

**DUNDEE REAL ESTATE INVESTMENT TRUST  
SEPTEMBER 30, 2003 FINANCIAL STATEMENTS**

**DUNDEE REAL ESTATE INVESTMENT TRUST  
BALANCE SHEETS  
(Unaudited)**

(in thousands of dollars)	Note	Dundee REIT Consolidated		Commercial Real Estate Division of Dundee Realty Corporation ("Division of DRC") Combined	
		September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002
<b>ASSETS</b>					
Rental properties	3	\$ 810,918	\$ 811,339	\$ 811,339	\$ 822,415
Deferred costs	4	36,120	34,802	34,802	31,725
Amounts receivable	5	6,459	6,172	5,866	5,582
Prepaid expenses		7,676	6,516	6,516	3,845
Cash and short-term deposits		8,459	4,681	4,681	5,644
		<b>\$ 869,632</b>	<b>\$ 863,510</b>	<b>\$ 863,204</b>	<b>\$ 869,211</b>
<b>LIABILITIES</b>					
Debt	7	\$ 505,743	\$ 505,592	\$ 505,592	\$ 504,159
Amounts payable and accrued liabilities	8	21,028	16,191	16,191	14,620
Future income tax liability		7,967	8,000	64,902	59,838
		534,738	529,783	586,685	578,617
<b>EQUITY</b>					
Unitholders' Equity	9	334,894	333,727	-	-
Divisional Equity		-	-	276,519	290,594
		<b>\$ 869,632</b>	<b>\$ 863,510</b>	<b>\$ 863,204</b>	<b>\$ 869,211</b>

*See accompanying notes to the consolidated financial statements*

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**SEPTEMBER 30, 2003 FINANCIAL STATEMENTS**

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**STATEMENTS OF NET INCOME**  
**(Unaudited)**

	For the Three Months Ended September 30		For the Nine Months Ended September 30			
	2003	2002	2003		2002	
	Dundee REIT Consolidated	Division of DRC Combined	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	
(in thousands of dollars)	Note			July 1 to Sept. 30	January 1 to June 30	
<b>RENTAL PROPERTIES</b>						
Revenues		\$ 37,166	\$ 36,424	\$ 37,166	\$ 74,540	\$ 108,664
Operating expenses		17,213	18,487	17,213	38,493	53,685
<b>NET OPERATING INCOME</b>		<b>19,953</b>	<b>17,937</b>	<b>19,953</b>	<b>36,047</b>	<b>54,979</b>
<b>OTHER EXPENSES</b>						
Interest	10	9,227	9,011	9,227	18,275	26,288
Depreciation of rental properties		2,266	1,980	2,266	4,439	6,061
Amortization of deferred leasing costs		1,392	1,201	1,392	2,897	3,322
General and administrative		994	1,715	994	3,339	4,665
		13,879	13,907	13,879	28,950	40,336
<b>OTHER INCOME</b>						
Interest and fee income, net		190	260	190	656	711
<b>INCOME BEFORE INCOME AND LARGE CORPORATIONS TAXES</b>						
		6,264	4,290	6,264	7,753	15,354
<b>INCOME TAXES</b>						
Current income and large corporations taxes		15	517	15	1,965	2,226
Future income taxes		(33)	864	(33)	1,675	3,090
		(18)	1,381	(18)	3,640	5,316
<b>NET INCOME</b>		<b>\$ 6,282</b>	<b>\$ 2,909</b>	<b>\$ 6,282</b>	<b>\$ 4,113</b>	<b>\$ 10,038</b>
<b>NET INCOME PER UNIT</b>						
Basic and diluted	11	\$ 0.38		\$ 0.38		

*See accompanying notes to the consolidated financial statements*

**DUNDEE REAL ESTATE INVESTMENT TRUST  
SEPTEMBER 30, 2003 FINANCIAL STATEMENTS**

**DUNDEE REAL ESTATE INVESTMENT TRUST  
CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY  
(Unaudited)**

(in thousands of dollars)	For the Three Months Ended September 30, 2003			
	REIT Units, Series A	LP Class B Units, Series 1	Cumulative Foreign Currency Translation Adjustment	Total
UNITHOLDERS' EQUITY, JUNE 30, 2003	\$ 193,081	\$ 142,374	\$ (1,728)	\$ 333,727
Net income	3,608	2,674	-	6,282
Distributions	(5,156)	(3,826)	-	(8,982)
Units issued under Unit Purchase Plans	1,251	-	-	1,251
Units issued under Distribution Reinvestment Plans	133	2,539	-	2,672
Deferred Unit Incentive Plan	9	-	-	9
Change in foreign currency translation adjustment	-	-	(65)	(65)
<b>UNITHOLDERS' EQUITY, END OF PERIOD</b>	<b>\$ 192,926</b>	<b>\$ 143,761</b>	<b>\$ (1,793)</b>	<b>\$ 334,894</b>

**COMMERCIAL REAL ESTATE DIVISION OF DUNDEE REALTY CORPORATION  
COMBINED STATEMENT OF DIVISIONAL EQUITY  
(Unaudited)**

(in thousands of dollars)	For the period from	
	January 1, 2003 to June 30, 2003	January 1, 2002 to Sept. 30, 2002
DIVISIONAL EQUITY, BEGINNING OF PERIOD	\$ 290,594	\$ 299,174
Net income	4,113	10,038
Change in foreign currency translation adjustment	(2,471)	(841)
Funds transferred to Dundee Realty Corporation	(15,717)	(28,877)
<b>DIVISIONAL EQUITY, END OF PERIOD</b>	<b>\$ 276,519</b>	<b>\$ 279,494</b>

*See accompanying notes to the consolidated financial statements*

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**SEPTEMBER 30, 2003 FINANCIAL STATEMENTS**

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	For the Three Months Ended September 30		For the Nine Months Ended September 30			
	2003	2002	2003		2002	
	Dundee REIT Consolidated	Division of DRC Combined	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined	
(in thousands of dollars)	Note	July 1 to Sept. 30	January 1 to June 30			
<b>GENERATED FROM (UTILIZED IN)</b>						
<b>OPERATING ACTIVITIES</b>						
Net income		\$ 6,282	\$ 2,909	\$ 6,282	\$ 4,113	\$ 10,038
Non-cash items:						
Depreciation of rental properties		2,266	1,980	2,266	4,439	6,061
Amortization of deferred leasing costs		1,392	1,201	1,392	2,897	3,322
Future income taxes		(33)	864	(33)	1,675	3,090
		9,907	6,954	9,907	13,124	22,511
Deferred leasing costs		(1,551)	(1,639)	(1,551)	(2,921)	(3,981)
Change in non-cash working capital items		1,201	(3,414)	1,201	(621)	29
		9,557	1,901	9,557	9,582	18,559
<b>GENERATED FROM (UTILIZED IN)</b>						
<b>INVESTING ACTIVITIES</b>						
Investment in rental properties		(1,353)	(2,435)	(1,353)	(4,309)	(10,945)
Acquisition of rental properties		-	(679)	-	(861)	(903)
Change in restricted cash		424	716	424	(106)	(155)
		(929)	(2,398)	(929)	(5,276)	(12,003)
<b>GENERATED FROM (UTILIZED IN)</b>						
<b>FINANCING ACTIVITIES</b>						
Mortgage principal repayments		(2,150)	(2,788)	(2,150)	(7,094)	(7,812)
Mortgage debt placed		-	39,879	-	50,918	106,931
Mortgage lump sum repayments		-	(32,675)	-	(32,411)	(80,467)
Term debt principal repayments		(230)	(174)	(230)	(1,071)	(850)
New term debt placed		-	6,443	-	-	6,341
Distributions paid	9	(3,297)	-	(3,297)	-	-
Units issued		1,251	-	1,251	-	-
Financing activities before net funds transferred from the Division		(4,426)	10,685	(4,426)	10,342	24,143
Net funds transferred from the Division		-	(11,762)	-	(15,717)	(28,877)
		(4,426)	(1,077)	(4,426)	(5,375)	(4,734)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
		4,202	(1,574)	4,202	(1,069)	1,822
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>						
		1,582	5,017	1,582	2,651	1,621
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>						
		5,784	3,443	5,784	1,582	3,443
Restricted cash	6	2,675	3,133	2,675	3,099	3,133
<b>CASH AND SHORT-TERM DEPOSITS</b>		<b>\$ 8,459</b>	<b>\$ 6,576</b>	<b>\$ 8,459</b>	<b>\$ 4,681</b>	<b>\$ 6,576</b>

*See accompanying notes to the consolidated financial statements*

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

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

## **1. BASIS OF FINANCIAL STATEMENT PRESENTATION**

Dundee Real Estate Investment Trust ("Dundee REIT") is an open-ended investment trust created pursuant to an amended and restated Declaration of Trust under the laws of the Province of Ontario.

Dundee REIT was formed in connection with the reorganization of the business of Dundee Realty Corporation ("DRC") on June 30, 2003 pursuant to which substantially all of the Commercial Real Estate Division of DRC and a 50% joint interest in its property management business were transferred to Dundee REIT (the "Transfer").

These financial statements present:

- the financial position of Dundee REIT at September 30, 2003 and the results of its operations and its cash flows from the commencement of its operations on June 30, 2003 to September 30, 2003, and
- the financial position of the Commercial Real Estate Division of DRC (the "Division" or "Division of DRC") at June 30, 2003 and the results of the Division's operations and its cash flows for periods prior to and including June 30, 2003.

The assets and liabilities of the Division acquired in the Transfer have been measured by Dundee REIT under the continuity of interests accounting method at DRC's historical carrying amounts at June 30, 2003 as there was no substantive change in the ultimate ownership interests in the Division. Because the continuity of interests method of accounting has been used, the financial position, results of operations and cash flows of the Division have been presented as comparative information for Dundee REIT.

The combined financial statements of the Division present the financial position, results of operations and cash flows of the Division, had the Division been accounted for on a stand-alone basis, and include the Division's proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which it participates. The Division was not a legal entity. Management has derived all balances except for general and administrative expenses, income taxes and capital and large corporations taxes from the financial records of DRC specific to the properties and entities acquired. Capital, large corporations taxes and general and administrative expenses have been allocated to the Division based on the net book value of the properties acquired by Dundee REIT relative to the total net book value of the properties of DRC. Income taxes have been determined based on the operation of the Division, as if it were a taxable entity.

The combined financial statements of the Division are not necessarily indicative of the results that would have been attained if the Division had been operated as a separate legal entity during the periods presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to the Divisional financial statements to reflect incremental changes to the cost structure as a result of the Transfer.

References herein to the "Trust" refer collectively to Dundee REIT subsequent to June 30, 2003 and to the Division for periods prior to and including June 30, 2003.

Certain of the comparative figures have been reclassified to conform to the current period's financial statement presentation.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements follow the same accounting policies and the methods of their application as used in the audited financial statements of Dundee REIT as at June 30, 2003 and the Division for the six months ended and as at June 30, 2003, which were included in the Dundee REIT prospectus dated October 29, 2003 (the "Prospectus").

The disclosures in these interim financial statements do not conform in all respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements and should be read in conjunction with the financial statements of the Division for the six months ended and as at June 30, 2003 and Dundee REIT as at June 30, 2003 included in the Prospectus. These statements are, however, in conformity in all material respects with the requirements of GAAP for interim financial statements as recommended in the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, "Interim financial statements".

The preparation of 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 financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**3. RENTAL PROPERTIES**

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Land	\$ 139,508	\$ 139,548	\$ 139,548	\$ 143,198
Equipment	5,654	5,658	5,658	5,498
Buildings and building improvements	702,647	700,778	700,778	704,363
	847,809	845,984	845,984	853,059
Accumulated depreciation	(36,891)	(34,645)	(34,645)	(30,644)
<b>TOTAL</b>	<b>\$ 810,918</b>	<b>\$ 811,339</b>	<b>\$ 811,339</b>	<b>\$ 822,415</b>

During the three months ended September 30, 2003, non-cash changes in working capital items related to investment in rental properties amounted to \$344 (three months ended September 30, 2002 - \$506; six months ended June 30, 2003 - \$1,587; nine months ended September 30, 2002 - \$6,088).

**4. DEFERRED COSTS**

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Deferred leasing costs	\$ 23,519	\$ 21,817	\$ 21,817	\$ 20,657
Deferred recoverable costs	8,971	9,061	9,061	7,250
Deferred financing costs	2,307	2,358	2,358	2,219
Other deferred costs	1,323	1,566	1,566	1,599
<b>TOTAL</b>	<b>\$ 36,120</b>	<b>\$ 34,802</b>	<b>\$ 34,802</b>	<b>\$ 31,725</b>

Deferred leasing costs are net of accumulated amortization of \$12,597 at September 30, 2003, (June 30, 2003 - \$11,207; December 31, 2002 - \$13,220).

**5. AMOUNTS RECEIVABLE**

Amounts receivable and deposits are net of credit adjustments of \$2,689 at September 30, 2003 (June 30, 2003 - \$2,954; December 31, 2002 - \$2,780).

**6. RESTRICTED CASH**

Restricted cash primarily represents tenant rent deposits and cash held as security for mortgages.

**7. DEBT**

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Mortgages	\$ 420,349	\$ 420,468	\$ 420,468	\$ 417,437
Term debt	85,394	85,124	85,124	86,722
<b>TOTAL</b>	<b>\$ 505,743</b>	<b>\$ 505,592</b>	<b>\$ 505,592</b>	<b>\$ 504,159</b>

Dundee REIT has a demand revolving credit facility available up to a formula-based maximum amount that can be borrowed at any time up to but not to exceed \$20 million, bearing interest generally at the bank prime rate plus 1% or bankers' acceptance rates. The facility is secured by a first ranking collateral mortgage for \$22 million on two of the Trust's properties and a second ranking collateral mortgage for \$7 million on a third property. Dundee REIT is required to maintain certain financial and other covenants. At September 30, 2003, \$2,925 (June 30, 2003 - \$2,925) was utilized under the facility in the form of letters of guarantee.

Mortgages and term debt are secured by charges on specific revenue properties. DRC continues to be contingently liable for certain debt obligations of Dundee REIT.

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

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

	Weighted Average Interest Rates				Debt Amount		
	Sept. 30, 2003	June 30, 2003	December 31, 2002	Maturity Dates	Sept. 30, 2003	June 30, 2003	December 31, 2002
<b>FIXED RATE</b>							
Mortgages	7.12%	7.16%	7.28%	2003 to 2013	\$ 420,349	\$ 420,468	\$ 417,437
Term debt	7.70%	7.70%	7.71%	2003 to 2006	65,926	65,570	62,357
<b>TOTAL FIXED RATE</b>	<b>7.20%</b>	<b>7.23%</b>	<b>7.33%</b>		<b>486,275</b>	<b>486,038</b>	<b>479,794</b>
<b>VARIABLE RATE</b>							
Term debt	5.55%	6.04%	5.53%	2004	19,468	19,554	24,365
<b>TOTAL DEBT</b>	<b>7.14%</b>	<b>7.19%</b>	<b>7.24%</b>		<b>\$ 505,743</b>	<b>\$ 505,592</b>	<b>\$ 504,159</b>

Variable rate debt outstanding at September 30, 2003 bears interest generally at the rate of bankers' acceptance plus 2.75% (June 30, 2003 – plus 2.75%; December 31, 2002 – plus 2.75%).

**8. AMOUNTS PAYABLE AND ACCRUED LIABILITIES**

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Trade payables	\$ 3,098	\$ 1,681	\$ 1,681	\$ 2,959
Accrued liabilities and other payables	13,369	9,802	9,802	6,605
Deposits	3,534	3,526	3,526	3,396
Deferred revenue	1,027	1,182	1,182	1,660
<b>TOTAL</b>	<b>\$ 21,028</b>	<b>\$ 16,191</b>	<b>\$ 16,191</b>	<b>\$ 14,620</b>

**9. UNITHOLDERS' EQUITY**

	REIT Units, Series A	LP Class B Units, Series 1	Total Units
Number of units, June 30, 2003	9,370,192	6,909,245	16,279,437
Issued under the Unit Purchase Plan	57,159	-	57,159
Issued under the Distribution Reinvestment Plans	6,320	120,007	126,327
<b>Number of units, September 30, 2003</b>	<b>9,433,671</b>	<b>7,029,252</b>	<b>16,462,923</b>

Special REIT Units can only be issued in conjunction with LP Class B Units, Series 1. At September 30, 2003 there were 7,029,252 Special REIT Units outstanding corresponding with the outstanding LP Class B Units, Series 1. These Special REIT Units are recorded at nominal value.

Distributions

The following table sets out Dundee REIT's distributions for the three months ended September 30, 2003:

	Total
Distributions declared	\$ 8,982
Less: Distributions payable	(3,013)
Less: Distributions to participants in the Distribution Reinvestment Plans	(2,672)
<b>Net cash distributions paid</b>	<b>\$ 3,297</b>

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of Deferred Trust Units and Income Deferred Trust Units to trustees, officers and employees, and affiliates and their service providers. Deferred Trust Units are granted at the discretion of the trustees while Income Deferred Trust Units are granted to Deferred Trust Unit holders based on distributions paid on the REIT Units, Series A. Once vested, each Deferred Trust Unit and Income Deferred Trust Unit will entitle the holder to receive a REIT Unit, Series A at no cost. Deferred Trust Units vest evenly over three to five years on the anniversary date of the grant while Income Deferred Trust Units vest on the same date as the associated Deferred Trust Unit. Subject to an election for certain participants to postpone receipt of REIT Units, Series A, such units will be issued immediately after vesting. Up to a maximum of 500,000 Deferred Trust Units and Income Deferred Trust Units are issuable under the Deferred Unit Incentive Plan. At September 30, 2003, 88,200 Deferred Trust Units had been granted. Compensation expense will be recorded based on the fair market value at the date of grant amortized as earned over the vesting period. During the period ended September 30, 2003,

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

\$9 of compensation expense was recorded and is included in General and administrative expenses. As no Deferred Trust Units have vested, no REIT Units, Series A have been issued to date under the plan.

Distribution Reinvestment and Unit Purchase Plan

In August 2003, Dundee REIT established a Distribution Reinvestment and Unit Purchase Plan for holders of REIT Units, Series A and REIT Units, Series B.

The Distribution Reinvestment Plan allows unitholders, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee REIT reinvested in additional REIT Units, Series A. Unitholders, who so elect, receive an additional distribution of REIT Units, Series A equal to 4% of each cash distribution that was reinvested. A similar distribution reinvestment arrangement exists for holders of LP Class B Units, Series 1.

The Unit Purchase Plan allows existing unitholders to purchase additional REIT Units, Series A of Dundee REIT. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units, Series A that may be acquired.

No commissions, service charges or brokerage fees are payable by participants in connection with these plans.

**10. INTEREST**

Interest incurred, capitalized and charged to earnings is recorded as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2003	2002	2003		2002
	Dundee REIT Consolidated	Division of DRC Combined	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
			July 1 to Sept. 30	January 1 to June 30	
Interest expense incurred, at stated rate of debt	\$ 9,017	\$ 8,883	\$ 9,017	\$ 17,965	\$ 26,192
Amortization of deferred financing costs	285	211	285	465	523
Marked-to-market adjustment to rate	(75)	(83)	(75)	(155)	(251)
Interest capitalized	-	-	-	-	(176)
<b>INTEREST EXPENSE</b>	<b>\$ 9,227</b>	<b>\$ 9,011</b>	<b>\$ 9,227</b>	<b>\$ 18,275</b>	<b>\$ 26,288</b>

Certain debt assumed on acquisitions completed in prior years has been adjusted to fair value using the market interest rate at the time of the acquisition ("marked-to-market"). This marked-to-market adjustment is amortized to interest expense and principal repayments over the remaining life of the debt.

Interest capitalized includes interest on general and specific debt on revenue properties under development.

Cash interest paid in the three months ended September 30, 2003 is \$6,290 (three months ended September 30, 2002 - \$8,612; six months ended June 30, 2003 - \$20,928; nine months ended September 30, 2003 - \$26,128).

**11. NET INCOME PER UNIT**

For the three months ended September 30, 2003, the weighted average number of units outstanding was as follows:

	Units outstanding
REIT Units, Series A	9,381,232
LP Class B Units, Series 1	6,950,137
<b>Total weighted average number of units outstanding</b>	<b>16,331,369</b>

For the three months ended September 30, 2003, all 88,200 Deferred Trust Units were excluded from the computation of diluted per unit amounts because they would not have a dilutive effect.

**12. SEGMENTED INFORMATION**

The Trust's rental properties have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each. This segmentation is consistent with the method used by DRC in its annual audited financial statements for the year ended December 31, 2002.

The accounting policies of the segments are as described in the summary of significant accounting policies. 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

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

debt and is not specifically related to the segments. Similarly, income taxes, and general and administrative expenses are not allocated to the segment expenses. All inter-segment sales have been eliminated from the financial statements and the following tables.

**A. By Activity**

**Dundee REIT**

**For the Three Months Ended**

**September 30, 2003**

	Office	Industrial	Retail	Total
<b>OPERATIONS</b>				
Revenues	\$ 21,769	\$ 9,861	\$ 5,536	\$ 37,166
Operating expenses	(10,927)	(3,518)	(2,768)	(17,213)
Depreciation of rental properties	(1,234)	(646)	(386)	(2,266)
Amortization of deferred leasing costs	(767)	(378)	(247)	(1,392)
<b>SEGMENT INCOME</b>	<b>\$ 8,841</b>	<b>\$ 5,319</b>	<b>\$ 2,135</b>	<b>\$ 16,295</b>
<b>SEGMENT ASSETS</b>	<b>\$ 417,228</b>	<b>\$ 253,011</b>	<b>\$ 140,679</b>	<b>\$ 810,918</b>

**CAPITAL EXPENDITURES**

Investment in rental properties	\$ (745)	\$ (303)	\$ (305)	\$ (1,353)
Deferred leasing costs	(1,306)	(156)	(89)	(1,551)
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ (2,051)</b>	<b>\$ (459)</b>	<b>\$ (394)</b>	<b>\$ (2,904)</b>

**Division of DRC**

**For the Three Months Ended**

**September 30, 2002**

	Office	Industrial	Retail	Total
<b>OPERATIONS</b>				
Revenues	\$ 20,916	\$ 9,889	\$ 5,619	\$ 36,424
Operating expenses	(11,792)	(3,661)	(3,034)	(18,487)
Depreciation of rental properties	(1,147)	(580)	(253)	(1,980)
Amortization of deferred leasing costs	(705)	(334)	(162)	(1,201)
<b>SEGMENT INCOME</b>	<b>\$ 7,272</b>	<b>\$ 5,314</b>	<b>\$ 2,170</b>	<b>\$ 14,756</b>

**CAPITAL EXPENDITURES**

Investment in rental properties	\$ (1,369)	\$ (12)	\$ (1,054)	\$ (2,435)
Acquisition of rental properties	-	(679)	-	(679)
Deferred leasing costs	(799)	(224)	(616)	(1,639)
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ (2,168)</b>	<b>\$ (915)</b>	<b>\$ (1,670)</b>	<b>\$ (4,753)</b>

**Division of DRC**

**For the Six Months Ended**

**June 30, 2003**

	Office	Industrial	Retail	Total
<b>OPERATIONS</b>				
Revenues	\$ 42,965	\$ 19,760	\$ 11,815	\$ 74,540
Operating expenses	(23,874)	(8,260)	(6,359)	(38,493)
Depreciation of rental properties	(2,433)	(1,262)	(744)	(4,439)
Amortization of deferred leasing costs	(1,533)	(777)	(587)	(2,897)
<b>SEGMENT INCOME</b>	<b>\$ 15,125</b>	<b>\$ 9,461</b>	<b>\$ 4,125</b>	<b>\$ 28,711</b>
<b>SEGMENT ASSETS</b>	<b>\$ 417,222</b>	<b>\$ 253,456</b>	<b>\$ 140,661</b>	<b>\$ 811,339</b>

**CAPITAL EXPENDITURES**

Investment in rental properties	\$ (2,086)	\$ (1,688)	\$ (535)	\$ (4,309)
Acquisition of rental properties	-	(3)	(858)	(861)
Deferred leasing costs	(1,314)	(946)	(661)	(2,921)
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ (3,400)</b>	<b>\$ (2,637)</b>	<b>\$ (2,054)</b>	<b>\$ (8,091)</b>

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Division of DRC**  
**For the Nine Months Ended**  
**September 30, 2002**

	Office	Industrial	Retail	Total
<b>OPERATIONS</b>				
Revenues	\$ 62,540	\$ 28,766	\$ 17,358	\$ 108,664
Operating expenses	(33,018)	(11,178)	(9,489)	(53,685)
Depreciation of rental properties	(3,313)	(1,693)	(1,055)	(6,061)
Amortization of deferred leasing costs	(1,937)	(918)	(467)	(3,322)
<b>SEGMENT INCOME</b>	<b>\$ 24,272</b>	<b>\$ 14,977</b>	<b>\$ 6,347</b>	<b>\$ 45,596</b>

**CAPITAL EXPENDITURES**

Investment in rental properties	\$ (9,375)	\$ (105)	\$ (1,465)	\$ (10,945)
Acquisition of rental properties	(24)	(679)	(200)	(903)
Deferred leasing costs	(2,162)	(870)	(949)	(3,981)
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ (11,561)</b>	<b>\$ (1,654)</b>	<b>\$ (2,614)</b>	<b>\$ (15,829)</b>

**B. By Country**

**Dundee REIT**

**For the Three Months Ended September 30, 2003**

	Canada	U.S.	Total
<b>OPERATIONS</b>			
Revenues	\$ 34,686	\$ 2,480	\$ 37,166
Operating expenses	(15,866)	(1,347)	(17,213)
Depreciation of rental properties	(2,079)	(187)	(2,266)
Amortization of deferred leasing costs	(1,337)	(55)	(1,392)
<b>SEGMENT INCOME</b>	<b>\$ 15,404</b>	<b>\$ 891</b>	<b>\$ 16,295</b>
<b>SEGMENT ASSETS</b>	<b>\$ 750,799</b>	<b>\$ 60,119</b>	<b>\$ 810,918</b>

**CAPITAL EXPENDITURES**

Investment in rental properties	\$ (1,063)	\$ (290)	\$ (1,353)
Deferred leasing costs	(1,551)	-	(1,551)
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ (2,614)</b>	<b>\$ (290)</b>	<b>\$ (2,904)</b>

**Division of DRC**

**For the Three Months Ended September 30, 2002**

	Canada	U.S.	Total
<b>OPERATIONS</b>			
Revenues	\$ 33,613	\$ 2,811	\$ 36,424
Operating expenses	(16,898)	(1,589)	(18,487)
Depreciation of rental properties	(1,898)	(82)	(1,980)
Amortization of deferred leasing costs	(1,214)	13	(1,201)
<b>SEGMENT INCOME</b>	<b>\$ 13,603</b>	<b>\$ 1,153</b>	<b>\$ 14,756</b>

**CAPITAL EXPENDITURES**

Investment in rental properties	\$ (2,281)	\$ (154)	\$ (2,435)
Acquisition of rental properties	(679)	-	(679)
Deferred leasing costs	(1,289)	(350)	(1,639)
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ (4,249)</b>	<b>\$ (504)</b>	<b>\$ (4,753)</b>

**Division of DRC**

**For the Six Months Ended June 30, 2003**

	Canada	U.S.	Total
<b>OPERATIONS</b>			
Revenues	\$ 69,115	\$ 5,425	\$ 75,540
Operating expenses	(35,481)	(3,012)	(38,493)
Depreciation of rental properties	(4,055)	(384)	(4,439)
Amortization of deferred leasing costs	(2,792)	(105)	(2,897)
<b>SEGMENT INCOME</b>	<b>\$ 26,787</b>	<b>\$ 1,924</b>	<b>\$ 28,711</b>
<b>SEGMENT ASSETS</b>	<b>\$ 751,221</b>	<b>\$ 60,118</b>	<b>\$ 811,339</b>

**CAPITAL EXPENDITURES**

Investment in rental properties	\$ (3,987)	\$ (322)	\$ (4,309)
Acquisition of rental property	(861)	-	(861)
Deferred leasing costs	(2,751)	(170)	(2,921)
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ (7,599)</b>	<b>\$ (492)</b>	<b>\$ (8,091)</b>

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**Division of DRC**

**For the Nine Months Ended September 30, 2002**

	Canada	U.S.	Total
<b>OPERATIONS</b>			
Revenues	\$ 100,219	\$ 8,445	\$ 108,664
Operating expenses	(49,156)	(4,529)	(53,685)
Depreciation of rental properties	(5,519)	(542)	(6,061)
Amortization of deferred leasing costs	(3,256)	(66)	(3,322)
<b>SEGMENT INCOME</b>	<b>\$ 42,288</b>	<b>\$ 3,308</b>	<b>\$ 45,596</b>
<b>CAPITAL EXPENDITURES</b>			
Investment in rental properties	\$ (10,474)	\$ (471)	\$ (10,945)
Acquisition of rental properties	(903)	-	(903)
Deferred leasing costs	(3,463)	(518)	(3,981)
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>\$ (14,840)</b>	<b>\$ (989)</b>	<b>\$ (15,829)</b>

Reconciliations of segmented operating results and assets to net income and total assets are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2003	2002	2003	2002	
	Dundee REIT Consolidated	Division of DRC Combined	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
			July 1 to Sept. 30	January 1 to June 30	
<b>NET INCOME</b>					
Segment income	\$ 16,295	\$ 14,756	\$ 16,295	\$ 28,711	\$ 45,596
Interest expense	(9,227)	(9,011)	(9,227)	(18,275)	(26,288)
General and administrative expenses	(994)	(1,715)	(994)	(3,339)	(4,665)
Interest and fee income, net	190	260	190	656	711
Income taxes	18	(1,381)	18	(3,640)	(5,316)
<b>NET INCOME</b>	<b>\$ 6,282</b>	<b>\$ 2,909</b>	<b>\$ 6,282</b>	<b>\$ 4,113</b>	<b>\$ 10,038</b>

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002
<b>ASSETS</b>				
Segment assets	\$ 810,918	\$ 811,339	\$ 811,339	\$ 822,415
Deferred costs	36,120	34,802	34,802	31,725
Amounts receivable	6,459	6,172	5,866	5,582
Prepaid expenses	7,676	6,516	6,516	3,845
Cash and short-term deposits	8,459	4,681	4,681	5,644
<b>TOTAL ASSETS</b>	<b>\$ 869,632</b>	<b>\$ 863,510</b>	<b>\$ 863,204</b>	<b>\$ 869,211</b>

**13. OTHER 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.

At September 30, 2003, Dundee REIT, Dundee Properties Limited Partnership ("DPLP"), an indirect subsidiary, and Dundee Management Limited Partnership ("DMLP"), an entity under joint control with DRC, were parties to the following arrangements:

Master Property Management Agreement

DPLP has entered into a property management agreement ("Management Agreement") with DMLP to provide customary property management services to DPLP. The Management Agreement also authorizes DMLP, subject to certain restrictions, to contract on behalf of DPLP with third parties for the provision of certain services as provided for in DMLP's annual operating plan. DMLP is entitled to be reimbursed by DPLP for its reasonable costs for such services. The Management Agreement provides for a base management fee of 3.5% of gross revenues generated from the managed properties, as well as construction fees, and leasing administration fees for services provided.

This Management Agreement also provides that DRC will pay a rent supplement to DPLP for a five-year period in the case of certain specified office and retail premises and a three-year period in the case of

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

certain specified industrial premises. DRC will pay an amount equal to the difference between (i) the amount that is the "total net rent" less amortized leasing costs with respect to the specified premises plus the additional rents that would be payable with respect to such premises if such premises were leased pursuant to the applicable standard lease for each premises and (ii) the amount that is the actual base rent and additional rent received by DPLP for such premises, after deduction for amortization of leasing costs including, but not limited to, tenant inducements, landlords work, free rent and leasing commissions paid by DPLP to lease any such premises.

Administrative Services Agreement

Dundee REIT and certain subsidiaries have entered into an administrative services agreement ("Services Agreement") with DMLP whereby DMLP will provide certain administrative services to Dundee REIT and its subsidiaries. The Services Agreement provides for a broad range of management and general administrative services, certain asset management services and certain administrative and support services. The agreement provides for a fee sufficient to reimburse DMLP for the actual costs incurred and is not intended to have a profit component. In addition, DMLP will provide, for a fee, services related to property acquisition, property financing or refinancing and equity financing. DMLP has also entered into a similar administration and support services agreement with DRC to provide certain administration services to DRC and its subsidiaries ("DRC Services Agreement").

For the three months ended September 30, 2003, the portion of fees received from or paid to related parties under the above arrangements were as follows:

<u>Fees Received</u>	
Rent supplement, included in rental properties revenue	\$ 1,098
Fees received by Dundee REIT under the DRC Services Agreement, Services fees, netted against rental property operating expenses	\$ 113
<u>Fees Paid</u>	
Fees paid by Dundee REIT under the Management Agreement	
Management fees, included in rental property operating expenses	\$ 664
Construction fees, capitalized to the related assets	\$ 158
Lease administration fees, included in deferred leasing costs	\$ 97
Fees paid by Dundee REIT under the Services Agreement	
Acquisition and financing fees, capitalized to the related assets	\$ 107

Included in Amounts receivable is \$950 relating to the above agreements. At June 30, 2003, Amounts receivable included a demand promissory note from DRC for \$306 issued in exchange for 15,000 REIT Units, Series A. The demand promissory note was interest bearing at 5.05% and was repaid on August 29, 2003.

Included in Accrued liabilities and other payables is \$545 relating to the above agreements. In addition, there is a non-interest bearing note to DRC in the amount of \$1,760. This obligation was the result of certain cash balances included as part of the Transfer on June 30, 2003 and was repaid on November 6, 2003.

Substantially all of Dundee REIT's services are to be provided by DMLP and accordingly, Dundee REIT relies on DMLP to continue to provide such services.

**14. 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 financial statements of Dundee REIT.

**15. SUBSEQUENT EVENTS**

On October 8, 2003, Dundee REIT announced that it entered into an agreement to acquire the Palladium Corporate Centre, an office complex located in Ottawa, Ontario, for a purchase price of approximately \$37,200, subject to final adjustments and closing costs. The acquisition will be effected in two separate transactions. In the first transaction, the Trust acquired an interest in a second mortgage on the property for approximately \$2,900. In the second transaction, the Trust will acquire 100% of the property and assume existing first mortgages having an aggregate principal amount of approximately \$31,200. The second transaction is subject to further negotiation with the holder of the first mortgages and is expected to be completed by December 31, 2003.

**DUNDEE REAL ESTATE INVESTMENT TRUST**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

On October 15, 2003:

- 16,631 REIT Units, Series A and 63,765 LP Class B Units, Series 1 were issued under the Distribution Reinvestment Plan; and
- 9,651 REIT Units, Series A were issued under the Unit Purchase Plan.

On October 29, 2003, Dundee REIT entered into an underwriting agreement whereby Dundee REIT raised gross proceeds of \$56,420 on November 5, 2003 pursuant to a public offering (the "Offering") through the issuance of 2,600,000 REIT Units, Series A at a price of \$21.70 per unit. Costs related to the Offering, including underwriters' fees, are estimated to be \$4,821 and will be charged directly to Unitholders' equity. The net proceeds are intended to be used to repay certain indebtedness related to Dundee REIT's properties and for general purposes, including funding possible future acquisitions, including the acquisition of the Palladium Campus in Ottawa.

On November 13, 2003, the Trust announced it had entered into an agreement to acquire a 50% interest in the Telus Tower in Calgary, Alberta. The purchase price is approximately \$68 million and is to be financed through the assumption of an existing mortgage and approximately \$24 million in cash. The transaction is still subject to certain regulatory approvals and lender consent.