



## DUNDEE REIT POSTS STRONG Q2 2006 FINANCIAL RESULTS

*This news release contains forward looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release.*

**TORONTO, AUGUST 10, 2006 DUNDEE REIT (D.UN-TSX)** today posted strong financial results for the quarter ended June 30, 2006. Dundee REIT's management team will be holding a conference call to discuss the results on Friday, August 11, 2006 at 8:30 a.m. (ET). To access the conference call, please dial 416-695-5259 in Toronto and overseas or 1-888-789-0089 elsewhere in Canada and the United States. A taped replay of the call will be available from August 11, 2006 at 11:00 a.m. (ET) to August 18, 2006 at 11:59 p.m. (ET). Please dial 416-695-5275 or 1-888-509-0081 and use passcode 628099 to access the replay. The call will also be available via webcast at [www.dundeereit.com](http://www.dundeereit.com).

### FINANCIAL HIGHLIGHTS

- Q2 rental property revenues up 25% over Q2 2005 to \$66.1 million
- Q2 comparative properties net operating income ("NOI") up 4% to \$25.1 million, total NOI up 31%
- Q2 funds from operations ("FFO") up 37% to \$21.9 million, FFO per unit up 5% to \$0.67
- Occupancy remains strong at 95.9%
- Debt-to-gross book value down to 56.7% (48.5% excluding convertible debentures)
- Weighted average interest rate lowered to 6.03%
- \$385.6 million in acquisitions closed in Q2; gross book value now exceeds \$2 billion
- Market capitalization over \$1 billion

<b>SELECTED FINANCIAL INFORMATION</b> <small>(unaudited) (\$000's except unit and per unit amounts)</small>	<b>Three Months Ended June 30, 2006</b>	<b>Three Months Ended March 31, 2006</b>	<b>Three Months Ended June 30, 2005</b>	<b>Six Months Ended June 30, 2006</b>	<b>Six Months Ended June 30, 2005</b>
Rental property revenues	\$ 66,051	\$ 62,970	\$ 52,720	\$ 129,021	\$ 102,839
Net operating income ("NOI") <sup>(1)</sup>	38,307	34,914	29,293	73,210	56,069
Funds from operations ("FFO") <sup>(2)</sup>	21,929	19,282	15,952	41,211	31,310
Net income (loss)	(6,746)	3,189	3,420	(3,557)	7,101
Distributable income ("DI") <sup>(3)</sup>	20,499	17,980	14,209	38,480	27,893
Book value of rental properties	1,675,869	1,349,576	1,244,097		
Debt	1,161,923	975,544	886,733		
Debt-to-gross book value	56.7%	59.2%	60.7%		
<b>Per unit data (basic)</b>					
FFO	0.67	0.67	0.64	1.34	1.25
Net income (loss)	(0.23)	0.15	0.20	(0.14)	0.42
Distributable income	0.63	0.62	0.57	1.25	1.12
Distributions	0.55	0.55	0.55	1.10	1.10
<b>Units (period end)</b>					
REIT Units, Series A outstanding	27,136,213	20,767,852	16,904,915		
LP Class B Units, Series 1 outstanding	8,825,453	8,337,365	8,278,728		
Total number of units outstanding	35,961,666	29,105,217	25,183,643		
Occupied and committed space	95.9%	95.6%	95.8%		

"Our second quarter results support the soundness of our decisions to realign and grow our portfolio and to focus intensely on our operations. An impressive \$385.6 million of property acquisitions, strong occupancy, a lower weighted average interest rate and further improvements in our comparative NOI are just some of the highlights of this quarter," said Michael Cooper, Vice Chairman and Chief Executive Officer.

The Trust reported total NOI of \$38.3 million for the second quarter, up 31% largely as a result of additional revenue generated by acquisitions and improved occupancy as well as some increases in rental rates. NOI from comparative properties is up by 4% to \$25.1 million, reflecting improved occupancy in the Québec, National Capital Region and Toronto office portfolios and rising rental rates in the Alberta portfolio.

As a result of the growth in the Trust's office portfolio, net operating income from office assets was \$27.2 million, a 36% improvement over Q2 2005, and now represents approximately 73% of the total NOI. The NOI from the industrial portfolio was \$10.1 million, representing a 21% increase.

FFO was \$21.9 million, a 37% improvement largely as a result of the contribution from acquisitions, improved occupancy and a reduction in the weighted average interest rate. On a per unit basis, FFO increased by 5% to \$0.67 in the second quarter (2005 - \$0.64).

Participation in the Distribution Reinvestment Plan ("DRIP") remains high. At June 30, 2006, approximately 30% of the total units outstanding were enrolled in the DRIP, including 7% of REIT Units, Series A and 100% of LP Class B Units, Series 1. For the six month period, the Trust's cash distribution payout ratio was 66%.

## OPERATIONAL HIGHLIGHTS

- **Portfolio occupancy remains strong at 95.9%** - the overall percentage of occupied and committed space was 95.9% and the average in-place net rents increased to \$9.73 per square foot.

	Occupancy			Average In-place Net Rent (per sq. ft.)		
	June 30, 2006	Dec. 31, 2005	June 30, 2005	June 30, 2006	Dec. 31, 2005	June 30, 2005
Office	<b>96.1%</b>	96.3%	95.7%	<b>\$ 13.56</b>	\$ 13.58	\$ 13.68
Industrial	<b>95.7%</b>	96.2%	96.3%	<b>5.41</b>	5.24	5.13
Total	<b>95.9%</b>	96.2%	95.8%	<b>9.73</b>	9.33	9.23

## ACQUISITION HIGHLIGHTS

During the second quarter the Trust completed an impressive \$385.6 million of acquisitions, totalling 1.8 million square feet, which included two portfolio acquisitions in Western Canada. Among these acquisitions are six office buildings in Calgary and four office buildings in Yellowknife. "Approximately 40% of our assets are now located in Western Canada and benefiting from the accelerated growth in that region" said Michael Knowlton, President and Chief Operating Officer. The acquisitions completed during the second quarter have an average capitalization rate of 8.4% and an average lease term of 4.9 years.

Q2 2006 Acquisitions	Property Type	Interest Acquired	GLA (sq.ft.)	Occupancy on Acquisition	Purchase Price (\$000's)	Date Acquired
2440 Scanlan Street, London	industrial	100%	85,000	100%	\$ 6,266	April 20, 2006
Sherwood Place, Regina	office	100%	182,000	99%	33,090	April 21, 2006
1400 boul. de la Rive Sud, Québec	office	100%	77,000	100%	12,062	May 1, 2006
4255 14 <sup>th</sup> Avenue, Markham	industrial	100%	57,000	100%	5,914	May 1, 2006
Princeton Portfolio, Western Canada	office / industrial / land	100%	530,000	94%	96,818	May 17, 2006
10089 Jasper Avenue, Edmonton	development	100%	86,000	-	4,160	May 29, 2006
Barker Business Park (Phase II), Toronto	land	60%	-	-	8,994	June 7, 2006
Calgary Office Portfolio, Calgary	office	100%	822,000	98%	218,257	June 15, 2006
<b>Total</b>			<b>1,839,000</b>	<b>98%</b>	<b>\$ 385,561</b>	

Subsequent to quarter end, the Trust acquired 0.2 million square feet of properties for approximately \$26.9 million with an average capitalization rate of 8.8% and provided \$2.9 million in mezzanine financing to acquire a 60% interest in development land in suburban Toronto. In addition, the Trust has entered into various agreements to acquire approximately 0.4 million square feet of office properties for approximately \$43.8 million.

## DISPOSITION OF RETAIL ASSETS

During the quarter, the Trust sold Kameyosek Shopping Centre in Edmonton and a 50% interest in Greenbriar Mall in Atlanta. As part of the Greenbriar transaction, the new co-owner assumed the property management services for the mall and intends to redevelop this property. With the completion of these transactions Dundee REIT has realigned its portfolio and has exited the retail sector.

## CAPITAL INITIATIVES

- **New equity issues** – In April, the Trust completed a public offering of 2,520,000 REIT Units, Series A at a price of \$27.75 per unit for gross proceeds of \$69.9 million and in June completed another public offering of 3,560,000 REIT Units, Series A at a price of \$28.10 per unit for gross proceeds of \$100.0 million.

“With the success of our most recent equity issues, Dundee REIT has achieved a market capitalization of \$1 billion – a major milestone and critical goal we set out to achieve at the beginning of the year,” said Mr. Cooper.

- **Debt** – Dundee REIT’s debt renewals and new debt placed in the second quarter resulted in a further reduction of the weighted average interest rate by 8 basis points to 6.03% from 6.11% at March 31, 2006 (December 31, 2005 – 6.16%; June 30, 2005 – 6.24%). The Trust’s debt-to-gross book value decreased to 56.7% (December 31, 2005 - 59.3%; June 30, 2005 - 60.7%). The assumed conversion of all 6.5% and 5.7% Debentures would decrease the debt-to-gross book value to 48.5%.

## INTERNALIZATION OF PROPERTY MANAGER

On May 12, 2006, through its subsidiary Dundee Properties Limited Partnership (“DPLP”), Dundee REIT acquired Dundee Realty Corporation’s (“DRC”) 50% interest in Dundee Management Limited Partnership (“DMLP”), the entity, which provides the Trust with property management and real estate advisory services. The transaction was effective May 1, 2006 and increased Dundee REIT’s ownership of DMLP to 100%. The purchase price was \$12.4 million based on the issuance of 450,000 LP Class B Units, Series 1 of DPLP. The agreement provides for a maximum additional 100,000 LP Class B Units, Series 1 to be issued for \$2.8 million, contingent upon reaching acquisition objectives.

In conjunction with this transaction, DMLP and DRC agreed to extend the term of their agreement under which DMLP provides administrative and advisory services to DRC for an additional five years to June 30, 2013.

Information appearing in this news release is a select summary of results. The financial statements and management’s discussion and analysis for the Trust, as well as its Supplementary Information Package are available at [www.dundeereit.com](http://www.dundeereit.com) and on [www.sedar.com](http://www.sedar.com).

Dundee REIT is an unincorporated, open-ended real estate investment trust and is Canada’s leading provider of high quality, affordable business premises. It is focused on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada. Dundee’s portfolio consists of approximately 17.8 million square feet of gross leasable area, located primarily in its target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton. Its portfolio is well diversified by geographic location and tenant mix. For more information, please visit [www.dundeereit.com](http://www.dundeereit.com).

## FOOTNOTES

- (1) NOI – rental property operating revenue less rental property operating expenses.
- (2) FFO - net income, adjusted for future income tax, depreciation and amortization, gain (loss) on sale, provision for impairment in value of rental property, internalization of property manager, non-controlling interest, dilution gain and other amortization.
- (3) Distributable income is defined in our Declaration of Trust.

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

*This press release may contain forward-looking information within the meaning of applicable securities legislation. Forward looking information is based on 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; and interest and currency rate functions. Our objectives and forward-looking statements are based on certain assumptions, including that the general economy remains stable, interest rates remain stable, conditions within the real estate market remain consistent, competition for acquisitions remains consistent with the current climate and that the capital markets continue to provide ready access to equity and/or debt. All forward-looking*

*information in this press release speaks as of the date of this press release. 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 Dundee REIT's filings with securities regulators, including its latest annual information form and MD&A. These filings are also available at Dundee REIT's website at [www.dundeereit.com](http://www.dundeereit.com).*

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For further information, please contact:

Michael J. Cooper  
Vice Chairman and  
Chief Executive Officer  
(416) 365-5145  
[mcooper@dundeereit.com](mailto:mcooper@dundeereit.com)

J. Michael Knowlton  
President and  
Chief Operating Officer  
(416) 365-2325  
[mknowlton@dundeereit.com](mailto:mknowlton@dundeereit.com)

Mario Barrafato  
Senior Vice-President and  
Chief Financial Officer  
(416) 365-4132  
[mbarrafato@dundeereit.com](mailto:mbarrafato@dundeereit.com)