



## DUNDEE REIT DECEMBER 31, 2003 FINANCIAL RESULTS

Toronto, February 19, DUNDEE REIT (D.UN-TSX) today reported its financial results for the year ended, December 31, 2003.

### SELECTED FINANCIAL INFORMATION

(unaudited) (in thousands of dollars)

2003

Rental property revenues	\$ 78,162
Net operating income <sup>(1)</sup>	40,786
Funds from operations <sup>(2)</sup>	21,150
Net Income	12,173
Distributable income <sup>(3)</sup>	21,310
Book value of rental properties	915,050
Debt	582,492
<b>Per unit data</b>	
Net income	\$ 0.71
Distributable income	1.23
Cash distributions	1.10
<b>Units</b>	
REIT Units, Series A outstanding	12,094,217
LP Class B Units, Series 1 outstanding	7,211,431
Total number of units outstanding	<u>19,305,648</u>
Payout ratio of cash distributions	89%
Occupancy rate	92.7%

Michael Cooper, President and Chief Executive Officer and Jeff Barnes, Executive Vice-President and Chief Financial Officer will be holding a conference call to discuss the results on Friday, February 20, 2004 at 11:00 a.m. (ETN). To access the conference call please dial (416) 641-6680 in Toronto and overseas or 1-800-724-7043 elsewhere in Canada and the United States. A taped replay of the call will be available from February 20, 2004 at 1:00 p.m. (ETN) to February 27, 2004 at 11:59 p.m. (ETN). Please dial (416) 626-4100 and enter pass code 21185848.

### FINANCIAL HIGHLIGHTS

- **Rental properties NOI \$76.8 million** – NOI increased \$3.8 million or 5% over the same period last year as a result of a 4% increase in the contribution from the office sector and \$2.2 million of rent supplement. Comparative Canadian properties increased by 4% or \$2.5 million over the prior year while U.S. properties declined \$1.1 million or 19% primarily due to fluctuations in the exchange rate.
- **Distributable income (“DI”) was \$21.3 million** – In the six months ended December 31, 2003, Dundee REIT generated \$21.3 million of distributable income, representing \$1.23 per REIT Unit, Series A. The Trust paid out \$1.10 per REIT Unit, Series A representing a payout ratio of 89%. In the fourth quarter the Trust generated \$11.8 million in DI, an increase of 13% over the \$10.5 million reported in the third quarter. On a per unit basis, DI for the fourth quarter was lower than in the third quarter due to the issuance of additional equity that was not fully deployed by year end.
- **Distribution Reinvestment and Unit Purchase Plan (“DRIP”) enrolment is high** – In connection with the distributions paid to all unitholders for the month of December, 49.5% of the total amount of the distributions were reinvested in additional units.

## PORTFOLIO

- **Overall weighted average percentage of occupied and committed space has remained high at 92.7% as of January 1, 2004** – Occupancy across Dundee REIT's stabilized industrial portfolio was 93.1%, the office portfolio was 92.4% and retail was 92.5%. The average rent across the portfolio was \$8.43 per square foot and this compares to the Trust's estimated current average market rate of \$8.80, representing a discount of about 4%.

## OPERATIONAL HIGHLIGHTS

### *Acquisition Activity*

- **Telus Tower, Calgary** – On December 3, 2003, the Trust completed the purchase of a 50% interest in the 28 storey, 705,000 square foot Telus Tower in Calgary, Alberta for approximately \$68 million. Our strategic partner for this acquisition, H&R Real Estate Investment Trust, acquired the remaining 50% and also manages the building. The Telus Tower was constructed in 1981 and is a Class A office tower located on the edge of the financial core of downtown Calgary. Telus Communications leases approximately 93% of the building until 2016 and the balance of the building is leased to the Government of Alberta and local tenants.
- **Palladium Campus, Ottawa** – On November 27, 2003, the Trust completed the purchase of the Palladium Campus, a 229,000 square foot Class A office complex located in suburban Ottawa, Ontario for approximately \$37 million. The three building complex was completed in 2001 and is currently leased to three high quality tenants, IBM, DRS Technologies and Spirent Communications, with all three leases running until 2011.
- **Agreement to acquire a 1.6 million square foot portfolio** – On December 19, 2003, the Trust entered into an agreement with a private developer to acquire 1.5 million square feet of newly constructed office, industrial and flex space in the Calgary and Toronto markets, collectively, with the buildings under construction described below, for a purchase price of approximately \$155 million. The acquisition is conditional on the lenders' consent to the Trust's assumption of the assumed debt and the release of the private developer from such indebtedness and other customary conditions.

The portfolio 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. Dundee REIT believes that this portfolio of properties will generate an unlevered return of 8.4% and a levered return in excess of 11.5% over the first 12 months following the acquisition. The average age of the buildings in the portfolio is about three years. There are currently 66 tenants in the portfolio.

As part of the agreement, Dundee REIT also has an option to acquire at a discount to the then current market value (i) a 73,000 square foot office building presently under construction in Mississauga upon its completion and leasing and (ii) up to 400,000 square feet of flex industrial buildings in Mississauga upon their completion and leasing. The Trust has agreed to provide an initial mezzanine loan of approximately \$12.5 million to the private developer to complete and lease the existing building as well as additional loans not exceeding an aggregate of \$1.5 million to assist in the development and leasing of the other buildings to be constructed. Assuming these additional acquisitions are completed, Dundee REIT will have added a total of approximately 2 million square feet of office, industrial and flex space to its portfolio.

Together, these properties represent acquisitions of more than \$260 million for Dundee REIT. These properties are all of extremely high quality and have low normalized leasing and maintenance capital expenditure requirements. The acquisitions are consistent with the REIT's strategy of acquiring high quality office and industrial properties in Canada's largest markets as well as increasing the average rent and lease term while reducing the overall average cost and increasing the average term to maturity of the REIT's debt.

**Disposition subsequent to year-end - Centennial Mall, Brampton** – On February 11, 2004, the Trust and its partners sold Centennial Mall, a 178,000 square foot enclosed community shopping centre located in Brampton, Ontario. The REIT received gross proceeds of \$6.0 million for its 50% interest in the property and, after repayment of debt, recorded a net gain of approximately \$0.1 million.

## CAPITAL INITIATIVES

- **New equity issue** – On November 5, 2003 the Trust completed an offering of 2,600,000 REIT Units, Series A at \$21.70 per Unit for gross proceeds of \$56.4 million, including \$5.1 million arising from the exercise of the over-allotment option by the underwriters.
- **New equity issue subsequent to year-end** – On February 19, 2004, the Trust completed a public offering of 4,537,000 REIT Units, Series A at \$24.25 per Unit for gross proceeds of \$110.0 million. The offering was completed through a syndicate of underwriters led by TD Securities Inc. and Scotia Capital Inc., and including BMO Nesbitt Burns Inc., Dundee Securities Corporation, National Bank Financial Inc. and CIBC World Markets. The gross proceeds include \$10.0 million arising from the exercise of the over-allotment option by the underwriters.  
Dundee REIT intends to use the net proceeds of this offering for general purposes, including the financing of the previously announced Pauls Portfolio acquisition.
- **Debt** – Dundee REIT's weighted average interest rate is 6.93% as at December 31, 2003 (September 30, 2003 – 7.14%, June 30, 2003 – 7.19%, December 31, 2002 – 7.24%) and the weighted average term to maturity is 54 months (2002 – 51 months).

## OUTLOOK

While we are pleased with our success so far, we recognize that credibility can only come with history and an established track record of delivering predictable and sustainable financial results and cash distributions. To this end, we will continue to grow internally by anticipating and meeting the needs of our tenants so that when their leases expire they will want to renew with us. We will continue to manage our portfolio actively – finding opportunities to enhance operational efficiencies and to increase revenue from our assets. We will also grow through the acquisition of assets in our target markets.

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](http://www.dundeereit.com).

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

## FOOTNOTES

- (1) NOI - revenue less operating expenses.
- (2) FFO - net income, adjusted for future income tax, depreciation and amortization, and gain (loss) on sale and provision for diminution in value of assets.
- (3) Distributable income is not a measure defined by generally accepted accounting principles and therefore may not be comparable to similar measures presented by other real estate investment trusts. Distributable income is defined in our Declaration of Trust.

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

*All statements in this press release that do not directly and exclusively relate to historical facts constitute forward-looking statements. These statements represent Dundee Real Estate Investment Trust's intentions, plans, expectations, and beliefs, and are subject to risks, uncertainties, and other factors, of which many are beyond the control of the Trust. These factors could cause actual results to differ materially from such forward-looking statements. Dundee Real Estate Investment Trust disclaims any intention or obligation to update or revise any forward-looking statements, as a result of new information, future events or otherwise.*

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