



DUNDEE REIT BUYS PROPERTY MANAGER, POSTS STRONG Q1 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, MAY 4, 2006 DUNDEE REIT (D.UN-TSX) today announced the internalization of the property manager for approximately \$13.25 million. The Trust also posted strong financial results for the quarter ended March 31, 2006, including 6% growth in comparative property net operating income. With 70% of net operating income now generated by its office portfolio, which will continue to increase as a result of the \$231.8 million of acquisitions under contract or closed subsequent to quarter-end, Dundee is now the only Canadian national office REIT.

WEBCAST

Dundee REIT's management team will discuss the financial results, the internalization of the property manager and its strategy at its annual meeting, being held at 4:00 p.m. today at the TSX Broadcast Centre - Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario. Scheduled speakers include Michael Cooper, Vice Chairman and Chief Executive Officer, Michael Knowlton, President and Chief Operating Officer and Mario Barrafato, Senior Vice-President and Chief Financial Officer. The meeting will also be webcast. To access the webcast, visit the Trust's web site (www.dundeereit.com) or cut and paste the following link into your browser: <http://events.onlinebroadcasting.com/dundeereit/050406/index.php>.

FINANCIAL HIGHLIGHTS

- **Q1 rental property revenues up 26% to \$63.2 million over Q1 2005**
- **Q1 comparative properties net operating income ("NOI") up 6% to \$26.1 million, total NOI up 30%**
- **Q1 funds from operations ("FFO") up 26% to \$19.3 million, FFO per unit up 8% to \$0.67**
- **Occupancy remains strong at 95.6%**
- **Debt-to-gross book value 59.2% (48.8% excluding convertible debentures)**
- **Weighted average interest rate lowered to 6.11%**
- **\$263.2 million in acquisitions closed or under contract in 2006**

SELECTED FINANCIAL INFORMATION (unaudited) (\$000's except unit and per unit amounts)	Three Months Ended March 31, 2006	Three Months Ended December 31, 2005	Three Months Ended March 31, 2005
Rental property revenues	\$ 63,238	\$ 60,630	\$ 50,354
Net operating income ("NOI") ⁽¹⁾	35,074	33,351	26,933
Funds from operations ("FFO") ⁽²⁾	19,282	17,839	15,358
Net income (loss)	3,189	(5,015)	3,681
Distributable income ("DI") ⁽³⁾	17,980	16,546	13,684
Book value of rental properties	1,349,576	1,328,395	1,095,770
Debt	975,544	943,621	731,183
Debt-to-gross book value	59.2%	59.3%	56.4%
Per unit data (basic)			
FFO	0.67	0.68	0.62
Net income (loss)	0.15	(0.28)	0.22
Distributable income	0.62	0.63	0.55
Distributions	0.55	0.55	0.55
Units (period end)			
REIT Units, Series A outstanding	20,767,852	20,449,209	16,855,254
LP Class B Units, Series 1 outstanding	8,337,365	8,337,365	8,098,025
Total number of units outstanding	29,105,217	28,786,574	24,953,279
Occupied and committed space	95.6%	96.2%	95.2%

The Trust reported total NOI of \$35.1 million for the first quarter, up 30% or \$8.1 million from Q1 2005 driven primarily by additional revenue generated by acquisitions as well as higher occupancy rates. NOI from comparative properties is up by 6% to \$26.1 million largely reflecting increased occupancy in the Ontario and Alberta office portfolios and the Alberta industrial portfolio. FFO grew by 26% to \$19.3 million, largely as a result of acquisitions, improved occupancy rates and a reduction in the weighted average interest rate. On a per unit basis, FFO in the first quarter increased by 8% to \$0.67 (2005 - \$0.62).

As a result of the growth in the Trust's office portfolio, net operating income from office assets grew to \$24.4 million, representing approximately 70% of total NOI. Once Dundee REIT completes the \$135.4 million of office acquisitions it presently has under contract, in addition to the \$45.5 million completed subsequent to quarter end, NOI from the office segment is expected to constitute approximately 75% of total NOI.

"We have spent a great deal of our time realigning our portfolio over the past few years," said Michael Cooper, Vice Chairman and Chief Executive Officer. Mr. Cooper went on to add that "as a result of our efforts, we have virtually eliminated the retail component of our portfolio and have now completed the transition from the choppy earnings that resulted from selling high yielding but weak assets, to the more predictable earnings that have resulted from acquiring the high quality and dependable assets that now round out our portfolio. What has emerged is a strong national portfolio with a significant concentration in office product, particularly in Central and Western Canada."

Participation in the Distribution Reinvestment Plan ("DRIP") remains high. At March 31, 2006, approximately 36% of the total units outstanding were enrolled in the DRIP, including 10% of REIT Units, Series A and 100% of LP Class B Units, Series 1. As a result, the Trust's cash distribution payout ratio was 64%.

OPERATIONAL HIGHLIGHTS

- **Portfolio occupancy remains strong at 95.6%** - the overall percentage of occupied and committed space was 95.6% and the average in-place net rents remained stable at \$9.32 per square foot.

	Occupancy			Average In-place Net Rent (per sq. ft.)		
	March 31, 2006	Dec. 31, 2005	March 31, 2005	March 31, 2006	Dec. 31, 2005	March 31, 2005
Office	96.1%	96.3%	94.7%	\$ 13.47	\$ 13.58	\$ 13.62
Industrial	95.2%	96.2%	96.0%	5.34	5.24	5.02
Retail	94.8%	94.8%	92.4%	8.87	8.89	9.11
Total	95.6%	96.2%	95.2%	9.32	9.33	9.05

ACQUISITION HIGHLIGHTS

In Q1, Dundee REIT acquired three properties comprising \$31.4 million. These acquisitions have an average capitalization rate of 8.8% and an average lease term of 6.4 years. Subsequent to quarter end, the Trust acquired four additional properties for \$57.7 million with an average capitalization rate of 8.1%. The properties are all of very high quality and have low normalized leasing and maintenance capital expenditure requirements. Mr. Cooper advised "these acquisitions are consistent with our strategy of becoming Canada's national office REIT."

In addition, the Trust has entered into various agreements to acquire approximately 1.1 million square feet of office properties for approximately \$135.4 million and 0.2 million square feet of industrial properties as well as some land to be held for development for approximately \$38.8 million. The emphasis of the Trust's acquisition program is currently on office product, particularly in Western Canada. "Our portfolio has evolved over time to the point where we are now a significant owner in the Western Canadian office market," said Mr. Knowlton.

Dundee REIT also expects to acquire the properties developed with the Pauls Properties Corporation at the Airport Corporate Centre near Toronto's Pearson International Airport in the second half of 2006. This will add another 345,000 square feet of high quality office assets to the Trust's portfolio.

Q1 2006 Acquisitions	Location	Property Type	Interest Acquired	GLA (sq.ft.)	Occupancy	Purchase Price (\$000's)	Date Acquired
1919 84 th Avenue (Park 19)	Edmonton	industrial	100%	48,000	100%	\$ 2,726	January 10, 2006
70 Disco Road	Toronto	industrial	100%	99,000	100%	7,577	January 12, 2006
SEC Portfolio *	Québec	office and industrial	100%	265,000	99%	21,063	January 27, 2006
Total				412,000		\$ 31,366	

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

Subsequent to Q1 2006	Location	Property Type	Interest Acquired	GLA (sq.ft.)	Occupancy	Purchase Price (\$000's)	Date Acquired
2440 Scanlan Road	London	Industrial	100%	85,000	100%	\$ 6,283	April 20, 2006
Sherwood Place	Regina	Office	100%	182,000	99%	33,416	April 21, 2006
4255 14 th Avenue	Toronto	Industrial	100%	57,000	100%	5,908	May 1, 2006
1400 boul. de la Rive-Sud	Québec City	Office	100%	77,000	100%	12,057	May 1, 2006
				401,000		\$ 57,664	

CAPITAL INITIATIVES

- **New equity issue** – Subsequent to quarter end, on April 7, 2006, the Trust completed a public offering of 2,200,000 REIT Units, Series A at a price of \$27.75 per unit for gross proceeds of \$61.0 million. On April 28, 2006, the Trust issued an additional 320,000 REIT Units, Series A for gross proceeds of approximately \$8.9 million, increasing the total gross proceeds of the offering to approximately \$69.9 million. The proceeds from the offering will be used for general trust purposes, including for funding acquisitions.
- **Debt** – Dundee REIT's debt renewals and new debt placed in the first quarter resulted in a further reduction of the weighted average interest rate by 5 basis points to 6.11% from 6.16% at December 31, 2005 (March 31, 2005 – 6.51%). The Trust's debt-to-gross book value was 59.2% (March 31, 2005 – 56.4%). The assumed conversion of all the 6.5% and 5.7% Debentures would decrease the debt-to-gross book value to 48.8%.

INTERNALIZATION OF PROPERTY MANAGER

Dundee REIT, through its subsidiary Dundee Properties Limited Partnership ("DPLP"), has reached an agreement with Dundee Realty Corporation ("DRC") to acquire DRC's 50% interest in Dundee Management Limited Partnership ("DMLP"), the entity which provides property management and real estate advisory services to Dundee REIT. The purchase price is expected to be approximately \$13.25 million and is to be satisfied through the issuance of 500,000 LP Class B Units, Series 1 of DPLP ("LP B Units") that can be converted into REIT Units, Series B at the option of the holder. There is a provision in the Agreement of Purchase and Sale that the purchase price may vary based upon the actual growth of Dundee REIT between closing and June 30, 2007, as noted below. Management expects the transaction, which is effective May 1, 2006, to be completed by May 8, 2006.

"This is a strategic transaction for Dundee REIT that we expect will provide accretive growth to net operating income and distributable income, both in terms of our current portfolio and with respect to future acquisitions," said Michael Knowlton, President and Chief Operating Officer of Dundee REIT.

Mr. Knowlton went on to say, "in addition to the financial benefits of internalizing our property manager, the transaction will simplify and provide clarity to the structure of the REIT and provide investors with another compelling reason to hold our units in their investment portfolio. As Dundee REIT continues to grow, the return on acquisitions will become more accretive as the full contribution on the property management fees generated will now flow to the REIT".

The agreement features a price adjustment formula that is based upon future acquisitions to be completed by Dundee REIT on or before June 30, 2007. On closing, 450,000 LP B Units of the expected 500,000 LP B Units will be issued to DRC. The balance of 50,000 LP B Units along with an additional 50,000 LP B Units will be held in escrow until June 30, 2007. On that date, additional LP B Units will be released in accordance with a formula established in the Agreement of Purchase and Sale and proportionate to the acquisitions completed by Dundee REIT. Greater detail is provided in the financial statements and management's discussion and analysis for the Trust, which will be available on SEDAR as well as the Trust's web site.

In conjunction with the transaction, DMLP and DRC have 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. Also, the terms of the LP B Units will be amended to provide that they may not be transferred to a third party (other than a subsidiary of the holder). As a result, if a holder of LP B Units wishes to transfer the LP B Units to a third party, it must first convert the LP B Units into REIT Units, Series B. This amendment

will permit Dundee REIT to treat the outstanding LP B Units as outstanding equity for financial statement purposes in accordance with Canadian GAAP.

The transaction is a “related party transaction” for the purposes of Ontario Securities Commission Rule 61-501 but, because the fair market value of the subject matter of and the consideration for the transaction is less than 25% of the market capitalization of Dundee REIT, the transaction is exempt from the formal valuation and minority approval requirements of the Rule.

To evaluate this transaction, Dundee REIT’s Board of Trustees established a Special Committee of Independent Trustees. To assist it in evaluating the transaction, the Special Committee retained independent legal counsel and engaged Blackmont Capital Inc. (“Blackmont”) as its independent financial advisor. Blackmont delivered its opinion to the Special Committee that the terms of the transaction are fair to the public unitholders of Dundee REIT.

Based on the Blackmont fairness opinion and other considerations, including the amendment to the terms of the LP B Units to provide that they may not be transferred to a third party and the fact that the transaction will result in DMLP becoming wholly owned by DPLP, the Special Committee concluded that the transaction is in the best interests of Dundee REIT and fair to its public unitholders, and recommended that Dundee REIT’s Board of Trustees approve the transaction. Based on this recommendation, Dundee REIT’s Board of Trustees determined that the transaction is in the best interests of Dundee REIT and fair to the public unitholders and approved the transaction with those directors who had a conflict of interest in connection with the transaction declaring their interests and abstaining from voting.

DMLP currently has approximately 250 employees and manages all but three of the 212 properties owned by Dundee REIT across Canada. DMLP has provided property management and real estate advisory services since 1997. Between 1997 and 2003 it operated as a wholly-owned subsidiary of DRC. In June 2003, the business of DRC was reorganized and all of its commercial real estate division and an indirect 50% interest in the property management business were transferred to Dundee REIT. With the completion of the transaction, Dundee REIT will own 100% of DMLP.

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 and on 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 16.4 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.

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) 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.

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