

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis has been dated as at April 30, 2004

Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust engaged in the ownership and management of commercial rental properties. We provide high quality affordable business premises through 166 strategically located office, suburban industrial and retail properties comprising approximately 13.2 million square feet as at March 31, 2004. These properties are located in our target markets, the major Canadian metropolitan centres of Montréal, Ottawa, Toronto, Calgary and Edmonton. Through our 50% interest in Dundee Realty Management Corp., we have approximately 15.3 million square feet of revenue properties under management, including 12.8 million square feet of owned assets.

Our Objectives

We are committed to:

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

Distributions

We currently pay monthly distributions to unitholders of \$0.183 per unit or \$2.20 on an annual basis. In August 2003, we introduced our Distribution Reinvestment and Unit Purchase Plan ("DRIP"). Unitholders who take advantage of the distribution reinvestment feature of the plan receive a bonus distribution of 4% with each reinvestment. At March 31, 2004, approximately 12% of REIT Units, Series A outstanding were enrolled in the DRIP.

| | July 2003 | August 2003 | September 2003 | October 2003 | November 2003 | December 2003 | January 2004 | February 2004 | March 2004 |
|-------------------------|--------------|----------------|-------------------|-----------------|------------------|------------------|-----------------|------------------|---------------|
| Cash Distribution | \$ 0.183 | \$ 0.183 | \$ 0.183 | \$ 0.183 | \$ 0.183 | \$ 0.183 | \$ 0.183 | \$ 0.183 | \$ 0.183 |
| Month End Closing Price | \$ 20.90 | \$ 21.88 | \$ 20.51 | \$ 22.00 | \$ 23.20 | \$ 23.40 | \$ 24.50 | \$ 25.25 | \$ 25.05 |

Our Strategy

Our strategy is to become Canada's leading provider of affordable business premises. In order to meet our strategy and objectives we will:

- Effectively Manage Our Business

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

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

- Build and Maintain a Diversified Portfolio

Diversifying our real estate portfolio decreases the overall risk of our business. Our portfolio is well diversified by asset type, geographic location and tenant mix. With approximately 1,400 tenants, renewals are frequent and the exposure to the loss of any single large tenant is minimized.

- Meet the Needs of Our Tenants

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

- Continue External Growth Strategy

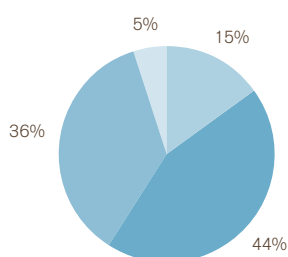
We will not sacrifice the predictability of our distributions for the sake of growth. When acquisitions are made they represent an opportunity to improve the overall quality of our portfolio and enhance the sustainability of distributions. Our growth strategy is to acquire office and industrial properties in our five key markets – Montréal, Ottawa, Toronto, Calgary and Edmonton and reposition existing properties where opportunities exist. This allows us to capitalize on operational efficiencies and further increase our presence and critical mass in our target markets.

Our Assets

We provide high quality, affordable business premises with a focus on mid-sized urban and suburban office and industrial properties. The majority of our assets are concentrated in our target markets: Montréal, Ottawa, Toronto, Calgary and Edmonton. With the acquisition of the Pauls Portfolio in February 2004, we have added state-of-the-art facilities to our industrial portfolio. The majority of these properties are flex space properties located in high end business parks in Toronto and Calgary.

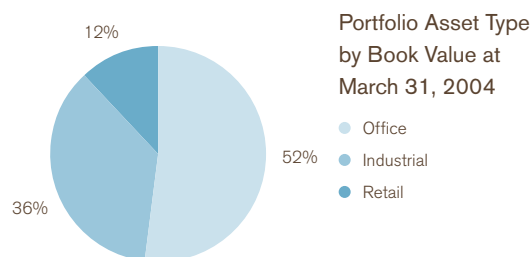
The book value of segmented rental properties is diversified geographically and by asset type.

| (\$000's) | as at March 31, 2004 | | | | | as at December 31, 2003 | |
|--------------------------------|----------------------|-------------------|-------------------|---------------------|------------|-------------------------|------------|
| | Office | Industrial | Retail | Total | % | Total | % |
| Québec | \$ 50,112 | \$ 102,329 | \$ 1,699 | \$ 154,140 | 15 | \$ 154,742 | 17 |
| Ontario | 321,995 | 135,846 | 8,740 | 466,581 | 44 | 374,159 | 41 |
| Western Canada | 180,155 | 138,873 | 63,794 | 382,822 | 36 | 328,727 | 36 |
| Total Canada | 552,262 | 377,048 | 74,233 | 1,003,543 | 95 | 857,628 | 94 |
| United States | – | – | 57,852 | 57,852 | 5 | 57,422 | 6 |
| Total at March 31, 2004 | \$ 552,262 | \$ 377,048 | \$ 132,085 | \$ 1,061,395 | 100 | \$ 915,050 | 100 |
| Percentage | 52% | 36% | 12% | 100% | | | |
| Total at December 31, 2003 | \$ 525,360 | \$ 252,521 | \$ 137,169 | \$ 915,050 | | | |
| Percentage | 57% | 28% | 15% | 100% | | | |



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

- Québec
- Ontario
- Western Canada
- United States



Portfolio Asset Type by Book Value at March 31, 2004

- Office
- Industrial
- Retail

| | Owned Gross Leasable Area (in square feet) | | | | | as at December 31, 2003 | |
|--------------------------------|--|------------------|------------------|-------------------|---|-------------------------|-------------|
| | Office | Industrial | Retail | Total | % | Total | % |
| Québec | 753,698 | 2,818,212 | – | 3,571,910 | | 3,572,197 | 31 |
| Ontario | 2,582,753 | 2,231,398 | 128,367 | 4,942,518 | | 3,995,285 | 34 |
| Western Canada | 1,105,601 | 2,423,443 | 377,381 | 3,906,425 | | 3,311,581 | 28 |
| Total Canada | 4,442,053 | 7,473,053 | 505,748 | 12,420,854 | | 10,879,063 | 93 |
| United States | – | – | 795,390 | 795,390 | | 795,390 | 7 |
| Total at March 31, 2004 | 4,442,053 | 7,473,053 | 1,301,138 | 13,216,244 | | 11,674,453 | 100% |
| Percentage | 34% | 56% | 10% | 100% | | | |
| Total at December 31, 2003 | 4,207,399 | 6,076,778 | 1,390,276 | 11,647,453 | | | |
| Percentage | 36% | 52% | 12% | 100% | | | |

Office Rental Properties

Dundee REIT owns 48 office properties (61 buildings) comprising approximately 4.4 million square feet located in Montréal, Ottawa, Toronto, Calgary, Edmonton and Vancouver.

The Canadian National Office Market continued on a positive trend with vacancy levels decreasing for the second consecutive quarter. The occupancy rate in our office portfolio has increased to 93.3% (December 31, 2003 – 92.4%), well ahead of the national industry average of about 88.6% (Royal LePage Commercial Inc. National Market Intelligence Report First Quarter 2004).

Industrial Rental Properties

We own 113 prime suburban industrial and flex space properties (127 buildings) comprising approximately 7.5 million square feet, concentrated in Montréal, Toronto, Calgary and Edmonton. Flex space properties are industrial properties with an office component that is greater than the 10-15% that is normally used in industrial properties. Some of the advantages of flex space are flexible work environments, ample parking and significantly lower costs to tenants. Our strategy of owning clusters of properties allows us to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce.

At March 31, 2004, the average occupancy rate across our stabilized industrial portfolio increased to 94.1% (December 31, 2003 – 93.1%), however, remains below the national industry average of about 95.5% (Royal LePage Commercial Inc. National Market Intelligence Report First Quarter 2004). Canada's industrial market has performed very well with occupancy rates above 94% for the last several years. It is expected that absorption rates in 2004 will be down from previous years but a reduction in new building activity will keep supply and demand in balance.

Retail Rental Properties

Our major retail assets are Northgate Mall in Regina and Greenbriar Mall in Atlanta. These assets comprise 1.1 million square feet of our total retail portfolio of approximately 1.3 million square feet. As of March 31, 2004, the portfolio had an occupancy rate of 92.1%.

Our Background

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

Our discussion and analysis of the financial position and results of operations of Dundee REIT is based primarily on the consolidated financial statements of Dundee REIT for the three months ended March 31, 2004 and the combined financial statements of the commercial real estate division of DRC ("the Division") for the three months ended March 31, 2003. This discussion should be read in conjunction with these financial statements. Additional information relating to the Trust, including our annual information form, can be found on SEDAR at www.sedar.com.

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

All dollar amounts in our tables are presented in thousands with the exception of unit and per unit amounts.

Prime Numbers We Watch

Key Performance Drivers

While many factors contribute to the operation of our business, our key performance drivers include:

- Occupancy Level:
 - Tenant retention
 - Attracting new tenants
 - Tenant maturity profile and average term to maturity
- Rental Rates:
 - In-place rental rates
 - Increasing rental rates as conditions permit
 - Reducing operating costs
- Debt Management:
 - Average interest rate
 - Level of debt
 - Debt maturity profile and average term to maturity
- Capital Management:
 - Tenant inducement costs
 - Building maintenance
 - Investment in rental properties

Performance Indicators

Performance as measured by these and other key indicators:

| (\$000's except rental rates and per unit amounts) | Three Months Ended March 31, 2004 | Three Months Ended December 31, 2003 | Three Months Ended March 31, 2003 |
|--|--|---|--|
| Operating results | | | |
| Revenues | \$ 45,084 | \$ 40,996 | \$ 37,203 |
| Net operating income ⁽¹⁾ ("NOI") | 23,974 | 20,883 | 17,884 |
| Net income | 5,325 | 5,891 | 2,036 |
| Funds from operations ⁽²⁾ ("FFO") | 13,674 | 10,991 | 6,311 |
| FFO excluding straight-line rent | 12,725 | 10,911 | |
| Distributions | | | |
| FFO payout ratio | 90.2% | 91.7% | |
| Distributable income ⁽³⁾ | 12,458 | 10,851 | |
| Reinvested distributions ⁽⁵⁾ | 5,256 | 4,962 | |
| Reinvestment to distribution ratio ⁽⁴⁾⁽⁵⁾ | 41% | 49% | |
| Per unit amounts | | | |
| Net income | \$ 0.25 | \$ 0.32 | |
| FFO | 0.64 | 0.59 | |
| FFO excluding straight-line rent | 0.59 | 0.59 | |
| Distributable income | 0.58 | 0.59 | |
| Distribution rate (monthly) | 0.183 | 0.183 | |
| Occupancy rate (period end) | 93.6% | 92.7% | 94.0% |
| In-place rent per square foot | 8.97 | 8.43 | 7.82 |
| Book value of rental properties | \$ 1,061,395 | \$ 915,050 | |
| Total assets | 1,163,951 | 997,177 | |
| Debt | 639,196 | 582,492 | |
| Weighted average interest rate (period end) | 6.34% | 6.93% | |
| Interest expense | 10,291 | 9,631 | |
| Interest coverage ratio ⁽⁶⁾ | 2.29 times | 2.10 times | |
| Debt-to-gross book value | 52.9% | 56.2% | |
| Units outstanding | | | |
| REIT Units, Series A | 16,677,352 | 12,094,217 | |
| LP Class B Units, Series 1 | 7,377,531 | 7,211,431 | |
| Total units outstanding | 24,054,883 | 19,305,648 | |

(1) NOI – rental property revenues less operating expenses. The reconciliation of NOI to net income can be found on page 12.

(2) FFO – net income, adjusted for future income tax, depreciation and amortization, and gain (loss) on sale and provision for diminution in value of assets. The reconciliation of FFO to net income can be found on page 10.

(3) The reconciliation of distributable income to net income can be found on page 11.

(4) This percentage does not include the additional 4% distributions available under the DRIP.

(5) Includes April 15, 2004 reinvestment of distributions declared in March 2004.

(6) Interest coverage is calculated using interest expense as the denominator and the numerator is calculated as net income adding back all income taxes, loss on disposal of land, depreciation, amortization and interest expense.

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

Executing the Strategy

Our Resources and Financial Condition

Liquidity and Capital Resources

Cash and short-term deposits were \$6.7 million at March 31, 2004, an increase of \$2.7 million from December 31, 2003.

The increase was a result of the following cash flows:

| (\$000's) | Dundee REIT Consolidated March 31, 2004 |
|--|---|
| Cash generated from operating activities | \$ 14,362 |
| Cash utilized in investing activities | (87,670) |
| Cash generated from financing activities | 75,984 |
| Increase in cash and cash equivalents | \$ 2,676 |

In broad terms, Dundee REIT's primary sources of capital are operating activities, credit facilities, mortgage financing and refinancing, equity issues and proceeds of asset dispositions. The primary uses of capital are the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal repayments and property acquisitions.

Management expects to be able to meet all of Dundee REIT's ongoing obligations and growth through cash flows from operations, new equity issues and conventional short-term and mortgage financing.

Cash Generated from Operating Activities

| (\$000's) | Dundee REIT Consolidated Three Months Ended March 31, 2004 | Division of DRC Combined Three Months Ended March 31, 2003 |
|---|---|--|
| Net income | \$ 5,325 | \$ 2,036 |
| Non-cash items: | | |
| Depreciation of rental properties | 6,284 | 2,210 |
| Amortization of deferred leasing costs and other assets | 1,903 | 1,233 |
| Gain on disposal of rental property | (177) | - |
| Future income taxes | (41) | 832 |
| Straight-line rent | (949) | - |
| | 12,345 | 6,311 |
| Deferred leasing costs incurred | (1,866) | (1,594) |
| Change in working capital | 3,883 | (2,481) |
| Cash generated from operating activities | \$ 14,362 | \$ 2,236 |

The cash generated from operating activities is influenced by certain of the key performance drivers previously identified:

- Occupancy Level:
 - Tenant retention
 - Attracting new tenants
 - Tenant maturity profile and average term to maturity
- Debt Management:
 - Average interest rate
- Rental Rates:
 - In-place rental rates
 - Increasing rental rates as conditions permit
 - Reducing operating costs
- Capital Management:
 - Tenant inducement costs
 - Building maintenance

Occupancy levels and rental rates are discussed under our results of operations on page 15. With regard to debt management, our weighted average interest rate declined to 6.34% at March 31, 2004 from 6.93% at December 31, 2003 and 7.19% at June 30, 2003.

Our strategy is to fix the rates on as high a proportion of our debt as possible to protect against interest rate volatility. At March 31, 2004, 13.6% of our debt was at floating interest rates, an increase of 7.9% from December 31, 2003. This increase results from \$65.9 million of term debt that has matured and is currently being renegotiated; the terms have been extended at floating rates during the renegotiation period. Management expects to have this debt refinanced before the end of the second quarter. Once completed, variable rate debt will decline as a percentage of total debt.

For the three-month period ended March 31, 2004, leasing costs incurred to attract or retain tenants in the properties were \$1.9 million (March 31, 2003 – \$1.6 million). These costs are capitalized and amortized over the life of the lease. The amount of inducements varies across the portfolio and from year-to-year depending on the maturity and termination of leases, existing vacancies and market requirements.

Our recent acquisitions have helped to decrease the average age of our portfolio and lengthen the average lease term. As a result, we anticipate that the costs per square foot required to maintain our buildings and attract and retain tenants will decrease.

As part of operating expenses, there are certain property repair and maintenance costs that are recoverable from tenants. These costs are recovered in the year of expenditure or, in the case of a major expenditure, are deferred and amortized to recoverable expense over a period of years. The amount deferred in the first quarter for recovery in future years was \$8.9 million (December 31, 2003 – \$9.4 million).

Cash Utilized in Investing Activities

| (\$000's) | Dundee REIT Consolidated Three Months Ended March 31, 2004 | Division of DRC Combined Three Months Ended March 31, 2003 |
|---|--|--|
| | Investment in rental properties – building improvements | \$ (1,480) |
| Investment in rental properties – development | – | (293) |
| Acquisition of rental properties | (77,923) | (3) |
| Investment in mezzanine loan | (10,068) | – |
| Proceeds from disposal of rental property | 2,193 | – |
| Change in restricted cash, net | (392) | 254 |
| Cash utilized in investing activities | \$ (87,670) | \$ (1,392) |

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

- Capital Management:
 - Investment in rental properties

During the three months ended March 31, 2004, \$92.2 million was invested in the acquisition of rental properties. The Trust completed the purchase of the Pauls Portfolio for a purchase price of \$169 million and the remaining 16.4% interest in Capitol Square, Ottawa for \$6.0 million. This amount is not comparable with any recent period for the Division of DRC. We believe the conversion to a Trust positioned us to once again be competitive in the property acquisition market.

| (\$000's) | Dundee REIT Consolidated Three Months Ended March 31, 2004 | | |
|---|---|------------------|------------------|
| | Office | Industrial | Total |
| Acquisitions | \$ 35,760 | \$ 139,459 | \$ 175,219 |
| Debt assumed on acquisitions | (14,556) | (67,710) | (82,266) |
| Accounts payable and accrued liabilities assumed on acquisition | (718) | (12) | (730) |
| Net investment | \$ 20,486 | \$ 71,737 | \$ 92,223 |

Capital expenditures for rental property building improvements and equipment were \$1.5 million for the three months ended March 31, 2004 (March 31, 2003 – \$1.4 million). These expenditures include both recurring items as well as non-recurring one-time projects. Recurring items are capital expenditures that are expected to occur on a regular basis and are part of the ongoing maintenance and upgrading of the rental property portfolio. Non-recurring items are capital expenditures that are incurred for major renovations and do not regularly occur in the normal operation of our rental properties.

| (\$000's) | Dundee REIT Consolidated Three Months Ended March 31, 2004 | | | | Division of DRC Combined Three Months Ended March 31, 2003 |
|------------------------|---|---|---------------------------|---------------------------|--|
| | Total Investment | Non-cash Working Capital Adjustment | Net Cash Investment | Net Cash Investment | Net Cash Investment |
| Building improvements: | | | | | |
| Recurring | \$ 222 | \$ 770 | \$ 992 | \$ 403 | \$ 403 |
| Non-recurring | 524 | (36) | 488 | 947 | 947 |
| Total | \$ 746 | \$ 734 | \$ 1,480 | \$ 1,350 | \$ 1,350 |

Non-recurring improvements during the three months ended March 31, 2004 reflect the costs of the ongoing repositioning of industrial buildings in Calgary and Montreal.

For the three months ended March 31, 2003, non-recurring expenses include some of the costs of a major exterior renovation for a Toronto office property and concrete floor replacements in an industrial property in Calgary and one in Montréal.

A number of recurring property improvements, such as roof replacement and parking lot structural repair, are generally completed each year. A major roof replacement program is ongoing at Greenbriar Mall in Atlanta for which \$0.5 million was spent in the first quarter of 2004. This amount is included in the working capital adjustment.

Cash Generated from (Utilized in) Financing Activities

| (\$000's) | Dundee REIT Consolidated Three Months Ended March 31, 2004 | Division of DRC Combined Three Months Ended March 31, 2003 |
|---|--|--|
| Mortgage principal repayments | \$ (3,727) | \$ (3,074) |
| Mortgages placed | - | 6,500 |
| Mortgage lump sum repayments | (10,963) | (4,656) |
| Term debt principal repayments | (240) | (284) |
| Term debt lump sum repayment | - | (509) |
| Demand revolving credit facility, net | (7,026) | - |
| Distributions paid | (6,414) | - |
| Units issued net of costs | 104,354 | - |
| Net funds transferred to the Division | - | 1,446 |
| Cash generated from (utilized in) financing activities | \$ 75,984 | \$ (577) |

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

Debt Management:

- Average interest rate
- Level of debt
- Debt maturity profile and average term to maturity

| (\$000's) | as at March 31, 2004 | | | as at December 31, 2003 | | |
|--------------------------------------|----------------------|------------------|-------------------|-------------------------|------------------|-------------------|
| | Fixed | Variable | Total | Fixed | Variable | Total |
| Mortgages | \$ 551,651 | \$ - | \$ 551,651 | \$ 483,667 | \$ - | \$ 483,667 |
| Term debt | 410 | 80,616 | 81,026 | 65,886 | 19,294 | 85,180 |
| Demand revolving credit facility | - | - | - | - | 7,026 | 7,026 |
| Demand non-revolving credit facility | - | 6,519 | 6,519 | - | 6,619 | 6,619 |
| Total | \$ 552,061 | \$ 87,135 | \$ 639,196 | \$ 549,553 | \$ 32,939 | \$ 582,492 |
| Percentage | 86% | 14% | 100% | 94% | 6% | 100% |

| (\$000's) | as at March 31, 2004 | as at December 31, 2003 |
|-------------------------------|----------------------------|-------------------------------|
| Total assets | \$ 1,163,951 | \$ 997,177 |
| Accumulated depreciation | 44,975 | 39,360 |
| Gross book value | \$ 1,208,926 | \$ 1,036,537 |
| Total outstanding debt | \$ 639,196 | \$ 582,492 |
| Debt-to-gross book value | 52.9% | 56.2% |

We have historically maintained a very conservative debt ratio. Although our Declaration of Trust allows for 65% debt-to-gross book value, our current ratio is 52.9%, a decline from 56.2% at December 31, 2003. Our target level of debt is between 55% and 60%. This reduction in our debt level provides us the flexibility to acquire more properties without the need for additional equity. Given our target debt level of 60%, we have the capacity to acquire up to another \$200 million of properties. As we acquire further properties without issuing new equity, we believe that we will be able to increase our funds from operations.

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

| (\$000's) | Mortgages | Term Debt | Demand Revolving Credit Facility | Demand Non- revolving Credit Facility | Total |
|--|-------------------|------------------|--|---|-------------------|
| Debt as at December 31, 2003 | \$ 483,667 | \$ 85,180 | \$ 7,026 | \$ 6,619 | \$ 582,492 |
| New debt assumed on rental property acquisitions | 79,610 | - | - | - | 79,610 |
| Scheduled repayments | (3,727) | (240) | - | - | (3,967) |
| Lump sum repayments | (10,963) | - | (7,026) | - | (17,989) |
| Lump sum repayment on property disposition | - | (3,832) | - | - | (3,832) |
| Accrued interest | 344 | (82) | - | - | 262 |
| Marked-to-market adjustments | 2,332 | - | - | - | 2,332 |
| Foreign exchange adjustment | 388 | - | - | (100) | 288 |
| Debt as at March 31, 2004 | \$ 551,651 | \$ 81,026 | \$ - | \$ 6,519 | \$ 639,196 |

In the current three-month period, overall debt increased \$56.7 million or 9.7%. This increase is primarily due to new debt assumed on acquisitions, including marked-to-market adjustments. Lump sum repayments on two mortgages were also made as the properties to which they relate were added to the security pool for our increased operating credit facility.

Contractual Obligations

The Trust entered into a contract, effective April 1, 2004, with Ontario Power Generation ("OPG") for the provision of electricity at a fixed rate to certain Ontario office properties and a retail property. This contract replaces an earlier OPG contract and includes some buildings purchased subsequent to the execution of the former contract. The contract is based on 90% of the normal historical consumption of electricity at these properties, is at a fixed cost per megawatt hour, and expires on October 31, 2004. Our obligation under the contract as of April 1, 2004 was \$2.2 million. These costs are recoverable from tenants as operating expenses.

Dundee REIT also has a contract with Coral Energy for the provision of natural gas at a fixed rate to certain Ontario properties, the estimated value of which as of April 1, 2004, is approximately \$0.3 million and expires October 31, 2004. As with the OPG contract, these costs are recoverable from tenants as operating costs.

Equity

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special REIT Units. The Special REIT Units may only be issued to holders of LP Class B Units, Series 1, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1. The LP Class B Units, Series 1 are held by a related party of Dundee REIT.

Both the REIT Units and Special REIT Units entitle the holder to one vote for each unit held at all meetings of the unitholders.

| | REIT Units, Series A | LP Class B Units, Series 1 | Total |
|--|-------------------------|----------------------------------|------------|
| Units issued and outstanding on December 31, 2003 | 12,094,217 | 7,211,431 | 19,305,648 |
| Units issued pursuant to DRIP | 46,235 | 166,100 | 212,335 |
| Equity issue February 19, 2004 | 4,537,000 | — | 4,537,000 |
| Redemption of units | (100) | — | (100) |
| Total units outstanding on March 31, 2004 | 16,677,352 | 7,377,531 | 24,054,883 |
| Percentage of all units | 69.3% | 30.7% | |
| Units issued pursuant to DRIP up to April 15, 2004 | 16,335 | 59,268 | 75,603 |
| Total units outstanding on April 15, 2004 | 16,693,687 | 7,436,799 | 24,130,486 |
| Percentage of all units | 69.2% | 30.8% | |

Equity Issue

In the first quarter, we completed a public offering of 4.5 million REIT Units, Series A at \$24.25 per unit for gross proceeds of \$110.0 million less costs of \$5.7 million. The proceeds of this offering were used primarily for the acquisition of the Pauls Portfolio as well as the repayment of certain mortgages on our properties.

Funds from Operations

The following table outlines the computation of funds from operations of Dundee REIT:

| | Dundee REIT Consolidated Three Months Ended March 31, 2004 | Division of DRC Combined Three Months Ended March 31, 2003 |
|--|--|--|
| (\$000's except per unit amount) | | |
| Net income | \$ 5,325 | \$ 2,036 |
| Add (deduct): | | |
| Depreciation of rental properties | 6,284 | 2,210 |
| Amortization of deferred leasing costs and other assets | 1,903 | 1,233 |
| Imputed amortization of leasing costs related to the rent supplement | 380 | — |
| Gain on disposal of rental property | (177) | — |
| Future income tax expense (recovery) | (41) | 832 |
| FFO | \$ 13,674 | \$ 6,311 |
| FFO per unit | \$ 0.64 | |

Management believes that FFO is an important measure of the Trust's operating performance and is indicative of its cash generating activities. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations, however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs.

Distributable Income

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

As noted on page 12, the Trust has adopted the straight-line method of rental revenue recognition. As this revenue is not yet billed, this amount, net of existing free rent amortization, has been deducted from the computation of distributable income.

The following table outlines the distributable income of Dundee REIT.

| (\$000's except per unit amount) | Three Months Ended March 31, 2004 |
|--|---|
| Net income | \$ 5,325 |
| Adjust for: | |
| Depreciation of rental properties | 6,284 |
| Amortization of deferred leasing costs and other assets | 1,903 |
| Future income tax recovery | (41) |
| Imputed amortization of leasing costs related to the rent supplement | 380 |
| Amortization of fair value debt adjustments included in interest expense | (324) |
| Compensation expense, deferred unit incentive plan | 105 |
| Gain on disposal of rental property | (177) |
| Straight-line rent | (949) |
| Amortization of deferred costs incurred prior to June 30, 2003 | 260 |
| Amortization of deferred costs incurred subsequent to June 30, 2003 | (308) |
| Distributable income | \$ 12,458 |
| Distributable income per unit | \$ 0.58 |

Distributions

Our distribution policy requires us to make cash distributions to our unitholders, payable monthly, equal to at least 80% of distributable income on an annual basis. We also have a distribution reinvestment and unit purchase plan that entitles unitholders to reinvest all cash distributions made by us in additional units. Unitholders who choose to do so, receive an additional distribution of 4% of each cash distribution that is reinvested.

Cash distributions declared in the quarter amounted to \$12.3 million or 99.0% of distributable income. Of this amount, \$5.1 million or 41% was reinvested in additional units of Dundee REIT. The distribution payout ratio was higher than normal during the quarter as a result of the units issued pursuant to our equity offering on February 19, 2004 receiving the February distribution payment.

| (\$000's) | Declared Distributions | Additional Distributions | Total |
|---------------------------------------|---------------------------|-----------------------------|------------------|
| 2004 Distributions | | | |
| Paid in cash or reinvestment in units | \$ 7,935 | \$ 135 | \$ 8,070 |
| Payable at March 31, 2004 | 4,402 | 68 | 4,470 |
| Total distributions paid | \$ 12,337 | \$ 203 | \$ 12,540 |
| 2004 Reinvestment | | | |
| Reinvested in 2004 | \$ 3,374 | \$ 135 | \$ 3,509 |
| Reinvested on April 15, 2004 | 1,718 | 68 | 1,786 |
| Total distributions reinvested | \$ 5,092 | \$ 203 | \$ 5,295 |
| Distributable income | \$ 12,458 | | |
| Distribution payout ratio | 99.0% | | |
| Reinvestment to distribution ratio | 41% | | |

Our Results of Operations

| (\$000's) | Dundee REIT Consolidated Three Months Ended March 31, 2004 | Division of DRC Combined Three Months Ended March 31, 2003 |
|---|--|--|
| Rental properties | | |
| Revenues | \$ 45,084 | \$ 37,203 |
| Operating expenses | 21,110 | 19,319 |
| Net operating income | 23,974 | 17,884 |
| Other expenses | | |
| Interest | 10,291 | 9,147 |
| Depreciation of rental properties | 6,284 | 2,210 |
| Amortization of deferred leasing costs and other assets | 1,903 | 1,233 |
| General and administrative | 952 | 1,773 |
| | 19,430 | 14,363 |
| Other income | | |
| Interest and fee income, net | 583 | 326 |
| Income before gain on asset disposal | 5,127 | 3,847 |
| Gain on disposal of rental property | 177 | - |
| Income before income and large corporations taxes | 5,304 | 3,847 |
| Income taxes | | |
| Current income and large corporations taxes | 20 | 979 |
| Future income taxes | (41) | 832 |
| | (21) | 1,811 |
| Net income | \$ 5,325 | \$ 2,036 |

Revenues

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs, property taxes, parking revenues and other miscellaneous revenues from tenants.

The revenue increase in 2004 was mainly a result of acquisitions in late 2003 and first quarter of 2004, which contributed \$6.8 million, and the rent supplement described on page 14. Included in revenues is \$0.5 million resulting from the recognition of contractual rent increases on a straight-line basis over the term of the applicable leases on our comparative properties. In addition, the revenue from acquisitions includes \$0.4 million of straight-lined rents. The Trust adopted this accounting policy, which requires that contractual rent increases be smoothed or averaged over the term of the lease, effective January 1, 2004. These rents represent a future receivable to the Trust. The receivable is reduced as cash rents in future periods are greater than the straight-lined rents recorded on these leases. Prior to January 1, 2004, the Trust recorded only free rental periods on a straight-line basis. The existing receivable from these rents is also reduced over the remaining term of the related leases and amounted to \$2.0 million at March 31, 2004.

Operating Expenses

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

The increase of operating expenses in 2004 was mainly a result of the property acquisitions in 2003 and 2004.

Interest Expense

Interest expense for the three months ended March 31, 2004 increased by \$1.1 million or 12.5% over the prior year, mainly as a result of increased debt levels from acquisitions in 2003 and 2004. On a comparative debt basis, our comparative interest expense declined by \$0.2 million as a result of refinancing at lower rates.

Depreciation of Rental Properties

Depreciation increased \$4.1 million for the three-month period. Effective January 1, 2004, the Trust adopted the straight-line method of depreciation resulting in an increase of approximately \$3.4 million.

Amortization of Deferred Leasing Costs and Other Assets

Amortization increased \$0.7 million over the same period in 2003 largely as a result of the amortization of leasing costs and intangibles on the Pauls Portfolio acquisition of approximately \$0.4 million and an increase in leasing cost additions throughout 2003 and 2004.

General and Administrative

General and administrative costs are primarily comprised of the expenses related to corporate management, trustees' fees and expenses, and investor relations for Dundee REIT and its subsidiaries. These costs are not comparable year-over-year as the costs for the Division are an allocation of costs and are not representative of costs under the existing structure.

Interest and Fee Income, net

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

Gain on Sale of Rental Property

On February 11, 2004, the Trust and its partners sold Centennial Mall, a 178,000 square foot enclosed community shopping centre located in Brampton, Ontario. Dundee REIT received net cash proceeds of \$2.2 million for its 50% interest in the property for a recorded a net gain of approximately \$0.2 million.

Income Tax Expense

Dundee REIT distributes or designates all taxable earnings to unitholders and as such the obligation for tax rests with each unitholder and no tax expense is required on the majority of Dundee REIT's income. Certain Canadian and U.S. subsidiaries of Dundee REIT attract a tax cost, which is reflected in the income statement and balance sheet.

Net Operating Income ("NOI") – Comparative Portfolio

Net operating income is an important measure used by management to evaluate the operating performance of the properties. Net operating income is defined by us as the total of rental property revenues less operating expenses.

| (\$000's) | Three Months Ended March 31 | | | |
|------------------------------|-----------------------------|------------------|-----------------|-----------|
| | 2004 | 2003 | Growth | |
| | | | Amount | % |
| Office | \$ 9,552 | \$ 9,398 | \$ 154 | 2 |
| Industrial | 5,870 | 5,565 | 305 | 5 |
| Retail | 2,448 | 2,665 | (217) | (8) |
| Total comparative properties | 17,870 | 17,628 | 242 | 1 |
| Straight-line rent | 530 | 174 | 356 | |
| Rent supplement | 951 | – | 951 | |
| Acquisitions/dispositions | 4,568 | 120 | 4,448 | |
| Under development | (32) | (46) | 14 | |
| Lease surrenders | 87 | 8 | 79 | |
| NOI | \$ 23,974 | \$ 17,884 | \$ 6,090 | 34 |

| (\$000's) | Three Months Ended March 31 | | | |
|------------------------------|-----------------------------|------------------|-----------------|-----------|
| | 2004 | 2003 | Growth | |
| | | | Amount | % |
| Québec | \$ 3,847 | \$ 3,634 | \$ 213 | 6 |
| Ontario | 7,994 | 7,528 | 466 | 6 |
| Western Canada | 4,890 | 5,123 | (233) | (5) |
| Total Canada | 16,731 | 16,285 | 446 | 3 |
| United States | 1,139 | 1,343 | (204) | (15) |
| Total comparative properties | 17,870 | 17,628 | 242 | 1 |
| Straight-line rent | 530 | 174 | 356 | |
| Rent supplement | 951 | – | 951 | |
| Acquisitions/dispositions | 4,568 | 120 | 4,448 | |
| Under development | (32) | (46) | 14 | |
| Lease surrenders | 87 | 8 | 79 | |
| NOI | \$ 23,974 | \$ 17,884 | \$ 6,090 | 34 |

On a comparative basis, NOI increased 1% for the three months ended March 31, 2004. This increase is mainly as a result of leasing activity in the Ontario office portfolio offset by some increase in vacancy in Western Canada. The variance in the retail portfolio results mainly from the fluctuation in the foreign currency exchange rate as well as decreases in supplemental rents from kiosks, percentage rents and temporary tenants. NOI from property operations experiences some variances period-to-period as a result of the timing of revenues and expenses that do not fluctuate directly with occupancy. The increase in total NOI for the three-month period reflects the impact of acquisitions completed in late 2003 and in 2004, as well as the rent supplement from DRC described below and the impact of straight-line recognition of rent.

The rent supplement of \$1.0 million represents amounts funded by DRC based on specific vacancies as previously agreed to upon the formation of Dundee REIT and as included in the property management agreement. This rent supplement will fluctuate as leasing of supplemented space occurs. The supplement is effective for five years for office and retail space and three years for industrial space commencing July 1, 2003. If at any time any of the spaces to which the supplement applies is either leased, sold or ceases to be managed by Dundee Realty Management Corp., the amount of the rent supplement will be permanently reduced by the amount attributed to that space.

Comparative Office Portfolio

For the three months ended March 31, 2004, NOI for the comparative office portfolio improved 2% driven by increases in rates on new leases in Ontario and offset by a small decrease in average occupancy for the comparative office portfolio.

| (\$000's) | Three Months Ended March 31 | | | |
|---------------------------|-----------------------------|-----------------|-----------------|-----------|
| | 2004 | 2003 | Growth | |
| | | | Amount | % |
| Québec | \$ 1,296 | \$ 1,372 | \$ (76) | (6) |
| Ontario | 6,230 | 5,923 | 307 | 5 |
| Western Canada | 2,026 | 2,103 | (77) | (4) |
| Comparative properties | 9,552 | 9,398 | 154 | 2 |
| Straight-line rent | 298 | 74 | 224 | |
| Rent supplement | 498 | – | 498 | |
| Acquisitions/dispositions | 3,137 | – | 3,137 | |
| Under development | – | – | – | |
| Lease surrenders | 70 | 3 | 67 | |
| Office NOI | \$ 13,555 | \$ 9,475 | \$ 4,079 | 43 |

Comparative Industrial Portfolio

For the three months ended March 31, 2004, NOI from the comparative industrial portfolio increased 6%. Improved NOI from Québec is a result of an increase in rental rates and leasing activity in some properties. The change in Ontario reflects an increase in rental rates and a slight increase in occupancy. Western Canada experienced a slight increase in rental rates offset by a decrease in occupancy.

| (\$000's) | Three Months Ended March 31 | | | |
|---------------------------|-----------------------------|-----------------|-----------------|-----------|
| | 2004 | 2003 | Growth | |
| | | | Amount | % |
| Québec | \$ 2,450 | \$ 2,186 | \$ 264 | 12 |
| Ontario | 1,602 | 1,456 | 146 | 10 |
| Western Canada | 1,818 | 1,923 | (105) | (5) |
| Comparative properties | 5,870 | 5,565 | 305 | 5 |
| Straight-line rent | 152 | 81 | 71 | |
| Rent supplement | 457 | – | 457 | |
| Acquisitions/dispositions | 1,380 | – | 1,380 | |
| Under development | (32) | (46) | 14 | |
| Lease surrenders | 17 | 5 | 12 | |
| Industrial NOI | \$ 7,844 | \$ 5,605 | \$ 2,239 | 40 |

Comparative Retail Portfolio

Retail NOI declined by 8% quarter-over-quarter. This decline reflects some reduction in miscellaneous and percentage rental payments and approximately \$0.2 million due to the impact of a lower Canadian dollar in 2004 compared to the same period in 2003.

| (\$000's) | Three Months Ended March 31 | | | |
|---------------------------|-----------------------------|-----------------|-----------------|------------|
| | 2004 | 2003 | Growth | |
| | | | Amount | % |
| Québec | \$ 101 | \$ 76 | \$ 25 | 33 |
| Ontario | 162 | 149 | 13 | 9 |
| Western Canada | 1,046 | 1,097 | (51) | (5) |
| Total Canada | 1,309 | 1,322 | (13) | (1) |
| United States | 1,139 | 1,343 | (204) | (15) |
| Comparative properties | 2,448 | 2,665 | (217) | (8) |
| Straight-line rent | 80 | 19 | 61 | |
| Rent supplement | (4) | – | (4) | |
| Acquisitions/dispositions | 51 | 120 | (69) | |
| Retail NOI | \$ 2,575 | \$ 2,804 | \$ (229) | (8) |

Leasing Profile

The overall weighted average percentage of occupied and committed space across our stabilized rental properties portfolio remains strong at 93.6%. Occupancy rates include actual and committed space at March 31, 2004 and exclude space to which the rent supplement is applied.

| | March 31, 2004 ⁽¹⁾ | December 31, 2003 ⁽²⁾ | March 31, 2003 ⁽³⁾ |
|--|----------------------------------|-------------------------------------|----------------------------------|
| Office | | | |
| Québec | 85.8% | 87.9% | 90.5% |
| Ontario | 93.9% | 92.7% | 94.8% |
| Western Canada | 97.1% | 94.8% | 94.3% |
| | 93.3% | 92.4% | 93.8% |
| Industrial ⁽¹⁾⁽²⁾⁽³⁾ | | | |
| Québec | 89.3% | 89.5% | 90.2% |
| Ontario | 99.6% | 99.7% | 99.2% |
| Western Canada | 94.5% | 93.7% | 97.4% |
| | 94.1% | 93.1% | 94.4% |
| Retail | | | |
| Ontario | 86.4% | 92.9% | 92.0% |
| Western Canada | 90.1% | 90.7% | 91.5% |
| US | 93.9% | 93.3% | 94.5% |
| | 92.1% | 92.5% | 93.3% |
| Overall | 93.6% | 92.7% | 94.0% |

Excludes properties under redevelopment:

(1) 11 Place du Commerce, Longueuil.

(2) 15303-128th Avenue, Edmonton and 11 Place du Commerce, Longueuil.

(3) 15303-128th Avenue, Edmonton

Summary of leasing activity to March 31, 2004:

| (square feet) | Office | Industrial | Retail | Total |
|---|----------------|----------------|----------------|------------------|
| Vacant space available – January 1, 2004 | 321,439 | 405,279 | 104,191 | 830,909 |
| Remeasurements | (444) | (62) | (296) | (802) |
| Leases expiring or terminated | 251,794 | 331,642 | 53,470 | 636,906 |
| Transferred (to) from redevelopment | – | 115,750 | – | 115,750 |
| Available space in acquired assets | 5,385 | 39,748 | – | 45,133 |
| Total space available for lease | 578,174 | 892,357 | 157,365 | 1,627,896 |
| New tenants | 113,945 | 207,306 | 12,119 | 333,370 |
| Renewals | 168,279 | 245,707 | 42,014 | 456,000 |
| Total space leased | 282,224 | 453,013 | 54,133 | 789,370 |
| Total space available for lease – March 31, 2004 | 295,950 | 439,344 | 103,232 | 838,526 |
| Net increase (decrease) in vacant space | (25,489) | 34,065 | (959) | 7,617 |

An important component of our growth strategy is to acquire assets that present an opportunity to improve the overall quality of our portfolio. In the previous two quarters we have acquired approximately 2.5 million square feet of high quality properties, with high occupancy rates and which lengthen our average lease term. Although the above table shows a net increase of 7,617 square feet of vacant space at quarter end, the overall percentage of occupied and committed space has actually improved since the beginning of the quarter. The apparent discrepancy is due to acquisitions completed during the quarter and the significant increase in the overall square footage of our portfolio.

On December 31, 2003, our portfolio occupancy was 92.7%. During the three months ended March 31, 2004, 636,906 square feet of leases expired and new leasing or renewals totaled 789,370 square feet. Our quarter-end occupancy rate was 93.6%. During the remainder of 2004, approximately 1.3 million square feet will mature.

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

| (square feet) | Current Vacancy | Current Monthly Tenancies | 2004 | 2005 | 2006 | 2007 | 2008 and thereafter | Total |
|---|-----------------|---------------------------|------------------|------------------|------------------|------------------|---------------------|-------------------|
| Office | 295,950 | 53,062 | 346,895 | 487,730 | 499,345 | 369,936 | 2,389,135 | 4,442,053 |
| Industrial | 439,344 | 109,600 | 876,507 | 1,282,547 | 1,065,323 | 853,059 | 2,805,518 | 7,431,898 |
| Retail | 103,232 | 29,783 | 47,473 | 99,955 | 57,578 | 99,188 | 863,929 | 1,301,138 |
| Total | 838,526 | 192,445 | 1,270,875 | 1,870,232 | 1,622,246 | 1,322,183 | 6,058,582 | 13,175,089 |
| Percentage | 6.4 | 1.5 | 9.6 | 14.2 | 12.3 | 10.0 | 46.0 | 100.0 |
| Properties under redevelopment ⁽¹⁾ | | | | | | | | 41,155 |
| Total | | | | | | | | 13,216,244 |

(1) Includes 11 Place du Commerce, Longueuil.

Annualized Contract Rent at Expiry (psf):

| | Current Monthly Tenancies | 2004 | 2005 | 2006 | 2007 | 2008 and thereafter | Overall Weighted Average |
|-------------------------|---------------------------|-------------|-------------|-------------|-------------|---------------------|--------------------------|
| Office | \$ 10.48 | \$ 12.18 | \$ 12.73 | \$ 15.77 | \$ 13.11 | \$ 14.52 | \$ 13.15 |
| Industrial | 5.29 | 4.71 | 5.25 | 5.09 | 5.04 | 6.13 | 5.16 |
| Retail | 22.28 | 15.27 | 17.64 | 15.25 | 14.93 | 9.66 | 10.65 |
| Weighted Average | 9.35 | 7.14 | 7.86 | 8.74 | 8.04 | 9.94 | 8.40 |

The leasing process continues to be long. Management believes that increased leasing inquiries are indicative that we will likely experience some occupancy growth in the latter half of 2004. However, we do not anticipate rental increases across all of our markets in 2004.

Average remaining lease term as at March 31, 2004 and other portfolio information:

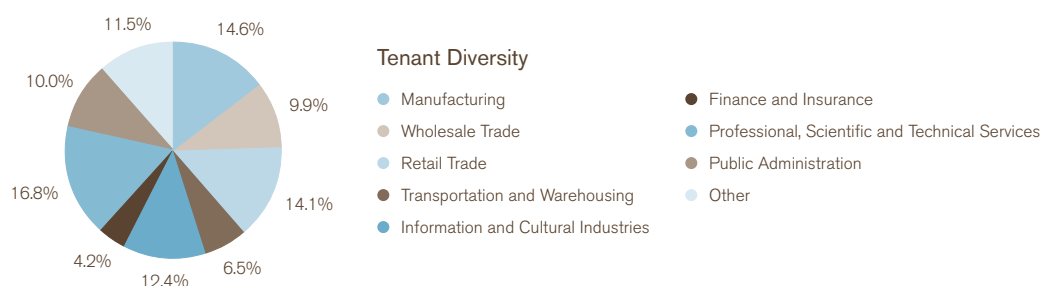
| | Average Remaining Lease Term (years) | Average Tenant Size (sq. ft.) | Average In-place Net Rent (per sq. ft.) |
|----------------|--------------------------------------|-------------------------------|---|
| Office | 5.28 | 7,809 | \$ 14.09 |
| Industrial | 3.41 | 14,234 | 5.49 |
| Retail | 6.93 | 5,598 | 11.56 |
| Overall | 4.38 | 9,962 | 8.97 |

Dundee REIT has a broad tenant base with the average tenant occupying approximately 10,000 square feet. The result is a large and diverse tenant base. With approximately 1,400 tenants, lease renewals are frequent and our exposure to any large single lease is relatively low.

Tenants requiring smaller spaces typically do not have the planning time horizons associated with larger tenants. As a result, our larger tenants will often commit to leases with a 10- to 15-year term, while smaller tenants will commit to leases with an average term of one to three years. This is reflected in our average remaining lease term of just over four years and our lease maturity profile. We have extensive experience in managing our lease renewals, as many of the same tenants renew annually and have been doing so for a number of years. Our success is evident in our track record. Despite vacancy rates rising in many markets across Canada, the lease maturity profile of our properties has been consistent and our occupancy levels have fluctuated only within a very narrow range.

A trend amongst our tenants is that they are beginning to make longer-term commitments. However, this has not yet turned into increased demand for space. Business growth appears to be fueled by increasing productivity. We anticipate that as the economic recovery continues, there will be increased demand for space but as of yet we have not experienced it.

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



Our two largest tenants, Telus Communications and the Government of Canada, comprise 4.8% and 4.5%, respectively, of our gross rental revenue. This table sets out the percentage contribution to gross rental revenue (annualized at March 31, 2004) of our ten largest tenants:

| Tenant | Owned Area (sq. ft.) | % of Owned Area | % of Gross Rental Revenue | Expiry |
|---------------------------------------|----------------------|-----------------|---------------------------|-----------|
| Telus Communications | 329,695 | 2.5% | 4.8% | 2016 |
| Government of Canada | 292,030 | 2.2% | 4.5% | 2005–2011 |
| Bell Canada | 267,950 | 2.0% | 2.8% | 2009 |
| Government of Ontario | 205,639 | 1.6% | 2.7% | 2004–2013 |
| State Street Trust Company | 93,587 | 0.7% | 2.1% | 2012 |
| International Financial Data Services | 96,015 | 0.7% | 2.0% | 2013 |
| Government of British Columbia | 91,748 | 0.7% | 1.7% | 2006–2009 |
| IBM Canada | 112,105 | 0.8% | 1.7% | 2005–2011 |
| Spirent Communications | 80,550 | 0.6% | 1.4% | 2011 |
| Epcor Utilities | 169,614 | 1.3% | 1.4% | 2011 |
| Total | 1,738,930 | 13.2% | 25.4% | |

Dispositions

On February 11, 2004, the Trust and its partners sold Centennial Mall, a 178,000 square foot enclosed community shopping centre located in Brampton, Ontario. The REIT received after repayment of debt, net proceeds of \$2.2 million for its 50% interest in the property and recorded a net gain of approximately \$0.2 million.

Quarterly Information

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

| (\$000's) | Three Months Ended March 31, 2004 | Three Months Ended December 31, 2003 | Three Months Ended September 30, 2003 |
|---|---|--|---|
| Rental properties | | | |
| Revenues | \$ 45,084 | \$ 40,996 | \$ 37,166 |
| Operating expenses | 21,110 | 20,163 | 17,213 |
| Net operating income | 23,974 | 20,833 | 19,953 |
| Other expenses | | | |
| Interest | 10,291 | 9,631 | 9,227 |
| Depreciation of rental properties | 6,284 | 2,588 | 2,266 |
| Amortization of deferred leasing costs and other assets | 1,903 | 1,703 | 1,392 |
| General and administrative expense | 952 | 1,115 | 994 |
| | 19,430 | 15,037 | 13,879 |
| Other income | | | |
| Interest and fee income, net | 583 | 484 | 190 |
| Income before loss on disposal of asset | 5,127 | 6,280 | 6,264 |
| Gain (loss) on disposal of asset | 177 | (289) | – |
| Income before income and large corporations taxes | 5,304 | 5,991 | 6,264 |
| Income taxes | | | |
| Current income and large corporations taxes | 20 | 35 | 15 |
| Future income taxes | (41) | 65 | (33) |
| | (21) | 100 | (18) |
| Net income | 5,325 | 5,891 | 6,282 |
| Add (deduct): | | | |
| Depreciation of rental properties | 6,284 | 2,588 | 2,266 |
| Amortization of deferred leasing costs and other assets | 1,903 | 1,703 | 1,392 |
| Future income tax | (41) | 65 | (33) |
| Imputed amortization of leasing costs due to rent supplement | 380 | 375 | 332 |
| Gain (loss) on disposal of asset | (177) | 289 | – |
| Funds from operations | 13,674 | 10,911 | 10,239 |
| Add (deduct): | | | |
| Amortization of fair value debt adjustments, included in interest expense | (324) | (106) | (75) |
| Compensation expense related to deferred unit incentive plan | 105 | 104 | 9 |
| Amortization of deferred costs incurred prior to June 30, 2003 | 260 | 361 | 329 |
| Amortization of deferred costs incurred subsequent to June 30, 2003 | (308) | (419) | (43) |
| Straight-line rent | (949) | – | – |
| Distributable income | \$ 12,458 | \$ 10,851 | \$ 10,459 |
| Net income per unit, basic and diluted | \$ 0.25 | \$ 0.32 | \$ 0.38 |
| Funds from operations per unit | \$ 0.64 | \$ 0.59 | \$ 0.63 |
| Distributable income per unit | \$ 0.58 | \$ 0.59 | \$ 0.64 |
| Weighted average number of units outstanding | 21,508,753 | 18,203,105 | 16,331,369 |

Risks and Our Strategy to Manage

Dundee REIT is exposed to various risks and uncertainties. For a list and explanation of these risks and uncertainties, please refer to our 2003 annual report or our April 12, 2004 Annual Information Form filed on SEDAR (www.sedar.com).

Critical Accounting Estimates

Management of Dundee REIT believes that certain policies may be subject to estimation and management's judgment. For a list and explanation of these policies, please refer to Note 2 of the interim financial statements and to our 2003 annual report.

Changes in Accounting Policies

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

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

Generally Accepted Accounting Principles

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

Depreciation of Rental Properties

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

Revenue Recognition

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

Impairment of Long-Lived Assets

This new standard was effective January 1, 2004 and requires a two-step process for determining when an impairment of long-lived assets should be recognized in the financial statements. When impairment is determined to exist, the impaired asset is written down to fair value as opposed to net recoverable amount.

Conclusion and Outlook

Leasing activity and the level of occupied and committed space improved during the quarter and we expect this trend to continue in most of our markets into the second quarter. We also anticipate growth in our financial results stemming from full quarter contributions from the acquisitions completed during the quarter as well as the new leasing.

The acquisitions completed in the last two quarters were consistent with our growth strategy of acquiring office and industrial properties in our key markets that contribute to the overall quality of our portfolio and enhance the sustainability of our distributions. We will continue to pursue other such acquisition opportunities but remain focused on achieving optimal performance from our existing assets.

Progress has been made in renewing our debt at significantly lower interest rates. Further renewals are anticipated in the second quarter and once completed should reduce our variable rate debt.

It has now been three quarters since Dundee REIT began its operations and opportunities have been better than we anticipated. Every aspect of our enterprise – from operations to the quality of our portfolio – continues to improve with each quarter that passes. Although the operating environment and stock market conditions are not optimal, we continue to see the results of our efforts to maintain and increase our occupancy level and cash flow. We hope that there will be on-going improvements in the business environment, but we are running our business on the basis that the current environment will continue.