Management's responsibility for financial statements

The accompanying consolidated financial statements, the notes thereto and other financial information contained in this Annual Report have been prepared by, and are the responsibility of, the management of Dundee Real Estate Investment Trust. These financial statements have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments when appropriate.

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

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

MICHAEL J. COOPER
Vice Chairman and
Chief Executive Officer

MARIO BARRAFATO
Senior Vice President and
Chief Financial Officer

Toronto, Ontario, February 22, 2012

Independent auditor's report

To the Unitholders of Dundee Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Dundee Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Real Estate Investment Trust and its subsidiaries as at December 31, 2011 and December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS,
LICENSED PUBLIC ACCOUNTANTS

Toronto, Ontario, February 22, 2012

Consolidated balance sheets

(in thousands of dollars)	Note	**December 31, 2011**	December 31, 2010 (Note 5)	January 1, 2010 (Note 5)
Assets				
NON-CURRENT ASSETS				
Investment properties	9	**$ 4,154,179**	$2,330,005	$1,229,608
Equity accounted investments	10	**144,596**	123,384	92,304
Other non-current assets	11	**22,507**	14,271	19,634
		4,321,282	2,467,660	1,341,546
CURRENT ASSETS				
Amounts receivable	12	**13,618**	3,445	1,411
Prepaid expenses		**11,990**	3,333	2,031
Cash and cash equivalents		**111,870**	108,810	8,026
		137,478	115,588	11,468
Assets held for sale	19	**7,707**	—	10,839
Total assets		**$4,466,467**	$2,583,248	$1,363,853
Liabilities				
NON-CURRENT LIABILITIES				
Debt	13	**$1,957,538**	$ 1,132,462	$ 730,907
Subsidiary redeemable units	14	**114,445**	105,148	71,674
Deposits		**13,919**	7,768	6,096
Deferred Unit Incentive Plan	15	**12,971**	8,301	3,614
Other financial instruments	13	**8,028**	6,489	3,416
		2,106,901	1,260,168	815,707
CURRENT LIABILITIES				
Debt	13	**166,979**	69,546	26,358
Amounts payable and accrued liabilities	16	**63,139**	30,041	14,764
Distributions payable	17	**12,192**	8,433	3,902
		242,310	108,020	45,024
Liabilities related to assets held for sale	19	**22**	—	—
Total liabilities		**2,349,233**	1,368,188	860,731
Equity				
Unitholders' equity		**1,745,283**	1,118,058	543,391
Retained earnings (deficit)		**373,553**	97,002	(40,269)
Accumulated other comprehensive loss		**(1,602)**	—	—
Total equity	18	**2,117,234**	1,215,060	503,122
Total liabilities and equity		**$4,466,467**	$2,583,248	$1,363,853

See accompanying notes to the consolidated financial statements.

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

NED GOODMAN
Trustee

MICHAEL J. COOPER
Trustee

Consolidated statements of comprehensive income

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

See accompanying notes to the consolidated financial statements.

Consolidated statements of changes in equity

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

See accompanying notes to the consolidated financial statements.

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

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

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

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

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

Note 1
ORGANIZATION

Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The consolidated financial statements of Dundee REIT include the accounts of Dundee REIT and its consolidated subsidiaries. Dundee REIT's portfolio comprises office and industrial properties located in urban centres across Canada. A subsidiary of Dundee REIT performs the property management function.

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

Equity is described in Note 18; however, for simplicity, throughout the Notes reference is made to the following:

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A, and REIT Units, Series B, collectively
- "Units", meaning REIT Units, Series A; Series B; and Special Trust Units, collectively

Units classified as a liability are described in Note 14; however, for simplicity, throughout the Notes reference is made to "subsidiary redeemable units", meaning the LP Class B Units, Series 1 of Dundee Properties Limited Partnership ("DPLP").

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

Note 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Statement of compliance

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

Basis of consolidation

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

Joint arrangements

A joint venture is a contractual arrangement pursuant to which the Trust and other parties undertake an economic activity that is subject to joint control whereby the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The Trust reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, equity accounted investments are carried on the consolidated balance sheets at cost, adjusted for the Trust's proportionate share of post-acquisition profits and losses and for post-acquisition changes in excess of the Trust's carrying amount of its investment over the net assets of the equity accounted investments, less any identified impairment loss. The Trust's share of profits and losses is recognized in the share of net earnings from equity accounted investments in the statement of comprehensive income. At each period-end the Trust evaluates whether there is objective evidence that its interest in an equity accounted investment is impaired. The entire carrying amount of the equity accounted investment is compared to the recoverable amount, which is the higher of the value in use or fair value less costs to sell. The recoverable amount of each investment is considered separately. When the Trust's share of losses of an equity accounted investment equals or exceeds its interest in that investment, the Trust discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Trust has incurred legal or constructive obligations to fund the entity or made payments on behalf of that entity. Accounting policies of equity accounted investments have been changed where necessary to ensure consistency with the policies adopted by the Trust.

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

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

Note 3
ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

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

Investment properties

Investment properties are initially recorded at cost, including related transaction costs in connection with asset acquisitions and include office and industrial properties held to earn rental income and/or for capital appreciation and properties that are being constructed or developed for future use as investment properties. Investment properties and properties under development are measured at fair value, determined based on

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

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

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

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

Segment reporting

A reportable operating segment is a distinguishable component of the Trust that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other reportable segments. The Trust's primary format for segment reporting is based on business segments. The business segments, office and industrial properties, are based on the Trust's management and internal reporting structure. Operating segments are reported in a manner consistent with the internal reporting

provided to the chief operating decision-maker, determined to be the chief executive officer. The operating segments derive their revenue primarily from rental income from lessees. All of the Trust's business activities and operating segments are reported within the office and industrial property segments.

Other non-current assets

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

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

Revenue recognition

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

Business combinations

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

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

Distributions

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

Income taxes

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust intends to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts. The Trust intends to continue to distribute its taxable income and to qualify as a real estate investment trust ("REIT") for the foreseeable future. As such, deferred taxes have not been recorded in these consolidated financial statements.

Unit-based compensation plan

As described in Note 15, the Trust has a Deferred Unit Incentive Plan ("DUIP") that provides for the grant of deferred trust units and income deferred trust units to trustees, officers, employees, and affiliates and their service providers (including the asset manager). Unvested deferred trust units are recorded as a liability, and compensation expense is recognized over the vesting period at amortized cost based on the fair value of the units. Once vested, the liability is remeasured at each reporting date at amortized cost, based on the fair value of the corresponding REIT A Units, with changes in fair value being recognized in comprehensive income as a fair value adjustment to financial instruments. Deferred trust units and income deferred units are only settled in REIT A Units.

Cash and cash equivalents

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

Financial instruments

Designation of financial instruments

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

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

Financial assets

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

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

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

Financial liabilities

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

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

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

Deferred units and the subsidiary redeemable units are measured at amortized cost because they are settled in REIT A Units and REIT B Units, which in accordance with IAS 32 are considered liabilities. Consequently, the deferred units and subsidiary redeemable units are remeasured each period based on the fair value of REIT Units, with changes in the liabilities being recorded in comprehensive income. Distributions paid on subsidiary

redeemable units are recorded as interest expense in comprehensive income. The Trust considers distributions on the subsidiary redeemable units, classified as interest expense, as a financial activity in the statement of cash flows. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Derivative financial instruments and hedging activities

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

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

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

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gains or losses existing in equity at that time are recognized when the forecast transaction is ultimately recognized in the consolidated statements of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statements of other comprehensive income.

Interest on debt

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

Equity

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

- REIT Units entitle the holder to a pro rata share of the Trust's net assets in the event of its liquidation. Net assets are those assets that remain after deducting all other claims on the assets.
- REIT Units are the class of instruments that are subordinate to all other classes of instruments because they have no priority over other claims to the assets of the Trust on liquidation, and do not need to be converted into another instrument before they are in the class of instruments that is subordinate to all other classes of instruments.

- All instruments in the class of instruments that is subordinate to all other classes of instruments have identical features.
- Apart from the contractual obligation for the Trust to redeem the REIT Units for cash or another financial asset, the REIT Units do not include any contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Trust, and it is not a contract that will or may be settled in the Trust's own instruments.
- The total expected cash flows attributable to the REIT Units over their lives are based substantially on the profit or loss, the change in the recognized net assets and unrecognized net assets of the Trust over the life of the REIT Units.

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

Provisions

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

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

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

Assets classified as held for sale

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

Note 4
CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

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

Critical accounting judgments

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

Investment properties

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

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

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

Leases

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

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

Compliance with REIT legislation

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

Treatment of REIT Units

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

Treatment of subsidiary redeemable units

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

Business combinations

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

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

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

In particular, the Trust considers the following:

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

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

Classification of joint ventures and associates

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

Impairment

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

Estimates and assumptions

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

Valuation of investment property

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

Valuation of financial instruments

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

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

Note 5
TRANSITION TO IFRS

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

Elected exemptions from full retrospective application

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

Cumulative translation differences

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

Business combinations

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

Financial instruments: Presentation

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

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

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

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

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

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

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

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

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

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

Notes to the reconciliations

(i) Investment properties

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

(ii) Equity accounted investments

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

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

(iii) Cumulative foreign currency translation adjustments

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

(iv) Deferred Unit Incentive Plan

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

(v) Subsidiary redeemable units

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

(vi) Conversion feature of convertible debentures

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

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

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

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

Note 6
FUTURE ACCOUNTING POLICY CHANGES

Financial instruments

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

Income taxes

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

Joint arrangements

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

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

IFRS 7, “Financial Instruments: Disclosures, Amendment regarding Disclosures on Transfer of Financial Assets” (“IFRS 7”), requires that the Trust provides the disclosures for all transferred financial assets that are not derecognized and for a continuing involvement in a transferred financial asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The Trust will start the application of IFRS 7 in the consolidated financial statements effective from January 1, 2012. The Trust is currently evaluating the impact of IFRS 7 on its consolidated financial statements.

In addition, IFRS 7 requires that the Trust provide disclosures related to offsetting financial assets and liabilities. The Trust will start the application of this amendment January 1, 2014. The Trust is currently evaluating the impact of IFRS 7 on its consolidated financial statements.

Consolidated financial statements

IFRS 10, “Consolidated Financial Statements” (“IFRS 10”), replaces the current IAS 27, “Consolidated and Separate Financial Statements”. The standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The Trust will start the application of IFRS 10 in the consolidated financial statements effective January 1, 2013. The Trust is currently evaluating the impact of IFRS 10 on its consolidated financial statements.

Disclosure of interests in other entities

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

Fair value measurements

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

Presentation of items of other comprehensive income

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

Note 7

BUSINESS COMBINATIONS

On February 8, 2011, Dundee REIT acquired all of the outstanding shares of Realex Properties Corporation ("Realex") for a total cash consideration of $154,380. At that date, the fair value of the net assets and liabilities acquired equalled $166,174. The Realex portfolio consists of 1,837,277 square feet of office and industrial properties.

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

Investment properties	$ 352,609
Investments in joint ventures	6,582
Other non-current assets	2,326
Amounts receivable	2,987
Cash and cash equivalents	211
Amounts payable and accrued liabilities assumed	(9,060)
Assumed debt	(189,481)
Total identifiable net assets	166,174
Fair value of consideration	154,380
Acquisition gain	$ 11,794

Acquisition related costs of $5,734 comprise (i) $8,673 in transaction costs; (ii) $8,855 of acquisition related costs that were triggered by contractual change of control provisions in place; and (iii) net of an $11,794 acquisition gain. The fair value of acquired amounts receivable is $2,987 and includes tenant receivables with a fair value of $1,507.

During the year ended December 31, 2011, the Trust recognized $48,713 of revenue, and $21,615 of comprehensive income before fair value adjustments, related to the acquisition of Realex. Had the acquisition occurred on January 1, 2011, the Trust would have recognized an additional $6,013 of revenue and $2,364 of comprehensive income.

Note 8

PROPERTY ACQUISITIONS

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

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

[1] Includes transaction costs.

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

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

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

[1] Includes transaction costs.

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

For the years ended December 31	**2011**	2010
Investment properties:		
Office	**$ 1,195,314**	$ 804,819
Industrial	**11,135**	111,661
Properties under development	**—**	5,691
Total purchase price	**$1,206,449**	$ 922,171

The consideration paid consists of:		
Cash:		
Paid during the year	**$1,014,706**	$ 731,974
Deposits applied	**19,703**	13,755
	1,034,409	745,729
Transfer of interest from equity accounted investment	**3,477**	—
Assumed mortgages at fair value	**141,225**	158,868
Assumed non-cash working capital	**27,338**	17,574
Total consideration	**$1,206,449**	$ 922,171

Note 9

INVESTMENT PROPERTIES

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

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

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

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

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

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

Note 10
JOINT ARRANGEMENTS

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

Investments in joint ventures

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

Details of the Trust's joint ventures:

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

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

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

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

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

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

Co-owned properties

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

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

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

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

Note 11

OTHER NON-CURRENT ASSETS

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

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

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

Note 12
AMOUNTS RECEIVABLE

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

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

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

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

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

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

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

Note 13
DEBT

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

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

Convertible debentures comprise:

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

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

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

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

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

Demand revolving credit facility

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

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

Term loan facility

On August 15, 2011, the Trust entered into a term loan facility for $188,000 in the form of rolling one-month bankers' acceptances. The term loan facility bears interest at bankers' acceptances plus 1.85% payable monthly. The term loan facility is secured by first-ranking collateral mortgages on nine properties acquired through the Blackstone Portfolio. The term loan facility expires on August 15, 2016.

On August 15, 2011, the Trust entered into interest rate swap agreements to modify the interest rate profile of the current variable rate debt on the $188,000 term loan facility, without an exchange of the underlying principal amounts. The Trust has applied hedge accounting to this relationship, whereby the change in fair value of the effective portion of the hedging derivative is recognized in other comprehensive income ("OCI"). The ineffective portion, if any, for accounting purposes is recognized in net income. Settlement of both the fixed and variable portion of the interest rate swaps occurs on a monthly basis.

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

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

The scheduled principal repayments and debt maturities are as follows:

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

Other financial instruments

The Trust has other financial instruments as follows:

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

Interest rate swaps

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

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

The Trust has assessed that there is no ineffectiveness in the hedge of its interest rate exposure. The effectiveness of the hedging relationship is reviewed on a quarterly basis. As an effective hedge, unrealized gains or losses on the interest rate swap agreements are recognized in OCI. As at December 31, 2011, the aggregate fair value of the interest rate swaps amounted to a $1,602 financial liability. The associated unrealized gains or losses that are recognized in OCI will be reclassified into the consolidated statement of comprehensive income in the same period or periods during which the interest payments on the hedged item affect net income.

Conversion feature on the convertible debentures

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

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

Note 14
SUBSIDIARY REDEEMABLE UNITS

The Trust has the following subsidiary redeemable units outstanding:

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

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

DPLP, a subsidiary of Dundee REIT, is authorized to issue an unlimited number of LP Class B limited partnership units. These units have been issued in two series: subsidiary redeemable units and LP Class B Units, Series 2. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units, Series B, or if no such distribution is declared, on REIT Units, Series A. Subsidiary redeemable units may be surrendered or indirectly exchanged on

a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions, for REIT Units, Series B. The subsidiary redeemable units are not entitled to vote at any meeting of the limited partners of DPLP.

The LP Class B Units, Series 2 are entitled to vote at meetings of the limited partners of DPLP and each unit entitles the holder to a distribution equal to distributions on the LP Class B Units, Series 1. As at December 31, 2011, December 31, 2010, and January 1, 2010, all issued and outstanding LP Class B Units, Series 2 are owned indirectly by Dundee REIT and have been eliminated in the consolidated balance sheets.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT B Units that may be obtained upon the surrender or exchange of the subsidiary redeemable units to which they relate. At December 31, 2011, 3,506,107 Special Trust Units were issued and outstanding (December 31, 2010 — 3,481,733, January 1, 2010 — 3,454,188).

Note 15
DEFERRED UNIT INCENTIVE PLAN

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

The movement in the Deferred Unit Incentive Plan balance was as follows:

As at January 1, 2010	$ 3,614
Compensation during the year	2,283
REIT A Units issued for vested units	(483)
Remeasurements of carrying value	2,887
As at December 31, 2010	8,301
Compensation during the year	3,403
REIT A Units issued for vested units	(1,035)
Remeasurements of carrying value	2,302
As at December 31, 2011	$ 12,971

During the year ended December 31, 2011, $3,403 of compensation expense was recorded (December 31, 2010 — $2,283) and included in general and administrative expenses. For the same period, $2,302 (December 31, 2010 — $2,887) was recognized in fair value adjustments to financial instruments representing the remeasurement of the Deferred Unit Incentive Plan liability during the year.

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

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

Note 16
AMOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Note 17
DISTRIBUTIONS

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

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

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

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

Note 18
EQUITY

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

Dundee REIT Units

Dundee REIT is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The REIT Units are divided into and issuable in two series: REIT Units, Series A and REIT Units, Series B. The Special Trust Units may only be issued to holders of subsidiary redeemable units.

REIT Units, Series A and REIT Units, Series B represent an undivided beneficial interest in Dundee REIT and in distributions made by Dundee REIT. No REIT Unit, Series A or REIT Unit, Series B has preference or priority over any other. Each REIT Unit, Series A and REIT Unit, Series B entitles the holder to one vote at all meetings of unitholders.

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

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

Public offering of REIT A Units

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

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

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

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

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

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

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

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

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

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of REIT A Units or subsidiary redeemable units, other than unitholders who are resident of or present in the United States of America, to elect to have all cash distributions from Dundee REIT reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 4% of each cash distribution that was reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT A Units on the Toronto Stock Exchange ("TSX") preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

For the year ended December 31, 2011, 688,502 REIT A Units were issued under the DRIP for $21,857 (December 31, 2010 — 278,950 REIT A Units for $7,314).

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT A Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT A Units that may be acquired. The price per unit is calculated in the same manner to the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the year ended December 31, 2011, 11,222 REIT A Units were issued under the Unit Purchase Plan for $359 (December 31, 2010 — 15,739 REIT A Units for $412).

Conversion of debentures

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

Normal course issuer bid

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

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

Note 19

ASSETS AND RELATED LIABILITIES HELD FOR SALE

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

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

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

Note 20

INTEREST

Interest on debt

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

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

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition ("fair value adjustment"). This fair value adjustment is amortized to interest expense over the expected life of the debt using the effective interest rate method. Interest capitalized includes interest on specified and general debt attributed to a property considered to be under redevelopment. Non-cash adjustments to interest expense are recorded as a change in non-cash working capital in the consolidated statements of cash flows.

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income is recorded as follows:

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

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

Note 21

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

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

Note 22

SEGMENTED INFORMATION

These segments include the Trust's proportionate share of its joint ventures. The column titled "Reconciliation" adjusts the segmented results to account for these joint ventures using the equity method of accounting as applied in these consolidated financial statements.

The Trust's investment properties, all of which are in Canada, have been segmented into office and industrial components. The Trust does not allocate interest expense to these segments since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, general and administrative expenses, interest and fee income, and fair value adjustments to financial instruments are not allocated to the segment expenses.

For the year ended December 31, 2011	**Office**	**Industrial**	**Segment total**	**Other**	**Subtotal**	**Reconciliation**	**Total**
Operations							
Investment properties revenues	$ 407,125	$ 33,323	$ 440,448	$ 899	$ 441,347	$ (29,759)	$ 411,588
Investment properties operating expenses	(172,359)	(7,609)	(179,968)	(242)	(180,210)	12,696	(167,514)
Net rental income	234,766	25,714	260,480	657	261,137	(17,063)	244,074
Share of net earnings from equity accounted investments	–	–	–	–	–	49,728	49,728
Fair value adjustments to investment properties	246,348	24,070	270,418	538	270,956	(37,969)	232,987
Segment income	481,114	49,784	530,898	1,195	532,093	(5,304)	526,789
General and administrative expenses	–	–	–	(15,447)	(15,447)	103	(15,344)
Acquisition related costs, net	–	–	–	(5,734)	(5,734)	–	(5,734)
Interest:							
Debt	–	–	–	(93,721)	(93,721)	5,323	(88,398)
Subsidiary redeemable units	–	–	–	(7,704)	(7,704)	–	(7,704)
Interest and fee income	–	–	–	2,498	2,498	(122)	2,376
Fair value adjustments to financial instruments	–	–	–	(11,065)	(11,065)	–	(11,065)
Net income	$ 481,114	$ 49,784	$ 530,898	$ (129,978)	$ 400,920	$ –	$ 400,920
Capital expenditures							
Investment in building improvements	$ (7,795)	$ (489)	$ (8,284)	$ –	$ (8,284)	$ 240	$ (8,044)
Investment in lease incentives and initial direct leasing costs	(22,248)	(1,303)	(23,551)	(13)	(23,564)	428	(23,136)
Investment in development projects	(13,018)	(194)	(13,212)	–	(13,212)	(3)	(13,215)
Acquisition of investment properties	(1,005,115)	(9,591)	(1,014,706)	–	(1,014,706)	–	(1,014,706)
Acquisition of Realex	(139,923)	(14,457)	(154,380)	–	(154,380)	–	(154,380)
Total capital expenditures	$(1,188,099)	$ (26,034)	$(1,214,133)	$ (13)	$(1,214,146)	$ 665	$(1,213,481)

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

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

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

Note 23
RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Dundee REIT, Dundee Management Limited Partnership (a wholly owned subsidiary of DPLP) and DRC are parties to an administrative services agreement (the "Services Agreement") that is in effect until June 30, 2013. Effective August 24, 2007, Dundee REIT also has an asset management agreement (the "Asset Management Agreement") with DRC pursuant to which DRC provides certain asset management services to Dundee REIT and its subsidiaries.

Asset Management Agreement

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

- base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties, defined as the fair value of the properties at August 23, 2007 (the date of the sale of our portfolio of properties in Eastern Canada) plus the purchase price of properties acquired subsequent to that date, adjusted for any properties sold;
- incentive fee equal to 15% of Dundee REIT's adjusted funds from operations per unit in excess of $2.65 per unit;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of $1,000, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee, calculated over a fiscal year based on the anniversary date of the Asset Management Agreement, equal to (i) 1.0% of the purchase price of a property on the first $100,000 of properties acquired; (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and (iii) 0.50% of the purchase price on properties acquired in excess of $200,000; and
- financing fee equal to 0.25% of the debt and equity of all financing transactions completed on behalf of Dundee REIT, to a maximum of actual expenses incurred by DRC in supplying services relating to financing transactions.

Related party transactions

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

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

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

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

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

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

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

Note 24

SUPPLEMENTARY CASH FLOW INFORMATION

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

The following amounts were paid on account of interest:

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

Note 25

COMMITMENTS AND CONTINGENCIES

Dundee REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the consolidated financial statements of Dundee REIT.

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

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

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

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

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

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

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

Purchase and other obligations

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

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

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

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

Note 26
CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

Note 27

FINANCIAL INSTRUMENTS

Risk management

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

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

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

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

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

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

The Trust's assets consist of office and industrial properties. Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The Trust mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash and cash equivalents, deposits and restricted cash carry minimal credit risk as all funds are maintained with highly reputable financial institutions.

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

Derivatives and hedging activities

The Trust uses interest rate swaps to manage its cash flow risk associated with changes in interest rates on variable rate debt. At December 31, 2011, the Trust had the following interest rate swaps outstanding (December 31, 2010 — $nil):

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

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

Fair value of financial instruments

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

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

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

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

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

Note 28

SUBSEQUENT EVENTS

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

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

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

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

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