Dundee REIT

2011 ANNUAL REPORT

DUNDEE REIT OWNS AND OPERATES HIGH-QUALITY AFFORDABLE BUSINESS PREMISES. OUR PORTFOLIO COMPRISES CENTRAL BUSINESS DISTRICT AND SUBURBAN OFFICE PROPERTIES AS WELL AS INDUSTRIAL AND PRESTIGE INDUSTRIAL PROPERTIES IN KEY MARKETS ACROSS CANADA. OUR PORTFOLIO OFFERS A SOLID PLATFORM FROM WHICH INVESTORS CAN DERIVE A STABLE AND GROWING RETURN ON THEIR INVESTMENT.

1 Letter to unitholders

3 Highlights

6 Management's discussion and analysis

- 6 **SECTION I — OBJECTIVES AND FINANCIAL HIGHLIGHTS**
- 6 Basis of presentation
- 7 Our objectives
- 7 Our strategy
- 8 Our assets
- 10 Key performance indicators
- 11 Financial overview
- 12 Outlook
- 13 **SECTION II — EXECUTING THE STRATEGY**
- 13 Our operations
- 20 Our resources and financial condition
- 25 Our financing
- 30 Our equity
- 34 Our results of operations
- 48 Selected annual information
- 49 Quarterly information
- 52 **SECTION III — TRANSITION TO IFRS — KEY CHANGES**
- 53 **SECTION IV — DISCLOSURE CONTROLS AND PROCEDURES**
- 53 **SECTION V — RISKS AND OUR STRATEGY TO MANAGE**
- 57 **SECTION VI — CRITICAL ACCOUNTING POLICIES**
- 57 Critical accounting judgments, estimates and assumptions in applying accounting policies
- 58 Changes in accounting estimates and changes in accounting policies

61 Management's responsibility for financial statements

62 Independent auditor's report

63 Consolidated financial statements

67 Notes to the consolidated financial statements

112 Trustees and officers

IBC Corporate information

Letter to unitholders

Just about everyone remembers the real estate bust in 1992. Its severity dramatically changed people's impression of real estate and, for many years after, real estate was viewed quite negatively as an investment vehicle. This time around, the real estate cycle has been different in Canada. It seems that since the 1990s, industry stakeholders have been quite cautious, with the result that real estate has actually been a very good investment for the last 17 or so years.

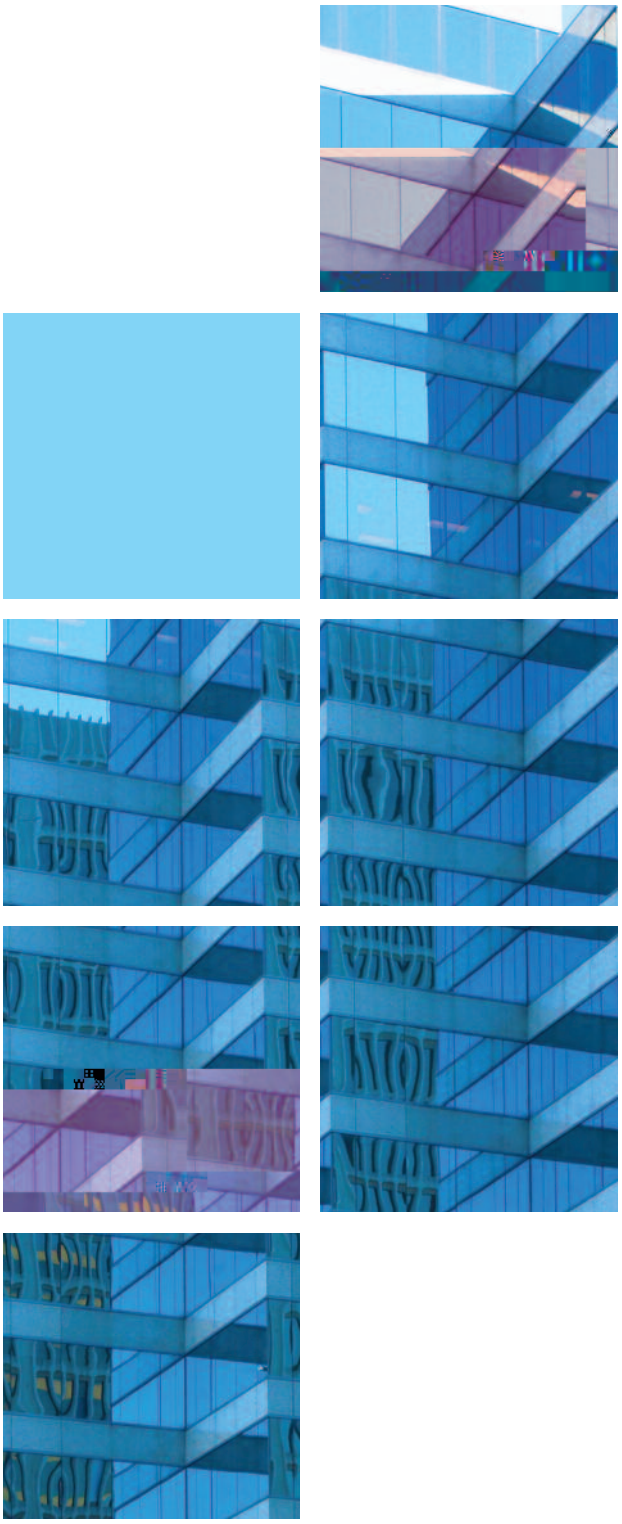
MICHAEL J. COOPER,
Vice Chairman and Chief Executive Officer

The financial crises in 2008 once again brought fear which, with or without reason, reduced the enthusiasm for real estate. We stepped back, as did most, and took note of what we saw happening. Notwithstanding tremendous fear throughout the world economy, by the summer of 2009 employment levels remained stable, our tenants were paying their rent and renewing their leases and, surprisingly, it seemed that people and businesses were going about their normal routines. In September 2009, Dundee REIT began to grow again. Over the last two and a half years, we have found great opportunities to buy good quality real estate at fair prices which, when combined with low cost debt, has resulted in very strong returns. During this time, we have added about $4.5 billion of assets to Dundee REIT's portfolio and transformed our business into the largest, most diversified office REIT in Canada. The acquisitions have increased our physical footprint and, even more importantly, they have served to diversify and strengthen the sources of our income. A portfolio that was once heavily weighted in Calgary is now balanced across Canada with a strong presence in key markets and a notable concentration of assets in central business districts.

As the fear in the market began to diminish in the last half of 2009, real estate prices began to increase. We believe that the industry has now recovered from the financial crises. Investing in good quality real estate continues to provide significantly higher returns than the cost of debt and, given the competing investments, the security of the income and the overall cash returns remain attractive. We are now in the phase of the cycle that will lead to increasing rents and occupancies, and the industry will likely see higher property income than expected. The current return plus growth in income from office properties continues to make our business a compelling investment.

At the time of writing this letter, Dundee REIT has a market cap of $3.1 billion and assets totalling over $6 billion. We continue to have a moderate level of debt and a high interest coverage ratio. The assets that we own are in demand and are performing very well. Overall, Dundee REIT has never been in better shape than it is today.

We maintain that Western Canada is an attractive investment opportunity and, while our view of Eastern Canada is more tempered, Toronto and Ottawa still hold appeal for further investing. The volume of transactions in Canada has been increasing and there is reasonable demand across the spectrum for buildings, indicating that all organizations will have a chance to re-align their portfolios should they want to.



In 2012, we expect to sell some non-core assets, including retail properties that were acquired as part of a portfolio, and to otherwise selectively prune the portfolio and redeploy the proceeds elsewhere.

Over the last couple of years, we have not just grown; we have made our portfolio better and our business stronger. Without completing any further transactions, we expect to generate higher growth in adjusted funds from operations than we ever have, as a result of having completed accretive acquisitions, comparative property growth, savings on interest and savings in general and administrative expenses — the benefit of spreading costs over a much larger platform. We have grown rapidly over the last few years, and the experience and strength of our team has been demonstrated by our ability to effectively manage our business during this time. The opportunities that lie ahead of us now to generate synergies and reduce our costs on a per unit basis are very exciting. We also anticipate that our growth will continue, incrementally, as we find assets that will make our company better on a per unit basis.

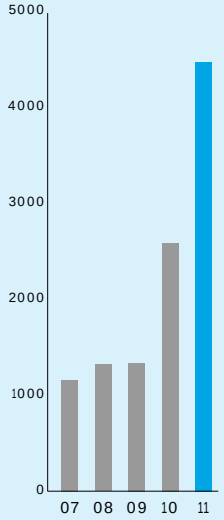
We are pleased to have had support from the industry, analysts and investors over the last few years. In 30 months, Dundee REIT's market cap has grown from under $500 million to $3.1 billion. The unit price has risen from $19 to $37 and Dundee REIT has become the fourth largest REIT in Canada. Our stock price performance is among the highest in the industry since the recession and we believe that property performance will continue to make our units a desirable investment. We are grateful to each and every one of our colleagues who work diligently and passionately in their respective ways to make us a better landlord, a more competitive investment vehicle and a more valuable business. The next phase of our business promises to be just as exciting as the last.

MICHAEL J. COOPER
Vice Chairman and Chief Executive Officer
March 15, 2012

Highlights

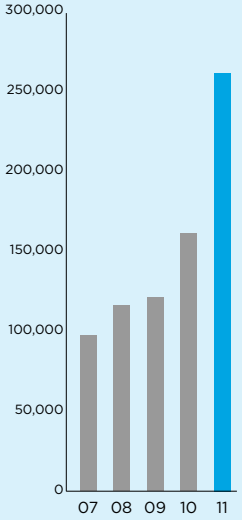
TOTAL ASSETS
(in millions of dollars)

2007[1]	$ 1,156
2008[1]	$ 1,316
2009[1]	$ 1,335
2010	$ 2,583
2011	**$4,466**



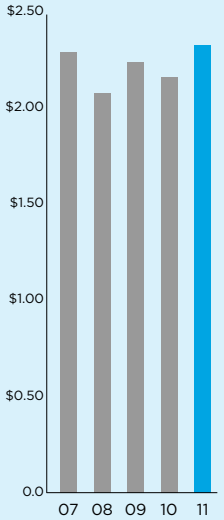
NET OPERATING INCOME
(in thousands of dollars)

2007	$ 97,171
2008	$ 115,829
2009	$ 120,954
2010	$ 160,965
2011	**$ 261,137**



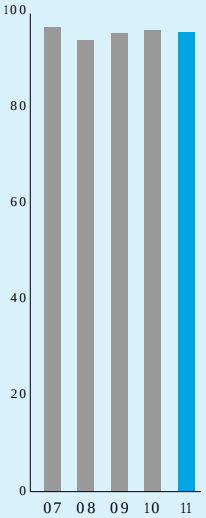
ADJU . D
U D
A
(per unit)

2007	$ 2.29
2008	$ 2.08
2009	$ 2.24
2010	$ 2.16
2011	**$ 2.33**



OCCUPANCY

2007	96.7%
2008	94.0%
2009	95.4%
2010	96.1%
2011	**95.6%**



[1] Results reported under previous GAAP.

PORTFOLIO AT-A-GLANCE

December 31, 2011

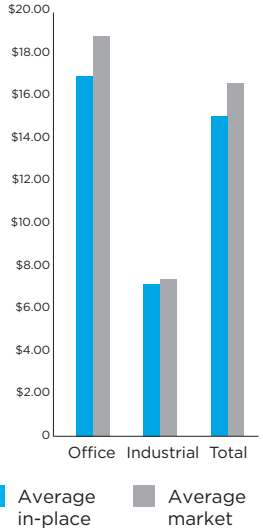
Average remaining lease term
(years)

4.6 office
7.7 industrial
5.2 total

Average tenant size
(square feet)

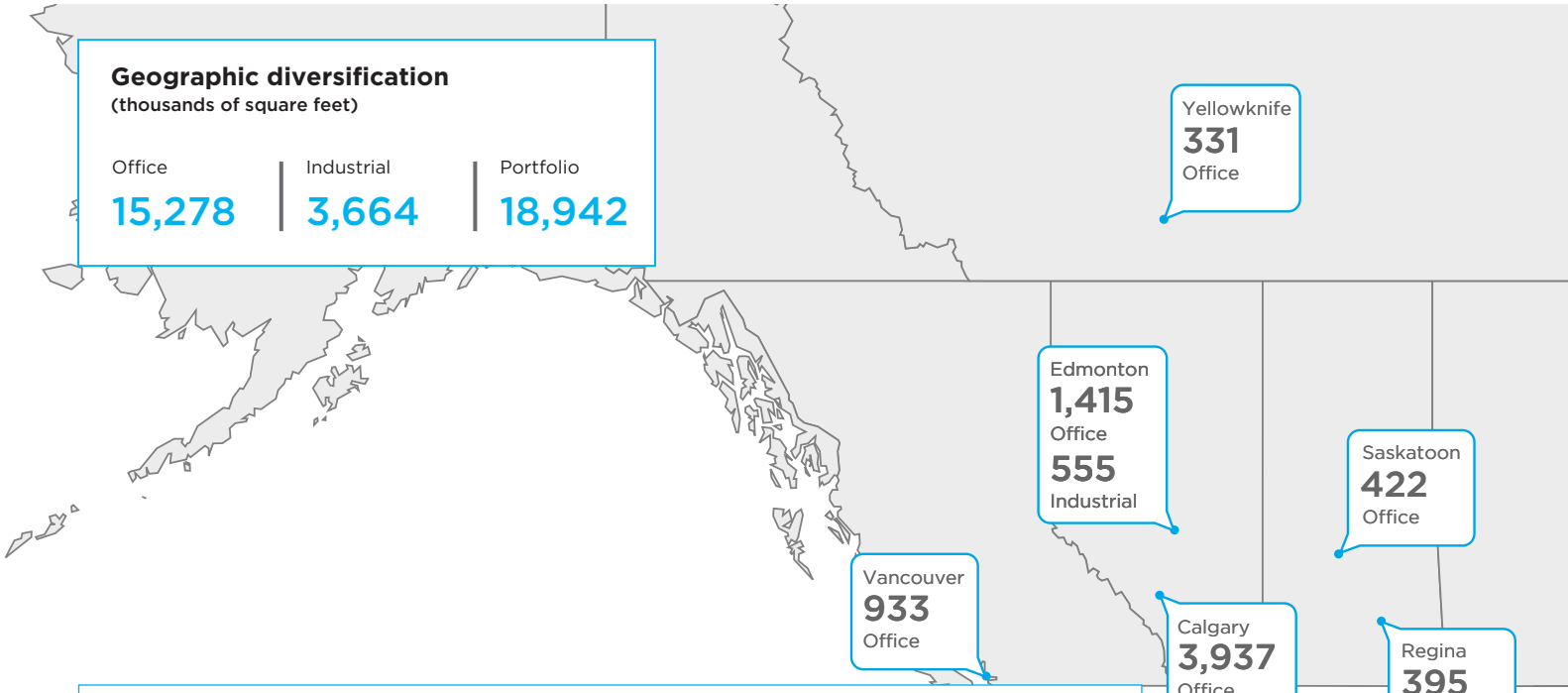
9,122 office
14,335 industrial
9,820 total

RENTAL RATES



Geographic diversification
(thousands of square feet)

Office	Industrial	Portfolio
15,278	3,664	18,942

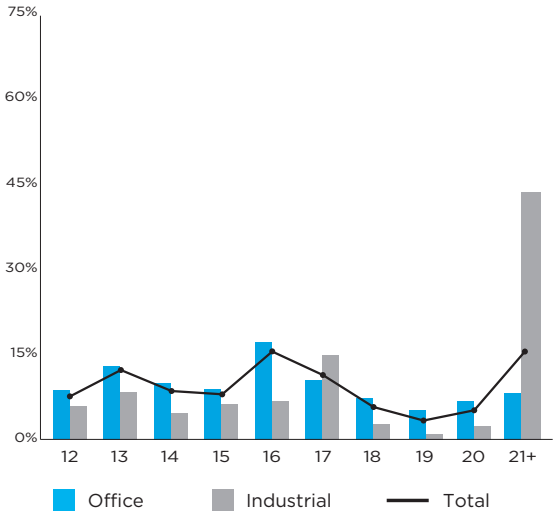


Diversified, high-quality tenants

Tenant	Owned area (square feet)	% of owned area	% of gross rental revenue	Average remaining lease term (years)
Government of Canada	1,209,973	6.4%	6.8%	3.6
Bell Canada	372,693	2.0%	2.8%	5.9
Government of Ontario	317,519	1.7%	2.2%	8.1
TELUS	275,653	1.4%	2.0%	4.3
Government of Alberta	356,286	1.9%	1.9%	2.8
Enbridge Pipelines	221,638	1.2%	1.9%	8.7
Aviva	335,900	1.8%	1.8%	4.6
Government of British Columbia	238,397	1.2%	1.5%	5.1
Loyalty Management	200,466	1.0%	1.5%	5.8
State Street Trust Company	135,548	0.7%	1.2%	9.9
Total	**3,664,073**	**19.3%**	**23.6%**	**5.3**

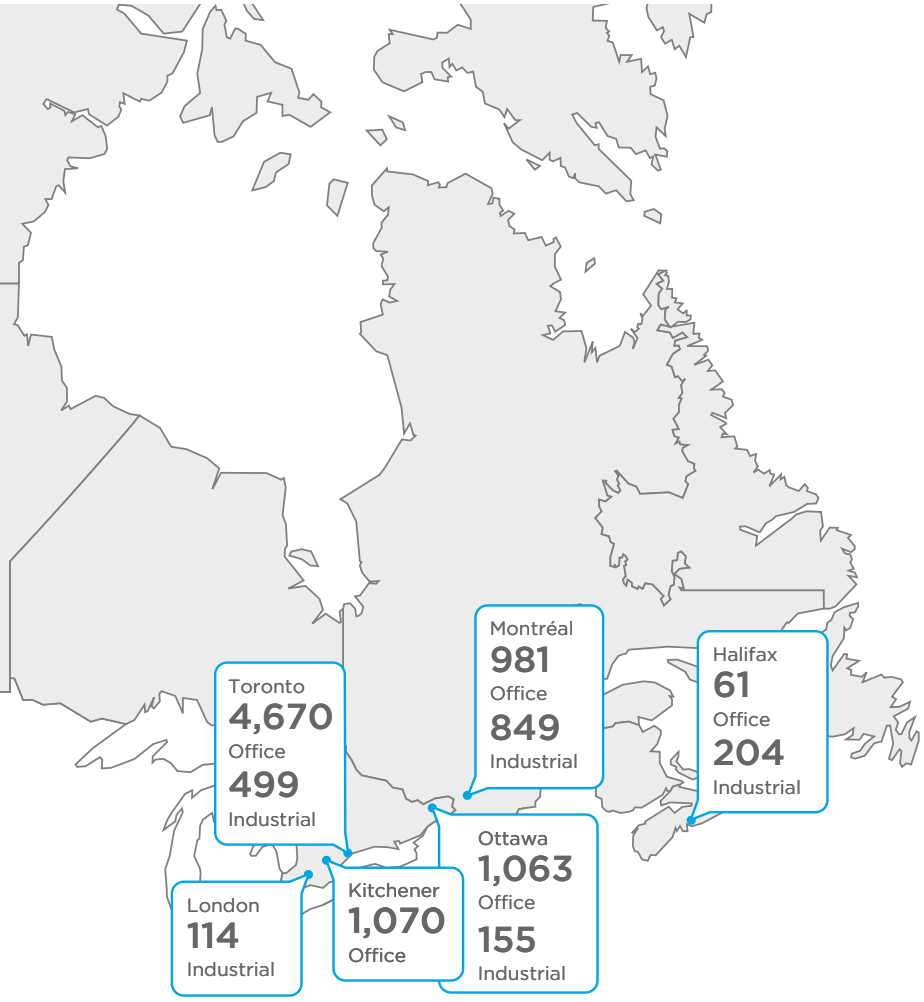
BALANCED LEASE EXPIRIES

TOTALS	
2012	8.1%
2013	12.2%
2014	8.9%
2015	8.4%
2016	15.1%
2017	11.4%
2018	6.4%
2019	4.3%
2020	5.9%
2021+	15.1%



Number of properties

118 office
54 industrial
172 total



Gross leaseable area
(thousands of square feet)

15,278 office
3,664 industrial
18,942 total

Occupied and committed

95.4% office
96.6% industrial
95.6% total

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, 2011.

Effective January 1, 2011, the Trust adopted International Financial Reporting Standards ("IFRS") as our basis of financial reporting, commencing with our interim consolidated financial statements for the three months ended March 31, 2011, and using January 1, 2010, as our transition date. Refer to the December 31, 2011, audited consolidated financial statements for details on the transition to IFRS and the impact on our reported results as at January 1, 2010, December 31, 2010 and for the year ended December 31, 2010. Comparative figures presented in this MD&A, in respect of December 31, 2010, have been restated to comply with IFRS. Refer to page 44 of this MD&A for details on the impact of the transition to IFRS on our reported funds from operations ("FFO") for the three and twelve months ended December 31, 2010. There was no impact on adjusted funds from operations ("AFFO"). Where indicated, our discussion is based on the Trust's equity accounted investments at the Trust's proportionate share of assets, liabilities, revenue and expenses for its equity accounted investments.

This management's discussion and analysis is dated as at January 31, 2012, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

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

Certain market information has been obtained from the CB Richard Ellis MarketView, Fourth Quarter 2011, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based 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 that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest.

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

All forward-looking information is as of January 31, 2012, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including 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 and industrial properties in Canada, based on an established platform;
- providing predictable and sustainable cash distributions to unitholders and prudently managing distributions over time; and
- maintaining a REIT that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit, or $2.20 per unit on an annual basis. At December 31, 2011, approximately 20.6% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), including 21.1% of the REIT A Units and 10.0% of the LP B Units. There is no equivalent program for the REIT B Units (see a description of Our Equity on page 30).

	2010												2011
	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	**Oct**	**Nov**	**Dec**
Distribution rate	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	$0.183	**$0.183**	**$0.183**	**$0.183**
Month-end closing price	$30.20	$30.28	$31.49	$33.10	$33.73	$33.05	$32.50	$32.42	$31.90	$31.77	**$33.00**	**$32.69**	**$32.67**

OUR STRATEGY

Dundee REIT's core strategy is investing in the office and industrial sectors in key markets across Canada and providing a solid platform for stable and growing cash flows. The majority of our portfolio currently 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 real estate investment trust under the SIFT legislation.

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

Investing in high-quality office and industrial properties

Dundee REIT has an established presence in key urban markets across the country. Our portfolio comprises high-quality properties that are well-located, attractively priced and produce consistent cash flow. When considering acquisition opportunities, we look for quality tenancies, strong occupancy, the appeal of the property to future tenants, how it complements our existing portfolio and how we can create additional value.

Optimizing the performance, value and cash flow of our portfolio

We manage our properties to optimize long-term cash flow and value. With fully internalized property management, we offer a strong team of highly experienced real estate professionals who are focused on achieving more from our assets. Occupancy rates across our portfolio have remained steady and strong for a number of years. We view this as 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 and a track record for outperforming the real estate index.

Diversifying our portfolio to mitigate risk

Over the past two years, we have carefully repositioned our portfolio through an impressive number of accretive 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. We will continue to pursue opportunities for growth but only when it enhances our overall portfolio, further improves the sustainability of distributions, strengthens our tenant profile and mitigates risk. We have experience in each of Canada's key markets and have the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Maintaining and strengthening our conservative financial profile

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

OUR ASSETS

Dundee REIT provides high-quality, affordable business premises. Our portfolio comprises central business district and suburban office properties as well as industrial and prestige industrial properties. Our assets are predominantly located in major urban centres across Canada including Vancouver, Calgary, Edmonton, Yellowknife, Saskatoon, Regina, Toronto, Kitchener-Waterloo, London, Ottawa, Montréal and Halifax.

	Owned gross leasable area (sq. ft.)					
	December 31, 2011				December 31, 2010	
	Office	**Industrial**	**Total**	**%**	Total	%
Western Canada	**3,496,461**	**554,753**	**4,051,214**	**21**	2,584,078	21
Calgary	**3,936,691**	**1,287,943**	**5,224,634**	**28**	4,180,974	34
Toronto	**5,740,201**	**499,605**	**6,239,806**	**33**	3,710,839	30
Eastern Canada	**2,104,062**	**1,321,878**	**3,425,940**	**18**	1,783,755	15
Total	**15,277,415**	**3,664,179**	**18,941,594**	**100**	12,259,646	100
Percentage	**81%**	**19%**	**100%**			
Total at December 31, 2010	9,015,265	3,244,381	12,259,646			
Percentage	74%	26%	100%			

At December 31, 2011, our total gross leasable area was 18.9 million square feet, including 6.6 million square feet acquired since December 31, 2010 and 0.1 million square feet reclassified from redevelopment properties to investment properties. Along with increasing the size of our operations, acquisitions have been consistent with our strategy to create a more geographically diversified portfolio and to improve the quality of our cash flow.

In the fourth quarter, we acquired a 94,646 million square foot office building in Richmond, British Columbia, that is 100% occupied for $24.9 million. In the third quarter, we acquired approximately 3.9 million square feet of office properties in Toronto, Ottawa, Edmonton, Calgary, Montréal, Halifax and Vancouver. The most significant acquisition was a portfolio of 24 office properties comprising 2.7 million square feet from affiliates of Blackstone Real Estate Advisors LP ("Blackstone") and Slate Properties Inc., hereinafter referred to as the "Blackstone Portfolio". The Blackstone Portfolio consists of properties located in Toronto, Ottawa, Edmonton and Calgary. The properties are well-leased downtown office properties, the bulk of which are situated in the heart of Toronto's vibrant financial district. In addition, we acquired 700 de la Gauchetière, a 28-storey, 1.0 million square foot Class A office building located in the heart of downtown Montréal, strengthening our position in this market. During the first and second quarters of 2011, we completed several acquisitions totalling approximately 2.6 million square feet, including the acquisition of Realex Properties Corp. ("Realex"), which added interests in 24 office and industrial properties in Ontario, Alberta and British Columbia.

Office rental properties

At December 31, 2011, our ownership interests included 118 office properties (134 buildings) comprising approximately 15.3 million square feet located in Vancouver, Calgary, Edmonton, Yellowknife, Saskatoon, Regina, Toronto, Kitchener-Waterloo, Ottawa, Montréal and Halifax. These office properties can generally be categorized as high-quality, affordable, central business district and suburban buildings. The occupancy rate across our office portfolio remains high at 95.4%, well ahead of the national industry average occupancy rate of 91.9% (CB Richard Ellis, Canadian Office MarketView, Fourth Quarter 2011). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial rental properties

At December 31, 2011, our industrial portfolio included 54 prime suburban industrial properties (57 buildings) comprising approximately 3.7 million square feet in Calgary, Edmonton, Toronto, London, Ottawa, Montréal and Halifax. The occupancy rate across our industrial portfolio is 96.6%, also well ahead of the national industry average of 93.4% (CB Richard Ellis, Canadian Industrial MarketView, Fourth Quarter 2011). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010	**2011**	2010
Operations				
Occupancy rate (period-end)[1]	**95.6%**	96.1%		
In-place rent per square foot (office and industrial)[1]	**$ 15.01**	$ 14.29		
Operating results				
Investment properties revenue, including equity accounted investments[2]	**$ 136,320**	$ 78,726	**$ 441,347**	$ 268,218
Net operating income[2][3][4]	**78,116**	46,020	**261,137**	160,965
Funds from operations[2][3][5]	**48,210**	28,147	**159,397**	94,059
Adjusted funds from operations[3][6]	**41,047**	25,245	**137,675**	83,572
Fair value increase to investment properties, including those held in equity accounted investments	**184,555**	138,003	**270,956**	170,495
Distributions				
Declared distributions	**$ 36,549**	$ 25,685	**$ 131,168**	$ 86,048
Distributions paid in cash	**29,456**	22,947	**107,860**	77,651
DRIP participation ratio	**19%**	10%	**18%**	10%
Financing				
Weighted average effective interest rate (period-end) on debt			**4.96%**	5.43%
Interest coverage ratio[2]			**2.6 times**	2.5 times
Per unit amounts[7]				
Basic:				
FFO[2][3]	**$ 0.73**	$ 0.61	**$ 2.69**	$ 2.43
AFFO[3]	**0.62**	0.55	**2.33**	2.16
Distribution rate	**0.55**	0.55	**2.20**	2.20
Diluted:				
FFO[2][3]	**0.73**	0.61	**2.69**	2.43

(1) Excludes redevelopment properties and disposed properties.

(2) Prior year comparatives have been restated for IFRS.

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

(4) NOI — Is defined as net rental income, excluding redevelopment and income from disposed properties. The reconciliation of NOI to net income can be found on page 37.

(5) FFO — The reconciliation of FFO to net income can be found on page 44.

(6) AFFO — The reconciliation of AFFO to FFO can be found on page 44.

(7) A description of the determination of basic and diluted amounts per unit can be found on page 45.

FINANCIAL OVERVIEW

Dundee REIT had another very busy and exciting year. We continued to execute on our strategic objectives to geographically diversify and grow our portfolio through accretive acquisitions, increase cash flows by capturing rental rate increases on higher market rents and maintain high occupancy levels. Throughout the year, we added approximately 6.7 million square feet to our portfolio, including the Realex and the Blackstone Portfolios, for approximately $1.6 billion. To help finance these acquisitions, we completed four equity offerings, totalling $629 million.

For the year ended December 31, 2011, FFO was $159.4 million, an increase of $65.3 million or 69.5% over 2010. On a per unit basis, FFO increased by 11% to $2.69, driven primarily by accretive acquisitions and the deployment of capital. FFO for the fourth quarter was $48.2 million, an increase of $20.1 million over the prior year comparative quarter. On a per unit basis, FFO was up by 20% to $0.73 compared to the prior year fourth quarter. Included in FFO for the quarter is $0.7 million of lease terminations and other income; excluding this, FFO would have been $0.72 per unit. Details of our FFO begin on page 44.

AFFO increased by 65% to $137.7 million for 2011. On a per unit basis, AFFO increased by 8% to $2.33, primarily as a result of accretive acquisitions and the deployment of capital. On a quarterly basis, AFFO was $41.0 million, a 63% increase over the prior year fourth quarter. On a per unit basis, AFFO was $0.62, up by 13% over the prior year comparative quarter. Details of our AFFO begin on page 44.

Our portfolio continues to produce revenue growth, up 65% to $441.3 million for the year and up 73% to $136.3 million for the quarter, primarily reflecting the contribution from acquisitions in 2010 and 2011. Details of our investment properties rental revenue and NOI are on pages 37 to 43.

For the year ended December 31, 2011, NOI from comparative properties declined by $1.5 million or 1%, primarily reflecting leases in the Calgary office portfolio rolling off of historically high rental rates to lower current market rents. Offsetting this, we had significant NOI growth in our Western Canada portfolio, which increased by $1.5 million or 5% year-over-year, reflecting growth in both occupancy and in.QcRZ.QoRZY.lYl’QdRY.YWeeclYl’QYZma

OUTLOOK

The acquisition strategy executed over the past two years has repositioned Dundee REIT's business very effectively. The acquisitions have increased our physical footprint and, even more importantly, they have served to diversify and strengthen the sources of our income, both geographically and by tenant base. A portfolio that was once heavily weighted in Calgary is now balanced across Canada with a strong presence in nine of Canada's top ten office real estate markets and with a notable concentration of assets located in central business districts.

On January 17, 2012, Dundee REIT announced that it would acquire all of the outstanding units of Whiterock REIT ("Whiterock"). The Whiterock Portfolio is an excellent strategic fit with Dundee REIT's existing portfolio and will solidify our position as the dominant office REIT in Canada. This transaction makes Dundee REIT a more valuable investment vehicle and provides Dundee REIT unitholders with the following benefits:

- Increased scale: Dundee REIT will become the fourth largest REIT by market capitalization and its position as the largest provider of office space in the Canadian REIT market will be further solidified. The increased scale will provide our business with greater stability in volatile markets and further improve our cost of capital.
- Improved portfolio diversification: The addition of Whiterock's properties will enhance the geographic diversification of our portfolio, strengthening our position in existing markets and establishing a presence in new markets. The new properties will enhance our balanced lease expiry profile and provide additional opportunities to capitalize on the gaps between in-place and market rents.
- Immediately realizable synergies: The integration of operating platforms will immediately generate cost savings from operational and leasing synergies as well as the internalization of property management for certain owned assets that are currently managed by third parties.
- Strengthened tenant base: Similar to our tenant profile, almost 30% of Whiterock's gross rent comes from government entities and other high-quality tenants. Overall, the combined tenant roster will be further diversified and strengthened comprising stable, high credit quality tenants with long-term leases.
- Potential for accretive refinancings: The term to maturity of Whiterock's debt is shorter than ours (4.4 years vs. 5.2 years) and, at 5.2%, their average interest rate is higher than ours, affording us the opportunity to capitalize on the current interest rate environment as this debt matures and reduce our cost of debt more quickly than with our current portfolio.
- Valuable in-place relationships: Dundee REIT will be able to leverage the relationship with a new joint venture partner, a respected and creative capital provider.

The following table provides a pro forma snapshot of the Whiterock Portfolio as at year-end:

Portfolio	Number of assets	GLA (sq. ft.)	Average lease term (years)	Occupancy	Average tenant size (per sq. ft.)	Average in-place rent (per sq. ft.)	Market rent (per sq. ft.)
Atlantic Canada	11	569,100	4.8	96.1%	11,543	$ 12.67	$ 13.86
Québec	11	1,522,600	12.9	98.6%	33,356	7.44	12.07
Ontario	10	631,000	4.3	97.2%	19,618	9.88	11.40
Greater Toronto Area ("GTA")	19	2,342,900	4.2	97.2%	7,818	15.51	15.28
Saskatchewan	14	795,300	3.0	98.7%	7,594	11.72	14.42
Alberta	16	579,600	5.0	92.9%	5,630	14.60	14.69
British Columbia	2	150,000	4.4	98.7%	6,148	15.37	17.78
United States	2	902,300	13.9	100.0%	451,169	6.40	13.28
Total	85	7,492,800	7.0	97.6%	10,465	$ 11.09	$ 13.13

Once the transaction is completed, the stability of our income will be enhanced, we will have the opportunity to reduce our cost and level of debt and we will achieve economies of scale from our operating platform — all of which contribute to making Dundee REIT a more attractive investment vehicle. The transaction is subject to approval of the Whiterock unitholders voting at a special meeting on February 27, 2012, and is scheduled to close on or about March 2, 2012.

SECTION II — EXECUTING THE STRATEGY

OUR OPERATIONS

The following key performance indicators influence the cash generated from operating activities.

Performance indicators (office and industrial average)[1]	**December 31, 2011**	December 31, 2010
Occupancy rate	**95.6%**	96.1%
In-place rental rates (per sq. ft.)	**$ 15.01**	$ 14.29
Tenant maturity profile — average term to maturity (years)	**5.22**	5.87

[1] Excludes redevelopment properties and disposed properties.

Occupancy

At December 31, 2011, the overall percentage of occupied and committed space across our investment properties portfolio remained strong at 95.6%, consistent with the third quarter of 2011. Portfolio occupancy has declined slightly from prior year reflecting the impact of properties acquired in 2011 with an average occupancy rate of 94.6% at the time of acquisition, below that of our comparative portfolio. The average occupancy rate across our office portfolio is 95.4%, well above the national industry average of 91.9%. In addition, the average occupancy rate across our industrial portfolio is 96.6%, also well above the national industry average of 93.4%. Occupancy rates discussed in this report with respect to our portfolio include occupied and committed space at December 31, 2011.

	Total portfolio		Comparative properties[2]	
(percentage)	**December 31, 2011**	September 30, 2011	**December 31, 2011**	September 30, 2011
Office				
Western Canada	**96.0**	97.0	**95.9**	97.0
Calgary	**94.8**	95.4	**94.8**	95.4
Toronto	**94.9**	95.0	**94.9**	95.0
Eastern Canada	**97.1**	96.5	**97.1**	96.5
Total office	**95.4**	95.7	**95.4**	95.7
Industrial				
Western Canada	**95.1**	95.1	**95.1**	95.1
Calgary	**96.0**	94.7	**96.0**	94.7
Toronto	**93.6**	93.6	**93.6**	93.6
Eastern Canada	**99.1**	98.8	**99.1**	98.8
Total industrial	**96.6**	96.1	**96.6**	96.1
Overall[1]	**95.6**	95.8	**95.6**	95.8

[1] Excludes redevelopment properties and discontinued properties.

[2] Comparative properties include all properties owned by the Trust at September 30, 2011.

Our office portfolio continues to reflect the appeal of our properties as well as our ability to lease space, evidenced by continued strong occupancy of 95.4% (September 30, 2011 — 95.7%). On a comparative basis, the industrial portfolio occupancy rate improved from 96.1% to 96.6% during the fourth quarter, reflecting 176,000 square feet of new and committed leasing, all in our Calgary industrial portfolio. Our Western Canada office portfolio decreased quarter-over-quarter, resulting from a vacancy in Edmonton. This decrease was partially offset by an increase in our Eastern Canada office portfolio.

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.

(percentage)	**Q4 2011**	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Office	**95.4**	95.7	96.1	95.8	95.8	96.6	96.6	97.0
Industrial	**96.6**	96.1	97.9	97.0	96.9	98.5	96.8	97.0
Overall	**95.6**	95.8	96.5	96.1	96.1	97.1	96.6	97.0

Vacancy schedule

Overall, we remain very active on the leasing front. During the quarter, new leasing and renewal activity included 498,193 square feet of office space and 112,631 square feet of industrial space. At quarter-end, vacancy in the office portfolio was reduced by 28,777 square feet, or 3%, and vacancy in the industrial portfolio increased by 52,833, or 33%, over September 30, 2011. Vacancy committed for future occupancy at year-end totalled 824,418 square feet, and has reduced both the office and industrial space available for lease across our portfolio by 23% or 242,694 square feet.

	For the three months ended December 31, 2011			For the year ended December 31, 2011		
(in square feet)	Office	Industrial	Total	Office	Industrial	Total
Available for lease	645,826	143,007	788,833	377,510	99,980	477,490
Vacancy committed for future leases	237,883	16,340	254,223	100,530	13,924	114,454
Vacant space at beginning of period	883,709	159,347	1,043,056	478,040	113,904	591,944
Acquired vacancy	—	—	—	334,969	56,795	391,764
Vacant space — restated	883,709	159,347	1,043,056	813,009	170,699	983,708
Remeasurements	14,331	360	14,691	13,608	603	14,211
Expiries	395,312	82,041	477,353	1,733,890	396,158	2,130,048
Early terminations and bankruptcies	59,773	83,063	142,836	156,701	98,488	255,189
New leases	(250,957)	(33,562)	(284,519)	(734,938)	(227,291)	(962,229)
Renewals	(247,236)	(79,069)	(326,305)	(1,127,338)	(226,477)	(1,353,815)
Vacant space — December 31, 2011	854,932	212,180	1,067,112	854,932	212,180	1,067,112
Vacancy committed for future occupancy	153,848	88,846	242,694	153,848	88,846	242,694
Available for lease — December 31, 2011	701,084	123,334	824,418	701,084	123,334	824,418

In-place rental rates

During the quarter, our in-place rents increased on both a total portfolio basis and a comparative property basis, reflecting the impact of contractual rent escalations and new and renewed leasing completed at higher contractual rents. Both office and industrial market rents continue to strengthen, improving on average by 3% over the prior quarter, and are approximately 10.3% above in-place rents. This represents an opportunity to continue contractual rent escalations as well as capture market rate increases on future leasing, leading to higher NOI.

	December 31, 2011			September 30, 2011		
Total portfolio	**Average in-place net rent**[1]	**Market rent**	**Market rent/ in-place rent (%)**	Average in-place rent	Market rent	Market rent/ in-place rent (%)
Office						
Western Canada	**$ 17.67**	**$ 21.50**	**21.7**	$ 17.85	$ 21.62	21.1
Calgary	**18.66**	**19.57**	**4.9**	18.75	17.74	(5.4)
Toronto	**15.87**	**17.32**	**9.1**	15.60	17.06	9.4
Eastern Canada	**15.29**	**16.79**	**9.8**	14.85	16.75	12.8
Total office	**$ 16.92**	**$ 18.79**	**11.1**	$ 16.82	$ 18.23	8.4
Industrial						
Western Canada	**$ 8.11**	**$ 8.99**	**10.9**	$ 8.09	$ 8.56	5.8
Calgary	**7.84**	**8.70**	**11.0**	8.16	8.34	2.2
Toronto	**6.39**	**5.68**	**(11.1)**	6.39	5.68	(11.1)
Eastern Canada	**6.37**	**6.07**	**(4.7)**	6.40	6.07	(5.2)
Total industrial	**$ 7.14**	**$ 7.37**	**3.2**	$ 7.26	$ 7.18	(1.1)
Overall	**$ 15.01**	**$ 16.56**	**10.3**	$ 14.96	$ 16.07	7.4

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

The following table demonstrates the change in average in-place rents and market rents for comparative properties owned at September 30, 2011. Overall, office market rents increased by 3% over the third quarter. In Calgary, estimated office market rents increased by an impressive 10%, building on the three prior quarters of consecutive growth and evidencing the improving outlook of this market. The in-place rents of our Calgary office portfolio continue to roll down from historic highs; however, we expect that this trend will continue to diminish as new leasing is completed. Overall, in-place rents are also showing incremental growth, reflecting leasing completed at higher rents and contractual rent steps.

	December 31, 2011		September 30, 2011	
Comparative properties	**In-place rent**	**Market rent**	In-place rent	Market rent
Office				
Western Canada	**$ 17.68**	**$ 21.61**	$ 17.85	$ 21.62
Calgary	**18.66**	**19.57**	18.75	17.74
Toronto	**15.87**	**17.32**	15.60	17.06
Eastern Canada	**15.29**	**16.79**	14.85	16.75
Total office	**$ 16.91**	**$ 18.79**	$ 16.82	$ 18.23
Industrial				
Western Canada	**$ 8.11**	**$ 8.99**	$ 8.09	$ 8.56
Calgary	**7.84**	**8.70**	8.16	8.34
Toronto	**6.39**	**5.68**	6.39	5.68
Eastern Canada	**6.37**	**6.07**	6.40	6.07
Total industrial	**$ 7.14**	**$ 7.37**	$ 7.26	$ 7.18
Overall	**$ 14.99**	**$ 16.55**	$ 14.96	$ 16.07

Leasing and tenant profile

The average remaining lease term and other portfolio information is detailed below. Properties acquired during the year had an average remaining lease term of 5.29 years on acquisition, which has slightly shortened our average remaining lease term to 5.22 years from 5.87 years at December 31, 2010. The shorter average lease term affords us an earlier opportunity to capitalize on the embedded value of below-market in-place rental rates as leases roll over.

	December 31, 2011[1]			December 31, 2010[1]		
Total portfolio	**Average remaining lease term (years)**	**Average tenant size (sq. ft.)**	**Average in-place net rent[2] (per sq. ft.)**	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent[2] (per sq. ft.)
Office						
Western Canada	**4.85**	**10,201**	**$ 17.67**	5.42	8,443	$ 18.91
Calgary	**3.81**	**7,956**	**18.66**	4.29	8,747	17.57
Toronto	**4.51**	**8,470**	**15.87**	5.28	13,408	15.76
Eastern Canada	**6.10**	**13,011**	**15.29**	3.45	7,580	13.74
Total office	**4.63**	**9,122**	**$ 16.92**	4.87	9,838	$ 16.95
Industrial						
Western Canada	**5.69**	**29,309**	**$ 8.11**	7.21	30,404	$ 8.09
Calgary	**4.21**	**6,753**	**7.84**	4.36	6,621	6.07
Toronto	**10.70**	**155,815**	**6.39**	12.58	206,222	6.79
Eastern Canada	**10.61**	**30,466**	**6.37**	12.15	64,111	6.14
Total industrial	**7.66**	**14,335**	**$ 7.14**	8.62	14,424	$ 6.99
Portfolio average	**5.22**	**9,820**	**$ 15.01**	5.87	10,750	$ 14.29

(1) Excludes redevelopment properties.

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

The following two tables detail our lease maturity profile by asset type and geographic segment at December 31, 2011. The tables distinguish between lease maturities that have yet to be renewed or re-leased and maturities for which we have a leasing commitment. The uncommitted line should be referenced when considering future leasing risks or opportunities, and the committed line should be referenced when considering the impact of leasing activity.

In 2012, 2,132,070 square feet of our leases will expire, of which 602,032 square feet, or 28%, has already been committed for future occupancy.

(in sq. ft.)	Current vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031	Total
Office — uncommitted	701,084	5,561	1,314,611	1,993,048	1,521,199	1,356,244	7,432,538	14,324,285
Office — committed	—	—	504,786	182,344	2,287	7,084	256,629	953,130
Total office	701,084	5,561	1,819,397	2,175,392	1,523,486	1,363,328	7,689,167	15,277,415
Industrial — uncommitted	123,334	—	215,427	309,614	172,643	230,174	2,497,802	3,548,994
Industrial — committed	—	—	97,246	17,939	—	—	—	115,185
Total industrial	123,334	—	312,673	327,553	172,643	230,174	2,497,802	3,664,179
Total — uncommitted	824,418	5,561	1,530,038	2,302,662	1,693,842	1,586,418	9,930,340	17,873,279
Total — committed	—	—	602,032	200,283	2,287	7,084	256,629	1,068,315
Total	824,418	5,561	2,132,070	2,502,945	1,696,129	1,593,502	10,186,969	18,941,594

(in sq. ft.)	Current vacancy	Current monthly tenancies	2012	2013	2014	2015	2016 to 2031	Total
Western Canada — uncommitted	167,620	3,648	470,687	412,615	284,486	303,957	2,188,824	3,831,837
Western Canada — committed	—	—	117,839	93,926	—	6,284	1,329	219,378
Total Western Canada	167,620	3,648	588,526	506,541	284,486	310,241	2,190,153	4,051,215
Calgary — uncommitted	257,631	1,505	483,337	890,224	673,024	476,814	2,186,074	4,968,609
Calgary — committed	—	—	229,258	9,491	—	800	16,475	256,024
Total Calgary	257,631	1,505	712,595	899,715	673,024	477,614	2,202,549	5,224,633
Toronto — uncommitted	325,991	408	339,902	898,996	550,586	559,852	3,157,564	5,833,299
Toronto — committed	—	—	209,644	78,927	2,287	—	115,649	406,507
Total Toronto	325,991	408	549,546	977,923	552,873	559,852	3,273,213	6,239,806
Eastern Canada — uncommitted	73,176	—	236,112	100,827	185,746	245,795	2,397,878	3,239,534
Eastern Canada — committed	—	—	45,291	17,939	—	—	123,176	186,406
Total Eastern Canada	73,176	—	281,403	118,766	185,746	245,795	2,521,054	3,425,940
Total — uncommitted	824,418	5,561	1,530,038	2,302,662	1,693,842	1,586,418	9,930,340	17,873,279
Total — committed	—	—	602,032	200,283	2,287	7,084	256,629	1,068,315
Total	824,418	5,561	2,132,070	2,502,945	1,696,129	1,593,502	10,186,969	18,941,594

The following tables detail expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties at December 31, 2011. Expiring rents and market rents represent base rates and do not include the impact of lease incentives. Currently, our 2012 expiring rents are approximately 5% below market rents.

	Current monthly tenancies	2012	2013	2014	2015	2016 to 2023
Expiring rents						
Office	$ 4.63	$ 17.69	$ 18.58	$ 17.30	$ 15.64	$ 18.81
Industrial	—	6.95	8.35	8.93	8.73	8.07
Portfolio average	4.63	16.17	17.20	16.45	14.63	16.26
Market rents[1]						
Office	$ 17.79	$ 18.62	$ 18.16	$ 18.16	$ 17.29	$ 19.32
Industrial	—	7.44	8.88	8.07	8.75	7.02
Market rent average	17.79	17.04	16.91	17.13	16.05	16.40

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

	Current monthly tenancies	2012	2013	2014	2015	2016 to 2023
Expiring rents						
Office						
Western Canada	$ —	$ 18.06	$ 19.24	$ 17.70	$ 17.33	$ 20.32
Calgary	13.06	19.42	22.25	18.02	13.63	20.21
Toronto	15.00	18.19	15.75	16.75	14.76	17.72
Eastern Canada	—	13.18	15.04	16.08	19.14	17.12
Industrial						
Western Canada	—	4.12	5.07	6.87	9.15	11.65
Calgary	—	8.63	10.81	9.85	9.20	8.00
Toronto	—	—	—	—	—	8.22
Eastern Canada	—	7.27	5.38	5.98	6.09	7.25
Portfolio average	$ 4.03	$ 16.07	$ 17.20	$ 16.45	$ 14.73	$ 16.23
Market rents[1]						
Office:						
Western Canada	$ 18.00	$ 22.51	$ 20.89	$ 22.76	$ 19.78	$ 21.45
Calgary	18.57	17.59	20.19	17.91	17.H	

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

At December 31, 2011, the fair value of our investment property portfolio (including those held in equity accounted investments) increased to $4.4 billion from $4.2 billion at September 30, 2011, representing a weighted average capitalization rate ("cap rate") of 6.68%. During the fourth quarter, we acquired an office property for $24.9 million, including transaction costs, added $4.0 million to our development property and increased investment properties by approximately $13 million through building improvements, initial direct leasing costs and lease incentives. Our portfolio subsequently increased by $185 million due to the revaluation of cap rates to 6.68% at year-end from 6.97% at September 30, 2011.

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 was 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 5.50% to 9.25%. 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 equity accounted investments, is set out below.

			Total portfolio
	December 31, 2011	September 30, 2011	December 31, 2010
Office			
Western Canada	**$ 981,811**	$ 936,022	$ 623,166
Calgary	**1,098,595**	1,022,897	662,886
Toronto	**1,467,120**	1,386,253	836,522
Eastern Canada	**494,142**	491,991	113,284
Total office	**$ 4,041,668**	$ 3,837,163	$ 2,235,858
Industrial			
Western Canada	**$ 63,873**	$ 60,810	$ 31,617
Calgary	**148,897**	144,810	136,055
Toronto	**45,029**	40,052	39,635
Eastern Canada	**101,405**	97,029	83,073
Total industrial	**$ 359,204**	$ 342,701	$ 290,380
	$ 4,400,872	$ 4,179,864	$ 2,526,238
Add: Development properties	**25,511**	21,903	12,503
Total portfolio	**$ 4,426,383**	$ 4,201,767	$ 2,538,741
Less: Equity accounted investments	**264,504**	242,347	208,736
Less: Assets held for sale	**7,700**	6,300	—
Consolidated balance sheet	**$ 4,154,179**	$ 3,953,120	$ 2,330,005

		Comparative properties[1]	
	December 31, 2011	September 30, 2011	Change
Office			
Western Canada	**$ 958,013**	$ 936,022	$ 21,991
Calgary	**1,098,595**	1,022,897	75,698
Toronto	**1,467,120**	1,386,253	80,867
Eastern Canada	**494,142**	491,991	2,151
Total office	**$ 4,017,870**	$ 3,837,163	$ 180,707
Industrial			
Western Canada	**$ 63,873**	$ 60,810	$ 3,063
Calgary	**148,897**	144,810	4,087
Toronto	**45,029**	40,052	4,977
Eastern Canada	**101,405**	97,029	4,376
Total industrial	**$ 359,204**	$ 342,701	$ 16,503
	$ 4,377,074	$ 4,179,864	$ 197,210
Add: Development properties	**25,511**	21,903	3,608
Total portfolio	**$ 4,402,585**	$ 4,201,767	$ 200,818
Less: Equity accounted investments	**264,505**	242,347	22,158
Less: Assets held for sale	**7,700**	6,300	1,400
Total comparative properties	**$ 4,130,380**	$ 3,953,120	$ 177,260

[1] Comparative properties are properties owned by the Trust on September 30, 2011.

Our total portfolio increased in value by $200.8 million to $4.4 billion during the quarter, representing a cap rate of 6.68%. The increase in value is primarily attributed to cap rate compression in downtown Calgary and Toronto. In our office segment, the weighted average cap rate compressed by 29 basis points (bps) over the prior quarter.

On a comparative property basis, the fair value of our Calgary office portfolio increased by $75.7 million, primarily reflecting weighted average cap rate compression of 50 bps. The Toronto office portfolio fair value increased $80.9 million reflecting weighted average cap rate compression of approximately 27 bps. The fair value of the Western Canada office portfolio increased by $22.0 million. Our Eastern Canada office portfolio remained relatively flat quarter-over-quarter. Our comparative industrial portfolio increased by $16.5 million in the quarter.

The key valuation metrics for investment properties, including properties accounted for under the equity method, are set out in the table below:

	Capitalization rates					
	Total portfolio		Comparative properties			
	December 31, 2011		**December 31, 2011**		September 30, 2011	
	Range (%)	**Weighted average (%)**	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)
Office						
Western Canada	**5.75–9.25**	**6.69**	**5.75–9.25**	**6.68**	5.65–9.50	6.83
Calgary	**5.50–8.50**	**7.01**	**5.50–8.50**	**7.01**	6.05–8.54	7.51
Toronto	**5.50–9.00**	**6.36**	**5.50–9.00**	**6.36**	5.84–9.12	6.63
Eastern Canada	**6.20–8.00**	**6.56**	**6.20–8.00**	**6.56**	6.29–9.47	6.73
Total office	**5.50–9.25**	**6.64**	**5.50–9.25**	**6.64**	5.65–9.50	6.93
Industrial						
Western Canada	**6.75–7.50**	**7.00**	**6.75–7.50**	**7.00**	6.25–8.24	7.16
Calgary	**6.50–7.50**	**7.05**	**6.50–7.50**	**7.05**	5.77–9.07	7.32
Toronto	**6.75–7.00**	**6.80**	**6.75–7.00**	**6.80**	7.74–7.80	7.79
Eastern Canada	**6.75–9.25**	**7.45**	**6.75–9.25**	**7.45**	6.99–9.79	7.91
Total industrial	**6.50–9.25**	**7.12**	**6.50–9.25**	**7.12**	5.77–9.79	7.50
Total portfolio	**5.50–9.25**	**6.68**	**5.50–9.25**	**6.68**	5.65–9.79	6.97

Investing activities

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

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010	**2011**	2010
Investing activities[1]				
Acquisition of investment properties	**$ 24,867**	$ 282,682	**$1,206,449**	$ 922,171
Acquisition of Realex	**—**	—	**363,697**	—
Building improvements	**5,195**	2,094	**8,284**	8,397
Development projects	**3,661**	3,876	**13,212**	6,706

[1] Includes equity accounted investments.

Acquisitions

During 2011, we completed the following acquisitions:

For the year ended December 31, 2011	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price[1]	Date acquired
Saskatoon Square, Saskatoon	office	100	209,593	100	$ 51,349	January 4, 2011
400 Cumberland Road, Ottawa	office	100	174,921	100	39,179	January 17, 2011
Realex Portfolio	office/industrial	100	1,837,277	96	363,697[2]	February 8, 2011
55 King Street West, Kitchener	office	100	124,100	73	13,506	March 31, 2011
586 Argus Road, Oakville	office	100	74,570	95	16,986	May 2, 2011
Morgex Building (11120-178th Street), Edmonton	office	100	39,750	100	13,354	May 19, 2011
Multivesco Portfolio, Gatineau	office/industrial	100	148,198	100	15,999	June 9, 2011
700 de la Gauchetière, Montréal	office	100	987,706	94	287,766	July 11, 2011
13888 Wireless Way, Richmond	office	100	116,530	100	32,447	July 12, 2011
81 Wright and 170 Joseph Zatzman, Halifax	industrial	100	109,737	98	7,631	July 27, 2011
Blackstone Portfolio, Ontario, Alberta	office	100	2,661,914	94	703,365	August 15, 2011
Richmond Place (8100 Granville Avenue), Richmond	office	100	94,646	100	24,867	November 22, 2011
Total			6,578,942	95	$ 1,570,146	

(1) Includes transaction costs.

(2) Includes $20.8 million of equity accounted investments.

Significant transactions completed during the year included the Blackstone and Realex Portfolios as well as a 1.0 million square foot Class A office property in Montréal.

The Blackstone Portfolio acquisition (accounted for as an asset acquisition) was completed on August 15, 2011, and included 24 office properties totalling 2.7 million square feet from Blackstone for $703.4 million, including transaction costs. The Blackstone Portfolio offers embedded NOI growth potential with occupancy upside and in-place rents that are below estimated market rents. On July 11, 2011, we acquired 700 de la Gauchetière, a 1.0 million square foot Class A office property in downtown Montréal for $287.8 million, including transaction costs.

The acquisition of the Realex Portfolio (accounted for as a business combination) was completed on February 8, 2011. Dundee REIT acquired all of the 18,712,663 outstanding shares of Realex for $8.25 per share, for a total cash consideration of $154.4 million, as well as $203.9 million in assumed mortgages and $5.4 million in assumed working capital, representing a total purchase price of $363.7 million. Including equity accounted investments, the acquisition of Realex consisted of $373.4 million of investment properties; $6.1 million of cash, amounts receivable and other assets, along with $203.9 million of assumed mortgages, at fair value; and $9.4 million of accounts payable and other liabilities. Acquisition related costs of $5.7 million comprised (i) $8.7 million in transaction costs; (ii) $8.8 million of acquisition related costs that were triggered by contractual change of control provisions in place; and (iii) net of an $11.8 million acquisition gain.

In 2011, we have assumed $345.1 million (including fair value adjustments) in mortgages in connection with acquisitions.

The following acquisitions were completed in 2010:

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

[1] Includes transaction costs.

[2] Excludes redevelopment component of the property.

For the year ended December 31, 2010, we assumed mortgages with fair values of $158.9 million.

Acquisitions under contract subsequent to year-end

Effective January 19, 2012, the Trust completed the acquisition of a 310,600 square foot office building in Toronto, Ontario. The purchase price, excluding transaction costs, was approximately $107.8 million.

Effective January 30, 2012, the Trust completed the acquisition of a 50,100 square foot office building in Toronto, Ontario. The purchase price, excluding transaction costs, was approximately $13.5 million.

Effective February 2, 2012, the Trust completed the disposition of a 36,400 square foot office building in Calgary, Alberta. The sale price, excluding transaction costs, was approximately $7.7 million.

Building improvements

During the quarter, we incurred $5.2 million of expenditures related to building improvements, bringing the year-to-date total to $8.3 million, substantially all of which will be recovered from tenants.

Building improvements represent investments made in our properties to ensure optimal performance. Recurring recoverable expenditures of $4.8 million included elevator modernization, roofing upgrades, HVAC and chiller work. During the quarter, approximately $0.7 million was spent on sustainability and environmental initiatives. Non-recurring building improvements include major capital expenditures that generally would not be expected to recur over the useful life of the building. Approximately $2.4 million of the recurring recoverable amount relates to acquired properties and was identified at the time of acquisition.

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

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010	**2011**	2010
Building improvements[1]				
Recurring recoverable	**$ 4,798**	$ 1,892	**$ 7,848**	$ 7,653
Recurring non-recoverable	**5**	—	**12**	175
Non-recurring	**392**	202	**424**	569
Total	**$ 5,195**	$ 2,094	**$ 8,284**	$ 8,397

[1] Includes equity accounted investments.

Development

We are constructing an office building in Yellowknife (the Gallery Building) that is fully leased to the Government of Canada for a ten-year term. Construction costs are estimated to be $20.0 million (excluding financing costs) and will be funded by cash on hand and our credit facility. During the fourth quarter, $3.6 million of expenditures were incurred relating to the Gallery Building. Year-to-date, total expenditures are $13.0 million. The project is near completion, with $19.4 million in total costs incurred.

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, 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 refinancings 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 equity accounted investments at the Trust's proportionate ownership.

	December 31, 2011	December 31, 2010
Debt	**$ 2,254,756**	$ 1,296,851
Less: Debt related to equity accounted investments and liabilities related to assets held for sale	**130,239**	94,843
Consolidated balance sheets	**$ 2,124,517**	$ 1,202,008

Financing activities

Acquisitions are financed using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures. Our debt strategy includes managing our maturity schedule to help mitigate interest rate risk and limit exposure in any given year, as well as fixing the rates and extending loan terms as long as possible when interest rates are favourable. In the fourth quarter of 2011, we secured $6.0 million of new mortgage financing with a weighted average face rate of 3.57% and an average term to maturity of 5.1 years. During the fourth quarter, scheduled mortgage repayments totalled $12.8 million and we also made a $13.7 million lump sum repayment.

For the year ended December 31, 2011, we secured $761.9 million of new financings, primarily comprising mortgages at a weighted average face rate of 4.21% with an average term to maturity of 7.7 years. In addition, we entered into a $188.0 million variable rate term loan facility with respect to which we entered into two interest rate swap agreements to fix the interest payments at 3.52% for a notional value of $133.0 million over five years and 3.03% for a notional value of $55.0 million over three years. For this reason we consider the $188.0 million term loan facility to have a fixed rate of interest. In connection with the acquisition of Realex and other property acquisitions, we also assumed $335.8 million in mortgages, with an average term to maturity of 5.3 years and a weighted average face rate of 5.55%. During the year, scheduled mortgage repayments were $43.0 million and mortgage lump sum repayments were $100.2 million.

Debt

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

	December 31, 2011	December 31, 2010
Financing activities		
Average effective interest rate[1]	**4.96%**	5.43%
Level of debt (debt-to-gross book value)[2][5]	**49.0%**	46.9%
Interest coverage ratio[3][5]	**2.6 times**	2.5 times
Debt-to-EBITDFV (years)[4][5]	**7.63**	6.98
Proportion of total debt due in current year	**7.52%**	8.40%
Debt — average term to maturity (years)	**5.2**	4.8
Variable rate debt as percentage of total debt	**1.26%**	2.2%

[1] Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt, including debts related to equity accounted investments.

[2] Level of debt is determined as total debt including debts related to equity accounted investments divided by total assets (including total assets of equity accounted investments and adjusted for accumulated amortization on property and equipment).

[3] The interest coverage ratio for the year, including results from equity accounted investments, is calculated as NOI plus interest and fee income, less general and administrative expenses, excluding income from disposed properties, all divided by interest expense on debt.

[4] Debt-to-EBITDFV is calculated as total debt divided by annualized EBITDFV for the current quarter. EBITDFV is calculated as net income less non-cash items included in revenue plus interest expense, depreciation, fair value adjustments and acquisition related costs.

[5] Performance indicators have been restated for IFRS.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Dundee Properties Limited Partnership ("DPLP"), a subsidiary of the Trust, is required to maintain an interest coverage ratio of no less than 1.4 times. Our current interest coverage ratio is 2.6 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 pay off existing debt. Our current debt-to-EBITDFV ratio is 7.59 years. Our weighted average face rate of interest at December 31, 2011, was 4.98%, down from 5.41% at the start of the year, mainly reflecting the impact of new and assumed mortgage financing completed at a weighted average face rate of 4.61%. After accounting for market adjustments and financing costs, the weighted average effective interest rate is 4.96%.

Variable rate debt as a percentage of total debt decreased to 1.3% from 2.2% as a result of loan repayments and, more significantly, new and assumed financings entered into at a fixed rate during the year.

	December 31, 2011			December 31, 2010		
	Fixed	**Variable**	**Total**	Fixed	Variable	Total
Mortgages	**$1,909,828**	**$ 25,982**	**$ 1,935,810**	$ 1,136,906	$ 28,737	$ 1,165,643
Term debt	**504**	**—**	**504**	341	—	341
Demand revolving credit facility	**—**	**2,435**	**2,435**	—	—	—
Term loan facility	**184,654**	**—**	**184,654**	—	—	—
6.5% Debentures	**2,802**	**—**	**2,802**	3,192	—	3,192
5.7% Debentures	**7,497**	**—**	**7,497**	7,752	—	7,752
6.0% Debentures	**121,054**	**—**	**121,054**	119,923	—	119,923
Total	**$2,226,339**	**$ 28,417**	**$2,254,756**	$ 1,268,114	$ 28,737	$ 1,296,851
Percentage	**98.7%**	**1.3%**	**100%**	97.8%	2.2%	100.0%

Mortgages payable include $10.5 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2010 — $3.6 million). Amounts recorded at December 31, 2011, for the 6.5%, 5.7% and 6.0% Debentures are net of $1.1 million of premiums allocated to their conversion features on issuance (December 31, 2010 — $1.4 million). The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activity

New and assumed mortgage and term loan financing is highlighted in the table below.

	For the three months ended December 31, 2011				For the year ended December 31, 2011			
		Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)[1]		Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)[1]
New mortgages and term loan facility placed	$ 6,000	5.08	3.57	3.67	$ 761,888	7.67	4.21	4.39
New mortgages assumed on investment property acquisitions	—	—	—	—	335,803	5.33	5.55	4.61
Overall	$ 6,000	5.08	3.57	3.67	$1,097,691	6.97	4.61	4.46

[1] After accounting for the impact of financing costs and fair value adjustments on mortgages assumed.

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40.0 million, generally bearing interest at the bank prime rate (3% as at December 31, 2011) plus 1.5%, or bankers' acceptance rates, plus 3.0%. At December 31, 2011, the formula-based amount available is $36.1 million. This facility is secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. Currently, $2.4 million is being utilized in the form of overdraft and $1.5 million is being utilized in the form of letters of guarantee. Funds available under this facility are $32.1 million.

In connection with the acquisition of Realex, we assumed a revolving credit facility authorized to a formula-based maximum of $22.0 million. In the third quarter of 2011 we negotiated an increase in the authorized amount of this facility to $35.0 million. At December 31, 2011, $nil amounts are drawn from the facility. The facility is secured by a second-ranking mortgage on three properties and bears interest based on the bank's prime rate (3% as at December 31, 2011) plus 0.85%.

We also have a $188.0 million term loan facility outstanding, drawn to finance the acquisition of the Blackstone Portfolio in the third quarter of 2011. This facility expires on August 15, 2016, and bears interest monthly at bankers' acceptances plus 1.85%. In order to manage the interest rate fluctuations, we have entered into two interest rate swap agreements (the "swaps") to effectively make the interest rate fixed. The Trust has applied hedge accounting to the swaps.

At December 31, 2011, we had $123.4 million in cash and $67.1 million available from our revolving credit facilities. In addition, we have 18 unencumbered properties that may be leveraged to provide additional financing. Subsequent to year-end, 13 unencumbered properties have been pledged to a secured line of credit to fund the acquisition of Whiterock and the cash has been deployed to fund acquisitions.

Changes in debt levels are as follows:

	For the three months ended December 31, 2011					
	Mortgages	Revolving credit facilities	Term loan facility	Term debt	Convertible debentures	Total
Debt as at September 30, 2011	$ 1,956,914	$ —	$ 184,696	$ 554	$ 131,212	$ 2,273,376
New debt placed	6,000	2,435	—	—	—	8,435
Scheduled repayments	(12,822)	—	—	(50)	—	(12,872)
Lump sum repayments	(13,677)	—	—	—	—	(13,677)
Conversion to unitholders' equity	—	—	—	—	(183)	(183)
Other adjustments[1]	(605)	—	(42)	—	324	(323)
Debt as at December 31, 2011	$ 1,935,810	$ 2,435	$ 184,654	$ 504	$ 131,353	$ 2,254,756

[1] Other adjustments include issue costs on new debt placed, fair value adjustments and amortization of issue costs and fair value adjustments.

	For the year ended December 31, 2011					
	Mortgages	Revolving credit facilities	Term loan facility	Term debt	Convertible debentures	Total
Debt at December 31, 2010	$ 1,165,643	$ —	$ —	$ 341	$ 130,867	$ 1,296,851
New debt assumed on investment property acquired	335,803	—	—	—	—	335,803
New debt placed	573,888	34,289	188,000	387	—	796,564
Scheduled repayments	(43,019)	—	—	(224)	—	(43,243)
Lump sum repayments	(100,243)	(31,854)	—	—	—	(132,097)
Conversion to unitholders' equity	—	—	—	—	(701)	(701)
Other adjustments[1]	3,738	—	(3,346)	—	1,187	1,579
Debt at December 31, 2011	$ 1,935,810	$ 2,435	$ 184,654	$ 504	$ 131,353	$ 2,254,756

[1] Other adjustments include issue costs on new debt placed, fair value adjustments and amortization of issue costs and fair value adjustments.

Throughout the year we have been securing ten-year debt when available. The acquisition of the Blackstone Portfolio afforded us the opportunity to rebalance our debt profile and better stagger our maturities into years where we had very little debt maturing. The following is our debt maturity profile, as at December 31, 2011:

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2012	$ 116,087	$ 53,869	$ 169,956	7.5	5.31	5.46
2013	118,562	49,548	168,110	7.5	5.06	5.56
2014	207,715	48,369	256,084	11.3	6.53	5.91
2015	338,308	40,665	378,973	16.8	4.44	4.97
2016	423,293	33,107	456,400	20.2	4.52	4.31
2017 and thereafter	738,436	91,207	829,643	36.7	4.97	4.93
Total	$1,942,401	$ 316,765	$2,259,166	100.0		4.98
Fair value adjustments			9,396			
Transaction costs			(13,806)			
Total			$2,254,756			

Convertible debentures

With respect to the 6.0% Debentures, the total principal outstanding at January 31, 2012, was $125.0 million (December 31, 2011 — $125.0 million), convertible into approximately 3,018,479 REIT A Units. For the 5.7% Debentures, the total principal outstanding was $7.3 million (December 31, 2011 — $7.5 million), convertible into approximately 243,351 REIT A Units. For the 6.5% Debentures, the total principal outstanding was $2.8 million (December 31, 2011 — $2.9 million), convertible into approximately 111,840 REIT A Units.

The fair value of the conversion feature of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At December 31, 2011, the conversion feature totalled $6.4 million (December 31, 2010 — $6.5 million), representing the fair value of the conversion feature related to the convertible debentures.

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 equity accounted investments, are as follows:

	December 31, 2011	
	Operating lease payments	Finance lease payments
Less than 1 year	$ 1,295	$ 298
1–5 years	2,176	238
Longer than 5 years	2,345	—
Total	$ 5,816	$ 536

During the year ended December 31, 2011, we made $1.2 million (December 31, 2010 — $1.0 million) in minimum lease payments, which has been included in comprehensive income for the year.

Effective February 1, 2010, we entered into three fixed price contracts to purchas in’d[illegible]aRVg[illegible]y.YWdgeeIYI’d[illegible]sRy.YWbIYI’d[illegible]

The following table summarizes the changes in our outstanding equity.

	REIT A Units	REIT B Units	LP B Units	Total
Units issued and outstanding on January 1, 2011	45,896,203	16,316	3,481,733	49,394,252
Units issued pursuant to public offering	19,538,500	—	—	19,538,500
Units issued pursuant to DRIP	688,502	—	24,374	712,876
Units issued pursuant to Unit Purchase Plan	11,222	—	—	11,222
Units issued pursuant to Deferred Unit Incentive Plan	32,376	—	—	32,376
Conversion of debentures	26,257	—	—	26,257
Total units outstanding on December 31, 2011	66,193,060	16,316	3,506,107	69,715,483
Percentage of all units	94.95%	0.02%	5.03%	100.00%
Units issued pursuant to DRIP on January 15, 2012	77,445	—	1,947	79,392
Units issued pursuant to Unit Purchase Plan	204	—	—	204
Units issued pursuant to Deferred Unit Incentive Plan	12,793	—	—	12,793
Total units outstanding on January 31, 2012	66,283,502	16,316	3,508,054	69,807,872
Percentage of all units	94.95%	0.02%	5.03%	100.00%

On December 20, 2011, the Trust completed a public offering of 4,393,000 REIT A Units, including an over-allotment option, at a price of $32.75 per Unit for gross proceeds of $143.9 million. Costs related to the offering totalled $6.4 million and were charged directly to unitholders' equity.

On August 15, 2011, the Trust completed a public offering of 5,037,000 REIT A Units, including an over-allotment option, at a price of $32.40 per Unit for gross proceeds of $163.2 million. Costs related to the offering were $6.6 million and were charged directly to unitholders' equity. The offering included 407,000 Units to be purchased by Dundee Corporation pursuant to the exercise of its pre-emptive right under Dundee REIT's Declaration of Trust.

On June 14, 2011, the Trust completed a public offering of 4,660,000 REIT A Units at a price of $33.30 per Unit for gross proceeds of $155.2 million. On June 29, 2011, the Trust issued an additional 699,000 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriter for gross proceeds of approximately $23.3 million. Costs related to the offering totalled $7.1 million and were charged directly to unitholders' equity.

On February 4, 2011, the Trust completed a public offering of 4,749,500 REIT A Units at a price of $30.30 per Unit, for gross proceeds of $143.9 million. Costs related to the offering totalled $6.3 million and were charged directly to unitholders' equity.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on December 2, 2011, and will remain in effect until the earlier of December 1, 2012, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,910,181 REIT A Units (representing 10% of the REIT's public float of 59,101,809 REIT A Units at the time of renewal through the facilities of the TSX). As of December 31, 2011, no purchases had been made. Based on the closing price of REIT A Units on December 31, 2011, the Trust may purchase up to $193.1 million worth of REIT A Units.

For the year ended December 31, 2010, the Trust did not purchase any REIT A Units pursuant to its previous bid, which terminated on November 2, 2011.

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 are considered to be non-recurring. Additionally, we exclude the impact of the amortization of deferred 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.

	For the three months ended December 31, 2011			For the year ended December 31, 2011		
	Declared distributions	4% bonus distributions	Total	Declared distributions	4% bonus distributions	Total
2011 distributions						
Paid in cash or reinvested in Units	$ 35,702	$ 353	$ 36,055	$ 118,410	$ 827	$ 119,237
Payable at December 31, 2011	847	(6)	841	12,758	78	12,836
Total distributions[1]	$ 36,549	$ 347	$ 36,896	$ 131,168	$ 905	$ 132,073
2011 reinvestment						
Reinvested to December 31, 2011	$ 6,727	$ 353	$ 7,080	$ 20,685	$ 827	$ 21,512
Reinvested on January 15, 2012	366	(6)	360	2,623	78	2,701
Total distributions reinvested	$ 7,093	$ 347	$ 7,440	$ 23,308	$ 905	$ 24,213
Distributions paid in cash	$ 29,456			$107,860		
Reinvestment to distribution ratio	19.4%			17.8%		
Cash payout ratio	80.6%			82.2%		

[1] Includes distributions on LP B Units.

Distributions declared for the year ended December 31, 2011, were $131.2 million, up $45.1 million over the same period last year. For fourth quarter, distributions declared were $36.5 million, up $10.9 million over the prior year comparative quarter. The increase reflects a larger number of units outstanding as a result of the equity issues completed in 2010 and 2011 as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units. Of the distributions declared for the year, $23.3 million, or approximately 17.8%, were reinvested in additional units resulting in a cash payout ratio of 82.2%.

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

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010[1]	**2011**	2010[1]
Net income	**$ 222,761**	$ 155,703	**$ 400,920**	$ 215,995
Cash flow from operating activities[2]	**38,117**	16,951	**102,150**	71,330
Distributions paid and payable[3]	**36,896**	25,785	**132,073**	86,373
Excess (shortfall) of cash flow from operating activities over distributions paid and payable	**1,221**	(8,834)	**(29,923)**	(15,043)

[1] Amounts have been restated for IFRS.

[2] Cash flows from operating activities exclude cash flows utilized for transaction costs on acquired businesses, and include operating cash flows from equity accounted investments.

[3] Includes distributions on LP B Units.

Cash flow from operations exceeded distributions paid and payable by $0.9 million for the fourth quarter ended December 31, 2011. 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. Net income exceeded distributions paid and payable by $185.9 million for the quarter ended December 31, 2011.

OUR RESULTS OF OPERATIONS

Results of operations for the three months ended December 31, 2011

	For the three months ended December 31,					
	2011			2010[1]		
	Amounts per financial statements	**Share of income from equity accounted investments**	**Total**	Amounts per financial statements	Share of income from equity accounted investments	Total
Investment properties revenue	**$ 128,642**	**$ 7,678**	**$ 136,320**	$ 70,337	$ 8,389	$ 78,726
Investment properties operating expenses	**54,901**	**3,303**	**58,204**	29,645	3,061	32,706
Net rental income	**73,741**	**4,375**	**78,116**	40,692	5,328	46,020
Other income and expenses						
General and administrative	**(4,264)**	**—**	**(4,264)**	(2,795)	(1)	(2,796)
Share of net earnings from equity accounted investments	**24,847**	**(24,847)**	**—**	24,554	(24,554)	—
Fair value adjustments to investment properties	**162,617**	**21,938**	**184,555**	117,538	20,465	138,003
Gain (loss) on sale of investment properties	**—**	**—**	**—**	(500)	—	(500)
Acquisition related costs, net	**—**	**—**	**—**	—	—	—
Interest						
Debt	**(26,679)**	**(1,499)**	**(28,178)**	(15,005)	(1,266)	(16,271)
Subsidiary redeemable units	**(1,931)**	**—**	**(1,931)**	(1,918)	—	(1,918)
Interest and fee income	**863**	**33**	**896**	509	28	537
Fair value adjustments to financial instruments	**(6,433)**	**—**	**(6,433)**	(7,372)	—	(7,372)
Net income for the period	**$ 222,761**	**$ —**	**$ 222,761**	$ 155,703	$ —	$ 155,703

[1] Results have been restated for IFRS.

Investment properties revenue

Investment properties revenues include net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions completed in 2010 and 2011 were the primary drivers of the $57.6 million, or 73.2%, increase in investment property revenue over the comparative quarter.

Investment properties operating expenses

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, weather, utility costs, realty taxes, and repairs and maintenance. Expenses increased $25.5 million, or 78.0%, over the prior year comparative quarter, reflecting the additional costs associated with properties acquired in the last quarter of 2010 and 2011.

General and administrative

General and administrative expenses primarily comprise expenses related to corporate management, trustees' fees and expenses, and investor relations. Included in the $4.3 million of expenses this quarter is a $1.0 million non-cash component including $0.9 million relating to the DUIP. On a cash basis, general and administrative expenses increased by $1.3 million over the comparative quarter primarily as a result of asset management fees related to property acquisitions in 2011. In our non-cash component of general and administrative expenses, the Deferred Unit Incentive Plan increased by $0.2 million over the comparative fourth quarter.

Fair value adjustments to investment properties

A fair value adjustment of $184.6 million was recognized in the quarter primarily resulting from overall cap rate compression of 29 bps.

Interest expense — Debt

Interest on debt increased $11.9 million, or 73.2%, for the fourth quarter of 2011, mainly reflecting the additional mortgage debt and term loan credit facility entered into in 2011, in particular with respect to the Blackstone Portfolio and the 700 de la Gauchetière acquisitions. The interest coverage ratio for the year ended December 31, 2011, remains strong at 2.6 times reflecting our ability to more than cover our interest expense requirements.

Interest expense — Subsidiary redeemable units

Interest on subsidiary redeemable units increased marginally over the comparative quarter, reflecting a greater number of units outstanding as a result of the distribution reinvestment plan in 2011.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management, including management, construction and leasing fees, and interest earned on bank accounts and related fees. These revenues are not necessarily of a recurring nature and the amounts may vary quarter-to-quarter. The $0.4 million increase over the prior year comparative fourth quarter is primarily a result of management fees earned on jointly owned properties acquired in 2011 as well as interest income from cash deposits.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments were more favourable by $0.9 million over the comparative quarter. The favourability results from a $3.1 million valuation adjustment on the subsidiary redeemable units compared to $7.3 million the prior year, reflecting a smaller incremental unit price increase in the fourth quarter of 2011 versus 2010, offset by an increased valuation adjustment on the conversion feature on convertible debentures, which increased by $3.4 million. The fair value change on the Deferred Unit Incentive Plan increased marginally as a result of a smaller incremental change in unit price in 2011 versus the prior year comparative quarter. This is offset by more units having been amortized into the liability. The valuations of these instruments are impacted by, amongst other things, the trading value of the REIT Units. Accordingly, as REIT Unit prices decrease, the valuation of the financial instrument is reduced and vice versa.

Related party transactions

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms and as disclosed in Note 23 to the consolidated financial statements. During the fourth quarter, we received $0.7 million related to the DRC Services Agreement. Other costs in the fourth quarter recovered from DRC include $1.9 million for operating and administrative costs. We paid $3.1 million related to asset management fees for the three months ended December 31, 2011.

Results of operations for the year ended December 31, 2011

				For the years ended December 31,		
			2011			2010[1]
	Amounts per financial statements	**Share of income from equity accounted investments**	**Total**	Amounts per financial statements	Share of income from equity accounted investments	Total
Investment properties revenue	**$ 411,588**	**$ 29,759**	**$ 441,347**	$ 239,378	$ 28,840	$ 268,218
Investment properties operating expenses	**167,514**	**12,696**	**180,210**	95,727	11,526	107,253
Net rental income	**244,074**	**17,063**	**261,137**	143,651	17,314	160,965
Other income and expenses						
General and administrative	**(15,344)**	**(103)**	**(15,447)**	(10,614)	(2)	(10,616)
Share of net earnings from equity accounted investments	**49,728**	**(49,728)**	**—**	33,245	(33,245)	—
Fair value adjustments to investment properties	**232,987**	**37,969**	**270,956**	149,572	20,923	170,495
Loss on sale of investment properties	**—**	**—**	**—**	(301)	—	(301)
Acquisition related costs, net	**(5,734)**	**—**	**(5,734)**	—	—	—
Interest						
Debt	**(88,398)**	**(5,323)**	**(93,721)**	(54,649)	(5,083)	(59,732)
Subsidiary redeemable units	**(7,704)**	**—**	**(7,704)**	(7,647)	—	(7,647)
Interest and fee income	**2,376**	**122**	**2,498**	1,484	93	1,577
Fair value adjustments to financial instruments	**(11,065)**	**—**	**(11,065)**	(38,746)	—	(38,746)
Net income for the period	**$ 400,920**	**$ —**	**$ 400,920**	$ 215,995	$ —	$ 215,995

[1] Results have been restated for IFRS.

Investment properties revenue

Revenue generated by properties acquired in 2010 and 2011 were the primary drivers of the $173.1 million, or 64.6%, increase in investment property revenue over the prior year.

Investment properties operating expenses

Expenses increased $73.0 million, or 68.0%, over the prior year, reflecting the additional costs associated with a larger portfolio.

General and administrative

Included in general and administrative expenses this year is a $4.0 million non-cash component, which primarily consists of the DUIP expense, up $1.2 million over the prior year. On a cash basis, general and administrative expenses increased by $3.6 million over the prior year primarily as a result of asset management fees related to property.

Fair value adjustments to investment properties

A $100.5 million change in the fair value adjustment was recognized in the year, reflecting overall cap rate compression of 52 bps offset by transaction costs on acquired properties.

Interest expense — Debt

Interest on debt increased $34.0 million, or 56.9%, for the year, mainly reflecting the additional mortgage debt and term loan credit facility entered into in 2011, particularly with respect to the Blackstone Portfolio and the 700 de la Gauchetière acquisitions. The interest coverage ratio remains strong at 2.6 times, reflecting our ability to more than adequately cover our interest expense requirements.

Interest expense — Subsidiary redeemable units

Interest on subsidiary redeemable units increased marginally over the prior year reflecting a greater number of units outstanding as a result of the distribution reinvestment plan.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management, including management, construction and leasing fees, and interest earned on bank accounts and related fees. These revenues are not necessarily of a recurring nature and the amounts will vary year-to-year. The $0.9 million increase over the prior year is primarily a result of management fees earned on jointly owned properties acquired in 2011 as well as interest income from cash deposits.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments increased by $27.7 million for the year. The increase was primarily due to a favourable valuation adjustment change of $24.2 million on the subsidiary redeemable units compared to the prior year, resulting from Unit price decreases in the year.

Related party transactions

During the year, we received $2.7 million related to the DRC Services Agreement. Other costs recovered from DRC include $6.6 million for operating and administrative costs. We paid $17.8 million related to the Asset Management Agreement, which primarily consists of $9.1 million in asset management fees and $7.9 million paid for investment property acquisition fees.

Net operating income

We define NOI as the total of investment property revenues, including property management income, less investment property operating expenses.

Net operating income is an important measure used by management in evaluating property operating performance; 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. Net operating income for the respective 2010 comparative period has been restated to reflect the removal of market rent adjustments on acquired leases and the inclusion of lease incentive amortization to comply with IFRS.

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010[1]	**2011**	2010[1]
Net rental income	**$ 73,741**	$ 40,692	**$ 244,074**	$ 143,651
Share of net rental income from equity accounted investments	**4,375**	5,328	**17,063**	17,314
NOI including income from redevelopment and disposed properties	**$ 78,116**	$ 46,020	**$ 261,137**	$ 160,965

[1] Results have been restated for IFRS.

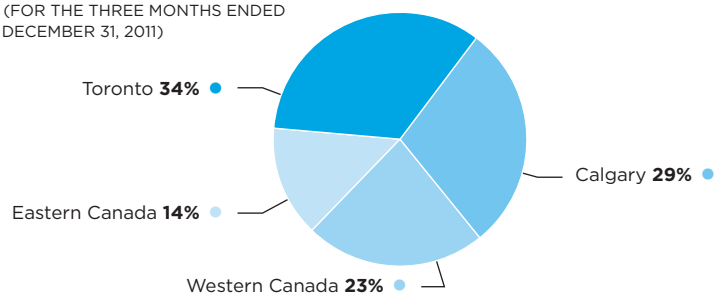
Net operating income, before income from disposed properties, increased by 70% to $77.9 million in the fourth quarter and by 63% to $260.5 million for the year over the respective comparative periods. The increase is mainly attributable to income generated by properties acquired in 2010 and 2011.

	For the three months ended December 31,				For the years ended December 31,			
			Growth				Growth	
	2011	2010[1]	Amount	%	**2011**	2010[1]	Amount	%
Office	**$ 71,438**	$ 40,344	$ 31,094	77	**$234,766**	$144,694	$ 90,072	62
Industrial	**6,506**	5,454	1,052	19	**25,714**	15,536	10,178	66
NOI	**77,944**	45,798	32,146	70	**260,480**	160,230	100,250	63
Income from disposed properties	**172**	222	(50)		**657**	735	(78)	
NOI including redevelopment and disposed properties	**$ 78,116**	$ 46,020	$ 32,096	70	**$ 261,137**	$160,965	$ 100,172	62

	For the three months ended December 31,				For the years ended December 31,			
			Growth				Growth	
	2011	2010[1]	Amount	%	**2011**	2010[1]	Amount	%
Western Canada	**$ 17,848**	$ 9,506	$ 8,342	88	**$ 63,015**	$ 34,722	$ 28,293	81
Calgary	**22,449**	16,592	5,857	35	**81,299**	66,842	14,457	22
Toronto	**26,130**	16,141	9,989	62	**85,171**	51,661	33,510	65
Eastern Canada	**11,517**	3,559	7,958	224	**30,995**	7,005	23,990	342
NOI	**77,944**	45,798	32,146	70	**260,480**	160,230	100,250	63
Income from disposed properties	**172**	222	(50)		**657**	735	(78)	
NOI including redevelopment and disposed properties	**$ 78,116**	$ 46,020	$ 32,096	70	**$ 261,137**	$160,965	$ 100,172	62

[1] Results have been restated for IFRS.

NOI BY REGION
(FOR THE THREE MONTHS ENDED DECEMBER 31, 2011)



NOI comparative portfolio

Net operating income shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2010. Income from disposed properties contributing to NOI in comparative periods is shown separately. Comparative NOI and NOI attributed to acquisitions exclude lease termination fees and GAAP adjustments that relate to straight-line rents and amortization of lease incentives.

	For the three months ended December 31,				For the years ended December 31,			
			Growth				Growth	
	2011	2010[1]	Amount	%	**2011**	2010[1]	Amount	%
Office	**$ 27,213**	$ 27,411	$ (198)	(1)	**$ 107,758**	$ 109,491	$ (1,733)	(2)
Industrial	**2,908**	3,098	(190)	(6)	**12,191**	11,926	265	2
Comparative properties	**30,121**	30,509	(388)	(1)	**119,949**	121,417	(1,468)	(1)
Lease termination fees and other	**696**	1,520	(824)		**1,263**	1,689	(426)	
Rent arbitration adjustment	**—**	—	—		**—**	357	(357)	
Acquisitions	**46,072**	13,454	32,618		**136,452**	34,239	102,213	
Straight-line rent	**2,460**	856	1,604		**6,821**	3,772	3,049	
Amortization of lease incentives	**(1,405)**	(541)	(864)		**(4,005)**	(1,244)	(2,761)	
NOI	**77,944**	45,798	32,146	70	**260,480**	160,230	100,250	63
Income (loss) from disposed properties	**172**	222	(50)		**657**	735	(78)	
NOI including redevelopment and disposed properties	**$ 78,116**	$ 46,020	$ 32,096	70	**$ 261,137**	$ 160,965	$ 100,172	62

	For the three months ended December 31,				For the years ended December 31,			
			Growth				Growth	
	2011	2010[1]	Amount	%	**2011**	2010[1]	Amount	%
Western Canada	**$ 7,927**	$ 7,333	$ 594	8	**$ 30,511**	$ 29,032	$ 1,479	5
Calgary	**15,679**	16,580	(901)	(5)	**64,044**	66,686	(2,642)	(4)
Toronto	**5,722**	5,815	(93)	(2)	**22,334**	2[illegible](	(9	

For the three-month period, comparative property NOI decreased by $0.4 million, or 1%, over the prior year period. NOI from the comparative office portfolio was down $0.2 million, or 1%, and the comparative industrial portfolio was down $0.2 million, or 6%.

For the year ended December 31, 2011, comparative property NOI decreased by $1.5 million or 1%, reflecting a $1.7 million or 2% decrease in our comparative office portfolio, and a $0.3 million or 2% increase in our comparative industrial portfolio.

Comparative office portfolio

	For the three months ended December 31,				For the years ended December 31,			
			Growth				Growth	
	2011	2010[1]	Amount	%	**2011**	2010[1]	Amount	%
Western Canada	**$ 7,292**	$ 6,834	$ 458	7	**$ 28,161**	$ 27,207	$ 954	4
Calgary	**13,406**	13,981	(575)	(4)	**54,203**	56,585	(2,382)	(4)
Toronto	**5,722**	5,815	(93)	(2)	**22,334**	22,551	(217)	(1)
Eastern Canada	**793**	781	12	2	**3,060**	3,148	(88)	(3)
Comparative properties	**27,213**	27,411	(198)	(1)	**107,758**	109,491	(1,733)	(2)
Lease termination fees and other	**696**	1,515	(819)		**1,263**	1,683	(420)	
Rent arbitration adjustment	**—**	—	—		**—**	357	(357)	
Acquisitions	**42,756**	11,259	31,497		**123,853**	30,802	93,051	
Straight-line rent	**2,098**	595	1,503		**5,571**	3,324	2,247	
Amortization of lease incentives	**(1,325)**	(436)	(889)		**(3,679)**	(963)	(2,716)	
NOI — office portfolio	**$ 71,438**	$ 40,344	$ 31,094	77	**$234,766**	$144,694	$ 90,072	62

[1] Results have been restated for IFRS.

Our comparative office portfolio NOI decreased by $0.2 million or 1% for the fourth quarter over the comparative period. In Western Canada, NOI grew by 7%, driven by increased occupancy in Saskatoon, Yellowknife and Vancouver as well as a $0.3 million one-time item. The Calgary office portfolio was down $0.6 million or 4% over the same period last year, primarily as a result of leases rolling over from all-time highs to lower current market rents. The Toronto portfolio remained fairly consistent with the prior year comparative period, decreasing by $0.1 million or 2%. Our Eastern Canada comparative portfolio remained flat compared to the same period last year. Included in NOI for the quarter is $0.3 million of bad debt expenses not expected to recur.

On an annual basis, comparative office NOI decreased $1.7 million or 2% over the prior year. This change is primarily attributable to the Calgary office portfolio which decreased by $2.4 million or 4%, mainly resulting from vacancies in the earlier part of 2011 as well as leases expiring that had higher average in-place rents than the current market rental rates. Both Toronto and Eastern Canada had slight decreases of $0.2 million, or 1%, and $0.1 million, or 3%, respectively. The decrease in Toronto primarily relates to a lease that terminated in Q4 2010 for which the space was not re-leased until mid way through 2011, and for which we received a termination payment of $1.5 million. Offsetting these decreases, the Western Canada office portfolio increased by $1.0 million or 4% over the same period last year, reflecting higher average occupancy throughout the year, as well as increased in-place rents.

Comparative industrial portfolio

	For the three months ended December 31,				For the years ended December 31,			
			Growth				Growth	
	2011	2010[1]	Amount	%	**2011**	2010[1]	Amount	%
Western Canada	**$ 635**	$ 499	$ 136	27	**$ 2,350**	$ 1,825	$ 525	29
Calgary	**2,273**	2,599	(326)	(13)	**9,841**	10,101	(260)	(3)
Comparative properties	**2,908**	3,098	(190)	(6)	**12,191**	11,926	265	2
Lease termination fees and other	**—**	5	(5)		**—**	6	(6)	
Acquisitions	**3,316**	2,195	1,121		**12,599**	3,437	9,162	
Straight-line rent	**362**	261	101		**1,250**	448	802	
Amortization of lease incentives	**(80)**	(105)	25		**(326)**	(281)	(45)	
NOI — industrial portfolio	**$ 6,506**	$ 5,454	$ 1,052	19	**$ 25,714**	$ 15,536	$ 10,178	66

[1] Results have been restated for IFRS.

Net operating income from our comparative industrial portfolio decreased by $0.2 million, or 6%, in the fourth quarter over Q4 2010, primarily reflecting vacancies for which new leases will commence in early 2012.

On an annual basis, our comparative industrial portfolio increased by $0.3 million, or 2%, over the prior year, primarily reflecting a tenant expansion in early 2011 in Western Canada that contributed an additional $0.5 million to NOI. Offsetting this increase, the Calgary industrial portfolio declined by $0.3 million or 3% over 2010 as a result of vacancies in the year, for which new leases will commence in early 2012.

2012 NOI classification

Due to the volume of acquisition activity in 2010 and 2011, the following table serves as a benchmark for comparative property NOI to be reported in our MD&A in 2012.

	For the three months ended December 31, 2011	For the year ended December 31, 2011
Office	$ 41,835	$ 167,741
Industrial	5,385	22,164
Comparative properties	47,220	189,905
Lease termination fees and other	696	1,263
Acquisitions	28,579	65,101
Straight-line rent	2,460	6,821
Amortization of lease incentives	(1,405)	(4,005)
Properties held for development	394	1,395
NOI	77,944	260,480
Discontinued operations	172	657
NOI including redevelopment and discontinued operations	$ 78,116	$ 261,137

Comparative property NOI includes investment properties acquired prior to January 1, 2011. Furthermore, income from a Yellowknife building has been reclassified to properties held for development, as will be the case, late in the first quarter of 2012.

NOI prior quarter comparison

The comparative properties disclosed in the following tables include properties acquired prior to July 1, 2011.

	For the three months ended			
			Growth	
	December 31, 2011	September 30, 2011	Amount	%
Office	**$ 52,526**	$ 52,275	$ 251	—
Industrial	**6,060**	6,252	(192)	(3)
Comparative properties	**58,586**	58,527	59	—
Lease termination fees and other	**696**	266	430	
Acquisitions	**17,607**	10,407	7,200	
Straight-line rent	**2,460**	2,083	377	
Other GAAP adjustments	**(1,405)**	(805)	(600)	
NOI	**77,944**	70,478	7,466	11
Income (loss) from disposed properties	**172**	221	(49)	
NOI including redevelopment and disposed properties	**$ 78,116**	$ 70,699	$ 7,417	10

	For the three months ended			
			Growth	
	December 31, 2011	September 30, 2011	Amount	%
Western Canada	**$ 14,794**	$ 15,070	$ (276)	(2)
Calgary	**19,494**	19,715	(221)	(1)
Toronto	**19,160**	18,938	222	1
Eastern Canada	**5,138**	4,804	334	7
Comparative properties	**58,586**	58,527	59	—
Lease termination fees and other	**696**	266	430	
Acquisitions	**17,607**	10,407	7,200	
Straight-line rent	**2,460**	2,083	377	
Amortization of lease incentives	**(1,405)**	(805)	(600)	
NOI	**77,944**	70,478	7,466	11
Income (loss) from disposed properties	**172**	221	(49)	
NOI including redevelopment and disposed properties	**$ 78,116**	$ 70,699	$ 7,417	10

Comparative properties NOI increased by $0.1 million over the third quarter of 2011.

Comparative office portfolio

	For the three months ended			
			Growth	
	December 31, 2011	September 30, 2011	Amount	%
Western Canada	**$ 13,684**	$ 13,941	$ (257)	(2)
Calgary	**17,155**	17,199	(44)	—
Toronto	**18,423**	18,230	193	1
Eastern Canada	**3,264**	2,905	359	12
Comparative properties	**52,526**	52,275	251	—
Lease termination fees	**696**	266	430	
Acquisitions	**17,443**	10,276	7,167	
Straight-line rent	**2,098**	1,806	292	
Amortization of lease incentives	**(1,325)**	(725)	(600)	
NOI	**$ 71,438**	$ 63,898	$ 7,540	12

Overall, comparative office NOI has increased by $0.3 million over the prior quarter. The Calgary office portfolio remained flat reflecting higher contractual rent increases in the period being offset by lease expiries with higher in-place rents than the current market rates. The comparative Toronto portfolio increased by $0.2 million or 1% in the quarter resulting from a slight increase in weighted average in-place occupancy. Our comparative Eastern Canada portfolio increased by $0.4 million, or 12%, driven by higher in-place occupancy as well as the recognition of base rent for a lease that previously had a free rent period. The comparative Western portfolio decreased in the period by $0.3 million or 2% as a result of a lease expiry in an Edmonton property.

Comparative industrial portfolio

	For the three months ended			
			Growth	
	December 31, 2011	September 30, 2011	Amount	%
Western Canada	**$ 1,110**	$ 1,129	$ (19)	(2)
Calgary	**2,339**	2,516	(177)	(7)
Toronto	**737**	708	29	4
Eastern Canada	**1,874**	1,899	(25)	(1)
Comparative properties	**6,060**	6,252	(192)	(3)
Lease termination fees	**—**	—	—	
Acquisitions	**164**	131	33	
Straight-line rent	**362**	277	85	
Amortization of lease incentives	**(80)**	(80)	—	
NOI	**$ 6,506**	$ 6,580	$ (74)	(1)

Overall, the comparative industrial portfolio decreased by $0.2 million or 3% quarter-over-quarter. The comparative Calgary industrial portfolio decreased by $0.2 million or 7% in the quarter, reflecting the full quarter effect of leases that expired in the third quarter as well as lease expiries in the fourth quarter. During the first quarter of 2012, 82,176 square feet of leases will commence that will partially mitigate this decline.

Funds from operations and adjusted funds from operations

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010[1]	**2011**	2010[1]
Net income	**$ 222,761**	$ 155,703	**$ 400,920**	$ 215,995
Add (deduct):				
Depreciation of property and equipment	**156**	112	**579**	544
Amortization of lease incentives	**1,351**	301	**3,951**	1,004
Loss on disposal of rental properties	**—**	500	**—**	301
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(55)**	(55)	**(293)**	(196)
Interest expense on subsidiary redeemable units	**1,931**	1,918	**7,704**	7,647
Acquisition related costs	**—**	—	**5,776**	—
Leasing incentives expensed on lease terminations	**53**	240	**53**	240
Fair value adjustments to investment properties	**(162,617)**	(117,538)	**(232,987)**	(149,572)
Fair value adjustments to investment properties held in equity accounted investments	**(21,938)**	(20,465)	**(37,969)**	(20,924)
Fair value adjustments to financial instruments	**6,433**	7,372	**11,065**	38,746
Fair value adjustments of DUIP included in general and administrative	**135**	59	**598**	274
FFO	**$ 48,210**	$ 28,147	**$ 159,397**	$ 94,059
Funds from operations	**$ 48,210**	$ 28,147	**$ 159,397**	$ 94,059
Add (deduct):				
Amortization of:				
Fair value adjustments on assumed debt	**(799)**	(175)	**(2,156)**	(764)
Financing costs	**750**	411	**2,279**	1,481
Deferred unit compensation expense	**696**	580	**2,805**	2,009
Straight-line rent	**(2,459)**	(857)	**(6,820)**	(3,771)
Amortization of deferred financing costs incurred subsequent to June 30, 2003	**(547)**	(391)	**(1,900)**	(1,393)
Non-recoverable costs incurred subsequent to June 30, 2003	**(10)**	(11)	**(57)**	(43)
Vendor head lease income	**598**	171	**1,217**	608
Revenue supplement from vendor on acquisition	**—**	—	**—**	1,122
	$ 46,439	$ 27,875	**$ 154,765**	$ 93,308
Deduct:				
Normalized initial direct leasing costs and lease incentives	**5,317**	2,555	**16,790**	9,436
Normalized non-recoverable recurring capital expenditures	**75**	75	**300**	300
AFFO	**$ 41,047**	$ 25,245	**$ 137,675**	$ 83,572

[1] Results have been restated for IFRS.

Funds from operations and adjusted funds from operations per unit amounts

The basic weighted average number of units outstanding used in the FFO and AFFO calculations include all REIT Units, LP B Units and 155,814 vested but unissued deferred trust units. The diluted weighted average number of Units assumes the conversion of the 6.5%, 5.7% and 6.0% Debentures.

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010	**2011**	2010
Weighted average units outstanding for basic per unit amounts	**65,941,519**	46,054,582	**59,181,658**	38,757,113
Weighted average units outstanding for diluted per unit amounts	**69,430,422**	49,596,634	**62,672,793**	42,280,715

Funds from operations

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

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010[1]	**2011**	2010[1]
FFO	**$ 48,210**	$ 28,147	**$ 159,397**	$ 94,059
FFO per unit — basic	**$ 0.73**	$ 0.61	**$ 2.69**	$ 2.43
FFO per unit — diluted	**$ 0.73**	$ 0.61	**$ 2.69**	$ 2.43

[1] Results have been restated for IFRS.

For the three-month period, FFO per unit was $0.72, up 20% over the comparative period, reflecting the impact of accretive acquisitions completed in 2010 and 2011. Total FFO increased by 71.3% to $48.2 million in the quarter, driven by NOI growth from properties acquired in 2010 and 2011.

For the year, FFO per unit was $2.69, up 11%, reflecting the impact of accretive acquisitions completed in 2010 and 2011. Total FFO was $159.4 million, an increase of $65.3 million or 69.5% over 2010.

The prior year's FFO has been restated for IFRS. Total FFO for the quarter ended December 31, 2010, was reduced by $2.2 million as a result of IFRS. The change reflects the elimination of $2.3 million in market rent adjustments that were included under previous GAAP offset by $0.1 million in accelerated compensation expense related to the Deferred Unit Incentive Plan ("DUIP") under IFRS.

Adjusted funds from operations

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010[1]	**2011**	2010[1]
AFFO	**$ 41,047**	$ 25,245	**$ 137,675**	$ 83,572
AFFO per unit — basic	**$ 0.62**	$ 0.55	**$ 2.33**	$ 2.16

[1] Results have been restated for IFRS.

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

Our calculation of AFFO includes an estimated amount of normalized non-recoverable maintenance capital expenditures, initial direct leasing costs and tenant incentives that we expect to incur based on our current portfolio, and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2011, 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.

For the fourth quarter, AFFO per unit was $0.62, up 12.7% over the comparative period, reflecting the impact of accretive acquisitions completed in 2010 and 2011. Total AFFO for the quarter was $41.0 million, an increase of $15.8 or 62.6% over the same quarter of 2010.

Year-over-year, AFFO per unit increased by 7.9% to $2.33 from $2.16 in 2010, reflecting the contribution from accretive acquisitions in 2010 and 2011. Total AFFO was $137.7 million for the year, an increase of $54.1 million or 64.7% over 2010.

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

	For the three months ended December 31,		For the years ended December 31,	
	2011	2010[1]	**2011**	2010[1]
Cash generated from operating activities	**$ 33,901**	$ 11,989	**$ 89,909**	$ 58,579
Add (deduct):				
Share of earnings from equity accounted investments	**24,847**	24,554	**49,728**	33,245
Initial direct leasing costs and lease incentives incurred	**7,509**	6,104	**23,136**	16,963
Transaction costs on acquired businesses including those recorded in equity accounted investments	**—**	—	**17,528**	—
Change in non-cash working capital	**1,917**	5,872	**12,941**	5,584
Adjustments for equity accounted investments:				
Fair value adjustments to investment property	**(21,938)**	(20,465)	**(37,969)**	(20,923)
Straight-line rent	**(83)**	(23)	**(155)**	(116)
Fair value adjustments on assumed debt	**—**	(143)	**(193)**	(557)
Amortization of lease incentives	**97**	44	**385**	176
Other	**(409)**	(228)	**(1,762)**	(1,373)
Vendor head lease income	**598**	171	**1,217**	608
Vendor revenue supplement	**—**	—	**—**	1,122
Normalized initial direct leasing costs and lease incentives	**(5,317)**	(2,555)	**(16,790)**	(9,436)
Normalized non-recoverable recurring capital expenditures	**(75)**	(75)	**(300)**	(300)
AFFO	**$ 41,047**	$ 25,245	**$ 137,675**	$ 83,572

[1] Results have been restated for IFRS.

SELECTED ANNUAL INFORMATION

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

	2011	2010[1]	2009[2]
Revenues[3]	**$ 443,845**	$ 269,795	$ 193,759
Income before discontinued operations	**400,920**	215,995	18,201
Net income	**400,920**	215,995	13,420
Total assets	**4,466,467**	2,583,248	1,335,242
Add share of equity accounted investments:			
Debt	**130,223**	94,843	—
Amounts payable, accrued liabilities and deposits	**3,762**	3,183	—
	$4,600,452	$2,681,274	$1,335,242
Debt	**$ 2,124,517**	$1,202,008	$ 857,060
Add debt related to equity accounted investments and liabilities held for sale	**130,239**	94,843	—
	$2,254,756	$ 1,296,851	$ 857,060
Distributions declared	**131,168**	86,048	48,450
Units outstanding:			
REIT Units, Series A	**66,193,060**	45,896,203	21,247,397
REIT Units, Series B	**16,316**	16,316	16,316
LP Class B Units, Series 1	**3,506,107**	3,481,733	3,454,188

(1) Results are in accordance with IFRS.

(2) Results reported under previous GAAP.

(3) Including equity accounted investments in 2010 and 2011.

QUARTERLY INFORMATION

The following tables show quarterly information since January 1, 2010.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010[1]	Q3 2010[1]	Q2 2010[1]	Q1 2010[1]
Investment properties revenue	**$ 128,642**	$ 110,856	$ 88,238	$ 83,852	$ 70,337	$ 63,206	$ 55,229	$ 50,606
Investment properties operating expenses	**54,901**	44,508	34,200	33,905	29,645	25,220	20,371	20,491
Net rental income	**73,741**	66,348	54,038	49,947	40,692	37,986	34,858	30,115
Other income and expenses								
General and administrative	**(4,264)**	(3,936)	(3,667)	(3,477)	(2,795)	(2,777)	(2,595)	(2,447)
Share of net earnings from equity accounted investments	**24,847**	14,054	6,880	3,947	24,554	2,808	2,339	3,544
Fair value adjustments to investment properties	**162,617**	10,902	39,712	19,756	117,538	17,149	8,306	6,579
Gain (loss) on sale of investment properties	**—**	—	—	—	(500)	—	—	199
Acquisition related costs	**—**	—	—	(5,734)	—	—	—	—
Interest:								
Debt	**(26,679)**	(24,098)	(19,870)	(17,751)	(15,005)	(13,949)	(13,241)	(12,454)
Subsidiary redeemable units	**(1,931)**	(1,928)	(1,926)	(1,919)	(1,918)	(1,914)	(1,907)	(1,908)
Interest and fee income	**863**	643	437	433	509	336	394	245
Fair value adjustments to financial instruments	**(6,433)**	5,870	2,729	(13,231)	(7,372)	(15,681)	4,699	(20,392)
Net income for the period	**$ 222,761**	$ 67,855	$ 78,333	$ 31,971	$ 155,703	$ 23,958	$ 32,853	$ 3,481

[1] Results have been restated for IFRS.

Calculation of funds from operations

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010[1]	Q3 2010[1]	Q2 2010[1]	Q1 2010[1]
NET INCOME	**$ 222,761**	$ 67,855	$ 78,333	$ 31,971	$ 155,703	$ 23,958	$ 32,853	$ 3,481
Add (deduct):								
Depreciation of property and equipment	**156**	173	133	117	112	208	118	106
Amortization of lease incentives	**1,351**	805	1,009	786	301	249	229	225
Loss (gain) on disposal of investment properties	**—**	—	—	—	500	—	—	(199)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	**(55)**	(62)	(142)	(34)	(55)	(55)	(41)	(45)
Interest expense on subsidiary redeemable units	**1,931**	1,928	1,926	1,919	1,918	1,914	1,907	1,908
Acquisition related costs	**—**	—	—	5,776	—	—	—	—
Leasing incentives expensed on lease terminations	**53**	—	—	—	240	—	—	—
Fair value adjustments to investment properties	**(162,617)**	(10,902)	(39,712)	(19,756)	(117,538)	(17,149)	(8,306)	(6,579)
Fair value adjustments to investment properties held in equity accounted investments	**(21,938)**	(11,206)	(3,598)	(1,227)	(20,465)	(138)	398	(719)
Fair value adjustments to financial instruments	**6,433**	(5,870)	(2,729)	13,231	7,372	15,681	(4,699)	20,392
Fair value adjustments of DUIP included in general and administrative expenses	**135**	111	271	81	59	112	20	83
FFO	**$ 48,210**	$ 42,832	$ 35,491	$ 32,864	$ 28,147	$ 24,780	$ 22,479	$ 18,653
FFO per unit — basic[2]	**$ 0.73**	$ 0.68	$ 0.64	$ 0.63	$ 0.61	$ 0.60	$ 0.62	$ 0.61
FFO per unit — diluted[2]	**$ 0.73**	$ 0.68	$ 0.64	$ 0.63	$ 0.61	$ 0.60	$ 0.62	$ 0.61

[1] Results have been restated for IFRS.

[2] The LP B Units are included in the calculation of basic and diluted FFO per unit.

	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010[1]	Q3 2010[1]	Q2 2010[1]	Q1 2010[1]
FUNDS FROM OPERATIONS	**$ 48,210**	$ 42,832	$ 35,491	$ 32,864	$ 28,147	$ 24,780	$ 22,479	$ 18,653
Add (deduct):								
Amortization of:								
Fair value adjustment on assumed debt	**(799)**	(638)	(382)	(337)	(175)	(215)	(168)	(206)
Financing costs	**750**	635	490	404	411	369	364	337
Deferred compensation expense	**696**	697	753	659	580	483	534	412
Straight-line rent	**(2,459)**	(2,083)	(1,199)	(1,079)	(857)	(1,564)	(1,178)	(172)
Amortization of deferred financing costs incurred subsequent to June 30, 2003	**(547)**	(501)	(477)	(375)	(391)	(349)	(344)	(309)
Vendor head lease income	**598**	342	131	146	171	171	171	95
Non-recoverable costs incurred subsequent to June 30, 2003	**(10)**	(16)	(16)	(15)	(11)	(11)	(11)	(10)
Revenue supplement from vendor on acquisition	**—**	—	—	—	—	506	616	—
	$ 46,439	$ 41,268	$ 34,791	$ 32,267	$ 27,875	$ 24,170	$ 22,463	$ 18,800
Adjusted for:								
Normalized initial direct leasing costs and lease incentives	**5,317**	4,613	3,430	3,430	2,555	2,505	2,287	2,089
Normalized non-recoverable recurring capital expenditures	**75**	75	75	75	75	75	75	75
Adjusted funds from operations	**$ 41,047**	$ 36,580	$ 31,286	$ 28,762	$ 25,245	$ 21,590	$ 20,101	$ 16,636
AFFO per unit — basic[2]	**$ 0.62**	$ 0.58	$ 0.56	$ 0.55	$ 0.55	$ 0.52	$ 0.55	$ 0.54
Weighted average units outstanding for FFO and AFFO								
Basic	**65,941,519**	62,638,417	55,388,860	52,525,703	46,054,582	41,627,961	36,418,168	30,713,775
Diluted	**69,430,422**	66,118,114	58,887,400	56,011,583	49,596,634	45,106,887	39,871,032	34,175,445

[1] Results have been restated for IFRS.

[2] The LP B Units are included in the calculation of basic AFFO per unit.

SECTION III — TRANSITION TO IFRS — KEY CHANGES

Dundee REIT adopted IFRS effective January 1, 2010 (the "transition date"), and has prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS, the Trust prepared its consolidated financial statements in accordance with previous GAAP.

We have summarized below certain key changes as a result of IFRS.

Investment property

Under previous GAAP, revenue properties, including office and industrial properties, were recorded at cost and depreciated over their estimated useful lives. Under IAS 40, "Investment Property" ("IAS 40"), the Trust has elected to measure investment property at fair value and record changes in fair value in comprehensive income during the period of change. In addition, intangible assets and liabilities recognized on the acquisition of a revenue property were recognized under previous GAAP, which is not required when applying the fair value model under IFRS as the value of the intangible assets and liabilities are considered in the determination of the fair value of the investment properties. Finally, investment property related to equity accounted investments, inclusive of intangible assets, intangible liabilities and deferred costs, was reclassified to equity accounted investments.

Equity accounted investments

Under previous GAAP, the Trust accounted for its investments in joint ventures using the proportionate consolidation method. In accordance with IAS 31, "Interests in Joint Ventures" ("IAS 31"), we have opted to equity account for investments in joint ventures. The effect is to remove the proportionately consolidated assets and liabilities of the respective joint ventures and record a corresponding equity accounted investment on the consolidated balance sheet.

Deferred Unit Incentive Plan

Under previous GAAP, deferred unit grants were recognized as compensation expense evenly over the three- or five-year vesting period based on the value of the deferred unit on the grant date. Upon adopting IFRS, the balance related to the Deferred Unit Incentive Plan recorded in equity was reclassified to non-current liabilities, and compensation expense is recognized over the vesting period based upon the fair value of the deferred units. Changes in the non-current liability in respect of the vested deferred units are as a result of unit price movements, and are recorded in fair value adjustments to financial instruments.

Subsidiary redeemable units

Under previous GAAP, the Trust accounted for its subsidiary redeemable units as a component of unitholders' equity. In accordance with IAS 32, "Financial Instruments — Presentation" ("IAS 32"), these units have been reclassified from unitholders' equity to liabilities because they are not the least subordinated instrument of units in issuance and because there is a redemption feature at the option of the holder. Accordingly, distributions on subsidiary redeemable units are recorded as interest expense in comprehensive income.

Conversion feature of convertible debentures

Under IAS 32, we are required to present the conversion feature of the convertible debentures as a liability measured at fair value. Upon initial adoption of IFRS, the conversion feature is recorded separately from the conversion debenture ("host contract"). Under previous GAAP, the conversion feature was recorded in unitholders' equity upon the issuance of convertible debentures.

SECTION IV — DISCLOSURE CONTROLS AND PROCEDURES

For the December 31, 2011, financial year-end, the Chief Executive Officer and the Chief Financial Officer (the "Certifying Officers"), together with other members of management, have evaluated the design and operational effectiveness of Dundee REIT's disclosure controls and procedures, as defined in National Instrument 52-109. The Certifying Officers have concluded that the disclosure controls and procedures for recording, processing and summarizing material information are adequate and effective in order to provide reasonable assurance that material information has been accumulated and communicated to management, to allow timely decisions of required disclosures by Dundee REIT and its consolidated subsidiary entities, within the required time periods.

The internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Using the framework established in "Risk Management and Governance: Guidance on Control (COCO Framework)", published by CICA, the Certifying Officers, together with other members of management, have evaluated and concluded that the design and operation of Dundee REIT's internal controls over financial reporting are effective for the financial year-end December 31, 2011.

The conversion to IFRS from previous GAAP impacts the way we present our financial results and the accompanying disclosures. We have evaluated the impact of the conversion on our disclosures and procedures for recording, processing and summarizing material information. The most significant change has been recording our investment properties at fair value. This change has required us to design and implement new procedures for recording, processing, and summarizing with respect to determining the fair value. This includes, among other things, rental income from current leases and estimates about rental income from future leases reflecting market conditions at year-end, less future cash outflows from such leases. It also includes estimates of discount rates, terminal capitalization rates, capitalization rates, and the engagement of external specialists to determine fair value.

There were no other changes in the internal controls over financial reporting during the financial year-end December 31, 2011, which have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

SECTION V — 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 for operations and making distributions and interest payments.

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

Rollover of leases

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

Concentration of properties and tenants

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

Insurance

We carry general liability, umbrella liability and excess liability insurance with limits that are typically obtained for similar real estate portfolios in 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 VI — 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 amounts reported. 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 significant accounting policies are described in Note 2 in the consolidated financial statements. Management believes the policies that are most subject to estimation and management's judgment are those outlined below.

Investment properties

Critical judgments are made in respect of the fair values of investment properties and the investment properties held in equity accounted investments. Management regularly reviews the fair value of these investments 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 and industrial 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.

Compliance with "R

Income Taxes

In December 2010, the IASB made amendments to IAS 12, "Income Taxes" ("IAS 12"), that are applicable to the measurement of deferred income tax liabilities and deferred income tax assets where investment property is measured using the fair value model in IAS 40, "Investment Property". The amendments introduce a rebuttable presumption that, for purposes of determining deferred income tax consequences associated with temporary differences relating to investment properties, the carrying amount of an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Trust does not expect any impact on its consolidated financial statements as a result of the amendment to IAS 12.

Joint Arrangements

On May 12, 2011, the IASB issued IFRS 11, "Joint Arrangements" ("IFRS 11"). This new standard replaces IAS 31, "Interests in Joint Ventures" ("IAS 31"). The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The Trust is currently evaluating the impact of this standard on its consolidated financial statements.

Financial Instruments: Disclosures, amendment regarding disclosures on transfer of financial assets

IFRS 7, "Financial Instruments: Disclosures, Amendment regarding Disclosures on Transfer of Financial Assets" ("IFRS 7"), requires that the Trust provides the disclosures for all transferred financial assets that are not derecognized and for a continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. The Trust will start the application of IFRS 7 in its consolidated financial statements effective from January 1, 2012. The Trust has not yet evaluated the impact to the consolidated financial statements as a result of adopting this standard.

In addition, IFRS 7 requires that the Trust provides disclosures related to offsetting financial assets and liabilities. The Trust will start the application of this amendment January 1, 2013. The Trust does not expect any impact to its consolidated financial statements as a result of this standard.

Consolidated Financial Statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces the current IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"). The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Trust will start the application of IFRS 10 in its consolidated financial statements effective January 1, 2013. The Trust has not yet evaluated the impact to the consolidated financial statements as a result of adopting this standard.

Disclosure of Interests in Other Entities

IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), requires disclosures relating to an entity's interests in subsidiaries. The Trust will start the application of IFRS 12 in its consolidated financial statements effective from January 1, 2013. The Trust is currently evaluating the impact to its consolidated financial statements as a result of adopting this standard.

Fair Value Measurements

IFRS 13, "Fair Value Measurements" ("IFRS 13"), defines fair value, provides guidance on its determination, and introduces consistent requirements for disclosures on fair value measurements. The Trust will start the application of IFRS 13 in the financial statements effective January 1, 2013. The Trust has not yet evaluated the impact on the consolidated financial statements.

Presentation of Items of Other Comprehensive Income

Amendments to IAS 1, "Presentation of Financial Statements", provide guidance on the presentation of items contained in other comprehensive income ("OCI") and their classification within OCI. The Trust will start the application of this amendment in its consolidated financial statements effective from January 1, 2013. The Trust is currently evaluating the impact to its consolidated financial statements as a result of adopting this standard.

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

Management's responsibility for financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dundee Real Estate Investment Trust. These financial statements have been prepared in accordance with 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 is comprised of trustees, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review its consolidated financial statements and the report of the auditors. The audit committee reports its findings to the Board of Trustees, which approves the consolidated financial statements.

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

MICHAEL J. COOPER
Vice Chairman and
Chief Executive Officer

MARIO BARRAFATO
Senior Vice President and
Chief Financial Officer

Toronto, Ontario, February 22, 2012

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, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 audits 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, 2011 and December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Toronto, Ontario, February 22, 2012

(in thousands of dollars)	Note	**December 31, 2011**	December 31, 2010 (Note 5)	January 1, 2010 (Note 5)
Assets				
NON-CURRENT ASSETS				
Investment properties	9	**$ 4**		

Consolidated statements of comprehensive income

For the years ended December 31 (in thousands of dollars)	Note	**2011**	2010 (Note 5)
Investment properties revenue		**$ 411,588**	$ 239,378
Investment properties operating expenses		**167,514**	95,727
Net rental income		**244,074**	143,651
Other income and expenses			
General and administrative		**(15,344)**	(10,614)
Share of net earnings from equity accounted investments	10	**49,728**	33,245
Fair value adjustments to investment properties	9	**232,987**	149,572
Loss on sale of investment properties	19	**—**	(301)
Acquisition related costs, net	7	**(5,734)**	—
Interest:			
Debt	20	**(88,398)**	(54,649)
Subsidiary redeemable units	20	**(7,704)**	(7,647)
Interest and fee income		**2,376**	1,484
Fair value adjustments to financial instruments	21	**(11,065)**	(38,746)
Net income		**400,920**	215,995
Other comprehensive loss			
Unrealized loss on interest rate swap agreements	13	**(1,602)**	—
Comprehensive income		**$ 399,318**	$ 215,995

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

(in thousands of dollars, except number of Units)	Note	Number of units	Unitholders' equity	Retained earnings	Accumulated other comprehensive loss	Total
					Attributable to unitholders of the Trust	
Balance at January 1, 2011	**5**	**45,912,519**	**$ 1,118,058**	**$ 97,002**	**$ —**	**$ 1,215,060**
Net income for the year		**—**	**—**	**400,920**	**—**	**400,920**
Distributions paid	**17, 18**	**—**	**—**	**(112,177)**		**(112,177)**
Distributions payable	**17, 18**	**—**	**—**	**(12,192)**	**—**	**(12,192)**
Public offering of REIT A Units	**18**	**19,538,500**	**629,434**	**—**	**—**	**629,434**
Distribution Reinvestment Plan	**18**	**688,502**	**21,857**	**—**	**—**	**21,857**
Unit Purchase Plan	**18**	**11,222**	**359**	**—**	**—**	**359**
Deferred units exchanged for REIT A Units	**15**	**32,376**	**1,035**	**—**	**—**	**1,035**
Conversion of debentures	**18**	**26,257**	**701**	**—**	**—**	**701**
Conversion feature of debentures	**18**	**—**	**302**	**—**	**—**	**302**
Issue costs	**18**	**—**	**(26,463)**	**—**	**—**	**(26,463)**
Other comprehensive loss	**13**	**—**	**—**	**—**	**(1,602)**	**(1,602)**
Balance at December 31, 2011		**66,209,376**	**$ 1,745,283**	**$ 373,553**	**$ (1,602)**	**$ 2,117,234**

See accompanying notes to the consolidated financial statements.

(in thousands of dollars, except number of Units)	Note	Number of units	Unitholders' equity	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
					Attributable to unitholders of the Trust	
Balance at January 1, 2010	5	21,263,713	$ 543,391	$ (40,269)	$ —	$ 503,122
Net income for the year		—	—	215,995	—	215,995
Distributions paid	17, 18	—	—	(70,291)	—	(70,291)
Distributions payable	17, 18	—	—	(8,433)	—	(8,433)
Public offering of REIT A Units	18	24,328,250	593,025	—	—	593,025
Distribution Reinvestment Plan	18	278,950	7,314	—	—	7,314
Unit Purchase Plan	18	15,739	412	—	—	412
Deferred units exchanged for REIT A Units	15	19,463	483	—	—	483
Conversion of debentures	18	6,404	169	—	—	169
Conversion feature of debentures	18	—	27	—	—	27
Issue costs	18	—	(26,763)	—	—	(26,763)
Balance at December 31, 2010	5	45,912,519	$ 1,118,058	$ 97,002	$ —	$ 1,215,060

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

For the years ended December 31 (in thousands of dollars)	Note	**2011**	2010 (Note 5)
Generated from (utilized in) operating activities			
Net income		**$ 400,920**	$ 215,995
Non-cash items:			
Acquisition related costs, net	7	**5,734**	—
Share of net earnings from equity accounted investments	10	**(49,728)**	(33,245)
Amortization of lease incentives	9	**3,566**	850
Amortization of financing costs	20	**2,177**	1,439
Amortization of fair value adjustments on acquired debt	20	**(1,963)**	(207)
Loss on sale of investment properties	19	**—**	301
Deferred unit compensation expense	15	**3,403**	2,283
Straight-line rent adjustment		**(6,952)**	(3,655)
Fair value adjustments to investment properties	9	**(232,987)**	(149,572)
Fair value adjustments to financial instruments	21	**11,065**	38,746
Depreciation on property and equipment		**579**	544
Reinvestment in subsidiary redeemable units	20	**771**	714
Investment in lease incentives and initial direct leasing costs	9	**(23,136)**	(16,963)
Transaction costs on acquired business	7	**(17,528)**	—
Interest paid on subsidiary redeemable units	20	**6,929**	6,933
Change in non-cash working capital	24	**(12,941)**	(5,584)
		89,909	58,579
Generated from (utilized in) investing activities			
Investment in building improvements	9	**(8,044)**	(5,784)
Investment in development projects	9	**(13,215)**	(6,757)
Acquisition of Realex Properties Corporation	7	**(154,380)**	—
Acquisition of investment properties	8	**(1,014,706)**	(731,974)
Acquisition deposit on investment properties		**(18,053)**	(3,750)
Vendor adjustment on investment property	9	**1,000**	—
Net proceeds from disposal of investment property	19	**—**	10,850
Distributions from equity accounted investments		**31,318**	2,074
Change in restricted cash		**28**	—
		(1,176,052)	(735,341)
Generated from (utilized in) financing activities			
Mortgages placed, net of costs of $3,666 (December 31, 2010 — $2,585)		**491,825**	306,977
Mortgage principal repayments		**(38,082)**	(19,626)
Lump sum repayment		**(48,390)**	(2,567)
Term debt principal repayments		**(224)**	(103)
Draw on revolving credit facility		**34,289**	—
Repayment of revolving credit facility		**(31,854)**	—
Draw on term loan credit facility		**184,350**	—
Distributions paid on Units	17	**(98,753)**	(66,464)
Interest paid on subsidiary redeemable units	20	**(6,929)**	(6,933)
Units issued for cash, net of costs of $26,463 (December 31, 2010 — $26,763)		**602,971**	566,262
		1,089,203	777,546
Increase in cash and cash equivalents		**3,060**	100,784
Cash and cash equivalents, beginning of year		**108,810**	8,026
Cash and cash equivalents, end of year		**$ 111,870**	$ 108,810

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

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

Note 1
ORGANIZATION

Dundee 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 and industrial properties located in urban centres across Canada. A subsidiary of Dundee REIT performs the property management function.

The address of the Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "D.UN". The Trust's consolidated financial statements for the year ended December 31, 2011, were authorized for issue by the Board of Trustees on February 22, 2012, after which date the financial statements may only be amended with board approval.

Equity is described in Note 18; 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; Series B; and Special Trust Units, collectively

Units classified as a liability are described in Note 14; 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, 2011, Dundee Corporation, the majority shareholder of Dundee Realty Corporation ("DRC"), directly and indirectly through its subsidiaries, held 1,776,158 REIT A Units and 3,506,107 subsidiary redeemable units (December 31, 2010 — 976,506 and 3,481,733, respectively; January 1, 2010 — 921,299 and 3,454,188, respectively).

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Trust prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed in Part I of the Handbook of The Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Trust's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these consolidated financial statements, the term "previous GAAP" refers to Canadian GAAP before the adoption of IFRS.

Statement of compliance

The consolidated financial statements have been prepared in compliance with IFRS. Subject to certain transition elections and exceptions disclosed in Note 5, the Trust has consistently applied the accounting policies used in the preparation of its opening IFRS consolidated balance sheet at January 1, 2010, and throughout all years presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Trust's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Trust's consolidated financial statements for the year ended December 31, 2010, prepared under Canadian GAAP.

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, being the date on which the Trust obtains control, and continue to be consolidated until the date that such control ceases. Control exists when the Trust has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefit from its activities. All intercompany balances, income and expenses, and unrealized gains and losses resulting from intercompany transactions are eliminated in full.

Joint arrangements

A joint venture is 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 venture require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The Trust reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, equity accounted investments are 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 statement of comprehensive income. At each period-end 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. When the Trust's share of losses of an equity accounted investment equals or exceeds its interest in that investment, the Trust discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Trust has incurred legal or constructive obligations to fund the entity or made payments on behalf of that entity. Accounting policies of equity accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Trust.

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.

The Trust reports its interests in co-ownerships using proportionate consolidation. The Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements.

Note 3

ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The significant accounting policies used in the preparation of these consolidated 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 and industrial 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 upon, 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, and which is subject to similar leases and other contracts. The Trust has concluded that there is insufficient market evidence on which to base investment property valuation using this approach, and has therefore determined that the use of 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. Valuations of investment properties are most sensitive to changes in discount rates and capitalization rates.

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 borrowings specific to the project, 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 upon 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 and industrial 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. 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 and industrial property segments.

Other non-current assets

Other non-current assets include property and equipment, deposits, restricted cash and straight-line rent receivables. 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 statement 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. 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.

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.

redeemable units are recorded as interest expense in comprehensive income. The Trust considers distributions on the subsidiary redeemable units, classified as interest expense, as a financial activity in the statement of cash flows. 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 forecasted issuance of bankers' acceptances.

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 when the forecast transaction is ultimately recognized in the consolidated statements of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statements of other comprehensive income.

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.

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 trustees at their sole discretion. The Trust has determined that 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, 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 issue 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 group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that 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 classified as held for sale

Assets and groups of assets and liabilities, which comprise disposal groups, are categorized as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if: management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification, and changes to the plan are unlikely. Where an asset or disposal group is acquired with a view to resale, it is classified as a non-current asset held for sale if the disposal is expected to take place within one year of the acquisition; and it is highly likely that the other conditions referred to above will be met within a short period following the acquisition.

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 asset or liability affected in the future.

Critical accounting judgments

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

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 and industrial 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 property. 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.

Leases

In applying the revenue recognition policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased space, which impacts whether or not such amounts are treated as additions to the investment property.

Judgments are also made in determining whether certain leases, in particular those with long contractual terms where the lessee is the sole tenant in a property and long-term ground leases where the Trust is lessor, are operating or finance leases. The Trust has determined that all of its leases are operating leases.

Compliance with REIT legislation

In order to continue to be taxed as a mutual fund trust, the Trust needs to maintain its REIT status. In 2007, the Trust undertook certain transactions to qualify as a REIT under the Specified Investment Flow Through ("SIFT") rules in the Canadian *Income Tax Act*. The Trust's current and continuing qualification as a REIT depends on its ability to meet the various requirements imposed under the SIFT rules, which relate to matters such as its organizational structure and the nature of its assets and revenues. The Trust applies judgment in determining whether it continues to qualify as a REIT under the SIFT rules.

Treatment of REIT Units

The Trust has considered the criteria in IAS 32 to classify the REIT Units as equity because of the puttable exemption.

Treatment of subsidiary redeemable units

The Trust has considered the criteria in IAS 32 to classify the subsidiary redeemable units as a liability because they do not have identical features to REIT Units and are not the most subordinated instrument.

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 if 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 the legal entities, does not take on or assume employees or does not acquire an operating platform, it classifies the acquisition as an asset acquisition.

Classification of joint ventures and associates

The Trust makes judgments as to whether the joint ventures, partnerships and co-ownerships provide it with joint control, significant influence or no influence.

Impairment

The Trust assesses the possibility and amount of any impairment loss or write-down as it relates to amounts receivable, and property and equipment.

Estimates and assumptions

Qj The s[illegible]

Valuation of financial instruments

The Trust makes estimates and assumptions relating to the fair value measurement of the subsidiary redeemable units, the Deferred Unit Incentive Plan, 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, 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 uses quoted market prices from an active market.

Note 5

TRANSITION TO IFRS

The Trust adopted IFRS effective January 1, 2010 (the "transition date"), and has prepared its opening IFRS consolidated balance sheet as at that date. Prior to the adoption of IFRS, the consolidated financial statements were prepared in accordance with previous GAAP. The consolidated financial statements for the year ended December 31, 2011, are the first annual financial statements that comply with IFRS. The Trust has prepared its opening IFRS consolidated balance sheet by applying those IFRS standards with an effective date of December 31, 2011, or prior.

Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, the Trust has applied certain of the optional exemptions from full retrospective application of IFRS. The elected exemptions adopted by the Trust are described below.

Cumulative translation differences

The Trust has elected to set the previous GAAP cumulative foreign currency translation account, which is included in accumulated other comprehensive income at December 31, 2009, to $nil at January 1, 2010.

Business combinations

The Trust has applied the business combinations exemption in IFRS 1 in order to avoid retrospective application of IFRS 3 to past business combinations completed prior to January 1, 2010.

Financial instruments: Presentation

IAS 32 requires that compound financial instruments be split at inception into separate liability and equity components. If the liability component is no longer outstanding, retrospective application of IAS 32 involves separating two portions of equity. The first portion is in retained earnings and represents the cumulative interest accreted on the liability component. The other portion represents unitholders' equity. However, in accordance with IFRS, a first-time adopter need not separate these two portions if the liability component is no longer outstanding at the date of transition to IFRS. The Trust has elected not to separate the retained earnings and unitholders' equity components as they relate to the conversion feature on the convertible debentures for debentures converted prior to January 1, 2010.

Reconciliation of equity and comprehensive income as previously reported under previous GAAP to IFRS

The following is a reconciliation of total equity reported in accordance with previous GAAP to total equity in accordance with IFRS at the transition date:

	Note	Unitholders' equity	Retained earnings (deficit)[1]	Accumulated other comprehensive loss	Total
As reported under previous GAAP — December 31, 2009		$ 607,286	$ (201,525)	$ (6,609)	$ 399,152
Differences increasing (decreasing) reported amount:					
Investment properties	(i)	—	143,491	—	143,491
Equity accounted investments	(ii)	—	32,574	—	32,574
Cumulative foreign currency translation adjustments	(iii)	—	(6,609)	6,609	—
Deferred Unit Incentive Plan	(iv)	(1,069)	(2,545)	—	(3,614)
Subsidiary redeemable units	(v)	(60,266)	(11,408)	—	(71,674)
Conversion feature of convertible debentures	(vi)	(2,560)	(856)	—	(3,416)
Reversal of impairment on non-current assets held for sale	(iii)	—	6,609	—	6,609
As reported under IFRS — January 1, 2010		$ 543,391	$ (40,269)	$ —	$ 503,122

[1] Under previous GAAP, retained earnings (deficit) was presented as cumulative net income and cumulative distributions.

The following is a reconciliation of total equity reported in accordance with previous GAAP to total equity in accordance with IFRS at December 31, 2010:

	Note	Unitholders' equity	Retained earnings (deficit)[1]	Total
As reported under previous GAAP — December 31, 2010		$ 1,183,705	$(260,904)	$ 922,801
Differences increasing (decreasing) reported amount:				
Investment properties	(i)	—	357,847	357,847
Equity accounted investments	(ii)	—	54,350	54,350
Deferred Unit Incentive Plan	(iv)	(2,134)	(6,167)	(8,301)
Subsidiary redeemable units	(v)	(60,980)	(44,168)	(105,148)
Conversion feature of convertible debentures	(vi)	(2,533)	(3,956)	(6,489)
As reported under IFRS — December 31, 2010		$ 1,118,058	$ 97,002	$ 1,215,060

[1] Under previous GAAP, retained earnings (deficit) was presented as cumulative net income and cumulative distributions.

The following is a reconciliation of comprehensive income reported in accordance with previous GAAP to comprehensive income in accordance with IFRS for the year ended December 31, 2010:

	Note	For the year ended December 31, 2010
Comprehensive income as reported under previous GAAP		$ 33,599
Differences increasing (decreasing) reported amount:		
Investment properties	(i)	214,359
Equity accounted investments	(ii)	24,380
Cumulative foreign currency translation adjustments	(iii)	(6,609)
Fair value of investment property held for sale	(vii)	(2,603)
Deferred Unit Incentive Plan	(iv)	(3,622)
Interest expense and remeasurement of subsidiary redeemable units	(v)	(40,409)
Remeasurement of the convertible debenture conversion feature	(vi)	(3,100)
Comprehensive income as reported under IFRS		$ 215,995

Notes to the reconciliations

(i) Investment properties

Under previous GAAP, rental properties, including office and industrial properties, were recorded at cost and depreciated over their estimated lives. Under IAS 40, "Investment Property" ("IAS 40"), the Trust has elected to measure investment properties at fair value and record changes in fair value in comprehensive income during the period of change. In addition, under previous GAAP, intangible assets and liabilities were recognized on the acquisition of rental properties, which is not required when applying the fair value model under IFRS as the values of the intangible assets and liabilities are considered in determining the fair value of the investment properties. Accordingly, on the date of transition, all intangible assets and intangible liabilities, net of accumulated amortization, $57,558 and $(35,031), respectively, were derecognized by reclassifying them to investment properties (December 31, 2010 — $143,413 and $(47,749)). Similarly, deferred costs of $39,589 (December 31, 2010 — $76,099), net of accumulated amortization, which were recorded separately under previous GAAP, have been included in the carrying balance of investment properties. Property and equipment of $1,168 (December 31, 2010 — $1,262), net of accumulated amortization, was included with rental properties under previous GAAP, and has been reclassified to other non-current assets. Finally, investment property related to equity accounted investments, inclusive of intangible assets, intangible liabilities and deferred costs of $155,983 (December 31, 2010 — $154,385), was reclassified to equity accounted investments. The effect increases the carrying amount of investment properties by $143,491 at the date of transition and $357,847 at December 31, 2010, with a corresponding adjustment to retained earnings, which represents the cumulative unrealized gain in respect of the Trust's investment properties. The effect on comprehensive income for 2010 is an increase to "fair value adjustments to investment properties" under IFRS and the removal of amortization related to rental properties. "Rental properties" as described under previous GAAP are described as "investment properties" under IFRS.

(ii) Equity accounted investments

Under previous GAAP, the Trust accounted for its investments in joint ventures under the proportionate consolidation method. In accordance with IAS 31, "Interests in Joint Ventures" ("IAS 31"), the Trust has opted to equity account for investments in joint ventures. The effect removes the proportionately consolidated assets and liabilities of $199,511 and $(102,207) (December 31, 2010 — $221,410 and $(98,026)), respectively, on transition of the respective joint ventures and adds a corresponding equity accounted investment on the consolidated balance sheet. This adjustment includes fair value adjustments to retained earnings on transition of $32,574, determined in a similar manner as for investment properties, which includes $2,603 related to

assets held for sale on the date of transition, and $37,969 in the consolidated statement of comprehensive income for the year ended December 31, 2010. The effect on the statement of comprehensive income removes the proportionately consolidated revenues and expenses and reflects the Trust's share of earnings on its equity accounted investments in one line.

(iii) Cumulative foreign currency translation adjustments

Under previous GAAP, exchange gains and losses accumulated in other comprehensive income on foreign operations were included as part of the carrying amount of the investment in the foreign operation when evaluating the investment for impairment. As the Trust has elected to set the cumulative translation account to $nil at January 1, 2010, the investment had a lower carrying amount which resulted in the reversal of a portion of the impairment charge recorded in net income (loss) from discontinued operations for the year ended December 31, 2009. As a result, an adjustment of $6,609 was recorded to the opening deficit at January 1, 2010. Additionally, for the year ended December 31, 2010, a reversal of cumulative translation adjustments of $(6,609) has been recognized in other comprehensive income.

(iv) Deferred Unit Incentive Plan

Under previous GAAP, grants pursuant to the Deferred Unit Incentive Plan were recognized as compensation expense evenly over the three- or five-year vesting period based on the value of the deferred units on the date of grant. Upon adopting IFRS, the balance related to the Deferred Unit Incentive Plan recorded in equity is reclassified to non-current liabilities, and compensation expense is recognized over the vesting period based upon the fair value of the deferred units. This change resulted in increased compensation expense recorded in general and administrative expenses of $736 for the year ended December 31, 2010. Changes in the non-current liability in respect of the vested deferred units are as a result of unit price movements, and are recorded in fair value adjustments to financial instruments. For the year ended December 31, 2010, the Trust recognized $2,887 in the consolidated statement of comprehensive income as a fair value adjustment to financial instruments. The effect recognizes a $2,545 charge to opening retained earnings on transition reflecting the measurement of the liability at the market price of REIT A Units and the vesting of deferred units over the vesting period as each portion of the grant vests, on a straight-line basis. In addition, amounts previously recognized in unitholders' equity relating to the deferred units have been reclassified to liabilities. On the date of transition, the Trust recorded a liability of $3,614 (December 31, 2010 — $8,301).

(v) Subsidiary redeemable units

Under previous GAAP, the Trust accounted for its subsidiary redeemable units as a component of unitholders' equity. In accordance with IAS 32, "Financial Instruments — Classification" ("IAS 32"), these units have been reclassified from unitholders' equity to liabilities because they are not the least subordinated instrument of units in issuance and because there is a redemption feature at the option of the holder. On the date of transition, a $71,674 liability (December 31, 2010 — $105,148) was recorded. Accordingly, distributions on subsidiary redeemable units are recorded as interest expense in comprehensive income. The Trust made an adjustment to comprehensive income for the year ended December 31, 2010, of $7,647. At each reporting period the subsidiary redeemable units are remeasured to fair value using the fair value of REIT Units. On transition to IFRS, this resulted in an adjustment to opening retained earnings of $11,408 and comprehensive income of $32,760 for the year ended December 31, 2010.

(vi) Conversion feature of convertible debentures

Under IAS 32, the Trust is required to present the conversion feature of the convertible debentures as a liability measured at fair value. Upon initial adoption of IFRS, the conversion feature is recorded separately from the debenture ("host contract"). Under previous GAAP, the conversion feature was recorded in unitholders' equity upon the issuance of convertible debentures. The $2,560 equity component as at January 1, 2010, has been reclassified to a liability, with the remaining $856 fair value adjustment being recorded in retained earnings. On the date of transition, a $3,416 liability (December 31, 2010 — $6,489) was recorded. Under IFRS, the conversion feature will be adjusted to unitholders' equity upon conversion of a debenture. The conversion

feature is remeasured each reporting period, with changes in the fair value of the conversion feature being recorded in comprehensive income through the "fair value adjustment to financial instruments". For the year ended December 31, 2010, the Trust recorded $3,099 in comprehensive income as a fair value adjustment to financial instruments.

(vii) Fair value adjustment on disposed assets

Pursuant to IAS 40 the Trust has remeasured its investment properties, including an investment property classified as held for sale at fair value on transition to IFRS. Accordingly, the Trust recognized a $2,603 fair value increase in an investment property classified as held for sale at January 1, 2010, which was subsequently sold on March 1, 2010. This resulted in a decrease to the gain on disposal of rental properties recognized under previous GAAP.

Consolidated statement of cash flows

As a result of equity accounting treatment applied to jointly controlled entities, cash and cash equivalents have been reduced by $3,996 as at January 1, 2010 (December 31, 2010 — $8,494). In addition, under IFRS cash flows generated from operating activities for the year ended December 31, 2010, have decreased from previous GAAP by $20,804, primarily due to the reclassification of interest expense on subsidiary redeemable units from financing, the reclassification of additions to tenant improvements from investing cash flows, and the effects of accounting for joint ventures as equity accounted investments. Cash outflows from investing activities decreased by $11,980 for the year ended December 31, 2010, resulting from the effects of accounting for joint ventures as equity accounted investments including removing proportionately consolidated investment property additions and recognizing distributions from the investments, as well as reclassifying additions to tenant improvements to operating cash flows. Cash flows from financing activities increased by $4,524 for the year ended December 31, 2010, resulting from the effects of equity accounted investments on the repayment of mortgages.

Note 6

FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

IFRS 9, "Financial Instruments" ("IFRS 9"), was issued by the International Accounting Standards Board ("IASB") on November 12, 2009, and will replace IAS 39, "Financial Instruments: Recognition and Measurements" ("IAS 39"). IFRS 9 provides guidance on the classification and measurement of financial assets and financial liabilities. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Trust is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

Income taxes

In December 2010, the IASB made amendments to IAS 12, "Income Taxes" ("IAS 12"), that are applicable to the measurement of deferred tax liabilities and deferred tax assets where investment property is measured using the fair value model in IAS 40, "Investment Property". The amendments introduce a rebuttable presumption that, for purposes of determining deferred tax consequences associated with temporary differences relating to investment properties, the carrying amount of an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012. The Trust is currently evaluating the impact of the amendment to IAS 12 on its consolidated financial statements.

Joint arrangements

On May 12, 2011, the IASB issued IFRS 11, “Joint Arrangements” (“IFRS 11”). This new standard replaces IAS 31, “Interests in Joint Ventures”. The new standard eliminates the option to proportionately consolidate interests in certain types of joint ventures. IFRS 11 is effective from January 1, 2013. The Trust is currently evaluating the impact of this standard on the consolidated financial statements.

Financial instruments: Disclosures, [illegible]

Note 8

PROPERTY ACQUISITIONS

Detailed below are the acquisitions completed during the years ended December 31, 2011, and December 31, 2010.

For the year ended December 31, 2011	Property type	Interest acquired (%)	Purchase price[1]	Fair value of mortgage assumed	Date acquired
Saskatoon Square, Saskatoon	office	100	$ 51,349	$ —	January 4, 2011
400 Cumberland, Ottawa	office	100	39,179	—	January 17, 2011
55 King Street West, Kitchener	office	100	13,506	—	March 31, 2011
586 Argus Road, Oakville	office	100	16,986	—	May 2, 2011
Morgex Building (11120-178th Street), Edmonton	office	100	13,354	—	May 19, 2011
Multivesco Portfolio, Gatineau	office/industrial	100	15,999	—	June 9, 2011
700 de la Gauchetière, Montréal	office	100	287,766	123,003	July 11, 2011
13888 Wireless Way, Richmond	office	100	32,447	17,005	July 12, 2011
81 Wright and 170 Joseph Zatzman, Halifax	industrial	100	7,631	1,217	July 27, 2011
Blackstone Portfolio, Ontario, Alberta	office	100	703,365	—	August 15, 2011
Richmond Place (8100 Granville Avenue), Richmond	office	100	24,867	—	November 22, 2011
Total			$1,206,449	$ 141,225	

[1] Includes transaction costs.

On August 15, 2011, the Trust completed its acquisition of a portfolio of properties (the "Blackstone Portfolio") located in Toronto, Ottawa, Calgary and Edmonton from affiliates of Blackstone Real Estate Advisors LP ("Blackstone") and Slate Properties Inc. ("Slate") for $844,758. As part of the transaction, the Trust immediately redirected five of the properties ("redirected properties") to third parties. The funds to purchase the redirected properties, totalling $141,393, were paid directly by the third parties to the seller's counsel in escrow on the closing date. The Trust paid $703,365 for the 24 properties it acquired.

Prior to May 19, 2011, the Trust held its 25% interest in 11120-178th Street in Edmonton through a partnership interest acquired with Realex. The Trust's 25% interest was accounted for as a joint venture until May 19, 2011, at which time the Trust disposed of its 25% interest in the property held in the partnership, and acquired 100% as a directly held property under Dundee Properties Limited Partnership ("DPLP"). The cost to acquire the 75% interest not previously owned by the Trust, including transaction costs, was $10,054.

For the year ended December 31, 2010	Property type	Interest acquired (%)	Purchase price[1]	Fair value of mortgage assumed	Date acquired
Adelaide Place, Toronto	office	100	$ 217,708	$ —	January 18, 2010
Aviva Corporate Centre, Toronto	office/redevelopment	100	45,660	30,321	February 10, 2010
10130-103 Street, Edmonton	office	100	90,007	27,794	April 16, 2010
2340 St. Laurent Boulevard, Ottawa	industrial	100	11,344	—	April 26, 2010
4915-52 Street, Yellowknife	redevelopment	100	678	—	April 30, 2010
Financial Building, Regina	office	100	14,222	—	May 4, 2010
30 Eglinton Avenue West, Mississauga	office	100	38,543	21,496	May 31, 2010
625 Cochrane Drive, Markham	office	100	29,917	—	June 18, 2010
Valleywood Corporate Centre, Markham	office	100	31,645	—	June 18, 2010
275 Wellington Street East, Aurora	industrial	100	25,438	—	July 30, 2010
8000 Av Blaise-Pascal, Montréal	industrial	100	11,296	—	July 30, 2010
6509 Airport Road, Mississauga	office	100	12,295	—	August 3, 2010
3035 Orlando Drive, Mississauga	office	100	2,410	—	August 3, 2010
2075 Kennedy Road, Toronto	office	100	31,750	—	August 12, 2010
1421 Rue Ampère Street, Boucherville	industrial	100	29,381	—	September 2, 2010
1313 Autoroute Chomedey, Laval	industrial	100	12,716	—	September 2, 2010
150 Metcalfe Street, Ottawa	office	100	34,540	—	September 16, 2010
236 Brownlow Avenue, Dartmouth	office	100	7,455	—	October 5, 2010
970 Fraser Drive, Burlington	industrial	100	7,090	—	October 19, 2010
2200 & 2204 Walkley Road, Ottawa	office	100	23,653	18,242	November 2, 2010
2625 Queensview Drive, Ottawa	office	100	8,656	—	November 5, 2010
30 Simmonds Drive, Dartmouth	industrial	100	1,621	—	November 22, 2010
105 Akerley Boulevard, Dartmouth	industrial	100	3,101	—	November 22, 2010
4259–4299 Canada Way, Burnaby	office	100	26,280	17,184	December 15, 2010
2665 Renfrew Street, Vancouver	office	100	34,649	—	December 21, 2010
AFIAA Portfolio, Toronto, Mississauga and Calgary	office	100	45,348	—	December 21, 2010
10250-101 Street, Edmonton	office	100	84,619	25,957	December 22, 2010
100 Gough Road, Toronto	office	100	30,475	13,094	December 30, 2010
580 Industrial Road, London	industrial	100	9,674	4,780	December 30, 2010
Total			$ 922,171	$ 158,868	

[1] Includes transaction costs.

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

For the years ended December 31	**2011**	2010
Investment properties:		
Office	**$ 1,195,314**	$ 804,819
Industrial	**11,135**	111,661
Properties under development	**—**	5,691
Total purchase price	**$1,206,449**	$ 922,171
The consideration paid consists of:		
Cash:		
Paid during the year	**$1,014,706**	$ 731,974
Deposits applied	**19,703**	13,755
	1,034,409	745,729
Transfer of interest from equity accounted investment	**3,477**	—
Assumed mortgages at fair value	**141,225**	158,868
Assumed non-cash working capital	**27,338**	17,574
Total consideration	**$1,206,449**	$ 922,171

Note 9
INVESTMENT PROPERTIES

For the years ended December 31	Note	**2011**	2010
Balance at beginning of year		**$2,330,005**	$1,229,608
Additions:			
Acquisitions from business combinations	7	**352,609**	—
Property acquisitions	8	**1,206,449**	922,171
Building improvements		**8,044**	5,784
Lease incentives and initial direct leasing costs		**23,136**	16,963
Development projects		**13,215**	6,757
Amortization of lease incentives		**(3,566)**	(850)
Vendor adjustment on investment property		**(1,000)**	—
Properties reclassified as held for sale		**(7,700)**	—
Fair value adjustments to investment properties		**232,987**	149,572
Balance at end of year		**$ 4,154,179**	$2,330,005

Investment properties have been reduced by $15,132 (December 31, 2010 — $8,180, January 1, 2010 — $4,499) related to straight-line rent receivable, which has been reclassified to other non-current assets.

The key valuation metrics for all investment properties, including those accounted for as equity accounted investments, are set out below:

	December 31, 2011		December 31, 2010		January 1, 2010	
Total portfolio	**Range (%)**	**Weighted average (%)**	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Office:						
Capitalization rate	**5.50–9.25**	**6.64**	6.25–9.50	7.16	6.75–9.50	8.01
Discount rate	**7.50–10.50**	**7.94**	7.50–10.50	8.04	8.00–10.50	8.66
Terminal rate	**6.00–9.75**	**7.12**	6.50–9.75	7.31	7.25–9.75	7.97
Industrial:						
Capitalization rate	**6.50–9.25**	**7.12**	6.25–8.00	7.42	7.25–8.50	7.61
Discount rate	**8.00–10.00**	**8.58**	7.75–9.75	8.81	8.50–10.00	8.75
Terminal rate	**7.25–10.00**	**7.76**	7.25–9.00	7.93	7.75–9.00	7.85
Overall:						
Capitalization rate	**5.50–9.25**	**6.68**	6.25–9.50	7.20	6.75–9.50	8.00
Discount rate	**7.50–10.50**	**7.99**	7.50–10.50	8.12	8.00–10.50	8.68
Terminal rate	**6.00–10.00**	**7.17**	6.50–9.75	7.38	7.25–9.75	7.95

Investment properties with an aggregate fair value of $366,250 at December 31, 2011 (December 31, 2010 — $692,750, January 1, 2010 — $730,545), were valued by qualified valuation professionals.

Investment properties, including equity accounted investments, with a fair value of $3,726,675 (December 31, 2010 — $2,205,031) are pledged as security for mortgages. Investment properties with a fair value of $40,000 (December 31, 2010 — $37,950) are pledged as first-ranking collateral, and an investment property with a fair value of $75,000 (December 31, 2010 — $63,800) is pledged as second-ranking collateral against the demand revolving credit facility with a maximum $40,000 available for draw. Three investment properties with a fair value of $181,500 (December 31, 2010 — $nil) are pledged as second-ranking collateral against the demand revolving credit facility with a maximum of $35,000 available to draw. Nine investment properties with a fair value of $278,136 are pledged as first-ranking collateral against the $188,000 term loan facility. If the cap rate was increased by 25 bps, the investment properties balance would decrease by $162,125. If the cap rate were decreased by 25 bps, the investment properties balance would increase by $175,996.

Note 10
JOINT ARRANGEMENTS

	December 31, 2011	December 31, 2010	January 1, 2010
Investments in joint ventures	**$ 144,596**	$ 123,384	$ 92,304

Investments in joint ventures

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

Details of the Trust's joint ventures:

			Ownership interest (%)		
Name	Principal activity	Location	**December 31, 2011**	December 31, 2010	January 1, 2010
IBM Corporate Centre	Investment property	Calgary, Alberta	**33**	33	33
TELUS Tower	Investment property	Calgary, Alberta	**50**	50	50
110 Sheppard Ave. East	Investment property	Toronto, Ontario	**—**	—	50
State Street Financial Centre	Investment property	Toronto, Ontario	**50**	50	50
Greenbriar Mall	Investment property	Atlanta, Georgia	**—**	—	50
Riverbend Atrium	Investment property	Calgary, Alberta	**25**	—	—
Stockman Centre	Investment property	Calgary, Alberta	**25**	—	—
Plaza 124	Investment property	Edmonton, Alberta	**25**	—	—
Capital Centre	Investment property	Edmonton, Alberta	**25**	—	—

Prior to May 19, 2011, the Trust held a 25% interest in 11120-178th Street in Edmonton through a partnership acquired with Realex, and accounted for it as a joint venture. In the second quarter the Trust acquired the remaining 75% interest in this property.

The following amounts represent the total assets and liabilities of equity accounted investments in which the Trust participates and its ownership interest in the assets, liabilities, revenues, expenses and cash flows therein.

	December 31, 2011	December 31, 2010	January 1, 2010
Non-current assets			
Investment properties	**$ 264,505**	$ 208,736	$ 185,739
Other non-current assets	**2,386**	3,840	4,155
	266,891	212,576	189,894
Current assets			
Amounts receivable	**65**	259	334
Prepaid expenses	**89**	81	88
Cash and cash equivalents	**11,536**	8,494	4,195
	11,690	8,834	4,617
Total assets	**$ 278,581**	$ 221,410	$ 194,511
Non-current liabilities			
Debt	**$ 127,246**	$ 56,004	$ 97,410
Deposits	**160**	64	82
	127,406	56,068	97,492
Current liabilities			
Debt	**2,977**	38,839	2,385
Amounts payable and accrued liabilities	**3,602**	3,119	2,330
	6,579	41,958	4,715
Total liabilities	**$ 133,985**	$ 98,026	$ 102,207
Net assets	**$ 144,596**	$ 123,384	$ 92,304

For the years ended December 31	**2011**	2010
Investment properties revenue	**$ 29,759**	$ 28,840
Investment properties operating expenses	**12,696**	11,526
Net rental income	**17,063**	17,314
Other income and expenses		
General and administrative	**(103)**	(2)
Fair value adjustments to investment properties	**37,969**	20,923
Interest on debt	**(5,323)**	(5,083)
Interest and fee income	**122**	93
Net income	**$ 49,728**	$ 33,245

For the years ended December 31	**2011**	2010
Cash flow generated from (utilized in):		
Operating activities	**$ 12,241**	$ 12,751
Investing activities	**(644)**	(2,204)
Financing activities	**(8,555)**	(6,248)
Increase in cash and cash equivalents	**$ 3,042**	$ 4,299

Co-owned properties

The Trust's interests in co-owned properties which are accounted for on a proportionate consolidated basis are as follows.

			Ownership interest (%)	
Name	Principal activity	Location	**December 31, 2011**	December 31, 2010
10199-101st Street NW	Investment property	Edmonton, Alberta	**50**	—
St. Albert Trail Centre	Investment property	Edmonton, Alberta	**50**	—
GE Turbine Building	Investment property	Sherwood Park, Alberta	**50**	—
Centre 70	Investment property	Calgary, Alberta	**15**	—

	December 31, 2011
Non-current assets	
Investment properties	$ 34,642
Other non-current assets	77
	34,719
Current assets	
Amounts receivable	202
Prepaid expenses	20
Cash and cash equivalents	300
	522
Total assets	$ 35,241
Non-current liabilities	
Debt	$ 24,374
Deposits	219
	24,593
Current liabilities	
Debt	737
Amounts payable and accrued liabilities	435
	1,172
Total liabilities	$ 25,765

	For the year ended December 31, 2011
Investment properties revenue	$ 3,587
Investment properties operating expenses	1,496
Net rental income	2,091
Other income and expenses	
General and administrative	(207)
Fair value adjustments to investment properties	3,406
Interest on debt	(1,218)
Interest and fee income	1
Net income	$ 4,073

Note 11

OTHER NON-CURRENT ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Property and equipment (net of accumulated depreciation of $1,308 (December 31, 2010 — $707, January 1, 2010 — $834))	**$ 2,690**	$ 1,251	$ 1,155
Deposits	**3,065**	4,741	13,881
Restricted cash	**1,620**	99	99
Straight-line rent receivable	**15,132**	8,180	4,499
Total	**$ 22,507**	$ 14,271	$ 19,634

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

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

Note 12

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating to $4,842 (December 31, 2010 — $3,664, January 1, 2010 — $2,383).

	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	**$ 8,934**	$ 3,110	$ 3,125
Less: Provision for impairment of trade receivables	**1,098**	547	1,093
Trade receivables, net	**7,836**	2,563	2,032
Other amounts receivable (payable)	**5,782**	882	(621)
	$ 13,618	$ 3,445	$ 1,411

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

	2011	2010
As at January 1	**$ 547**	$ 1,093
Provision for impairment of trade receivables	**800**	462
Receivables written off during the period as uncollectible	**(249)**	(1,008)
As at December 31	**$ 1,098**	$ 547

The carrying amount of amounts receivable approximates fair value due to their current nature. As at December 31, 2011, trade receivables of approximately $1,139 were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these receivables is not indicative of expected default.

The Trust leases office and industrial properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining term are as follows:

	December 31, 2011
Less than 1 year	$ 265,830
1–5 years	891,410
Longer than 5 years and less than 10 years	225,190
	$1,382,430

Note 13
DEBT

	December 31, 2011	December 31, 2010	January 1, 2010
Mortgages	**$ 1,805,571**	$1,070,800	$ 627,106
Convertible debentures	**131,353**	130,867	129,940
Demand revolving credit facility	**2,435**	—	—
Term loan facility	**184,654**	—	—
Term debt	**504**	341	219
Total	**2,124,517**	1,202,008	757,265
Less: Current portion	**166,979**	69,546	26,358
Non-current debt	**$ 1,957,538**	$ 1,132,462	$ 730,907

Mortgages are secured by charges on specific investment properties (refer to Note 9).

Convertible debentures comprise:

	December 31, 2011	December 31, 2010	January 1, 2010
6.0% Debentures	**$ 121,054**	$ 119,923	$ 118,904
5.7% Debentures	**7,497**	7,752	7,743
6.5% Debentures	**2,802**	3,192	3,293
	$ 131,353	$ 130,867	$ 129,940

						Outstanding principal amount		
	Date issued	Maturity date	Original principal issued	Interest rate	Interest payable semi-annually	**Dec 31, 2011**	Dec 31, 2010	Jan 1, 2010
6.0% Debentures	Jan 14/08	Dec 31/14	$ 125,000	6.0%	June 30 & Dec 31	**$ 124,965**	$ 124,965	$ 125,000
5.7% Debentures	Apr 1/05	Mar 31/15	$ 100,000	5.7%	Mar 31 & Sept 30	**7,539**	7,806	7,806
6.5% Debentures	June 21/04	June 30/14	$ 75,000	6.5%	June 30 & Dec 31	**2,916**	3,349	3,488
						$ 135,420	$ 136,120	$ 136,294

Each 6.0% Debenture is convertible at any time by the debenture holder into 24.15459 REIT A Units, per one thousand dollars of face value, representing a conversion price of $41.40 per unit. On or after December 31, 2010, and prior to December 31, 2012, the 6.0% Debentures may be redeemed by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest, provided the weighted average trading price for the Trust's units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption is given, is not less than 125% of the conversion price. On or after December 31, 2012, and prior to December 31, 2014, the 6.0% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. The 6.0% Debentures were initially recorded on the consolidated balance sheet as debt of $122,840 less costs of $5,800.

Each 5.7% Debenture is convertible at any time by the debenture holder into 33.33 REIT A Units, per one thousand dollars of face value, representing a conversion price of $30.00 per unit. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% Debentures may be redeemed by the Trust in whole or in part at a price equal to the principal amount plus accrued and unpaid interest, provided that the market price for the Trust's units is not less than $37.50 per unit. On or after March 31, 2011, the 5.7% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. The 5.7% Debentures were initially recorded on the consolidated balance sheet as debt of $98,800 less costs of $4,558.

Each 6.5% Debenture is convertible at any time by the debenture holder into 40 REIT A Units, per one thousand dollars of face value, representing a conversion price of $25.00 per unit. On or after June 30, 2010, the 6.5% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. The 6.5% Debentures were initially recorded on the consolidated balance sheet as debt of $74,400 less costs of $3,605.

Demand revolving credit facility

A demand revolving credit facility is available up to a formula-based maximum not to exceed $40,000, bearing interest generally at the bank's prime rate (3.0% as at December 31, 2011) plus 1.5% or bankers' acceptance rates plus 3.0%. This facility is secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. As at December 31, 2011, the formula-based amount available under this facility was $36,075, less $2,435 in the form of overdraft and $1,540 in the form of letters of guarantee (December 31, 2010 — $nil, $1,540 drawn, January 1, 2010 — $nil, $1,090 drawn). The facility expires on April 30, 2012.

In addition, through the acquisition of Realex Properties Corporation, the Trust assumed a demand revolving credit facility with a formula-based maximum not to exceed $22,000, bearing interest generally at the bank's prime rate (3.0% as at December 31, 2011) plus 0.85%. In the third quarter, the Trust negotiated an increase in the facility to a maximum of $35,000. As at December 31, 2011, the formula-based amount available under the facility was $35,000. The facility is secured by a second-ranking collateral mortgage on three properties and expires on April 30, 2013. As at December 31, 2011, $nil amounts are drawn from the facility.

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 bankers' acceptances. The term loan facility bears interest at bankers' acceptances plus 1.85% payable monthly. The term loan facility is secured by first-ranking collateral mortgages on nine properties acquired through the Blackstone Portfolio. 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. 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 ("OCI"). The ineffective portion, if any, for accounting purposes is recognized in net income. Settlement of both the fixed and variable portion of the interest rate swaps occurs on a monthly basis.

	Weighted average effective interest rates				Debt amount		
	December 31, 2011	December 31, 2010	January 1, 2010	Maturity dates	**December 31, 2011**	December 31, 2010	January 1, 2010
Fixed rate							
Mortgages	**4.95%**	5.23%	5.59%	2012–2021	**$ 1,805,571**	$ 1,070,800	$ 627,106
Convertible debentures	**7.03%**	7.03%	7.03%	2014–2015	**131,353**	130,867	129,940
Term debt	**7.58%**	8.77%	9.03%	2013	**504**	341	219
Total fixed rate debt	**5.09%**	5.43%	5.84%		**1,937,428**	1,202,008	757,265
Variable rate							
Term loan facility[1]	**3.83%**	—%	—%	2016	**184,654**	—	—
Demand revolving credit facility	**4.50%**	—%	—%	2012	**2,435**	—	—
Total variable rate debt	**3.86%**	—%	—%		**187,089**	—	—
Total debt	**4.98%**	5.43%	5.84%		**$ 2,124,517**	$ 1,202,008	$ 757,265

[1] Under a hedging arrangement, the Trust has entered into two interest rate swaps to fix the interest rate of the term loan facility: a five-year swap on a notional balance of $133,000, fixing interest at a bankers' acceptance rate of 1.67% plus a spread of 185 basis points, and a three-year swap on a notional balance of $55,000, fixing interest at a bankers' acceptance rate of 1.18% plus a spread of 185 basis points. The effective interest rate on the term loan facility is 3.83% after accounting for deferred financing costs.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term loan facility	Demand revolving credit facility	Term debt	Convertible debentures	Total
2012	$ 164,269	$ —	$ 2,435	$ 275	$ —	$ 166,979
2013	113,476	—	—	229	—	113,705
2014	120,901	—	—	—	127,881	248,782
2015	369,502	—	—	—	7,539	377,041
2016	204,211	188,000	—	—	—	392,211
2017 and thereafter	829,637	—	—	—	—	829,637
	1,801,996	188,000	2,435	504	135,420	2,128,355
Financing costs	(6,920)	(3,346)	—	—	(4,067)	(14,333)
Fair value adjustments on assumed mortgages	10,495	—	—	—	—	10,495
	$ 1,805,571	$ 184,654	$ 2,435	$ 504	$ 131,353	$ 2,124,517

Other financial instruments

The Trust has other financial instruments as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Fair value of interest rate swaps	**$ 1,602**	$ —	$ —
Conversion feature on the convertible debentures	**6,426**	6,489	3,416
	$ 8,028	$ 6,489	$ 3,416

Interest rate swaps

The following table summarizes the details of the interest rate swaps that are outstanding at December 31, 2011:

Transaction date	Term loan facility principal amount (notional)	Fixed interest rate	Maturity date
August 15, 2011	$ 133,000	3.52%	August 15, 2016
August 15, 2011	55,000	3.03%	August 15, 2014
Non-current debt	$ 188,000	3.38%	

The Trust has assessed that there is no ineffectiveness in the hedge 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 OCI. As at December 31, 2011, the aggregate fair value of the interest rate swaps amounted to a $1,602 financial liability. The associated unrealized gains or losses that are recognized in OCI will be reclassified into the consolidated statement of comprehensive 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 was as follows:

For the years ended December 31,	**2011**	2010
As at January 1	**$ 6,489**	$ 3,416
Conversion feature on the convertible debentures allocated to REIT A Units	**(302)**	(27)
Remeasurement of conversion feature	**239**	3,100
Ending balance as at December 31	**$ 6,426**	$ 6,489

Note 14

SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

For the years ended December 31	**2011**		2010	
	Number of units issued and outstanding	**Amount**	Number of units issued and outstanding	Amount
As at January 1	**3,481,733**	**$ 105,148**	3,454,188	$ 71,674
Distribution reinvestment plan	**24,374**	**771**	27,545	714
Remeasurement of carrying amount	**—**	**8,526**	—	32,760
As at December 31	**3,506,107**	**$ 114,445**	3,481,733	$ 105,148

During the year ended December 31, 2011, the Trust incurred $7,704 (December 31, 2010 — $7,647) in distributions on the subsidiary redeemable units which are included as interest expense in comprehensive income (see Note 20).

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 the 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. The subsidiary redeemable units are not entitled to vote at any meeting of the limited partners of DPLP.

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 LP Class B Units, Series 1. As at December 31, 2011, December 31, 2010, and January 1, 2010, all issued and outstanding LP Class B Units, Series 2 are owned indirectly by Dundee REIT and have been eliminated [illegible]

	Deferred trust units	Income deferred trust units	Total units
Outstanding at January 1, 2010	217,918	48,215	266,133
Granted during the year	98,666	29,502	128,168
Cancelled	(200)	(27)	(227)
REIT A Units issued	(15,937)	(3,526)	(19,463)
Fractional units paid in cash	—	(13)	(13)
Outstanding at January 1, 2011	300,447	74,151	374,598
Granted during the year	113,791	33,670	147,461
REIT A Units issued	(25,383)	(6,995)	(32,378)
Fractional units paid in cash	—	(13)	(13)
Outstanding and payable at December 31, 2011	388,855	100,813	489,668
Vested but not issued at December 31, 2011	107,983	55,734	163,717

On March 4, 2011, 100,500 deferred trust units were granted to trustees and senior managers. Of the units granted, 27,000 relate to key management personnel. A further 13,291 deferred trust units were granted to trustees who elected to receive their 2011 annual retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was $31.60.

Note 16

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Trade payables	**$ 6,451**	$ 2,292	$ 1,552
Accrued liabilities and other payables	**46,155**	20,427	8,786
Accrued interest	**8,157**	5,402	3,643
Rent received in advance	**2,376**	1,920	783
Total	**$ 63,139**	$ 30,041	$ 14,764

Note 17

DISTRIBUTIONS

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

	REIT Units, Series A	**REIT Units, Series B**	**2011 total**	2010 total
Paid in cash	**$ 98,717**	**$ 36**	**$ 98,753**	$ 66,464
Paid by way of reinvestment in REIT A Units	**21,857**	**—**	**21,857**	7,729
Less: Payable at December 31, 2010 (December 31, 2009)	**(8,430)**	**(3)**	**(8,433)**	(3,902)
Plus: Payable at December 31, 2011 (December 31, 2010)	**12,189**	**3**	**12,192**	8,433
Total	**$ 124,333**	**$ 36**	**$ 124,369**	$ 78,724

On December 16, 2011, a distribution for the month of December, in the amount of $0.183 per unit, was declared, totalling $12,192. The amount payable at December 31, 2011, was satisfied on January 15, 2012, by $9,558 in cash, and $2,634 in connection with the issuance of 79,392 REIT A Units.

Dundee REIT's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or lesser than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust, to the extent that such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. The Trust declared distributions of $0.183 per unit per month, or $2.20 per unit per year during 2011 and 2010.

Note 18
EQUITY

	December 31, 2011		December 31, 2010		January 1, 2010	
	Number of units	**Amount**	Number of units	Amount	Number of units	Amount
REIT Units, Series A	**66,193,060**	**$ 2,118,116**	45,896,203	$ 1,214,604	21,247,397	$ 502,736
REIT Units, Series B	**16,316**	**720**	16,316	456	16,316	386
Accumulated other comprehensive loss	**—**	**(1,602)**	—	—	—	—
Total	**66,209,376**	**$ 2,117,234**	45,912,519	$ 1,215,060	21,263,713	$ 503,122

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 loss**	**Number of units**	**Amount**
Equity, January 1, 2011	45,896,203	$ 1,214,604	16,316	$ 456	$ —	45,912,519	$ 1,215,060
Net income	—	400,620	—	300	—	—	400,920
Distributions paid	—	(112,144)	—	(33)	—	—	(112,177)
Distributions payable	—	(12,189)	—	(3)	—	—	(12,192)
Public offering of REIT A Units	19,538,500	629,434	—	—	—	19,538,500	629,434
Distribution Reinvestment Plan	688,502	21,857	—	—	—	688,502	21,857
Unit Purchase Plan	11,222	359	—	—	—	11,222	359
Deferred units exchanged for REIT A Units	32,376	1,035	—	—	—	32,376	1,035
Conversion of debentures	26,257	701	—	—	—	26,257	701
Conversion feature of debentures	—	302	—	—	—	—	302
Issue costs	—	(26,463)	—	—	—	—	(26,463)
Other comprehensive loss	—	—	—	—	(1,602)	—	(1,602)
Equity, December 31, 2011	66,193,060	$ 2,118,116	16,316	$ 720	$ (1,602)	66,209,376	$ 2,117,234

	REIT Units, Series A		REIT Units, Series B		Total	
	Number of units	Amount	Number of units	Amount	Number of units	Amount
Equity, January 1, 2010	21,247,397	$ 502,736	16,316	$ 386	21,263,713	$ 503,122
Net income	—	215,889	—	106	—	215,995
Distributions paid	—	(70,258)	—	(33)	—	(70,291)
Distributions payable	—	(8,430)	—	(3)	—	(8,433)
Public offering of REIT A Units	24,328,250	593,025	—	—	24,328,250	593,025
Distribution Reinvestment Plan	278,950	7,314	—	—	278,950	7,314
Unit Purchase Plan	15,739	412	—	—	15,739	412
Deferred units exchanged for REIT A Units	19,463	483	—	—	19,463	483
Conversion of debentures	6,404	169	—	—	6,404	169
Conversion feature of debentures	—	27	—	—	—	27
Issue costs	—	(26,763)	—	—	—	(26,763)
Equity, December 31, 2010	45,896,203	$ 1,214,604	16,316	$ 456	45,912,519	$ 1,215,060

Public offering of REIT A Units

On December 20, 2011, the Trust completed a public offering of 4,393,000 REIT A Units, including an over-allotment option, at a price of $32.75 per unit for gross proceeds of $143,870. Costs related to the offering totalled $6,355, and were charged directly to unitholders' equity.

On August 15, 2011, the Trust completed a public offering of 5,037,000 REIT A Units, at a price of $32.40 per unit for gross proceeds of $163,199. Costs related to the offering totalled $6,600, and were charged directly to unitholders' equity. The offering included 407,000 Units purchased by Dundee Corporation pursuant to the exercise of its pre-emptive right under the Trust's Declaration of Trust.

On June 14, 2011, the Trust completed a public offering of 4,660,000 REIT A Units at a price of $33.30 per unit for gross proceeds of $155,178. On June 29, 2011, the Trust issued an additional 699,000 REIT A Units, pursuant to the exercise of the over-allotment option granted to the underwriters, for gross proceeds of approximately $23,277. Costs related to the offering totalled $7,138 and were charged directly to unitholders' equity. The offering includes 356,000 REIT A Units purchased by Dundee Corporation at the offering price.

On February 4, 2011, the Trust completed a public offering of 4,749,500 REIT A Units at a price of $30.30 per unit, for gross proceeds of $143,910. Costs related to the offering totalled $6,258 and were charged directly to unitholders' equity.

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

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

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

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

On January 7, 2010, the Trust completed a public offering of 5,520,000 REIT A Units at a price of $18.75 per unit, for gross proceeds of $103,500. Costs related to the offering totalled $4,887 and were charged directly to unitholders' equity.

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 of America, to elect to have all cash distributions from Dundee REIT reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 4% of each cash distribution that was reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT A Units on the Toronto Stock Exchange ("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, 2011, 688,502 REIT A Units were issued under the DRIP for $21,857 (December 31, 2010 — 278,950 REIT A Units for $7,314).

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 to the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2011, 11,222 REIT A Units were issued under the Unit Purchase Plan for $359 (December 31, 2010 — 15,739 REIT A Units for $412).

Conversion of debentures

For the year ended December 31, 2011, there were 17,360 REIT A Units issued on the conversion of $434 principal amount of the 6.5% convertible debentures, and 8,897 REIT A Units on the conversion of $267 principal amount of the 5.7% convertible debentures. Related to these conversions, another $302 was recognized as an adjustment to the conversion feature of the debentures. During the year ended December 31, 2010, the Trust issued 5,560 REIT A Units upon the conversion of $139 of the principal amount of the 6.5% Debentures and 844 REIT A Units on the conversion of $35 principal amount of the 6.0% Debentures.

Normal course issuer bid

The Trust renewed its normal course issuer bid, which commenced on December 2, 2011, and will remain in effect until the earlier of December 1, 2012, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Under the bid, the Trust has the ability to purchase for cancellation up to a maximum of 5,910,181 REIT A Units (representing 10% of the REIT's public float of 59,101,809 REIT A Units at the time of renewal) through the facilities of the TSX. As of December 31, 2011, no purchases had been made. Based on the closing price of REIT A Units on December 31, 2011, the Trust may purchase up to $193,086 worth of REIT A Units.

For the year ended December 31, 2010, the Trust did not purchase any REIT A Units pursuant to its previous bid, which expired on November 2, 2011.

Note 19

ASSETS AND RELATED LIABILITIES HELD FOR SALE

Subsequent to year-end, on February 2, 2012, the Trust completed the sale of an office building in Calgary, Alberta, for which it received proceeds of approximately $7,700. The Trust is now discharged from all rights and obligations relating to the property. At December 31, 2011, as management had committed to a plan of sale, the property has been reclassified as an asset held for sale. The property's carrying value was established to be the lower of its carrying value or its estimated fair value less selling costs. No impairment was recognized on the transfer of the property to assets held for sale.

On February 5, 2010, the Trust completed the sale of its 50% interest in Greenbriar Mall in Atlanta, Georgia, to its joint venture partner, for which it received net proceeds of $185. On March 1, 2010, the Trust sold its 50% interest in an office property located in Toronto, Ontario, for net proceeds of $10,665. The Trust is now discharged from all rights and obligations relating to both properties. A net loss of $301 was recognized for the year ended December 31, 2010.

	December 31, 2011	December 31, 2010	January 1, 2010
Equity accounted investments	**$ —**	$ —	$ 10,839
Investment properties	**7,700**	—	—
Amounts receivable	**3**	—	—
Prepaid expenses	**4**	—	—
Assets held for sale	**7,707**	—	10,839
Debt	**(16)**	—	—
Accounts payable and accrued liabilities	**(6)**	—	—
Liabilities held for sale	**(22)**	—	—
Net assets	**$ 7,685**	$ —	$ 10,839

Note 20

INTEREST

Interest on debt

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

For the years ended December 31	**2011**	2010
Interest expense incurred, at stated and hedged rate of debt	**$ 88,996**	$ 53,724
Amortization of financing costs	**2,177**	1,439
Amortization of fair value adjustments on acquired debt	**(1,963)**	(207)
Interest capitalized	**(812)**	(307)
Interest expense	**$ 88,398**	$ 54,649

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the 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 is recorded as follows:

For the years ended December 31	**2011**	2010
Paid in cash	**$ 6,929**	$ 6,933
Paid by way of reinvestment in subsidiary redeemable units	**771**	714
Less: Interest payable at December 31, 2010 (December 31, 2009)	**(640)**	(640)
Plus: Interest payable at December 31, 2011 (December 31, 2010)	**644**	640
Total	**$ 7,704**	$ 7,647

The amount payable at December 31, 2011, was satisfied on January 15, 2012, by $577 in cash, and $67 in connection with the issue of 1,947 subsidiary redeemable units.

Note 21

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

For the years ended December 31,	Note		**2011**		2010
Fair value adjustment on conversion feature of convertible debt	13	**$**	**(237)**	$	(3,099)
Fair value adjustment on subsidiary redeemable units	14		**(8,526)**		(32,760)
Fair value adjustment on Deferred Unit Incentive Plan	15		**(2,302)**		(2,887)
		$	**(11,065)**	$	(38,746)

Note 22

SEGMENTED INFORMATION

These segments include the Trust's proportionate share of its joint ventures. The column tit.

For the year ended December 31, 2010	Office	Industrial	Segment total	Other	Subtotal	Reconciliation	Total
Operations							
Investment properties revenues	$ 245,503	$ 21,462	$ 266,965	$ 1,253	$ 268,218	$ (28,840)	$ 239,378
Investment properties operating expenses	(100,809)	(5,926)	(106,735)	(518)	(107,253)	11,526	(95,727)
Net rental income	144,694	15,536	160,230	735	160,965	(17,314)	143,651
Share of net earnings from equity accounted investments	—	—	—	—	—	33,245	33,245
Fair value adjustments to investment properties	159,913	11,115	171,028	(533)	170,495	(20,923)	149,572
Segment income	304,607	26,651	331,258	202	331,460	(4,992)	326,468
General and administrative expenses	—	—	—	(10,616)	(10,616)	2	(10,614)
Loss on sale of investment properties	—	—	—	(301)	(301)	—	(301)
Interest:							
Debt	—	—	—	(59,732)	(59,732)	5,083	(54,649)
Subsidiary redeemable units	—	—	—	(7,647)	(7,647)	—	(7,647)
Interest and fee income	—	—	—	1,577	1,577	(93)	1,484
Fair value adjustments to financial instruments	—	—	—	(38,746)	(38,746)	—	(38,746)
Net income	$ 304,607	$ 26,651	$ 331,258	$ (115,263)	$ 215,995	$ —	$ 215,995
Capital expenditures							
Investment in building improvements	$ (6,218)	$ (1,764)	$ (7,982)	$ —	$ (7,982)	$ 2,198	$ (5,784)
Investment in lease incentives and initial direct leasing costs	(13,915)	(3,288)	(17,203)	—	(17,203)	240	(16,963)
Investment in development projects	(6,406)	(348)	(6,754)	—	(6,754)	(3)	(6,757)
Acquisition of investment properties	(621,419)	(110,555)	(731,974)	—	(731,974)	—	(731,974)
Total capital expenditures	$(647,958)	$ (115,955)	$ (763,913)	$ —	$ (763,913)	$ 2,435	$ (761,479)

At December 31, 2011	**Office**	**Industrial**	**Segment total**	**Other**	**Reconciliation**	**Total**
Total assets	**$ 4,109,812**	**$ 363,725**	**$ 4,473,537**	**$ 126,915**	**$ (133,985)**	**$ 4,466,467**
Total liabilities	**$ 1,835,004**	**$ 166,917**	**$ 2,001,921**	**$ 481,297**	**$ (133,985)**	**$ 2,349,233**

At December 31, 2010	Office	Industrial	Segment total	Other	Reconciliation	Total
Total assets	$ 2,272,876	$ 292,333	$ 2,565,209	$ 116,065	$ (98,026)	$ 2,583,248
Total liabilities	$ 1,065,272	$ 133,064	$ 1,198,336	$ 267,878	$ (98,026)	$ 1,368,188

Note 23
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 DRC are parties to an administrative services agreement (the "Services Agreement") that is in effect until June 30, 2013. Effective August 24, 2007, Dundee REIT also has an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries.

Asset Management Agreement

The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties, 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 on properties acquired in excess of $200,000; and
- financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT, to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions.

Related party transactions

For the year ended December 31, 2011, the Trust received total fees from DRC of $2,733 (December 31, 2010 — $2,051). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended December 31, 2011, include $6,624 for operating and administration costs of regional offices (December 31, 2010 — $4,182), which are included in investment property operating expenses of the Trust.

For the year ended December 31, 2011, the Trust incurred total fees of $17,834 (December 31, 2010 — $12,506) under the Asset Management Agreement. Included in this amount is $9,144 (December 31, 2010 — $5,843), which is reported in general and administrative expenses; $7,855 (December 31, 2010 — $5,547), which is reported with property acquisitions; $nil (December 31, 2010 — $841) in financing costs which is reported with debt; $612 (December 31, 2010 — $252) capitalized to properties under development; and $223 (December 31, 2010 — $23) included in investment properties operating expense.

Included in amounts receivable at December 31, 2011, is $368 related to the Services Agreement (December 31, 2010 — $(128), January 1, 2010 — $(155)); $677 related to the Asset Management Agreement (December 31, 2010 — $328, January 1, 2010 — $224); and $164 related to other amounts owed by DRC (December 31, 2010 — $115, January 1, 2010 — $158). Accrued liabilities and other payables at December 31, 2011, include $38 for amounts related to the Asset Management Agreement (December 31, 2010 — $775, January 1, 2010 — $954).

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

		2011		2010
Salary[1]	**$**	**765**	$	805
Unit-based awards[2]		**853**		624
Total compensation	**$**	**1,618**	$	1,429

(1) Represents the portion of salary paid by Dundee Realty Corporation attributable to time spent on the activities of Dundee REIT.

(2) 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 24

SUPPLEMENTARY CASH FLOW INFORMATION

For the years ended December 31	**2011**	2010
Decrease in amounts receivable	**$ 239**	$ 2,208
Increase in prepaid expenses	**(8,661)**	(1,302)
Increase in other non-current assets	**(505)**	(883)
Decrease in amounts payable	**(10,165)**	(7,279)
Increase in tenant deposits	**6,151**	1,672
Change in non-cash working capital	**$ (12,941)**	$ (5,584)

The following amounts were paid on account of interest:

For the years ended December 31	**2011**	2010
Interest:		
Debt	**$ 91,631**	$ 57,531
Subsidiary redeemable units	**6,929**	6,933

Note 25

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.

As at December 31, 2011, Dundee REIT's future minimum commitments under operating and finance leases are as follows:

	Operating lease payments	Finance lease payments
Less than 1 year	$ 1,295	$ 298
1–5 years	2,176	238
Longer than 5 years	2,345	—
Total	$ 5,816	$ 536

During the year, the Trust paid $1,203 (2010 — $1,006) in minimum lease payments, which have been included in comprehensive income for the year.

The Trust's share of the capital commitments of its equity accounted investments is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Commitments for the Trust's share of capital commitments	**$ —**	$ 574	$ 738

The Trust's share of contingent liabilities arising from its equity accounted investments is as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Contingent liabilities for the obligation of the other owners of equity accounted investments	**$ 168,888**	$ 123,527	$ 147,446

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately $14,250.

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

Effective September 1, 2009, the Trust entered into three fixed price contracts to purchase natural gas with respect to 14 office properties in Calgary. The contracts expire on December 31, 2012, and commit the Trust to a total minimum of $600 annually for 2011 and 2012.

During the second quarter of 2009, the Trust committed to construct an office property in Yellowknife, Northwest Territories, which is fully leased for a ten-year term to the Government of Canada. Estimated construction costs are $20,000. Funding for this development is available through cash on hand and an available line of credit. Total expenditures incurred on this project to date are $19,350.

Note 26

CAPITAL MANAGEMENT

The primary objective of the Trust's capital management is to ensure that the Trust remains within its quantitative banking covenants and maintains a strong credit rating.

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

Various debt, equity and earnings distribution ratios are used to ensure capital adequacy and monitor capital requirements. The primary ratios used for assessing capital management are the interest coverage ratio and net debt-to-gross carrying value. Other significant indicators include weighted average interest rate, average term to maturity of debt, and variable debt as a portion to total debt. These indicators assist the Trust in assessing that the debt level maintained is sufficient to provide adequate cash flows for unitholder distributions 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 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 $2.20 per unit. Amounts retained in excess of the distributions are used to fund leasing costs, capital expenditures and working capital requirements. Management monitors distributions through various ratios to ensure adequate resources are available. These include the proportion of distributions paid in cash, DRIP participation ratio, total distributions as a percent of distributable income and distributable income per unit.

The Trust monitors capital primarily using a debt-to-book value ratio, which is calculated as the amount of outstanding debt divided by total assets. During the period, the Trust did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The DPLP Partnership Agreement limits the Trust's interest coverage ratio to no less than 1.4 times. The interest coverage ratio is calculated as net operating income from continuing operations, plus interest and fee income, less general and administrative expense from continuing operations, including equity accounted investments, divided by interest expense on debt. For the year ended December 31, 2011, the Trust's interest coverage ratio

was 2.6 times (December 31, 2010 — 2.5 times), reflecting its ability to cover interest expense requirements. When calculating the interest coverage ratio, the Trust includes the results of equity accounted investments using proportionate consolidation at its ownership level.

For the years ended December 31	**2011**	2010
Investment properties revenue	**$ 441,347**	$ 268,218
Investment properties operating expenses	**180,210**	107,253
Net rental income	**261,137**	160,965
Add: Interest and fee income	**2,498**	1,577
Less: General and administrative expenses	**15,447**	10,616
	$ 248,188	$ 151,926
Interest expense — debt	**$ 93,721**	$ 59,732
Interest coverage ratio	**2.6 times**	2.5 times

Note 27

FINANCIAL INSTRUMENTS

Risk management

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. The Trust has 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, 2011, was 1.1% of the Trust's total debt (December 31, 2010 — nil%). Included in variable rate debt is the term loan facility of $188,000, which has a variable rate of interest at bankers' acceptances plus 1.85% payable monthly. The Trust has entered into two interest rate swaps, one for three years at 3.03% for a notional value of $55,000, and one for five years at 3.52% for a notional value of $133,000, fixing the rate of interest at an effective rate of 3.83%. In order to manage exposure to interest rate risk, the Trust endeavours to maintain an appropriate mix of fixed and floating rate debt, manage maturities of fixed rate debt, and match the nature of the debt with the cash flow characteristics of the underlying asset.

The following interest rate sensitivity table outlines the potential impact of a 1% change in the interest rate on variable rate assets and liabilities for the prospective 12-month period. A 1% change is considered a reasonable level of fluctuation on variable rate assets and debts. This information is prepared on a proportionately consolidated basis for jointly held properties.

		Interest rate risk			
		–1%		+1%	
	Carrying amount	Income	Equity	Income	Equity
Financial assets					
Cash and cash equivalents[1]	$ 123,406	$ (1,234)	$ (1,234)	$ 1,234	$ 1,234
Financial liabilities					
Fixed rate debt due to mature in a year	$ 164,543	$ 1,645	$ 1,645	$ (1,645)	$ (1,645)

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

The Trust is not exposed to currency risk, other price risk, or market risk.

The Trust's assets consist of office and industrial 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 that the Trust will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The Trust manages maturities of the fixed rate debts, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

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. At December 31, 2011, the Trust had the following interest rate swaps outstanding (December 31, 2010 — $nil):

Hedging item	Notional	Rate (%)	Maturity	Fair value	Hedged item
Interest rate swap	$ 55,000	3.03	Aug. 15, 2014	$ 1,617	Interest payments on forecasted issuance of bankers' acceptances
Interest rate swap	$ 133,000	3.52	Aug. 15, 2016	$ (15)	Interest payments on forecasted issuance of bankers' acceptances

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

Fair value of financial instruments

Restricted cash deposits, amounts receivable, cash and cash equivalents, term debt, subsidiary redeemable units, the DRIP, deposits, amounts payable and accrued liabilities, and distributions payable are carried at amortized cost, which approximates fair value. The convertible debentures conversion feature and interest rate swaps are measured at fair value.

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

	December 31, 2011		December 31, 2010		January 1, 2010	
	Total		Total		Total	
	Carrying value	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Mortgages	**$ 1,805,571**	**$ 1,901,706**	$1,070,800	$ 1,102,021	$ 627,106	$ 628,546
Convertible debentures	**131,353**	**141,653**	130,867	141,381	129,940	134,923
Term loan credit facility	**184,654**	**188,000**	—	—	—	—

The Trust values financial instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. 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 has determined that the conversion feature on convertible debentures is valued using Level 3 inputs for all periods presented, and the interest rate swaps are valued using Level 2 inputs for the period presented.

	December 31, 2011			December 31, 2010			January 1, 2010		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities									
Conversion feature of the convertible debentures	**$ —**	**$ —**	**$ 6,426**	$ —	$ —	$ 6,489	$ —	$ —	$ 3,416
Fair value of interest rate swaps	**—**	**1,602**	**—**	—	—	—	—	—	—

Note 28
SUBSEQUENT EVENTS

On January 17, 2012, Dundee REIT and Whiterock REIT ("Whiterock") jointly announced that they had entered into a definitive agreement (the "Transaction") for the acquisition by Dundee REIT of all of the outstanding units of Whiterock. Under the terms of the Transaction agreement, the Trust proposes to acquire all of the issued and outstanding units of Whiterock for a combination of cash and Dundee REIT Units. For each Whiterock unit held, Whiterock unitholders may elect to receive either: (i) $16.25 in cash, subject to a maximum aggregate cash amount of $360 million, representing approximately 60% of the available consideration, and pro-ration if elections exceed this amount (the "Cash Option"); or (ii) 0.4729 Units of Dundee REIT, subject to a maximum aggregate of 17.4 million Units (the "Unit Option"), which can be done on a tax-deferred basis. In connection with the Transaction, Dundee REIT has arranged for a financing commitment in the amount of $375 million, with 13 unencumbered properties pledged to this facility.

The Transaction is subject to the approval of two-thirds of Whiterock unitholders voting at a special meeting of Whiterock unitholders on February 27, 2012. The transaction is also subject to customary regulatory approvals (including under the *Competition Act*), required consents and other customary closing conditions. The Transaction agreement contains, among other things, a $20 million break fee payable by Whiterock to Dundee REIT, in certain circumstances, including the acceptance by Whiterock of an unsolicited superior proposal from a third party. Dundee REIT has also been granted a right to match any superior proposal that may arise.

Effective January 19, 2012, the Trust completed the acquisition of a 310,600 square foot office building in Toronto, Ontario. The purchase price, excluding transaction costs, was approximately $107,775.

Effective January 30, 2012, the Trust completed the acquisition of a 50,100 square foot office building in Toronto, Ontario. The purchase price, excluding transaction costs, was approximately $13,500.

Effective February 2, 2012, the Trust completed the disposition of a 36,400 square foot office building in Calgary, Alberta. The sale price, excluding transaction costs, was approximately $7,700.

Trustees and officers

Trustees

Detlef Bierbaum[1, 2, 4]
KÖLN, GERMANY
Member of the Supervisory Board,
Sal Oppenheim KAG

Donald K. Charter
TORONTO, ONTARIO
President and Chief Executive Officer,
Corsa Coal Corp.

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

Peter A. Crossgrove[1, 3, 4]
TORONTO, ONTARIO
Executive Chairman,
Excellon Resources Inc.

Joanne Ferstman
TORONTO, ONTARIO
President and Chief Executive Officer,
Dundee Capital Markets Inc.

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

David J. Goodman
TORONTO, ONTARIO
President and CEO, Dynamic Funds
Head, Global Asset Management, Scotiabank

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

Duncan Jackman[1, 4]
TORONTO, ONTARIO
Chairman, President and CEO,
E-L Financial Corporation Limited

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

Officers

Ned Goodman
CHAIRMAN

Michael J. Cooper
VICE CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Mario Barrafato
SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

P. Jane Gavan
CORPORATE SECRETARY

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

Corporate information

Head office

DUNDEE REAL ESTATE INVESTMENT TRUST

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

Investor relations

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

Transfer agent

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

COMPUTERSHARE TRUST COMPANY OF CANADA

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

Auditors

PRICEWATERHOUSECOOPERS LLP

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

Corporate counsel

OSLER, HOSKIN & HARCOURT LLP

Box 50, 1 First Canadian Place, Suite 6100
Toronto, Ontario M5X 1B8

Taxation of distributions

Distributions paid to unitholders in respect of the tax year ending December 31, 2011, are taxed as follows:
Other income: 29.0%
Taxable capital gains: 0.6%
Return of capital: 70.4%

Management estimates that 65% of the distributions to be made by the REIT in 2012 will be tax deferred.

Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols:

REIT Units, Series A: D.UN

6.5% Convertible Debentures: D.DB

5.7% Convertible Debentures: D.DB.A

6.0% Convertible Debentures: D.DB.B

6.0% Series F Convertible Debentures: D.DB.F

7.0% Series G Convertible Debentures: D.DB.G

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

Annual meeting of unitholders

Thursday, May 3, 2012, at 4:00 pm (EST)
Sovereign Ballroom
The King Edward Hotel
37 King Street East
Toronto, ON

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

Concept and Design: **THE WORKS DESIGN COMMUNICATIONS www.worksdesign.com**

DUNDEE REAL ESTATE INVESTMENT TRUST

State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1

www.dundeereit.com