

Management's Discussion and Analysis

This Management's Discussion and Analysis has been dated as at July 28, 2005. All dollar amounts in our tables are presented in thousands with the exception of unit and per unit amounts.

The following discussion and analysis of our financial results and operations should be read in conjunction with the audited financial statements for the year ended December 31, 2004 and the three months ended March 31, 2005. Certain information contains or incorporates comments that constitute forward-looking statements. Reliance should not be placed on forward-looking statements because they involve risks and uncertainties, which may cause actual performance and results to differ materially from the performance implied in such forward-looking statements. Dundee REIT has identified certain factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements. Such factors 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.

These forward-looking statements are made as of July 28, 2005, and Dundee REIT assumes no obligation to update or revise them to reflect new events or circumstances.

Our Objectives

We are committed to:

- Providing predictable and sustainable cash distributions to unitholders;
- Prudently increasing distributions as the performance of our underlying business warrants; and
- Improving the overall value of our enterprise through effective management of our business and through acquisitions.

Distributions

We currently pay monthly distributions to unitholders of \$0.183 per unit or \$2.20 on an annual basis. We also have a Distribution Reinvestment and Unit Purchase Plan ("DRIP"), which allows unitholders to have their distributions automatically reinvested into additional units of the Trust. Unitholders who enroll in the DRIP receive a bonus distribution of 4% with each reinvestment. At June 30, 2005, approximately 47% of our total units were enrolled in the DRIP, including 21% of REIT Units, Series A and 100% of LP Class B Units, Series 1 (please see a description of our equity on page 5).

	January	February	March	April	May	June
Distribution Rate	\$ 0.183	\$ 0.183	\$ 0.183	\$ 0.183	\$ 0.183	\$ 0.183
Month End Closing Price	\$ 26.25	\$ 26.60	\$ 25.56	\$ 25.35	\$ 26.40	\$ 26.74

Our Strategy

Our strategy is to become Canada's leading provider of affordable business premises. Our methodology to meet our strategy and objectives includes:

- Effectively managing our business
- Building and maintaining a diversified portfolio
- Meeting the needs of our tenants
- Pursuing external growth

Our Assets

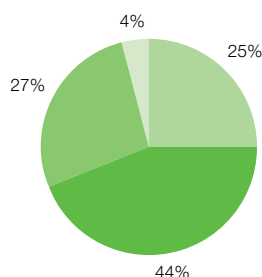
We provide high quality, affordable business premises with a focus on mid-sized urban and suburban office, industrial and flex space properties. The majority of our assets are concentrated in our target markets: Montréal, Ottawa, Toronto, Calgary and Edmonton. These markets are attractive to us as they represent most of Canada's largest metropolitan areas, they have relatively diverse and sound economies and good real estate liquidity. Acquisition activity will generally be concentrated in these areas, as it enables us to take advantage of our established presence and management expertise in these markets, build upon our current critical mass and allows us to achieve even greater operational efficiencies.

We believe that diversifying our portfolio, balancing by asset type, geographic location and tenant mix, decreases our overall risk profile. Industrial properties generally have lower rental rates and lower operating costs than office properties and, as a result, are attractive as they offer greater stability and less downside during times of increased vacancy. Office properties, although more expensive to carry than industrial properties during weak markets, are attractive as they generate more revenue and offer greater potential for capital appreciation. Having both asset types in our portfolio helps us to realize our objective of providing predictable and sustainable distributions to our unitholders.

During the quarter, a number of key acquisitions were completed in four of our target markets, Montréal, Ottawa, Toronto and Calgary. These acquisitions encompass approximately 1.5 million square feet of high quality well-leased space with long-term commitments. Acquisitions completed year-to-date have added \$221.4 million of net assets to the portfolio.

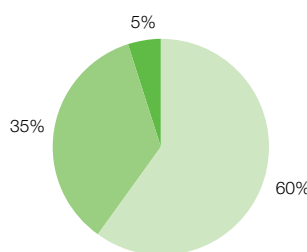
The net book value of segmented rental properties is diversified geographically and by asset type.

(\$000's)	June 30, 2005					December 31, 2004	
	Office	Industrial	Retail	Total	%	Total	%
Québec	\$ 175,620	\$ 131,364	\$ –	\$ 306,984	25	\$ 202,935	19
Ontario	383,670	153,209	8,537	545,416	44	476,688	45
Western Canada	180,838	153,171	4,864	338,873	27	324,937	31
Total Canada	740,128	437,744	13,401	1,191,273	96	1,004,560	95
United States	–	–	52,824	52,824	4	52,671	5
Total at June 30, 2005	\$ 740,128	\$ 437,744	\$ 66,225	\$ 1,244,097	100	\$ 1,057,231	100
Percentage	60%	35%	5%	100%			
Total at December 31, 2004	\$ 597,970	\$ 393,075	\$ 66,186	\$ 1,057,231			
Percentage	57%	37%	6%	100%			



Geographic Distribution of Rental Properties by Net Book Value at June 30, 2005

- Québec
- Ontario
- Western Canada
- United States



Portfolio Asset Type by Net Book Value at June 30, 2005

- Office
- Industrial
- Retail

(\$000's)	Owned Gross Leasable Area (square feet)					December 31, 2004	
	Office ⁽¹⁾	Industrial	Retail	Total	%	Total	%
Québec	1,579,252	3,236,536	–	4,815,788	32	3,789,504	29
Ontario	3,178,550	2,448,396	128,367	5,755,313	38	4,951,569	38
Western Canada	1,130,372	2,560,495	46,140	3,737,007	25	3,612,785	27
Total Canada	5,888,174	8,245,427	174,507	14,308,108	95	12,353,858	94
United States	–	–	795,390	795,390	5	795,390	6
Total at June 30, 2005	5,888,174	8,245,427	969,897	15,103,498	100	13,149,248	100
Percentage	39%	55%	6%	100%			
Total at December 31, 2004	4,713,790	7,465,561	969,897	13,149,248			
Percentage	36%	57%	7%	100%			

(1) Excludes 2280 boul. Alfred-Nobel, Montréal under redevelopment

Office Rental Properties

Dundee REIT owns 66 office properties (85 buildings) comprising approximately 5.9 million square feet located in Montréal, Ottawa, Toronto, Saskatoon, Calgary, Edmonton and Vancouver. Our office properties can generally be categorized as high quality yet affordable downtown and suburban buildings. Acquisitions completed in 2005 have added 1.3 million square feet of office properties to our portfolio. These properties are all located in our key target markets, are of extremely high quality and have low maintenance capital expenditure requirements.

The Canadian national office market continued on a positive trend with vacancy levels decreasing for the seventh consecutive quarter. The occupancy rate in our office portfolio has increased to 95.1% from 93.6% at December 31, 2004, ahead of the most recently available national industry average of 88.8% (CB Richard Ellis, Canadian Office Market View, 2nd Quarter 2005). Our occupancy rate includes lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

Industrial Rental Properties

We own 120 prime suburban industrial and flex-space properties (137 buildings) comprising approximately 8.2 million square feet, concentrated in Montréal, Toronto, Calgary and Edmonton. Our strategy is to own clusters of properties, allowing us to respond quickly and efficiently to tenants' needs during times of change in their operations or size of their workforce. The acquisitions completed in 2005 have added 0.8 million square feet of fully-occupied high quality industrial properties to our portfolio.

At June 30, 2005, the average occupancy rate across our industrial portfolio increased to 96.6% from 95.2% at December 31, 2004, also ahead of the most recently available national industry average of 95.0% (CB Richard Ellis, Canadian Industrial Market View, 2nd Quarter 2005).

Retail Rental Properties

Our retail assets total approximately 1.0 million square feet. As of June 30, 2005, the portfolio had an occupancy rate of 93.0% compared to 93.3% at December 31, 2004. The remaining retail assets include Greenbriar Mall, a 795,000 square foot regional mall in Atlanta, and two smaller centres in Ontario and Alberta. Greenbriar Mall has been listed for sale with a US-based realtor and we are currently in the process of receiving and reviewing offers to purchase. While our longer-term goal is to sell the retail assets, as they are not strategic to our business, we have not yet entered into any agreements of purchase and sale and, therefore, have not reclassified any of our retail assets as discontinued operations.

Our Background

Dundee REIT was formed in connection with the reorganization (the "Reorganization") of the business of Dundee Realty Corporation ("Dundee Realty" or "DRC") on June 30, 2003. Following the Reorganization, the majority of Dundee Realty's commercial real estate division, including senior management, and a joint interest in its property management business, were transferred to Dundee REIT.

Our discussion and analysis of the financial position and results of operations of Dundee REIT is based on the consolidated financial statements of Dundee REIT for the three and six months ended June 30, 2005 and June 30, 2004. This discussion should be read in conjunction with those financial statements.

Equity

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units (Series A and Series B) and Special REIT Units. The Special REIT Units are only issued to holders of LP Class B Units, Series 1, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1. The LP Class B Units, Series 1 are held by a related party of Dundee REIT. In accordance with Emerging Issues Committee Abstract of Issues Discussed No.151, Exchangeable Securities Issued by Subsidiaries of Income Trusts ("EIC-151"), the LP Class B Units, Series 1 have been classified as non-controlling interest in our consolidated balance sheet. However, the LP B Class B Units, Series 1 have substantially the same rights as the REIT Units and are considered equity by management for the purpose of this discussion and analysis.

The LP B Units, Series 1 are generally exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder. At our annual and special meeting held on May 5, 2005, unitholders approved an amendment to our Declaration of Trust authorizing the REIT Units, Series B to be convertible at any time at the option of the holder into REIT Units, Series A on a one-for-one basis. Previously, the Trust was obligated to list the REIT Units, Series B separately on the Toronto Stock Exchange. This change has simplified our capital structure and offers the potential of improved transparency and liquidity for current and prospective Unitholders and eliminates the additional expenses associated with the separate listing of two classes of units.

Numbers that Are a Big Deal to Us

Key Performance Indicators

While many factors contribute to the operation of our business, our key performance indicators are segregated by business activity as follows:

Operations:

- Occupancy
- Tenant retention
- New leasing activity
- Tenant maturity profile
- In-place rental rates
- Operating costs
- Leasing costs

Investment:

- Acquisition activity
- Building maintenance
- Building improvements
- Tenant inducements

Financing:

- Average interest rate
- Level of debt (debt-to-gross book value)
- Debt maturity profile/average term to maturity

Performance Indicators

Performance as measured by these and other key indicators:

(\$000's except rental rates, unit and per unit amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Operating Results				
Revenues	\$ 53,378	\$ 46,191	\$ 104,171	\$ 89,099
Net operating income ⁽¹⁾ ("NOI")	29,601	25,773	56,669	48,622
Funds from operations ⁽²⁾ ("FFO")	15,952	15,702	31,310	29,374
Occupancy rate (period end)	95.8%	94.2%		
In-place rent per square foot	\$ 9.21	\$ 9.21		
Weighted average interest rate (period end)	6.24%	6.63%		
Interest expense	13,284	10,304	25,019	19,865
Interest coverage ratio ⁽⁶⁾	2.19 times	2.41 times	2.23 times	2.36 times
Debt-to-gross book value	60.7%	56.4%		
Distributions				
FFO payout ratio ⁽⁴⁾	86.4%	84.7%	87.6%	87.3%
Distributable income ⁽³⁾	14,209	13,783	27,893	26,157
Reinvested distributions ⁽⁵⁾	6,124	5,241	11,395	10,333
Reinvestment to distribution ratio ^{(4) (5)}	44.4%	39.4%	41.5%	40.3%
Cash distribution ratio	55.6%	60.6%	58.5%	59.7%
Per unit amounts				
Basic:				
FFO	0.64	0.65	1.25	1.29
Distributable income	0.57	0.57	1.12	1.15
Distribution rate (monthly)	0.183	0.183	0.183	0.183
Diluted: ⁽⁷⁾				
FFO	0.60	0.65	1.20	1.28
Distributable income	0.54	0.57	1.08	1.14
Units outstanding (period end)				
REIT Units, Series A	16,904,915	16,727,655		
LP Class B Units, Series 1	8,278,728	7,564,418		
Total units outstanding	25,183,643	24,292,073		

(1) NOI – rental property revenues less operating expenses. The reconciliation of NOI to net income can be found on page 14.

(2) FFO –The reconciliation of FFO to net income can be found on page 12.

(3) The reconciliation of distributable income to net income can be found on page 13.

(4) These percentages do not include the additional 4% distributions available under the DRIP.

(5) Includes July 15, 2005 reinvestment of distributions declared in June 2005.

(6) Interest coverage is calculated using total interest expense as the denominator and the numerator is calculated as net income (loss) adding back income attributable to non-controlling interest, income taxes, dilution gain, gain (loss) on disposal of rental property, depreciation, amortization and interest expense.

(7) Dilution includes the conversion of the 6.5% and 5.7% Debentures.

NOI, FFO and distributable income 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 or income trusts.

Executing the Strategy

Our Resources and Financial Condition

Liquidity and Capital Resources

(\$000's)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Cash generated from operating activities	\$ 18,507	\$ 11,758	\$ 29,065	\$ 26,120
Cash utilized in investing activities	(124,852)	(76,836)	(163,534)	(164,506)
Cash generated from financing activities	104,792	72,370	122,303	148,354
Increase (decrease) in cash and cash equivalents	\$ (1,553)	\$ 7,292	\$ (12,166)	\$ 9,968

In broad terms, Dundee REIT's primary sources of capital are cash generated from operating activities, credit facilities, mortgage financing and refinancing, and equity and debt issues. Our primary uses of capital include the payment of distributions, costs of attracting and retaining tenants, recurring property maintenance, major property improvements, debt principal repayments and property acquisitions. We expect to meet all of our ongoing obligations through current cash and cash equivalents, cash flows from operations, conventional mortgage refinancings and, as growth requires, through new equity or debt issues.

At June 30, 2005, cash and cash equivalents were \$5.2 million, down from \$17.3 million at December 31, 2004. We have an \$80.0 million credit facility, of which approximately \$35.8 million is available to provide further funding for working capital or as a bridge facility to fund acquisitions. In addition to this facility, we also have an additional \$20.0 million available for a three-month period ending September 15, 2005, to bridge financing for potential acquisitions until traditional mortgage financing is put in place.

Cash Generated from Operating Activities

(\$000's)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net income (loss)	\$ 3,420	\$ (8,206)	\$ 7,101	\$ (4,049)
Non-cash items:				
Depreciation of rental properties	6,884	6,690	13,573	12,974
Amortization of deferred leasing costs and intangibles	4,524	3,494	8,302	5,397
Amortization of deferred financing costs	401	189	697	396
Amortization of marked-to-market adjustment on acquired debt	(819)	(484)	(1,169)	(808)
Provision for impairment in value of rental property	-	19,729	-	19,729
(Gain) loss on disposal of rental properties	25	(2,396)	(217)	(2,573)
Deferred unit compensation expense	172	106	347	211
Future income taxes	183	(1)	375	(42)
Amortization of market rent adjustments on acquired leases	(108)	8	(141)	8
Straight-line rent adjustment	(874)	(1,286)	(1,945)	(2,235)
Dilution gain	(652)	(185)	(1,325)	(818)
Non-controlling interest	1,367	(3,782)	2,818	(1,981)
	14,523	13,876	28,416	26,209
Deferred leasing costs incurred	(2,713)	(2,065)	(5,337)	(4,665)
Change in non-cash working capital	6,697	(53)	5,986	4,576
Cash generated from operating activities	\$ 18,507	\$ 11,758	\$ 29,065	\$ 26,120

Cash generated from operations during the three months ended June 30, 2005 increased 57% over the comparative period in the preceding year primarily due to acquisitions. The \$6.8 million increase in non-cash working capital includes tenant deposits totaling \$1.3 million received with property acquisitions as well as a \$1.0 million lease surrender prepayment that will be recognized as income in 2006 when the tenant vacates the space.

As part of operating expenses, there are certain property repair and maintenance costs that are recoverable from tenants. These costs are recovered in the year of expenditure or, in the case of a major expenditure, are deferred and amortized to recoverable expense over a period of years. The amount deferred remaining at June 30, 2005 for recovery in future periods was \$7.7 million (December 31, 2004 - \$8.1 million).

Certain of the key performance indicators previously identified influence the cash generated from operating activities:

Performance Indicators	June 30, 2005	December 31, 2004
Operating Activities		
Occupancy level ⁽¹⁾	95.8%	94.5%
Tenant maturity profile – average term to maturity (years)		
Office	4.9 years	5.2 years
Industrial	4.4 years	3.5 years
In-place rental rates (office and industrial average)	\$ 9.21	\$ 9.06
Operating costs as a percentage of gross revenue	45.6%	45.6%

(1) Includes occupied and committed space

Our tenant maturity profile has remained consistent over a long period of time. The decrease in the average term to maturity in the office portfolio for the quarter reflects the impact of month-to-month tenancies as well as the time elapsed since year-end, partially offset by new leasing activity and acquisitions. The industrial portfolio generally attracts tenants for shorter lease terms, however, leasing activity in the quarter, in conjunction with acquisition activity, has increased the average lease term to 4.4 years.

Our current average in-place office and industrial rental rate is higher than our current expiring rental rates. Although this is a positive indicator, the marketplace remains competitive and in-place rent will vary with location and incentive packages, including free rent and market conditions. We do anticipate continued pressure on rents as some leases are expiring at rates that are close to or over current market rates. Average rental rates for office properties acquired during the quarter were marginally lower than our existing portfolio while the rates for industrial properties acquired during the quarter were marginally higher than our existing portfolio. Overall, acquisitions completed in the quarter have increased our average in-place rent by approximately \$0.15 per square foot.

Leasing

Based on our current experience, and assuming that market conditions remain consistent with this experience, the table below provides an estimate of normalized annual leasing costs over a three year horizon for our portfolio. All of our estimates will be revisited and, if necessary, revised at a later date based on additional leasing activity.

	Office	Industrial
Average leasing activity (sq. ft.)	500,000	1,350,000
Average tenant inducement (per sq. ft.)	\$ 11.50	\$ 2.50
Expected average annual leasing cost (\$000's)	\$ 5,700	\$ 3,400

Occupancy levels and rental rates are discussed under our results of operations beginning on page 19. Leasing costs for the six months increased 14% to \$5.3 million (June 30, 2004 – \$4.7 million). The amount of inducements will vary across the portfolio and from year to year depending on the maturity and termination of leases, existing vacancies, market requirements and the nature and mix of the leasing activity. For example, short-term leases generally have lower costs than long-term leases; and leasing costs associated with office space are generally higher than costs associated with industrial space. There are two major types of spending associated with leasing: expenditures to improve the space, and money paid to brokers or leasing representatives. We endeavour to structure our lease deals such that the majority of the leasing cost outlay is invested in improving the tenants' space as this benefits the overall building and adds value for the next renewal or new lease.

Performance Indicators	Office	Industrial	Retail	Total
Operating Activities				
Portfolio size (sq. ft.)	5,888,174	8,245,427	969,897	15,103,498
Occupied and committed	95.1%	96.6%	93.0%	95.8%
Square footage leased and occupied				
in the six months ended June 30, 2005	291,231	992,351	51,708	1,335,290
Leasing costs (\$000's)	\$ 3,078	\$ 2,028	\$ 231	\$ 5,337
Leasing costs (per sq. ft.)	\$ 10.57	\$ 2.04	\$ 4.47	\$ 4.00

Leasing costs in the quarter, for both office and industrial properties, were above our estimates due to the volume of leasing activity and the corresponding increase in occupancy. The leasing markets have begun to improve creating a positive effect, from a landlord's perspective, on the level of inducements required to attract tenants. Therefore, the higher level of leasing activity was partially offset by lower costs on a per square foot basis.

Costs with respect to industrial properties may increase in the second half of the year as we are anticipating a significant amount of improvements to space in some of our older premises as a result of leasing activity. In addition, leasing activity in some of our flex space properties in the second half of the year will be at rates approximating those typically incurred for office properties due to the quality of the space improved.

Cash Utilized in Investing Activities

(\$000's)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Investment in rental properties	\$ (1,135)	\$ (3,171)	\$ (2,405)	\$ (4,651)
Acquisition of rental properties	(129,456)	(75,765)	(170,411)	(153,688)
Acquisition deposit on rental properties	170	–	(675)	–
Investment in mezzanine loan	(150)	(408)	(750)	(10,476)
Net proceeds from disposal of rental properties	(25)	2,837	2,254	5,030
Change in restricted cash, net	5,744	(329)	8,453	(721)
Cash utilized in investing activities	\$ (124,852)	\$ (76,836)	\$ (163,534)	\$ (164,506)

Key performance indicators in the management of our investment activities are:

Performance Indicators (\$000's)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Investing Activities				
Acquisition of rental properties	\$ 169,829	\$ 97,093	\$ 221,417	\$ 272,633
Building improvements	\$ 1,317	\$ 2,996	\$ 2,325	\$ 3,742

During the quarter, we acquired \$169.8 million of rental property and related intangible assets. A summary of these acquisitions is provided on page 22. As part of the consideration paid for certain acquisitions, we assumed \$40.1 million in mortgages and other liabilities. These acquisitions, along with those completed in the first quarter and in 2004, increased net operating income by approximately \$4.3 million and \$8.9 million for the three and six month periods respectively compared to 2004.

Building Improvements

(\$000's)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Building improvements:				
Recurring recoverable	\$ 281	\$ –	\$ 511	\$ 202
Recurring non-recoverable	9	568	9	588
Non-recurring	1,027	2,428	1,805	2,952
Total	\$ 1,317	\$ 2,996	\$ 2,325	\$ 3,742

Capital expenditures for rental property building improvements and equipment for the quarter were \$1.3 million (June 30, 2004 – \$3.0 million) on an accrual basis. Non-recurring improvements include the redevelopment of properties, building expansions as well as structural replacements resulting from unforeseen conditions that are not anticipated to recur. During the second quarter, the concrete slab replacement in a Montréal industrial building was completed. This project accounted for \$0.5 million of the non-recurring building improvements in the quarter.

As part of our acquisition due diligence, we endeavour to identify any near-term capital expenditure requirements and factor those costs into our investment analysis and purchase price negotiations. Such potential expenditures are approved in the acquisition process and will be identified as incurred. Anticipated capital expenditure costs associated with current acquisitions are less than \$0.5 million.

Mezzanine Loan

We have increased the mezzanine loan investment to \$11.2 million plus accrued interest. This loan is to assist in the development and leasing of 350,000 square feet of flex properties adjacent to existing properties in Mississauga, Ontario. It is our current intention to exercise our option to acquire these properties once they meet the 85% occupancy requirement.

Cash Generated from Financing Activities

(\$000's)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Mortgages placed	\$ 53,050	\$ 71,912	\$ 57,050	\$ 71,912
Mortgage principal repayments	(4,122)	(3,901)	(8,146)	(7,628)
Mortgage lump sum repayments	(37,553)	(38,839)	(39,698)	(49,802)
Term debt placed	-	60,553	-	60,553
Term debt principal repayments	(116)	(237)	(239)	(477)
Term debt lump sum repayments	-	(79,994)	(2,075)	(79,994)
Convertible debentures issued, net of costs	95,668	71,949	95,668	71,949
Demand revolving credit facility, net	8,978	-	42,239	(7,026)
Demand non-revolving credit facility	(3,092)	-	(6,107)	-
Distributions paid on REIT Units, Series A	(8,027)	(8,054)	(16,391)	(14,468)
Units issued, net of costs	6	(1,019)	2	103,335
Cash generated from financing activities	\$ 104,792	\$ 72,370	\$ 122,303	\$ 148,354

The key performance indicators in the management of our debt are:

	June 30, 2005	December 31, 2004
Financing Activities		
Average interest rate	6.24%	6.62%
Level of debt (debt-to-gross book value)	60.7%	55.2%
Proportion of total debt due in 2005	6.6%	4.7%
Debt – average term to maturity (years)	5.5	5.4
Variable rate debt as percentage of total debt	7.1%	3.9%

Our debt strategy includes fixing the rates on our debt and extending loan terms as long as possible to protect against interest rate volatility. As a result of accessing our line of credit to fund acquisitions, our weighted average interest rate has decreased and variable interest rate debt as a percentage of total debt has increased.

(\$000's)	June 30, 2005			December 31, 2004		
	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	\$ 650,202	\$ -	\$ 650,202	\$ 591,304	\$ -	\$ 591,304
Term debt	355	20,657	21,012	432	21,005	21,437
Convertible debenture – 6.5%	74,450	-	74,450	74,430	-	74,430
Convertible debenture – 5.7%	98,830	-	98,830	-	-	-
Demand revolving credit facility	-	42,239	42,239	-	-	-
Demand non-revolving credit facility	-	-	-	-	5,984	5,984
Total	\$ 823,837	\$ 62,896	\$ 886,733	\$ 666,166	\$ 26,989	\$ 693,155
Percentage	93%	7%	100%	96%	4%	100%

Mortgages payable includes an \$8.5 million marked-to-market adjustment (December 31, 2004 – \$7.2 million) to reflect the fair value of various mortgages at the time the related properties were acquired. Amounts recorded for the 6.5% and 5.7% Debentures exclude the premiums allocated to their conversion features of \$0.6 million and \$1.2 million respectively. The marked-to-market adjustment and discount are amortized to interest expense over the term to maturity of the related debt.

(\$000's)	June 30, 2005	December 31, 2004
Total assets	\$ 1,391,874	\$ 1,199,792
Accumulated depreciation	71,686	60,463
Discontinued operations	(78)	(2,384)
Gross book value	\$ 1,463,482	\$ 1,257,871
Outstanding debt	\$ 886,733	\$ 693,155
Unamortized equity component of convertible debentures	1,720	570
Total debt	\$ 888,453	\$ 693,725
Debt-to-gross book value	60.7%	55.2%

Due to the high level of convertible debt in our current debt structure, we have made a conscious decision to increase our target debt range from between 55% and 60% to between 57% to 62%. At June 30, 2005, our ratio increased to 60.7% as a result of using debt to fully fund acquisitions. We consider our convertible debentures to be debt and treat them as such when computing our debt ratios. The assumed conversion of all the 6.5% Debentures and 5.7% Debentures would decrease our debt-to-gross book value to 48.8%, further improving our acquisition capacity.

Financing Activity

In the quarter, we continued to take advantage of the favourable interest rate environment and secured approximately \$153 million in new long-term financing for an average term of 10 years. In April, we issued \$100.0 million in convertible debentures at 5.7%, the proceeds of which were used to fund acquisitions as well as pay down existing high-rate debt. We also obtained mortgage financing for a 10-year term at an average interest rate of 5.3%. These financing initiatives drove a decrease of our overall average interest rate and an increase in the average term to maturity. The term to maturity on the long-term debt was actually extended even further but was offset by the higher level of short-term debt from our demand revolving credit facility.

At June 30, 2005, we have drawn \$42.2 million from our demand revolving credit facility. We are in the process of securing long-term financing on an unencumbered asset and will use the proceeds to repay the demand credit facility.

Changes in debt levels since December 31, 2004 resulting from:

(\$000's)	Mortgages	Term Debt	Demand Revolving Credit Facility ⁽¹⁾	Demand Non-revolving Credit Facility	Convertible Debentures	Total
Debt as at December 31, 2004	\$ 591,304	\$ 23,326 ⁽¹⁾	\$ —	\$ 5,984	\$ 74,430	\$ 695,044
New debt assumed on rental property acquisitions	47,412	—	—	—	—	47,412
New debt placed	57,050	—	42,239	—	100,000	199,289
Scheduled repayments	(8,146)	(239)	—	—	—	(8,385)
Lump sum repayments	(39,698)	—	—	(6,107)	(10)	(45,815)
Lump sum repayment on property disposition	—	(2,075)	—	—	—	(2,075)
Marked-to-market adjustments	1,246	—	—	—	(1,140)	106
Foreign exchange adjustment	1,034	—	—	123	—	1,157
Debt as at June 30, 2005	\$ 650,202	\$ 21,012	\$ 42,239	\$ —	\$ 173,280	\$ 886,733

(1) Includes discontinued operations

(2) The demand revolving credit facility matures June 19, 2006

(\$000's)	June 30, 2005					December 31, 2004
	Debt Maturities	Scheduled Principal Repayments on Non-matured Debt	Amount	%		
Remainder of 2005	\$ 48,616	\$ 10,445	\$ 59,061	7	\$ 32,564	
2006	44,420	20,496	64,916	7	65,737	
2007	29,878	19,366	49,244	6	68,533	
2008	87,775	18,658	106,433	12	89,596	
2009	113,659	14,727	128,386	14	112,653	
2010 and thereafter	450,692	28,001	478,693	54	324,072	
Total	\$ 775,040	\$ 111,693	\$ 886,733	100	\$ 693,155	

Convertible Debenture Issue

On April 1, 2005, we issued \$100.0 million principal amount of convertible unsecured debentures ("5.7% Debentures"). The 5.7% Debentures bear interest at 5.7% per annum, payable semi-annually on March 31 and September 30 each year, and mature on March 31, 2015. Each 5.7% Debenture is convertible by the debenture holder into 33.33 REIT Units, Series A per one thousand dollars of face value, representing a conversion price of \$30.00 per unit. On or after March 31, 2009, but prior to March 31, 2011, the 5.7% Debentures may be redeemed by us at par plus accrued and unpaid interest, provided that the market price for our units is not less than \$37.50. Both Dundee REIT and the debenture holders have the option to settle the obligation through the issuance of REIT Units, Series A. The proceeds of the 5.7% Debentures were used to repay existing debt of approximately \$25 million and the remainder was used to fund acquisitions that closed in the second quarter.

In accordance with Section 3860 of the CICA Handbook, the 5.7% Debentures were recorded on the balance sheet as debt of \$98.8 million and equity of \$1.2 million. Issue costs of \$4.7 million and the discount related to the offering will be amortized to interest expense over 10 years.

Equity and Non-controlling Interest

	Equity		Non-Controlling Interest	Total
	REIT Units, Series A	LP Class B Units, Series 1		
Units issued and outstanding on December 31, 2004	16,819,963	7,924,084		24,744,047
Units issued pursuant to DRIP	84,075	354,644		438,719
Units issued pursuant to unit purchase plan	577	–		577
Conversion of 6.5% Debenture	400	–		400
Redemption of units	(100)	–		(100)
Total units outstanding on June 30, 2005	16,904,915	8,278,728		25,183,643
Percentage of all units	67%	33%		100%
Units issued pursuant to DRIP on July 15, 2005	25,500	58,637		84,137
Units issued pursuant to unit purchase plan	7,032	–		7,032
Conversion of 6.5% Debenture	800	–		800
Total units outstanding on July 15, 2005	16,938,247	8,337,365		25,275,612
Percentage of all units	67%	33%		

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special REIT Units. The Special REIT Units may only be issued to holders of LP Class B Units, Series 1, are not transferable separately from these units, and are used to provide voting rights with respect to Dundee REIT to persons holding LP Class B Units, Series 1. The LP Class B Units, Series 1 are held by a related party of Dundee REIT. Both the REIT Units and Special REIT Units entitle the holder to one vote for each unit held at all meetings of the unitholders. The LP Class B Units, Series 1 are generally exchangeable on a one-for-one basis for REIT Units, Series B at the option of the holder which can then be converted into REIT Units, Series A. The LP Class B Units, Series 1 generally have economic and voting rights equivalent in all material respects to REIT Units, Series A. The REIT Units, Series A and REIT Units, Series B generally have economic and voting rights equivalent in all material respects to each other.

The LP Class B Units, Series 1 do not meet the specific conditions contained in EIC-151 (see page 26) for classification as equity and are therefore classified as non-controlling interest in our consolidated balance sheet. However, the LP Class B Units, Series 1 have substantially the same rights as the REIT Units and are considered equity for the purposes of this discussion and analysis.

Funds from Operations

(\$000's except per unit amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004 <i>Restated</i> ⁽¹⁾	2005	2004 <i>Restated</i> ⁽¹⁾
Net income (loss)	\$ 3,420	\$ (8,206)	\$ 7,101	\$ (4,049)
Add (deduct):				
Depreciation of rental properties	6,884	6,690	13,573	12,974
Amortization of deferred leasing costs and intangibles	4,524	3,494	8,302	5,397
Imputed amortization of leasing costs related to the rent supplement	204	362	690	742
Loss (gain) on disposal of rental properties	25	(2,396)	(217)	(2,573)
Provision for impairment in value of rental property	–	19,729	–	19,729
Future income tax expense (recovery)	183	(1)	375	(42)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(3)	(3)	(7)	(5)
Dilution gain	(652)	(185)	(1,325)	(818)
Non-controlling interest	1,367	(3,782)	2,818	(1,981)
FFO	\$ 15,952	\$ 15,702	\$ 31,310	\$ 29,374
FFO per unit – basic	\$ 0.64	\$ 0.65	\$ 1.25	\$ 1.29
FFO per unit – diluted	\$ 0.60	\$ 0.65	\$ 1.20	\$ 1.28

(1) Restated to comply with RealPac guidelines

Management believes that FFO is an important measure of the Trust's operating performance and is indicative of its cash-generating activities. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations, however, it does not represent cash flow from operating activities as defined by Canadian Generally Accepted Accounting Principles ("GAAP") and is not necessarily indicative of cash available to fund Dundee REIT's needs. Effective January 1, 2005, the Real Property Association of Canada ("RealPac") has provided better guidance on the definition of FFO to help promote more consistent disclosure. The impact of the RealPac guideline on our calculation of FFO is not significant, with the only change being the deduction of amortization of costs that are not uniquely significant to the real estate industry. These costs include software, office equipment and building improvement costs incurred after the formation of the Trust. The Trust has adopted these guidelines and has restated all prior comparative periods. Until such time as all income trusts adopt this policy, our computation of FFO may not be comparable with other REITs, industries or income trusts.

The decrease in FFO per unit for the quarter compared to the same period in 2004 is primarily due to dilution arising from the delay in deploying the funds raised from the convertible debenture issuance and one-time financing charges incurred in 2005. The decrease in FFO per unit on the six months basis reflects the impact of the disposition of Northgate Mall in 2004.

Diluted FFO per unit amounts assume the conversion of the 6.5% Debentures and 5.7% Debentures.

Distributable Income

(\$000's except per unit amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004 ⁽¹⁾	2005	2004 ⁽²⁾
Net income (loss)	\$ 3,420	\$ (8,206)	\$ 7,101	\$ (4,049)
Add (deduct):				
Depreciation of rental properties	6,884	6,690	13,573	12,974
Amortization of deferred leasing costs and intangibles	4,524	3,494	8,302	5,397
Future income taxes	183	(1)	375	(42)
Amortization of marked-to-market adjustment on acquired debt	(819)	(484)	(1,169)	(808)
Compensation expense, deferred unit incentive plan	172	106	347	211
Loss (gain) on disposal of rental property	25	(2,396)	(217)	(2,573)
Provision for impairment in value of rental property	-	19,729	-	19,729
Straight-line rent	(874)	(1,286)	(1,945)	(2,235)
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(3)	(3)	(7)	(5)
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	3	25	7	72
Amortization of deferred financing costs incurred prior to June 30, 2003	87	74	174	277
Amortization of market rent adjustments on acquired leases	(108)	8	(141)	8
Dilution gain	(652)	(185)	(1,325)	(818)
Non-controlling interest	1,367	(3,782)	2,818	(1,981)
Distributable income	\$ 14,209	\$ 13,783	\$ 27,893	\$ 26,157
Distributable income per unit – basic	\$ 0.57	\$ 0.57	\$ 1.12	\$ 1.15
Distributable income per unit – diluted	\$ 0.54	\$ 0.57	\$ 1.08	\$ 1.14

(1) Previously reported as \$13,612. Restated amount deducts amortization of costs not specific to real estate operations, no longer deducts the amortization of deferred leasing costs and no longer includes imputed amortization of leasing costs related to the rent supplement.

(2) Previously reported as \$26,070

Distributable income is not a measure defined by Canadian GAAP 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 to facilitate the determination of distributions.

In response to recent changes in Canadian GAAP, effective January 1, 2005, we amended our definition of distributable income to more accurately describe cash available for distribution to unitholders. The most significant change relates to the exclusion of the amortization of leasing costs, which does not impact our capacity to pay distributions in the short term. The change also incorporates the deduction of amortization of costs not specific to real estate operations as discussed under funds from operations above.

Distributions

The distributions presented in the table below are comprised of \$18.6 million relating to REIT Units, Series A and \$9.3 million relating to LP Class B Units, Series 1. Cash distributions were only paid to holders of REIT Units, Series A as all of the LP Class B Units, Series 1 are enrolled in the DRIP.

(\$000's)	Declared Distributions	4% Additional Distributions	Total
2005 Distributions			
Paid in cash or reinvestment in units	\$ 22,834	\$ 369	\$ 23,203
Payable at June 30, 2005	4,609	86	4,695
Total distributions	\$ 27,443	\$ 455	\$ 27,898
2005 Reinvestment			
Reinvested to June 30, 2005	\$ 9,221	\$ 369	\$ 9,590
Reinvested on July 15, 2005	2,174	87	2,261
Total distributions reinvested	\$ 11,395	\$ 456	\$ 11,851
Distributions paid in cash	\$ 16,048		
Reinvestment to distribution ratio	41.5%		
Cash distribution payout ratio	58.5%		

Our distribution policy requires us to make cash distributions to our unitholders, payable monthly, equal to at least 80% of distributable income on an annual basis. Distributions declared in the six month period amounted to \$27.4 million or 98% of distributable income, an increase of \$1.8 million over the previous six month period. The increase in declared distributions stems from an incremental increase in units generated through the DRIP and the public offering of REIT Units, Series A in February 2004. Of this amount, \$11.4 million or 42% was reinvested in additional units. As a result of the high level of participation in the DRIP, our cash payout ratio for our distributions is 59%.

Our Results of Operations

(\$000's)	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Rental properties				
Revenues	\$ 53,378	\$ 46,191	\$ 104,171	\$ 89,099
Operating expenses	23,777	20,418	47,502	40,477
Net operating income	29,601	25,773	56,669	48,622
Other expenses				
Interest	13,284	10,304	25,019	19,865
Depreciation of rental properties	6,884	6,290	13,573	12,174
Amortization of deferred leasing costs and intangibles	4,524	3,363	8,302	5,130
General and administrative	1,245	1,205	2,406	2,157
	25,937	21,162	49,300	39,326
Other income				
Interest and fee income, net	619	429	1,337	1,012
Income before gain (loss) on disposal of rental property and dilution gain	4,283	5,040	8,706	10,308
Gain (loss) on disposal of rental property	-	(11)	-	166
Dilution gain	652	185	1,325	818
Income before income and large corporations taxes	4,935	5,214	10,031	11,292
Income taxes				
Current income and large corporations taxes	41	18	88	38
Future income taxes	183	(1)	375	(42)
	224	17	463	(4)
Income before non-controlling interest	4,711	5,197	9,568	11,296
Income attributable to non-controlling interest	1,343	1,557	2,705	3,406
Income before discontinued operations	3,368	3,640	6,863	7,890
Discontinued operations	52	(11,846)	238	(11,939)
Net income (loss)	\$ 3,420	\$ (8,206)	\$ 7,101	\$ (4,049)

Revenues

Revenues include net rental or basic income from rental properties as well as the recovery of operating costs, property taxes, parking revenues and other miscellaneous revenues from tenants. The \$7.2 million increase in revenue in the quarter over the same period in the prior year is primarily a result of acquisitions completed in 2004 and 2005. Acquisitions completed in 2005 contributed \$4.7 million and \$5.8 million to revenues for the three and six month periods, respectively.

Operating Expenses

Operating expenses are mainly comprised of occupancy costs and property taxes as well as certain expenses that are not recoverable from tenants, the majority of which are related to leasing. Operating expenses fluctuate with occupancy levels, weather, utility costs, taxes, repairs and maintenance. The \$3.4 million and \$7.0 million increase in operating expenses for the three and six month periods, respectively, is mainly a result of acquisitions completed in 2004 and 2005.

Interest Expense

Interest expense for the quarter increased by \$3.0 million or 29% over the same quarter in the prior year, mainly driven by increased debt levels related to acquisitions. Also included in interest expense for the quarter are penalties totaling \$0.7 million that were incurred to repay two property mortgages before maturity. These charges were partially offset by the recognition of the unamortized marked-to-market components of a related mortgage.

Depreciation of Rental Properties

Depreciation increased by \$0.6 million over the respective three months in 2004 mainly as a result of acquisitions.

Amortization of Deferred Leasing Costs and Intangibles

Amortization increased by \$1.2 million over the respective three months in 2004, largely as a result of allocating a portion of the purchase price on new acquisitions in 2004 and 2005 to intangibles.

General and Administrative

General and administrative expenses are primarily comprised of the expenses related to corporate management, trustees' fees and expenses, and investor relations for the Trust and its subsidiaries. Expenses for the quarter were \$1.2 million, consistent with the same period in 2004.

Interest and Fee Income

Interest and fee income represents amounts for items such as fees earned from managing properties owned by others, including management, construction and leasing fees, and interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary from year-to-year.

Dilution Gain

A dilution gain of \$0.7 million and \$1.3 million for the three and six month periods (June 30, 2004 – \$0.2 million and \$0.8 million) was recognized as a result of the application of EIC-151 (see page 26). The dilution gain stems from the issuance of LP Class B Units, Series 1 pursuant to our DRIP, resulting in a dilution of the Trust's ownership of Dundee Properties L.P.

Income Tax Expense

Dundee REIT distributes or designates all taxable earnings to unitholders and as such, under current legislation, the obligation for tax rests with each unitholder and no tax provision is currently required on the majority of Dundee REIT's income. Certain Canadian and U.S. subsidiaries of Dundee REIT are taxable and any tax related costs are reflected in the income statement and balance sheet.

Income Attributable to Non-Controlling Interest

Income attributable to non-controlling interest of \$1.3 million and \$2.7 million for the three and six month periods excludes \$nil and \$0.1 million of income, respectively, from discontinued operations. These amounts represent the income from continuing operations and discontinued operations allocated to the holders of LP Class B Units, Series 1, which comprises the non-controlling interest.

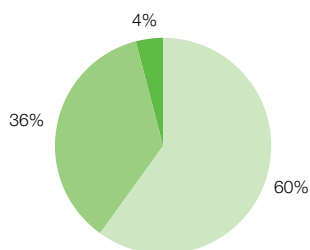
Discontinued Operations

Discontinued operations includes assets that have been categorized as held for sale or sold and meet specific criteria as discontinued assets in accordance with Canadian GAAP. These assets and operations are disclosed separately on the balance sheet and income statement. We did not own any properties as at June 30, 2005 that were identified as discontinued operations. The amounts included in the financial statements represent the fulfillment of obligations and realization of assets for properties that were sold in prior periods.

Net Operating Income ("NOI")

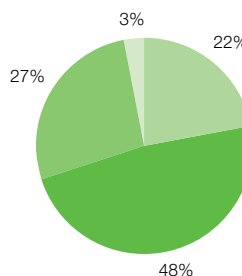
(\$000's)	Three Months Ended June 30				Six Months Ended June 30			
	2005	2004	Growth		2005	2004	Growth	
			Amount	%			Amount	%
Office	\$ 17,637	\$ 14,681	\$ 2,956	20	\$ 33,439	\$ 28,144	\$ 5,295	19
Industrial	10,668	9,641	1,027	11	20,616	17,475	3,141	18
Retail	1,296	1,451	(155)	(11)	2,614	3,003	(389)	(13)
NOI	29,601	25,773	3,828	15	56,669	48,622	8,047	17
Discontinued operations	101	1,222	(1,121)		139	2,347	(2,208)	
NOI including discontinued operations	\$ 29,702	\$ 26,995	\$ 2,707	10	\$ 56,808	\$ 50,969	\$ 5,839	11

(\$000's)	Three Months Ended June 30				Six Months Ended June 30			
	2005	2004	Growth		2005	2004	Growth	
			Amount	%			Amount	%
Quebec	\$ 6,650	\$ 4,440	\$ 2,210	50	\$ 12,261	\$ 8,638	\$ 3,623	42
Ontario	14,006	12,591	1,415	11	26,563	23,365	3,198	14
Western Canada	7,958	7,606	352	5	15,841	14,306	1,535	11
Total Canada	28,614	24,637	3,977	16	54,665	46,309	8,356	18
United States	987	1,136	(149)	(13)	2,004	2,313	(309)	(13)
NOI	29,601	25,773	3,828	15	56,669	48,622	8,047	17
Discontinued operations	101	1,222	(1,121)		139	2,347	(2,208)	
NOI including discontinued operations	\$ 29,702	\$ 26,995	\$ 2,707	10	\$ 56,808	\$ 50,969	\$ 5,839	11



Second Quarter NOI by Segment (three months)

- Office
- Industrial
- Retail



Second Quarter NOI by Region (three months)

- Quebec
- Ontario
- Western Canada
- United States

Net operating income is an important measure used by management to evaluate the operating performance of the properties. We define NOI as the total of rental property revenues less operating expenses. NOI for the quarter increased 15% over the same period in 2004, primarily due to acquisitions completed in 2004 and 2005.

NOI Comparative Portfolio

(\$000's)	Three Months Ended June 30				Six Months Ended June 30			
	2005	2004	Growth		2005	2004	Growth	
			Amount	%			Amount	%
Office	\$ 13,099	\$ 13,357	\$ (258)	(2)	\$ 25,832	\$ 26,245	\$ (413)	(2)
Industrial	6,107	5,849	258	4	12,121	11,644	477	4
Retail	1,298	1,460	(162)	(11)	2,609	2,965	(356)	(12)
Comparative properties	20,504	20,666	(162)	(1)	40,562	40,854	(292)	(1)
Acquisitions	8,456	4,188	4,268	103	14,779	5,847	8,932	153
Rent supplement	641	925	(284)	(31)	1,328	1,876	(548)	(29)
Dispositions	-	(6)	6	(100)	-	45	(45)	(100)
NOI	29,601	25,773	3,828	15	56,669	48,622	8,047	17
Discontinued operations	101	1,222	(1,121)	(92)	139	2,347	(2,208)	(93)
NOI including discontinued operations	\$ 29,702	\$ 26,995	\$ 2,707	10	\$ 56,808	\$ 50,969	\$ 5,839	11

(\$000's)	Three Months Ended June 30				Six Months Ended June 30			
	2005	2004	Growth		2005	2004	Growth	
			Amount	%			Amount	%
Québec	\$ 3,634	\$ 3,915	\$ (281)	(7)	\$ 7,283	\$ 7,738	\$ (455)	(6)
Ontario	9,610	9,714	(104)	(1)	18,761	19,041	(280)	(1)
Western Canada	6,273	5,903	370	6	12,514	11,762	752	6
Total Canada	19,517	19,532	(15)	-	38,558	38,541	17	-
United States	987	1,134	(147)	(13)	2,004	2,313	(309)	(13)
Comparative properties	20,504	20,666	(162)	(1)	40,562	40,854	(292)	(1)
Acquisitions	8,456	4,188	4,268	103	14,779	5,847	8,932	153
Rent supplement	641	925	(284)	(31)	1,328	1,876	(548)	(29)
Dispositions	-	(6)	6	(100)	-	45	(45)	(100)
NOI	29,601	25,773	3,828	15	56,669	48,622	8,047	17
Discontinued operations	101	1,222	(1,121)	(92)	139	2,347	(2,208)	(93)
NOI including discontinued operations	\$ 29,702	\$ 26,995	\$ 2,707	10	\$ 56,808	\$ 50,969	\$ 5,839	11

NOI shown above highlights comparative and non-comparative items to assist in understanding the impact each component has on NOI. The discontinued operations that contributed to NOI are shown separately to conform with the required income statement presentation. Comparative NOI and acquisitions include straight-line rents, which were previously disclosed separately when the policy was prospectively adopted at December 31, 2004. Straight-line rent will fluctuate based on the lease agreements entered into by the Trust. Generally, when leases contain contractual rent increases, also known as step rents, straight-line rent will increase revenue at the beginning of the lease term and decrease revenue in the latter periods as compared with accounting for rents as they become due. Management anticipates the impact of straight-line rent to decrease over time.

Comparative NOI was virtually unchanged period-over-period, reflecting the stability and occupancy level of the properties. An overall increase in comparative occupancy primarily reflects increases in the Ontario office portfolio and the Montréal and Western Canada industrial portfolio's, offset by small decreases in the Montréal and Ottawa office portfolios.

Property NOI generally varies from period-to-period as a result of the timing of revenues and expenses that do not fluctuate directly with occupancy, such as parking revenue, bad debt provisions and extra tenant services. The increase in NOI reflects the impact of acquisitions completed in 2004 and 2005. The rent supplement from DRC described below contributed \$0.6 million and \$1.3 million for the three and six months, respectively.

The rent supplement represents amounts funded by DRC based on specific vacancies as previously agreed to upon the formation of Dundee REIT and as included in the property management agreement. This rent supplement will fluctuate as leasing of supplemented space occurs. The supplement commenced July 1, 2003 and is effective for five years on office and retail space and three years for industrial space. If at any time any of the spaces to which the supplement applies is either leased, sold or ceases to be managed by Dundee Realty Management Corp., the amount of the rent supplement will be permanently reduced by the amount attributed to that space. The rental supplement decreased in the quarter as a result of leasing activity in supplemented industrial space.

Comparative Office Portfolio

(\$000's)	Three Months Ended June 30				Six Months Ended June 30			
	2005	2004	Growth		2005	2004	Growth	
			Amount	%			Amount	%
Québec	\$ 1,114	\$ 1,439	\$ (325)	(23)	\$ 2,274	\$ 2,855	\$ (581)	(20)
Ontario	7,940	8,100	(160)	(2)	15,523	15,719	(196)	(1)
Western Canada	4,045	3,818	227	6	8,035	7,671	364	5
Comparative properties	13,099	13,357	(258)	(2)	25,832	26,245	(413)	(2)
Acquisitions	4,091	799	3,292		6,693	876	5,817	
Rent supplement	447	525	(78)		914	1,023	(109)	
Office NOI	\$ 17,637	\$ 14,681	\$ 2,956	20	\$ 33,439	\$ 28,144	\$ 5,295	19

Leasing remains a challenge in the Anjou and Décarie sub-markets in Montréal and although the current occupancy level is encouraging it partially reflects tenants who are maintaining their occupancy on a month-to-month basis after their leases have expired. Our goal is to secure longer-term commitments from these tenants.

Comparative results from Ontario in 2004 include a \$0.3 million lease termination payment. Excluding this one-time payment, results from Ontario were actually up by 1.5% and overall results were unchanged for the three month period. The Toronto office portfolio is well leased with the exception of the 110 Sheppard and the St. Clair buildings. These properties are indicative of the challenges faced by other landlords in these sub-markets as well. Leasing at 110 Sheppard has improved and it is currently 77% committed, up from 59% at year end. The vacancies in the St. Clair buildings are being actively marketed with an innovative broker program designed to target small to medium-sized tenants. The Western Canada office portfolio is virtually fully leased with almost 70% of the remaining 2005 expiries already committed.

Comparative Industrial Portfolio

(\$000's)	Three Months Ended June 30				Six Months Ended June 30			
	2005	2004	Growth		2005	2004	Growth	
			Amount	%			Amount	%
Québec	\$ 2,520	\$ 2,475	\$ 45	2	\$ 5,009	\$ 4,883	\$ 126	3
Ontario	1,508	1,461	47	3	2,940	2,996	(56)	(2)
Western Canada	2,079	1,912	167	9	4,172	3,765	407	11
Comparative properties	6,107	5,848	259	4	12,121	11,644	477	4
Acquisitions	4,365	3,389	976		8,086	4,971	3,115	
Rent supplement	196	404	(208)		409	860	(451)	
Industrial NOI	10,668	9,641	1,027	11	20,616	17,475	3,141	18
Discontinued operations	—	197	(197)		—	409	(409)	
Industrial NOI including discontinued operations	\$ 10,668	\$ 9,838	\$ 830	8	\$ 20,616	\$ 17,884	\$ 2,732	15

Comparative industrial NOI is up 11% over the respective quarter in 2004. Improved results primarily reflect increases in occupancy across all regions. The Ontario portfolio in particular has enjoyed high occupancy rates since March 2004. Vacancy at quarter end comprises only 28,000 square feet, of which 46% is already committed for future occupancy. Throughout the balance of the year, occupancy may dip below current levels as all three regions have some lease expiries of larger spaces that may result in downtime between tenancies.

Comparative Retail Portfolio

(\$000's)	Three Months Ended June 30				Six Months Ended June 30			
	2005	2004	Growth		2005	2004	Growth	
			Amount	%			Amount	%
Ontario	\$ 162	\$ 153	\$ 9	6	\$ 298	\$ 326	\$ (28)	(9)
Western Canada	149	173	(24)	(14)	307	326	(19)	(6)
Total Canada	311	326	(15)	(5)	605	652	(47)	(7)
United States (US\$)	796	835	(39)	(5)	378	580	(202)	(3)
Foreign exchange	191	299	(108)	(36)	1,626	1,733	(107)	(6)
Comparative properties	1,298	1,460	(162)	(11)	2,609	2,965	(356)	(12)
Rent supplement	(2)	(4)	2		5	(7)	12	
Dispositions	-	(6)	6		-	45	(45)	
Retail NOI	1,296	1,450	(154)	(11)	2,614	3,003	(389)	(13)
Discontinued operations	101	1,025	(924)		139	1,938	(1,799)	
Retail NOI including discontinued operations	\$ 1,397	\$ 2,475	\$ (1,078)	(44)	\$ 2,753	\$ 4,941	\$ (2,188)	(44)

The decline in comparative retail NOI is primarily the result of our U.S. asset. The appreciation in value of the Canadian dollar between periods translated into a \$0.1 million decline in contribution from this asset over the three months in 2004. Also impacting results from this asset was a decrease in percentage rent and miscellaneous income. Results from the mall in Western Canada include the impact of non-recoverable operating costs and timing of expenditures. The decline in overall NOI reflects the sale of Northgate Mall, which contributed \$1.0 million and \$1.9 million for the respective three and six month periods in 2004.

Leasing Profile

The overall percentage of occupied and committed space across our rental properties portfolio increased to 95.8% at quarter end. Both our average office and industrial portfolio occupancy rates are currently above the national industry averages of 88.8% and 95.0%, respectively (CB Richard Ellis, Canadian Office and Industrial Market Views, 2nd Quarter, 2005). Occupancy rates discussed in this report include actual and committed space at June 30, 2005 and exclude space to which the rent supplement is applied.

	Total Portfolio		Comparative Properties	
	June 30, 2005	December 31, 2004 ⁽¹⁾	June 30, 2005	December 31, 2004 ⁽¹⁾
Office				
Québec	90.6%	89.2%	87.5%	89.2%
Ontario	95.9%	93.2%	95.0%	93.2%
Western Canada	99.0%	99.3%	99.5%	99.3%
	95.1%	93.6%	94.3%	93.6%
Industrial ⁽¹⁾				
Québec	94.3%	91.4%	93.2%	91.4%
Ontario	99.3%	98.1%	99.3%	98.1%
Western Canada	97.0%	96.9%	97.0%	96.9%
	96.6%	95.2%	96.3%	95.2%
Retail				
Ontario	86.5%	91.0%	86.5%	91.0%
Western Canada	100.0%	100.0%	100.0%	100.0%
US	93.6%	93.2%	93.6%	93.2%
	93.0%	93.3%	93.0%	93.3%
Overall	95.8%	94.5%	95.3%	94.5%

(1) Excludes: 2301 and 2311 Royal Windsor Drive, Mississauga.

(2) Excludes: 2280 boul. Alfred-Nobel, Montréal.

Our portfolio remains well occupied. Based on our current experience, we anticipate stable occupancy throughout 2005. We do caution, however, that while our experience to date has been positive, there is the potential for greater downtime between tenancies when leasing larger spaces, particularly for those properties that may require improvements or changes prior to a new tenant taking occupancy. Some larger tenants will be vacating their premises in the Montréal and Toronto industrial portfolios in the latter part of 2005. The expiries in Western Canada are primarily smaller tenancies with the exception of two expiries comprising approximately 47,000 square feet that may not renew. We are currently marketing these spaces and while we are optimistic that leasing will be concurrent with the expiries, we believe that some interim vacancy may occur.

Summary of leasing activity to June 30, 2005:

(square feet)	Office	Industrial	Retail	Total
Vacant space available – January 1, 2005	301,579	355,465	65,445	722,489
Remeasurements	520	1,500	–	2,020
Acquisitions	18,953	2,776	–	21,729
Leases terminated/expiring	263,053	808,048	50,235	1,121,336
Total space available for lease	584,105	1,167,789	115,680	1,867,574
New tenants	124,481	325,038	6,106	455,625
Renewals	169,968	565,410	41,677	777,055
Total space leased	294,449	890,448	47,783	1,232,680
Total space available for lease – June 30, 2005	289,656	277,341	67,897	634,894
Net (increase) decrease in vacant space	11,923	78,124	(2,452)	87,595

The above table shows a net decrease in vacant space of 87,595 square feet at June 30, 2005. The overall increase in occupied and committed space is a result of leasing activity and the acquisition of well leased properties. During the six months ended June 30, 2005, occupancy improved with 1,121,336 square feet of leases expiring offset by 1,232,680 square feet of new leases and renewals. The volume of leasing in the office and industrial portfolios is consistent with normalized levels discussed previously.

Lease maturity profile as at June 30, 2005 by asset type:

(square feet)	Current Vacancy	Current Monthly Tenancies	2005	2006	2007	2008	2009 and Thereafter	Total
Office	289,656	57,691	201,153	560,672	664,570	468,896	3,645,536	5,888,174
Industrial	277,341	116,623	568,355	1,372,703	1,157,796	1,111,717	3,640,892	8,245,427
Retail	67,897	32,918	43,754	49,928	91,879	97,398	586,123	969,897
Total	634,894	207,232	813,262	1,983,303	1,914,245	1,678,011	7,872,551	15,103,498
Percentage	4.2%	1.4%	5.4%	13.1%	12.7%	11.1%	52.1%	100.0%

Average Expiring Rents as at June 30, 2005:

	Current Monthly Tenancies	2005	2006	2007	2008	2009 and Thereafter
Office	\$ 10.71	\$ 12.93	\$ 16.15	\$ 12.33	\$ 12.29	\$ 14.42
Industrial	4.54	5.66	5.31	5.02	5.06	6.49
Average	6.58	7.56	8.45	7.68	7.21	10.46
Retail	15.27	14.79	13.65	11.38	13.02	7.14
Portfolio average	\$ 7.96	\$ 7.95	\$ 8.58	\$ 7.86	\$ 7.54	\$ 10.21

New acquisitions have allowed us more flexibility in our space offerings to existing and prospective tenants. Where necessary, we will continue to work with tenants and offer alternative space solutions. We also make every effort to accommodate the need for growth, but with a virtually fully leased industrial portfolio in Ontario and office portfolio in Western Canada, this could prove to be challenging.

Average remaining lease term as at June 30 and other portfolio information:

	June 30, 2005 ⁽¹⁾			December 31, 2004 ⁽³⁾		
	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Net Rent (per sq. ft.) ⁽²⁾	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average In-Place Net Rent (per sq. ft.)
Office	4.87	8,445	\$ 14.08	5.24	8,270	\$ 14.35
Industrial	4.36	13,105	\$ 5.79	3.48	13,091	\$ 5.78
Average	4.57	10,530	\$ 9.21	3.99	10,491	\$ 9.06
Retail	5.31	6,136	\$ 9.24	5.57	5,990	\$ 9.10
Portfolio average	4.62	10,101	\$ 9.21	4.25	9,980	\$ 9.06

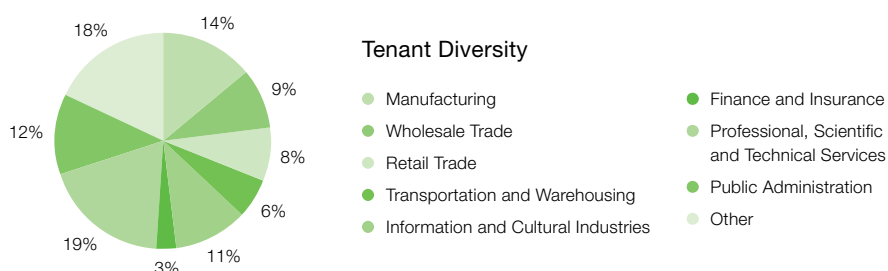
(1) Excludes 2280 boul. Alfred-Nobel, Montréal, under redevelopment.

(2) Average in-place rents include straight-lined rent.

(3) Excludes 2301 and 2311 Royal Windsor Drive, Mississauga.

Dundee REIT has a broad tenant base with the average tenant occupying approximately 10,000 square feet. The result is a large and diverse tenant base. With approximately 1,500 tenants, lease renewals are frequent and our risk exposure with any large single lease or tenant is relatively low. Our success in managing our lease expiries is evident in our track record where the lease maturity profile of our properties has been consistent and our occupancy levels have fluctuated only within a very narrow range.

The following chart illustrates the diversity of our tenant base broken down by the percentage contribution to total contract rent. Tenants have been classified according to their North American Industry Classification System ("NAICS") codes, which is one system used for classifying the industry in which tenants operate.



Our three largest tenants, the Government of Ontario, the Government of Canada and Telus Communications, comprise approximately 5.4%, 5.0% and 4.0% of our gross rental revenue, respectively. The table below sets out the percentage contribution to gross rental revenue of our ten largest tenants:

Tenant	Owned Area (sq. ft.)	% of Owned Area	% of Gross Rental Revenue	Expiry
Government of Ontario	472,000	3.1%	5.4%	2005-2015
Government of Canada	413,000	2.7%	4.9%	2005-2015
Telus Communications	330,000	2.2%	4.0%	2016
Bell Canada	328,000	2.2%	2.8%	2009-2010
State Street Trust Company	94,000	0.6%	1.8%	2012
Atomic Energy of Canada Ltd.	226,000	1.5%	1.7%	2009
International Financial Data Services	96,000	0.6%	1.7%	2013
Government of BC	102,000	0.7%	1.6%	2006-2009
IBM Canada	112,000	0.7%	1.4%	2008-2011
Epcor Utilities	188,000	1.2%	1.4%	2011
Total	2,361,000	15.6%	26.6%	

Acquisitions Completed in Second Quarter

	Property Type	Interest Acquired	Occupancy on Acquisition	Acquired GLA	Purchase Price (\$'000's)	Date Acquired
56 Wellesley St. West, Toronto ⁽¹⁾	Office	50%	100%	108,000	\$ 14,141	April 1, 2005
120 Valleywood Drive, Markham ⁽¹⁾	Industrial	50%	100%	30,000	1,694	April 1, 2005
2280 boul. Alfred-Nobel, Montréal	Office	100%	–	86,000	5,472	April 8, 2005
1000 boul. Saint-Jean, Montréal	Office	100%	98%	112,000	16,133	April 14, 2005
22000 TransCanada Hwy. and 115 boul. Hymus, Montréal	Industrial	100%	100%	371,000	24,548	April 18, 2005
1415-1511 rue Berlier, Laval	Industrial	100%	100%	64,000	4,432	May 5, 2005
375-425 Britannia Road, Mississauga	Industrial	100%	99%	121,000	10,468	May 30, 2005
Joffre Place, Calgary	Office	100%	96%	111,000	18,310	June 2, 2005
975 boul. Saint-Joseph, Gatineau	Office	100%	99%	194,000	25,945	June 17, 2005
400-480 boul. Armand Frappier, Laval	Office	100%	94%	198,000	35,525	June 20, 2005
2285 Speakman Drive, Mississauga	Office	100%	100%	131,000	13,161	June 27, 2005
Total				1,526,000	\$ 169,829	
Average capitalization rate					8.6% ⁽²⁾	

(1) Represents purchase of the balance of the property.

(2) Excludes 2280 boul. Alfred-Nobel, Montréal, under redevelopment

A component of our growth strategy is to acquire office and industrial properties in our key markets, allowing us to capitalize on operational efficiencies, further increase our presence and critical mass in our target markets and to improve the overall quality and rental income stability of our portfolio. Acquisitions completed in this quarter are outlined above. All of the properties acquired complement Dundee REIT's existing portfolio and align with our strategy of owning and managing office and industrial properties mainly in our key markets of Montréal, Ottawa, Toronto, Calgary and Edmonton.

Quarterly Information

The following table shows quarterly information since June 30, 2003.

(\$000's)	Q2 2005	Q1 2005	Q4 2004	Q3 2004 ⁽¹⁾	Q2 2004 ⁽¹⁾	Q1 2004 ⁽¹⁾	Q4 2003 ⁽¹⁾	Q3 2003 ⁽¹⁾
Rental Properties								
Revenues	\$ 53,378	\$ 50,793	\$ 50,098	\$ 47,983	\$ 46,191	\$ 42,908	\$ 38,545	\$ 34,902
Operating expenses	23,777	23,725	23,831	20,999	20,418	20,059	18,955	16,147
Net operating income	29,601	27,068	26,267	26,984	25,773	22,849	19,590	18,755
Other expenses								
Interest	13,284	11,735	11,663	11,739	10,304	9,561	8,866	8,451
Depreciation of rental properties	6,884	6,689	6,780	6,592	6,290	5,884	2,428	2,107
Amortization of deferred leasing costs and intangibles	4,524	3,778	3,671	3,761	3,363	1,767	1,540	1,263
General and administrative	1,245	1,161	1,899	1,145	1,205	952	1,115	994
	25,937	23,363	24,013	23,237	21,162	18,164	13,949	12,815
Other income								
Interest and fee income, net	619	718	637	583	429	583	484	192
Income before gain (loss) on disposal of rental property and dilution gain	4,283	4,423	2,891	4,330	5,040	5,268	6,125	6,132
Gain (loss) on disposal of rental property	–	–	(11)	–	(11)	177	(289)	–
Dilution gain	652	673	548	365	185	633	–	–
Income before income and large corporations taxes	4,935	5,096	3,428	4,695	5,214	6,078	5,836	6,132
Income taxes								
Current income and large corporations taxes	41	47	46	29	18	20	35	15
Future income taxes	183	192	(25)	(1,946)	(1)	(41)	65	(33)
	224	239	21	(1,917)	17	(21)	100	(18)
Income before non-controlling interest and discontinued operations	4,711	4,857	3,407	6,612	5,197	6,099	5,736	6,150
Income attributable to non-controlling interest	1,343	1,362	970	1,961	1,557	1,849	2,256	2,618
Income before discontinued operations	3,368	3,495	2,437	4,651	3,640	4,250	3,480	3,532
Discontinued Operations	52	186	590	724	(11,846)	(93)	94	76
Net income (loss)	\$ 3,420	\$ 3,681	\$ 3,027	\$ 5,375	\$ (8,206)	\$ 4,157	\$ 3,574	\$ 3,608
Net income (loss) per unit								
Basic	\$ 0.20	\$ 0.22	\$ 0.18	\$ 0.32	\$ (0.49)	\$ 0.29	\$ 0.32	\$ 0.38
Diluted ⁽²⁾	\$ 0.17	\$ 0.18	\$ 0.16	\$ 0.30	\$ (0.50)	\$ 0.25	\$ 0.32	\$ 0.38

(1) Restated to reflect retroactive adoption of EIC-151 as described on page 26.

(2) Excludes impact of 6.5% Debentures and 5.7% Debentures, which are currently not dilutive to net income.

Calculation of Funds from Operations and Distributable Income

(\$000's)	Q2 2005	Q1 2005	Q4 2004 ⁽¹⁾	Q3 2004 ^{(2) (3)}	Q2 2004 ^{(2) (3)}	Q1 2004 ^{(2) (3)}	Q4 2003 ^{(2) (3)}	Q3 2003 ^{(2) (3)}
Net income (loss)	\$ 3,420	\$ 3,681	\$ 3,027	\$ 5,375	\$ (8,206)	\$ 4,157	\$ 3,574	\$ 3,608
Add (deduct):								
Depreciation of rental properties	6,884	6,688	6,785	6,605	6,690	6,284	2,588	2,266
Amortization of deferred leasing costs and intangibles	4,524	3,778	3,672	3,764	3,494	1,903	1,703	1,392
Future income tax	183	192	(25)	(1,946)	(1)	(41)	65	(33)
Imputed amortization of leasing costs related to the rent supplement	204	487	336	286	362	380	375	332
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	(3)	(4)	(4)	(3)	(3)	(2)	(1)	–
Dilution gain	(652)	(673)	(548)	(365)	(185)	(633)	–	–
(Gain) loss on disposal of rental properties	25	(242)	(287)	(443)	(2,396)	(177)	289	–
Provision for impairment in value of rental property	–	–	–	–	19,729	–	–	–
Non-controlling interest	1,367	1,451	1,245	2,292	(3,782)	1,801	2,317	2,674
Funds from operations	15,952	15,358	14,201	15,565	15,702	13,672	10,910	10,239
Add (deduct):								
Amortization of costs not specific to real estate operations incurred subsequent to June 30, 2003	–	–	4	3	3	2	1	–
Imputed amortization of leasing costs related to the rent supplement	(204)	(487)	–	–	–	–	–	–
Amortization of marked-to-market adjustment on acquired debt	(819)	(350)	(315)	(315)	(484)	(324)	(106)	(75)
Compensation expense related to deferred unit incentive plan	172	175	568	107	106	105	104	9
Straight-line rent	(874)	(1,070)	(889)	(1,140)	(1,286)	(949)	–	–
Amortization of non-recoverable deferred costs incurred prior to June 30, 2003	3	4	14	32	33	53	28	44
Amortization of deferred financing costs incurred prior to June 30, 2003	87	87	104	86	74	203	210	285
Amortization of deferred leasing costs incurred subsequent to June 30, 2003	–	–	(1,089)	(796)	(544)	(304)	(296)	(43)
Amortization of market adjustment on acquired leases	(108)	(33)	(56)	(83)	8	–	–	–
Distributable income	\$ 14,209	\$ 13,684	\$ 12,542	\$ 13,459	\$ 13,612	\$ 12,458	\$ 10,851	\$ 10,459
Funds from operations per unit								
Basic ⁽¹⁾	\$ 0.64	\$ 0.62	\$ 0.58	\$ 0.64	\$ 0.65	\$ 0.64	\$ 0.59	\$ 0.63
Diluted	\$ 0.60	\$ 0.60	\$ 0.56	\$ 0.62	\$ 0.65	\$ 0.64	\$ 0.59	\$ 0.63
Distributable income per unit								
Basic ⁽¹⁾	\$ 0.57	\$ 0.55	\$ 0.51	\$ 0.55	\$ 0.56	\$ 0.58	\$ 0.59	\$ 0.64
Diluted	\$ 0.54	\$ 0.54	\$ 0.50	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.59	\$ 0.64
Weighted average units outstanding for FFO and DI								
Basic	25,081,201	24,865,912	24,651,828	24,411,074	24,175,288	21,508,753	18,203,105	16,331,369
Diluted	31,480,407	27,924,777	27,694,849	27,446,183	24,530,461	21,532,903	18,213,417	16,331,458

(1) The LP Class B Units, Series 1 are included in the calculation of Basic FFO per unit and Basic DI per unit.

(2) Restated to reflect retroactive adoption of EIC-151 as described on page 26.

(3) Restated to reflect change to FFO definition as described on page 13.

Net Operating Income

(\$000's)	Three Months Ended			
	June 30, 2005	March 31, 2005	Growth	
			Amount	%
Office	\$ 13,099	\$ 12,733	\$ 366	3
Industrial	6,107	6,014	93	2
Retail	1,298	1,311	(13)	(1)
Comparative properties	20,504	20,058	446	2
Acquisitions	8,456	6,323	2,133	
Rent supplement	641	687	(46)	
NOI	29,601	27,068	2,533	9
Discontinued operations	101	38	63	
NOI including discontinued operations	\$ 29,702	\$ 27,106	\$ 2,596	10

(\$000's)	Three Months Ended			
	June 30, 2005	March 31, 2005	Growth	
			Amount	%
Québec	\$ 3,634	\$ 3,649	\$ (15)	-
Ontario	9,610	9,151	459	5
Western Canada	6,273	6,241	32	1
	19,517	19,041	476	2
United States	987	1,017	(30)	(3)
Comparative properties	20,504	20,058	446	2
Acquisitions	8,456	6,323	2,133	
Rent supplement	641	687	(46)	
NOI	29,601	27,068	2,533	9
Discontinued operations	101	38	63	
NOI including discontinued operations	\$ 29,702	\$ 27,106	\$ 2,596	10

Comparative NOI increased 9% quarter-over-quarter as a result of leasing activity in the Toronto office and industrial portfolios and timing of revenues and costs that do not vary with occupancy. Overall NOI increased 10% due to the net impact of acquisitions.

Period end occupied and committed space:

	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003
Office	95.1%	94.0%	93.6%	94.3%	94.6%	93.3%	92.4%	92.9%	93.8%
Industrial	96.6%	96.3%	95.2%	94.2%	94.1%	94.1%	93.1%	94.2%	93.9%
Retail	93.0%	92.4%	93.3%	92.9%	92.8%	92.1%	92.5%	93.0%	93.0%
Overall	95.8%	95.2%	94.5%	94.3%	94.2%	93.6%	92.7%	93.6%	93.8%

Excludes properties under redevelopment and properties held for sale

Outlook

Throughout the balance of the year we will remain focused on sourcing and completing acquisitions, working toward our goal of becoming Canada's leading provider of affordable business premises. Demand for quality real estate remains unabated, making it difficult to complete as many acquisitions as we would like. However, so far this year, we have added \$221 million of high quality assets to our portfolio. The benefits of these acquisitions will be more evident in the next quarter, once those completed recently contribute for a full three-month period. We will continue to source accretive acquisitions but cannot be sure that they will be on terms as favourable as those completed in the past.

Refinancing activity during the quarter has resulted in a reduction of our average interest rate and the lengthening of our average term to maturity. The cost savings related to refinancing activity will be realized in future periods. With respect to leasing, we are finally beginning to see some signs of improvement in the leasing markets, resulting in a slight decrease in the level of inducements required to attract tenants. Although overall leasing costs were up for the quarter, costs on a per square foot basis were actually slightly lower. There is some potential vacancy exposure in our portfolio over the remainder of the year, however, our leasing staff has been working diligently on renewals and new leasing and we do not anticipate any significant changes in our occupancy rates or for leasing costs to deviate significantly from our anticipated normalized activity levels.

Management continues to make strategic decisions that will maximize the long-term value of Dundee REIT. The benefits of decisions made will be realized throughout the balance of this year and in future periods. The consistent performance of our comparative properties, coupled with growth through accretive acquisitions, will continue to provide us with a solid platform for predictable and sustainable results.

Risks and Our Strategy to Manage

Dundee REIT is exposed to various risks and uncertainties. For a list and explanation of these risks and uncertainties, please refer to our 2004 Annual Report or our Annual Information Form for the year ended December 31, 2004 filed on SEDAR (www.sedar.com).

Critical Accounting Estimates

Management of Dundee REIT believes that certain policies may be subject to estimation and management's judgment. For a list and explanation of these policies, please refer to Note 2 of the Interim Financial Statements and to our 2004 Annual Report.

Changes in Accounting Policies

Non-controlling Interest

On January 19, 2005, the Emerging Issues Committee of the CICA issued an Abstract of Issues Discussed titled "Exchangeable Securities Issued by Subsidiaries of Income Trusts" ("EIC-151") which requires Income Trusts with exchangeable securities issued by their subsidiaries to evaluate whether the exchangeable securities should be presented as unitholders' equity or non-controlling interest on the consolidated balance sheet.

EIC-151 applies to all financial statements issued after January 19, 2005 and is required to be applied on a retroactive basis. As a result, the Trust has accounted for the investment of the net proceeds that it received from equity offerings in DPLP using the purchase method. In addition, the issuance of LP Class B Units, Series 1 under the Distribution Reinvestment Plan has resulted in a dilution of the Trust's ownership of DPLP. Adoption of EIC-151 had the effect as at and for the six months ended June 30, 2005 of recognizing non-controlling interest in the balance sheet of \$150 million, recognizing a dilution gain of \$1.3 million and income attributable to non-controlling interest in continuing operations of \$2.7 million, net of a loss of \$0.1 million from discontinued operations.

Variable Interest Entities

Effective January 1, 2005, the CICA issued Accounting Guideline 15, Consolidation of Variable Interest Entities ("AcG-15"), which provides guidance for applying the principles in Section 1590, "Subsidiaries," to those entities defined as Variable Interest Entities ("VIEs"). This standard considers a VIEW to be an entity in which either the equity at risk is not sufficient to permit that entity to finance its activities without additional subordinated financial support from other parties, or equity investors lack either voting control, an obligation to absorb expected losses, or the right to receive expected residual returns. AcG-15 requires consolidation of VIEs by the primary beneficiary. The primary beneficiary is defined as the party who has exposure to the majority of a VIE's expected losses and/or expected residual returns.