

# Q1

DUNDEE REIT

**FIRST QUARTER 2010**

# Contents

1	Letter to unitholders	33	<b>SECTION III — DISCLOSURE CONTROLS AND PROCEDURES</b>
2	Management's discussion and analysis	33	<b>SECTION IV — RISKS AND OUR STRATEGY TO MANAGE</b>
2	<b>SECTION I — OBJECTIVES AND FINANCIAL HIGHLIGHTS</b>	33	<b>SECTION V — CRITICAL ACCOUNTING POLICIES</b>
2	Basis of presentation	33	Critical accounting estimates
3	Our objectives	33	Changes in accounting policies
3	Our strategy	35	Consolidated financial statements
4	Our assets	39	Notes to the consolidated financial statements
5	Our equity	IBC	Corporate information
6	Key performance indicators		
7	Financial overview		
7	Outlook		
8	<b>SECTION II — EXECUTING THE STRATEGY</b>		
8	Our resources and financial condition		
	Rental properties		
	<i>Leasing profile</i>		
	Liquidity and capital resources		
	<i>Operating activities</i>		
	<i>Investing activities</i>		
	<i>Financing activities</i>		
25	Our results of operations		
	Income statement results		
	<i>Rental properties revenue</i>		
	<i>Interest and fee income</i>		
	<i>Rental properties operating expenses</i>		
	<i>Interest expense</i>		
	<i>Depreciation of rental properties</i>		
	<i>Amortization of leasing costs, tenant improvements and intangibles</i>		
	<i>General and administrative expenses</i>		
	<i>Income tax expense</i>		
	<i>Discontinued operations</i>		
	<i>Related-party transactions</i>		
	Net operating income		
	<i>NOI comparative portfolio</i>		
	<i>Comparative office portfolio</i>		
	<i>Comparative industrial portfolio</i>		
	<i>NOI prior quarter comparison</i>		
31	Quarterly information		

## Letter to unitholders

The first quarter of 2010 was the steadiest and most predictable 90-day period of the past few years. Across the industry there now seems to be agreement on property valuations, leasing activity is relatively strong, and the debt market is stable with declining spreads, offsetting increases in the underlying bond rate. This is an excellent environment in which to operate, evidenced by the strengthening of our overall occupancy, growth in net operating income and \$379 million of acquisitions completed to date in 2010.

Coming into this year, we set the objective of strengthening the quality of our cash flow and minimizing the risk associated with operating in the Calgary market. Our strategy to do so has been to grow our portfolio and, in the process, achieve a number of goals that make our business more valuable. Firstly, we are reducing our overall exposure to the Calgary office market. Our preferred strategy to achieve this is diversifying away from Calgary rather than selling assets. As a result of our acquisition program, we have now decreased the proportion of net operating income (“NOI”) derived from the Calgary office portfolio and significantly increased the proportion of NOI derived from elsewhere. Secondly, we believe that the market will value a company that is diversified by asset type and location more highly than one that is concentrated in a single market or segment. Thirdly, liquidity seems to be necessary to attract large institutional investors. All else being equal, it appears that the larger the company, the larger the pool of investors and the higher the value attributed to the business. Since acquisitions are accretive to our overall cash flow, it is our goal to continue to grow.

During the first quarter of 2010, our performance was in line with our expectations. Our occupied and committed space increased to 97% from 95.4% at year-end. The drivers were primarily leasing activity in the industrial portfolio and the impact of properties acquired with strong in-place occupancy. On a comparative property basis, in-place occupancy has also risen modestly. No matter how they are measured, our occupancy numbers are very strong. Total NOI increased by an impressive 25%, reflecting the completion of accretive acquisitions, and comparative NOI increased by 1%, reflecting incremental improvements in both occupancy and rental rates. We also have committed leases in both our office and industrial portfolios that will contribute to future comparative property growth. Adjusted funds from operations (“AFFO”) softened a little as a result of holding cash at the beginning and end of the quarter. As we continue to grow, there may be other periods similarly impacted by holding cash but in the longer term it will serve us well.

During the first quarter we added \$263 million of high-quality office properties to our Toronto portfolio. Subsequent to quarter-end, we added another \$116 million, including an office tower in Edmonton, an industrial property in Ottawa and an office building in Regina. These properties, as well as those acquired in 2009, have higher initial returns than our existing portfolio and also offer attractive growth potential.

Overall, we are very pleased with the performance of our business. We are managing our exposure to the Calgary office market by growing in other markets. Outside of this segment, we have increasing market rents and increasing occupancy. And, new acquisitions are enhancing the overall quality of our business and providing more predictable, consistent and growing cash flow. The economy is gaining strength and I think that the general consensus is that the worst is behind us in Canada, and that business owners and managers are able to once again make longer-term decisions. As a result, the underlying operating environment is sure to show improvements, which in turn will stimulate internal growth for real estate investment trusts in the future.



**MICHAEL J. COOPER**

Vice Chairman and  
Chief Executive Officer

## Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands, except rental rates, unit and per unit amounts)

### SECTION I – OBJECTIVES AND FINANCIAL HIGHLIGHTS

#### BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee REIT for the year ended December 31, 2009 and the interim financial statements for the three months ended March 31, 2010.

This management's discussion and analysis has been dated as at April 30, 2010, except where otherwise noted. For simplicity, throughout this discussion, we may make reference to the following:

- "REIT A Units", meaning the REIT Units, Series A
- "REIT B Units", meaning the REIT Units, Series B
- "REIT Units", meaning the REIT Units, Series A, and REIT Units, Series B
- "LP B Units", meaning the LP Class B Units, Series 1
- "Units", meaning REIT Units, Series A; REIT Units, Series B; LP Class B Units, Series 1; and Special Trust Units, collectively

Certain market information has been obtained from the CB Richard Ellis MarketView, First Quarter 2010, a publication prepared by a commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, the accuracy and completeness of this information is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based upon a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond Dundee REIT's control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest and currency rate fluctuations.

Although the forward-looking statements contained in this management's discussion and analysis are based upon what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; that the specified investment flow-through trust ("SIFT") Rules and the normal growth guidelines are not applicable to us; and other risks and factors described from time to time in the documents filed by the Trust with the securities regulators.

All forward-looking information is as of April 30, 2010, except where otherwise noted. Dundee REIT does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions and risks and uncertainties is contained in our filings with securities regulators, including the latest annual information form of Dundee REIT. These filings are also available on our web site at [www.dundeereit.com](http://www.dundeereit.com).

## OUR OBJECTIVES

We are committed to:

- managing our business to provide growing cash flow and stable and sustainable returns through adapting our strategy and tactics to changes in the real estate industry and the economy;
- building a diversified, growth-oriented portfolio of office and industrial properties in Canada, based on an established platform;
- providing predictable and sustainable cash distributions to unitholders and prudently managing distributions over time; and
- maintaining a REIT that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

## Distributions

We currently pay monthly distributions to unitholders of \$0.183 per unit or \$2.20 on an annual basis. At March 31, 2010, approximately 10% of our total units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”), including 10% of the REIT A Units and 9% of the LP B Units. There is no equivalent program for the REIT B Units (see a description of Our Equity on page 5).

	Apr/09	May/09	Jun/09	Jul/09	Aug/09	Sept/09	Oct/09	Nov/09	Dec/09	Jan/10	Feb/10	Mar/10
Distribution rate	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	\$0.183	<b>\$0.183</b>	<b>\$0.183</b>	<b>\$0.183</b>
Month-end closing price	\$13.40	\$15.05	\$15.15	\$16.50	\$19.30	\$19.46	\$19.25	\$19.17	\$20.75	<b>\$24.54</b>	<b>\$25.14</b>	<b>\$25.89</b>

## OUR STRATEGY

Dundee REIT’s core strategy remains unchanged — investing in the office and industrial sectors in key markets across Canada and providing a solid platform for stable and growing cash flows. The execution of that strategy, however, is continuously reviewed and includes acquisitions and dispositions, our capital structure, as well as our analysis of current economic conditions. Our executive team has worked together for many years and has experience operating through a number of real estate cycles. We are highly motivated to continue to increase the value of our portfolio and maintain a sharp focus on providing stable and reliable returns for our unitholders. In addition, Dundee REIT was among the first to qualify as a real estate investment trust under the SIFT legislation and we are steadfast in maintaining this status.

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

### Investing in high-quality office and industrial properties

Our portfolio is concentrated in Canada’s key urban markets and is comprised of high-quality properties that are well-located, attractively priced and produce consistent cash flow. When considering acquisition opportunities we look for quality tenancies, strong occupancy, the appeal of the property to future tenants, how it complements our existing portfolio and how we can create additional value.

### Optimizing the performance, value and cash flow of our portfolio

We manage our properties to optimize long-term cash flow and value. With fully internalized property management, we offer a strong team of highly experienced real estate professionals who are focused on achieving more from our assets. Occupancy rates across our portfolio have remained steady and strong for a number of years. We view this as strong evidence of the appeal of our properties and our ability to meet and exceed tenant expectations. Dundee REIT has a proven ability to identify and execute value-add opportunities and a track record for outperforming the real estate index.

### Diversifying our portfolio to mitigate risk

With the acquisitions completed in 2009 and those that closed during the current quarter, we have demonstrated our commitment to once again achieving greater geographic diversification across our portfolio. We will continue to pursue growth but only when it enhances our overall portfolio, further improves the sustainability of distributions, strengthens our tenant profile and mitigates risk. We have experience in each of Canada's key markets and have the flexibility to pursue the acquisition of office and industrial properties in whichever markets offer compelling investment opportunities.

### Maintaining and strengthening our conservative financial profile

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

## OUR ASSETS

We provide high-quality, affordable business premises with a primary focus on mid-sized urban and suburban office properties as well as industrial and prestige industrial properties. Our assets are located in major urban centres across Canada including Ottawa, Toronto, Saskatoon, Regina, Calgary, Edmonton, Vancouver and Yellowknife.

				Owned gross leasable area (sq. ft.)		
				March 31, 2010	December 31, 2009	
	Office	Industrial	Total	%	Total	%
British Columbia	519,682	—	519,682	6	519,215	7
Alberta	2,878,578	1,660,038	4,538,616	54	4,537,837	61
Saskatchewan & NWT	849,280	—	849,280	10	848,575	12
Ontario	2,492,533	—	2,492,533	30	1,488,741	20
<b>Total<sup>(1)</sup></b>	<b>6,740,073</b>	<b>1,660,038</b>	<b>8,400,111</b>	<b>100</b>	<b>7,394,368</b>	<b>100</b>
Percentage	80%	20%	100%			
<b>Total as at</b>						
<b>December 31, 2009</b>	5,734,259	1,660,109	7,394,368			
Percentage	78%	22%	100%			

<sup>(1)</sup> Excludes redevelopment properties.

Subsequent to quarter-end, we have acquired approximately 264,000 square feet of office space in Edmonton, 115,000 square feet of industrial space in Ottawa and 66,000 square feet of office space in Regina, bringing our total gross leasable area to 8.8 million square feet.

### Office rental properties

At March 31, 2010, our ownership interests included 48 office properties (62 buildings) comprising approximately 6.7 million square feet located in Ottawa, Toronto, Saskatoon, Regina, Calgary, Vancouver and Yellowknife. These office properties can generally be categorized as high-quality, affordable, suburban and downtown buildings. The occupancy rate across our office portfolio remains high at 97.0%, well ahead of the national industry average occupancy rate of 89.9% (CB Richard Ellis, Canadian Office MarketView, First Quarter 2010). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

During the first quarter, we acquired Adelaide Place, a two-tower Class A office complex in downtown Toronto comprising 654,000 square feet with an occupancy rate of 98%. We also acquired Aviva Corporate Centre in Toronto, a four-building 437,000 square foot office complex with ancillary warehouse space, with an occupancy rate of 99% (excluding redevelopment space).

### Industrial rental properties

At March 31, 2010, our industrial portfolio consisted of 34 prime suburban industrial properties (37 buildings) comprising approximately 1.7 million square feet, concentrated in Calgary and Edmonton. Dundee REIT's strategy is to own clusters of properties, allowing it to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. The occupancy rate across our industrial portfolio has improved to 97.0% from 90.6% at the end of 2009. The average industry occupancy rates in Calgary and Edmonton, our two industrial markets, were 94.9% and 96.3%, respectively (CB Richard Ellis, Calgary and Edmonton Industrial MarketView, First Quarter 2010).

## OUR EQUITY

	March 31, 2010		Unitholders' equity December 31, 2009	
	Number of units	Amount	Number of units	Amount
REIT Units, Series A	31,389,693	\$ 514,058	21,247,397	\$ 312,743
REIT Units, Series B	16,316	365	16,316	362
LP Class B Units, Series 1	3,461,324	91,794	3,454,188	92,656
Cumulative foreign currency translation adjustment	—	—	—	(6,609)
<b>Total</b>	<b>34,867,333</b>	<b>\$ 606,217</b>	<b>24,717,901</b>	<b>\$ 399,152</b>

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP B Units. The LP B Units are held by Dundee Corporation and Dundee Realty Corporation ("DRC"), related parties to Dundee REIT. Both the REIT Units and Special Trust Units entitle the holder to one vote for each unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT B Units, at the option of the holder, which can then be converted into REIT A Units. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT A Units. The REIT A Units and REIT B Units have economic and voting rights equivalent in all material respects to each other.

At March 31, 2010, Dundee Corporation, directly and indirectly through its subsidiaries, held 935,601 REIT A Units and 3,461,324 LP B Units, for a total ownership interest of 12.6%.

**KEY PERFORMANCE INDICATORS**

Performance is measured by these and other key indicators:

For the three months ended March 31	2010	2009
<b>Operations</b>		
Occupancy rate (period-end) <sup>(1)</sup>	97.0%	95.0%
In-place rent per square foot (office and industrial) <sup>(1)</sup>	\$ 15.22	\$ 15.55
<b>Operating results</b>		
Rental properties revenue <sup>(2)</sup>	\$ 61,010	\$ 48,142
Net operating income (“NOI”) <sup>(3)</sup>	37,625	30,148
Funds from operations (“FFO”) <sup>(4)</sup>	22,104	16,924
Adjusted funds from operations (“AFFO”) <sup>(5)</sup>	16,636	12,290
<b>Distributions</b>		
Declared distributions	\$ 17,468	\$ 11,364
Distributions paid in cash	15,792	10,647
DRIP participation ratio	10%	6%
<b>Financing</b>		
Weighted average interest rate (period-end)	5.65%	5.81%
Interest coverage ratio	2.6 times	2.4 times
<b>Per unit amounts</b>		
<b>Basic:</b>		
FFO	\$ 0.72	\$ 0.81
Distributable income	0.61	0.67
Distribution rate	0.55	0.55
Total distributions as a percentage of distributable income	90%	82%
AFFO	\$ 0.54	\$ 0.59
<b>Diluted:<sup>(6)</sup></b>		
FFO	\$ 0.71	\$ 0.79
Distributable income	0.62	0.67

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

(1) Excludes redevelopment properties and discontinued properties.

(2) Prior year comparatives have been restated for discontinued operations.

(3) NOI – rental property revenues less operating expenses, excluding redevelopment and discontinued operations. Prior year comparatives have been restated as a result of discontinued operations. The reconciliation of NOI to net income can be found on page 27.

(4) FFO – the reconciliation of FFO to net income can be found on page 16.

(5) AFFO – the reconciliation of AFFO to distributable income can be found on page 19.

(6) Diluted amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures.

## FINANCIAL OVERVIEW

Overall occupancy increased to 97.0% from 95.4% at the end of Q4 2009. Occupancy across our office portfolio has remained stable at 97.0% compared to 96.7%, while our industrial portfolio has improved to 97.0% from 90.6%. Our operations remain strong, with continued year-over-year growth in rental property revenue and NOI. Rental property revenue increased by 27% to \$61.0 million and NOI increased by 25% to \$37.6 million, reflecting the impact of acquisitions completed in 2009 and 2010. Details of our NOI begin on page 27.

We have a successful track record for managing our lease rollover activity. The market rental rates in the Calgary office segment have declined over the past year; however, at 94.9%, our Alberta office portfolio occupancy remains well above the industry average. Details of our leasing profile begin on page 8.

For the quarter, AFFO increased 35% to \$16.6 million, largely reflecting the impact of deploying capital carried on our balance sheet for most of 2009.

In the first quarter, we acquired \$263.3 million of properties comprising 1.1 million square feet of high-quality office space located in Toronto, Ontario. The acquisitions provide our portfolio with greater geographic diversification and set the stage for continued growth in the remainder of 2010.

Financing activity for the quarter included the placement of \$120.0 million of new mortgage financing in conjunction with the acquisition of Adelaide Place, \$30.6 million of assumed mortgages related to the acquisition of Aviva Corporate Centre, and \$4.5 million of principal repayments. Overall, the weighted average interest rate of our mortgage debt is 5.45%, down slightly from 5.52% in the prior year. We also raised \$208.6 million, net of costs, from equity offerings completed in January and March. Details of financing activity and debt begin on page 22.

On March 16, 2010, we completed a public offering of 3,965,000 REIT A Units at a price of \$25.25 per unit for gross proceeds of \$100.1 million. On March 26, 2010, we 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 \$15.0 million. Costs related to the offering were approximately \$5.2 million. On January 7, 2010, we completed a public offering of 5,520,000 REIT A Units at a price of \$18.75 per unit, for gross proceeds of \$103.5 million. Costs related to the offering were approximately \$4.9 million.

## OUTLOOK

Since the first quarter of 2009, our portfolio has changed significantly. With a sense of stability returning to the financial markets and consensus in the marketplace on property valuations, we have completed \$289.3 million in equity offerings and deployed a significant portion of the proceeds by acquiring over \$500 million of assets. The acquired properties are all high-quality, well-located and, most importantly for tenants, affordable. The new assets complement our existing portfolio yet they have a noticeable impact on its overall composition and operating profile. We have transformed our portfolio from one heavily weighted in Calgary to one that is better diversified across a number of key Canadian markets, improved the predictability and long-term value of our cash flow, and increased the liquidity of our units in the market.

The overall occupied and committed rate across our portfolio has improved. There has also been incremental improvements in in-place rental rates across most of our portfolio, which we anticipate will continue throughout the year. In part, this reflects the success of our acquisitions strategy but also the strength of our leasing and our ability to retain our tenants. We anticipate that current occupancy levels across our portfolio, with the exception perhaps of Calgary, will be sustainable throughout most of this year. In addition to capitalizing on organic growth embedded in our portfolio, we are confident that compelling investment opportunities are out there and that we will continue to grow our business in a meaningful way.

SECTION II — EXECUTING THE STRATEGY

**OUR RESOURCES AND FINANCIAL CONDITION**

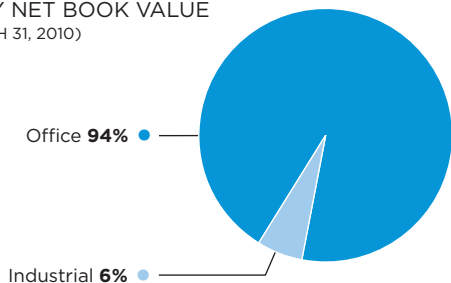
**Rental properties**

The net book value of segmented rental properties by geographic location and asset type is set out below.

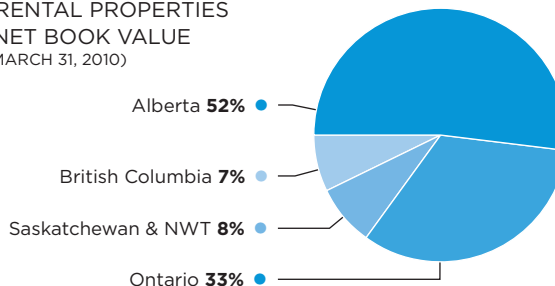
	<b>March 31, 2010<sup>(1)</sup></b>			<b>December 31, 2009<sup>(1)</sup></b>		
	<b>Office</b>	<b>Industrial</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
British Columbia	\$ 99,407	\$ —	\$ 99,407	7	\$ 99,834	9
Alberta	643,398	89,795	733,193	52	736,517	62
Saskatchewan & NWT	107,067	—	107,067	8	107,754	9
Ontario	464,353	—	464,353	33	235,195	20
<b>Total</b>	<b>\$ 1,314,225</b>	<b>\$ 89,795</b>	<b>\$ 1,404,020</b>	<b>100</b>	<b>\$ 1,179,300</b>	<b>100</b>
Percentage	94%	6%	100%			
<b>Total as at</b>						
<b>December 31, 2009</b>	\$1,088,990	\$ 90,310	\$ 1,179,300			
Percentage	92%	8%	100%			

<sup>(1)</sup> Excludes \$7.1 million related to redevelopment properties (December 31, 2009 — excludes \$18.8 million related to discontinued properties and \$1.8 million related to other redevelopment properties).

PORTFOLIO ASSET TYPE BY NET BOOK VALUE (AT MARCH 31, 2010)



GEOGRAPHIC DISTRIBUTION OF RENTAL PROPERTIES BY NET BOOK VALUE (AT MARCH 31, 2010)



**Leasing profile**

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

Performance indicators	<b>March 31, 2010</b>	<b>December 31, 2009<sup>(1)</sup></b>
<b>Operating activities (office and industrial average)<sup>(1)</sup></b>		
Occupancy level	97.0%	95.4%
Tenant maturity profile — average term to maturity (years)	4.7	4.5
In-place rental rates	\$ 15.22	\$ 15.30

<sup>(1)</sup> Excludes redevelopment properties and properties held for sale.

Throughout the quarter we continued to capture rental rate increases across most of our markets with the exception of Alberta. The overall average in-place rent was reduced in the quarter due to the lower average rental rates for properties acquired in Ontario.

In-place rental rates	March 31, 2010	December 31, 2009
British Columbia	\$ 16.80	\$ 16.38
Alberta	18.57	18.69
Saskatchewan & NWT	18.55	18.41
Ontario	15.09	14.56
<b>Total office</b>	<b>17.12</b>	<b>17.34</b>
Industrial		
Alberta	7.53	7.77
<b>Overall</b>	<b>\$ 15.22</b>	<b>\$ 15.30</b>

For the period-end, the percentage of occupied and committed space is as follows:

(percentage)	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009 <sup>(1)</sup>	Q4 2008 <sup>(1)</sup>	Q3 2008	Q2 2008
Office	97.0	96.7	95.9	96.0	96.4	96.6	97.6	97.4
Industrial	97.0	90.6	92.0	89.3	91.1	87.0	90.9	94.1
Overall <sup>(2)</sup>	97.0	95.4	94.9	94.2	95.0	94.0	95.8	96.5

<sup>(1)</sup> 7102 Barlow Trail has been restated as continuing operations.

<sup>(2)</sup> Excludes redevelopment properties and properties held for sale.

The overall percentage of occupied and committed space across our rental properties portfolio was 97.0% at quarter-end, an increase of 1.6% over year-end and 2.0% over Q1 2009. The average occupancy rate across our office portfolio is 97.0%, an increase over year-end and Q1 2009 and well above the national industry average of 89.9%. The average occupancy rate across our industrial portfolio is 97.0%, a 6.4% increase over year-end due to additional leasing completed at 15303-128th Avenue in Edmonton and a 5.9% increase over Q1 2009. The overall occupancy rates for industrial space in Calgary and Edmonton were 94.9% and 96.3%, respectively (CB Richard Ellis, Canadian Office and Calgary and Edmonton Industrial MarketViews, First Quarter 2010). Our occupancy rates discussed in this report include occupied and committed space at March 31, 2010.

(percentage)	Total portfolio			Comparative properties		
	March 31, 2010	December 31, 2009	March 31, 2009	March 31, 2010	December 31, 2009	March 31, 2009
<b>Office</b>						
British Columbia	96.2	95.3	95.2	96.2	95.3	95.2
Alberta	94.9	95.2	96.4	94.9	95.2	96.4
Saskatchewan & NWT	99.1	98.7	98.7	99.1	98.7	98.7
Ontario	98.8	99.1	94.9	99.6	99.6	98.6
<b>Total office</b>	<b>97.0</b>	<b>96.7</b>	<b>96.4</b>	<b>96.5</b>	<b>96.4</b>	<b>96.9</b>
<b>Industrial</b>						
Alberta	97.0	90.6	91.1	97.0	90.6	90.1
<b>Overall<sup>(1)</sup></b>	<b>97.0</b>	<b>95.4</b>	<b>95.0</b>	<b>96.6</b>	<b>94.9</b>	<b>95.2</b>

<sup>(1)</sup> Excludes redevelopment properties.

### Vacancy schedule

The tables below distinguish between space that is currently vacant and space that is committed for future occupancy, and provide a continuity for the vacant space component. During the first quarter, approximately 384,000 square feet of leases expired or were terminated, and we completed approximately 395,000 square feet of renewals and new leasing. Of the vacant space at period-end, approximately 191,000 square feet, or 43%, is committed for future occupancy, leaving approximately 255,000 square feet available for lease.

(in square feet)	For the three months ended March 31, 2010		
	Office	Industrial	Total
Available for lease	186,811	156,463	343,274
Vacancy committed for future leases	49,083	41,852	90,935
Vacant space — January 1, 2009	235,894	198,315	434,209
Acquired vacancy	17,547	—	17,547
Remeasurements	5,850	(71)	5,779
Expiries	213,149	149,780	362,929
Early terminations and bankruptcies	15,871	5,520	21,391
New leases	(46,756)	(89,587)	(136,343)
Renewals	(146,016)	(112,760)	(258,776)
Vacant space — March 31, 2010	295,539	151,197	446,736
Vacancy committed for future leases	90,337	101,053	191,390
<b>Available for lease — March 31, 2010</b>	<b>205,202</b>	<b>50,144</b>	<b>255,346</b>

The following two tables detail our lease maturity profile by asset type and geographic segment as at March 31, 2010. The tables distinguish between lease maturities that have yet to be renewed or re-leased and maturities for which we have a leasing commitment. The uncommitted line should be referenced when considering future leasing risks or opportunities and the committed line should be referenced when considering the impact of leasing activity.

We have a long and successful track record in managing our lease rollovers. During the remainder of 2010, approximately 10% of our leases will expire. Of these expiries, approximately 33% have been renewed as of quarter-end, leaving 77% to be renewed during the remainder of the year.

(in square feet)	Current vacancy	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023	Total
Office — uncommitted	205,202	16,253	411,372	708,247	646,574	986,542	3,222,870	6,197,060
Office — committed	—	—	242,642	82,211	44,122	—	174,038	543,013
<b>Total office</b>	<b>205,202</b>	<b>16,253</b>	<b>654,014</b>	<b>790,458</b>	<b>690,696</b>	<b>986,542</b>	<b>3,396,908</b>	<b>6,740,073</b>
Industrial — uncommitted	50,144	8,200	166,140	184,400	343,344	207,099	636,555	1,595,882
Industrial — committed	—	—	44,687	14,100	5,369	—	—	64,156
<b>Total industrial</b>	<b>50,144</b>	<b>8,200</b>	<b>210,827</b>	<b>198,500</b>	<b>348,713</b>	<b>207,099</b>	<b>636,555</b>	<b>1,660,038</b>
Total — uncommitted	255,346	24,453	577,512	892,647	989,918	1,193,641	3,859,425	7,792,942
Total — committed	—	—	287,329	96,311	49,491	—	174,038	607,169
<b>Total</b>	<b>255,346</b>	<b>24,453</b>	<b>864,841</b>	<b>988,958</b>	<b>1,039,409</b>	<b>1,193,641</b>	<b>4,033,463</b>	<b>8,400,111</b>

(in square feet)	Current vacancy	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023	Total
British Columbia — uncommitted	19,884	1,653	27,199	94,916	28,969	60,797	276,758	510,176
British Columbia — committed	—	—	9,506	—	—	—	—	9,506
<b>Total British Columbia</b>	19,884	1,653	36,705	94,916	28,969	60,797	276,758	519,682
Alberta — uncommitted	196,635	22,685	469,652	594,564	645,981	573,170	1,763,633	4,266,320
Alberta — committed	—	—	146,532	69,760	8,934	—	47,070	272,296
<b>Total Alberta</b>	196,635	22,685	616,184	664,324	654,915	573,170	1,810,703	4,538,616
Saskatchewan & NWT — uncommitted	7,852	115	21,959	74,531	167,271	125,723	346,699	744,150
Saskatchewan & NWT — committed	—	—	59,937	4,636	40,557	—	—	105,130
<b>Total Saskatchewan &amp; NWT</b>	7,852	115	81,896	79,167	207,828	125,723	346,699	849,280
Ontario — uncommitted	30,975	—	58,702	128,636	147,697	433,951	1,472,335	2,272,296
Ontario — committed	—	—	71,354	21,915	—	—	126,968	220,237
<b>Total Ontario</b>	30,975	—	130,056	150,551	147,697	433,951	1,599,303	2,492,533
Total — uncommitted	255,346	24,453	577,512	892,647	989,918	1,193,641	3,859,425	7,792,942
Total — committed	—	—	287,329	96,311	49,491	—	174,038	607,169
<b>Total</b>	255,346	24,453	864,841	988,958	1,039,409	1,193,641	4,033,463	8,400,111

The following tables provide expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties as at March 31, 2010. Expiring rents and market rents represent face rates and do not include the impact of tenant inducements.

	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023
<b>Expiring rents</b>						
Office	\$ 19.87	\$ 17.45	\$ 18.46	\$ 21.13	\$ 18.90	\$ 18.82
Industrial	6.47	9.03	8.43	6.69	9.70	8.31
<b>Portfolio average</b>	15.38	15.03	16.38	16.12	17.30	17.17
<b>Market rents<sup>(1)</sup></b>						
Office	\$ 16.69	\$ 16.79	\$ 17.04	\$ 19.84	\$ 17.11	\$ 17.74
Industrial	9.00	9.33	8.72	7.38	9.04	6.86
<b>Market rent average</b>	14.11	14.65	15.32	15.52	15.71	16.03

<sup>(1)</sup> Estimate only; based on current market rents with no allowance for increases in future years and subject to change with market conditions in each market segment.

	Current monthly tenancies	2010	2011	2012	2013	2014 to 2023
<b>Expiring rents</b>						
British Columbia	\$ 16.00	\$ 12.76	\$ 15.47	\$ 15.38	\$ 17.11	\$ 19.37
Alberta office	19.88	17.80	19.36	21.60	21.08	19.70
Saskatchewan & NWT	74.67	25.39	22.77	22.73	20.49	18.03
Ontario	—	14.86	15.26	19.49	16.85	15.58
Alberta industrial	6.47	9.03	8.43	6.69	9.70	8.31
<b>Portfolio average</b>	15.38	15.03	16.38	16.12	17.30	16.16
<b>Market rents<sup>(1)</sup></b>						
British Columbia	\$ 15.00	\$ 17.24	\$ 17.67	\$ 21.59	\$ 15.27	\$ 21.31
Alberta office	16.42	15.44	14.66	16.37	14.98	16.74
Saskatchewan & NWT	75.00	31.51	29.35	26.32	25.62	22.26
Ontario	—	18.03	17.06	19.28	16.69	16.72
Alberta industrial	9.00	9.33	8.72	7.38	9.04	6.86
<b>Market rent average</b>	14.11	14.65	15.32	15.52	15.71	16.03

<sup>(1)</sup> Estimate only; based on current market rents with no allowance for increases in future years and subject to change with market conditions in each market segment.

Actual market rents may differ from management's estimates, particularly in Calgary. As a comparison, the CB Richard Ellis, Canadian Office MarketView for the first quarter of 2010 lists market rents in the Calgary downtown market at \$22.00 and \$17.00 per square foot for Class A and Class B office properties, respectively. In the Calgary suburban market, market rents are listed at \$22.00 and \$14.00, respectively.

The average remaining lease term and other portfolio information as at quarter-end is detailed below.

	March 31, 2010 <sup>(1)</sup>			December 31, 2009 <sup>(1)</sup>		
	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.) <sup>(2)</sup>	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place net rent (per sq. ft.) <sup>(2)</sup>
Office	4.69	10,406	\$ 17.12	4.75	10,198	\$ 17.34
Industrial	4.77	7,970	7.53	3.83	7,335	7.77
<b>Portfolio average</b>	4.71	9,813	15.22	4.54	9,414	15.30

<sup>(1)</sup> Excludes redevelopment properties.

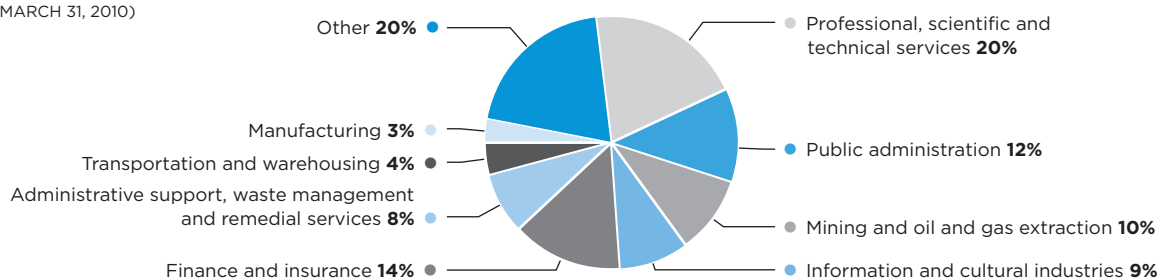
<sup>(2)</sup> Average in-place rents include straight-line rent adjustments.

### Tenant base profile

Our tenant base includes a wide range of high-quality tenants such as the government, large international corporations and small entrepreneurial businesses across the country. With 830 tenants, our risk exposure to any single large lease or tenant is low. The average sizes of our office and industrial tenants are approximately 10,400 and 7,800 square feet, respectively. Effectively managing this diverse tenant base is one of our key strengths and has helped us maintain consistently high occupancy levels and to continually capitalize on rental rate uplifts.

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. NAICS is a system used for classifying the industry in which tenants operate.

TENANT BASE BY PERCENTAGE CONTRIBUTION  
TO TOTAL CONTRACT RENT  
(AT MARCH 31, 2010)



The diversity of our tenant base helps to ensure that those segments that undergo greater than average stress do not unduly impact us. Much of the Alberta economy is influenced by the oil and gas sector; therefore, our greatest area of vulnerability for this segment of our portfolio is not necessarily with respect to a specific industry sector as much as it is to the impact of the oil and gas sector on the general economy of Alberta. In the fourth quarter of 2009, we completed four acquisitions in Ontario and, in the first quarter of 2010, we have completed two more in Toronto. The addition of these properties improves the geographic diversification of our portfolio and reduced our exposure to the Alberta market to 54% from 66% at the end of the third quarter of 2009 based on owned gross leasable area. We are very proactive in analyzing our portfolio and tenancies, and are focused on tenant retention and leasing. The manufacturing sector continues to feel the greatest impact from the current economic conditions and the strengthening Canadian dollar. As indicated by the chart above, manufacturing comprises only a minor component of our portfolio.

The stability and quality of our cash flow is enhanced by the fact that government and government agencies contribute 14.3% to our total gross rental revenue. Our ten largest tenants feature both federal and provincial governments as well as other nationally and internationally recognizable and high-quality businesses. The table below outlines their contributions to our rental revenues.

Tenant	Owned area in sq. ft.	% of owned area	% of gross rental revenue	Expiry
TELUS Communications	311,253	3.7	4.5	2013–2016
Government of Ontario	247,743	2.9	3.6	2014
Aviva	316,511	3.8	3.4	2016
Government of Canada	264,446	3.1	3.2	2010–2019
Loyalty Management Group	183,014	2.2	2.8	2017
Government of British Columbia	178,646	2.1	2.5	2011–2019
State Street Trust Company	122,344	1.5	2.3	2022
Government of Northwest Territories	121,793	1.4	2.2	2010–2014
Winners Merchants International	178,418	2.1	1.8	2010–2015
Government of Saskatchewan	141,469	1.7	1.5	2011–2018
<b>Total</b>	<b>2,065,637</b>	<b>24.5</b>	<b>27.8</b>	

### Liquidity and capital resources

Dundee REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, and equity and debt issues. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal and interest payments, and property acquisitions. We expect to meet all of our ongoing obligations through current cash and cash equivalents, cash flows from operations, conventional mortgage refinancings and, as growth requires and when appropriate, new equity or debt issues.

There were no debt maturities during the first quarter of 2010. In the second quarter, we will be required to repay \$2.6 million of a mortgage loan that matures in 2013 but is adjusted annually to adhere to loan-to-value requirements. During the fourth quarter of 2010, \$11.7 million of mortgage debt related to three properties will mature. Further discussion and information is provided on page 22 under Financing Activities.

The following table details the change in cash and cash equivalents.

For the three months ended March 31	2010	2009
Cash generated from operating activities	\$ 21,029	\$ 17,385
Cash utilized in investing activities	(211,166)	(2,871)
Cash generated from (utilized in) financing activities	309,245	(14,448)
<b>Increase in cash and cash equivalents</b>	<b>\$ 119,108</b>	<b>\$ 66</b>

At March 31, 2010, cash and cash equivalents were \$131.3 million, an increase of \$119.3 million since December 31, 2009, reflecting \$208.6 million of net proceeds from equity offerings completed in the quarter, \$120.0 million in proceeds of mortgage financing, less \$217.7 million utilized to fund acquisitions.

We are confident that we have adequate capital resources for 2010 and beyond. At March 31, 2010, we had over \$131.3 million in cash, of which approximately \$88.2 million was used to purchase properties in Edmonton, Ottawa and Regina subsequent to quarter-end. See discussion under Acquisitions and Dispositions on page 20. We also have a further \$32.6 million, less letters of guarantee, available through our revolving credit facility and six unencumbered properties that can be leveraged.

### Operating activities

The following table details the cash generated from operating activities.

For the three months ended March 31	2010	2009
<b>Net income</b>	<b>\$ 7,611</b>	<b>\$ 3,859</b>
Non-cash items:		
Amortization of market rent adjustments on acquired leases	(3,309)	(2,777)
All other depreciation and amortization	17,469	12,919
Gain on disposal of rental properties	(2,801)	—
Deferred unit compensation expense	220	197
Future income taxes	—	290
Straight-line rent adjustment	(172)	(213)
	<b>19,018</b>	<b>14,275</b>
Leasing costs incurred	(597)	(845)
Change in non-cash working capital	2,608	3,955
<b>Cash generated from operating activities</b>	<b>\$ 21,029</b>	<b>\$ 17,385</b>

Cash generated from operations for the quarter increased relative to the comparative period, reflecting growth in NOI from acquired properties offsetting fluctuations in non-cash working capital.

The amortization of market rent adjustments on acquired leases mainly represents the impact of leases with below-market rents, largely related to certain properties acquired from 2006 to present. Below-market leases are recorded as intangible liabilities and are amortized to rental property revenue over the terms of the related leases.

Dundee REIT distributes all taxable earnings to unitholders and as such, under current legislation, the obligation to pay tax rests with each unitholder and no current tax provision is required on the majority of Dundee REIT's income. Previously, certain of our Canadian and U.S. subsidiaries were taxable and any tax-related costs were reflected in the consolidated balance sheets and consolidated statements of net income and comprehensive income. On December 31, 2009, we effected the transfer of our interest in TELUS Tower from a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. In addition, on February 5, 2010, we sold our interest in the U.S. subsidiary. As a result of these transactions, we are no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates.

The straight-line rent adjustment represents the difference between the straight-line method of rental revenue recognition and the cash rents received. Any cumulative difference is included in accounts receivable.

Leasing costs include fees, commissions and related costs. Leasing costs are amortized on a straight-line basis over the term of the applicable lease to amortization expense.

#### Leasing costs and tenant improvements

Leasing costs include leasing fees and related costs, broker commissions and tenant inducements. Tenant improvements include costs incurred to make leasehold improvements. Leasing costs and tenant improvement expenditures are dependent on asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases, and leasing costs associated with office space are generally higher than costs associated with industrial space.

During the quarter, 395,000 square feet were leased and occupied, and we incurred \$2.3 million in leasing costs and tenant improvements representing an average per square foot of \$9.91 for office space and \$2.12 for industrial space. The leasing costs are currently in line with our estimates.

Performance indicators	Office	Industrial	Total
<b>Operating activities (continuing portfolio)</b>			
Portfolio size (sq. ft.)	6,740,073	1,660,038	8,400,111
Occupied and committed	97.0%	97.0%	97.0%
Square footage leased and occupied in 2010	192,772	202,347	395,119
Leasing costs	\$ 442	\$ 155	\$ 597
Tenant improvements	\$ 1,468	\$ 274	\$ 1,742

Excludes redevelopment properties.

The table below provides our annualized estimates of expected leasing activity and leasing costs over a two-to three-year time horizon. These estimates are based on our portfolio at December 31, 2009, and assume that market conditions remain consistent with our current experience.

	Office	Industrial
Estimated average annual leasing activity (sq. ft.)	696,000	311,000
Average leasing costs (per sq. ft.)	\$ 10.75	\$ 2.75
Expected average annual leasing costs	\$ 7,500	\$ 900

### Commitments and contingencies

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

Our future minimum commitments under operating and capital leases are as follows:

For the years ending December 31	Operating lease payments	Capital lease payments
2010	\$ 826	\$ 105
2011	973	139
2012	832	139
2013	693	140
<b>Total</b>	<b>\$ 3,324</b>	<b>\$ 523</b>

Effective February 1, 2010, we entered into three fixed price contracts to purchase electricity for 14 office properties in Calgary. The contracted volumes are based on historical electricity consumption of each of the buildings and allow us to effectively manage our operating expenses. The contracts expire on January 31, 2013, and commit the trust to total minimum payments of \$1.7 million during the remainder of 2010, \$2.2 million for each of 2011 and 2012, and \$0.2 million for 2013.

Effective September 1, 2009, we 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 guarantee total minimum payments of \$0.6 million annually for each of the years 2010, 2011 and 2012.

### Funds from operations

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

For the three months ended March 31	2010	2009
<b>Net income</b>	<b>\$ 7,611</b>	<b>\$ 3,859</b>
Add (deduct):		
Depreciation of rental properties	<b>8,535</b>	7,092
Amortization of leasing costs, tenant improvements and intangibles	<b>8,803</b>	5,744
Gain on disposal of rental property	<b>(2,801)</b>	—
Future income taxes	—	290
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	<b>(44)</b>	(61)
<b>FFO</b>	<b>\$ 22,104</b>	<b>\$ 16,924</b>
<b>FFO per unit — basic</b>	<b>\$ 0.72</b>	<b>\$ 0.81</b>
<b>FFO per unit — diluted</b>	<b>\$ 0.71</b>	<b>\$ 0.79</b>

FFO per unit was \$0.72 for the quarter, down 11% compared to Q1 2009, mainly as a result of the dilutive effect of the equity offerings completed in the current quarter and Q3 2009. Total FFO increased by 31% to \$22.1 million in the quarter driven by NOI growth from comparative properties and accretive acquisitions.

Above- and below-market rents, which result in a non-cash amortization to our operating results, contributed \$3.3 million to FFO in the quarter.

Diluted FFO, distributable income and AFFO per unit amounts assume the conversion of the 6.5%, 5.7% and 6.0% Debentures. The weighted average number of units outstanding for basic and diluted FFO calculations for the quarter are 30,713,775 and 34,175,445, respectively. Diluted FFO includes interest and amortization adjustments of \$2.3 million for the quarter. The basic and diluted weighted average number of units outstanding include 85,048 vested deferred trust units.

### Distributions and distributable income

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of distributable income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining distributable income. We also exclude the impact of deferred leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. Additionally, we exclude the impact of the amortization of deferred financing and non-recoverable costs that were incurred prior to the formation of the Trust, but deduct amortization of non-real estate assets such as software, office equipment and building improvement costs incurred after the formation of the Trust. We include the impact of vendor head lease income that has not been recognized in net income.

#### Distributable income

For the three months ended March 31

	2010	2009
<b>Funds from operations</b>	<b>\$ 22,104</b>	<b>\$ 16,924</b>
Amortization of marked-to-market adjustment on acquired debt	(206)	(222)
Amortization of deferred financing costs incurred prior to June 30, 2003	337	305
Deferred compensation expense	220	197
Straight-line rent	(172)	(213)
Amortization of above-market rent	267	99
Amortization of below-market rent	(3,576)	(2,876)
Amortization of tenant inducements	49	81
Amortization of deferred financing costs incurred subsequent to June 30, 2003	(309)	(282)
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	(9)	(9)
Vendor head lease income	95	—
	<b>\$ 18,800</b>	<b>\$ 14,004</b>
<b>Distributable income per unit — basic</b>	<b>\$ 0.61</b>	<b>\$ 0.67</b>
<b>Distributable income per unit — diluted</b>	<b>\$ 0.62</b>	<b>\$ 0.67</b>
<b>Distributions per unit</b>	<b>\$ 0.55</b>	<b>\$ 0.55</b>

For the quarter ended March 31, 2010, distributable income per unit was \$0.61 and declared distributions per unit were \$0.55, representing a 90% payout ratio. In the prior year comparative period, distributable income per unit was \$0.67 and declared distributions per unit were \$0.55, representing an 82% payout ratio. Distributable income exceeded distributions paid and payable by \$1.3 million for the quarter. We retain a portion of our distributable income in order to fund capital requirements related to leasing, rental property improvements and working capital.

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

For the three months ended March 31	2010	2009
<b>Cash generated from operating activities</b>	<b>\$ 21,029</b>	<b>\$ 17,385</b>
Add (deduct):		
Leasing costs incurred	597	845
Amortization of financing costs incurred prior to June 30, 2003	28	23
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	(9)	(9)
Amortization of tenant inducements	49	81
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(44)	(61)
Amortization of financing costs	(337)	(305)
Change in non-cash working capital	(2,608)	(3,955)
Vendor head lease income	95	—
<b>Distributable income</b>	<b>\$ 18,800</b>	<b>\$ 14,004</b>

#### Distributions

The distributions presented in the table below comprise \$15.6 million relating to REIT Units and \$1.9 million relating to LP B Units.

	Declared distributions	4% bonus distributions	Total
<b>2010 distributions</b>			
Paid in cash or reinvested in units	\$ 11,087	\$ 42	\$ 11,129
Payable at March 31, 2010	6,381	20	6,401
<b>Total distributions</b>	<b>\$ 17,468</b>	<b>\$ 62</b>	<b>\$ 17,530</b>
<b>2010 reinvestment</b>			
Reinvested to March 31, 2010	\$ 1,053	\$ 42	\$ 1,095
Reinvested on April 15, 2010	623	20	643
<b>Total distributions reinvested</b>	<b>\$ 1,676</b>	<b>\$ 62</b>	<b>\$ 1,738</b>
Distributions paid in cash	\$ 15,792		
Reinvestment to distribution ratio	9.6%		
Cash distribution payout ratio	90.4%		

Distributions declared in the period ended March 31, 2010, totalled \$17.5 million, up \$6.1 million over the comparative period. The increase reflects a larger number of units outstanding as a result of the equity issues completed in the quarter, and in September 2009, as well as distributions reinvested in additional units and vested deferred trust units exchanged for REIT A Units. Of this amount, \$1.7 million, or approximately 9.6%, was reinvested in additional units resulting in a cash payout ratio of 90.4%.

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

For the three months ended March 31	2010	2009
Net income	\$ 7,611	\$ 3,859
Cash flow from operating activities	21,029	17,385
Distributions paid and payable	17,530	11,393
Excess of cash flow from operating activities over distributions paid and payable	\$ 3,499	\$ 5,992

For the quarter, cash flow from operations exceeded distributions paid and payable as a result of increased NOI from properties acquired. In establishing distribution payments, we do not take fluctuations in working capital into consideration and use a normalized amount as a proxy for leasing costs. Distributions paid and payable exceeded net income by \$9.9 million for the quarter. This excess was mainly a result of a non-cash depreciation and amortization expense, which are not considered in determining our cash distribution policy.

#### Adjusted funds from operations

For the three months ended March 31	2010	2009
Distributable income	\$ 18,800	\$ 14,004
Adjusted for:		
Normalized leasing costs and tenant improvements	2,089	1,514
Normalized non-recoverable recurring capital expenditures	75	200
<b>AFFO</b>	<b>\$ 16,636</b>	<b>\$ 12,290</b>
<b>AFFO per unit – basic</b>	<b>\$ 0.54</b>	<b>\$ 0.59</b>

Management believes that AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT's needs. Please see our description of distributable income on page 17, which reconciles distributable income to cash flow from operating activities.

Our calculation of AFFO starts with distributable income adjusted for an estimated amount of normalized non-recoverable maintenance capital expenditures, leasing costs and tenant improvements that we expect to incur based on our current portfolio and expected average leasing activity. Our estimates of normalized leasing costs and tenant improvements are based on the average of our expected leasing activity over the next two to three years and multiplied by the average cost per square foot that we incurred and committed to in 2009, adjusted for properties that have been sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

AFFO per unit was \$0.54 for the quarter, down 8% compared to Q1 2009, mainly due to the dilutive impact of the equity offerings completed in the third quarter of 2009 and first quarter of 2010.

**Investing activities**

The following table details our cash utilized in investing activities.

For the three months ended March 31	2010	2009
Investment in rental properties	\$ (1,954)	\$ (680)
Investment in tenant improvements	(1,742)	(1,808)
Acquisition of rental properties	(217,720)	—
Acquisition deposit on rental properties	(600)	—
Net proceeds from disposal of rental properties	10,850	—
Change in restricted cash, net	—	(383)
<b>Cash utilized in investing activities</b>	<b>\$ (211,166)</b>	<b>\$ (2,871)</b>

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

For the three months ended March 31	2010	2009
<b>Investing activities</b>		
Acquisition of rental properties	\$ 263,308	\$ —
Building improvements	1,894	1,037

**Acquisitions and dispositions**

During the first quarter of 2010, we completed the following acquisitions:

For the quarter ended March 31, 2010	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Adelaide Place, Toronto	office	100	654,249	98	\$ 217,378	\$ —	Jan. 18, 2010
Aviva Corporate Centre, Toronto	office/ redevelopment	100	436,704	99 <sup>(1)</sup>	45,930	30,278	Feb. 10, 2010
<b>Total</b>			1,090,953	98	\$ 263,308	\$ 30,278	

<sup>(1)</sup> Excludes redevelopment component of the property.

We did not acquire any properties during Q1 2009.

On January 18, 2010, we purchased Adelaide Place, comprising 181 University Avenue and 150 York Street in Toronto, for \$217.4 million. This two-tower Class A office complex is located in the financial core of Toronto, on the north side of Adelaide Street West between York Street and University Avenue, and is connected to Toronto's PATH underground walkway system. It contains approximately 654,000 square feet of space, the vast majority of which is office but also includes some retail and a bank branch at grade level. On acquisition, the property was 98% occupied with a weighted average in-place rent of \$19.83 per square foot. We estimate that the current market rent for the office space is \$23.59 per square foot. The average remaining lease term is 4.5 years with approximately 6% and 7% of the space scheduled to expire in 2010 and 2011, respectively, and an average of 14% expiring annually between 2012 and 2017. Both towers were extensively retrofitted in 2001, including a full exterior re-cladding and re-glazing and connection to the Enwave Deep Lake Water Cooling System. The buildings are certified BOMA BEST Level 3.

On February 10, 2010, we acquired the Aviva Corporate Centre in Toronto, a four-building 437,000 square foot multi-tenant office complex with ancillary warehouse space for \$45.9 million. The property comprises four buildings, three of which are office buildings, totalling approximately 350,000 square feet, the majority of which is leased to Aviva, one of the world's largest insurance companies. The office component is 99% occupied with a weighted average in-place rent of \$7.70 per square foot. We estimate that the current market rent for the office space is \$12.00 per square foot. The average remaining lease term is 6.4 years with no significant expiries until 2016. The fourth building comprises approximately 87,000 square feet of warehouse space that is currently vacant and offers some redevelopment potential. This space is subject to a head lease with the vendor for a period of 18 months at a rate of \$7.23 per square foot. We have accounted for these payments as a reduction to the purchase price in accordance with GAAP. We have also classified this property as a redevelopment property as we expect that we will need to make substantial modifications in order to lease the space and, in accordance with our accounting policies, have capitalized operating expenses while under redevelopment. For the purpose of computing distributable income and AFFO, we have included the head lease income, net of capitalized expenses, in our calculation to accurately reflect the acquisition underwriting.

On March 1, 2010, we sold our 50% interest in 110 Sheppard Avenue East, Toronto. The disposition resulted in net proceeds of \$10.7 million and a gain on sale of \$2.2 million.

*Acquisitions completed subsequent to period-end*

On April 16, 2010, we completed the purchase of Enbridge Place, a 264,000 square foot office building in Edmonton, Alberta, for \$90.9 million, excluding transaction costs and assumed mortgage debt of \$27.8 million. On April 21, 2010, we completed the purchase of 2340 St. Laurent Blvd., a 115,000 square foot industrial building in Ottawa, Ontario, for \$11.1 million before transaction costs. On May 4, 2010, we completed the acquisition of the Financial Building, a 66,000 square foot office building in Regina, Saskatchewan, for \$14.0 million, before transaction costs.

**Building improvements**

For the three months ended March 31	2010	2009
Building improvements:		
Recurring recoverable	\$ 1,357	\$ 949
Recurring non-recoverable	106	32
Non-recurring	431	56
<b>Total</b>	<b>\$ 1,894</b>	<b>\$ 1,037</b>

Building improvements represent investments made in our rental properties to ensure our buildings are operating at an optimal level. Recurring recoverable expenditures of \$1.4 million include elevator modernization, roofing upgrades, lighting and fire panel upgrades. Non-recurring building improvements represent expenditures for major capital additions that generally would not be expected to re-occur over the useful life of the building. These expenditures represent major structural improvements, development and re-development cost. Non-recurring capital expenditures of \$0.4 million are largely for the development of an office building in Yellowknife.

**Purchase obligations**

Subsequent to quarter-end, our agreement to purchase an office building upon the completion of its construction from a former joint venture partner was terminated.

**Construction obligation**

We have agreed to construct an office building in Yellowknife that is fully leased to the Government of Canada for a ten-year term. Construction costs are estimated to be \$20.0 million and will be funded by cash on hand and our line of credit.

**Financing activities**

We finance the ownership of our assets using equity as well as conventional mortgage financing, term debt, floating rate credit facilities and convertible debentures. Our debt strategy includes managing our maturity schedule to help mitigate interest rate risk and limit exposure in any given year as well as fixing the rates and extending loan terms as long as possible when interest rates are favourable. During the first quarter of 2010, we made scheduled payments of \$4.5 million related to mortgage debt.

The following table details our cash generated from financing activities.

For the three months ended March 31	2010	2009
Mortgages placed, net of costs	\$ 119,228	\$ (77)
Mortgage principal repayments	(4,455)	(3,826)
Term debt principal repayments	(20)	(38)
Distributions paid on Units	(14,099)	(10,502)
Units issued, net of costs	208,591	(5)
<b>Cash generated from (utilized in) financing activities</b>	<b>\$ 309,245</b>	<b>\$ (14,448)</b>

**Debt**

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

	March 31, 2010	December 31, 2009
<b>Financing activities</b>		
Average interest rate	5.65%	5.75%
Level of debt (debt-to-gross book value)	54.7%	59.3%
Interest coverage ratio <sup>(1)</sup>	2.6 times	2.3 times
Proportion of total debt due in current year	2.7%	3.4%
Debt – average term to maturity (years)	4.8	4.9
Variable rate debt as percentage of total debt	3.1%	3.7%

<sup>(1)</sup> The interest coverage ratio is calculated as NOI from continuing operations plus interest and fee income, less general and administrative expense from continuing operations, divided by interest expense.

We currently use cash flow performance indicators, including the interest coverage ratio, to assess our ability to meet our financing obligations. Our Declaration of Trust requires that we maintain an interest coverage ratio of no less than 1.4 times. Our current interest coverage ratio is 2.6 times, and reflects our ability to cover interest expense requirements. Our average interest rate as at March 31, 2010, was 5.65%, down slightly from the start of the year, mainly reflecting the impact of lower interest rates achieved on the financing of Adelaide Place.

Variable rate debt as a percentage of total debt decreased to 3.1% as a result of fixed term mortgage financing placed and assumed in the quarter.

	March 31, 2010			December 31, 2009		
	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	\$ 840,834	\$ 31,296	\$ 872,130	\$ 695,608	\$ 31,293	\$ 726,901
Term debt	199	—	199	219	—	219
6.5% Debentures	3,301	—	3,301	3,293	—	3,293
5.7% Debentures	7,745	—	7,745	7,743	—	7,743
6.0% Debentures	119,138	—	119,138	118,904	—	118,904
<b>Total</b>	<b>\$ 971,217</b>	<b>\$ 31,296</b>	<b>\$ 1,002,513</b>	<b>\$ 825,767</b>	<b>\$ 31,293</b>	<b>\$ 857,060</b>
Percentage	96.9%	3.1%	100%	96.3%	3.7%	100%

Mortgages payable include \$2.4 million of fair value adjustments on mortgages assumed in connection with acquisitions (December 31, 2009 — \$2.7 million). Amounts recorded as at March 31, 2010, for the 6.5%, 5.7% and 6.0% Debentures are net of \$1.7 million of premiums allocated to their conversion features (December 31, 2009 — \$1.7 million). The fair value adjustments and premiums are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

#### *Debt financing activity*

During the quarter, we made scheduled repayments of \$4.5 million on mortgages and term debt. We placed \$120.0 million of mortgage financing in conjunction with the acquisition of Adelaide Place with a face rate of 4.795% and a five-year term. We also assumed a \$30.6 million mortgage with a face rate of 5.3% and a seven-year term upon acquiring Aviva Corporate Centre.

A demand revolving credit facility is available up to a formula-based maximum not to exceed \$40.0 million, bearing interest generally at the bank prime rate (2.25% as at March 31, 2010) plus 1.5%, or bankers' acceptance rates, plus 3.0%. As a result of the sale of two properties which provided collateral security for the facility, as at March 31, 2010, the formula-based amount available is \$32.6 million. The facility is now secured by a first-ranking collateral mortgage on two properties and a second-ranking collateral mortgage on one property. Currently, \$1.1 million of the facility is being utilized in the form of letters of guarantee. The facility matured on April 30, 2010. Subsequent to quarter-end, the facility was renewed on similar terms until April 30, 2011.

At March 31, 2010, we had \$131.3 million in cash (of which approximately \$74.1 million was used subsequent to quarter-end to acquire Enbridge Place and 2340 St. Laurent Blvd.), a revolving credit facility and six unencumbered properties which may be leveraged to provide additional financing.

Changes in debt levels are as follows:

		For the three months ended March 31, 2010			
		Mortgages	Term debt	Convertible debentures	Total
Debt as at December 31, 2009	\$	726,901	\$ 219	\$ 129,940	\$ 857,060
New debt assumed on rental property acquisitions		30,569	—	—	30,569
New debt placed		120,000	—	—	120,000
Scheduled repayments		(4,455)	(20)	—	(4,475)
Amortization and other adjustments		(885)	—	244	(641)
<b>Debt as at March 31, 2010</b>	<b>\$</b>	<b>872,130</b>	<b>\$ 199</b>	<b>\$ 130,184</b>	<b>\$ 1,002,513</b>

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	Weighted average interest rate on balance due at maturity %	Weighted average face rate on balance due at maturity %
2010	\$ 11,690	\$ 15,695	\$ 27,385	2.7	5.38
2011	71,987	20,514	92,501	9.2	6.01
2012	99,994	18,681	118,675	11.8	5.57
2013	102,480	15,503	117,983	11.7	4.79
2014	191,572	13,745	205,317	20.3	6.72
2015 and thereafter	425,576	21,865	447,441	44.3	5.39
<b>Total</b>	<b>\$ 903,299</b>	<b>\$ 106,003</b>	<b>1,009,302</b>	<b>100</b>	<b>5.56</b>

Fair value adjustments	741
Transaction costs	(7,530)
<b>Total</b>	<b>\$ 1,002,513</b>

**Convertible debentures**

With respect to the 6.0% Debentures, the total principal outstanding at April 30, 2010 was \$125 million, and is convertible into approximately 3,019,323 REIT A Units. For the 5.7% Debentures, the total principal outstanding at April 30, 2010 was \$7.8 million and is convertible into approximately 260,000 REIT A Units. For the 6.5% Debentures, the total principal outstanding was \$3.5 million and is convertible to approximately 139,520 REIT A Units.

**Equity**

The following table summarizes the changes in our outstanding equity:

	REIT A Units	REIT B Units	LP B Units	Total
Units issued and outstanding on				
December 31, 2009	21,247,397	16,316	3,454,188	24,717,901
Units issued pursuant to DRIP	57,366	—	7,136	64,502
Units issued pursuant to the Unit Purchase Plan	1,002	—	—	1,002
Units issued pursuant to Deferred				
Unit Incentive Plan	4,178	—	—	4,178
Units issued pursuant to public offering	10,079,750	—	—	10,079,750
<b>Total units outstanding on March 31, 2010</b>	<b>31,389,693</b>	<b>16,316</b>	<b>3,461,324</b>	<b>34,867,333</b>
<b>Percentage of all units</b>	<b>90.0%</b>	<b>0.1%</b>	<b>9.9%</b>	<b>100%</b>
Units issued pursuant to DRIP on April 15, 2010	23,146	—	2,291	25,437
Units issued pursuant to the Unit Purchase Plan	471	—	—	471
<b>Total units outstanding on April 30, 2010</b>	<b>31,413,310</b>	<b>16,316</b>	<b>3,463,615</b>	<b>34,893,241</b>
<b>Percentage of all units</b>	<b>90%</b>	<b>0.1%</b>	<b>9.9%</b>	<b>100%</b>

**Public offering of units**

On March 16, 2010, we completed a public offering of 3,965,000 REIT A Units at a price of \$25.25 per unit for gross proceeds of \$100.1 million. On March 26, 2010, we 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 \$15.0 million. Costs related to the offering were approximately \$5.2 million.

On January 7, 2010, we completed a public offering of 5,520,000 REIT A Units at a price of \$18.75 per unit, for gross proceeds of \$103.5 million. Costs related to the offering were approximately \$4.9 million.

*Normal course issuer bid*

We have a normal course issuer bid which commenced on September 26, 2009. Under the bid, we have the ability to purchase for cancellation up to a maximum of 1,648,026 REIT A Units (representing 10% of the REIT's public float, comprising 16,480,260 REIT A Units on September 17, 2009) through the facilities of the TSX. The bid will remain in effect until the earlier of September 25, 2010, or the date on which the Trust has purchased the maximum number of units permitted under the bid. Based on the closing price of the REIT A Units on March 31, 2010, the Trust may purchase up to \$42.7 million worth of REIT A Units. No units were acquired in 2010 pursuant to this bid.

## OUR RESULTS OF OPERATIONS

For the three months ended March 31

	2010	2009
<b>Revenues</b>		
Rental properties revenue	\$ 61,010	\$ 48,142
Interest and fee income	268	477
	<b>61,278</b>	<b>48,619</b>
<b>Expenses</b>		
Rental properties operating expenses	23,385	17,994
Interest	13,718	12,507
Depreciation of rental properties	8,535	6,785
Amortization of leasing costs, tenant improvements and intangibles	8,803	5,620
General and administrative	2,065	1,721
	<b>56,506</b>	<b>44,627</b>
<b>Income before income taxes</b>	<b>4,772</b>	<b>3,992</b>
<b>Income taxes</b>		
Current income taxes	4	6
Future income taxes	—	240
	<b>4</b>	<b>246</b>
<b>Income before discontinued operations</b>	<b>4,768</b>	<b>3,746</b>
<b>Discontinued operations</b>	<b>2,843</b>	<b>113</b>
<b>Net income</b>	<b>\$ 7,611</b>	<b>\$ 3,859</b>

### Income statement results

#### *Rental properties revenue*

Revenues include net rental income from rental properties as well as the recovery of operating costs and property taxes from tenants. Revenue generated by acquisitions completed in the second half of 2009 and in 2010 and comparative property growth were the primary drivers of the \$12.9 million, or 27%, increase in rental property revenue over the comparative quarter.

#### *Interest and fee income*

Interest and fee income represents amounts for items such as fees earned from third-party property management including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from quarter to quarter. The \$0.2 million decrease over the comparative quarter is mainly a result of investing undeployed cash at generally lower interest rates.

#### *Rental properties operating expenses*

Operating expenses mainly comprise occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, and repairs and maintenance. Expenses for the quarter increased \$5.4 million, or 30%, reflecting higher recoverable operating costs and the additional costs associated with properties acquired.

***Interest expense***

Interest expense for the quarter increased \$1.2 million over the comparative quarter, mainly reflecting the additional mortgage debt related to acquired properties. The interest coverage ratio, which reflects our ability to cover our interest expense requirements, remains strong at 2.6 times.

***Depreciation of rental properties***

Acquisitions completed in 2009 and 2010 resulted in a \$1.8 million, or 26%, increase in depreciation over the comparative period.

***Amortization of leasing costs, tenant improvements and intangibles***

Amortization increased \$3.2 million, or 57%, over the comparative quarter, largely due to acquired properties and asset write-offs at the time of lease expiries.

***General and administrative expenses***

General and administrative expenses primarily comprise the expenses related to corporate management, trustees' fees and expenses, and investor relations. Expenses for the quarter were \$2.1 million, an increase of \$0.3 million, or 20%, over the comparative period mostly due to costs related to the IFRS conversion.

***Income tax expense***

Dundee REIT distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation to pay tax rests with each unitholder and no tax provision is currently required on the majority of Dundee REIT's income. Certain of our Canadian and U.S. subsidiaries were taxable and any tax-related costs are reflected in the consolidated balance sheets and consolidated statements of income. On December 31, 2009, we effected the transfer of our interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. In addition, on February 5, 2010, we disposed of our interest in the U.S. subsidiary. As a result of these transactions, we are no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates.

***Discontinued operations***

Discontinued operations include assets that have been sold or classified as held for sale and meet specific criteria as discontinued assets in accordance with GAAP. These operations are disclosed separately on the consolidated statements of net income. Further information is provided in Note 18 to the interim consolidated financial statements.

***Related-party transactions***

From time to time, Dundee REIT and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms and as disclosed in Note 17 to the interim consolidated financial statements. During the quarter, we received \$0.5 million related to the DRC Services Agreement. Other costs recovered from DRC include \$1.0 million for operating and administrative costs of regional offices. We paid \$3.1 million related to the Asset Management Agreement.

**Net operating income**

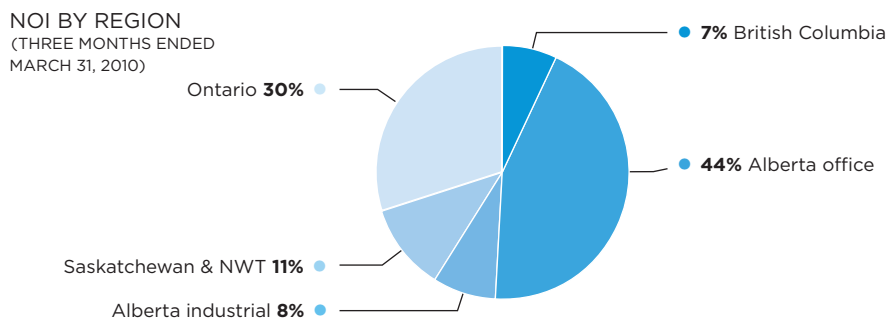
Net operating income is an important measure used by management to evaluate the operating performance of the properties; however, it is not defined by GAAP, does not have a standard meaning and may not be comparable with other income trusts. Provided below is our reconciliation of NOI to net income.

For the three months ended March 31		2010	2009
<b>Net income</b>		<b>\$ 7,611</b>	\$ 3,859
Add (deduct):			
Interest expense		13,718	12,507
Depreciation of rental properties		8,535	6,785
Amortization of leasing costs, tenant improvements and intangibles		8,803	5,620
General and administrative expenses		2,065	1,721
Interest and fee income		(268)	(477)
Income taxes		4	246
Depreciation, amortization, interest, gain on disposal of rental properties and future income taxes, included in discontinued operations		(2,801)	745
<b>NOI including discontinued operations</b>		<b>\$ 37,667</b>	\$ 31,006

We define NOI as the total of rental property revenues, including property management income, less rental property operating expenses. NOI, before discontinued operations, increased 25% for the quarter over the comparative period. The increase is attributable to income generated by properties acquired in 2009 and 2010 and some comparable property growth.

For the three months ended March 31				
	2010	2009	Growth	
			Amount	%
Office	\$ 34,652	\$ 27,540	\$ 7,112	26
Industrial	2,973	2,608	365	14
<b>NOI</b>	<b>37,625</b>	<b>30,148</b>	<b>7,477</b>	<b>25</b>
Discontinued operations	42	858	(816)	
<b>NOI including discontinued operations</b>	<b>\$ 37,667</b>	<b>\$ 31,006</b>	<b>\$ 6,661</b>	<b>21</b>

For the three months ended March 31				
	2010	2009	Growth	
			Amount	%
British Columbia	\$ 2,525	\$ 2,480	\$ 45	2
Alberta	19,520	20,062	(542)	(3)
Saskatchewan & NWT	4,355	4,155	200	5
Ontario	11,225	3,451	7,774	225
<b>NOI</b>	<b>37,625</b>	<b>30,148</b>	<b>7,477</b>	<b>25</b>
Discontinued operations	42	858	(816)	
<b>NOI including discontinued operations</b>	<b>\$ 37,667</b>	<b>\$ 31,006</b>	<b>\$ 6,661</b>	<b>21</b>



**NOI comparative portfolio**

NOI shown below details comparative and non-comparative items to assist in understanding the impact each component has on NOI. The comparative properties disclosed in the following tables are properties acquired prior to January 1, 2009. Discontinued operations contributing to NOI in comparative periods are shown separately to conform to the required income statement presentation. Comparative NOI and acquisitions exclude GAAP adjustments that relate to straight-line rents and amortization of market rent adjustments on acquired leases.

	For the three months ended March 31			
	2010	2009	Growth	
			Amount	%
Office	\$ 24,623	\$ 24,618	\$ 5	—
Industrial	2,930	2,597	333	13
<b>Comparative properties</b>	<b>27,553</b>	<b>27,215</b>	<b>338</b>	<b>1</b>
Acquisitions	6,643	—	6,643	
GAAP adjustments	3,429	2,933	496	
<b>NOI</b>	<b>37,625</b>	<b>30,148</b>	<b>7,477</b>	<b>25</b>
Discontinued operations	42	858	(816)	
<b>NOI including discontinued operations</b>	<b>\$ 37,667</b>	<b>\$ 31,006</b>	<b>\$ 6,661</b>	<b>21</b>

	For the three months ended March 31			
	2010	2009	Growth	
			Amount	%
British Columbia	\$ 2,411	\$ 2,335	\$ 76	3
Alberta	17,510	17,583	(73)	—
Saskatchewan & NWT	4,280	4,064	216	5
Ontario	3,352	3,233	119	4
<b>Comparative properties</b>	<b>27,553</b>	<b>27,215</b>	<b>338</b>	<b>1</b>
Acquisitions	6,643	—	6,643	
GAAP adjustments	3,429	2,933	496	
<b>NOI</b>	<b>37,625</b>	<b>30,148</b>	<b>7,477</b>	<b>25</b>
Discontinued operations	42	858	(816)	
<b>NOI including discontinued operations</b>	<b>\$ 37,667</b>	<b>\$ 31,006</b>	<b>\$ 6,661</b>	<b>21</b>

Overall, comparative properties are achieving incremental improvements in both occupancy and rental rates as reflected by a 1% increase in NOI. Comparative office NOI was consistent with Q1 2009, with occupancy growth in Ontario, Saskatchewan and the Northwest Territories offsetting declines in Calgary. Our industrial portfolio increased by \$0.3 million, or 13%, reflecting improved occupancy. Properties acquired in 2009 and 2010 contributed \$6.6 million to NOI growth.

### *Comparative office portfolio*

	For the three months ended March 31			
	2010	2009	Growth	
			Amount	%
British Columbia	\$ 2,411	\$ 2,335	\$ 76	3
Alberta	14,580	14,986	(406)	(3)
Saskatchewan & NWT	4,280	4,064	216	5
Ontario	3,352	3,233	119	4
<b>Comparative properties</b>	<b>24,623</b>	<b>24,618</b>	<b>5</b>	<b>—</b>
Acquisitions	6,643	—	6,643	
GAAP adjustments	3,386	2,922	464	
<b>Office NOI</b>	<b>\$ 34,652</b>	<b>\$ 27,540</b>	<b>\$ 7,112</b>	<b>26</b>

NOI from our comparative office portfolio was \$24.6 million, which is consistent with the prior year period. We continue to experience the impact of occupancy declines in the Calgary market, with weighted average in-place occupancy decreasing from Q1 2009. We have experienced growth in each of our other office markets, which offsets the decline in Calgary. In Ontario, NOI grew by \$0.1 million, or 4%, reflecting in-place occupancy growth at State Street Financial Centre and AIR MILES Tower in Toronto. In the Northwest Territories, NOI increased by \$0.1 million due to weighted average in-place occupancy increasing to 98.6% and a rental rate increase achieved on a lease renewal. Similarly, NOI increased by \$0.1 million in Saskatchewan, mainly reflecting a 3% increase in occupancy at Princeton Tower in Saskatoon. NOI in British Columbia increased by \$0.1 million, or 3%, mainly reflecting increased occupancy at 4400 Dominion in Burnaby.

### *Comparative industrial portfolio*

	For the three months ended March 31			
	2010	2009	Growth	
			Amount	%
Alberta	\$ 2,930	\$ 2,597	\$ 333	13
<b>Comparative properties</b>	<b>2,930</b>	<b>2,597</b>	<b>333</b>	<b>13</b>
GAAP adjustments	43	11	32	
<b>Industrial NOI</b>	<b>\$ 2,973</b>	<b>\$ 2,608</b>	<b>\$ 365</b>	<b>14</b>

Comparative industrial NOI increased by \$0.3 million, or 13%, compared to 2009, reflecting weighted average in-place occupancy increasing to 89.9%, mainly as a result of leasing completed at three properties in Calgary, in particular the leasing of 120,000 square feet at 7102-7220 Barlow Trail SE completed in 2009. The increases offset the impact of a 116,000 square foot expiry that occurred at 15303-128th Avenue in Edmonton. Subsequent to quarter-end this building has been leased and will be fully occupied by the third quarter.

**NOI prior quarter comparison**

The comparative properties disclosed in the following tables are properties acquired prior to October 1, 2009. Comparative property NOI increased slightly by \$0.1 million over the fourth quarter of 2009.

Results from our office portfolio in British Columbia were consistent with the previous quarter. Our office portfolio in Calgary was impacted by slightly lower in-place occupancy; however, contributed NOI growth of approximately \$0.1 million. We continue to maintain our occupancy rate in Calgary but we still expect the over-supply of available space to have an impact on gross rents and expenditures on tenant allowances. Our office portfolio in Saskatchewan and the Northwest Territories continued to provide consistent results with in-place occupancy remaining unchanged at 98.7%. Similarly, our office portfolio in Ontario also continued to provide strong results with virtually full occupancy.

Our industrial portfolio in Alberta experienced increased occupancy mainly as a result of leases commencing at 7102-7220 Barlow Trail SE in October 2009 and February 2010.

	For the three months ended			
	March 31, 2010	December 31, 2009	Growth	
			Amount	%
Office	\$ 25,126	\$ 25,077	\$ 49	—
Industrial	2,930	2,906	24	1
<b>Comparative properties</b>	<b>28,056</b>	<b>27,983</b>	<b>73</b>	<b>—</b>
Acquisitions	6,140	240	5,900	
GAAP adjustments	3,429	2,568	861	
<b>NOI</b>	<b>37,625</b>	<b>30,791</b>	<b>6,834</b>	<b>22</b>
Discontinued operations	42	66	(24)	
<b>NOI including discontinued operations</b>	<b>\$ 37,667</b>	<b>\$ 30,857</b>	<b>\$ 6,810</b>	<b>22</b>

	For the three months ended			
	March 31, 2010	December 31, 2009	Growth	
			Amount	%
British Columbia	\$ 2,411	\$ 2,418	\$ (7)	—
Alberta	17,510	17,428	82	—
Saskatchewan & NWT	4,280	4,318	(38)	(1)
Ontario	3,855	3,819	36	1
<b>Comparative properties</b>	<b>28,056</b>	<b>27,983</b>	<b>73</b>	<b>—</b>
Acquisitions	6,140	240	5,900	
GAAP adjustments	3,429	2,568	861	
<b>NOI</b>	<b>37,625</b>	<b>30,791</b>	<b>6,834</b>	<b>22</b>
Discontinued operations	42	66	(24)	
<b>NOI including discontinued operations</b>	<b>\$ 37,667</b>	<b>\$ 30,857</b>	<b>\$ 6,810</b>	<b>22</b>

## QUARTERLY INFORMATION

The following tables show quarterly information since April 1, 2008.

	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
<b>Revenues</b>								
Rental properties revenue	\$ 61,010	\$ 50,156	\$ 47,398	\$ 46,387	\$ 48,142	\$ 48,385	\$ 45,801	\$ 43,471
Interest and fee income	268	409	299	491	477	786	969	745
	<b>61,278</b>	<b>50,565</b>	<b>47,697</b>	<b>46,878</b>	<b>48,619</b>	<b>49,171</b>	<b>46,770</b>	<b>44,216</b>
<b>Expenses</b>								
Rental properties								
operating expenses	23,385	19,365	17,551	16,219	17,994	18,182	16,918	15,286
Interest	13,718	12,190	12,487	12,552	12,507	12,642	12,694	11,716
Depreciation of								
rental properties	8,535	7,025	6,935	6,767	6,785	6,711	6,719	6,495
Amortization of leasing								
costs, tenant improvements								
and intangibles	8,803	5,665	5,338	5,608	5,620	6,485	6,865	6,723
General and administrative	2,065	1,608	1,667	1,710	1,721	1,875	1,750	1,694
	<b>56,506</b>	<b>45,853</b>	<b>43,978</b>	<b>42,856</b>	<b>44,627</b>	<b>45,895</b>	<b>44,946</b>	<b>41,914</b>
<b>Income before income and large corporations taxes</b>	<b>4,772</b>	<b>4,712</b>	<b>3,719</b>	<b>4,022</b>	<b>3,992</b>	<b>3,276</b>	<b>1,824</b>	<b>2,302</b>
<b>Income taxes (recovery)</b>								
Current income and								
large corporations taxes	4	2	4	—	6	9	63	(4)
Future income taxes	—	(2,232)	87	137	240	150	7	95
Income tax expense (recovery)	4	(2,230)	91	137	246	159	70	91
<b>Income before discontinued operations</b>	<b>4,768</b>	<b>6,942</b>	<b>3,628</b>	<b>3,885</b>	<b>3,746</b>	<b>3,117</b>	<b>1,754</b>	<b>2,211</b>
Discontinued operations	2,843	(336)	4,099	(8,657)	113	449	371	(104)
<b>Net income (loss)</b>	<b>\$ 7,611</b>	<b>\$ 6,606</b>	<b>\$ 7,727</b>	<b>\$ (4,772)</b>	<b>\$ 3,859</b>	<b>\$ 3,566</b>	<b>\$ 2,125</b>	<b>\$ 2,107</b>
<b>Net income (loss) per unit</b>								
Basic	\$ 0.25	\$ 0.26	\$ 0.35	\$ (0.23)	\$ 0.18	\$ 0.17	\$ 0.10	\$ 0.10
Diluted <sup>(1)</sup>	\$ 0.25	\$ 0.26	\$ 0.35	\$ (0.23)	\$ 0.18	\$ 0.17	\$ 0.10	\$ 0.10

<sup>(1)</sup> Excludes impact of 6.5%, 5.7% and 6.0% Debentures, which are currently not dilutive to net income.

## Calculation of funds from operations and distributable income

	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
<b>NET INCOME (LOSS)</b>	<b>\$ 7,611</b>	<b>\$ 6,606</b>	<b>\$ 7,727</b>	<b>\$ (4,772)</b>	<b>\$ 3,859</b>	<b>\$ 3,566</b>	<b>\$ 2,125</b>	<b>\$ 2,107</b>
Add (deduct):								
Depreciation of rental properties	8,535	7,075	7,021	7,095	7,092	6,993	6,990	6,763
Amortization of leasing costs, tenant improvements and intangibles	8,803	5,683	5,377	5,779	5,744	6,621	6,985	6,850
Future income taxes	—	(4,203)	107	67	290	221	(38)	76
Imputed amortization of leasing costs related to the rent supplement	—	—	—	—	—	—	—	8
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(44)	(40)	(35)	(35)	(61)	(80)	(66)	(88)
(Gain) loss on disposal of rental properties and land held for sale	(2,801)	30	(4,285)	—	—	(336)	(169)	426
Provision for impairment in value of rental property	—	2,212	297	9,004	—	—	—	—
<b>Funds from operations</b>	<b>\$ 22,104</b>	<b>\$ 17,363</b>	<b>\$ 16,209</b>	<b>\$ 17,138</b>	<b>\$ 16,924</b>	<b>\$ 16,985</b>	<b>\$ 15,827</b>	<b>\$ 16,142</b>
<b>Funds from operations per unit</b>								
Basic <sup>(1)</sup>	\$ 0.72	\$ 0.70	\$ 0.74	\$ 0.82	\$ 0.81	\$ 0.82	\$ 0.75	\$ 0.76
Diluted	\$ 0.71	\$ 0.69	\$ 0.73	\$ 0.80	\$ 0.79	\$ 0.80	\$ 0.73	\$ 0.74
<b>FUNDS FROM OPERATIONS</b>	<b>\$ 22,104</b>	<b>\$ 17,363</b>	<b>\$ 16,209</b>	<b>\$ 17,138</b>	<b>\$ 16,924</b>	<b>\$ 16,985</b>	<b>\$ 15,827</b>	<b>\$ 16,142</b>
Add (deduct):								
Depreciation on non-recoverable deferred	—	—	—	—	—	—	—	225
Amortization of marked-to-market adjustment on acquired debt	(206)	(182)	(198)	(197)	(222)	(191)	(139)	(802)
Amortization of deferred financing costs incurred prior to June 30, 2003	337	327	301	326	305	311	302	645
Deferred compensation expense	220	221	220	221	197	152	142	340
Straight-line rent	(172)	(411)	(241)	(187)	(213)	(297)	(296)	(541)
Amortization of above-market rent	267	126	97	99	99	120	129	3,243
Amortization of below-market rent	(3,576)	(2,426)	(2,684)	(2,715)	(2,876)	(3,390)	(3,303)	(6,548)
Amortization of tenant inducements	49	57	59	58	81	65	52	91
Amortization of deferred financing costs incurred subsequent to June 30, 2003	(309)	(315)	(291)	(304)	(282)	(289)	(284)	286
Amortization of non-recoverable costs incurred subsequent to June 30, 2003	(9)	(13)	(11)	(12)	(9)	(7)	—	(618)
Vendor head lease income	95	—	—	—	—	—	—	—
<b>Distributable income ("DI")</b>	<b>\$ 18,800</b>	<b>\$ 14,747</b>	<b>\$ 13,461</b>	<b>\$ 14,427</b>	<b>\$ 14,004</b>	<b>\$ 13,459</b>	<b>\$ 12,430</b>	<b>\$ 12,463</b>
<b>Distributable income per unit</b>								
Basic <sup>(1)</sup>	\$ 0.61	\$ 0.59	\$ 0.62	\$ 0.69	\$ 0.67	\$ 0.65	\$ 0.59	\$ 0.59
Diluted	\$ 0.62	\$ 0.60	\$ 0.62	\$ 0.68	\$ 0.67	\$ 0.65	\$ 0.59	\$ 0.59

	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
<b>DISTRIBUTABLE INCOME</b>	<b>\$ 18,800</b>	\$ 14,747	\$ 13,461	\$ 14,427	\$ 14,004	\$ 13,459	\$ 12,430	\$ 12,463
Adjusted for:								
Normalized leasing cost and tenant improvements	2,089	1,514	1,514	1,514	1,514	1,514	1,514	1,514
Normalized non-recoverable recurring capital expenditures	75	200	200	200	200	200	200	200
Adjusted funds from operations ("AFFO")	<b>\$ 16,636</b>	\$ 13,033	\$ 11,747	\$ 12,713	\$ 12,290	\$ 11,745	\$ 10,716	\$ 10,749
<b>AFFO per unit Basic<sup>(1)</sup></b>	<b>0.54</b>	0.52	0.54	0.61	0.59	0.57	0.50	0.51
<b>Weighted average units outstanding for FFO and DI</b>								
Basic	<b>30,713,775</b>	24,967,255	21,883,358	21,018,003	20,956,343	20,720,901	21,248,773	21,300,089
Diluted	<b>34,175,445</b>	28,417,078	25,312,351	24,456,839	24,392,013	24,144,476	24,676,672	24,719,316

<sup>(1)</sup> The LP Class B Units, Series 1, are included in the calculation of basic FFO per unit and basic DI per unit.

## SECTION III – DISCLOSURE CONTROLS AND PROCEDURES

During the current interim period, there have not been any changes that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting.

For an explanation of our disclosure controls and procedures, please refer to our 2009 Annual Report or our annual information form for the year ended December 31, 2009, filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## SECTION IV – RISKS AND OUR STRATEGY TO MANAGE

For a full list and explanation of our risks and uncertainties, please refer to our 2009 Annual Report or our annual information form for the year ended December 31, 2009, filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

## SECTION V – CRITICAL ACCOUNTING POLICIES

### 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 consolidated financial statements and our 2009 Annual Report.

### CHANGES IN ACCOUNTING POLICIES

#### Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes accounting standards for a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations". The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes accounting standards for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "Consolidated and Separate Financial Statements".

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. Dundee REIT will not be adopting these policies prior to January 1, 2011.

### **International Financial Reporting Standards**

In February 2008, the Canadian Accounting Standards Board ("ASB") confirmed that International Financial Reporting Standards ("IFRS") will replace current accounting standards and interpretations for public companies for fiscal years beginning on or after January 1, 2011.

IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. The Trust has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated. We do not expect the adoption of IFRS to have a material impact on the reported cash flows of the Trust, but it is expected to have a material impact on the consolidated balance sheet and consolidated statement of net income including IFRS transition adjustments against opening retained earnings for retrospective application of standards, where required.

The conversion from Canadian GAAP to IFRS will be applicable in the first quarter of 2011, when the current and comparative information will be prepared under IFRS. We have performed an initial assessment of the impact of IFRS and expect significant accounting policy changes pertaining to investment property, joint ventures, equity and revenue recognition upon transition.

The transition process will consist of three primary phases: the scoping and diagnostic phase; the impact analysis, evaluation and design phase; and the implementation and review phase.

The diagnostic phase of the project was completed in 2008, which included identifying major accounting differences or their relevance and formulating key IFRS conversion issues to be resolved in the second phase of the project. We have provided IFRS education for key employees responsible for financial reporting.

The impact analysis, evaluation and design phase of the project is currently progressing through the establishment of functional implementation teams who are responsible for effecting required changes to business and accounting processes and systems. This second phase is currently ongoing and is expected to be completed by mid-2010.

The implementation and review phase includes implementing recommendations that were approved during the second phase. Phase three will ensure that all policies that require changes are properly implemented and that training is provided to all stakeholders.

For a more detailed project plan and interim assessment of the impact on reporting, please refer to our 2009 Annual Report.

Additional information relating to Dundee REIT, including the latest annual information form of Dundee REIT, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Consolidated balance sheets

(unaudited) (in thousands of dollars)	Note	March 31, 2010	December 31, 2009
<b>Assets</b>			
Rental properties	4	\$ 1,411,150	\$ 1,181,058
Leasing costs and tenant improvements	5	49,926	39,589
Amounts receivable	6	10,970	8,881
Prepaid expenses and other assets	7	4,796	17,718
Cash and cash equivalents		131,328	12,022
Intangible assets	8	83,684	57,558
Assets held for sale	18	—	18,416
		<b>\$ 1,691,854</b>	<b>\$ 1,335,242</b>
<b>Liabilities</b>			
Debt	9	\$ 1,002,513	\$ 857,060
Amounts payable and accrued liabilities	10	28,583	22,525
Distributions payable	11	6,401	4,534
Intangible liabilities	8	48,140	35,031
Liabilities related to assets held for sale	18	—	16,940
		<b>1,085,637</b>	<b>936,090</b>
<b>Unitholders' equity</b>	12	<b>606,217</b>	<b>399,152</b>
		<b>\$ 1,691,854</b>	<b>\$ 1,335,242</b>

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 net income and comprehensive income

(unaudited)

(in thousands of dollars, except per unit amounts)

For the three months ended March 31

	Note	2010	2009
<b>Revenues</b>			
Rental properties revenue		\$ 61,010	\$ 48,142
Interest and fee income		268	477
		<b>61,278</b>	<b>48,619</b>
<b>Expenses</b>			
Rental properties operating expenses		23,385	17,994
Interest	13	13,718	12,507
Depreciation of rental properties		8,535	6,785
Amortization of leasing costs, tenant improvements and intangibles		8,803	5,620
General and administrative		2,065	1,721
		<b>56,506</b>	<b>44,627</b>
<b>Income before income taxes</b>		<b>4,772</b>	<b>3,992</b>
<b>Provision for income taxes</b>	14		
Current income taxes		4	6
Future income taxes		—	240
		<b>4</b>	<b>246</b>
<b>Income before discontinued operations</b>		<b>4,768</b>	<b>3,746</b>
<b>Discontinued operations</b>	18	<b>2,843</b>	<b>113</b>
<b>Net income</b>		<b>\$ 7,611</b>	<b>\$ 3,859</b>
<b>Basic and diluted income per unit</b>			
Continuing operations	15	\$ 0.16	\$ 0.17
Discontinued operations		0.09	0.01
<b>Net income</b>		<b>\$ 0.25</b>	<b>\$ 0.18</b>
<b>Net income</b>		<b>\$ 7,611</b>	<b>\$ 3,859</b>
<b>Other comprehensive income</b>			
Change in foreign currency translation adjustment		—	97
<b>Comprehensive income</b>		<b>\$ 7,611</b>	<b>\$ 3,956</b>

See accompanying notes to the consolidated financial statements

## Consolidated statements of unitholders' equity

(unaudited) (in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
<b>Unitholders' equity, January 1, 2010</b>		24,717,901	\$ 607,282	\$ 819,835	\$(1,021,356)	\$ (6,609)	\$ 399,152
Net income		—	—	7,611	—	—	7,611
Distributions paid	11	—	—	—	(11,129)	—	(11,129)
Distributions payable	11	—	—	—	(6,401)	—	(6,401)
Public offering of REIT A Units	12	10,079,750	218,633	—	—	—	218,633
Distribution							
Reinvestment Plan	12	64,502	1,564	—	—	—	1,564
Unit Purchase Plan	12	1,002	25	—	—	—	25
Deferred Unit Incentive Plan	12	—	220	—	—	—	220
Deferred Units exchanged for REIT A Units	12	4,178	—	—	—	—	—
Issue costs	12	—	(10,067)	—	—	—	(10,067)
Change in foreign currency translation adjustment	18	—	—	—	—	6,609	6,609
<b>Unitholders' equity, March 31, 2010</b>		34,867,333	\$ 817,657	\$ 827,446	\$(1,038,886)	\$ —	\$ 606,217

See accompanying notes to the consolidated financial statements

(unaudited) (in thousands of dollars, except number of units)	Note	Number of units	Cumulative capital	Cumulative net income	Cumulative distributions	Accumulated other comprehensive income (loss)	Total
<b>Unitholders' equity, January 1, 2009</b>		20,417,744	\$ 536,093	\$ 806,598	\$(972,790)	\$ (5,275)	\$ 364,626
Adjustment to opening unitholders' equity to comply with new accounting standards	2	—	—	(162)	—	—	(162)
Unitholders' equity, January 1, 2009 (restated)		20,417,744	536,093	806,436	(972,790)	(5,275)	364,464
Net income		—	—	3,859	—	—	3,859
Distributions paid		—	—	—	(7,592)	—	(7,592)
Distributions payable		—	—	—	(3,801)	—	(3,801)
Distribution							
Reinvestment Plan	12	67,682	839	—	—	—	839
Unit Purchase Plan	12	85	1	—	—	—	1
Deferred Unit Incentive Plan	12	—	197	—	—	—	197
Deferred Units exchanged for REIT A Units	12	233,293	—	—	—	—	—
Issue costs		—	(5)	—	—	—	(5)
Unit redemption		(30)	—	—	—	—	—
Change in foreign currency translation adjustment		—	—	—	—	97	97
<b>Unitholders' equity, March 31, 2009</b>		20,718,774	\$ 537,125	\$ 810,295	\$(984,183)	\$ (5,178)	\$ 358,059

See accompanying notes to the consolidated financial statements

## Consolidated statements of cash flows

(unaudited)

(in thousands of dollars)

For the three months ended March 31

	Note	2010	2009
<b>Generated from (utilized in) operating activities</b>			
Net income		\$ 7,611	\$ 3,859
Non-cash items:			
Depreciation of rental properties		8,535	7,092
Amortization of leasing costs, tenant improvements and intangibles		8,803	5,744
Amortization of deferred financing costs		337	305
Amortization of fair value adjustment on acquired debt		(206)	(222)
Gain on disposal of rental properties	18	(2,801)	—
Deferred unit compensation expense		220	197
Future income taxes		—	290
Amortization of market rent adjustments on acquired leases		(3,309)	(2,777)
Straight-line rent adjustment		(172)	(213)
		19,018	14,275
Deferred leasing costs incurred		(597)	(845)
Change in non-cash working capital	20	2,608	3,955
		21,029	17,385
<b>Generated from (utilized in) investing activities</b>			
Investment in rental properties		(1,954)	(680)
Investment in tenant improvements		(1,742)	(1,808)
Acquisition of rental properties	3	(217,720)	—
Acquisition deposit on rental properties		(600)	—
Net proceeds from disposal of rental properties	18	10,850	—
Change in restricted cash, net		—	(383)
		(211,166)	(2,871)
<b>Generated from (utilized in) financing activities</b>			
Mortgages placed, net of costs		119,228	(77)
Mortgage principal repayments		(4,455)	(3,826)
Term debt principal repayments		(20)	(38)
Distributions paid on Units	11	(14,099)	(10,502)
Units issued for cash, net of costs	12	208,591	(5)
		309,245	(14,448)
<b>Increase in cash and cash equivalents</b>		119,108	66
<b>Cash and cash equivalents, beginning of period — continuing operation</b>		12,022	69,267
<b>Cash and cash equivalents, beginning of period — held for sale</b>		198	—
<b>Cash and cash equivalents, end of period</b>		\$ 131,328	\$ 69,333

See accompanying notes to the consolidated financial statements

## Notes to the consolidated financial statements

(All dollar amounts in thousands, 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 subsidiaries, together with Dundee REIT’s proportionate share of the assets and liabilities, and revenues and expenses of joint ventures in which it participates.

Equity is described in Note 12; 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
- “LP B Units”, meaning the LP Class B Units, Series 1
- “Units”, meaning REIT Units, Series A; REIT Units, Series B; LP Class B Units, Series 1; and Special Trust Units, collectively

At March 31, 2010, Dundee Corporation, the majority shareholder of Dundee Realty Corporation (“DRC”), directly and indirectly through its subsidiaries, held 935,601 REIT A Units and 3,461,324 LP B Units (December 31, 2009 — 921,299 and 3,454,188 Units, respectively).

### Note 2

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements are in conformity with the requirements of Canadian generally accepted accounting principles (“GAAP”) for interim financial statements as recommended by the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1751, “Interim Financial Statements”. The disclosure requirements for interim financial statements do not conform in all material respects with the requirements of GAAP for annual financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements of Dundee REIT as at, and for the year ended, December 31, 2009.

These interim consolidated financial statements follow the same accounting policies and methods of application as used in the December 31, 2009 consolidated financial statements.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

#### Future changes in accounting policies

##### *Business Combinations*

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations”, and Section 1600, “Consolidated Financial Statements”, and establish a new section for accounting for a non-controlling interest in a subsidiary.

CICA Handbook Section 1582 establishes accounting standards for a business combination. It provides the Canadian equivalent to IFRS 3, “Business Combinations”. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes accounting standards for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "Consolidated and Separate Financial Statements".

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. Dundee REIT will not be adopting these policies prior to January 1, 2011.

Note 3

**PROPERTY ACQUISITIONS**

Detailed below are the acquisitions completed during the period ended March 31, 2010. There were no acquisitions completed in the period ended March 31, 2009.

For the period ended March 31, 2010	Property type	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Fair value of mortgage assumed	Date acquired
Adelaide Place, Toronto	office	100	654,249	98	\$ 217,378	\$ —	January 18, 2010
Aviva Corporate Centre, Toronto	office/ redevelopment	100	436,704	99	45,930	30,278	February 10, 2010
<b>Total</b>			1,090,953	98	\$ 263,308	\$ 30,278	

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

For the three months ended March 31	2010
Rental properties	
Land	\$ 28,899
Buildings	202,850
Properties under development	5,015
	236,764
Tenant improvements acquired	11,521
Intangible assets	
Value of in-place leases	14,014
Lease origination costs	2,977
Value of above-market rent leases	1,041
Value of tenant relationships	13,677
	279,994
Intangible liabilities	
Value of below-market rent leases	(16,686)
<b>Total purchase price</b>	<b>\$ 263,308</b>

The consideration paid consists of:

For the three months ended March 31	2010
Cash	
Paid during the year	\$ 217,720
Deposits applied	13,755
	231,475
Assumed mortgages at fair value	30,278
Assumed accounts payable, accrued liabilities and adjustments to purchase price	1,555
<b>Total consideration</b>	<b>\$ 263,308</b>

The allocation of the purchase price to fair value of assets acquired and liabilities assumed for the property acquisitions completed during the current year has not been finalized and will be subject to adjustment.

## Note 4

**RENTAL PROPERTIES**

	March 31, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land	\$ 263,924	\$ —	\$ 263,924	\$ 235,025	\$ —	\$ 235,025
Buildings and improvements	1,257,908	(118,927)	1,138,981	1,053,465	(110,358)	943,107
Fixed assets and equipment	2,045	(930)	1,115	2,011	(843)	1,168
Rental properties under development	7,130	—	7,130	1,758	—	1,758
<b>Total</b>	<b>\$ 1,531,007</b>	<b>\$ (119,857)</b>	<b>\$ 1,411,150</b>	<b>\$ 1,292,259</b>	<b>\$ (111,201)</b>	<b>\$ 1,181,058</b>

## Note 5

**LEASING COSTS AND TENANT IMPROVEMENTS**

	March 31, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Leasing costs	\$ 14,604	\$ (4,532)	\$ 10,072	\$ 14,214	\$ (4,292)	\$ 9,922
Tenant improvements	61,865	(22,011)	39,854	49,418	(19,751)	29,667
<b>Total</b>	<b>\$ 76,469</b>	<b>\$ (26,543)</b>	<b>\$ 49,926</b>	<b>\$ 63,632</b>	<b>\$ (24,043)</b>	<b>\$ 39,589</b>

## Note 6

**AMOUNTS RECEIVABLE**

Amounts receivable are net of credit adjustments totalling \$4,927 (December 31, 2009 — \$2,972).

	March 31, 2010	December 31, 2009
Trade receivables, net	\$ 2,826	\$ 2,048
Straight-line rent receivables	7,587	7,409
Other accounts receivable (payable)	557	(576)
	<b>\$ 10,970</b>	<b>\$ 8,881</b>
	March 31, 2010	December 31, 2009
Trade receivables	\$ 3,756	\$ 3,141
Less: Provision for impairment of trade receivables	(930)	(1,093)
<b>Trade receivables, net</b>	<b>\$ 2,826</b>	<b>\$ 2,048</b>

The movement in the provision for impairment of trade receivables during the period ended March 31, was as follows:

	2010	2009
As at January 1	\$ 1,093	\$ 549
Provision for impairment of trade receivables	8	239
Receivables written off during the period as uncollectible	(171)	(73)
Reduction of other receivables written off during the year	—	(9)
Translation adjustment	—	5
<b>As at March 31</b>	<b>\$ 930</b>	<b>\$ 711</b>

The carrying amount of amounts receivable is reduced through the use of an allowance account and any loss is recognized within property operating expenses. Where a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Any subsequent recovery of amounts previously written off are credited against operating expense in the income statement.

#### Note 7

### PREPAID EXPENSES AND OTHER ASSETS

	March 31, 2010	December 31, 2009
Prepaid expenses	\$ 2,060	\$ 2,110
Deposits	1,015	13,887
Restricted cash	1,721	1,721
<b>Total</b>	<b>\$ 4,796</b>	<b>\$ 17,718</b>

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.

#### Note 8

### INTANGIBLE ASSETS AND LIABILITIES

	March 31, 2010			December 31, 2009		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
<b>Intangible assets</b>						
Value of above-market rent leases	\$ 4,936	\$ (1,387)	\$ 3,549	\$ 3,914	\$ (1,140)	\$ 2,774
Value of in-place leases	51,037	(19,872)	31,165	37,727	(17,625)	20,102
Lease origination costs	12,197	(4,160)	8,037	9,383	(3,718)	5,665
Value of tenant relationships	53,181	(12,248)	40,933	39,635	(10,618)	29,017
<b>Total</b>	<b>\$ 121,351</b>	<b>\$ (37,667)</b>	<b>\$ 83,684</b>	<b>\$ 90,659</b>	<b>\$ (33,101)</b>	<b>\$ 57,558</b>
<b>Intangible liabilities</b>						
Value of below-market rent leases	\$ 75,706	\$ (27,566)	\$ 48,140	\$ 60,854	\$ (25,823)	\$ 35,031

## Note 9

**DEBT**

	March 31, 2010	December 31, 2009
Mortgages	\$ 872,130	\$ 726,901
Convertible debentures	130,184	129,940
Term debt	199	219
<b>Total</b>	<b>\$ 1,002,513</b>	<b>\$ 857,060</b>

Mortgages are secured by charges on specific rental properties.

Convertible debentures comprise \$119,138 of the 6.0% Debentures, \$7,745 of the 5.7% Debentures and \$3,301 of the 6.5% Debentures (December 31, 2009 — \$118,904, \$7,743 and \$3,293, respectively).

On January 14, 2008, the Trust issued \$125,000 principal amount convertible unsecured subordinated debentures (the “6.0% Debentures”). The 6.0% Debentures bear interest at 6.0% per annum, payable semi-annually on June 30 and December 31 each year, have a conversion price of \$41.40 per Unit and mature on December 31, 2014. As at March 31, 2010, the outstanding principal amount is \$125,000 (December 31, 2009 — \$125,000).

On April 1, 2005, the Trust issued \$100,000 principal amount convertible unsecured subordinated debentures (the “5.7% Debentures”). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, have a conversion price of \$30.00 per Unit and mature on March 31, 2015. As at March 31, 2010, the outstanding principal amount is \$7,806 (December 31, 2009 — \$7,806).

On June 21, 2004, the Trust issued \$75,000 principal amount convertible unsecured subordinated debentures (the “6.5% Debentures”). The 6.5% Debentures bear interest at 6.5% per annum, payable semi-annually on June 30 and December 31 each year, have a conversion price of \$25.00 per Unit and mature on June 30, 2014. As at March 31, 2010, the outstanding principal amount is \$3,488 (December 31, 2009 — \$3,488).

A demand revolving credit facility is available up to a formula-based maximum not to exceed \$40,000, bearing interest generally at the bank prime rate (2.25% as at March 31, 2010) plus 1.5% or bankers’ acceptance rates plus 3.0%. The facility is secured by a first-ranking collateral mortgage on two of the Trust’s properties and a second-ranking collateral mortgage on one property. As at March 31, 2010, the formula-based amount available under this facility was \$32,608, less \$1,090 drawn in the form of letters of guarantee (December 31, 2009 — \$1,090 drawn). The facility was to expire on April 30, 2010, but was renewed as of April 28, 2010. See Note 21, Subsequent Events, for additional details.

The weighted average interest rates for the fixed and floating components of debt are as follows:

	Weighted average interest rates			Debt amount	
	March 31, 2010	December 31, 2009	Maturity dates	March 31, 2010	December 31, 2009
<b>Fixed rate</b>					
Mortgages	5.57%	5.68%	2010—2019	\$ 840,834	\$ 695,608
Convertible debentures	7.03%	7.03%	2014—2015	130,184	129,940
Term debt	9.03%	9.03%	2010—2011	199	219
<b>Total fixed rate debt</b>	<b>5.77%</b>	<b>5.90%</b>		<b>971,217</b>	<b>825,767</b>
<b>Variable rate</b>					
Mortgages	2.01%	2.01%	2013	31,296	31,293
<b>Total variable rate debt</b>	<b>2.01%</b>	<b>2.01%</b>		<b>31,296</b>	<b>31,293</b>
<b>Total debt</b>	<b>5.65%</b>	<b>5.75%</b>		<b>\$ 1,002,513</b>	<b>\$ 857,060</b>

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Term debt	Convertible debentures	Total
2010	\$ 27,289	\$ 96	\$ —	\$ 27,385
2011	92,398	103	—	92,501
2012	118,675	—	—	118,675
2013	117,983	—	—	117,983
2014	76,829	—	128,488	205,317
2015 and thereafter	439,635	—	7,806	447,441
	872,809	199	136,294	1,009,302
Financing costs and fair value adjustments	(679)	—	(6,110)	(6,789)
	\$ 872,130	\$ 199	\$ 130,184	\$ 1,002,513

Included in mortgages is \$2,409 in fair value adjustments (December 31, 2009 — \$2,671), which reflects the fair value adjustments for mortgages assumed as part of acquisitions, net of \$3,088 of unamortized financing costs (December 31, 2009 — \$2,465). The convertible debentures are reduced by a \$1,668 premium allocated to their conversion features (December 31, 2009 — \$1,724) and \$4,442 of unamortized financing costs (December 31, 2009 — \$4,630). The fair value adjustment, premium and financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

#### Note 10

#### AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2010	December 31, 2009
Trade payables	\$ 1,667	\$ 1,602
Accrued liabilities and other payables	12,700	9,521
Accrued interest	5,963	3,426
Deposits	7,010	6,159
Rent received in advance	1,243	1,817
<b>Total</b>	<b>\$ 28,583</b>	<b>\$ 22,525</b>

#### Note 11

#### DISTRIBUTIONS

The following table breaks down distribution payments for the period ended March 31, 2010:

	REIT Units, Series A	REIT Units, Series B	LP Class B Units, Series 1	Total
Paid in cash	\$ 12,358	\$ 9	\$ 1,732	\$ 14,099
Paid by way of reinvestment in REIT A Units	1,392	—	—	1,392
Paid by way of reinvestment in LP B Units	—	—	172	172
Less: Payable at December 31, 2009	(3,899)	(3)	(632)	(4,534)
Plus: Payable at March 31, 2010	5,762	3	636	6,401
<b>Total</b>	<b>\$ 15,613</b>	<b>\$ 9</b>	<b>\$ 1,908</b>	<b>\$ 17,530</b>

The amount payable at March 31, 2010, was satisfied on April 15, 2010, by \$5,758 in cash, \$590 of 23,146 REIT A Units and \$58 of 2,280 LP B Units. Included in the total distributions is \$62 representing the 4% bonus distribution that forms part of the Distribution Reinvestment and Unit Purchase Plan ("DRIP").

## Note 12

## UNITHOLDERS' EQUITY

	March 31, 2010		December 31, 2009	
	Number of Units	Amount	Number of Units	Amount
REIT Units, Series A	31,389,693	\$ 514,058	21,247,397	\$ 312,743
REIT Units, Series B	16,316	365	16,316	362
LP Class B Units, Series 1	3,461,324	91,794	3,454,188	92,656
Cumulative foreign currency translation adjustment	—	—	—	(6,609)
<b>Total</b>	<b>34,867,333</b>	<b>\$ 606,217</b>	<b>24,717,901</b>	<b>\$ 399,152</b>

## 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 LP B 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.

The terms of the LP B Units restrict the transfer of such units except to a subsidiary of the holder. As a result, if an existing holder of LP B Units wants to transfer the LP B Units to a third party, they must first be converted into REIT B Units. The Trust classifies the outstanding LP B Units as unitholders' equity for financial statement purposes in accordance with GAAP.

Special Trust Units are issued in connection with LP B Units. The Special Trust Units are not transferable separately from the LP B Units to which they relate and will be automatically redeemed for a nominal amount and cancelled upon surrender or exchange of such LP B 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 LP B Units to which they relate. At March 31, 2010, 3,461,324 Special Trust Units were issued and outstanding (December 31, 2009 — 3,454,188).

	REIT Units, Series A		REIT Units, Series B		LP Class B Units, Series 1		Accumulated other comprehensive loss	Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount		Number of Units	Amount
<b>Unitholders' equity,</b>									
<b>January 1, 2010</b>	21,247,397	\$ 312,743	16,316	\$ 362	3,454,188	\$ 92,656	\$ (6,609)	24,717,901	\$ 399,152
Net income	—	6,725	—	12	—	874	—	—	7,611
Distributions paid	—	(9,851)	—	(6)	—	(1,272)	—	—	(11,129)
Distributions payable	—	(5,762)	—	(3)	—	(636)	—	—	(6,401)
Public offering of REIT A Units	10,079,750	218,633	—	—	—	—	—	10,079,750	218,633
Distribution Reinvestment Plan	57,366	1,392	—	—	7,136	172	—	64,502	1,564
Unit Purchase Plan	1,002	25	—	—	—	—	—	1,002	25
Deferred Unit Incentive Plan	—	220	—	—	—	—	—	—	220
Deferred Units exchanged for									
REIT A Units	4,178	—	—	—	—	—	—	4,178	—
Issue costs	—	(10,067)	—	—	—	—	—	—	(10,067)
Change in foreign currency translation adjustment	—	—	—	—	—	—	6,609	—	6,609
<b>Unitholders' equity,</b>									
<b>March 31, 2010</b>	<b>31,389,693</b>	<b>\$ 514,058</b>	<b>16,316</b>	<b>\$ 365</b>	<b>3,461,324</b>	<b>\$ 91,794</b>	<b>\$ —</b>	<b>34,867,333</b>	<b>\$ 606,217</b>

### Public offering of REIT A Units

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 underwriter 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 were approximately \$4,887.

### Distribution Reinvestment and Unit Purchase Plan

For the three months ended March 31, 2010, 57,366 REIT A Units and 7,136 LP B Units were issued under the DRIP for \$1,564 (March 31, 2009 – 67,682 REIT A Units and nil LP B Units for \$839). For the same period, 1,002 REIT A Units were issued under the Unit Purchase Plan for \$25 (March 31, 2009 – 85 REIT A Units for \$1).

### Conversion of debentures

During the period ended March 31, 2010, there were no conversions of any of the convertible debentures.

### Deferred Unit Incentive Plan

During the three months ended March 31, 2010, \$220 of compensation expense was recorded (March 31, 2009 – \$197) and included in general and administrative expenses. Income deferred trust units are accounted for as a distribution and an issuance of REIT A Units when the related deferred trust units vest. No amount related to income deferred trust units is recognized in net income.

	Weighted average grant date value	Deferred trust units	Income deferred trust units	Total units
Outstanding at December 31, 2009	\$ 28.55	217,918	48,215	266,133
Granted during the period	24.96	98,666	7,240	105,906
Cancelled	13.49	(200)	(27)	(227)
REIT A Units issued	13.49	(3,683)	(495)	(4,178)
Fractional units paid in cash	—	—	(3)	(3)
<b>Outstanding and payable at March 31, 2010</b>	<b>\$ 27.61</b>	<b>312,701</b>	<b>54,930</b>	<b>367,631</b>
<b>Vested but not issued at March 31, 2010</b>	<b>\$ 30.88</b>	<b>70,580</b>	<b>25,945</b>	<b>96,525</b>

On February 23, 2010, 88,450 deferred trust units were granted to trustees and senior managers. A further 10,216 deferred trust units were granted to trustees who elected to receive their 2010 annual retainer in the form of deferred trust units rather than cash.

### Normal course issuer bid

The Trust has an outstanding normal course issuer bid which commenced on September 26, 2009, and will remain in effect until the earlier of September 25, 2010, 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 1,648,026 REIT A Units (representing 10% of the REIT's public float of 16,480,260 REIT A Units at the time of renewal through the facilities of the TSX). As of March 31, 2010, no purchases had been made. Based on the closing price of the REIT A Units on March 31, 2010, the Trust may purchase up to \$42,667 worth of REIT A Units.

## Note 13

**INTEREST**

Interest incurred and charged to earnings is recorded as follows:

For the three months ended March 31	2010	2009
Interest expense incurred, at stated rate of debt	\$ 13,636	\$ 12,444
Amortization of financing costs	337	293
Amortization of fair value adjustments on acquired debt	(206)	(222)
Interest capitalized	(49)	(8)
<b>Interest expense</b>	<b>\$ 13,718</b>	<b>\$ 12,507</b>

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 remaining 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.

## Note 14

**INCOME TAXES**

Dundee REIT is taxed as a mutual fund trust for Canadian income tax purposes. The Trust is required by its Declaration of Trust to distribute all of its taxable income to its unitholders, which currently enables the Trust to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the unitholders, no provision for income taxes is required on such amounts.

In the prior comparative period, Canadian and U.S.-based incorporated subsidiaries were subject to tax on their respective taxable income at their corresponding legislated rates. On December 31, 2009, the Trust effected the transfer of its interest in a property held in a taxable Canadian subsidiary to an entity that distributes taxable earnings to unitholders. On February 5, 2010, the Trust disposed of its interest in the U.S. entity. As a result of these transactions, the Trust is no longer exposed to the tax-related costs of those entities for periods subsequent to their respective transaction dates.

## Note 15

**INCOME PER UNIT**

The weighted average number of units outstanding was as follows:

For the three months ended March 31	2010	2009
REIT A Units and REIT B Units	27,170,825	17,462,558
LP B Units	3,457,902	3,454,191
Vested deferred trust units	85,048	39,594
Total weighted average number of units outstanding for basic income per unit amounts	30,713,775	20,956,343
Add incremental units:		
Unvested deferred trust units	38,861	14,638
Income deferred trust units	3,698	1,922
<b>Total weighted average number of units outstanding for diluted income per unit amounts</b>	<b>30,756,334</b>	<b>20,972,903</b>

Income per unit information is based on the weighted average number of units outstanding for the period. The calculation of diluted per unit information considers the potential exercise of outstanding unvested deferred trust units and income deferred trust units, and the incremental REIT A Units to be issued upon an assumed conversion of all outstanding debentures, to the extent that these are dilutive. The incremental unvested deferred trust units represent the potential units that would have to be purchased in the open market to fund the unvested obligation of the weighted average number of unvested deferred trust units outstanding for the period.

The 3,419,110 incremental REIT A Units to be issued upon an assumed conversion of all debentures outstanding at March 31, 2010 (March 31, 2009 - 3,419,110) have been excluded from the calculation of diluted net income per unit as they are anti-dilutive.

## Note 16

**SEGMENTED INFORMATION**

The Trust's rental properties 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, income taxes and general and administrative expenses are not allocated to the segment expenses.

For the period ended March 31, 2010	Office	Industrial	Segment total	Other	Total
<b>Operations</b>					
Rental properties revenue	\$ 56,636	\$ 4,374	\$ 61,010	\$ —	\$ 61,010
Operating expenses	21,984	1,401	23,385	—	23,385
Net operating income	34,652	2,973	37,625	—	37,625
Depreciation of rental properties	7,844	691	8,535	—	8,535
Amortization of leasing costs, tenant improvements and intangibles	8,414	389	8,803	—	8,803
<b>Segment income</b>	<b>\$ 18,394</b>	<b>\$ 1,893</b>	<b>\$ 20,287</b>	<b>\$ —</b>	<b>20,287</b>
Interest expense					(13,718)
General and administrative expenses					(2,065)
Interest and fee income					268
Income taxes					(4)
Discontinued operations					2,843
<b>Net income</b>					<b>\$ 7,611</b>
<b>Segment rental properties</b>	<b>\$ 1,314,225</b>	<b>\$ 89,795</b>	<b>\$1,404,020</b>	<b>\$ 7,130</b>	<b>\$ 1,411,150</b>
<b>Capital expenditures</b>					
Investment in rental properties	\$ (1,362)	\$ (187)	\$ (1,549)	\$ (405)	\$ (1,954)
Investment in tenant improvements	(1,468)	(274)	(1,742)	—	(1,742)
Acquisition of rental properties	(211,297)	—	(211,297)	(6,423)	(217,720)
Leasing costs	(442)	(155)	(597)	—	(597)
<b>Total capital expenditures</b>	<b>\$ (214,569)</b>	<b>\$ (616)</b>	<b>\$ (215,185)</b>	<b>\$ (6,828)</b>	<b>\$ (222,013)</b>

For the period ended March 31, 2009	Office	Industrial	Segment total	Other	Total
<b>Operations</b>					
Rental properties revenues	\$ 43,946	\$ 4,196	\$ 48,142	\$ —	\$ 48,142
Operating expenses	16,406	1,588	17,994	—	17,994
Net operating income	27,540	2,608	30,148	—	30,148
Depreciation of rental properties	6,083	702	6,785	—	6,785
Amortization of leasing costs, tenant improvements and intangibles	5,227	393	5,620	—	5,620
<b>Segment income</b>	<b>\$ 16,230</b>	<b>\$ 1,513</b>	<b>\$ 17,743</b>	<b>\$ —</b>	<b>17,743</b>
Interest expense					(12,507)
General and administrative expenses					(1,721)
Interest and fee income					477
Income taxes					(246)
Discontinued operations					113
<b>Net income</b>					<b>\$ 3,859</b>
<b>Segment rental properties</b>	<b>\$ 1,013,986</b>	<b>\$ 95,296</b>	<b>\$ 1,109,282</b>	<b>\$ 24,399</b>	<b>\$ 1,133,681</b>
<b>Capital expenditures</b>					
Investment in rental properties	\$ (617)	\$ (16)	\$ (633)	\$ (47)	\$ (680)
Investment in tenant improvements	(1,411)	(147)	(1,558)	(250)	(1,808)
Leasing costs	(805)	(72)	(877)	32	(845)
<b>Total capital expenditures</b>	<b>\$ (2,833)</b>	<b>\$ (235)</b>	<b>\$ (3,068)</b>	<b>\$ (265)</b>	<b>\$ (3,333)</b>

## Note 17

**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 (“DMLP”) 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.

For the three months ended March 31, 2010, the Trust received total fees from DRC of \$510 (March 31, 2009 — \$526). These fees relate to cost recoveries under the Services Agreement. Other costs recovered from DRC for the period ended March 31, 2010, include \$1,018 for operating and administration costs of regional offices (March 31, 2009 — \$807) which are included in operating expenses of the Trust.

For the three months ended March 31, 2010, the Trust incurred total fees of \$3,130 (March 31, 2009 — \$1,135) under the Asset Management Agreement. Included in this amount is \$1,312 which is reported in general and administrative expenses, \$1,559 which is reported with property acquisitions and \$259 in financing costs reported with debt.

Included in amounts receivable at March 31, 2010, is \$381 related to the Services Agreement (December 31, 2009 — \$(155)), \$307 related to the Asset Management Agreement (December 31, 2009 — \$224) and \$158 related to other amounts owed by DRC (December 31, 2009 — \$158). Accrued liabilities and other payables at March 31, 2010, include \$nil for amounts related to the Asset Management Agreement (December 31, 2009 — \$954).

#### Note 18

### ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The results of operations of any property that has been sold and identified as discontinued operations are reported separately and comparative amounts are reclassified as discontinued operations. Any property identified as held for sale is also reported separately in the relevant period.

On March 1, 2010, the Trust sold its 50% interest in a joint venture office property located in Toronto, Ontario. It received net proceeds of \$10,665 and recognized a gain of \$2,206.

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. The Trust is now discharged from all rights and obligations relating to the property. As at December 31, 2009, a total provision for impairment of \$11,513 was recognized, including a \$4,904 write-down in the carrying value of the net assets of the property, and a \$6,609 provision for the accumulated foreign currency translation adjustment associated with the investment in the net assets of the property. The future tax liability of \$1,971 associated with the U.S. operations was also written off. The remaining assets and liabilities have now been written off resulting in a net gain of \$595 for the current period.

The following table summarizes the net income from discontinued operations:

For the three months ended March 31	2010	2009
<b>Revenues</b>		
Rental properties revenue	\$ 303	\$ 2,016
Interest and other income	—	15
	<b>303</b>	<b>2,031</b>
<b>Expenses</b>		
Rental properties operating expenses	261	1,158
Interest	—	280
Depreciation of rental properties	—	307
Amortization of leasing costs, tenant improvements and intangibles	—	124
	<b>261</b>	<b>1,869</b>
<b>Income before undernoted</b>	<b>42</b>	<b>162</b>
Gain on disposal of rental properties	2,801	—
Future income taxes	—	49
<b>Net income from discontinued operations</b>	<b>\$ 2,843</b>	<b>\$ 113</b>

## Note 19

**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.

Dundee REIT's future minimum commitments under operating and capital leases are as follows:

Years ending December 31	Operating lease payments	Capital lease payments
2010	\$ 826	\$ 105
2011	973	139
2012	832	139
2013	693	140
<b>Total</b>	<b>\$ 3,324</b>	<b>\$ 523</b>

**Purchase and other obligations**

The Trust has entered into lease agreements that require tenant improvement costs of approximately \$5,200.

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 \$1,670 during the remainder of 2010, \$2,178 for each of 2011 and 2012, and \$174 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 total minimum payments of \$598 annually for each of the years 2010, 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.

## Note 20

**SUPPLEMENTARY CASH FLOW INFORMATION**

For the three months ended March 31	2010	2009
Increase in accounts receivable	\$ (1,590)	\$ (831)
Decrease in deferred costs, other than leasing costs	58	209
Increase in prepaid expenses and other assets, excluding restricted cash and promissory notes	(221)	(130)
Decrease in accounts payable and accrued liabilities (excluding leasing costs)	4,581	4,511
Increase (decrease) in accounts payable relating to leasing costs	(220)	196
<b>Change in non-cash working capital</b>	<b>\$ 2,608</b>	<b>\$ 3,955</b>

The following amounts were paid on account of interest and income taxes:

For the three months ended March 31	2010	2009
Interest	\$ 11,155	\$ 10,623
Income taxes	15	—

Note 21

**SUBSEQUENT EVENTS**

Effective April 16, 2010, the Trust completed the purchase of Enbridge Place, a 264,000 square foot office building located in Edmonton, Alberta, for a purchase price of approximately \$90,850, and assumed debt of approximately \$27,790.

Effective April 21, 2010, the Trust completed the purchase of 2340 St. Laurent Blvd., a 115,000 square foot office building located in Ottawa, Ontario, for a purchase price of approximately \$11,055.

Effective April 28, 2010, the \$40,000 demand revolving credit facility has been renewed to April 30, 2011. All other terms and conditions of the facility remain unchanged. The amount currently available under the renewed facility is \$36,075.

Effective April 30, 2010, the Trust completed the acquisition of a property located in Yellowknife, Northwest Territories, for approximately \$630. The property is being held for future development.

Effective May 4, 2010, the Trust completed the acquisition of the Financial Building, a 66,000 square foot office building located in Regina, Saskatchewan, for a purchase price of approximately \$14,005.

# Corporate information

## Head office

### DUNDEE REAL ESTATE INVESTMENT TRUST

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

## Transfer agent

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

### COMPUTERSHARE TRUST COMPANY OF CANADA

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

## Auditors

### PRICEWATERHOUSECOOPERS LLP

Royal Trust Tower, Suite 3000  
Toronto-Dominion Centre  
77 King Street West  
Toronto, Ontario M5K 1G8

## Corporate counsel

### OSLER, HOSKIN & HARCOURT LLP

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

## Investor relations

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

## Stock exchange listing

### THE TORONTO STOCK EXCHANGE

## Listing symbols

REIT Units, Series A: D.UN  
6.5% Convertible Debentures: D.DB  
5.7% Convertible Debentures: D.DB.A  
6.0% Convertible Debentures: D.DB.B

## Distribution Reinvestment and Unit Purchase Plan

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

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

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

If you register in the DRIP you will also receive a “bonus” distribution of units equal to 4% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every \$1.00 of cash distributions reinvested by you under the Plan, \$1.04 worth of units will be purchased.

To enrol, contact:

### COMPUTERSHARE TRUST COMPANY OF CANADA

100 University Avenue, 9th Floor  
Toronto, Ontario M5J 2Y1  
Attention: Dividend Reinvestment Services

Or call their Customer Contact Centre  
at 1 800 564-6253 (toll free) or (514) 982-7555

For more information, you may also visit our  
web site: [www.dundeereit.com](http://www.dundeereit.com)



**DUNDEE REAL ESTATE INVESTMENT TRUST**

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

[www.dundeeit.com](http://www.dundeeit.com)