxation of distributions

Distributions paid to unitholders in respect of the tax year ended December 31, 2013 are taxed as follows:
Other income: 25.7%
Capital gains: 20.6%
Return of capital: 53.7%

Management estimates that 65% of the distributions to be made by the REIT in 2014 will be tax deferred.

Stock exchange listing

THE TORONTO STOCK EXCHANGE
Listing symbols:

REIT Units, Series A: D.UN
5.5% Series H Convertible Debentures: D.DB.H
5.95% Senior Unsecured Debentures, Series K: D.DB.K

Annual meeting of unitholders

Thursday, May 8, 2014 at 4:00 pm (EST)
St. Andrew's Club and Conference Centre
150 King Street West
Garden Hall
Toronto, Ontario, Canada

Distribution Reinvestment and Unit Purchase Plan

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide unitholders with a convenient way of investing in additional units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, you may invest in additional units in two ways:

Distribution reinvestment: Unitholders will have cash distributions from Dundee REIT reinvested in additional units as and when cash distributions are made. 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.

Cash purchase: Unitholders may invest in additional units by making cash purchases.

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 please visit
www.dundeereit.com