



## DUNDEE REIT DECEMBER 31, 2005 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, February 23, 2006 DUNDEE REIT (D.UN-TSX)** today reported strong financial results for the year ended December 31, 2005.

- **Q4 rental property revenues up 22% to \$60.6 million over prior year fourth quarter**
- **Q4 net operating income up 28% to \$33.4 million over prior year fourth quarter**
- **Q4 funds from operations up 26% to \$17.8 million over prior year fourth quarter**
- **Year end occupancy rises to 96.2%, the eighth consecutive quarterly increase**
- **Year end debt-to-gross book value 59.3% (48.4% excluding convertible debentures)**
- **Year end weighted average interest rate reduced to 6.16% (December 31, 2004 – 6.62%)**
- **\$350.6 million in acquisitions completed in 2005 at an average cap rate of approximately 8.4%**

Management of Dundee REIT will be holding a conference call to discuss the results tomorrow, Friday, February 24, 2006 at 8:00 a.m. (EST). To access the conference call, please dial 416-695-7848 in Toronto and Overseas or 1-877-888-4483 elsewhere in Canada and the United States. A taped replay of the call will be available from February 24, 2006 at 10:00 a.m. (EST) to March 3, 2006 at 11:59 p.m. (EST). To access the replay, please dial 416-695-5275 or 1-888-509-0081 and use reservation number T612162D.

SELECTED FINANCIAL INFORMATION (\$000's except unit and per unit amounts)	Three Months Ended			Twelve Months Ended	
	December 31, 2005	September 30, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Rental property revenues	\$ 60,630	\$ 57,619	\$ 49,643	\$ 221,576	\$ 185,483
Net operating income ("NOI") <sup>(1)</sup>	33,351	32,310	26,080	122,035	101,183
Funds from operations ("FFO") <sup>(2)</sup>	17,839	17,181	14,202	66,330	59,141
Net income (loss)	(5,015)	2,223	3,027	4,309	4,353
Distributable income ("DI") <sup>(3)</sup>	16,546	15,990	13,291	60,428	53,431
Book value of rental properties	1,328,395	1,282,168	1,057,231		
Debt	943,621	936,236	693,155		
Debt-to-gross book value	59.3%	61.7%	55.2%		
<b>Per unit data (basic)</b>					
FFO	0.68	0.68	0.58	2.61	2.50
Net income (loss)	(0.28)	0.13	0.18	0.25	0.27
Distributable income	0.63	0.63	0.54	2.38	2.26
Distributions	0.55	0.55	0.55	2.20	2.20
<b>Units (period end)</b>					
REIT Units, Series A outstanding	20,449,209	17,204,683	16,819,963		
LP Class B Units, Series 1 outstanding	8,337,365	8,337,365	7,924,084		
Total number of units outstanding	28,786,574	25,542,048	24,744,047		
Occupied and committed space	96.2%	96.1%	94.5%		

"Our business has improved dramatically over the last twelve months," said Michael Cooper. "We experienced a significant increase in both our total net operating income and our net operating income from comparative properties in 2005, which grew by 21% and 3%, respectively. Our total funds from operations increased by 12% to \$66.3 million. On a per unit basis, FFO increased by 4% from a year earlier. These improvements, together with numerous acquisitions completed and currently in our pipeline, have positioned us as a more competitive investment vehicle."

## ANNOUNCEMENT BY THE BOARD OF TRUSTEES

The Board of Trustees of Dundee REIT is pleased to announce the appointment of J. Michael Knowlton as President and Chief Operating Officer of the Trust. In his new role Mr. Knowlton will be responsible for the daily operation of the business and will also focus on acquisitions and external relationships. Since 1999, Mr. Knowlton has served as Executive Vice President and Chief Operating Officer of Dundee REIT or its predecessor, responsible for Dundee's property management operations. In September 2004, Mr. Knowlton assumed the position of Chief Financial Officer, responsible for all financial accounting and reporting, treasury and finance functions. Mr. Knowlton has 19 years of experience in the real estate industry.

In addition, the Board is pleased to announce the appointment of Mario Barrafato as Chief Financial Officer of the Trust. In his new role Mr. Barrafato will be responsible for all financial accounting and reporting, as well as finance functions. Mr. Barrafato first joined Dundee in 2001 as Vice President, Taxation, responsible for all taxation matters and played a key role in the restructuring of the Dundee Realty commercial revenue property business into Dundee REIT. Since July 2003 Mr. Barrafato has served as Senior Vice President and Controller in which capacity he implemented fundamental aspects of the investment trust structure and lead the financial planning, financing reporting, accounting and compliance functions for the Trust.

Michael Cooper will continue as the Chief Executive Office of Dundee REIT and will remain focused on strategy, acquisitions, capital markets and investor relationships. In addition, the Board of Trustees has appointed Mr. Cooper as Vice Chairman of the Board. "I am very excited about these appointments," said Mr. Cooper. "The positions that Michael and Mario have accepted today actually recognize the roles that they have been fulfilling for some time," added Mr. Cooper.

## FINANCIAL HIGHLIGHTS

- **\$350.6 million of acquisitions completed in 2005** - Dundee REIT acquired \$350.6 million of high quality office, industrial and flex space properties comprising approximately 3.0 million square feet. The impact of these acquisitions contributed to the approximate 22% quarterly increase in rental property revenues year over year and a 19% increase for the twelve-month period.
- **Rental properties NOI up 28% to \$33.4 million** - rental properties NOI increased by 28% over the prior year fourth quarter and by 21% for the twelve-month period. Acquisitions were the primary driver behind this growth, contributing \$11.6 million and \$36.6 million to the NOI for the three- and twelve-month periods.
- **Comparative properties NOI up 8% to \$20.5 million** - growth in comparative NOI of 8% and 3% for the three- and twelve-month periods, respectively, is mainly reflective of increased occupancy in the Ontario and Alberta office portfolios and the Alberta industrial portfolio.
- **Funds from operations grew by 26% to \$17.8 million** - funds from operations grew by 26% to \$17.8 million compared to the fourth quarter 2004, largely as a result of acquisitions as well as improved occupancy rates. On a per unit basis, FFO in the fourth quarter was \$0.68, a substantial increase over the \$0.58 recorded in the fourth quarter 2004.
- **Distribution Reinvestment and Unit Purchase Plan ("DRIP") enrolment is high** - at December 31, 2005, approximately 43% of the total units outstanding were enrolled in the DRIP, including 19% of REIT Units, Series A and 100% of LP Class B Units, Series 1. As a result of this high level of participation in the DRIP, the Trust's cash payout ratio for distributions was 57.0% for 2005.
- **Taxation of distributions** – 65.8% of distributions paid to Unitholders in respect of the tax year ending December 31, 2005 are tax deferred. Management estimates that approximately 65% of the distributions to be made by the Trust in 2006 will be tax deferred.

## OPERATIONAL HIGHLIGHTS

**Portfolio occupancy rises to 96.2%** – the overall weighted average percentage of occupied and committed space increased to 96.2%, Dundee REIT's eighth consecutive quarterly increase, and average in-place net rents grew by 3% to \$9.33 per square foot compared to rates at the end of 2004.

	Occupancy		Average In-place Net Rent (per sq. ft.)	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
Office	95.8%	93.6%	\$14.14	\$14.35
Industrial	96.5%	95.2%	5.94	5.78
Retail	94.8%	93.3%	8.89	9.10
Total	96.2%	94.5%	9.33	9.06

## ACQUISITION HIGHLIGHTS

### 2005 Acquisition Activity

During the year, Dundee REIT completed \$350.6 million of acquisitions comprising approximately 3.0 million square feet. These properties are all of very 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. Due to an increasingly competitive acquisition market, Dundee REIT has also started to look beyond its existing markets for accretive investments. The table below highlights the acquisitions completed in the fourth quarter 2005:

Acquisitions during the fourth quarter 2005	Location	Property Type	Interest Acquired	Acquired GLA (sq.ft.)	Occupancy on Acquisition	Purchase Price (\$000's)	Date Acquired
ACC Centre	Calgary	industrial	100%	65,000	95%	\$ 6,884	November 8, 2005
35 Fitzgerald Road	Ottawa	office	100%	63,000	100%	11,927	November 9, 2005
2695 avenue Dollard	Montréal	industrial	100%	71,000	100%	4,601	November 17, 2005
Palladium Phase III Land	Ottawa	held for development	100%	-	-	833	December 16, 2005
3820 Commerce Road and 147 Massey Road	London & Guelph	industrial	100%	81,000	100%	8,134	December 20, 2005
3915 Commerce Road	London	industrial	100%	83,000	100%	6,586	December 23, 2005
Entrust Tower	Ottawa	office	100%	146,000	100%	32,590	December 23, 2005
Total				509,000		\$ 71,555	

### 2006 Acquisition Activity

So far in 2006, Dundee REIT has completed \$31.4 million of acquisitions with an average lease term of 6.4 years. Dundee REIT also has approximately \$158.2 million of office and industrial properties comprising 1.0 million square feet under contract and subject to various conditions. In addition, the Trust expects to close the purchase of properties developed with the Paul's Group at the Airport Corporate Centre near Toronto's Pearson International Airport. "These acquisitions should add additional \$55.0 million of high quality assets to our portfolio in the second half of 2006. We are very pleased with our opportunities to grow this year. With three acquisitions already completed, and several more under contract, we are confident that the quality and volume of our acquisition activity in 2006 will match that of last year," said Mr. Cooper.

Acquisitions completed in 2006	Location	Property Type	Interest Acquired	GLA (sq.ft.)	Occupancy	Purchase Price (\$000's)	Date Acquired
1919 84 <sup>th</sup> Avenue (Park 19)	Edmonton	industrial	100%	48,000	99%	\$ 2,730	January 10, 2006
70 Disco Road	Toronto	industrial	100%	99,000	100%	7,598	January 12, 2006
SEC Portfolio *	Québec	office and industrial	100%	265,000	99%	21,063	January 27, 2006
Total				412,000		\$ 31,391	

\* A 12 property portfolio mainly located in the greater metropolitan areas of Montréal and Québec City

### Disposition Activity

Consistent with the Trust's strategy to reduce its retail segment, the sale of Simcoe Town Centre, a 128,000 square foot retail property located in Norfolk, Ontario, was completed on November 15,

2005. Dundee REIT received gross proceeds of approximately \$6.2 million, of which \$5.4 million was used to retire outstanding debt. The Trust is also presently negotiating the sale of 50% of Greenbriar Mall in Atlanta, Georgia, the larger of two remaining retail properties. As a result of this pending sale, the Trust recorded an impairment charge of \$11.5 million in the fourth quarter of 2005. With the completion of the sale of the 50% interest in Greenbriar Mall, Dundee REIT will have reduced its retail segment to about 2% from approximately 29% of the total book value of retail assets owned by its predecessor company in 1998.

## CAPITAL INITIATIVES

- **New equity issue** – On December 14, 2005, the Trust completed a public offering for gross cash proceeds of \$65.0 million through the issuance of 2,600,000 REIT Units, Series A at a price of \$25.00 per unit. On December 22, 2005, Dundee REIT issued an additional 390,000 REIT Units, Series A for gross proceeds of approximately \$9.8 million, increasing the total gross proceeds of the offering to approximately \$74.8 million
- **Debt** – Dundee REIT's debt renewals and new debt placed to finance property acquisitions in 2005 resulted in a reduction of the weighted average interest rate to 6.16% as at December 31, 2005 (December 31, 2004 – 6.62%) and a longer weighted average term to maturity of 5.9 years (2004 – 5.4 years). "Due to the high level of convertible debt, Dundee REIT has made the conscious decision to increase its target debt range from 55% - 60% to 57% - 63%," said Mr. Knowlton. At December 31, 2005, Dundee REIT's debt-to-gross book value was 59.3% (December 31, 2004 – 55.2%). The assumed conversion of all the 6.5% and 5.7% Debentures would decrease the debt-to-gross book value to 48.4%.
- **Convertible Unsecured Debenture Issue** – On April 1, 2005, the Trust completed a public offering of \$100.0 million principal amount of convertible unsecured subordinated debentures (the "5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31st and December 31st each year, and mature on March 31, 2015. Each 5.7% Debenture is convertible into 33.33 REIT Units, Series A per \$1,000 of face value, representing a conversion price of \$30.00 per unit. The 5.7% Debentures may not be redeemed prior to March 31, 2009. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% Debenture may be redeemed by the Trust in whole or in part at a price equal to the principal amount plus accrued and unpaid interest.

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. 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 16.0 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).

## 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, non-controlling interest, dilution gain and other amortization.
- (3) DI is defined in our Declaration of Trust and has been restated for 2004 using the new definition for distributable income as outlined in Appendix A of the Trust's Management Information Circular dated March 14, 2005.

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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