Dundee REIT

Quarterly Report

September 30, 2003

DUNDEE
R·E·I·T

Letter to Unitholders

This is the first financial report of Dundee REIT and I would like to welcome all of our unitholders. Dundee REIT was formed in connection with the reorganization of Dundee Realty Corporation on June 30, 2003. We are focused on owning, acquiring, leasing and managing office and industrial properties in our chosen Canadian target markets of Montréal, Ottawa, Toronto, Calgary and Edmonton. With 140 properties comprising over 11 million square feet of gross leaseable area, valued at $950 million and with a current market capitalization in excess of $400 million, Dundee REIT is in an excellent starting position within the Canadian REIT industry.

Our strategy is to continue to operate our diversified portfolio of high quality, affordable business premises and to increase the average lease term and overall portfolio quality by acquiring properties in our target markets.

As a REIT, our key objective is to provide unitholders with consistent and growing monthly distributions. We are starting with a relatively conservative payout ratio of 86% of distributable income. We are confident in our ability to pay distributions in particular because our average office rent is $12.30 per square foot, which is a low rent from which to grow. And, with a current average interest rate of 7.14% on our debt, we have opportunities to secure lower rates as debt comes up for renewal to even further improve our financial performance. Payments of $0.183 per unit were made to our unitholders in respect of July, August and September representing an annualized payout of $2.20 per unit.

Our other objectives include increasing the value of the enterprise through active management, conservative financing and effective portfolio risk management as well as growing our portfolio through acquisitions that enhance the value of our business.

As a REIT, our key objective is to provide unitholders with consistent and growing monthly distributions.

The economic climate is currently quite mixed with the stock markets supporting the view that the economy is recovering. The recent announcement from the U.S. government that third quarter GDP growth exceeded 7.2% strikes us as an anomaly, although the U.S. economy may be on the way to consistent reasonable growth. In Canada, the story is a little different. After years of outperforming the U.S. economy, the recent data and the increase in the Canadian dollar suggest that this outperformance is now history. In general, rental rates have been holding steady or experiencing slight declines in all of our markets with the exception of Ottawa. We are, however, starting to see positive absorption and lower vacancy rates in many markets. Acquisition prices have also increased as a result of the demand for high quality office and, especially industrial properties.

Given this backdrop, our strategy of concentrating on office and industrial properties in five markets provides us with additional flexibility to selectively grow our portfolio by identifying the very best opportunities in our target markets at any given time. To this end, we recently announced two acquisitions. In October, we agreed to acquire the 229,000 square foot Palladium Corporate Centre in suburban Ottawa. The property is only two years old, is 100% leased and will provide a 10.6% yield on our initial investment. In November, we agreed to acquire a 50% interest in the 28 storey, 705,000 square foot Telus Tower in downtown Calgary. Constructed in 1981, this Class A office tower is approximately 93% leased to Telus Communications, with the balance leased to the Alberta government and local tenants.

Both of these transactions are consistent with our acquisition strategy. They are high quality assets located in our target markets and they will help increase the average rent and lease term across our portfolio, as well as reduce the overall average cost and increase the average term to maturity of our debt. We have identified a number of other acquisitions that would enhance the overall value and stability of Dundee REIT, and will continue to pursue growth – one strategic acquisition at a time.

Our financial performance in the third quarter is in line with our expectations. Rental revenue for the three months was $37.1 million, net income was $6.2 million and distributable income was $10.5. On a per unit basis, our distributable income was $0.64 while we distributed $0.55 or a pay out of 86% for the quarter.

During the quarter we were pleased to welcome two new members to our Board of Trustees: Robert Tweedy, Chairman and Chief Executive Officer of Useppa Holdings and Sklar Peppler Furniture and Duncan Jackman, Chairman and President of E-L Financial Corporation. With the addition of these two members not only do we gain the benefit of their expertise but it has also allowed us to restructure the composition of our Audit and Corporate Governance Committees to be completely independent, both of management and our major unitholder. We look forward to their contributions to our enterprise.

Subsequent to quarter end we made a public offering to raise new capital. With this offering we issued 2.6 million units at a price of $21.70 per unit for gross proceeds of $56 million. Although unusual for a REIT, we chose to do a fully-marketed issue so that we could meet with institutional investors and retail brokerages, introduce Dundee REIT, communicate our strategy and raise our profile within the investment community. Our hope is that by increasing our public float, our trading volume and our profile, we will continue to see an increase in the market value of our units. In addition to the purchase of the Palladium Corporate Centre and the Telus Tower referenced earlier, the funds from this offering will be used to restructure and reduce our debt and provide a larger operating line to fund our acquisition program.

While we are pleased with our success so far, we recognize that credibility can only come with history and an established track record of delivering predictable and sustainable financial results and cash distributions. To this end we will continue to grow internally by anticipating and meeting the needs of our tenants, making Dundee REIT their preferred landlord. We will continue to manage our portfolio actively – looking ahead to see how our properties can best be employed and moving promptly to reposition them when warranted. We will also grow through the acquisition of assets in our target markets.

We thank you for your continued support and confidence – this is what motivates us to improve on everything that we do.

Michael J. Cooper
President and Chief Executive Officer

Management's Discussion and Analysis

Dundee REIT was formed in connection with the reorganization of the business of Dundee Realty Corporation ("DRC") on June 30, 2003 whereby DRC transferred substantially all of its commercial real estate and a 50% interest in its property management business (the "Property Manager") to Dundee REIT.

The following discussion and analysis of the financial position and results of operations of Dundee Real Estate Investment Trust ("Dundee REIT") is based primarily on the unaudited consolidated financial statements of Dundee REIT for the three months ended September 30, 2003 and the combined financial statements of the Commercial Real Estate Division of DRC ("the Division") for the six months ended June 30, 2003, nine months ended September 30, 2002 and year-ended December 31, 2002. This discussion should be read in conjunction with these financial statements and the audited financial statements of Dundee REIT as at June 30, 2003 that were included in the prospectus dated October 29, 2003.

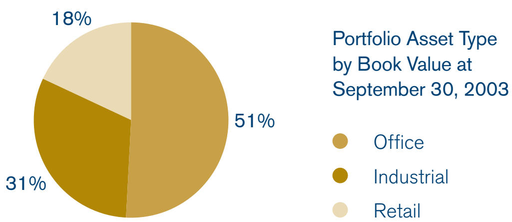
The Division is not a legal entity and is used only as a method of presenting the historical information relating to these properties. The combined financial statements of the Division are not necessarily indicative of the results that would have been attained if the Division had been operated as a separate legal entity during the periods presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to the Divisional financial statements to reflect possible incremental changes to the cost structure as a result of the reorganization.

All dollar amounts in the following discussion are presented in thousands of dollars with the exception of unit and per unit amounts.

This Management's Discussion and Analysis 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, which 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.

OVERVIEW

Dundee REIT is engaged in the ownership and management of commercial rental properties. Dundee REIT provides high quality affordable business premises through 140 well-located office, suburban industrial and retail properties comprising approximately 11.1 million square feet. These properties are strategically located in our target markets, which are the major Canadian metropolitan centers of Montréal, Ottawa, Toronto, Calgary and Edmonton.



Office Rental Properties

The office portfolio includes ownership of 39 office properties (52 buildings) comprising approximately 3.6 million square feet located in Montréal, Ottawa, Toronto, Calgary, Edmonton and Vancouver.

Our team of experienced leasing and property management specialists work diligently to ensure that our buildings remain well leased, and that we maintain good relationships in the brokerage and tenant communities ensuring we meet the needs of our clients. As a result, the occupancy rate in our office portfolio has remained relatively high at 92.9%, well ahead of the national industry average of about 88.4% *(as reported by Royal LePage Commercial Inc. National Market Intelligence Report Third Quarter 2003)*. We review and evaluate our buildings on an on-going basis to maintain and upgrade the quality of our assets. This is a priority not only for us as long-term owners, but also for our current and future tenants.

Industrial Rental Properties

We own a portfolio of 96 prime suburban industrial and flex space properties (110 buildings) comprising approximately 6.1 million square feet, concentrated in Montréal, Toronto, Calgary and Edmonton. Our strategy of owning clusters of properties helps us to respond to tenants' needs to adjust the size and functionality of their space during times of change in their operations and workforce.

At September 30, 2003, the average occupancy rate across our stabilized industrial portfolio was 94.2%, only slightly below the national industry average of about 95.3% *(as reported by Royal LePage Commercial Inc. National Market Intelligence Report Third Quarter 2003)*.

Retail Rental Properties

Our core retail assets are Northgate Mall in Regina and Greenbriar Mall in Atlanta. These assets comprise 1.1 million square feet of our total retail portfolio of approximately 1.4 million square feet. At September 30, 2003, the portfolio had an occupancy rate of 93.0%.

Property Management

Through an interest in the Property Manager, we have approximately 13.6 million square feet of revenue properties under management, including 11.0 million square feet of owned assets. Our focus is on providing our tenants with exceptional property management service. We place a priority on efficient, thorough and timely responses to tenant requests, and focus on meeting all of their real estate needs so that they may concentrate on operating their businesses.

PERFORMANCE MEASUREMENT

The following table outlines our performance as measured by key indicators.

	For the three months ended September 30		Growth	
(unaudited)	**2003**	2002	**Amount**	**%**
Operating Results				
Revenues	**$ 37,166**	$ 36,424	**$ 742**	**2.0**
Net operating income	**19,953**	17,937	**2,016**	**11.2**
Net income (1)	**6,282**	2,909	**3,373**	**115.9**
Funds from operations (1)	**10,239**	6,954	**3,285**	**47.2**
Per unit amounts				
Net income	**0.38**	n/a		
Funds from operations	**0.62**	n/a		
Distributable income	**0.64**	n/a		
Occupancy rate	**93.6%**	93.6%		
Debt-to-gross book value				
September 30, 2003	**55.0%**			
June 30, 2003	**55.6%**			
Distributions				
Distributable income	**10,459**	n/a		
Distributions	**8,982**	n/a		
Distribution payout ratio	**86%**	n/a		
Reinvested distributions	**4,295**	n/a		
Reinvestment to distribution ratio (2)	**48%**	n/a		

(1) Comparability between periods is affected by general and administrative and income tax expenses for the period ended September 30, 2002, which is not based on actual costs but are simply an allocation of total DRC costs based on the net book value of assets transferred to the Division compared to the net book value of total assets.

(2) Includes October 15, 2003 reinvestment of distributions declared in September 2003.

Management believes that funds from operations (“FFO”) is an important measure of our operating performance. FFO is defined as net income (calculated in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”)) plus amortization and depreciation, plus future income taxes and excluding gains or losses from the sale and diminution in value of real estate assets. This measurement is generally accepted as one of the most meaningful and useful measures of performance of real estate operations. It does not represent cash flow from operating activities as defined by GAAP and is not necessarily indicative of cash available to fund Dundee REIT’s needs and should not be considered the only measure of liquidity. In addition, certain other companies may use alternate definitions of FFO.

Net operating income (“NOI”) is defined as the total of rental property revenues less operating expenses. For comparison purposes in this discussion and analysis, the three-month results for Dundee REIT have been grouped with the six-month results of the Division from January 1, 2003 to June 30, 2003.

RESULTS OF OPERATIONS

Rental Properties

The following table shows the distribution of the revenue property NOI by geographic region before the rent supplement:

	For the Three Months Ended September 30		Growth		For the Nine Months Ended September 30		Growth	
	2003	2002	**Amount**	**%**	**2003**	2002	**Amount**	**%**
Québec	**$ 4,185**	$ 4,128	**$ 57**	**1**	**$ 11,651**	$ 12,377	**$ (726)**	**(6)**
Ontario	**8,358**	7,568	**790**	**10**	**24,151**	23,888	**263**	**1**
Western Canada	**5,179**	5,018	**161**	**3**	**15,554**	14,798	**756**	**5**
Total Canada	**17,722**	16,714	**1,008**	**6**	**51,356**	51,063	**293**	**1**
United States	**1,133**	1,223	**(90)**	**(7)**	**3,546**	3,916	**(370)**	**(9)**
	18,855	17,937	**918**	**5**	**54,902**	54,979	**(77)**	**–**
Rent supplement	**1,098**	–	**1,098**	**–**	**1,098**	–	**1,098**	**–**
NOI	**$ 19,953**	$ 17,937	**$ 2,016**	**11**	**$ 56,000**	$ 54,979	**$ 1,021**	**2**

The following table shows the distribution of the revenue property NOI by each operating segment:

	For the Three Months Ended September 30		Growth		For the Nine Months Ended September 30		Growth	
	2003	2002	**Amount**	**%**	**2003**	2002	**Amount**	**%**
Office	**$ 10,196**	$ 9,124	**$ 1,072**	**12**	**$ 29,290**	$ 29,522	**$ (232)**	**(1)**
Industrial	**5,889**	6,228	**(339)**	**(5)**	**17,387**	17,588	**(201)**	**(1)**
Retail	**2,770**	2,585	**185**	**7**	**8,225**	7,869	**356**	**5**
	18,855	17,937	**918**	**5**	**54,902**	54,979	**(77)**	**–**
Rent supplement	**1,098**	–	**1,098**	**–**	**1,098**	–	**1,098**	
NOI	**$ 19,953**	$ 17,937	**$ 2,016**	**11**	**$ 56,000**	$ 54,979	**$ 1,021**	**2**

The regional NOI analysis quarter-over-quarter reflects strong growth in Ontario due to favourable leasing activity in the office portfolio. The nine month results also experienced exceptional growth of approximately $1,700; however, the impact of this is offset by the receipt of one-time lease surrender payments of $1,500 in the first half of 2002.

NOI from the Québec portfolio declined over the nine months due mainly to the loss of a major tenant in an industrial building. The portfolio has seen an increase in prospective tenant visits over the quarter and we are optimistic that the occupancy will increase over the next four quarters.

The U.S. portfolio, which is entirely comprised of the Greenbriar Mall and Theatre, has maintained a strong occupancy rate of 94%. The decrease in NOI is largely the result of fluctuations in the U.S. exchange rate.

NOI by operating segment reflects strength in the Toronto and Ottawa office markets in the quarter and relative weakness in the Montréal industrial portfolio. The favourable results in the retail sector for the quarter and the nine month period include increases in Toronto and Regina. The two Toronto malls experienced a significant increase in occupancy of approximately 7% for the nine months. As well, at Northgate Mall in Regina, Zellers took occupancy of their newly renovated space in mid-September 2002 filling the vacancy left when the former tenant vacated in February 2002. Northgate Mall experienced an approximate 22% increase in occupancy for the nine months. These favourable variances were partially dampened by the effect of the U.S. exchange rate mentioned previously.

The rent supplement of $1,098 for the three months ended September 30, 2003 represents amounts funded by DRC based on certain vacancies as previously agreed to upon the formation of Dundee REIT. This supplement will fluctuate as leasing occurs in the suites included as supplemented space. The supplement is effective for five years for office and retail spaces and three years for industrial space commencing July 1, 2003.

The next table illustrates the comparative rental property NOI by each operating segment and excludes the rent supplement:

	For the Three Months Ended September 30		Growth		For the Nine Months Ended September 30		Growth	
	2003	2002	**Amount**	**%**	**2003**	2002	**Amount**	**%**
Québec	**$ 4,182**	$ 4,046	**$ 136**	**3**	**$ 11,646**	$ 12,301	**$ (655)**	**(5)**
Ontario	**8,358**	7,537	**821**	**11**	**23,997**	22,303	**1,694**	**8**
Western Canada	**5,141**	5,024	**117**	**3**	**15,472**	14,843	**629**	**4**
Total Canada	**17,681**	16,607	**1,074**	**6**	**51,115**	49,447	**1,668**	**3**
United States	**1,133**	1,223	**(90)**	**(7)**	**3,481**	3,916	**(435)**	**(11)**
Total comparative properties	**18,814**	17,830	**984**	**5**	**54,596**	53,363	**1,233**	**2**
Under development	**12**	(5)	**17**		**39**	(116)	**155**	
Lease surrenders	**29**	112	**(83)**		**267**	1,732	**(1,465)**	
	$ 18,855	$ 17,937	**$ 918**	**5**	**$ 54,902**	$ 54,979	**$ (77)**	**–**

The most significant comparative adjustments are the lease surrender payments previously discussed, most of which were in the Toronto office properties. On a nine month comparative basis, the $1,700 increase in Ontario NOI included the full impact of the seventh floor at the State Street Financial Centre becoming occupied in July 2002, as well as leasing activity in two other midtown office buildings and a building in North York. Occupancy in the Toronto industrial portfolio increased to approximately 99%, accounting for more than 11% of the NOI variances in the Ontario portfolio. The impressive occupancy increase in the Toronto retail portfolio contributed to the growth in NOI, representing about 17% of the change in the segment.

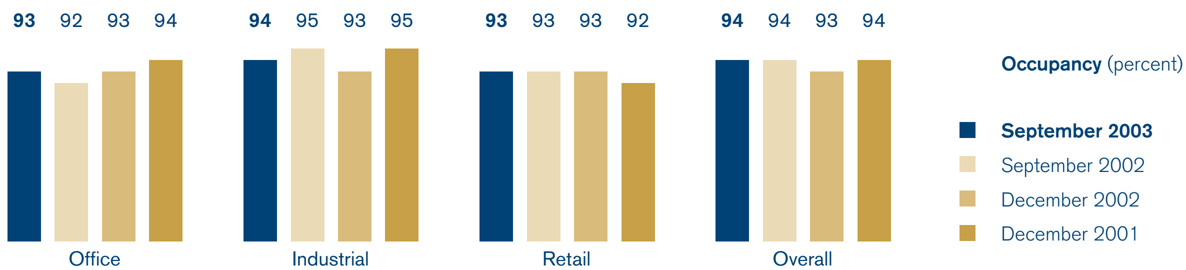
The Western Canada portfolio experienced growth in two areas. The industrial sector experienced an increase in its occupancy of about 2% and the impact of the Zellers occupancy at Northgate Mall accounted for approximately 65% of the nine month increase in NOI.

Both Québec and the United States saw decreases in their nine month comparative NOI. In Québec, the weakness came mainly from the industrial sector and was due to a decrease in occupancy as a result of tenants leaving for “built-to-suit” properties. And, in the U.S., as mentioned previously, the decrease in NOI was mainly the result of the drop in the U.S. exchange rate.

Asset Portfolio

At September 30, 2003 Dundee REIT owned 11.1 million square feet of commercial rental properties.

On a segmented basis, the percentage of occupied and committed space across our stabilized commercial rental properties portfolio is as follows:



The following table shows the lease maturity profile of our portfolio as at September 30, 2003 according to asset type:

	Lease Maturity Profile (sq. ft.)							
	Current Vacancy	**Current Monthly Tenancies**	**2003**	**2004**	**2005**	**2006**	**2007 and thereafter**	**Total**
Office	**258,846**	**28,967**	**179,053**	**491,735**	**491,359**	**418,592**	**1,757,064**	**3,625,615**
Industrial	**340,840**	**129,803**	**249,213**	**1,174,148**	**895,081**	**826,906**	**2,241,818**	**5,857,809**
Retail	**97,526**	**39,174**	**23,088**	**84,105**	**85,761**	**52,114**	**1,007,770**	**1,389,537**
Total	**697,212**	**197,944**	**451,353**	**1,749,987**	**1,472,201**	**1,297,612**	**5,006,652**	**10,872,960**
Percentage	**6.4%**	**1.8%**	**4.2%**	**16.1%**	**13.5%**	**11.9%**	**46.0%**	**100%**
Properties under redevelopment [1]								**219,155**
Total								**11,092,115**

(1) Includes 15303-128th Avenue, Edmonton and 11 Place du Commerce, Brossard.

The following table shows the average remaining lease term and other information for our portfolio as at September 30, 2003:

	Average Remaining Lease Term and Other Information				
	Average Remaining Lease Term (years)	**Average Tenant Size (sq. ft.)**	**Average In-Place Contract Rent (per sq. ft.)**	**Estimated Current Market Rent (per sq. ft.)**	**Premium of Estimated Current Market Rent Over Average In-Place Contract Rent (per sq. ft.)**
Office	**4.2**	**6,221**	**$ 12.30**	**$ 13.21**	**7.4%**
Industrial	**3.1**	**12,822**	**$ 4.70**	**$ 4.83**	**2.7%**
Retail	**6.9**	**5,523**	**$ 10.10**	**$ 11.24**	**11.3%**
Overall	**4.0**	**8,447**	**$ 7.90**	**$ 8.42**	**6.5%**

As a provider of affordable business premises, we have a broad tenant base with the average tenant occupying approximately 8,500 square feet. The result is a large and diverse tenant base. With over 1,300 tenants, lease renewals are frequent and our exposure to any large single lease is relatively low.

We find that tenants who require smaller spaces typically do not have the planning time horizons associated with larger tenants. As a result, we find that our larger tenants will often commit to leases with a 10 to 15 year term, while many of our smaller tenants only commit to leases with a one to three year term. This is reflected in our average remaining lease term of just over four years and our lease maturity profile. We have extensive resources and experience in managing our lease renewals, as many of the same tenants renew annually and have been doing so for a number of years. Our success is evident in our track record. The lease maturity profile of our properties has been consistent for a number of years and occupancy levels have been maintained. Despite vacancies rising in many markets across Canada, we have been able to increase our overall occupancy recently by successfully renewing most of our expiring leases and filling many vacancies.

This stability contributes to the quality and predictability of the portfolio cash flow, and ultimately to unitholder distributions.

Interest Expense

Interest expense for the three months ended September 30, 2003 increased by $216 or 2.4% over the comparative period, mainly as a result of increased debt levels from refinancings in 2002 and 2003. Increases in debt in 2002 included the permanent financing of the State Street Financial Centre at rates higher than the original construction loan.

Interest expense for the nine months ended September 30, 2003 increased $1,214 or 4.6% over the comparative period, primarily as a result of higher average debt levels.

Depreciation of Rental Properties

For the three months ended September 30, 2003, depreciation increased $286 or 14% and $644 or 11% for the nine month period. Buildings are depreciated on a sinking fund basis and, as a result, depreciation experiences a scheduled 5% increase each year. Also included in these amounts is the impact of building improvements undertaken in 2002 and 2003.

Amortization of Deferred Leasing Costs

The increase in amortization of leasing costs in both the three month and nine month comparative periods represents the impact of leasing activity.

General and Administrative

General and administrative costs are primarily comprised of the expenses related to corporate management, trustees fees and expenses, and investor relations for Dundee REIT and its subsidiaries.

Interest and Fee Income, Net

Interest and fee income represents amounts for items such as interest on bank accounts and related fees. These revenues and expenses are not necessarily of a recurring nature and the amounts will vary year-over-year.

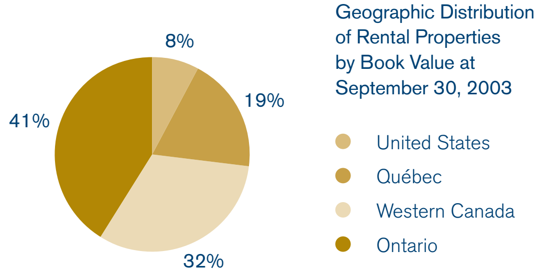
Fees earned from managing properties owned by others, such as management, construction and leasing fees, are also included.

FINANCIAL CONDITION

Liquidity and Capital Resources

The book value of segmented rental properties is geographically dispersed as follows:

	September 30, 2003					June 30, 2003		December 31, 2002	
	Office	Industrial	Retail	Total	%	Total	%	Total	%
Québec	$ 50,502	$ 102,780	$ 1,716	$ 154,998	19	$ 155,142	19	$ 155,576	19
Ontario	267,086	54,112	13,946	335,144	41	335,809	41	335,803	41
Western Canada	99,640	96,119	64,898	260,657	32	260,270	32	260,932	32
Total Canada	417,228	253,011	80,560	750,799	92	751,221	92	752,311	92
United States	–	–	60,119	60,119	8	60,118	8	70,104	8
Total at September 30, 2003	$ 417,228	$ 253,011	$ 140,679	$ 810,918	100	$ 811,339	100	$ 822,415	100
Percentage	52%	31%	17%	100%					
Total at June 30, 2003	$ 417,222	$ 253,456	$ 140,661	$ 811,339					
Percentage	52%	31%	17%	100%					
Total at December 31, 2002	$ 417,829	$ 254,504	$ 150,082	$ 822,415					
Percentage	51%	31%	18%	100%					



Geographic Distribution of Rental Properties by Book Value at September 30, 2003

The geographic distribution of our asset base from 2002 through to 2003 has remained substantially unchanged. The decrease in book value from June 2003 to September 2003 includes $1,353 of cash investment in rental properties, offset by depreciation expense for the period, and a $217 reduction resulting from a decrease in the U.S. exchange rate. The decrease in book value from December 31, 2002 to June 30, 2003 included a $5,662 cash investment in rental properties, offset by depreciation expense for the period, and a $9,928 reduction resulting from a decrease in the U.S. exchange rate.

Capital expenditures for rental property building improvements and equipment were $1,353 for the three months ended September 30, 2003 (2002 – $1,243) These expenditures include both recurring items as well as non-recurring one-time projects. Recurring items are capital items that are expected to occur on a regular basis in the rental property portfolio. Non-recurring items are capital items that are incurred for major renovations or similar undertakings and are not typically anticipated to occur in the normal operation of our rental properties.

	For the three months, September 2003			For the three months, September 2002		
	Total Investment	Non-cash Working Capital Adjustment	Net Cash Investment	Total Investment	Non-cash Working Capital Adjustment	Net Cash Investment
Building Improvements						
Recurring	$ 891	$ 58	$ 949	$ 328	$ –	$ 328
Non-recurring	117	287	404	915	–	915
	1,008	345	1,353	1,243		1,243
Development	–	–	–	686	506	1,192
Total	$ 1,008	$ 345	$ 1,353	$ 1,929	$ 506	$ 2,435

	For the nine months, September 2003			For the nine months, September 2002		
	Total Investment	Non-cash Working Capital Adjustment	Net Cash Investment	Total Investment	Non-cash Working Capital Adjustment	Net Cash Investment
Building Improvements						
Recurring	$ 2,192	$ 307	$ 2,499	$ 1,115	$ –	$ 1,115
Non-recurring	1,008	1,474	2,482	915	–	915
	3,200	1,781	4,981	2,030		2,030
Development	530	151	681	2,827	6,088	8,915
Total	$ 3,730	$ 1,932	$ 5,662	$ 4,857	$ 6,088	$ 10,945

For the three month period and the nine month period ended September 30, 2003 non-recurring expenses include the costs of a major exterior renovation for a Toronto office property and concrete floor replacement in an industrial property. Non-recurring expenditures for the first nine months in 2002 include $915 for the construction of a new entrance way at Northgate Mall in conjunction with the Zellers lease in September 2002.

A number of recurring property improvements, such as roof replacement and parking lot structural repair, were completed in each of the periods of 2002 and 2003. Such expenses are of a recurring nature, as a portion of the portfolio will be undergoing such improvements at any given time. Based upon our historic spending patterns, management believes that normalized recurring capital expenditures for the portfolio are expected to be approximately $2,000 per year.

The development charges above are mainly as a result of the State Street Financial Centre, which was substantially completed in the fourth quarter of 2001.

Deferred Leasing Costs

During the three month period, leasing costs incurred to attract or retain tenants in the properties were $1,551 (2002 – $1,639) and for the nine months ended September 30, 2003 were $4,472 (2002 – $3,981). These costs are capitalized and amortized over the life of the lease. The amount of inducements varies across the portfolio and from year-to-year depending on the maturity and termination of leases, existing vacancies and market requirements. Based upon our historic spending patterns, management believes that normalized leasing costs for the portfolio are approximately $6,000 per year.

Debt

Outstanding debt at period-end is as follows:

	September 2003			June 2003			December 2002		
	Fixed	**Variable**	**Total**	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages payable	**$ 420,349**	**$ –**	**$ 420,349**	$420,468	$ –	$420,468	$417,437	$ –	$417,437
Term debt	**65,926**	**19,468**	**85,394**	65,570	19,554	85,124	62,357	24,365	86,722
Total	**$ 486,275**	**$ 19,468**	**$ 505,743**	$486,038	$ 19,554	$505,592	$479,794	$ 24,365	$504,159
Percentage	**96%**	**4%**	**100%**	96%	4%	100%	95%	5%	100%

The proportion of variable interest rate debt to total debt decreased to 3.8% (2002 – 4.8%). Our strategy is to fix as high a proportion of our debt as possible to protect against interest rate volatility.

In the three months ended September 30, 2003, there was no debt turnover in the portfolio. However, in the first quarter of 2003 we completed the refinancing of a portfolio of 6 industrial buildings, located in Montréal, which accounts for $6,500 of new debt placed and $4,657 of lump sum repayments. This refinancing replaced loans with a historic face rate of 6.82% and a marked-to-market rate of 6.5% with new 5-year mortgages at a face rate of 6.30%. In addition, we renewed a $4,821 mortgage maturing at the beginning of the quarter for a two-year period and reduced the interest rate from 8.59% to 5.17%.

In the second quarter of 2003, we refinanced an existing $19,857 mortgage on a portfolio of three office and two industrial buildings, located in Toronto. The new five-year mortgage is in the amount of $24,000 and the interest rate was reduced to 6.15% from 6.42%. Furthermore, we completed the $40,000 refinancing of a portfolio of 26 buildings, located in Montréal, at a rate of 7.16% and the maturity date of the outstanding balance of approximately $28,457 was extended to May 2011 from December 2004. Effective December 2004, this refinancing will also replace existing loans with a rate of 8.02% with a new rate of 7.16%. In addition, we refinanced existing mortgages on a retail property totalling $3,501 at a blended rate of 6.71% with a new one-year loan for $3,625 at 5.27%. We replaced the financing on an industrial building in the amount of $5,250 at 5.97% for a five-year term. The existing mortgage was $4,396 at 7.25%.

Our weighted average interest rate is 7.14% as at September 30, 2003 (June 30, 2003 – 7.19%, December 31, 2002 – 7.24%) and the weighted average term to maturity is 51 months (2002 – 51 months).

We have steadily worked to lower the cost of debt and will continue to take advantage of lower interest rates by renegotiating whenever possible.

EQUITY

The 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 will be 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.

Equity Issue

Subsequent to the end of the quarter, Dundee REIT announced the completion of its public offering of 2.6 million REIT Units, Series A at $21.70 per Unit for gross proceeds of $56,420, less estimated costs of $4,821.

	REIT Units, Series A	LP Class B Units, Series 1
Units issued and outstanding on September 30, 2003	**9,433,671**	**7,029,252**
October 15, 2003 units issued pursuant to DRIP Plan	**26,282**	**63,765**
Equity issue November 5, 2003	**2,600,000**	**–**
Total units outstanding on November 13, 2003	**12,059,953**	**7,093,017**

Funds from Operations and Distributable Income

The following table outlines the computation of funds from operations of Dundee REIT.

	Three Months Ended September 30, 2003
Net Income	**$ 6,282**
Add:	
Depreciation and amortization	**3,658**
Imputed amortization of leasing costs related to the rent supplement	**332**
Future income tax expense (recovery)	**(33)**
FFO	**$ 10,239**
FFO per unit	**$ 0.63**

Distributable income is not a measure defined by generally accepted accounting principles and therefore may not be comparable to similar measures presented by other real estate investment trusts.

Distributable income is defined in our Declaration of Trust. In addition, on September 11, 2003 the Board of Trustees determined to make an adjustment to the definition of distributable income to permit the add back with respect to the impact of imputed amortization of leasing costs related to the rent supplement. The imputed lease cost amortization from the rent supplement represents the amortization of leasing costs that would have been incurred had the space been leased on the terms contained in the rent supplement agreement.

The following table outlines the distributable income of Dundee REIT.

	Three Months Ended September 30, 2003
Net Income	$ 6,282
Add:	
Depreciation and amortization (except for deferred leasing, deferred financing and non-recoverable deferred maintenance incurred after June 30)	3,953
Imputed amortization of leasing costs related to the rent supplement	332
Amortization of fair value debt adjustments, included in interest expense	(75)
Future income tax expense (recovery)	(33)
Distributable income of Dundee REIT available to satisfy LP Class B Units, Series 1 and REIT Units, Series A	$ 10,459
Distributable income per unit	$ 0.64

Distributions

Our distribution policy, as outlined in our Declaration of Trust, requires us to make cash distributions to our unitholders, payable monthly, equal to at least 80% of distributable income on an annual basis. We also have a distribution reinvestment and unit purchase plan (“DRIP Plan”) which entitles unitholders to reinvest all cash distributions made by us in additional units.

Distributions declared in the quarter amounted to $8,982 or 86% of distributable income. Of this amount, $4,295 or 48% was reinvested in additional units of Dundee REIT.

RISKS AND UNCERTAINTIES

Dundee REIT is exposed to various risks and uncertainties including interest rate, credit and foreign currency exchange risk. For a more comprehensive list and explanation please refer to our prospectus dated October 29, 2003.

FUTURE CHANGES IN ACCOUNTING POLICIES

Depreciation of Revenue Properties

The real estate industry anticipates the alignment of depreciation policy of revenue producing properties with the policies that are followed in other countries, most notably the United States. As such, it is anticipated that a change in accounting policy will occur such that depreciation on the building component of revenue producing properties will be changed to straight-line depreciation from the current policy of sinking fund. This change will have no impact on the computation of FFO and distributable income.

CONCLUSION AND OUTLOOK

The current operating environment is challenging. We are working hard to renew our expiring tenants and to lease new space. The good news is that our rents continue to be marginally below market, which means that we can generally increase our rents upon lease renewals. We are committed to maintaining our occupancy level, as we have for the last four years, notwithstanding a marketplace experiencing increasing vacancy and slight decreases in rents during the same period. Just staying even in this environment is an accomplishment.

The two recently announced acquisitions contribute to the overall value of our business by increasing the average rent and lease term across our portfolio as well as by reducing the overall average interest rate and increasing the average term to maturity of our debt. We have identified a number of other acquisitions that would enhance the overall value and stability of Dundee REIT and will continue to pursue such opportunities.

Dundee REIT is a new public vehicle and we are motivated and excited by the opportunities ahead of us. We view this challenging environment as an opportunity to prove ourselves. As we manage our way through it, make good decisions for our properties and our business, provide our investors with greater insight into our performance and our actions, we believe that we will be rewarded with a lower cost of capital and an increasingly good opportunity to build a better and better real estate business.

Michael J. Cooper
President and
Chief Executive Officer

Jeff B. Barnes
Executive Vice-President and
Chief Financial Officer

Toronto, Ontario
November 13, 2003

Dundee Real Estate Investment Trust

BALANCE SHEETS

(unaudited) (in thousands of dollars)	Note	Dundee REIT Consolidated September 30, 2003	Dundee REIT Consolidated June 30, 2003	Commercial Real Estate Division of Dundee Realty Corporation ("Division of DRC") Combined June 30, 2003	Commercial Real Estate Division of Dundee Realty Corporation ("Division of DRC") Combined December 31, 2002
Assets					
Rental properties	3	**$ 810,918**	**$ 811,339**	**$ 811,339**	$ 822,415
Deferred costs	4	**36,120**	**34,802**	**34,802**	31,725
Amounts receivable	5	**6,459**	**6,172**	**5,866**	5,582
Prepaid expenses		**7,676**	**6,516**	**6,516**	3,845
Cash and short-term deposits		**8,459**	**4,681**	**4,681**	5,644
		$ 869,632	**$ 863,510**	**$ 863,204**	$ 869,211
Liabilities					
Debt	7	**$ 505,743**	**$ 505,592**	**$ 505,592**	$ 504,159
Amounts payable and accrued liabilities	8	**21,028**	**16,191**	**16,191**	14,620
Future income tax liability		**7,967**	**8,000**	**64,902**	59,838
		534,738	**529,783**	**586,685**	578,617
Equity					
Unitholders' Equity	9	**334,894**	**333,727**	**–**	–
Divisional Equity		**–**	**–**	**276,519**	290,594
		$ 869,632	**$ 863,510**	**$ 863,204**	$ 869,211

See accompanying notes to the consolidated financial statements

Dundee Real Estate Investment Trust

STATEMENTS OF NET INCOME

(unaudited) (in thousands of dollars)	Note	For the Three Months Ended September 30 2003 Dundee REIT Consolidated	2002 Division of DRC Combined	For the Nine Months Ended September 30 2003 Dundee REIT Consolidated July 1 to Sept. 30	Division of DRC Combined January 1 to June 30	2002 Division of DRC Combined
Rental properties						
Revenues		**$ 37,166**	$ 36,424	**$ 37,166**	**$ 74,540**	$ 108,664
Operating expenses		**17,213**	18,487	**17,213**	**38,493**	53,685
Net operating income		**19,953**	17,937	**19,953**	**36,047**	54,979
Other expenses						
Interest	10	**9,227**	9,011	**9,227**	**18,275**	26,288
Depreciation of rental properties		**2,266**	1,980	**2,266**	**4,439**	6,061
Amortization of deferred leasing costs		**1,392**	1,201	**1,392**	**2,897**	3,322
General and administrative		**994**	1,715	**994**	**3,339**	4,665
		13,879	13,907	**13,879**	**28,950**	40,336
Other income						
Interest and fee income, net		**190**	260	**190**	**656**	711
Income before income and large corporations taxes		**6,264**	4,290	**6,264**	**7,753**	15,354
Income taxes						
Current income and large corporations taxes		**15**	517	**15**	**1,965**	2,226
Future income taxes		**(33)**	864	**(33)**	**1,675**	3,090
		(18)	1,381	**(18)**	**3,640**	5,316
Net income		**$ 6,282**	$ 2,909	**$ 6,282**	**$ 4,113**	$ 10,038
Net income per unit						
Basic and diluted	11	**$ 0.38**		**$ 0.38**		

See accompanying notes to the consolidated financial statements

Dundee Real Estate Investment Trust

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

(unaudited) (in thousands of dollars)	For the Three Months Ended September 30, 2003 REIT Units, Series A	LP Class B Units, Series 1	Cumulative Foreign Translation Adjustment	DRC Total
Unitholders' equity, June 30, 2003	$ 193,081	$ 142,374	$ (1,728)	$ 333,727
Net income	3,608	2,674	–	6,282
Distributions	(5,156)	(3,826)	–	(8,982)
Units issued under Unit Purchase Plans	1,251	–	–	1,251
Units issued under Distribution Reinvestment Plans	133	2,539	–	2,672
Deferred Unit Incentive Plan	9	–	–	9
Change in foreign currency translation adjustment	–	–	(65)	(65)
Unitholders' equity, end of period	$ 192,926	$ 143,761	$ (1,793)	$ 334,894

Commercial Real Estate Division of Dundee Realty Corporation Combined

STATEMENT OF DIVISIONAL EQUITY

(unaudited) (in thousands of dollars)	For the Period January 1, 2003 to June 30, 2003	January 1, 2002 to September 30, 2002
Divisional equity, beginning of period	$ 290,594	$ 299,174
Net income	4,113	10,038
Change in foreign currency translation adjustment	(2,471)	(841)
Funds transferred to Dundee Realty Corporation	(15,717)	(28,877)
Divisional equity, end of period	$ 276,519	$ 279,494

See accompanying notes to the consolidated financial statements

Dundee Real Estate Investment Trust

STATEMENTS OF CASH FLOWS

		For the Three Months Ended September 30		For the Nine Months Ended September 30		
		2003	2002	**2003**		2002
		Dundee REIT Consolidated	Division of DRC Combined	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
(unaudited) (in thousands of dollars)	Note			July 1, to Sept. 30	January 1 to June 30	
Generated from (utilized in) operating activities						
Net income		**$ 6,282**	$ 2,909	**$ 6,282**	**$ 4,113**	$ 10,038
Non-cash items:						
Depreciation of rental properties		**2,266**	1,980	**2,266**	**4,439**	6,061
Amortization of deferred leasing costs		**1,392**	1,201	**1,392**	**2,897**	3,322
Future income taxes		**(33)**	864	**(33)**	**1,675**	3,090
		9,907	6,954	**9,907**	**13,124**	22,511
Deferred leasing costs		**(1,551)**	(1,639)	**(1,551)**	**(2,921)**	(3,981)
Change in non-cash working capital items		**1,201**	(3,414)	**1,201**	**(621)**	29
		9,557	1,901	**9,557**	**9,582**	18,559
Generated from (utilized in) investing activities						
Investment in rental properties		**(1,353)**	(2,435)	**(1,353)**	**(4,309)**	(10,945)
Acquisition of rental properties		**–**	(679)	**–**	**(861)**	(903)
Change in restricted cash		**424**	716	**424**	**(106)**	(155)
		(929)	(2,398)	**(929)**	**(5,276)**	(12,003)
Generated from (utilized in) financing activities						
Mortgage principal repayments		**(2,150)**	(2,788)	**(2,150)**	**(7,094)**	(7,812)
Mortgage debt placed		**–**	39,879	**–**	**50,918**	106,931
Mortgage lump sum repayments		**–**	(32,675)	**–**	**(32,411)**	(80,467)
Term debt principal repayments		**(230)**	(174)	**(230)**	**(1,071)**	(850)
New term debt placed		**–**	6,443	**–**	**–**	6,341
Distributions paid	9	**(3,297)**	–	**(3,297)**	**–**	–
Units issued		**1,251**	–	**1,251**	**–**	–
Financing activities before net funds transferred from the Division		**(4,426)**	10,685	**(4,426)**	**10,342**	24,143
Net funds transferred from the Division		**–**	(11,762)	**–**	**(15,717)**	(28,877)
		(4,426)	(1,077)	**(4,426)**	**(5,375)**	(4,734)
Increase (decrease) in cash and cash equivalents		**4,202**	(1,574)	**4,202**	**(1,069)**	1,822
Cash and cash equivalents, beginning of period		**1,582**	5,017	**1,582**	**2,651**	1,621
Cash and cash equivalents, end of period		**5,784**	3,443	**5,784**	**1,582**	3,443
Restricted cash	6	**2,675**	3,133	**2,675**	**3,099**	3,133
Cash and short-term deposits		**$ 8,459**	$ 6,576	**$ 8,459**	**$ 4,681**	$ 6,576

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

(unaudited) (all dollar amounts in thousands, except unit or per unit amounts)

1. BASIS OF FINANCIAL STATEMENT PRESENTATION

Dundee Real Estate Investment Trust ("Dundee REIT") is an open-ended investment trust created pursuant to an amended and restated Declaration of Trust under the laws of the Province of Ontario.

Dundee REIT was formed in connection with the reorganization of the business of Dundee Realty Corporation ("DRC") on June 30, 2003 pursuant to which substantially all of the Commercial Real Estate Division of DRC and a 50% joint interest in its property management business, were transferred to Dundee REIT (the "Transfer").

These financial statements present:

- the financial position of Dundee REIT at September 30, 2003 and the results of its operations and its cash flows from the commencement of its operations on June 30, 2003 to September 30, 2003, and
- the financial position of the Commercial Real Estate Division of DRC (the "Division" or "Division of DRC") at June 30, 2003 and the results of the Division's operations and its cash flows for periods prior to and including June 30, 2003.

The assets and liabilities of the Division acquired in the Transfer have been measured by Dundee REIT under the continuity of interests accounting method at DRC's historical carrying amounts at June 30, 2003 as there was no substantive change in the ultimate ownership interests in the Division. Because the continuity of interests method of accounting has been used, the financial position, results of operations and cash flows of the Division have been presented as comparative information for Dundee REIT.

The combined financial statements of the Division present the financial position, results of operations and cash flows of the Division, had the Division been accounted for on a stand-alone basis, and include the Division's proportionate share of the assets, liabilities, revenues and expenses of joint ventures in which it participates. The Division was not a legal entity. Management has derived all balances except for general and administrative expenses, income taxes and capital and large corporations taxes from the financial records of DRC specific to the properties and entities acquired. Capital, large corporations taxes and general and administrative expenses have been allocated to the Division based on the net book value of the properties acquired by Dundee REIT relative to the total net book value of the properties of DRC. Income taxes have been determined based on the operation of the Division, as if it were a taxable entity.

The combined financial statements of the Division are not necessarily indicative of the results that would have been attained if the Division had been operated as a separate legal entity during the periods presented and therefore are not necessarily indicative of future operating results. No adjustments have been made to the Divisional financial statements to reflect incremental changes to the cost structure as a result of the Transfer.

References herein to the "Trust" refer collectively to Dundee REIT subsequent to June 30, 2003 and to the Division for periods prior to and including June 30, 2003.

Certain of the comparative figures have been reclassified to conform to the current period's financial statement presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements follow the same accounting policies and the methods of their application as used in the audited financial statements of Dundee REIT as at June 30, 2003 and the Division for the six months ended and as at June 30, 2003, which were included in the Dundee REIT prospectus dated October 29, 2003 (the "Prospectus").

The disclosures in these interim financial statements do not conform in all respects with the requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements and should be read in conjunction with the financial statements of the Division for the six months ended and as at June 30, 2003 and Dundee REIT as at June 30, 2003 included in the Prospectus. These statements are, however, in conformity in all material respects with the requirements of GAAP for interim financial statements as recommended in the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, "Interim financial statements".

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

3. RENTAL PROPERTIES

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	**June 30, 2003**	**June 30, 2003**	December 31, 2002
Land	**$ 139,508**	**$ 139,548**	**$ 139,548**	$ 143,198
Equipment	**5,654**	**5,658**	**5,658**	5,498
Buildings and building improvements	**702,647**	**700,778**	**700,778**	704,363
	847,809	**845,984**	**845,984**	853,059
Accumulated depreciation	**(36,891)**	**(34,645)**	**(34,645)**	(30,644)
Total	**$ 810,918**	**$ 811,339**	**$ 811,339**	$ 822,415

During the three months ended September 30, 2003, non-cash changes in working capital items related to investment in rental properties amounted to $344 (three months ended September 30, 2002 – $506; six months ended June 30, 2003 – $1,587; nine months ended September 30, 2002 – $6,088).

4. DEFERRED COSTS

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	**June 30, 2003**	**June 30, 2003**	December 31, 2002
Deferred leasing costs	**$ 23,519**	**$ 21,817**	**$ 21,817**	$ 20,657
Deferred recoverable costs	**8,971**	**9,061**	**9,061**	7,250
Deferred financing costs	**2,307**	**2,358**	**2,358**	2,219
Other deferred costs	**1,323**	**1,566**	**1,566**	1,599
Total	**$ 36,120**	**$ 34,802**	**$ 34,802**	$ 31,725

Deferred leasing costs are net of accumulated amortization of $12,597 at September 30, 2003, (June 30, 2003 – $11,207; December 31, 2002 – $13,220).

5. AMOUNTS RECEIVABLE

Amounts receivable and deposits are net of credit adjustments of $2,689 at September 30, 2003 (June 30, 2003 – $2,954; December 31, 2002 – $2,780).

6. RESTRICTED CASH

Restricted cash primarily represents tenant rent deposits and cash held as security for mortgages.

7. DEBT

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	**June 30, 2003**	**June 30, 2003**	December 31, 2002
Mortgages	**$ 420,349**	**$ 420,468**	**$ 420,468**	$ 417,437
Term debt	**85,394**	**85,124**	**85,124**	86,722
Total	**$ 505,743**	**$ 505,592**	**$ 505,592**	$ 504,159

Dundee REIT has a demand revolving credit facility available up to a formula-based maximum amount that can be borrowed at any time up to but not to exceed $20 million, bearing interest generally at the bank prime rate plus 1% or bankers' acceptance rates. The facility is secured by a first ranking collateral mortgage for $22 million on two of the Trust's properties and a second ranking collateral mortgage for $7 million on a third property. Dundee REIT is required to maintain certain financial and other covenants. At September 30, 2003, $2,925 (June 30, 2003 – $2,925) was utilized under the facility in the form of letters of guarantee.

Mortgages and term debt are secured by charges on specific revenue properties. DRC continues to be contingently liable for certain debt obligations of Dundee REIT.

The weighted average interest rates for the fixed and floating components of debt are as follows:

	Weighted Average Interest Rates				Debt Amount		
	September 30, 2003	**June 30, 2003**	December 31, 2002	Maturity Dates	**September 30, 2003**	**June 30, 2003**	December 31, 2002
Fixed rate							
Mortgages	**7.12%**	**7.16%**	7.28%	2003 to 2013	**$ 420,349**	**$ 420,468**	$ 417,437
Term debt	**7.70%**	**7.70%**	7.71%	2003 to 2006	**65,926**	**65,570**	62,357
Total fixed rate	**7.20%**	**7.23%**	7.33%		**486,275**	**486,038**	479,794
Variable rate							
Term debt	**5.55%**	**6.04%**	5.53%	2004	**19,468**	**19,554**	24,365
Total debt	**7.14%**	**7.19%**	7.24%		**$ 505,743**	**$ 505,592**	$ 504,159

Variable rate debt outstanding at September 30, 2003 bears interest generally at the rate of bankers' acceptance plus 2.75% (June 30, 2003 – plus 2.75%; December 31, 2002 – plus 2.75%).

8. AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	**June 30, 2003**	**June 30, 2003**	December 31, 2002
Trade payables	**$ 3,098**	**$ 1,681**	**$ 1,681**	$ 2,959
Accrued liabilities and other payables	**13,369**	**9,802**	**9,802**	6,605
Deposits	**3,534**	**3,526**	**3,526**	3,396
Deferred revenue	**1,027**	**1,182**	**1,182**	1,660
Total	**$ 21,028**	**$ 16,191**	**$ 16,191**	$ 14,620

9. UNITHOLDERS' EQUITY

	REIT Units, Series A	LP Class B Units, Series 1	Total Units
Number of units, June 30, 2003	**9,370,192**	**6,909,245**	**16,279,437**
Issued under the Unit Purchase Plan	**57,159**	**–**	**57,159**
Issued under the Distribution Reinvestment Plans	**6,320**	**120,007**	**126,327**
Number of units, September 30, 2003	**9,433,671**	**7,029,252**	**16,462,923**

Special REIT Units can only be issued in conjunction with LP Class B Units, Series 1. At September 30, 2003 there were 7,029,252 Special REIT Units outstanding corresponding with the outstanding LP Class B Units, Series 1. These Special REIT Units are recorded at nominal value.

Distributions

The following table sets out Dundee REIT's distributions for the three months ended September 30, 2003:

	Total
Distributions declared	**$ 8,982**
Less: Distributions payable	**(3,013)**
Less: Distributions to participants in the Distribution Reinvestment Plans	**(2,672)**
Net cash distributions paid	**$ 3,297**

Deferred Unit Incentive Plan

The Deferred Unit Incentive Plan provides for the grant of Deferred Trust Units and Income Deferred Trust Units to trustees, officers and employees, and affiliates and their service providers. Deferred Trust Units are granted at the discretion of the trustees while Income Deferred Trust Units are granted to Deferred Trust Unit holders based on distributions paid on the REIT Units, Series A. Once vested, each Deferred Trust Unit and Income Deferred Trust Unit will entitle the holder to receive a REIT Unit, Series A at no cost. Deferred Trust Units vest evenly over three to five years on the anniversary date of the grant while Income Deferred Trust Units vest on the same date as the associated Deferred Trust Unit. Subject to an election for certain participants to postpone receipt of REIT Units, Series A, such units will be issued immediately after vesting. Up to a maximum of 500,000 Deferred Trust Units and Income Deferred Trust Units are issuable under the Deferred Unit Incentive Plan. At September 30, 2003, 88,200 Deferred Trust Units have been granted. Compensation expense will be recorded based on the fair market value at the date of grant amortized as earned over the vesting period. During the period ended September 30, 2003, $9 of compensation expense was recorded and is included in General and administrative expenses. As no Deferred Trust Units have vested, no REIT Units, Series A have been issued to date under the plan.

Distribution Reinvestment and Unit Purchase Plan

In August 2003, Dundee REIT established a Distribution Reinvestment and Unit Purchase Plan for holders of REIT Units, Series A and REIT Units, Series B.

The Distribution Reinvestment Plan allows unitholders, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee REIT reinvested in additional REIT Units, Series A. Unitholders, who so elect, receive an additional distribution of REIT Units, Series A equal to 4% of each cash distribution that was reinvested. A similar distribution reinvestment arrangement exists for holders of LP Class B Units, Series 1.

The Unit Purchase Plan allows existing unitholders to purchase additional REIT Units, Series A of Dundee REIT. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units, Series A that may be acquired.

No commissions, service charges or brokerage fees are payable by participants in connection with these plans.

10. INTEREST

Interest incurred, capitalized and charged to earnings is recorded as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2003	2002	**2003**		2002
	Dundee REIT Consolidated	Division of DRC Combined	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
			July 1, to Sept. 30	January 1 to June 30	
Interest expense incurred, at stated rate of debt	**$ 9,017**	$ 8,883	**$ 9,017**	**$ 17,965**	$ 26,192
Amortization of deferred financing costs	**285**	211	**285**	**465**	523
Marked-to-market adjustment to rate	**(75)**	(83)	**(75)**	**(155)**	(251)
Interest capitalized	**–**	–	**–**	**–**	(176)
Interest expense	**$ 9,227**	$ 9,011	**$ 9,227**	**$ 18,275**	$ 26,288

Certain debt assumed on acquisitions completed in prior years has been adjusted to fair value using the market interest rate at the time of the acquisition ("marked-to-market"). This marked-to-market adjustment is amortized to interest expense and principal repayments over the remaining life of the debt.

Interest capitalized includes interest on general and specific debt on revenue properties under development.

Cash interest paid in the three months ended September 30, 2003 is $6,290 (three months ended September 30, 2002 – $8,612; six months ended June 30, 2003 – $20,928; nine months ended September 30, 2003 – $26,128).

11. NET INCOME PER UNIT

For the three months ended September 30, 2003, the weighted average number of units outstanding was as follows:

	Units Outstanding
REIT Units, Series A	**9,381,232**
LP Class B Units, Series 1	**6,950,137**
Total weighted average number of units outstanding	**16,331,369**

For the three months ended September 30, 2003, all 88,200 Deferred Trust Units were excluded from the computation of diluted per unit amounts because they would not have a dilutive effect.

12. SEGMENTED INFORMATION

The Trust's rental properties have been segmented into office, industrial and retail components because of the marketing, leasing and operating strategies unique to each. This segmentation is consistent with the method used by DRC in its annual audited financial statements for the year ended December 31, 2002.

The accounting policies of the segments are as described in the summary of significant accounting policies. The Trust does not allocate interest expense to these segments, since leverage is viewed as a corporate function. The decision as to where to incur the debt is largely based on minimizing the cost of debt and is not specifically related to the segments. Similarly, income taxes, and general and administrative expenses are not allocated to the segment expenses. All inter-segment sales have been eliminated from the financial statements and the following tables.

A. By Activity

Dundee REIT **For the Three Months Ended September 30, 2003**	**Office**	**Industrial**	**Retail**	**Total**
Operations				
Revenues	**$ 21,769**	**$ 9,861**	**$ 5,536**	**$ 37,166**
Operating expenses	**(10,927)**	**(3,518)**	**(2,768)**	**(17,213)**
Depreciation of rental properties	**(1,234)**	**(646)**	**(386)**	**(2,266)**
Amortization of deferred leasing costs	**(767)**	**(378)**	**(247)**	**(1,392)**
Segment income	**$ 8,841**	**$ 5,319**	**$ 2,135**	**$ 16,295**
Segment assets	**$ 417,228**	**$ 253,011**	**$ 140,679**	**$ 810,918**
Capital expenditures				
Investment in rental properties	**$ (745)**	**$ (303)**	**$ (305)**	**$ (1,353)**
Deferred leasing costs	**(1,306)**	**(156)**	**(89)**	**(1,551)**
Total capital expenditures	**$ (2,051)**	**$ (459)**	**$ (394)**	**$ (2,904)**

Division of DRC For the Three Months Ended September 30, 2002	Office	Industrial	Retail	Total
Operations				
Revenues	$ 20,916	$ 9,889	$ 5,619	$ 36,424
Operating expenses	(11,792)	(3,661)	(3,034)	(18,487)
Depreciation of rental properties	(1,147)	(580)	(253)	(1,980)
Amortization of deferred leasing costs	(705)	(334)	(162)	(1,201)
Segment income	$ 7,272	$ 5,314	$ 2,170	$ 14,756
Capital expenditures				
Investment in rental properties	$ (1,369)	$ (12)	$ (1,054)	$ (2,435)
Acquisition of rental properties	–	(679)	–	(679)
Deferred leasing costs	(799)	(224)	(616)	(1,639)
Total capital expenditures	$ (2,168)	$ (915)	$ (1,670)	$ (4,753)

Division of DRC For the Six Months Ended June 30, 2003	Office	Industrial	Retail	Total
Operations				
Revenues	$ 42,965	$ 19,760	$ 11,815	$ 74,540
Operating expenses	(23,874)	(8,260)	(6,359)	(38,493)
Depreciation of rental properties	(2,433)	(1,262)	(744)	(4,439)
Amortization of deferred leasing costs	(1,533)	(777)	(587)	(2,897)
Segment income	$ 15,125	$ 9,461	$ 4,125	$ 28,711
Segment assets	$ 417,222	$ 253,456	$ 140,661	$ 811,339
Capital expenditures				
Investment in rental properties	$ (2,086)	$ (1,688)	$ (535)	$ (4,309)
Acquisition of rental properties	–	(3)	(858)	(861)
Deferred leasing costs	(1,314)	(946)	(661)	(2,921)
Total capital expenditures	$ (3,400)	$ (2,637)	$ (2,054)	$ (8,091)

Division of DRC For the Nine Months Ended September 30, 2002	Office	Industrial	Retail	Total
Operations				
Revenues	$ 62,540	$ 28,766	$ 17,358	$ 108,664
Operating expenses	(33,018)	(11,178)	(9,489)	(53,685)
Depreciation of rental properties	(3,313)	(1,693)	(1,055)	(6,061)
Amortization of deferred leasing costs	(1,937)	(918)	(467)	(3,322)
Segment income	$ 24,272	$ 14,977	$ 6,347	$ 45,596
Capital expenditures				
Investment in rental properties	$ (9,375)	$ (105)	$ (1,465)	$ (10,945)
Acquisition of rental properties	(24)	(679)	(200)	(903)
Deferred leasing costs	(2,162)	(870)	(949)	(3,981)
Total capital expenditures	$ (11,561)	$ (1,654)	$ (2,614)	$ (15,829)

B. By Country

Dundee REIT For the Three Months Ended September 30, 2003	Canada	U.S.	Total
Operations			
Revenues	$ 34,686	$ 2,480	$ 37,166
Operating expenses	(15,866)	(1,347)	(17,213)
Depreciation of rental properties	(2,079)	(187)	(2,266)
Amortization of deferred leasing costs	(1,337)	(55)	(1,392)
Segment income	$ 15,404	$ 891	$ 16,295
Segment assets	$ 750,799	$ 60,119	$ 810,918
Capital expenditures			
Investment in rental properties	$ (1,063)	$ (290)	$ (1,353)
Deferred leasing costs	(1,551)	–	(1,551)
Total capital expenditures	$ (2,614)	$ (290)	$ (2,904)

Division of DRC For the Three Months Ended September 30, 2002	Canada	U.S.	Total
Operations			
Revenues	$ 33,613	$ 2,811	$ 36,424
Operating expenses	(16,898)	(1,589)	(18,487)
Depreciation of rental properties	(1,898)	(82)	(1,980)
Amortization of deferred leasing costs	(1,214)	13	(1,201)
Segment income	$ 13,603	$ 1,153	$ 14,756
Capital expenditures			
Investment in rental properties	$ (2,281)	$ (154)	$ (2,435)
Acquisition of rental properties	(679)	–	(679)
Deferred leasing costs	(1,289)	(350)	(1,639)
Total capital expenditures	$ (4,249)	$ (504)	$ (4,753)

Division of DRC For the Six Months Ended June 30, 2003	**Canada**	**U.S.**	**Total**
Operations			
Revenues	**$ 69,115**	**$ 5,425**	**$ 75,540**
Operating expenses	**(35,481)**	**(3,012)**	**(38,493)**
Depreciation of rental properties	**(4,055)**	**(384)**	**(4,439)**
Amortization of deferred leasing costs	**(2,792)**	**(105)**	**(2,897)**
Segment income	**$ 26,787**	**$ 1,924**	**$ 28,711**
Segment assets	**$ 751,221**	**$ 60,118**	**$ 811,339**
Capital expenditures			
Investment in rental properties	**$ (3,987)**	**$ (322)**	**$ (4,309)**
Acquisition of rental property	**(861)**	**–**	**(861)**
Deferred leasing costs	**(2,751)**	**(170)**	**(2,921)**
Total capital expenditures	**$ (7,599)**	**$ (492)**	**$ (8,091)**

Division of DRC For the Nine Months Ended September 30, 2002	Canada	U.S.	Total
Operations			
Revenues	$ 100,219	$ 8,445	$ 108,664
Operating expenses	(49,156)	(4,529)	(53,685)
Depreciation of rental properties	(5,519)	(542)	(6,061)
Amortization of deferred leasing costs	(3,256)	(66)	(3,322)
Segment income	$ 42,288	$ 3,308	$ 45,596
Capital expenditures			
Investment in rental properties	$ (10,474)	$ (471)	$ (10,945)
Acquisition of rental properties	(903)	–	(903)
Deferred leasing costs	(3,463)	(518)	(3,981)
Total capital expenditures	$ (14,840)	$ (989)	$ (15,829)

Reconciliations of segmented operating results and assets with net income and assets are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30		
	2003	2002	2003		2002
	Dundee REIT Consolidated	Division of DRC Combined	Dundee REIT Consolidated	Division of DRC Combined	Division of DRC Combined
			July 1, to Sept. 30	January 1 to June 30	
Net income					
Segment income	$ 16,295	$ 14,756	$ 16,295	$ 28,711	$ 45,596
Interest expense	(9,227)	(9,011)	(9,227)	(18,275)	(26,288)
General and administrative expenses	(994)	(1,715)	(994)	(3,339)	(4,665)
Interest and fee income, net	190	260	190	656	711
Income taxes	18	(1,381)	18	(3,640)	(5,316)
Net income	$ 6,282	$ 2,909	$ 6,282	$ 4,113	$ 10,038

	Dundee REIT Consolidated		Division of DRC Combined	
	September 30, 2003	June 30, 2003	June 30, 2003	December 31, 2002
Assets				
Segment assets	$ 810,918	$ 811,339	$ 811,339	$ 822,415
Deferred costs	36,120	34,802	34,802	31,725
Amounts receivable	6,459	6,172	5,866	5,582
Prepaid expenses	7,676	6,516	6,516	3,845
Cash and short-term deposits	8,459	4,681	4,681	5,644
Total assets	$ 869,632	$ 863,510	$ 863,204	$ 869,211

13. OTHER RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

Dundee REIT and its subsidiaries enter into transactions from time to time with related parties that are conducted under normal commercial terms.

At September 30, 2003, Dundee REIT, Dundee Properties Limited Partnership ("DPLP"), an indirect subsidiary, and Dundee Management Limited Partnership ("DMLP"), an entity under joint control with DRC, were parties to the following arrangements:

Master Property Management Agreement

DPLP has entered into a property management agreement ("Management Agreement") with DMLP to provide customary property management services to DPLP. The Management Agreement also authorizes DMLP, subject to certain restrictions, to contract on behalf of DPLP with third parties for the provision of certain services as provided for in DMLP's annual operating plan. DMLP is entitled to be reimbursed by DPLP for its reasonable costs for such services. The Management Agreement provides for a base management fee of 3.5% of gross revenues generated from the managed properties, as well as construction fees, and leasing administration fees for services provided.

This Management Agreement also provides that DRC will pay a rent supplement to DPLP for a five-year period in the case of certain specified office and retail premises and a three-year period in the case of certain specified industrial premises. DRC will pay an amount equal to the difference between (i) the amount that is the "total net rent" less amortized leasing costs with respect to the specified premises plus the additional rents that would be payable with respect to such premises if such premises were leased pursuant to the applicable standard lease for each premises and (ii) the amount that is the actual base rent and additional rent received by DPLP for such premises, after deduction for amortization of leasing costs including, but not limited to, tenant inducements, landlords work, free rent and leasing commissions paid by DPLP to lease any such premises.

Administrative Services Agreement

Dundee REIT and certain subsidiaries have entered into an administrative services agreement ("Services Agreement") with DMLP whereby DMLP will provide certain administrative services to Dundee REIT and its subsidiaries. The Services Agreement provides for a broad range of management and general administrative services, certain asset management services and certain administrative and support services. The agreement provides for a fee sufficient to reimburse DMLP for the actual costs incurred and is not intended to have a profit component. In addition, DMLP will provide, for a fee, services related to property acquisition, property financing or refinancing and equity financing. DMLP has also entered into a similar administration and support services agreement with DRC to provide certain administration services to DRC and its subsidiaries ("DRC Services Agreement").

For the three months ended September 30, 2003, the portion of fees received from or paid to related parties under the above arrangements were as follows:

Fees Received		
Rent supplement, included in rental properties revenue	$	1,098
Fees received by Dundee REIT under the DRC Services Agreement,		
Services fees, netted against rental property operating expenses	$	113

Fees Paid		
Fees paid by Dundee REIT under the Management Agreement		
Management fees, included in rental property operating expenses	$	664
Construction fees, capitalized to the related assets	$	158
Lease administration fees, included in deferred leasing costs	$	97
Fees paid by Dundee REIT under the Services Agreement		
Acquisition and financing fees, capitalized to the related assets	$	107

Included in Amounts receivable is $950 relating to the above agreements. At June 30, 2003, Amounts receivable included a demand promissory note from DRC for $306 issued in exchange for 15,000 REIT Units, Class A. The demand promissory note was interest bearing at 5.05% and was repaid on August 29, 2003.

Included in Accrued liabilities and other payables is $545 relating to the above agreements. In addition, there is a non-interest bearing note to DRC in the amount of $1,760. This obligation was the result of certain cash balances included as part of the Transfer on June 30, 2003 and was repaid on November 6, 2003.

Substantially all of Dundee REIT's services are to be provided by DMLP and accordingly, Dundee REIT relies on DMLP to continue to provide such services.

14. COMMITMENTS AND CONTINGENCIES

Dundee REIT and its operating subsidiaries are contingently liable under guarantees that are issued in the normal course of business and with respect to litigation and claims that arise from time to time. In the opinion of management, any liability that may arise from such contingencies would not have a material adverse effect on the financial statements of Dundee REIT.

15. SUBSEQUENT EVENTS

On October 8, 2003, Dundee REIT announced that it entered into an agreement to acquire the Palladium Campus, an office complex located in Ottawa, Ontario, for a purchase price of approximately $37,200, subject to final adjustments and closing costs. The acquisition will be effected in two separate transactions. In the first transaction, the Trust acquired an interest in a second mortgage on the property for approximately $2,900. In the second transaction, the Trust will acquire 100% of the property and assume existing first mortgages having an aggregate principal amount of approximately $31,200. The second transaction is subject to further negotiation with the holder of the first mortgages and is expected to be completed by December 31, 2003.

On October 15, 2003:

- 16,631 REIT Units, Series A and 63,765 LP Class B Units, Series 1 were issued under the Distribution Reinvestment Plan; and
- 9,651 REIT Units, Series A were issued under the Unit Purchase Plan.

On October 29, 2003, Dundee REIT entered into an underwriting agreement whereby Dundee REIT raised gross proceeds of $56,420 on November 5, 2003 pursuant to a public offering (the "Offering") through the issuance of 2,600,000 REIT Units, Series A at a price of $21.70 per unit. Costs related to the Offering, including underwriters' fees, are estimated to be $4,821 and will be charged directly to Unitholders' equity. The net proceeds are intended to be used to repay certain indebtedness related to Dundee REIT's properties and for general purposes, including funding possible future acquisitions, including the acquisition of the Palladium Campus in Ottawa.

On November 13, 2003, the Trust announced it had entered into an agreement to acquire a 50% interest in the Telus Tower in Calgary, Alberta. The purchase price is approximately $68,000 and is to be financed through the assumption of an existing mortgage and approximately $24,000 in cash. The transaction is still subject to certain regulatory approvals and lender consent.

Distribution Reinvestment and Unit Purchase Plan (DRIP Plan)

PURPOSE

The purpose of our Distribution Reinvestment and Unit Purchase Plan is to provide our Unitholders with a convenient way of investing in additional Units without incurring transaction costs such as commissions, service charges or brokerage fees. By participating in the Plan, Unitholders may invest in additional Units in two ways:

Distribution Reinvestment: Unitholders will have cash distributions from Dundee REIT reinvested in additional Units as and when cash distributions are made.

Cash Purchase: Unitholders may invest in additional Units by making cash purchases.

ADVANTAGES

- Monthly cash distributions from Dundee REIT are automatically reinvested – increasing your ownership interest in Dundee REIT on an ongoing basis.
- You will also receive a monthly “bonus” distribution of Units equal to 4% of the amount of your cash distribution reinvested pursuant to the DRIP Plan – for every $1.00 of cash distributions reinvested by you under the DRIP Plan, $1.04 worth of Units will be purchased.
- The purchase price of Units will generally be the weighted average closing price of the Units on The Toronto Stock Exchange for the five trading days immediately preceding the relevant distribution payment date – allowing you to take advantage of dollar cost averaging.

PROCEDURE

To enrol in our DRIP Plan, please follow these easy steps:

1. Complete a DRIP Plan application and send it to Computershare Trust Company of Canada. To receive an application form, contact Computershare Trust Company of Canada or visit our web site.
2. Some brokerage firms allow participation in these plans on an approved basis. Please consult your advisor to confirm.
3. Alternatively, should this avenue not be available, you have the option to register the Units in your name rather than in the name of your brokerage firm. Once you have done this, you can easily follow step 1.

CONTACT

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, ON M5J 2Y1
Attention: Dividend Reinvestment Services

Or call their Customer Contact Centre at 1-800-564-6253 (toll free) or 416-263-9394
For more information you may also visit our web site at www.dundeereit.com.