



DUNDEE REIT ACQUIRES 1.6 MILLION SQUARE FOOT PORTFOLIO

FOR IMMEDIATE RELEASE

Toronto, December 22, 2003, DUNDEE REAL ESTATE INVESTMENT TRUST (D.UN – TSX) announced today that it has entered into an agreement in respect of 1.6 million square feet of newly constructed office, industrial and flex space in the Calgary and Toronto markets and 28 acres of vacant development land in Toronto for total consideration of \$167 million. The transaction is structured as an acquisition of 1.525 million square feet of properties for \$155 million and a \$12.5 million mezzanine loan for the development assets, which include the vacant development land and a 73,000 square foot office building currently under construction. The transaction is scheduled to close in early 2004.

The portfolio of completed properties consists of nine flex industrial properties and three office properties in Calgary totalling approximately 596,000 square feet and three flex industrial properties, four industrial warehouse properties and one office property in Toronto totalling approximately 928,000 square feet. The average age of the buildings in the portfolio is about three years. They are all state-of-the-art facilities and are clustered in high-end business parks. There are currently 66 high-quality and diverse tenants in the portfolio, many with internationally recognizable names, such as Siemens, UPS, Bell Canada, Royal Bank and Pfizer.

The 28 acres of vacant development lands are adjacent to properties in the portfolio within Airport Corporate Centre West in Mississauga. The land is already serviced and can accommodate approximately 400,000 square feet of additional development. Dundee REIT has entered into a series of agreements with Pauls Properties Corporation, an affiliate of The Pauls Corporation, which provide Dundee with the first option to purchase the properties, once their development is complete, at a price that is below market value.

The portfolio of completed properties is expected to generate an unlevered return of 8.4% and a levered return in excess of 11.5%. Dundee REIT intends to acquire the 73,000 square foot office building under construction upon completion and to acquire a further 400,000 square feet as the land is developed into flex industrial space resulting in the acquisition of a total of 2 million square feet. The option to acquire the development assets upon completion at a price below market will contribute to the overall return of the portfolio.

As a result of the transaction, Dundee REIT will acquire properties that are an ideal fit with its existing portfolio and align with its strategy of owning and managing office and industrial properties in Montréal, Ottawa, Toronto, Calgary and Edmonton. New properties of such exceptional quality are rarely available in Toronto and Calgary, especially in one large portfolio. The properties will add to the REIT's current holdings in two of its key markets, they will improve the overall quality of its portfolio and will build upon its existing management platform. The acquisitions will also move Dundee REIT's portfolio closer to its target office/industrial mix. Further, the addition of these properties will lengthen the average lease term and increase the overall occupancy of the REIT's portfolio.

Since commencing operations as a REIT in July 2003, Dundee has acquired the Palladium Corporate Centre in Ottawa and a 50% interest in the Telus Tower in Calgary. Together with the transaction announced today, Dundee REIT's property acquisitions total \$260 million. These properties are all of extremely high quality and have low normalized leasing and maintenance capital expenditure requirements. They will generate an average yield of approximately 8.9% before debt and provide a return on equity of over 13%.

Once this transaction closes, Dundee REIT will have a total portfolio of 13.2 million square feet, including 4.3 million square feet of office, 7.5 million square feet of industrial and 1.4 million square feet of retail properties. The acquisitions will increase Dundee REIT's average stabilized portfolio occupancy to 94.3% from 93.6%, its average lease term will increase by 12% to 4.43 years from 3.97 years and the average net rent of its properties will increase to \$7.92 per square foot from \$7.39.

The acquisition will be financed from cash on hand, assumed debt of approximately \$65.7 million at an average interest rate of 6.21% and the balance will be available from operating and acquisition credit facilities.

Flex space offers the most affordable business premises for tenants. Features of flex space include upgraded industrial space with a large office component including high ceilings and the flexibility to create unique, non-traditional work environments. Tenants benefit from easy access to their space, generous free parking, lower taxes and greater control over operating costs and security.

Pauls Properties Corporation is the dominant flex landlord in Canada, and has used its experience and expertise as a major player in the U.S. to deliver a superior product to the Canadian marketplace. Throughout Canada and the U.S., Pauls has demonstrated that flex space provides proven work environments and improves worker productivity.

Dundee REIT is an unincorporated, open-ended real estate investment trust. We are a provider of high quality, affordable business premises. We focus on owning, acquiring, leasing and managing mid-sized urban and suburban office and industrial properties in Canada. Our diversified portfolio consists of approximately 11.7 million square feet of gross leasable area, located primarily in our target markets of Toronto, Ottawa, Montréal, Calgary and Edmonton. Our portfolio is well diversified by asset type, geographic location and tenant mix. For more information, please visit www.dundeereit.com.

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