Management's Discussion and Analysis

This Management's Discussion and Analysis has been dated as at February 21, 2005. All dollar amounts in our tables are presented in thousands with the exception of unit and per unit amounts.

The following discussion and analysis of our financial results and operations should be read in conjunction with the audited financial statements for the years ended December 31, 2004 and 2003. Certain information in this Management's Discussion and Analysis contains or incorporates comments that constitute forward-looking statements. Reliance should not be placed on forward-looking statements because they involve risks and uncertainties, which may cause actual performance and results to differ materially from the performance implied in such forward-looking statements. Dundee REIT has identified certain factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors 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; and interest and currency rate functions.

These forward-looking statements are made as of February 10, 2005, and Dundee REIT assumes no obligation to update or revise them to reflect new events or circumstances.

Our Objectives

We are committed to:

- Providing predictable and sustainable cash distributions to unitholders;
- Prudently increasing distributions as the performance of our underlying business warrants; and
- Improving the overall value of our enterprise through effective management of our business and through acquisitions.

Distributions

We currently pay monthly distributions to unitholders of $0.183 per unit or $2.20 on an annual basis. The Trust has a Distribution Reinvestment and Unit Purchase Plan ("DRIP"). Unitholders who take advantage of the distribution reinvestment feature of the plan receive a bonus distribution of 4% with each reinvestment. At December 31, 2004, approximately 38.6% of our total units were enrolled in the DRIP, including 9.7% of REIT Units, Series A and 100% of LP Class B Units, Series 1 (please see a description of our equity on page 30).

	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Distribution Rate	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183	$ 0.183
Month End Closing Price	$ 24.50	$ 25.25	$ 25.05	$ 23.09	$ 23.45	$ 23.35	$ 23.80	$ 23.51	$ 24.35	$ 24.65	$ 25.00	$ 25.60

Our Strategy

Our strategy is to become Canada's leading provider of affordable business premises. Our methodology to meet our strategy and objectives includes:

- **Effectively Managing Our Business**

  We work to increase the value of our portfolio through continuous and active analysis of how our properties can achieve optimal performance. We identify strengths and weaknesses of individual properties and our portfolio as a whole, which allows us to quickly re-position assets when warranted. Through ongoing incremental improvements throughout our portfolio, we minimize the requirement for large capital expenditures.

  We stagger our debt maturities in order to mitigate interest rate exposure and to ensure that there are no significant maturities in any given year. Lease maturities are similarly staggered to maintain continuity of income and to avoid significant lease turnovers and their associated leasing costs in any given year.

- **Building and Maintaining a Diversified Portfolio**
  Diversifying our real estate portfolio decreases the overall risk of our business. Our portfolio is well diversified by asset type, geographic location and tenant mix. With over 1,300 tenants, renewals are frequent and the exposure to the loss of any single large tenant is minimized.

- **Meeting the Needs of Our Tenants**
  A strong relationship with our tenants is critical to our success. We strive to make Dundee REIT the preferred landlord by meeting and anticipating our tenants' needs. We believe that providing a consistent, high level of service puts us into a better position to re-lease space to existing tenants and helps to attract new tenants to lease vacant space quickly and cost effectively.

- **Pursuing External Growth Strategy**
  We make acquisitions that represent an opportunity to improve the overall quality of our portfolio and enhance the sustainability of distributions. Our growth strategy is to acquire office and industrial properties in our five key markets – Montréal, Ottawa, Toronto, Calgary and Edmonton – and reposition existing properties where opportunities exist. This allows us to capitalize on operational efficiencies and further increase our presence and critical mass in our target markets.

Our Assets

We provide high quality, affordable business premises with a focus on mid-sized urban and suburban office, industrial and flex space properties. The majority of our assets are concentrated in our target markets: Montréal, Ottawa, Toronto, Calgary and Edmonton. These markets are attractive to us as they represent Canada's largest metropolitan areas, have relatively diverse and sound economies and good real estate liquidity. Any potential acquisition activity will be concentrated in these areas, as it enables us to take advantage of our established presence and management expertise in these markets, build upon our current critical mass and allows us to achieve even greater operational efficiencies.

The source for all market information referenced below (with the exception of Edmonton) is the Royal LePage Commercial Inc. National Market Intelligence Report, 4th Quarter 2004. Market information for Edmonton is with reference to CB Richard Ellis Alberta Limited.

Montréal

	Office		Industrial	
	(000's) (sq. ft.)	Occupancy	(000's) (sq. ft.)	Occupancy
Market Inventory	81,627	88.1%	269,023	94.0%
Dundee REIT	1,077	89.2%	2,712	91.4%

Our industrial product, although older and with slightly lower clear ceiling heights, has the advantage of being better located, with convenient highway access, than newer properties. We anticipate the office and industrial markets will remain soft throughout 2005 based on continuing weak demand for existing product coupled with the delivery of new build-to-suit product to the marketplace. However, the Québec economy is expected to improve over the next 18 months due to strong consumer spending, non-residential investment and export demand.

Ottawa

	Office	
	(000's) (sq. ft.)	Occupancy
Market Inventory	30,328	90.5%
Dundee REIT	945	96.9%

Our office properties in Ottawa have the advantage of being occupied by financially strong tenants as well as government-related operations with less than a quarter of our leases up for renewal over the next four years. The Ottawa office market is generally considered Canada's most stable, although the suburbs are still recovering from consolidation in the high-tech industry. Growth in the public sector in 2005 is expected to be 1%.

Toronto

	Office		Industrial	
	(000's) (sq. ft.)	Occupancy	(000's) (sq. ft.)	Occupancy
Market Inventory	160,475	89.6%	728,997	95.1%
Dundee REIT	1,684	91.1%	2,194	98.1%

The office market generally improved across the Greater Toronto Area in 2004, with only two submarkets, mid-town and North Yonge, experiencing increased vacancy. The results in our portfolio mirror the market as a whole. We expect 2005 to be much the same with the St. Clair and North Yonge submarkets continuing to be a challenge, however, we have implemented innovative marketing and leasing strategies, which we are optimistic will increase our results. Our industrial properties are all well located in close proximity to major highways and to the Lester B. Pearson International Airport. Given that our portfolio is virtually fully leased, our biggest challenge in 2005 will be accommodating the expansion needs of existing tenants.

Calgary

	Office		Industrial	
	(000's) (sq. ft.)	Occupancy	(000's) (sq. ft.)	Occupancy
Market Inventory	46,221	90.6%	92,745	94.8%
Dundee REIT	560	99.0%	1,719	95.7%

Acquisitions completed in 2004 added state-of-the-art buildings and high quality tenants to our portfolio and also further improved our image within the real estate industry. With the strong oil and gas industry fueling the Calgary economy, we anticipate that demand for both office and industrial space will continue and will put upward pressure on rental rates.

Edmonton

	Office		Industrial	
	(000's) (sq. ft.)	Occupancy	(000's) (sq. ft.)	Occupancy
Market Inventory	20,100	91.3%	72,400	95.6%
Dundee REIT	173	100.0%	840	99.3%

After a bumpy start to the year with three unexpected vacancies, our industrial portfolio at year end is now fully leased. The Edmonton economy, similar to Calgary, is being fuelled by the strong oil and gas industry. Despite some speculative development that may keep market vacancy rates from dropping further in 2005, we anticipate that our portfolio will remain strong.

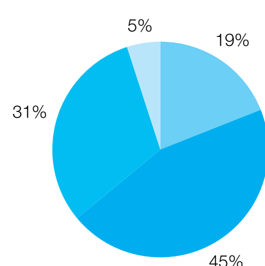
Dundee REIT has an established presence of office and/or industrial properties in each of our target markets that gives us the critical mass to operate efficiently and effectively. We believe that diversifying our portfolio, balancing by asset type, geographic location and tenant mix, decreases our overall risk profile. Industrial properties are attractive as they offer greater stability and less downside during times of increased vacancy because of generally lower operating costs, despite having lower rental rates than office properties. Office properties, although more expensive to carry than industrial properties during weak markets, generate more revenue and offer greater potential for capital appreciation. Having both asset types in our portfolio helps us to realize our objective of providing predictable and sustainable distributions to our unitholders.

During the year, a number of key acquisitions were completed in three of our target markets, Montréal, Toronto and Calgary. These acquisitions encompass approximately 2.1 million square feet of high quality well-leased space with long-term commitments and have added $273 million of assets to the portfolio. In addition, a number of properties that no longer fit with our investment strategy were sold during the year. Asset sales included two industrial and two retail properties.

The net book value of segmented rental properties is diversified geographically and by asset type.

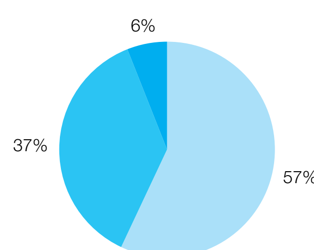
December 31 ($000's)	2004					2003	
	Office	Industrial [1]	Retail	Total	%	Total	%
Québec	**$ 102,203**	**$ 100,732**	**$ –**	**$ 202,935**	**19**	$ 154,742	17
Ontario	**330,673**	**137,422**	**8,593**	**476,688**	**45**	374,159	41
Western Canada	**165,094**	**154,921**	**4,922**	**324,937**	**31**	328,727	36
Total Canada	**597,970**	**393,075**	**13,515**	**1,004,560**	**95**	857,628	94
United States	**–**	**–**	**52,671**	**52,671**	**5**	57,422	6
Total at December 31, 2004	**$ 597,970**	**$ 393,075**	**$ 66,186**	**$ 1,057,231**	**100**	$ 915,050	100
Percentage	**57%**	**37%**	**6%**	**100%**			
Total at December 31, 2003	$ 525,360	$ 252,521	$ 137,169	$ 915,050			
Percentage	57%	28%	15%	100%			

(1) Excludes 2301-2311 Royal Windsor Dr., Mississauga, sold subsequent to year end.



Geographic Distribution of Rental Properties by Net Book Value at December 31, 2004

- Québec
- Ontario
- Western Canada
- United States



Portfolio Asset Type by Net Book Value at December 31, 2004

- Office
- Industrial
- Retail

December 31	Owned Gross Leasable Area (square feet) 2004					2003	
	Office	Industrial [1]	Retail	Total	%	Total	%
Québec	**1,077,182**	**2,712,322**	**–**	**3,789,504**	**29**	3,572,197	31
Ontario	**2,628,958**	**2,194,244**	**128,367**	**4,951,569**	**38**	3,995,285	34
Western Canada	**1,007,650**	**2,558,995**	**46,140**	**3,612,785**	**27**	3,311,581	28
Total Canada	**4,713,790**	**7,465,561**	**174,507**	**12,353,858**	**94**	10,879,063	93
United States	**–**	**–**	**795,390**	**795,390**	**6**	795,390	7
Total at December 31, 2004	**4,713,790**	**7,465,561**	**969,897**	**13,149,248**	**100**	11,674,453	100
Percentage	**36%**	**57%**	**7%**	**100%**			
Total at December 31, 2003	4,207,399	6,076,778	1,390,276	11,674,453			
Percentage	36%	52%	12%	100%			

(1) Excludes 2301-2311 Royal Windsor Dr., Mississauga, sold subsequent to year end.

Office Rental Properties

Dundee REIT owns 58 office properties (71 buildings) comprising approximately 4.7 million square feet located in Montréal, Ottawa, Toronto, Saskatoon, Calgary, Edmonton and Vancouver. Our office properties can generally be categorized as high quality yet affordable downtown and suburban buildings.

The Canadian national office market continued on a positive trend with vacancy levels decreasing for the fifth consecutive quarter. The occupancy rate in our office portfolio has increased to 93.6% from 92.4% at December 31, 2003, ahead of the national industry average of 89.4%. Our occupancy rate includes lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial Rental Properties

We own 114 prime suburban industrial and flex-space properties (128 buildings) comprising approximately 7.5 million square feet, concentrated in Montréal, Toronto, Calgary and Edmonton. Our strategy is to own clusters of properties, allowing us to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. The acquisitions completed in 2004 have brought newly built industrial flex space to our portfolio that, combined with the existing assets, will allow us to offer more leasing options to tenants to suit their business requirements.

At December 31, 2004, the average occupancy rate across our industrial portfolio increased to 95.2% from 93.1% at December 31, 2003, in line with the national industry average of 95.1%. Canada's industrial market has performed very well with occupancy rates above 94% for the last several years.

Retail Rental Properties

Our retail assets total approximately 1.0 million square feet. As of December 31, 2004, the portfolio had an occupancy rate of 93.3% compared to 92.5% at December 31, 2003. During the fourth quarter we completed the sale of Northgate Mall in Regina. The decision to dispose of this asset is in keeping with our long-term goals, which include focusing on office and industrial properties. The remaining retail assets include Greenbriar Mall, a 795,390 square foot regional mall in Atlanta, and two smaller centres in Ontario and Alberta.

Our Background

Dundee REIT was formed in connection with the reorganization (the "Reorganization") of the business of Dundee Realty Corporation ("Dundee Realty" or "DRC") on June 30, 2003. Following the Reorganization, the majority of Dundee Realty's commercial real estate division, including senior management, and a joint interest in its property management business, were transferred to Dundee REIT.

Our discussion and analysis of the financial position and results of operations of Dundee REIT is based primarily on the consolidated financial statements of Dundee REIT for the three months and year ended December 31, 2004 and the six months ended December 31, 2003. It is also based on the combined financial statements of the commercial real estate division of DRC ("the Division") for the six months ended June 30, 2003. This discussion should be read in conjunction with those financial statements.

The Division is not a legal entity and is used only as a method of presenting historical financial information. The combined financial statements of the Division are not necessarily indicative of the results that would have been attained had the Division been operated as a separate legal entity during the periods presented. Therefore, these results are not necessarily indicative of future operating results. No adjustments have been made to the Divisional financial statements to reflect possible incremental changes to the cost structure as a result of the Reorganization.

Equity

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special REIT Units. The Special REIT Units may only be issued to holders of LP Class B Units, Series 1, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1. The LP Class B Units, Series 1 are held by a related party of Dundee REIT. Both the REIT Units and Special REIT Units entitle the holder to one vote for each unit held at all meetings of the unitholders. The LP Class B Units, Series 1 are generally exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder. The LP Class B Units, Series 1 generally have economic and voting rights equivalent in all material respects to REIT Units, Series A. The REIT Units, Series A and REIT Units, Series B generally have economic and voting rights equivalent in all material respects to each other.

The LP Class B Units, Series 1 do not meet the specific conditions contained in EIC-151 (see page 50) for classification as equity and are therefore classified as non-controlling interest in our the consolidated balance sheet. However, the LP Class B Units, Series 1 have substantially the same rights as the REIT Units and are considered equity for the purposes of this discussion and analysis.

Numbers that Are a Big Deal to Us

Key Performance Indicators

While many factors contribute to the operation of our business, our key performance indicators are segregated by business activity as follows:

Operations:

- Occupancy level
- Tenant retention
- Attracting new tenants
- Tenant maturity profile
- In-place rental rates
- Increasing rental rates
- Reducing operating costs
- Leasing costs

Investment:

- Investment in and improvements to rental properties
- Tenant inducements
- Building maintenance

Financing:

- Average interest rate
- Level of debt (debt-to-gross book value)
- Debt maturity profile/average term to maturity

Performance Indicators

Performance as measured by these and other key indicators:

	Dundee REIT Consolidated		Dundee REIT Consolidated	Dundee REIT and Division of DRC [7]
	Three Months Ended		Year Ended	
December 31 ($000's except rental rates and per unit amounts)	2004	2003	2004	2003
Operating Results				
Revenues	**$ 50,098**	$ 38,545	**$ 187,180**	$ 143,235
Net operating income [1] ("NOI")	**26,267**	19,590	**101,873**	72,053
Funds from operations [2] ("FFO")	**14,205**	10,911	**59,153**	34,274
FFO excluding straight-line rent	**13,316**	10,911	**54,889**	34,274
Occupancy rate (period end)	**94.5%**	92.7%		
In-place rent per square foot	**$ 9.06**	$ 8.43		
Weighted average interest rate (period end)	**6.62%**	6.93%		
Interest expense	**11,663**	8,866	**43,267**	34,006
Interest coverage ratio [6]	**2.14 times**	2.10 times	**2.28 times**	1.96 times
Debt-to-gross book value	**55.2%**	55.9%		
Distributions				
FFO payout ratio [4]	**95.4%**	82.3%	**88.9%**	
Distributable income [3]	**12,542**	10,851	**52,072**	21,310
Reinvested distributions [5]	**5,212**	4,962	**20,664**	9,257
Reinvestment to distribution ratio [4] [5]	**38.5%**	49.2%	**39.3%**	48.6%
Cash distribution ratio	**61.5%**	50.8%	**60.7%**	
Per unit amounts				
Basic:				
FFO	**0.58**	0.59	**2.50**	
FFO excluding straight-line rent	**0.54**	0.59	**2.32**	
Distributable income	**0.51**	0.59	**2.20**	
Distribution rate (monthly)	**0.183**	0.183	**0.183**	
Diluted: [8]				
FFO	**0.56**	0.59	**2.45**	
FFO excluding straight-line rent	**0.53**	0.59	**2.28**	
Distributable income	**0.50**	0.59	**2.17**	
Units outstanding (period end)				
REIT Units, Series A	**16,819,963**	12,094,217		
LP Class B Units, Series 1	**7,924,084**	7,211,431		
Total units outstanding	**24,744,047**	19,305,648		

(1) NOI – rental property revenues less operating expenses. The reconciliation of NOI to net income can be found on page 39.
(2) FFO –The reconciliation of FFO to net income can be found on page 37.
(3) The reconciliation of distributable income to net income can be found on page 38.
(4) These percentages do not include the additional 4% distributions available under the DRIP.
(5) Includes January 15, 2005 reinvestment of distributions declared in December 2004.
(6) Interest coverage is calculated using total interest expense as the denominator and the numerator is calculated as net income (loss) adding back income attributable to non-controlling interest, income taxes, gain (loss) on disposal of rental property, depreciation, amortization and interest expense.
(7) Includes results from Dundee REIT for the six months ended December 31, 2003 and Division of DRC for the six months ended June 30, 2003.

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

Executing the Strategy

Our Resources and Financial Condition

Liquidity and Capital Resources

	Dundee REIT Consolidated				Division of DRC Combined
	Three Months Ended		Year Ended	Six Months Ended	Six Months Ended
($000's)	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003	June 30, 2003
Cash generated from operating activities	**$ 6,353**	$ 10,688	**$ 43,320**	$ 20,245	$ 9,582
Cash generated from (utilized in) investing activities	**39,252**	(58,432)	**(119,468)**	(59,361)	(5,276)
Cash generated from (utilized in) financing activities	**(39,917)**	45,936	**89,503**	41,510	(5,375)
Increase (decrease) in cash and cash equivalents	**$ 5,688**	$ (1,808)	**$ 13,355**	$ 2,394	$ (1,069)

In broad terms, Dundee REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, equity issues and proceeds of asset dispositions. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal repayments and property acquisitions. Management expects to be able to meet all of Dundee REIT's ongoing obligations through current cash and cash equivalents, cash flows from operations, conventional mortgage refinancings and, as growth requires, through new equity or debt issues.

At December 31, 2004, cash and short-term deposits were $17.3 million, a $13.4 million increase over the previous year. The increase was a result of the cash flows indicated above including the residual proceeds from various financing activities and asset dispositions that have not yet been reinvested. In addition to these balances, Dundee REIT has a $55.0 million credit facility, of which approximately $52.6 million is available to provide funding for working capital or as a bridge facility to fund acquisitions.

Cash Generated from Operating Activities

	Dundee REIT Consolidated				Division of DRC Combined
	Three Months Ended		Year Ended	Six Months Ended	Six Months Ended
($000's)	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003	June 30, 2003
Net income	**$ 3,027**	$ 3,574	**$ 4,353**	$ 7,182	$ 4,113
Non-cash items:					
Depreciation of rental properties	**6,785**	2,588	**26,364**	4,854	4,439
Amortization of deferred leasing costs and intangibles	**3,672**	1,703	**12,833**	3,095	2,897
Amortization of deferred financing costs	**390**	333	**1,055**	618	465
Amortization of marked-to-market adjustment on acquired debt	**(315)**	(106)	**(1,438)**	(181)	(155)
(Gain) Loss on disposal of rental properties	**(287)**	289	**16,426**	289	–
Dilution gain	**(548)**	–	**(1,731)**	–	–
Deferred unit compensation expense	**568**	104	**886**	113	–
Future income taxes	**(25)**	65	**(2,013)**	32	1,675
Amortization of market rent adjustments on acquired leases	**(56)**	–	**(130)**	–	–
Straight-line rent adjustment	**(889)**	–	**(4,264)**	–	–
Non-controlling interest	**1,245**	2,317	**1,556**	4,991	–
	13,567	10,867	**53,897**	20,993	13,434
Deferred leasing costs incurred	**(3,367)**	(3,832)	**(14,347)**	(5,509)	(4,280)
Change in non-cash working capital	**(3,847)**	3,653	**3,770**	4,761	428
Cash generated from operating activities	**$ 6,353**	$ 10,688	**$ 43,320**	$ 20,245	$ 9,582

Certain of the key performance indicators previously identified influence the cash generated from operating activities:

Performance Indicators	2004	2003
Operating Activities		
Occupancy level [(1)]	**94.5%**	92.7%
Tenant maturity profile – average term to maturity (years)		
Office	**5.24 years**	5.09 years
Industrial	**3.48 years**	3.05 years
In-place rental rates (average)	**$ 9.06**	$ 8.43
Operating costs as a percentage of gross revenue	**45.6%**	49.7%

(1) Includes occupied and committed space.

Leasing

Performance Indicators	Office	Industrial	Retail	Total
Operating Activities				
Portfolio size (sq. ft.)	4,713,790	7,465,561	969,897	13,149,248
Occupancy	93.6%	95.2%	93.3%	94.5%
Square footage leased	748,176	1,515,821	145,128	2,409,125
Leasing costs ($000's)	$ 8,584	$ 4,003	$ 1,760	$ 14,347
Leasing costs (per sq. ft.)	$ 11.47	$ 2.64	$ 12.13	$ 5.96

Occupancy levels and rental rates are discussed under our results of operations beginning on page 39. Leasing costs incurred during the quarter decreased to $3.4 million (December 31, 2003 – $3.8 million) even though leasing activity in the quarter increased significantly across the portfolio. The reduction can be attributed to the mix of assets leased, with a higher portion of activity related to renewals and industrial properties which generally attract lower leasing costs. These costs are capitalized and amortized over the life of the lease. The amount of inducements varies across the portfolio and from year to year depending on the maturity and termination of leases, existing vacancies and market requirements. The Trust endeavours to structure its lease deals such that the majority of the leasing cost outlay is invested in improving the tenants' space, which also benefits the overall building and facilitates the next renewal or new lease.

The table below provides an estimate of normalized leasing costs for our portfolio based on our current experience and provided that market conditions remain consistent with this experience.

	Office	Industrial
Average leasing activity (sq. ft.)	500,000	1,350,000
Average tenant inducement (per sq. ft.)	$ 11.50	$ 2.50
Expected average annual leasing cost ($000's)	$ 5,700	$ 3,400

This estimate assumes that we maintain our current occupancy levels, is based on an approximation of leasing activity derived from our lease maturity profile over the next three years and uses the weighted average leasing costs per square foot incurred in our portfolio in 2004. Leasing costs generally vary with the type of space, length of the lease term, current market conditions and broker commissions. Office properties generally have higher costs to prepare the premises for occupancy than do industrial properties.

In 2004 our office and industrial portfolios experienced 748,176 square feet and 1,515,821 square feet of leasing activity, respectively. These volumes are higher than the normalized levels as a result of increased occupancy and unexpected leasing activity related to tenant bankruptcies. Our 2004 leasing costs also include $1.0 million for the conversion of an A&P store at our Ontario mall into a Food Basics store. This repositioning was important to the long term success of the mall given local economic conditions.

Since the inception of the REIT, acquisitions have helped to decrease the average age of our portfolio and lengthen the average lease term. As a result, we anticipate that the costs per square foot required to maintain our buildings and attract and retain tenants, while dependant on market conditions, will decrease proportionately to our square footage over time.

As part of operating expenses, there are certain property repair and maintenance costs that are recoverable from tenants. These costs are recovered in the year of expenditure or, in the case of a major expenditure, are deferred and amortized to recoverable expense over a period of years. The amount deferred remaining at the end of the year for recovery in future periods was $8.1 million (December 31, 2003 – $9.4 million).

Cash Generated (Utilized) in Investing Activities

	Dundee REIT Consolidated				Division of DRC Combined
	Three Months Ended		Year Ended	Six Months Ended	Six Months Ended
($000's)	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003	June 30, 2003
Investment in rental properties – building improvements	**$ (1,312)**	$ (1,503)	**$ (7,063)**	$ (2,856)	$ (3,628)
Investment in rental properties – development	**–**	–	**–**	–	(681)
Acquisition of rental properties	**(235)**	(32,991)	**(168,525)**	(32,991)	(861)
Acquisition deposit on rental properties	**–**	(14,300)	**14,300**	(14,300)	–
Investment in mezzanine loan	**–**	–	**(10,476)**	–	–
Net proceeds from disposal of rental properties	**40,513**	367	**52,647**	367	–
Change in restricted cash, net	**286**	(10,005)	**(351)**	(9,581)	(106)
Cash generated (utilized) in investing activities	**$ 39,252**	$ (58,432)	**$ (119,468)**	$ (59,361)	$ (5,276)

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

Performance Indicators ($000's)	2004	2003
Investing Activities		
Acquisition of rental properties	**$ 272,683**	$ 107,782
Building improvements	**$ 6,550**	$ 5,375

During the year, we acquired $272.7 million of rental property and related intangible assets. A summary of these acquisitions is provided on page 45. As part of the consideration paid for certain acquisitions, we assumed $104.2 million in mortgages and other liabilities. These acquisitions, along with those completed in 2003, increased net operating income excluding straight-line rent by over $26.4 million compared to 2003. In 2003, we acquired $107.8 million of rental properties, including $74.8 million of assumed debt.

Building Improvements

	Dundee REIT Consolidated	
	Three Months Ended	
($000's) December 31	2004	2003
Building improvements:		
Recurring recoverable	**$ 350**	$ 374
Recurring non-recoverable	**413**	1,082
Non-recurring	**661**	719
Total	**$ 1,424**	$ 2,175

	Dundee REIT Consolidated		Division of DRC Combined
($000's)	Year Ended December 31, 2004	Six Months Ended December 31, 2003	Six Months Ended June 30, 2003
Building improvements:			
Recurring recoverable	**$ 356**	$ 859	$ 964
Recurring non-recoverable	**1,335**	1,487	338
Non-recurring	**4,859**	837	890
Total	**$ 6,550**	$ 3,183	$ 2,192

Capital expenditures for rental property building improvements and equipment were $1.4 million for the quarter (December 31, 2003 – $2.2 million) and $6.6 million for the year (2003 – $5.4 million) on an accrual basis.

Building improvements are classified as recurring recoverable, recurring non-recoverable or non-recurring costs. Recurring costs are those that are expected to be incurred on a recurring basis over the expected life of a property even if the replacement cycle is as long as 30 to 40 years, as it is for major HVAC equipment in office buildings, or 20 to 25 years for items such as roofing. In many cases these costs are recoverable from tenants. Our standard office lease provides for the recovery of all major maintenance and building improvement costs, the only exclusions being for structural repairs such as parking structure work and tension cabling replacement in post tensioned buildings. However, many of these costs are not recoverable under industrial property leases. Currently, we are able to recover approximately 30% of these costs for industrial properties.

The Trust anticipates that within the existing office and industrial portfolios, non-recoverable recurring expenditures will average approximately $1.7 million per year based on today's cost of the improvements. In our retail portfolio, a major roof replacement program is ongoing at Greenbriar Mall in Atlanta for which $2.0 million was incurred in 2003 and 2004. Further roof repairs for the mall will be undertaken in 2005 or 2006 as required.

Non-recurring improvements are for the redevelopment of properties, building expansions as well as structural replacements resulting from unforeseen conditions that are not anticipated to recur. During 2004, we completed the redevelopment of the Connect Logistics building in Edmonton and 11 Place du Commerce in Montréal. In 2005, we anticipate expenditures of approximately $2.9 million. This estimate includes the cost for a 15,000 square foot expansion of an industrial property in Calgary to accommodate the needs of the tenant, structural repairs to two assets necessitated by damage caused by subsurface soil conditions and the reconfiguration of an industrial property in Montréal to allow for access by larger trucks to the loading docks.

Purchase Option

As part of the Pauls Portfolio transaction, we have provided a mezzanine loan of approximately $11.0 million to assist in the development and leasing of additional buildings located in Mississauga, Ontario. We have also agreed to guarantee additional third-party loans necessary to complete the project. To date, we have provided no guarantees in relation to this development. We have an option to acquire these properties, comprising approximately 350,000 square feet of additional flex industrial buildings, upon their completion and being 85% leased at a discount to the market value at the time of the transaction. These properties are currently at various stages of development and leasing. The first tenant occupied their space in the first completed property on February 1, 2005. With leasing commitments in excess of 110,000 square feet currently in place, construction of the remaining three properties totaling 220,000 square feet will commence in March. It is our intention to add these properties to our portfolio over the next year as they meet the 85% occupancy requirement.

Cash Generated from (Utilized in) Financing Activities

($000's)	Dundee REIT Consolidated – Three Months Ended December 31, 2004	Dundee REIT Consolidated – Three Months Ended December 31, 2003	Dundee REIT Consolidated – Year Ended December 31, 2004	Dundee REIT Consolidated – Six Months Ended December 31, 2003	Division of DRC Combined – Six Months Ended June 30, 2003
Mortgage principal repayments	**$ (3,864)**	$ (3,247)	**$ (15,150)**	$ (5,397)	$ (7,094)
Mortgages placed	**12,500**	–	**84,412**	–	50,918
Mortgage lump sum repayments	**(6,736)**	(12,439)	**(56,538)**	(12,439)	(32,411)
Term debt placed	**217**	–	**60,770**	–	–
Term debt principal repayments	**(277)**	(230)	**(956)**	(460)	(1,071)
Term debt lump sum repayment	**(34,797)**	–	**(121,153)**	–	–
Convertible debentures issued, net of costs	**(22)**	–	**71,410**	–	–
Demand revolving credit facility, net	**–**	7,026	**(7,026)**	7,026	–
Demand non-revolving credit facility	**–**	6,619	**–**	6,619	–
Distributions paid	**(8,293)**	(4,655)	**(31,003)**	(7,952)	–
Units issued net of costs	**1,355**	52,862	**104,737**	54,113	–
Net funds transferred from the Division	**–**	–	**–**	–	(15,717)
Cash generated from (utilized in) financing activities	**$ (39,917)**	$ 45,936	**$ 89,503**	$ 41,510	$ (5,375)

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

	2004	2003
Financing Activities		
Average interest rate	**6.62%**	6.93%
Level of debt (debt-to-gross book value)	**55.2%**	55.9%
Proportion of total debt due within 1 year	**4.7%**	26.7%
Debt – average term to maturity (years)	**5.4**	4.5

Our debt strategy includes fixing the rates on our debt and extending loan terms as long as possible to protect against interest rate volatility. As a result of refinancing activity, our weighted average interest rate has been reduced to 6.62% (December 31, 2003 – 6.93%), our average term to maturity has been extended to 5.4 years (December 31, 2003 – 4.5 years) and variable interest rate debt as a percentage of total debt has decreased to 3.9% (December 31, 2003 – 5.7%).

($000's) as at December 31	2004 Fixed	2004 Variable	2004 Total	2003 Fixed	2003 Variable	2003 Total
Mortgages	**$ 591,304**	**$ –**	**$ 591,304**	$ 480,858	$ –	$ 480,858
Term debt	**432**	**21,005**	**21,437**	65,461	19,204	84,665
Convertible debenture	**74,430**	**–**	**74,430**	–	–	–
Demand revolving credit facility	**–**	**–**	**–**	–	7,026	7,026
Demand non-revolving credit facility	**–**	**5,984**	**5,984**	–	6,619	6,619
Total	**$ 666,166**	**$ 26,989**	**$ 693,155**	$ 546,319	$ 32,849	$ 579,168
Percentage	**96%**	**4%**	**100%**	94%	6%	100%

We have historically maintained a very conservative debt ratio. Although our Declaration of Trust allows for 65% debt-to-gross book value, our ratio is currently 55.2%, or 49.2% if the Debentures, as defined on page 36, are excluded.

Mortgages payable includes a $7.2 million marked-to-market adjustment (December 31, 2003 – $6.0 million) to reflect the fair value of various mortgages at the time the related properties were acquired. The Debentures are net of a $0.6 million premium allocated to its conversion feature. The marked-to-market adjustment and premium are amortized to interest expense over the term to maturity of the related debt.

($000's) as at December 31	2004	2003
Total assets	**$ 1,199,792**	$ 997,177
Accumulated depreciation	**60,463**	39,360
Discontinued operations	**(2,384)**	–
Gross book value	**$ 1,257,871**	$ 1,036,537
Outstanding debt	**$ 693,155**	$ 579,168
Unamortized equity component of convertible debenture	**$ 570**	$ –
Total debt	**$ 693,725**	$ 579,168
Debt-to-gross book value	**55.2%**[(1) (2)]	55.9%[(2)]

(1) Continuing operations.
(2) Interest accrued has been reclassified to amounts payable and accrued liabilities in the amount of $3,183 at December 31, 2004 (December 31, 2003 – $3,324).

Our target level of debt is in the range of 55% to 60%. This debt level provides us with the flexibility to acquire more properties without the need for additional equity. Given our target debt level, we have the capacity to acquire approximately $150 million of properties. As we acquire further properties we believe that we will be able to increase our funds from operations.

Changes in debt levels since December 31, 2003 resulting from:

($000's)	Mortgages	Term Debt	Demand Revolving Credit Facility	Demand Non-revolving Credit Facility	Convertible Debentures	Total
Debt as at December 31, 2003	$ 480,858	$ 84,665	$ 7,026	$ 6,619	$ –	$ 579,168
New debt assumed on rental property acquisitions	100,210	–	–	–	–	100,210
New debt placed	84,412	60,770	–	–	75,000	220,182
Portion of debenture allocated to equity	–	–	–	–	(600)	(600)
Scheduled repayments	(15,150)	(956)	(7,026)	–	–	(23,132)
Lump sum repayments	(56,538)	(80,068)	–	–	–	(136,606)
Lump sum repayment on property disposition	(1,905)	(41,085)	–	–	–	(42,990)
Marked-to-market adjustments	1,188	–	–	–	30	1,218
Foreign exchange adjustment	(1,771)	–	–	(635)	–	(2,406)
Discontinued operations	–	(1,889)	–	–	–	(1,889)
Debt as at December 31, 2004	**$ 591,304**	**$ 21,437**	**$ –**	**$ 5,984**	**$ 74,430**	**$ 693,155**

	Debt Maturities		Scheduled Principal Repayments on Non-matured Debt	as at December 31	
($000's)	Amount	%	Amount	2004	2003
2005	**$ 14,668**	**2**	**$ 17,896**	**$ 32,564**	$ 154,505
2006	**47,801**	**8**	**17,936**	**65,737**	23,135
2007	**52,610**	**9**	**15,923**	**68,533**	51,273
2008	**74,532**	**13**	**15,064**	**89,596**	48,122
2009	**99,817**	**17**	**12,836**	**112,653**	85,919
2010 and thereafter	**304,278**	**51**	**19,794**	**324,072**	216,214
Total	**$ 593,706**	**100**	**$ 99,449**	**$ 693,155**	$ 579,168

Convertible Debentures

At December 31, 2004, the Trust had $75.0 million principal amount of convertible unsecured debentures (the "Debentures") outstanding. The Debentures bear interest at 6.5% per annum, payable semi-annually on June 30th and December 31st each year, and mature on June 30, 2014. Each debenture is convertible by the debenture holder into 40 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of $25.00 per unit. On or after June 30, 2008, but prior to June 30, 2010, the Debentures may be redeemed by the Trust at par plus accrued and unpaid interest, provided that the market price for the Trust's units is not less than $31.25.

In accordance with recent amendments to Section 3860 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, the Debentures have been recorded on the balance sheets as debt of $74.4 million and equity of $0.6 million. Issue costs and the discount related to the offering are amortized to interest expense over the ten year term.

Purchase Obligations

With the acquisition of the 13-building portfolio in Montréal, we have acquired leases that provide, in certain circumstances, for some tenants to require us to expand their existing premises through building construction on certain adjacent lands. The terms of these leases contain various provisions including renewal obligations of the tenants' existing premises and agreement on the terms of the new space. Furthermore, certain of the leases include provisions that would allow us to charge rents to recover a reasonable return on our investment. We have negotiated purchase options from the owner of the subject lands to allow these obligations to be met. In addition, three buildings in the portfolio have leases that allow the tenant, subject to various conditions, to purchase the building they occupy from us at amounts that approximate fair market value and that would be in excess of the depreciated value.

We have entered into a co-ownership agreement that includes typical rights of the co-owners for dispute resolution and a one-time put option exercisable by our co-owner. The put, if exercised, would require Dundee REIT to purchase the remaining 50% of the building, effective April 1, 2009, at the price paid by the Trust for its initial 50% interest in the property. The put option has been valued in the cost of the building based upon management's expectation of the likelihood of the option being exercised.

Equity and Non-controlling Interest

	REIT Units, Series A	LP Class B Units, Series 1	Total
Units issued and outstanding on December 31, 2003	12,094,217	7,211,431	19,305,648
Units issued pursuant to DRIP	182,036	712,653	894,689
Equity issue February 19, 2004	4,537,000	–	4,537,000
Units issued pursuant to deferred unit incentive plan	8,189	–	8,189
Redemption of units	(1,479)	–	(1,479)
Total units outstanding on December 31, 2004	16,819,963	7,924,084	24,744,047
Percentage of all units	68.0%	32.0%	
Units issued pursuant to DRIP on January 15, 2005	12,034	58,407	70,441
Total units outstanding on January 15, 2005	16,831,997	7,982,491	24,814,488
Percentage of all units	67.8%	32.2%	

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special REIT Units. The Special REIT Units may only be issued to holders of LP Class B Units, Series 1, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1. The LP Class B Units, Series 1 are held by a related party of Dundee REIT. The LP class B Units, Series 1 have been classified as non-controlling interest in the consolidated balance sheet of the Trust in accordance with EIC-151. Both the REIT Units and Special REIT Units entitle the holder to one vote for each unit held.

Funds from Operations

	Dundee REIT Consolidated				Division of DRC Combined
	Three Months Ended		Year Ended	Six Months Ended	Six Months Ended
($000's except per unit amounts)	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003	June 30, 2003
Net income	**$ 3,027**	$ 3,574	**$ 4,353**	$ 7,182	$ 4,113
Add (deduct):					
Depreciation of rental properties	**6,785**	2,588	**26,364**	4,854	4,439
Amortization of deferred leasing costs and intangibles	**3,672**	1,703	**12,833**	3,095	2,897
Imputed amortization of leasing costs related to the rent supplement	**336**	375	**1,365**	707	–
Dilution gain	**(548)**	–	**(1,731)**	–	–
Gain on disposal of rental properties	**(287)**	289	**16,426**	289	–
Future income tax expense (recovery)	**(25)**	65	**(2,013)**	32	1,675
Non-controlling interest	**1,245**	2,317	**1,556**	4,991	–
FFO	**$ 14,205**	$ 10,911	**$ 59,153**	$ 21,150	$ 13,124
FFO per unit – basic	**$ 0.58**	$ 0.59	**$ 2.50**	$ 1.22	
FFO per unit – diluted	**$ 0.56**	$ 0.59	**$ 2.45**	$ 1.22	

Management believes that FFO is an important measure of the Trust's operating performance and is indicative of its cash-generating activities. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations, however, it does not represent cash flow from operating activities as defined by Canadian Generally Accepted Accounting Principles ("GAAP") and is not necessarily indicative of cash available to fund Dundee REIT's needs. Effective January 1, 2005, the Canadian Institute of Public and Private Real Estate Companies ("CIPPREC") has provided better guidance on the definition of FFO to help promote more consistent disclosure. Until such time as all income trusts adopt this policy, our computation of FFO may not be comparable with other industries or income trusts.

For 2004, FFO includes rental revenue recognized on a straight-line basis. FFO excluding straight-line rent for the quarter is $13.3 million or $0.54 per unit and for the year is $54.9 million or $2.32 per unit. Diluted FFO per unit amounts assume the conversion of the Debentures. The assumed conversion of all of the Debentures would decrease debt-to-gross book value to 49.2%, further improving our capacity to acquire additional properties. The decrease in FFO per unit for the fourth quarter compared to the same quarter in 2003 mainly reflects the impact of additional one-time compensation expenses relating to a permanent reduction in overhead costs as well as a refund of operating expenses related to prior years.

During the fourth quarter our debt-to-gross book value ratio remained at the very low end of our target range. Maintaining such a low level of debt and high cash balances impacted our performance. If we had been able to invest our cash, through acquisitions, and maintain a debt level in the middle of the range rather than the bottom end, both our FFO and distributable income would have improved by approximately $0.03 per unit in the quarter. As we go forward into 2005, it is our plan to acquire more property and manage our debt ratio at a higher level in order to improve our FFO for unitholders.

Distributable Income

($000's except per unit amounts)	Three Months Ended December 31, 2004	Three Months Ended December 31, 2003	Year Ended December 31, 2004	Six Months Ended December 31, 2003
Net income	**$ 3,027**	$ 3,574	**$ 4,353**	$ 7,182
Adjust for:				
Depreciation of rental properties	**6,785**	2,588	**26,364**	4,854
Amortization of deferred leasing costs and intangibles	**3,672**	1,703	**12,833**	3,095
Future income tax recovery	**(25)**	65	**(2,013)**	32
Imputed amortization of leasing costs related to the rent supplement	**336**	375	**1,364**	707
Amortization of marked-to-market adjustment on acquired debt	**(315)**	(106)	**(1,438)**	(181)
Compensation expense, deferred unit incentive plan	**568**	104	**886**	113
Dilution gain	**(548)**	–	**(1,731)**	–
Loss (Gain) on disposal of rental property	**(287)**	289	**16,426**	289
Straight-line rent	**(889)**	–	**(4,264)**	–
Amortization of deferred costs incurred prior to June 30, 2003	**118**	361	**599**	690
Amortization of deferred costs incurred subsequent to June 30, 2003	**(1,089)**	(419)	**(2,733)**	(462)
Amortization of market adjustment on acquired leases	**(56)**	–	**(130)**	–
Non-controlling interest	**1,245**	2,317	**1,556**	4,991
Distributable income	**$ 12,542**	$ 10,851	**$ 52,072**	$ 21,310
Distributable income per unit – basic	**$ 0.51**	$ 0.59	**$ 2.20**	$ 1.23
Distributable income per unit – diluted	**$ 0.50**	$ 0.59	**$ 2.17**	$ 1.23

Distributable income is not a measure defined by Canadian GAAP and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust to facilitate the determination of distributions.

Distributable income on a per unit basis is declining as a result of the amortization of leasing costs incurred since our inception. This trend will continue until the leasing costs have been accumulated for a period of time that is comparable to the average remaining lease term of our properties. As discussed in more detail on page 39, we have adopted the straight-line method of rental revenue recognition. As this revenue is not yet billed, this amount has been deducted from the computation of distributable income.

Distributions

The distributions presented in the table below are comprised of $36.1 million relating to REIT Units, Series A and $17.3 million relating to LP Class B Units, Series 1. Cash distributions were only paid to holders of REIT Units, Series A.

($000's)	Declared Distributions	4% Additional Distributions	Total
2004 Distributions			
Paid in cash or reinvestment in units	$ 48,067	$ 756	$ 48,823
Payable at December 31, 2004	4,528	69	4,597
Total distributions	$ 52,595	$ 825	$ 53,420
2004 Reinvestment			
Reinvested in 2004	$ 18,917	$ 756	$ 19,673
Reinvested on January 15, 2005	1,747	69	1,816
Total distributions reinvested	$ 20,664	$ 825	$ 21,489
Distributions paid in cash	$ 31,931		
Reinvestment to distribution ratio	39.3%		
Cash distribution payout ratio	60.7%		

Our distribution policy requires us to make cash distributions to our unitholders, payable monthly, equal to at least 80% of distributable income on an annual basis. Distributions declared in the quarter amounted to $13.5 million, a small increase over the previous three-month period, mainly as a result of an increase in units generated through the DRIP. Of this amount, $5.2 million or 39% was reinvested in additional units. As a result of the high level of participation in the DRIP, our cash payout ratio for our distributions is 60.7%.

Taxation of Distributions

For taxable Canadian resident unitholders, distributions declared in 2004 are treated in the following manner for tax purposes:

	2004	2003
Other income	**49.4%**	42.4%
Taxable capital gains	**2.2%**	–
Return of capital	**48.4%**	57.6%

Our Results of Operations

	Dundee REIT Consolidated			Dundee REIT and Division of DRC
	Three Months Ended		Year Ended	Year Ended
($000's) December 31	2004	2003	2004	2003 (1)
Rental properties				
Revenues	**$ 50,098**	$ 38,545	**$ 187,180**	$ 143,235
Operating expenses	**23,831**	18,955	**85,307**	71,182
Net operating income	**26,267**	19,590	**101,873**	72,053
Other expenses				
Interest	**11,663**	8,866	**43,267**	34,006
Depreciation of rental properties	**6,780**	2,428	**25,546**	8,677
Amortization of deferred leasing costs and intangibles	**3,671**	1,540	**12,562**	5,338
General and administrative	**1,899**	1,115	**5,201**	5,448
	24,013	13,949	**86,576**	53,469
Other income				
Interest and fee income, net	**637**	484	**2,232**	1,335
Income before gain on asset disposal and dilution gain	**2,891**	6,125	**17,529**	19,919
Gain (loss) on disposal of rental property	**(11)**	(289)	**155**	(289)
Dilution gain	**548**	–	**1,731**	–
Income before income and large corporations taxes	**3,428**	5,836	**19,415**	19,630
Income taxes				
Current income and large corporations taxes	**46**	35	**113**	1,935
Future income taxes	**(25)**	65	**(2,013)**	1,707
	21	100	**(1,900)**	3,642
Income before non-controlling interest	**3,407**	5,736	**21,315**	15,988
Income attributable to non-controlling interest	**970**	2,256	**6,337**	4,873
Income before discontinued operations	**2,437**	3,480	**14,978**	11,115
Discontinued operations	**590**	94	**(10,625)**	180
Net income	**$ 3,027**	$ 3,574	**$ 4,353**	$ 11,295

(1) Includes results from Dundee REIT for the six months ended December 31, 2003 and Division of DRC for the six months ended June 30, 2003.

Revenues

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs, property taxes, parking revenues and other miscellaneous revenues from tenants. The $11.6 million increase in revenue in the quarter over the prior year is primarily a result of acquisitions completed in late 2003 and 2004, which account for approximately $12.1 million of the growth. The year-over-year increase in revenue, again, reflects acquisitions, which contributed $43.2 million and the rent supplement as described on page 41, which contributed $3.4 million.

Effective January 1, 2004, we adopted the accounting policy with respect to straight-line rental revenue recognition. This policy requires that contractual rent increases be averaged over the term of the lease. Accordingly, at the beginning of a lease with contractual rent increases, a receivable from tenants is recorded for the current difference between the straight-line rent and the rent that is contractually due from the tenant. This receivable is then repaid as the tenants' rent increases above the average for the term. Prior to January 1, 2004, we recorded only free rental periods on a straight-line basis. The straight-lining of rent contributed $4.3 million to revenue during the year, including $2.8 million from comparative properties and $1.7 million from acquired properties. Straight-line rent fluctuates depending on tenant occupancy and leases.

Operating Expenses

Operating expenses are mainly comprised of occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. We attempt to reduce these costs where possible to lessen the burden on tenants and increase the probability of higher occupancies and net rental income. We actively monitor property taxes and appeal such taxes where appropriate to ensure that the most favourable rates are attained. The increase in operating expenses for both the quarter and the year was mainly a result of the property acquisitions.

Interest Expense

Interest expense for the quarter increased by $2.8 million or 31.5% over the prior year, mainly driven by increased debt levels resulting from acquisitions. On a comparative debt basis, significant refinancings completed at lower rates reduced interest expense by $0.7 million and $2.0 million for the three- and twelve-month periods respectively.

Depreciation of Rental Properties

Depreciation increased $4.4 million and $16.9 million for the three- and twelve-month periods respectively. Effective January 1, 2004, we adopted the straight-line method of depreciation, which contributed approximately $3.0 million and $12.0 million for the three- and twelve-month periods.

Amortization of Deferred Leasing Costs and Intangibles

Amortization increased $2.1 million and $7.2 million over the respective three- and twelve-month periods largely as a result of allocating a portion of the purchase price on new acquisitions to intangibles as discussed in changes in accounting policies on page 49. As a result of adopting this policy, amortization increased $1.6 million and $5.5 million for the respective three- and twelve-month periods.

General and Administrative

General and administrative expenses are primarily comprised of the expenses related to corporate management, trustees' fees and expenses, and investor relations for the Trust and its subsidiaries. Expenses for the quarter were $1.9 million, an increase of $0.8 million compared to the prior year, mainly due to the impact of a one-time charge for Deferred Trust Units relating to a permanent reduction in overhead as well as the timing of initial expenses recorded during the last quarter of 2003. Expenses for the year were $5.2 million. These costs are not comparable to the previous year, as the costs for the Division, which comprised the first six months of 2003, are an allocation of costs and are not representative of those under the existing structure.

Interest and Fee Income, Net

Interest and fee income represents amounts for items such as fees earned from managing properties owned by others, including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from year-to-year.

Dilution Gain

A dilution gain of $1.7 million was recognized upon the retroactive application of EIC-151 for the year ended December 31, 2004. The dilution gain is a result of the issuance of LP Class B Units, Series 1 under our DRIP resulting in a dilution of the Trust's ownership of DPLP. The retroactive application had no impact on our results of operations for the year ended December 31, 2003.

Income Attributable to Non-Controlling Interest

Income attributable to non-controlling interest of $6.3 million is net of a loss from discontinued operations of $4.8 million. These amounts represent the income from continuing operations and discontinued operations allocated to the holders of LP Class B Units, Series 1.

Discontinued Operations

Discontinued operations include assets that have been identified as held for sale or sold and meet specific criteria as discontinued assets in accordance with Canadian GAAP. These assets and operations are disclosed separately on the balance sheet and income statement. Discontinued operations of the Trust include 6500 Kitimat Road in Mississauga, our 20% interest in 2000 rue Halpern in Montréal, Northgate Mall in Regina, and our 25% interest in 2301 and 2311 Royal Windsor Drive in Mississauga. Greater details with respect to these dispositions is provided on page 45.

During the quarter, the contribution from discontinued operations net of non-controlling interest included $0.4 million from operating activities and a gain on sale of $0.2 million. The twelve-month results included income from operations of $0.8 million and a $11.4 million loss on the sale of rental properties.

Income Tax Expense

Dundee REIT distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation for tax rests with each unitholder and no tax provision is currently required on the majority of Dundee REIT's income. Certain Canadian and U.S. subsidiaries of Dundee REIT are taxable and the cost of taxes is reflected in the income statement and balance sheet. During the year, we recorded a $1.9 million future income tax recovery related to our U.S. assets. The recovery reflects an adjustment to the estimated tax basis of this property to amounts reported in recently filed tax returns.

Net Operating Income ("NOI")

	Three Months Ended December 31				Year Ended December 31			
			Growth				Growth	
($000's)	2004	2003	Amount	%	2004	2003	Amount	%
Office	**$ 14,871**	$ 11,604	$ 3,267	28	**$ 58,684**	$ 41,797	$ 16,887	40
Industrial	**9,892**	6,202	3,690	59	**37,327**	23,461	13,866	59
Retail	**1,504**	1,784	(280)	(16)	**5,862**	6,795	(933)	(14)
NOI	**26,267**	19,590	6,677	34	**101,873**	72,053	29,820	41
Discontinued operations	**886**	1,243	(357)		**4,280**	4,780	(500)	
NOI including discontinued operations	**$ 27,153**	$ 20,833	$ 6,320	30	**$ 106,153**	$ 76,833	$ 29,320	38

Net operating income is an important measure used by management to evaluate the operating performance of the properties. We define NOI as the total of rental property revenues less operating expenses. For the purpose of comparing the results in 2004 with the same period in 2003, the results of Dundee REIT for six months ended December 31, 2003 have been added to the results of the Division for the six months ended June 30, 2003.

NOI for the quarter increased 30% over the same period in 2003 while NOI for the year increased 38%. The increase for both the quarter and the year are substantially due to acquisitions as well as the impact of recognizing straight-line rent.

NOI Comparative Portfolio

	Three Months Ended December 31				Year Ended December 31			
			Growth				Growth	
($000's)	2004	2003	Amount	%	2004	2003	Amount	%
Office	**$ 9,074**	$ 10,145	$ (1,071)	(11)	**$ 38,285**	$ 39,541	$ (1,256)	(3)
Industrial	**5,972**	5,718	254	4	**23,074**	22,307	767	3
Retail	**1,491**	1,583	(92)	(6)	**5,656**	6,099	(443)	(7)
Comparative properties	**16,537**	17,446	(909)	(5)	**67,015**	67,947	(932)	(1)
Acquisitions	**8,158**	818	7,340		**27,256**	859	26,397	
Rent supplement	**703**	1,082	(379)		**3,393**	2,180	1,213	
Straight-line rent	**873**	35	838		**4,147**	400	3,747	
Dispositions	**(4)**	209	(213)		**62**	667	(605)	
NOI	**26,267**	19,590	6,677	34	**101,873**	72,053	29,820	41
Discontinued operations	**886**	1,243	(357)		**4,280**	4,780	(500)	
NOI including discontinued operations	**$ 27,153**	$ 20,833	$ 6,320	30	**$ 106,153**	$ 76,833	$ 29,320	38

	Three Months Ended December 31				Year Ended December 31			
			Growth				Growth	
($000's)	2004	2003	Amount	%	2004	2003	Amount	%
Québec	**$ 3,662**	$ 3,748	$ (86)	(2)	**$ 15,289**	$ 15,068	$ 221	1
Ontario	**7,236**	8,155	(919)	(11)	**30,806**	31,463	(657)	(2)
Western Canada	**4,521**	4,209	312	7	**16,575**	16,569	6	–
Total Canada	**15,419**	16,112	(693)	(4)	**62,670**	63,100	(430)	(1)
United States	**1,118**	1,334	(216)	(16)	**4,345**	4,847	(502)	(10)
Comparative properties	**16,537**	17,446	(909)	(5)	**67,015**	67,947	(932)	(1)
Acquisitions	**8,158**	818	7,340		**27,256**	859	26,397	
Rent supplement	**703**	1,082	(379)		**3,393**	2,180	1,213	
Straight-line rent	**873**	35	838		**4,147**	400	3,747	
Dispositions	**(4)**	209	(213)		**62**	667	(605)	
NOI	**26,267**	19,590	6,677	34	**101,873**	72,053	29,820	41
Discontinued operations	**886**	1,243	(357)		**4,280**	4,780	(500)	
NOI including discontinued operations	**$ 27,153**	$ 20,833	$ 6,320	30	**$ 106,153**	$ 76,833	$ 29,320	38

NOI shown above highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. The discontinued operations that contributed to NOI are shown separately to conform with the required income statement presentation. Comparative NOI for the year excludes $2.5 million of straight-line rent and is disclosed in aggregate with straight-line rent on acquisitions. Straight-line rent will fluctuate based on the lease agreements entered into by the Trust. Generally, when leases contain contractual rent increases, also known as step rents, straight-line rent will increase revenue at the beginning of the lease term and decrease revenue in the latter periods as compared with accounting for rents as they became due. Management anticipates the impact of straight-line rent to decrease over time. The significant impact of straight-line rent in the current year was mainly a result of the prospective adoption of this accounting policy.

Comparative NOI for the three months was 5% or $0.9 million lower than the same period in 2003. Approximately 45% or $0.4 million of this decrease reflects the impact of one-time prior year recovery adjustments in three Ontario office properties. The remaining $0.5 million reflects a decrease in occupancy during the year in the Québec office portfolio, the impact of the drop in the U.S. exchange rate on the results from our U.S. retail property together with the short-term impact of free rent tenant inducement periods. Comparative NOI should improve once the free rent periods conclude and the tenants begin paying cash rent. These free rent amounts are shown with the straight-line rent adjustment. For future periods, comparative NOI will include straight-line rent as it will be comparative to both reporting periods.

Property NOI generally varies from period-to-period as a result of the timing of revenues and expenses that do not fluctuate directly with occupancy, such as parking revenue, bad debt provisions and extra tenant services. Overall NOI for the three months mainly reflects the impact of acquisitions completed in late 2003 and 2004. The rent supplement from DRC described below and the recognition of straight-line rent contributed $0.7 million and $0.9 million, respectively, for the three months.

The rent supplement represents amounts funded by DRC based on specific vacancies as previously agreed to upon the formation of Dundee REIT and as included in the property management agreement. This rent supplement will fluctuate as leasing of supplemented

space occurs. The supplement commenced July 1, 2003 and is effective for five years on office and retail space and three years for industrial space. If at any time any of the spaces to which the supplement applies is either leased, sold or ceases to be managed by Dundee Realty Management Corp., the amount of the rent supplement will be permanently reduced by the amount attributed to that space.

Comparative Office Portfolio

	Three Months Ended December 31				Year Ended December 31			
			Growth				Growth	
($000's)	2004	2003	Amount	%	2004	2003	Amount	%
Québec	**$ 1,191**	$ 1,496	**$ (305)**	**(20)**	**$ 5,462**	$ 6,006	**$ (544)**	**(9)**
Ontario	**5,718**	6,666	**(948)**	**(14)**	**24,598**	25,303	**(705)**	**(3)**
Western Canada	**2,165**	1,983	**182**	**9**	**8,225**	8,232	**(7)**	**–**
Comparative properties	**9,074**	10,145	**(1,071)**	**(11)**	**38,285**	39,541	**(1,256)**	**(3)**
Acquisitions	**4,616**	858	**3,758**		**15,476**	859	**14,617**	
Rent supplement	**407**	579	**(172)**		**1,888**	1,222	**666**	
Straight-line rent	**774**	22	**752**		**3,035**	175	**2,860**	
Office NOI	**$ 14,871**	$ 11,604	**$ 3,267**	**28**	**$ 58,684**	$ 41,797	**$ 16,887**	**40**

Comparative NOI decreased 11% in the quarter and 3% for the year mainly as a result of one time recovery adjustments for prior years and some increased vacancies in Montréal and Toronto. In Montréal, the increased vacancies are mainly located in the East end sub-market, which has been affected by the amalgamation of tenancies and migration to the city centre. In the last half of 2004 the market as a whole experienced the highest vacancy of the past four to five years. This spike in vacancy is primarily the result of new product being delivered to the market concurrent with weakening demand for office properties. This sector will continue to be a challenge through 2005 although we do anticipate some improvement.

The Toronto office market has experienced growth in occupancy in most buildings with the exception of the 110 Sheppard and the St. Clair buildings. These properties are indicative of these sub-markets and the experience of other landlords in general. 110 Sheppard remains 59% leased and is well situated in proximity to the city's central transit line and leasing is anticipated in mid-to-late 2005. The vacancies in the St. Clair buildings are being actively marketed with an innovative broker program designed to target small- to medium-sized tenants. The three- and twelve-month results include $0.4 million in one-time prior year recovery adjustments.

Acquisitions contributing to our results include 720 Bay Street in Toronto and the Montréal portfolio, both completed in the second quarter of 2004.

Comparative Industrial Portfolio

	Three Months Ended December 31				Year Ended December 31			
			Growth				Growth	
($000's)	2004	2003	Amount	%	2004	2003	Amount	%
Québec	**$ 2,471**	$ 2,252	$ 219	10	**$ 9,827**	$ 9,062	$ 765	8
Ontario	**1,336**	1,410	(74)	(5)	**5,539**	5,429	110	2
Western Canada	**2,165**	2,056	109	5	**7,708**	7,816	(108)	(1)
Comparative properties	**5,972**	5,718	254	4	**23,074**	22,307	767	3
Acquisitions	**3,542**	(40)	3,582		**11,780**	–	11,780	
Rent supplement	**302**	502	(200)		**1,520**	958	562	
Straight-line rent	**76**	22	54		**953**	196	757	
Industrial NOI	**9,892**	6,202	3,690	59	**37,327**	23,461	13,866	59
Discontinued operations	**68**	197	(129)		**550**	788	(238)	
Industrial NOI including discontinued operations	**$ 9,960**	$ 6,399	$ 3,561	56	**$ 37,877**	$ 24,249	$ 13,628	56

NOI from the comparative industrial portfolio for the three- and twelve-month periods showed growth of 4% and 3%, respectively. In Québec, properties that had previously undergone significant building improvements and leasing contributed approximately $0.1 million and $0.5 million to NOI in the respective three- and twelve-month periods. The Ontario portfolio experienced a slight decrease in the quarter resulting from a change in occupancy in three properties. These properties are now well leased, however, NOI fluctuates with the timing of leasing activity. Year-over-year, NOI from Ontario increased as a result of improved rental rates on renewals. In addition, contractual rent increases, now included in straight-line rents, also had an impact on our results. The results from Western Canada are weaker than the prior periods due to three unplanned vacancies. These spaces were quickly re-leased and became occupied in the fourth quarter. Occupancy in this portfolio currently stands at 95% and results in the first quarter of 2005 are anticipated to improve.

Acquisitions in the industrial portfolio include the Pauls Portfolio acquired in the first quarter and the Geo-X Building in Calgary acquired in the second quarter, which contributed $11.4 million and $0.4 million to NOI, respectively, during 2004.

Comparative Retail Portfolio

	Three Months Ended December 31				Year Ended December 31			
			Growth				Growth	
($000's)	2004	2003	Amount	%	2004	2003	Amount	%
Ontario	**$ 182**	$ 79	$ 103	130	**$ 669**	$ 731	$ (62)	(8)
Western Canada	**191**	170	21	12	**642**	521	121	23
Total Canada	**373**	249	124	50	**1,311**	1,252	59	5
United States (US$)	**916**	1,010	(94)	(9)	**3,308**	3,452	(144)	(4)
Foreign exchange	**202**	324	(122)	(38)	**1,037**	1,395	(358)	(26)
Comparative properties	**1,491**	1,583	(92)	(6)	**5,656**	6,099	(443)	(7)
Rent supplement	**(6)**	1	(7)		**(15)**	–	(15)	
Straight-line rent	**23**	(9)	32		**159**	29	130	
Dispositions	**(4)**	209	(213)		**62**	667	(605)	
Retail NOI	**1,504**	1,784	(280)	(16)	**5,862**	6,795	(933)	(14)
Discontinued operations	**818**	1,046	(228)		**3,730**	3,992	(262)	
Retail NOI including discontinued operations	**$ 2,322**	$ 2,830	$ (508)	(18)	**$ 9,592**	$ 10,787	$ (1,195)	(11)

Comparative retail NOI decreased by 6% for the quarter and 7% for the year. Improved results from our remaining retail asset in Western Canada stem from significant leasing activity and a corresponding increase in occupancy of approximately 10% over the past year. This mall, however, only represents leasable area of 46,140 square feet and therefore has a relatively small impact on overall NOI. NOI from our U.S. asset decreased, primarily as a result of the appreciation of the Canadian dollar versus its U.S. counterpart, the impact of which represents approximately $0.4 million for the year. Percentage rent and miscellaneous revenues were also lower as a result of new competition in the area impacting sales at our location. However, a decrease in non-recoverable costs, mainly bad debt and consulting fees, offset some of this decrease. Consistent with our long term investment strategy of focusing on office and industrial properties, Northgate Mall was sold December 13, 2004. This asset, classified as discontinued operations, contributed $0.8 million and $3.7 million to NOI for the three- and twelve-month periods respectively. Results in 2005 will reflect the sale of this asset.

Leasing Profile

The overall percentage of occupied and committed space across our stabilized rental properties portfolio improved 1.8% to 94.5% at year end. Occupancy rates discussed in this report include actual and committed space at December 31, 2004 and exclude space to which the rent supplement is applied.

	Total Portfolio		Comparative Properties	
	2004 [3]	2003 [1,2]	2004 [3]	2003
Office				
Québec	**89.2%**	87.9%	**84.6%**	87.9%
Ontario	**93.2%**	92.7%	**92.7%**	92.7%
Western Canada	**99.3%**	94.8%	**99.3%**	94.8%
	93.6%	92.4%	**92.8%**	92.4%
Industrial [1,2,3]				
Québec	**91.4%**	89.5%	**91.8%**	89.1%
Ontario	**98.1%**	99.7%	**96.7%**	99.7%
Western Canada	**96.9%**	93.7%	**97.3%**	88.3%
	95.2%	93.1%	**94.6%**	91.1%
Retail				
Ontario	**91.0%**	92.9%	**91.0%**	88.0%
Western Canada	**100.0%**	90.7%	**100.0%**	91.6%
U.S.	**93.2%**	93.3%	**93.2%**	93.3%
	93.3%	92.5%	**93.3%**	92.5%
Overall	**94.5%**	92.7%	**93.8%**	91.7%

Excludes:
(1) 11 Place du Commerce, Longueuil, under redevelopment.
(2) 15303-128th Avenue, Edmonton, under redevelopment.
(3) 2301 and 2311 Royal Windsor Drive, Mississauga, sold subsequent to year end.

Our portfolio in Western Canada has experienced solid growth with increased occupancy in all markets mainly as a result of a strong Alberta economy. With a 2.1% increase in occupancy of comparative properties, we anticipate improved results in 2005.

Summary of leasing activity to December 31, 2004:

(square feet)	Office	Industrial [1]	Retail	Total
Vacant space available – September 30, 2004	**270,548**	**415,047**	**69,177**	**754,772**
Remeasurements	**(8,273)**	**2,660**	**–**	**(5,613)**
Leases terminated/expiring	**341,287**	**715,815**	**15,947**	**1,073,049**
Acquisition/Dispositions	**–**	**14,466**	**–**	**14,466**
Total space available for lease	**603,562**	**1,147,988**	**85,124**	**1,836,674**
New tenants	**83,320**	**258,439**	**4,030**	**345,789**
Renewals	**218,663**	**534,084**	**15,649**	**768,396**
Total space leased	**301,983**	**792,523**	**19,679**	**1,114,185**
Total space available for lease – December 31, 2004	**301,579**	**355,465**	**65,445**	**722,489**
Net (increase) decrease in vacant space	**(31,031)**	**59,582**	**3,732**	**32,283**

(1) Excludes 2301 and 2311 Royal Windsor Drive, Mississauga, sold subsequent to year end.

The above table shows a net decrease in vacant space of 32,283 square feet at year end. The overall improvement in occupied and committed space is a result of leasing activity and the acquisition of well leased properties. During the quarter, occupancy remained flat with 1,073,049 square feet of leases expiring offset by 1,114,185 square feet of new leases and renewals.

Lease maturity profile as at December 31, 2004 by asset type:

(square feet)	Current Vacancy	Current Monthly Tenancies	2005	2006	2007	2008	2009 and Thereafter	Total
Office	301,579	59,279	394,049	425,389	394,568	325,668	2,813,257	4,713,789
Industrial [1]	355,465	231,938	1,063,245	1,142,419	1,040,250	1,139,694	2,492,550	7,465,561
Retail	65,445	19,078	98,731	48,640	90,896	94,110	552,998	969,898
Total	722,489	310,295	1,556,025	1,616,448	1,525,714	1,559,472	5,858,805	13,149,248
Percentage	5.5%	2.4%	11.8%	12.3%	11.6%	11.9%	44.5%	100%
Discontinued Operations								51,035
Total								13,200,283

(1) Excludes 2301 and 2311 Royal Windsor Drive, Mississauga, sold subsequent to year end.

Strong tenant relationships are critical to our success. We make great efforts to understand our tenants so that, to the extent possible, we can anticipate and accommodate their needs. This includes working with tenants to accommodate their growth or devising creative solutions during a difficult time for their business or when they simply need less space. Solutions are always dependent on general market conditions, but our general philosophy is that during challenging market conditions, such as we are currently experiencing, it is better to have our buildings full and tenants paying rent than to have space go vacant and incur the costs of trying to secure new leases.

Average Expiring Rents as at December 31, 2004:

	Monthly Tenancies	2005	2006	2007	2008	2009 and Thereafter
Office	$ 14.01	$ 12.60	$ 16.32	$ 12.91	$ 11.93	$ 14.78
Industrial [1]	4.85	5.68	5.11	4.98	4.83	6.99
Average	6.72	7.55	8.15	7.16	6.41	11.12
Retail	19.14	14.30	11.81	11.28	12.72	6.62
Portfolio average	7.48	7.98	8.26	7.41	6.79	10.70

(1) Excludes 2301 and 2311 Royal Windsor Drive, Mississauga, sold subsequent to year end.

The leasing process continues to be challenging, however, we believe that increased leasing inquiries and the increase in committed space at year end is encouraging. Our leasing staff often begin working on lease renewals long before the term has expired, in some cases up to a year in advance. The result is that our significant lease expiries in 2005 have been identified, some have already been renewed and any areas of potential risk have already been identified. We anticipate the portfolio in Western Canada will remain strong due to strong leasing and a buoyant economy. In Québec, we anticipate some decreases in occupancy due to non-renewals in some of the less active office markets, particularly in the East end sub-market of Montréal.

New acquisitions have allowed us more flexibility in our space offerings to existing and prospective tenants. Where necessary, we will continue to work with tenants and offer alternative space solutions. We will also make every effort to accommodate the need for growth, but with a virtually fully leased industrial portfolio in Ontario and office portfolio in Western Canada, it could prove to be challenging.

Average remaining lease term as at December 31 and other portfolio information:

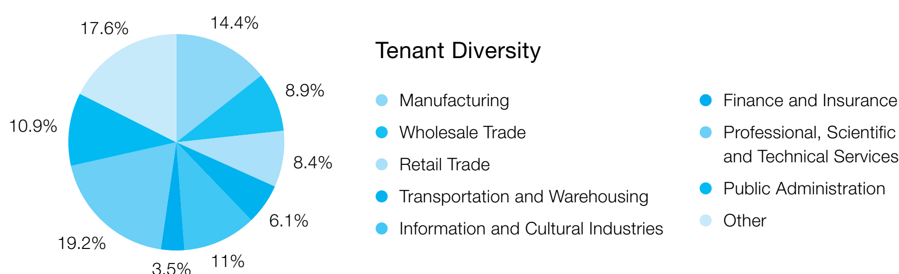
	2004 [1]			2003 [2]		
	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Net Rent (per sq. ft.)	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Net Rent (per sq. ft.) [2]
Office	**5.24**	**8,270**	**$ 14.35**	5.09	7,714	$ 13.11
Industrial	**3.48**	**13,091**	**$ 5.78**	3.05	12,875	$ 4.71
Average	**3.99**	**10,491**	**$ 9.06**	3.90	9,978	$ 8.21
Retail	**5.57**	**5,990**	**$ 9.10**	6.87	5,567	$ 10.10
Portfolio Average	**4.25**	**9,980**	**$ 9.06**	4.26	9,150	$ 8.43

(1) Excludes 2301 and 2311 Royal Windsor Drive, Mississauga, sold subsequent to year end.
(2) 2003 average in-place net rent does not include straight-lined rent.

Dundee REIT has a broad tenant base with the average tenant occupying approximately 10,000 square feet. The result is a large and diverse tenant base. With approximately 1,300 tenants, lease renewals are frequent and our risk exposure with any large single lease or tenant is relatively low. We have extensive experience in managing our lease renewals, as many of the same tenants renew annually and have been doing so for a number of years. Our success is evident in our track record where the lease maturity profile of our properties has been consistent and our occupancy levels have fluctuated only within a very narrow range.

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

Our three largest tenants, Telus Communications, Government of Ontario and the Government of Canada, comprise approximately 4.7%, 4.6% and 4.5% of our gross rental revenue respectively. The table below sets out the percentage contribution to gross rental revenue of our ten largest tenants:



Tenant	Owned Area (sq. ft.)	% of Owned Area	% of Gross Rental Revenue	Expiry
Telus Communications	330,000	2.5%	4.7%	2016
Government of Ontario	318,000	2.4%	4.6%	2005–2015
Government of Canada	300,000	2.3%	4.5%	2005–2011
Bell Canada	268,000	2.0%	2.7%	2009
State Street Trust Company	94,000	0.7%	2.1%	2012
International Financial Data Services	96,000	0.7%	2.0%	2013
Government of BC	102,000	0.8%	1.8%	2006–2009
IBM Canada	112,000	0.8%	1.7%	2005–2011
Epcor Utilities	170,000	1.3%	1.4%	2011
Spirent Communications	81,000	0.6%	1.3%	2011
Total	1,871,000	14.1%	26.7%	

Acquisitions

($000's)	Property Type	Interest Acquired	Acquired GLA (sq. ft.)	Year End Occupancy	Purchase Price	Date Acquired
Pauls Portfolio, Toronto and Calgary	Office, Flex Industrial	100%	1,598,027	98.2%	$ 169,500	February 19, 2004
222-230 Queen Street, Ottawa (1)	Office	16.4%	33,516	100%	6,000	January 1 and March 1, 2004
720 Bay, Toronto	Office	50%	123,872	100%	26,000	May 5, 2004
Geo-X, Calgary	Flex Industrial	100%	36,428	100%	6,600	May 12, 2004
Montréal Portfolio	Office	100%	323,373	100%	64,600	June 21, 2004
Total			2,115,216		$ 272,700	

(1) Represents purchase of the balance of the property.

A component of our growth strategy is to acquire office and industrial properties in our key markets, allowing us to capitalize on operational efficiencies, further increase our presence and critical mass in our target markets and to improve the overall quality and rental income stability of our portfolio. Acquisitions completed throughout 2004 are outlined above.

Subsequent to year end, we completed the acquisition of 2599 Speakman Drive, a 114,000 square foot office property in Mississauga, Ontario for approximately $9.3 million. We have also completed the acquisition of 1219 Corporate Drive, a 103,000 square foot single tenant industrial building in Burlington, Ontario for approximately $6.5 million.

All of the properties acquired compliment Dundee REIT's existing portfolio and align with our strategy of owning and managing office and industrial properties in Montréal, Ottawa, Toronto, Calgary and Edmonton.

Dispositions

Another important component of our strategy is the continuous and active analysis of the performance of our properties – identifying strengths and weaknesses of individual properties and our portfolio as a whole and identifying properties for capital improvements or properties for disposal that no longer fit with our investment strategy. During the year we sold the following assets:

($000's)	Property Type	Interest Sold	GLA (sq. ft.)	Gross Proceeds	Date Sold
Centennial Mall, Brampton	Retail	50%	89,000	$ 6,025	February 11, 2004
6500 Kitimat Road, Mississauga	Industrial	100%	60,000	$ 5,200	June 30, 2004
2000 rue Halpern, Montréal	Industrial	20%	105,000	$ 3,400	July 22, 2004
Northgate Mall, Regina	Retail	100%	331,000	$ 44,800	December 13, 2004
2301-2311 Royal Windsor Drive, Mississauga	Industrial	25%	51,000	$ 2,300	January 14, 2005
			636,000		

Quarterly Information

The following table shows quarterly information since the inception of Dundee REIT at June 30, 2003.

($000's)	Q4 2004	Q3 2004 [3]	Q2 2004 [3]	Q1 2004 [3]	Q4 2003 [3]	Q3 2003 [3]
Rental properties						
Revenues	**$ 50,098**	**$ 47,983**	**$ 46,191**	**$ 42,908**	$ 38,545	$ 34,902
Operating expenses	**23,831**	**20,999**	**20,418**	**20,059**	18,955	16,147
Net operating income	**26,267**	**26,984**	**25,773**	**22,849**	19,590	18,755
Other expenses						
Interest	**11,663**	**11,739**	**10,304**	**9,561**	8,866	8,451
Depreciation of rental properties	**6,780**	**6,592**	**6,290**	**5,884**	2,428	2,107
Amortization of deferred leasing costs and intangibles	**3,671**	**3,761**	**3,363**	**1,767**	1,540	1,263
General and administrative	**1,899**	**1,145**	**1,205**	**952**	1,115	994
	24,013	**23,237**	**21,162**	**18,164**	13,949	12,815
Other income						
Interest and fee income, net	**637**	**583**	**429**	**583**	484	192
Income before gain (loss) on disposal of asset and dilution gain	**2,891**	**4,330**	**5,040**	**5,268**	6,125	6,132
Gain (loss) on disposal of rental property	**(11)**	**–**	**(11)**	**177**	(289)	–
Dilution gain	**548**	**365**	**185**	**633**	–	–
Income before income and large corporations taxes	**3,428**	**4,695**	**5,214**	**6,078**	5,836	6,132
Income taxes						
Current income and large corporations taxes	**46**	**29**	**18**	**20**	35	15
Future income taxes	**(25)**	**(1,946)**	**(1)**	**(41)**	65	(33)
	21	**(1,917)**	**17**	**(21)**	100	(18)
Income before non-controlling interest	**3,407**	**6,612**	**5,197**	**6,099**	5,736	6,150
Income attributable to non-controlling interest	**970**	**1,961**	**1,557**	**1,849**	2,256	2,618
Income before discontinued operations	**2,437**	**4,651**	**3,640**	**4,250**	3,480	3,532
Discontinued operations	**590**	**724**	**(11,846)**	**(93)**	94	76
Net income (loss)	**3,027**	**5,375**	**(8,206)**	**4,157**	3,574	3,608
Add (deduct):						
Depreciation of rental properties	**6,785**	**6,605**	**6,690**	**6,284**	2,588	2,266
Amortization of deferred leasing costs and intangibles	**3,672**	**3,764**	**3,494**	**1,903**	1,703	1,392
Future income tax	**(25)**	**(1,946)**	**(1)**	**(41)**	65	(33)
Imputed amortization of leasing costs related to the rent supplement	**336**	**286**	**362**	**380**	375	332
Dilution gain	**(548)**	**(365)**	**(185)**	**(633)**	–	–
(Gain) loss on disposal of rental properties	**(287)**	**(443)**	**(2,396)**	**(177)**	289	–
Provision for impairment in value of rental property	**–**	**–**	**19,729**	**–**	–	–
Non-controlling interest	**1,245**	**2,292**	**(3,782)**	**1,801**	2,317	2,674
Funds from operations	**14,205**	**15,568**	**15,705**	**13,674**	10,911	10,239
Add (deduct):						
Amortization of fair value debt adjustments included in interest expense	**(315)**	**(315)**	**(484)**	**(324)**	(106)	(75)
Compensation expense related to deferred unit incentive plan	**568**	**107**	**106**	**105**	104	9
Amortization of deferred costs incurred prior to June 30, 2003	**118**	**117**	**107**	**260**	361	329
Amortization of deferred costs incurred subsequent to June 30, 2003	**(1,089)**	**(796)**	**(544)**	**(308)**	(419)	(43)
Amortization of market adjustments on acquired leases	**(56)**	**(82)**	**8**	**–**	–	–
Straight-line rent	**(889)**	**(1,140)**	**(1,286)**	**(949)**	–	–
Distributable income	**$ 12,542**	**$ 13,459**	**$ 13,612**	**$ 12,458**	$ 10,851	$ 10,459
Net income (loss) per unit						
Basic	**$ 0.18**	**$ 0.32**	**$ (0.49)**	**$ 0.29**	$ 0.32	$ 0.38
Diluted	**$ 0.16**	**$ 0.30**	**$ (0.50)**	**$ 0.25**	$ 0.32	$ 0.38
Funds from operations per unit						
Basic [2]	**$ 0.58**	**$ 0.64**	**$ 0.65**	**$ 0.64**	$ 0.59	$ 0.63
Diluted [1]	**$ 0.56**	**$ 0.62**	**$ 0.65**	**$ 0.64**	$ 0.59	$ 0.63
Distributable income per unit						
Basic [2]	**$ 0.51**	**$ 0.55**	**$ 0.56**	**$ 0.58**	$ 0.59	$ 0.64
Diluted [1]	**$ 0.50**	**$ 0.54**	**$ 0.56**	**$ 0.58**	$ 0.59	$ 0.64
Weighted average number of units outstanding						
Basic	**16,814,288**	**16,753,593**	**16,703,223**	**14,211,810**	11,078,398	9,381,232
Diluted	**24,694,849**	**24,446,183**	**24,200,790**	**21,532,903**	18,213,417	16,331,458
[1] Includes weighted average assuming conversion of Debentures.	**3,000,000**	**3,000,000**	**329,671**	**–**	–	–
[2] Includes weighted average of LP Class B Units, Series 1.	**7,837,540**	**7,657,481**	**7,472,065**	**7,296,943**	7,124,707	6,950,137

[3] Restated to reflect retroactive adoption of EIC-151 as described on page 50.

Net Operating Income

($000's)	December 31, 2004	September 30, 2004	Growth Amount	Growth %
	Three Months Ended			
Office	**$ 9,074**	$ 9,725	$ (651)	(7)
Industrial	**5,972**	5,836	136	2
Retail	**1,491**	1,307	184	14
Comparative properties	**16,537**	16,868	(331)	(2)
Acquisitions	**8,158**	8,178	(20)	
Rent supplement	**703**	814	(111)	
Straight-line rent	**873**	1,105	(232)	
Dispositions	**(4)**	19	(23)	
NOI	**26,267**	26,984	(717)	(3)
Discontinued operations	**886**	1,047	(161)	
NOI including discontinued operations	**$ 27,153**	$ 28,031	$ (878)	(3)

Comparative NOI for the three months declined by 2% in the fourth quarter. Most of this decrease results from lower occupancy in the East end and midtown office properties in Montréal and from one time prior-year recovery adjustments in three Toronto office properties. The favourable variance of 14% in retail properties reflects the impact of lower operating costs at Greenbriar mall in the fourth quarter.

Overall, NOI was reduced by $0.3 million due to the write-off of straight-line rents for tenants who vacated prior to lease expiry. The decrease in NOI from discontinued operations reflects the sale of Northgate Mall on December 13, 2004.

Period end occupied and committed space:

	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003
Office	**93.6%**	**94.3%**	**94.6%**	**93.3%**	92.4%	92.9%	93.8%
Industrial	**95.2%**	**94.2%**	**94.1%**	**94.1%**	93.1%	94.2%	93.9%
Retail	**93.3%**	**92.9%**	**92.8%**	**92.1%**	92.5%	93.0%	93.0%
Overall	**94.5%**	**94.3%**	**94.2%**	**93.6%**	92.7%	93.6%	93.8%

Excludes properties under redevelopment and properties held for sale.

Outlook

2004 was a great year for Dundee REIT in many respects. We acquired $273 million of high quality properties that, together with acquisitions completed in late 2003, contributed $27 million to our net operating income for the year. A significant proportion of our debt was renewed, resulting in a lower average interest rate, an extension of our average term to maturity and only 5% of our debt maturing within the next year compared to 27% a year ago. The markets remain challenging but we are heading into 2005 with solid occupancy rates and a growing portfolio that gets stronger with each acquisition.

The acquisition market remains highly competitive with record setting prices for large asset transactions in both the industrial and retail sectors. Capital continues to flow into the sector including significant participation from foreign investors. Recently, however, the biggest influence in the market is the re-emergence of pension funds.

Having now operated as an investment trust for 18 months, we have had time to adjust to the differences of operating as a trust. Significant improvements have been made to our back office functions as well as our property operations. Given the recent legislative changes providing limited liability to holders of investment trusts and the pending inclusion of trusts in the S&P Index, we believe that there will be increased interest in REITs. We believe that Dundee REIT is well positioned to be one of the winners in this new environment.

Risks and Strategy to Manage

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

Real Estate Ownership

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

Our portfolio of properties generates income through rent payments made by our tenants. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may also be less favourable than the existing lease. Our financial position would be adversely affected if a number of tenants were to become unable to meet their current or future obligations under their leases or if a significant amount of available space in the properties could not be leased on economically favourable lease terms.

Diversity mitigates risk. The diversity of our portfolio by asset type and geographic location helps to minimize our exposure to any single market or asset class. We also attempt to stagger lease maturities to protect against large vacancies in any given year or market. Further, Dundee REIT has a broad tenant base with the largest tenant occupying less than 3% of gross leaseable area and comprising 4.7% of our gross rental revenue. For further information, please see "Leasing Profile" discussion on page 43.

Illiquidity of Real Estate Investments

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary our portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession we may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for us to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions. We manage our portfolio actively and are attentive to market conditions and property values. We review our properties on an on going basis to identify strengths and weaknesses of individual properties and our portfolio as a whole, allowing us to quickly reposition assets when warranted or identify non-core or under-performing assets for disposition.

Competition in the Office, Industrial and Retail Real Estate Market

We compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Competition could have a material adverse effect on our ability to lease space in our properties and on the rents we are able to charge. This could adversely affect our revenues and our ability to meet our obligations. We strive to deliver a level of service that meets or exceeds tenant expectations. We believe that providing a consistent, high level of service puts us in a better position to re-lease space to existing tenants and helps to attract new tenants to lease vacant space quickly and cost effectively.

Environmental Risk

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

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

Financing Risk

Upon the expiry of the term of the financing or refinancing of any particular property or operating or acquisition debt facilities, refinancing may not be available in the amounts required or may be available only on terms less favourable to us than existing financing. We may require additional financing in order to grow and expand our operations. It is possible that such financing will not be available or available on unfavourable terms. Future financing may take many forms, including debt or equity financing, which could alter the current debt-to-equity ratio and dilute our unitholders, interest. It is our intent to reduce the interest rate risk associated with refinancing by ensuring that debt maturities are staggered over several years, with limited exposure in any given year. For further information, please see "Our Resources and Financial Condition" discussion on page 32.

Insurance

We carry general liability, umbrella liability and excess liability insurance with a total limit of $61.0 million. For the property risks we carry "All Risks" property insurance including but not limited to flood, earthquake and loss of rental income insurance (with a 24-month indemnity period). We also carry boiler and machinery insurance covering all boilers, pressure vessels, HVAC systems and equipment breakdown. There are, however, certain types of risks (generally of a catastrophic nature such as from war or nuclear accident), which are uninsurable under any insurance policy. Furthermore there are other risks that are not economically viable to insure at this time. We currently self-insure against terrorism risk for the entire Canadian portfolio. Additionally, we generally have owners' title insurance policies with respect to our properties located in the United States.

Joint Venture, Partnership and Co-ownership Agreements

We are a participant in joint ventures and partnerships with third parties in respect of 7 of our properties. A joint venture or partnership involves certain additional risks, including:

i. the possibility that such co-ventures/partners may at any time have economic or business interests or goals that will be inconsistent with ours. They may also take actions that are contrary to our instructions, requests, policies and objectives with respect to our real estate investments;

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

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

iv. the need to obtain co-ventures/partners' consents with respect to certain major decisions.

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

Critical Accounting Estimates

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

Impairment of Assets

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

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

In the event these factors result in a carrying value that exceeds the sum of the undiscounted cash flows expected to result from the direct use and eventual disposition of the property, an impairment loss would be recognized. There were no impairment losses recorded for 2004.

Depreciation

Effective January 1, 2004, the Trust adopted the straight-line method of depreciation for rental properties, initial leasing costs and major expansions and renovations. Previously, these assets were depreciated using the sinking fund method. Under this method, an amount, which increased at 5% per annum, was charged to income so as to fully depreciate these assets over their estimated useful lives. The estimated useful life of the properties continues to be between 30 and 40 years. This change in accounting policy has been applied prospectively and had the effect of increasing depreciation of these assets and reducing net income for the year ended December 31, 2004 by approximately $12.0 million. A significant portion of the acquisition cost of each property is allocated to building. The allocation of the acquisition cost to building and the determination of the useful life are based upon management's estimates. In the event the allocation to building is inappropriate or the estimated useful life of buildings proves incorrect, the computation of depreciation will not be appropriately reflected over future periods.

Income Taxes

Preparation of the Trust's consolidated financial statements requires that we estimate our income tax expense and liabilities related to our corporate subsidiaries as well as the reported amount by which the carrying value of our net assets exceed their corresponding tax cost. We used our judgment to determine these amounts, and ultimate liabilities for income taxes could be different from the amounts presented.

Changes in Accounting Policies

Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination

The Canadian Institute of Chartered Accountants ("CICA") has issued new guidance related to the accounting for rental property acquisitions initiated after September 12, 2003 that significantly changes the methodology for allocating the purchase price of all future acquisitions. The Trust must determine the fair value of a number of different components that previously were not considered in the purchase price allocation such as tenant inducements, lease origination costs, above and below market leases, in-place leases and tenant relationships. This guidance will result in a smaller portion of the purchase price being allocated to buildings and effectively accelerate some of the depreciation or amortization of the acquired assets. This new guidance has impacted the allocation of the purchase price of current period acquisitions. The total purchase price of acquisitions has been allocated to land, buildings, and intangible assets. A detailed breakdown of the allocation is included in the consolidated financial statements of the Trust for the year ended December 31, 2004.

Generally Accepted Accounting Principles

Section 1100 of the CICA Handbook clarifies the hierarchy of GAAP in Canada. This new section codifies the sources of Canadian GAAP and establishes the authority of sources of GAAP outside the CICA Handbook. The most significant impact is to remove industry precedent as an appropriate source of GAAP. Dundee REIT has adopted the following changes in accounting policies:

Depreciation of Rental Properties

The sinking fund method of depreciating rental properties was discontinued and, effective January 1, 2004, we commenced depreciating our rental properties on a straight-line basis over their remaining estimated useful life. As required, this change was adopted on a prospective basis.

Revenue Recognition

Revenues from leases that include contractual increases in basic rents are accounted for on a straight-line basis. Previously, rents were generally recognized as they became due. In conjunction with the recognition of revenue, a receivable from tenants is recorded to reflect the difference between the straight-line rent recognized for accounting and the amount contractually due. This change was adopted on a prospective basis commencing on January 1, 2004.

Impairment of Long-Lived Assets

Effective January 1, 2004, Dundee REIT prospectively adopted the recommendations of CICA Handbook Section 3063, "Impairment of Long-lived Assets." This new standard requires a two-step process for determining when an impairment of rental properties and other long-lived assets should be recognized in the financial statements. If events or circumstances indicate that the carrying value of a completed rental property or a rental property under development may be impaired, a recoverability analysis is performed based on estimated undiscounted future cash flows to be generated from property operations and its projected disposition. If the analysis indicates that the carrying value is not recoverable from future cash flows, the property is written down to estimated fair value and an impairment loss is recognized. Prior to January 1, 2004, rental properties were stated at the lower of historic cost less accumulated depreciation and net recoverable amount. This change in accounting policy had no impact on adoption or in the current year.

Discontinued Operations

Effective May 1, 2003, the Trust adopted the newly issued accounting pronouncement whereby assets initiated as held for sale are reclassified on the balance sheet and any income/loss or gain/loss on disposal are separately reported as discontinued operations for the current and prior periods.

Non-controlling Interest

On January 19, 2005, the Emerging Issues Committee of the CICA issued an Abstract of Issues Discussed titled "Exchangeable Securities Issued by Subsidiaries of Income Trusts" ("EIC-151") which requires Income Trusts with exchangeable securities issued by their subsidiaries to evaluate whether the exchangeable securities should be presented as unitholders' equity or non-controlling interest on the consolidated balance sheet. In order to be presented as unitholders' equity, the exchangeable securities must have distributions that are economically equivalent to distributions on units issued directly by the income trust and must also ultimately be exchanged for units of the income trust. The distributions on the LP Class B Units, Series 1 are economically equivalent to distributions on the REIT Units, Series A. However, because the LP Class B Units, Series 1 contain no conditions requiring either the conversion to REIT Units or restricting their transferability to third parties, the LP Class B Units, Series 1 are presented as non-controlling interest in the financial statements. Previously, the LP Class B Units, Series 1 were reported as a component of unitholders' equity.

The following table details the retroactive restatement of the Trust's quarterly results upon adoption of EIC-151:

	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003
Net income as originally reported	**$ 7,302**	**$ (12,173)**	**$ 5,325**	$ 5,891	$ 6,282
Increase in dilution gain	**365**	**185**	**633**	–	–
Increase (decrease) in discontinued operations	**(331)**	**5,339**	**48**	(61)	(56)
Increase in income attributable to non-controlling interest	**(1,961)**	**(1,557)**	**(1,849)**	(2,256)	(2,618)
Net income as restated	**$ 5,375**	**$ (8,206)**	**$ 4,157**	$ 3,574	$ 3,608

EIC-151 applies to all financial statements issued after January 19, 2005 and is required to be applied on a retroactive basis. As a result, the Trust has accounted for the investment of the net proceeds that it received from equity offerings in DPLP using the purchase method. In addition, the issuance of LP Class B Units, Series 1 under the Distribution Reinvestment Plan has resulted in a dilution of the Trust's ownership of DPLP. Adoption of EIC-151 had the effect in 2004 of recognizing non-controlling interest in the balance sheet of $148.3 million, increasing rental properties by $3.9 million, increasing depreciation of rental properties by $0.2 million, recognizing a dilution gain of $1.7 million and income attributable to non-controlling interest in continuing operations of $6.3 million, net of a loss of $4.8 million from discontinued operations. In 2003, the adoption resulted in recognizing non-controlling interest of $144.9 million and income attributable to non-controlling interest in continuing operations of $4.9 million and in discontinued operations of $0.1 million, with no other significant effect on the balance sheet and statement of net income.

Future Changes in Accounting Policies

In June 2003, the CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG-15"), which is effective for fiscal year 2005 and provides guidance for applying the principles in Section 1590, "Subsidiaries," to those entities defined as Variable Interest Entities ("VIEs"), in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack either voting control, an obligation to absorb expected losses, or the right to receive expected residual returns. AcG-15 requires consolidation of VIEs by the Primary Beneficiary. The Primary Beneficiary is defined as the party who has exposure to the majority of a VIE's expected losses and/or expected residual returns. The Trust has evaluated its interests in joint ventures and co-ownerships and has determined that the Airport Corporate Centre West Joint Venture ("ACCW") is a VIE. However, the Trust has determined that it is not the Primary Beneficiary at December 31, 2004. The Trust will re-evaluate this determination as financing and business activities related to ACCW change. The Trust currently uses the proportionate consolidation method to account for its interest in ACCW.