



THIRD QUARTER 2013

Q3



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Letter to unitholders

We are pleased to report solid financial results for the three months ended September 30, 2013, which marks the completion of almost one full year of operations for the Trust since our IPO on October 4, 2012. The current quarter includes a full quarter of operations from the acquisition of 22 properties from CanFirst Industrial Realty Fund III LP and CanFirst Industrial Realty Fund IV LP ("CanFirst Portfolio") and the acquisition of the control of C2C Industrial Properties Inc. ("C2C Portfolio") acquired in April and May of this year, respectively. In the year since the IPO, we have grown our portfolio to 15.7 million square feet and \$1.5 billion of assets, maintaining our leverage in the 50% to 55% range while growing our quarterly adjusted funds from operations ("AFFO") from 17 cents per unit to the current 19 cents. This growth has allowed the Trust to increase the annualized distribution from 67.5 cents per unit at IPO to the current rate of 70 cents per unit.

The fundamentals of our business remain strong:

- Our AFFO distribution rate for the quarter declined to 90.2%, marking it the lowest it has been and reflecting the financial progress the Trust has made.
- Our leasing velocity is increasing, with 262 leasing transactions completed on 1.44 million square feet of GLA in the time between our IPO and September 30, 2013, achieving a cumulative retention ratio on expiring space of 71% during this period.
- Portfolio occupancy decreased by approximately 70 basis points. On a net basis, this is primarily attributable to the previously announced vacancy at 1155 Chomedey Boulevard in Montréal. We also incurred anticipated occupancy decreases in other regions, with the exception of the Greater Toronto Area, which showed strong performance.
- New construction of competing multi-tenant industrial space remains limited in our core markets, as market rents do not yet reflect the cost to develop.
- Current estimated market rents per square foot are approximately 7% above in-place rents, providing opportunities for rent growth as our leases roll over.
- Economic fundamentals for the industries from which we draw the majority of our tenant base are stable or improving.

Management remains focused on continuing to deliver solid operating performance, growth in funds from operations ("FFO") and AFFO per unit, and ultimately a strong and growing distribution stream for our unitholders. Specifically, we will continue to:

- Leverage and develop the strengths of our leasing, operations and finance teams;
- Manage our tenant renewal rate, by solidifying our tenant relationships;
- Improve the speed and effectiveness with which we complete new leasing transactions; and
- Streamline our operations to keep an efficient cost structure.

In summary, we will continue to execute on strengthening our business. We thank our unitholders for their continued support.



Randy Cameron

President and Chief Executive Officer (Interim)

November 4, 2013

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands of Canadian dollars, except rental rates, unit and per unit amounts)

SECTION I — OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

Our discussion and analysis of the financial position and results of operations of Dundee Industrial Real Estate Investment Trust ("Dundee Industrial REIT" or "Dundee Industrial" or the "Trust") should be read in conjunction with the audited consolidated financial statements of Dundee Industrial for the period from July 20, 2012 to December 31, 2012 and the condensed consolidated financial statements for the three- and nine-month periods ended September 30, 2013.

This management's discussion and analysis ("MD&A") is dated as at November 4, 2013, except where otherwise noted.

The Trust was formed on July 20, 2012 by the issuance of one Unit to Dundee Property Limited Partnership, a subsidiary of Dundee Real Estate Investment Trust ("Dundee REIT") for cash at \$10 per unit. During the period from July 20, 2012 to October 4, 2012, the Trust had no operating activity. As a result, in this MD&A we have compared the Q3 2013 results to the immediately preceding quarter, and presented, for additional information, the results for the period ended December 31, 2012 in the tables.

For simplicity, throughout this discussion, we may make reference to the following:

- "REIT Units", meaning the REIT Units
- "LP B Units" and "subsidiary redeemable units", meaning the LP Class B Units
- "Units", meaning REIT Units and LP B Units

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, general and local economic and business conditions; the financial condition of tenants; our ability to refinance maturing debt; leasing risks, including those associated with the ability to lease vacant space; our ability to source and complete accretive acquisitions; and interest rates.

Although the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to, general economic conditions; local real estate conditions, including the development of properties in close proximity to the Trust's properties; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; interest rates; availability of equity and debt financing; our continued compliance with the REIT exemption under the specified investment flow-through trust ("SIFT") legislation; and other risks and factors described from time to time in the documents filed by the Trust with securities regulators.

All forward-looking information is as of November 4, 2013, except where otherwise noted. Dundee Industrial does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise. Additional information about these assumptions, risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our web site at www.dundeeindustrial.com.

BACKGROUND

Dundee Industrial REIT is an unincorporated, open-ended real estate investment trust that was formed to provide investors with the opportunity to invest in a Canadian focused, pure-play industrial REIT. Dundee Industrial was founded on July 20, 2012 by Dundee Real Estate Investment Trust ("Dundee REIT"), which had a retained investment of 22.9% at November 4, 2013. Our REIT Units are listed on the Toronto Stock Exchange under the trading symbol DIR.UN.

On October 4, 2012, we completed our initial public offering (“IPO”), and acquired a portfolio of 77 industrial properties comprising 6.1 million square feet (the “Initial Properties”) from subsidiaries of Dundee REIT and affiliates of Return On Innovation Capital Ltd. (“ROI”). Including the Initial Properties, we completed the following acquisitions since our IPO:

	Date acquired	Number of properties	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price ⁽¹⁾
Initial Properties	October 4, 2012	77	6,144,555	97	\$ 646,860
Lone Oak/Chrislea, GTA	November 30, 2012	2	172,823	100	17,182
KingSett Portfolio	December 19, 2012	79	5,119,634	95	488,275
CanFirst Portfolio	April 24, 2013	22	1,625,844	96	155,650
C2C Portfolio	May 15, 2013	25	2,528,707	95	231,257
Lingard Road, Cambridge, ON	June 7, 2013	1	70,154	100	5,350
Total		206	15,661,717	96	\$ 1,544,574

(1) Includes transaction costs.

Discussion of the acquisitions of the Initial Properties, Lone Oak and Chrislea, and the KingSett Portfolio can be found in the MD&A in the Trust’s annual report for the period ended December 31, 2012, which is available on our web site at www.dundeeindustrial.com or on SEDAR at www.sedar.com. Discussion of the CanFirst and C2C Portfolio acquisitions as well as the Lingard Road property can be found in our MD&A for the second quarter of 2013 under the heading “Investing activities”.

Cumulatively, the acquisitions have been financed through the issuance of \$726.3 million of Units and the assumption and/or issuance of \$816.4 million of debt.

At September 30, 2013, we owned 206 income-producing light industrial buildings totalling 15.7 million square feet of gross leasable area (“GLA”) located in primary and secondary markets in seven Canadian provinces.

OUR OBJECTIVES

We are committed to:

- Managing our business to provide growing cash flow and stable and sustainable returns, through adapting our strategy and tactics to changes in the real estate industry and the economy;
- Building and maintaining a diversified, growth-oriented portfolio of light industrial properties in major Canadian markets, based on an established platform;
- Providing predictable and sustainable cash distributions to unitholders while prudently managing distributions over time; and
- Maintaining a REIT that satisfies the REIT exception under the SIFT legislation in order to provide certainty to unitholders with respect to taxation of distributions.

Distributions

Effective April 30, 2013, our annualized distribution rate increased to \$0.70 per unit, or \$0.058 per unit on a monthly basis, an increase of 2.5 cents from the original annualized distribution rate of \$0.675, or \$0.056 on a monthly basis. At September 30, 2013, approximately 8.5% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan (“DRIP”), compared to 4.7% at June 30, 2013 (see a description of Our equity on page 17).

	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Annualized distribution rate	\$ 0.70	\$ 0.70	\$ 0.675	\$ 0.675
Monthly distribution rate	\$ 0.058	\$ 0.058	\$ 0.056	\$ 0.056
Period-end closing price	\$ 8.74	\$ 9.08	\$ 10.82	\$ 11.20
Annualized distribution yield on closing price (%)	8.0%	7.7%	6.2%	6.0%

OUR STRATEGY

Dundee Industrial REIT is a growth-oriented owner of income-producing light industrial properties across Canada providing stable and predictable distributions to unitholders on a tax-efficient basis. Our strategy is to grow our portfolio and the distributable income that it generates on a per unit basis, and to do so in a manner that minimizes risk. We will continue to review and modify our strategy to meet the ever changing real estate and economic conditions. Our strategy includes:

Optimizing the performance, value and cash flow of our portfolio

We actively manage our assets to optimize performance, maintain value, retain and attract tenants and maximize cash flows to our unitholders. Dundee Industrial REIT employs experienced staff in all markets where we are active. We strive to ensure that our assets are the most attractive and cost-effective premises for our tenants.

Maintaining and strengthening our conservative financial profile

We operate our business in a disciplined manner with a strong focus on maintaining a conservative financial structure. We actively manage our mortgage maturity profile, maintain a conservative debt ratio and generate cash flows sufficient to fund our distributions.

Growing and diversifying our portfolio to reduce risk

We seek to grow and diversify our portfolio to increase value on a per unit basis, further improve the sustainability of our distributions, strengthen our tenant profile and mitigate risk. We anticipate that growing our portfolio will also reduce our cost of capital, allowing us to both refinance existing mortgages at lower rates and increase our ability to competitively bid on acquisition opportunities. We have experience in each of Canada's key real estate markets and across all asset classes, which we believe will provide us with the flexibility to pursue acquisitions in whichever markets offer compelling investment opportunities.

Seeking accretive growth opportunities

Dundee Industrial REIT seeks to invest in desirable, highly functional properties located in major industrial centres that are well-leased on a long-term basis to quality tenants. When evaluating acquisitions we consider a variety of criteria, including per unit accretion, replacement cost of the asset, its functionality and appeal to future tenants, and how it complements our existing portfolio.

OUR PROPERTIES

Dundee Industrial REIT owns and manages high-quality light industrial properties located in primary and secondary markets across Canada.

Today, our portfolio consists of 206 properties comprising 15.7 million square feet of GLA. Our properties are located in desirable business parks, situated close to highways, and generally considered functional and well suited for their respective markets. The occupancy rate across our portfolio is 95.1%. Our occupancy rate includes lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized, totalling approximately 153,000 square feet. Rent recognition on this space is expected to commence primarily in the fourth quarter of 2013 and first quarter of 2014.

Our properties are geographically diversified as follows:

Province	September 30, 2013			December 31, 2012		
	Number of properties	Owned GLA (sq. ft.)	% of owned GLA	Number of properties	Owned GLA (sq. ft.)	% of owned GLA
British Columbia	1	17,405	0.1	1	17,405	0.2
Alberta	69	3,445,704	22.0	67	3,277,555	28.6
Saskatchewan	6	829,795	5.3	6	829,815	7.3
Ontario	58	4,825,231	30.8	25	1,917,401	16.8
Québec	33	3,733,045	23.8	28	3,204,516	27.9
New Brunswick	2	134,704	0.9	2	134,704	1.2
Nova Scotia	37	2,675,833	17.1	29	2,056,799	18.0
Total	206	15,661,717	100.0	158	11,438,195	100.0

Our portfolio consists of multi-tenant buildings totalling 10.2 million square feet, or comprising 65.0% of total GLA, and single-tenant buildings totalling 5.5 million square feet, or 35.0% of total GLA. Of the 5.5 million square feet of single-tenant space, 4.8 million is located in Ontario and Québec. Multi-tenant space is distributed more evenly throughout the provinces in the portfolio, with a relatively higher concentration of 3.9 million square feet in Alberta and Saskatchewan. The differences between single- and multi-tenant buildings can be seen in the following operating metrics:

- Average tenant size – single tenants typically occupy significantly more space on an individual basis than those tenants in multi-tenant buildings;
- Average lease term – single tenants typically have lease terms that are significantly longer than in multi-tenant buildings, which tends to offset the concentration risk of having a large single tenant in a building; and
- Average in-place rents per square foot – which are typically moderately higher in multi-tenant buildings.

Multi-tenant buildings with shorter lease terms allow a landlord to bring rents to market rates on a more regular basis, thereby taking advantage of supply-constrained market conditions. Selective ownership of single-tenant buildings provides a source of stable cash flow with relatively less management effort required. In addition to the geographic distribution, maintaining a balance of the two building types in the portfolio is part of our diversification strategy.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013	Period from October 4, 2012 to December 31, 2012
Operations				
Occupancy rate (period-end)	95.1%	95.8%	96.5%	96.3%
Average in-place base rent per sq. ft. (period-end)	\$ 6.89	\$ 6.90	\$ 7.18	\$ 7.12
Weighted average remaining lease term	4.76	4.83	5.10	5.41
Operating results				
Investment properties revenue	\$ 37,842	\$ 34,703	\$ 29,250	\$ 17,202
Net operating income ("NOI") ⁽¹⁾⁽²⁾	27,221	24,754	19,892	12,535
Funds from operations ("FFO") ⁽¹⁾⁽³⁾	17,126	15,572	11,993	8,452
Adjusted funds from operations ("AFFO") ⁽¹⁾⁽⁴⁾	13,729	12,530	9,275	6,492
Fair value increase to investment properties	1,599	283	577	6,048
Distributions				
Declared distributions	\$ 12,430	\$ 11,911	\$ 9,459	\$ 6,846
Distributions paid in cash	11,460	11,286	9,040	4,171
DRIP participation rate	7.8%	5.2%	4.4%	39.0%
Financing				
Weighted average effective interest rate on debt (period-end)	3.83%	3.81%	3.86%	3.72%
Weighted average face interest rate on debt (period-end)	4.18%	4.19%	4.25%	4.19%
Weighted average remaining term to maturity of debt (period-end) (years)	4.4	4.5	5.0	4.1
Interest coverage ratio	2.9 times	2.9 times	2.7 times	3.0 times
Per unit amounts ⁽⁵⁾				
Distribution rate	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.16
Basic				
FFO ⁽¹⁾	0.24	0.23	0.22	0.22
AFFO ⁽¹⁾⁽⁶⁾	0.19	0.19	0.17	0.17
Diluted				
FFO ⁽¹⁾	0.24	0.23	0.22	0.21
Payout ratio (%) ⁽⁷⁾				
FFO	72.3%	73.0%	76.7%	74.3%
AFFO	90.2%	90.9%	99.3%	96.2%

(1) NOI, FFO and AFFO (non-GAAP measures) are key measures of performance used by real estate operating companies; however, they are not defined by IFRS, do not have standard meanings and may not be comparable with other industries or income trusts.

(2) NOI (non-GAAP measure) is defined as net rental income. The reconciliation of NOI to net rental income can be found on page 21.

(3) FFO (non-GAAP measure) – The reconciliation of FFO to net income can be found on page 23.

(4) AFFO (non-GAAP measure) – The reconciliation of AFFO to cash generated from operating activities can be found on page 24.

(5) A description of the determination of basic and diluted amounts per unit can be found on page 27.

(6) AFFO per unit is shown on a basic basis only, as the convertible debentures are anti-dilutive to AFFO.

(7) Payout ratio for FFO and AFFO are calculated as the ratio of distribution rate to basic FFO and AFFO per unit, respectively.

FINANCIAL OVERVIEW

Our third quarter results reflect the first full quarter of operations with the current portfolio at 15.7 million square feet, including the C2C and CanFirst Portfolios.

AFFO for the third quarter was consistent with the previous quarter on a per unit basis at 19 cents or \$13.7 million in total. FFO was slightly ahead of the prior quarter at 24 cents per diluted unit or \$17.1 million in total. These results reflect an increase of approximately one cent per unit as a result of the C2C and CanFirst Portfolios being included in the results for a full quarter, which were offset primarily by the effect of previously announced vacancies that occurred in the second quarter and first part of the third quarter.

Our occupancy at quarter-end was 95.1%. Excluding the effect of the previously announced vacancy at 1155 Chomedey Boulevard in Montréal, our occupancy was stable. This reflects the efforts of our leasing team in renewing 71% of our expiring tenancies and securing new tenancies, together totalling 481,000 square feet of leasing activity, as well as a net increase in future commitments of 63,000 square feet, in what is typically a slower leasing quarter as it includes the summer months. We believe that the improving leasing velocity reflects management's efforts to increase the depth of our leasing team and familiarize ourselves with our team, tenants and buildings, as well as the improving fundamentals in many of our key markets.

Our portfolio average estimated market rent is approximately \$0.47 or 7% above current in-place rent which was relatively stable at \$6.89 per square foot. Our ability to increase our in-place rent per square foot was mitigated during the quarter by the renewal of a large tenant at a single-tenant building in Windsor, where market rent is in the \$4 to \$5 per square foot range, as well as the previously announced vacancy during the quarter. The multi-tenant nature of two-thirds of our portfolio and its associated relatively short weighted average lease term of 3.7 years provides us with a good opportunity for rent growth in the short to medium term.

Our portfolio size was stable in the quarter at 15.7 million square feet, with total investment properties of \$1.5 billion at fair value, reflecting a weighted average capitalization rate of 6.73% on stabilized NOI, which is stable compared with the June 30, 2013 cap rates.

Financing metrics remained stable during the quarter, with mortgage debt, excluding deferred financing costs and mark-to-market adjustments, comprising 44.3% of total assets excluding convertible debentures. Our leverage stood at 52.5% at September 30, 2013. The weighted average remaining term on our debt was 4.4 years and the weighted average face interest rate on our debt was 4.2%, which is slightly above what we are seeing in the market for comparable mortgage debt.

Overall, the Trust performed in line with management's expectations for the quarter.

OUTLOOK

At present, the fundamentals of our portfolio remain strong, with an improving outlook in the market segments and locations in which we operate.

Increased bond yields, among other macroeconomic and capital market factors, continue to negatively impact REIT unit prices. We have not yet seen the effect of this on property capitalization rates in the industrial markets in which we operate.

Management remains focused on enhancing the manner in which we operate our assets, managing our human capital and continuing to institute best practices to strengthen the relationship with our tenants.

We will continue to seek out and evaluate acquisitions that meet our investment criteria. However, consistent with what we have disclosed in the last quarter, at this time we do not see significant acquisition opportunities in our target markets that would be materially accretive to our operating results.

SECTION II — EXECUTING THE STRATEGY

OUR OPERATIONS

The following key performance indicators related to our operations influence the cash generated from operating activities.

Performance indicators	September 30, 2013			December 31, 2012		
	Multi-tenant buildings	Single-tenant buildings	Total	Multi-tenant buildings	Single-tenant buildings	Total
Occupancy rate	93.6%	97.9%	95.1%	94.5%	99.0%	96.3%
Average in-place base rental rates (per sq. ft.)	\$ 7.11	\$ 6.51	\$ 6.89	\$ 7.24	\$ 6.94	\$ 7.12
Tenant maturity profile – average term to maturity (years)	3.67	6.71	4.76	3.64	8.04	5.41

Occupancy

At September 30, 2013, the overall percentage of occupied and committed space across our portfolio remained high at 95.1%, which was 0.7% lower than occupancy at June 30, 2013.

(percentage)	September 30, 2013	June 30, 2013
Western Canada	94.7	95.6
Central Canada	95.6	96.3
Eastern Canada	94.2	94.6
Total	95.1	95.8

Overall occupancy in our multi-tenant portfolio was 93.6%, consistent with the prior quarter. Growth in occupancy in the GTA and Montréal was offset by decreases in Calgary and Halifax. Occupancy in our single-tenant portfolio decreased to 97.9% in the quarter from 100% at June 30, 2013, due entirely to the previously announced vacancy of a 115,000 square foot tenant at 1155 Chomedey Boulevard in Montréal.

Vacancy schedule

During the quarter, vacancy increased by approximately 173,000 square feet. Leasing activity included approximately 351,000 square feet of renewals, approximately 129,000 square feet of new leases and a net increase in space committed for future occupancy of 63,000 square feet.

(in sq. ft.)	Three months ended September 30, 2013	Nine months ended September 30, 2013
Available for lease	656,320	427,806
Vacancy committed for future occupancy	90,511	83,687
Vacant space at beginning of period	746,831	511,493
Acquired vacancy	-	200,676
Vacant space – restated	746,831	712,169
Remeasurements	5,185	5,059
Expiries	494,255	1,359,038
Early terminations and bankruptcies	154,212	158,765
New leases	(129,251)	(360,068)
Renewals	(351,361)	(955,092)
Vacant space – September 30, 2013	919,871	919,871
Vacancy committed for future occupancy	153,139	153,139
Available for lease – September 30, 2013	766,732	766,732

In-place rental rates

At September 30, 2013, estimated current market rents were 7% higher than portfolio average in-place base rents, presenting us with the opportunity to capture gains when space is renewed or newly leased. The spread between in-place base rents and market rents has increased since June 30, 2013, reflecting strengthening demand for multi-tenant units in primary Canadian markets, especially in Calgary, Regina, the GTA and Halifax.

	September 30, 2013			June 30, 2013		
	Average in-place base rent	Market rent ⁽¹⁾	Market rent/in-place rent (%)	Average in-place base rent	Market rent	Market rent/in-place rent (%)
Total portfolio						
Western Canada	\$ 8.54	\$ 9.72	13.8	\$ 8.52	\$ 9.52	11.7
Central Canada	6.03	6.17	2.3	6.05	6.06	0.2
Eastern Canada	7.04	7.44	5.7	7.01	7.34	4.7
Total	\$ 6.89	\$ 7.36	6.8	\$ 6.90	\$ 7.23	4.8

(1) Estimate only; based on current market rents with no allowance for increases in future years. Subject to changes in market condition in each market.

Our in-place rent per square foot decreased to \$6.89 from \$6.90 at June 30, 2013. This decrease reflected the previously announced departure of the 115,000 square foot tenant in Montréal at \$9.19 per square foot and a renewal at a 74,000 square foot single-tenant property in Windsor, Ontario, at \$4.50 per square foot compared to expiring rent of \$7.77 per square foot. Excluding the effect of these two events, in-place rents increased to \$6.93 per square foot, which reflects leasing activity during the quarter and contractual rent steps.

Leasing and tenant profile

The average remaining lease term and other portfolio information are detailed in the following table. Overall, our average remaining lease term is 4.8 years and our average tenant size is 12,000 square feet. Our single-tenant buildings have an average remaining lease term of 6.7 years and our multi-tenant buildings have an average remaining lease term of 3.7 years. The weighted average lease term of our top ten tenants, weighted by annualized base rent, is 8.5 years.

	September 30, 2013			June 30, 2013		
	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)
Western Canada	4.36	8,604	\$ 8.54	4.35	8,625	\$ 8.52
Central Canada	5.31	21,035	6.03	5.40	21,295	6.05
Eastern Canada	3.68	6,521	7.04	3.79	6,506	7.01
Total	4.76	11,748	\$ 6.89	4.83	11,796	\$ 6.90

The following table details our lease maturity profile by geographic segment at September 30, 2013. The table distinguishes between lease maturities that have yet to be renewed or re-leased and maturities for which we have leasing commitments. The uncommitted line should be referenced when considering future leasing risks or opportunities, and the committed line should be referenced when considering the impact of leasing activity. In the remainder of 2013, 381,000 square feet will expire, of which 213,000 square feet, or 56%, has already been committed for future occupancy. Our current maturity profile is well balanced, with 2% of leases expiring in the remainder of 2013, 13% expiring in 2014 and 14% expiring in 2015.

(in sq. ft.)	Current vacancy	Current monthly tenancies	2013 (remainder)	2014	2015	2016	2017 to 2027	Total
Western Canada								
Uncommitted	227,918	-	49,314	529,759	650,769	570,847	1,645,507	3,674,114
Committed	-	-	62,659	204,036	22,244	275,335	54,516	618,790
Total Western Canada	227,918	-	111,973	733,795	673,013	846,182	1,700,023	4,292,904
Central Canada								
Uncommitted	375,849	-	45,892	798,427	1,048,568	1,014,149	4,991,745	8,274,630
Committed	-	-	72,849	126,782	14,390	64,383	5,242	283,646
Total Central Canada	375,849	-	118,741	925,209	1,062,958	1,078,532	4,996,987	8,558,276
Eastern Canada								
Uncommitted	162,965	7,989	73,132	404,069	461,968	538,530	1,007,277	2,655,930
Committed	-	-	77,319	20,331	11,868	-	45,089	154,607
Total Eastern Canada	162,965	7,989	150,451	424,400	473,836	538,530	1,052,366	2,810,537
Total uncommitted	766,732	7,989	168,338	1,732,255	2,161,305	2,123,526	7,644,529	14,604,674
Total committed	-	-	212,827	351,149	48,502	339,718	104,847	1,057,043
Total	766,732	7,989	381,165	2,083,404	2,209,807	2,463,244	7,749,376	15,661,717

The following table details expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in similar properties at September 30, 2013. Expiring rents and market rents represent base rates and do not include the impact of lease incentives. Currently, 2013 estimated market rents are 5.7% above expiring rents and estimated 2014 market rents are 5.6% above expiring rents, representing an opportunity to increase rents as space is re-leased.

(per sq. ft.)	Current monthly tenancies	2013	2014	2015	2016	2017 to 2027
Expiring rents⁽¹⁾						
Western Canada	\$ -	\$ 10.56	\$ 9.04	\$ 8.40	\$ 7.97	\$ 9.80
Central Canada	-	6.39	5.96	5.88	5.23	6.80
Eastern Canada	3.79	6.51	6.73	6.57	7.34	7.99
Portfolio average	\$ 3.79	\$ 7.66	\$ 7.08	\$ 6.78	\$ 6.50	\$ 7.74
Market rents⁽²⁾						
Western Canada	\$ -	\$ 11.25	\$ 9.65	\$ 9.61	\$ 9.09	\$ 9.89
Central Canada	-	6.35	6.18	5.74	5.72	6.33
Eastern Canada	6.89	7.06	7.22	6.95	7.60	7.67
Market rent average	\$ 6.89	\$ 8.10	\$ 7.48	\$ 7.16	\$ 7.10	\$ 7.44

(1) Expiring rents include the effects of contractual rent steps built into tenant leases.

(2) Estimate only; based on current market rents with no allowance for increases in future years. Subject to changes in market conditions in each market.

Initial direct leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs, broker commissions and internal leasing costs related to negotiating and arranging tenant leases. Lease incentives include costs incurred to make leasehold improvements to tenant spaces and cash allowances. Initial direct leasing costs and lease incentives are dependent upon asset type, lease terminations and expiries, the mix of new leasing activity compared to renewals, portfolio growth and general market conditions. Short-term leases generally have lower costs than long-term leases.

During the period from January 1, 2013 to September 30, 2013, a total of 1,315,160 square feet was leased and occupied with related costs of \$3.9 million, representing an average rate of \$2.97 per square foot leased.

Performance indicators	Total
Operating activities	
Portfolio size (sq. ft.)	15,661,717
Occupied and committed	95.1%
Square footage leased and occupied in 2013	1,315,160
Lease incentives and initial direct leasing costs for square footage leased and occupied in 2013	\$ 3,901

Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses and, with 1,269 tenants, we believe our exposure to any single large lease or tenant is low. The average size of our tenants is 12,000 square feet, averaging 82,000 square feet across our single-tenant buildings and 8,000 square feet across our multi-tenant buildings.

The following table outlines the contributions of our top ten tenants to our rental revenue.

Tenant	Owned area (sq. ft.)	Owned area (%)	Gross annualized base rent (%)	Weighted average remaining lease term (years)
Spectra/Premium Industries Inc.	642,368	4.1	4.2	11.7
TC Transcontinental	523,345	3.3	3.6	8.5
Molson Breweries	225,000	1.4	2.4	9.3
The Brick	327,000	2.1	2.2	10.7
Royal Group	346,035	2.2	1.9	4.3
Clean Harbors Industrial	93,672	0.6	1.7	5.1
Nellson Nutraceutical Canada	210,710	1.3	1.3	6.0
Array Canada Inc.	209,754	1.3	1.2	7.3
Access Distribution	239,901	1.5	1.2	10.0
McKesson Canada Corporation	181,000	1.2	0.9	4.2
Total	2,998,785	19.0	20.6	8.5

On an annualized base rent basis, no single tenant represents more than 5% of total revenue of the portfolio, and the weighted average remaining lease term stands strong at 8.5 years.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

At September 30, 2013, the fair value of our investment property portfolio was \$1.5 billion, representing a weighted average capitalization rate ("cap rate") of 6.73% on stabilized net operating income ("NOI"), excluding property management income.

Fair values were determined using the direct capitalization method and/or the discounted cash flow method. The direct capitalization method applies a cap rate to stabilized NOI and incorporates allowances for vacancy and management fees. The resulting capitalized value is further adjusted for extraordinary costs to stabilize income and non-recoverable capital expenditures, where applicable. Individual properties were valued using cap rates in the range of 6.00% to 8.75%. The discounted cash flow method discounts the expected future cash flows, generally over a term of ten years, and uses discount rates and terminal capitalization rates specific to each property.

The fair value of our investment properties excluding land is set out below:

	Total portfolio		
	September 30, 2013	June 30, 2013	December 31, 2012
Western Canada	\$ 558,241	\$ 555,422	\$ 523,683
Central Canada	706,403	709,245	425,017
Eastern Canada	270,459	266,346	198,710
Total	\$ 1,535,103	\$ 1,531,013	\$ 1,147,410

The key valuation metrics for investment properties are set out in the table below:

	Capitalization rates – Total portfolio			
	September 30, 2013		June 30, 2013	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	6.00–8.25	6.48	6.00–8.25	6.48
Central Canada	6.00–8.75	6.83	6.00–8.75	6.81
Eastern Canada	6.50–7.75	7.01	6.50–8.25	7.05
Total	6.00–8.75	6.73	6.00–8.75	6.73

Investing activities

The following acquisitions were completed during the nine months ended September 30, 2013:

	Interest acquired (%)	Acquired GLA (sq. ft.) ⁽¹⁾	Occupancy on acquisition (%)	Purchase price allocated to Investment properties ⁽²⁾	Date acquired
CanFirst Portfolio	100	1,625,844	96	\$ 155,650	April 24, 2013
C2C Portfolio ⁽³⁾	100	2,528,707	95	231,257	May 15, 2013
Lingard Road, Cambridge, ON	100	70,154	100	5,350	June 7, 2013
Total	100	4,224,705	95	\$ 392,257	

(1) Remeasured GLA as at September 30, 2013.

(2) Includes transaction costs.

(3) The Trust acquired approximately 95% ownership of C2C on May 15, 2013 and acquired the remaining 5% on July 19, 2013.

Dundee Industrial REIT seeks to invest in highly functional properties located in major industrial centres that are well leased on a long-term basis to quality tenants. When evaluating acquisition opportunities, we consider a variety of criteria, including per unit accretion; replacement cost of the asset, its functionality and appeal to future tenants; and how the asset complements our existing portfolio.

OUR FINANCING

Liquidity and capital resources

Dundee Industrial'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, interest payments and property acquisitions. We expect to meet all of our ongoing obligations with current cash and cash equivalents, cash flows generated from operations, conventional mortgage refinancings and, as growth requires and when appropriate, new equity or debt issues.

Financing activities

Our debt strategy includes managing our maturity schedule to help mitigate interest rate risk and limit exposure in any given year, as well as fixing the rates and extending loan terms as long as possible when interest rates are favourable.

Debt

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

	September 30, 2013	December 31, 2012
Financing activities		
Debt	\$838,151	\$649,845
Average effective interest rate ⁽¹⁾	3.83%	3.72%
Average face interest rate	4.18%	4.19%
Level of debt (debt-to-total assets) ⁽²⁾	52.5%	54.2%
Interest coverage ratio ⁽³⁾	2.8	3.0
Maximum proportion of debt maturities due in any one year	16.0% (2015)	18.2% (2019)
Debt – average term to maturity (years)	4.4	4.1
Variable rate debt as percentage of total debt	0.2%	6.5%

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt including issue costs and mark-to-market adjustments.

(2) Level of debt (non-GAAP measure) is determined as total debt before deferred financing costs and mark-to-market adjustments, divided by total assets. The calculation for level of debt can be found under the section Non-GAAP measures.

(3) The interest coverage ratio (non-GAAP measure) for the nine months ended September 30, 2013 and for the period ended December 31, 2012 is calculated as net rental income plus interest and fee income, less general and administrative expenses, plus deferred unit compensation expense, all divided by interest expense on debt excluding deferred financing and mark-to-market adjustments. Please see the section Non-GAAP measures for the detailed calculation of interest coverage ratio.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 2.8 times, demonstrating our ability to more than adequately cover interest expense requirements. At September 30, 2013, our weighted average face rate of interest is 4.18% and, after accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 3.83%.

At December 31, 2012, a \$32.5 million variable rate bridge loan had been used to acquire the KingSett Portfolio and \$10.0 million was drawn on our revolving credit facility. As a result, variable rate debt as a percentage of total debt as at December 31, 2012 was 6.5%. In January 2013, \$50.0 million in mortgage financing was secured for a term of seven years at a fixed face interest rate of 3.68%, which was used to repay our variable rate bridge loan facility and the \$10.0 million drawn on the revolving credit facility.

	September 30, 2013			December 31, 2012		
	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	\$ 712,272	\$ 1,289	\$ 713,561	\$ 462,359	\$ -	\$ 462,359
Promissory note payable	-	-	-	42,000	-	42,000
Demand revolving credit facility	-	-	-	-	10,000	10,000
Unsecured non-revolving bridge facility	-	-	-	-	32,394	32,394
Convertible debentures	124,590	-	124,590	103,092	-	103,092
Total	\$ 836,862	\$ 1,289	\$ 838,151	\$ 607,451	\$ 42,394	\$ 649,845
Percentage	99.8%	0.2%	100.0%	93.5%	6.5%	100.0%

Mortgages payable are recorded net of \$11.7 million of fair value adjustments upon initial recognition and \$1.3 million of financing costs. At September 30, 2013, amounts recorded for the convertible debentures are net of a \$2.6 million discount allocated to their conversion features on issuance and net of financing costs of \$3.4 million. The fair value adjustments, discounts and financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activities

New and assumed mortgages are highlighted in the table below.

	Three months ended September 30, 2013				Nine months ended September 30, 2013			
	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)
New mortgages	\$ 14,500	5.0	3.8	4.2	\$ 113,106	8.0	3.8	4.0
New mortgages assumed on investment property acquisition and business combination	-	-	-	-	175,425	3.8	3.7	3.3
Overall	\$ 14,500	5.0	3.8	4.2	\$ 288,531	5.4	3.7	3.5

We closed a seven-year \$50.0 million term mortgage at an interest rate of 3.68% in January 2013, the proceeds of which were used to repay the \$32.5 million bridge facility bearing interest at 3.48% related to the KingSett Portfolio acquisition. Additionally, we closed on a ten-year \$48.6 million term mortgage at a face interest rate of 3.95% in January 2013, the proceeds of which were used to repay the \$42.0 million promissory note due to Dundee REIT.

As part of the acquisition of the CanFirst Portfolio on April 24, 2013, we assumed \$62.0 million in mortgages, which includes fair value adjustments of \$0.1 million. In addition, as part of the acquisition of C2C on May 15, 2013, we assumed \$115.6 million in mortgages, which includes fair value adjustments of \$2.1 million. We also repaid a \$7.1 million variable rate mortgage assumed as part of the C2C acquisition on June 19, 2013. No prepayment penalties were incurred on the repayment of this mortgage.

In September 2013, we refinanced two mortgages in aggregate for \$14.5 million for a term of five years at an interest rate of 3.84%, the proceeds of which were used to repay another mortgage for \$6.9 million, which was carried at an interest rate of 5.80%.

Demand revolving credit facility

On October 4, 2012, we entered into a \$35.0 million demand revolving credit facility with a Canadian chartered bank. Draws under the revolving credit facility are in the form of one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 1.90% or at the bank's prime rate (3.0% at September 30, 2013) plus 0.90% at the Trust's option. On December 19, 2012, the Trust increased the available capacity under the demand revolving credit facility to \$50.0 million, to coincide with the acquisition of the KingSett Portfolio, while all other terms of the facility remained unchanged. At September 30, 2013, 15 properties were secured as first-ranking mortgages on the facility, and nothing was drawn on the facility. As of September 30, 2013, the Trust has outstanding letters of credit totalling \$0.5 million issued by the bank under the facility to secure the Trust's obligations under certain contractual arrangements. Based upon the security provided, the amount available to draw under this facility as at September 30, 2013 is \$49.5 million. The facility expires on October 4, 2014.

Changes in debt levels are as follows:

	Three months ended September 30, 2013		
	Mortgages	Convertible debentures	Total
Debt as at June 30, 2013	\$ 721,233	\$ 124,419	\$ 845,652
New debt placed	14,500		14,500
Scheduled repayments	(5,210)		(5,210)
Lump sum repayments	(15,709)	-	(15,709)
Other adjustments ⁽¹⁾	(1,253)	171	(1,082)
Debt as at September 30, 2013	\$ 713,561	\$ 124,590	\$ 838,151

(1) Other adjustments include financing costs on new debt placed, write-off of fair value adjustments on debt lump sum repayments, and amortization of finance costs and fair value adjustments.

	Nine months ended September 30, 2013					
	Mortgages	Promissory notes payable	Demand revolving credit facility	Unsecured non-revolving bridge facility	Convertible debentures	Total
Debt as at December 31, 2012	\$ 462,359	\$ 42,000	\$ 10,000	\$ 32,394	\$ 103,092	\$ 649,845
New debt assumed on investment property acquisition and business combination	175,425	-	-	-	20,125	195,550
New debt placed	113,106	-	-	-	-	113,106
Scheduled repayments	(12,969)	-	-	-	-	(12,969)
Lump sum repayments ⁽¹⁾	(22,858)	(42,000)	(10,000)	(32,500)	(705)	(108,063)
Other adjustments ⁽²⁾	(1,502)	-	-	106	2,078	682
Debt as at September 30, 2013	\$ 713,561	\$ -	\$ -	\$ -	\$ 124,590	\$ 838,151

(1) Lump sum repayments include the purchase of the original principal outstanding balance of the 6.75% Debentures.

(2) Other adjustments include finance costs on new debt placed, fair value adjustments, write-off of fair value adjustments on debt lump sum repayments and amortization of finance costs and fair value adjustments.

Our current debt profile is balanced, with maturities well-distributed over the next ten years. The following is our debt maturity profile as at September 30, 2013:

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2013	\$ 4,051	\$ 5,193	\$ 9,244	1.11	3.04	4.23
2014	88,170	19,479	107,649	12.91	3.00	3.86
2015	116,577	17,160	133,737	16.04	3.07	3.61
2016	93,270	13,634	106,904	12.82	3.19	4.26
2017	101,479	10,879	112,358	13.48	3.89	4.50
2018 and thereafter	339,703	24,168	363,871	43.64	4.53	4.37
Total	\$ 743,250	\$ 90,513	\$ 833,763	100.00	3.86	4.20
Financing costs			(4,720)			
Fair value adjustments			9,108			
Total			\$ 838,151			

Convertible debentures

The total principal amounts outstanding for all of the convertible debentures are as follows:

	Date issued	Maturity date	Conversion price	Outstanding principal September 30, 2013	Outstanding principal November 4, 2013	REIT Units if converted November 4, 2013
5.25% Debentures	December 13, 2012	December 31, 2019	\$ 13.80	\$ 86,250	\$ 86,250	6,250,000
5.25% Debentures	December 19, 2012	December 31, 2019	13.80	25,000	25,000	1,811,594
6.75% Debentures	May 15, 2013 ⁽¹⁾	November 30, 2017	12.37	19,420	19,420	1,569,346
Total				\$ 130,670	\$ 130,670	9,630,940

(1) The 6.75% Debentures were assumed as part of the C2C acquisition on May 15, 2013.

The fair value of the conversion feature of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At September 30, 2013, the conversion feature amounted to \$1.0 million and was included in non-current liabilities on the condensed consolidated balance sheet.

Commitments and contingencies

We are contingently liable with respect to guarantees that are issued in the normal course of business and with respect to litigation and claims that may 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 our condensed consolidated financial statements.

Dundee Industrial did not enter into any operating or finance leases during this reporting period. As at September 30, 2013, the Trust has entered into lease agreements that may require leasing and tenant improvement costs of approximately \$1.5 million.

OUR EQUITY

Our discussion of equity includes LP Class B Units, which are economically equivalent to REIT Units. Pursuant to International Financial Reporting Standards ("IFRS"), the LP B Units are classified as a liability in our condensed consolidated financial statements as subsidiary redeemable units.

	September 30, 2013		Unitholders' equity December 31, 2012	
	Number of Units	Amount	Number of Units	Amount
REIT Units	54,784,387	\$ 567,861	36,257,538	\$ 326,211
Add: LP B Units	16,282,096	142,305	16,198,747	181,426
Total	71,066,483	\$ 710,166	52,456,285	\$ 507,637

Our Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: REIT Units and Special Trust Units. The Special Trust Units may only be issued to holders of LP B Units, are not transferable separately from these Units, and are used to provide voting rights with respect to Dundee Industrial REIT to persons holding LP B Units. The LP B Units are held by wholly owned subsidiaries of Dundee REIT. Both the REIT Units and Special Trust Units entitle the holder to one vote for each Unit at all meetings of the unitholders. The LP B Units are exchangeable on a one-for-one basis for REIT Units at the option of the holder. The LP B Units and corresponding Special Trust Units together have economic and voting rights equivalent in all material respects to REIT Units. The REIT Units have economic and voting rights equivalent in all material respects to each other.

At September 30, 2013, Dundee REIT, indirectly through its wholly owned subsidiaries, held 16,282,096 LP B Units representing a total ownership interest of approximately 22.9%.

The following table summarizes the changes in our outstanding equity.

	REIT Units	LP B Units	Total
Total Units outstanding on January 1, 2013	36,257,538	16,198,747	52,456,285
Units issued pursuant to public offering	10,465,000	-	10,465,000
Units issued pursuant to C2C acquisition	7,460,654	-	7,460,654
Units issued pursuant to C2C amalgamation	387,399	-	387,399
Units issued pursuant to Distribution Reinvestment and Unit Purchase Plan ("DRIP")	191,570	83,349	274,919
Units issued pursuant to Unit Purchase Plan	1,826	-	1,826
Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	20,400	-	20,400
Total Units outstanding on September 30, 2013	54,784,387	16,282,096	71,066,483
Percentage of all Units	77.1%	22.9%	100.0%
Units issued pursuant to Unit Purchase Plan	118	-	118
Units issued pursuant to DRIP on October 15, 2013	34,756	-	34,756
Units vested and issued pursuant to DUIP on October 18, 2013	4,162	-	4,162
Total Units outstanding on November 4, 2013⁽¹⁾	54,823,423	16,282,096	71,105,519
Percentage of all Units	77.1%	22.9%	100.0%

(1) The date of this report.

On October 18, 2013, the Trust issued 4,162 Units in exchange for deferred trust units and income deferred trust units that vested in the normal course on October 18, 2013.

On July 19, 2013, the Trust issued 387,399 REIT Units to purchase the remaining outstanding common shares of C2C by way of an amalgamation.

On May 15, 2013, in connection with the acquisition of C2C, the Trust issued 7,460,654 REIT Units to purchase approximately 95% of the outstanding common shares of C2C.

On March 6, 2013, the Trust completed a public offering of 10,465,000 REIT Units, at a price of \$11.00 per unit for gross proceeds of \$115.1 million, including 1,365,000 REIT Units pursuant to the exercise of the over-allotment option granted to the

underwriters. Costs related to the offering of \$5.1 million (including costs of the over-allotment option) were charged directly to unitholders' equity.

On December 19, 2012, we issued 2,358,491 REIT Units to an affiliate of KingSett as partial consideration for the KingSett Portfolio. Costs related to the issuance to KingSett of \$0.1 million were charged directly to unitholders' equity.

On December 13, 2012, we completed a public offering of 13,570,000 REIT Units, at a price of \$10.60 per unit for gross proceeds of \$143.8 million, including 1,770,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Costs related to the offering of \$6.2 million were charged directly to unitholders' equity.

On October 4, 2012, the Trust completed its IPO, issuing 15,500,000 REIT Units at a price of \$10.00 per unit for gross proceeds of \$155.0 million. Concurrently with the IPO, Dundee Corporation and Michael Cooper, Chief Executive Officer of Dundee Realty Corporation, subsidiary of DREAM Unlimited Corp., purchased 1,750,000 REIT Units and 750,000 REIT Units, respectively, at a price of \$10.00 per unit for total gross proceeds of \$25.0 million. On October 17, 2012, an additional 2,325,000 REIT Units were issued, pursuant to the exercise of the over-allotment option granted to the underwriters, for total gross proceeds of \$23.3 million. Costs related to the IPO of \$14.5 million (including costs of the over-allotment option) were charged directly to unitholders' equity.

In connection with the IPO, Dundee Industrial Limited Partnership ("DILP") issued 16,034,631 LP B Units to wholly owned subsidiaries of Dundee REIT in partial consideration for the acquisition of the Initial Properties.

Short form base shelf prospectus

On November 27, 2012, the Trust issued a short form base shelf prospectus, which is valid for a 25-month period, during which time the Trust may offer and issue, from time to time, units and debt securities convertible into or exchangeable for Units of the Trust, or any combination thereof, having an aggregate offering price of up to \$1.0 billion. As at September 30, 2013, \$168.8 million in REIT Units and \$111.3 million in debt securities have been issued under the short form base shelf prospectus.

Distribution policy

Our Declaration of Trust provides our trustees with the discretion to determine the percentage payout of income that would be in the best interest of the Trust. Amounts retained in excess of the declared distributions are used to fund leasing costs and capital expenditure requirements. Given that working capital tends to fluctuate over time and should not affect our distribution policy, we disregard it when determining distributable income. We also exclude the impact of leasing costs, which fluctuate with lease maturities, renewal terms and the type of asset being leased. We evaluate the impact of leasing activity based on averages for our portfolio over a two- to three-year time frame. We also exclude the impact of transaction costs expensed on business combinations.

	Three months ended September 30, 2013			Nine months ended September 30, 2013		
	Declared distributions	3% bonus distributions ⁽²⁾	Total	Declared distributions	3% bonus distributions ⁽²⁾	Total
2013 distributions						
Paid in cash or reinvested in Units	\$ 8,284	\$ 27	\$ 8,311	\$ 29,654	\$ 52	\$ 29,706
Payable at September 30, 2013	4,146	-	4,146	4,146	-	4,146
Total distributions⁽¹⁾	\$ 12,430	\$ 27	\$ 12,457	\$ 33,800	\$ 52	\$ 33,852
2013 reinvestment						
Reinvested to September 30, 2013	\$ 684	\$ 27	\$ 711	\$ 1,728	\$ 52	\$ 1,780
Reinvested on October 15, 2013	286	9	295	286	9	295
Total distributions reinvested	\$ 970	\$ 36	\$ 1,006	\$ 2,014	\$ 61	\$ 2,075
Distributions paid in cash	\$ 11,460			\$ 31,786		
Reinvestment to distribution ratio	7.8%			6.0%		
Cash payout ratio	92.2%			94.0%		

(1) Includes distributions on LP B Units.

(2) Unitholders registered in the DRIP are also eligible to receive a bonus distribution of Units equal to 3% of the amount of the cash distribution reinvested pursuant to the DRIP.

Distributions declared for the three months ended September 30, 2013 were \$12.4 million. Distributions declared for the nine months ended September 30, 2013 were \$33.8 million. Of the distributions declared for the three months ended September 30, 2013, \$1.0 million, or approximately 8%, was reinvested in additional Units resulting in a cash payout ratio of 92%, and for the nine months ended September 30, 2013, \$2.0 million, or approximately 6%, was reinvested in additional Units resulting in a cash payout ratio of 94% (60.9% for the period from October 4, 2012 to December 31, 2012).

As required by National Policy 41-201, "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and cash distributions, as well as the differences between net income and cash distributions, in accordance with the guidelines.

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Net income	\$ 20,660	\$ 72,549
Cash flows from operating activities	20,872	42,055
Add (deduct):		
Investment in lease incentives and initial direct leasing costs	2,011	4,495
Change in non-cash working capital	(6,894)	(4,960)
Adjusted cash flows from operating activities	15,989	41,590
Distributions paid and payable ⁽¹⁾	12,457	33,852
Add (deduct):		
Distributions on Units issued on March 6	-	(1,062)
Distributions on Units issued for C2C on May 15	-	(211)
Adjusted distributions paid and payable	12,457	32,579
Adjusted cash flows from operating activities over adjusted distributions paid and payable	3,532	9,011

(1) Includes distributions on LP B Units.

For the three months ended September 30, 2013, adjusted cash flows from operating activities exceeded adjusted distributions paid and payable by \$3.5 million (\$9.0 million for the nine-month period). In the table above, for comparison purposes, distributions paid and payable were adjusted to remove the distributions related to the Units issued pursuant to the equity offering completed on March 6, 2013 and the Units issued for acquiring the common shares of C2C on May 15, 2013. The proceeds from the Units issued on March 6, 2013 were not deployed until the acquisition of CanFirst Portfolio on April 24, 2013, and accordingly, the cash flow from operations related to those Units only commenced from April 25, 2013. Distributions on the Units issued for acquiring the common shares of C2C reflect the period from May 1, 2013 to June 30, 2013. However, cash flow from operations associated with these Units only commenced on May 16, 2013. The net income included distributions paid and payable on subsidiary redeemable units of \$2.9 million and \$8.4 million for, respectively, the three and nine months ended September 30, 2013. Net income is not used as a proxy for distributions as it includes fair value changes on investment properties and fair value changes on financial instruments, which are not reflective of the Trust's ability to make distributions.

OUR RESULTS OF OPERATIONS

	Three months ended September 30, 2013	Three months ended June 30, 2013	Nine months ended September 30, 2013	Period from October 4, 2012 to December 31, 2012
Investment properties revenue	\$ 37,842	\$ 34,703	\$ 101,795	\$ 17,202
Investment properties operating expenses	10,621	9,949	29,928	4,667
Net rental income	27,221	24,754	71,867	12,535
Other income and expenses				
General and administrative	(2,009)	(1,903)	(5,294)	(855)
Fair value adjustments to investment properties	1,599	283	2,459	6,048
Acquisition related costs	-	(11,018)	(11,018)	(11,528)
Interest:				
Debt	(8,084)	(7,365)	(22,000)	(3,244)
Subsidiary redeemable units	(2,850)	(2,849)	(8,447)	(2,711)
Debt settlement gains	49	-	49	-
Depreciation and amortization	(45)	-	(45)	-
Interest and fee income	17	186	239	16
Fair value adjustments to financial instruments	6,114	32,149	46,363	(21,134)
Income (loss) before income taxes	22,012	34,237	74,173	(20,873)
Deferred income taxes	(1,352)	(272)	(1,624)	-
Net income (loss) and comprehensive income (loss)	\$ 20,660	\$ 33,965	\$ 72,549	\$ (20,873)

Investment properties revenue

Investment properties revenue includes net rental income from investment properties as well as the recovery of operating costs and property taxes from tenants. Investment properties revenue totalled \$37.8 million for the quarter. Investment properties revenue increased by \$3.1 million, or 9.0%, over the prior quarter ended June 30, 2013, primarily due to revenues from the CanFirst and C2C Portfolio acquisitions, completed in the second quarter, being included for the full quarter ended September 30, 2013.

Investment properties operating expenses

Operating expenses comprise 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 changes in occupancy levels, weather, utility costs, realty taxes, and repairs and maintenance. Investment properties operating expenses were \$10.6 million and \$29.9 million for the three and nine months ended September 30, 2013, respectively. Investment properties operating expenses increased \$0.7 million over the prior quarter primarily due to operating expenses for the CanFirst and C2C Portfolios being included for the full quarter ended September 30, 2013.

General and administrative

General and administrative expenses primarily comprise expenses related to corporate management, trustees' fees and expenses, investor relations and asset management fees. For the three months ended September 30, 2013, general and administrative expenses totalled \$2.0 million, comprising \$1.0 million in asset management fees, \$0.3 million in professional fees, \$0.4 million of general corporate expenses, and \$0.3 million related to the DUIP. General and administrative expenses increased \$0.1 million or 5.6% over the prior quarter primarily due to an increase in asset management fees on the CanFirst and C2C Portfolios acquired during the previous quarter.

Fair value adjustments to investment properties

A \$1.6 million fair value adjustment was recorded during the quarter, primarily relating to minor adjustments to stabilized NOI and other valuation assumptions.

Interest expense – Debt

Interest expense on debt for the three months ended September 30, 2013 was \$8.1 million, including \$8.8 million of contractual interest expense and \$0.2 million related to the amortization of financing costs, offset by \$0.9 million related to the amortization of market-to-market adjustments recorded on assumed debt and the issuance of convertible debentures. Interest expense on debt increased \$0.7 million over the prior quarter primarily as a result of interest on the debt assumed on the CanFirst and C2C Portfolio acquisitions being included for the full quarter ended September 30, 2013.

Interest and fee income

Interest and fee income represents amounts for items such as fees earned from third-party property management, including management and leasing fees, and interest earned on bank accounts and related fees. Except for property management fees, this revenue is not necessarily of a recurring nature.

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include fair value adjustments on the conversion features of convertible debt, remeasurement of the carrying value of subsidiary redeemable units and remeasurement of the deferred trust units. For the three months ended September 30, 2013, we recognized gains of \$5.5 million and \$0.6 million on the remeasurement of the subsidiary redeemable units and the remeasurement of the conversion feature on the convertible debentures, respectively, primarily due to a decline in the trading value of REIT Units at the end of the quarter compared to June 30, 2013.

Related party transactions

Dundee Industrial and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms and as disclosed in Note 20 to the condensed consolidated financial statements. Pursuant to the Asset Management Agreement, we paid \$0.3 million of asset management fees reported in general and administrative expenses for the three months ended September 30, 2013. For the nine months ended September 30, 2013, we paid \$4.1 million, comprising \$1.9 million reported in general and administrative expenses for asset management fees, \$1.9 million related to acquisition costs and \$0.3 million recorded as financing costs.

Net operating income

We define NOI as the total of investment property revenue less investment property operating expenses.

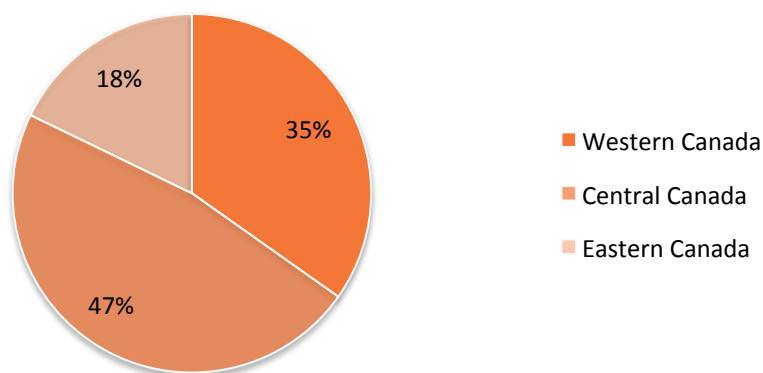
Net operating income is an important measure used by management in evaluating property operating performance; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

	Three months ended September 30, 2013	Three months ended June 30, 2013	Nine months ended September 30, 2013	Period from October 4, 2012 to December 31, 2012
Total portfolio				
Western Canada	\$ 9,471	\$ 9,117	\$ 27,260	\$ 6,371
Central Canada	12,901	11,326	31,956	5,138
Eastern Canada	4,849	4,311	12,651	1,026
Net operating income	\$ 27,221	\$ 24,754	\$ 71,867	\$ 12,535

Net operating income for the three months ended September 30, 2013 was \$27.2 million, up from \$24.8 million for the three months ended June 30, 2013, largely reflecting the contribution of acquisitions completed during the previous quarter.

NOI BY REGION

(three months ended September 30, 2013)



NOI prior quarter comparison

The comparative properties disclosed in the following table include properties acquired prior to April 1, 2013.

	Three months ended September 30, 2013	Three months ended June 30, 2013	Growth	
			Amount	%
Western Canada	\$ 8,831	\$ 8,676	\$ 155	2
Central Canada	7,418	7,785	(367)	(5)
Eastern Canada	3,519	3,501	18	1
Comparative properties	19,768	19,962	(194)	(1)
Lease termination fees and other items	-	184	(184)	
Acquisitions completed in the second quarter	6,589	3,925	2,664	
Straight-line rent	823	801	22	
Bad debt expenses	67	(98)	165	
Amortization of tenant inducements	(26)	(20)	(6)	
NOI	\$ 27,221	\$ 24,754	\$ 2,467	10

The decrease in comparative properties NOI during the quarter was primarily due to lower occupancy while the increase in NOI on acquisitions completed in the second quarter reflects the full quarter of NOI from the CanFirst and C2C Portfolios.

Funds from operations and adjusted funds from operations

	Three months ended September 30, 2013	Three months ended June 30, 2013	Nine months ended September 30, 2013	Period from October 4, 2012 to December 31, 2012
Net income (loss)	\$ 20,660	\$ 33,965	\$ 72,549	\$ (20,873)
Add (deduct):				
Amortization of tenant inducements	26	20	50	-
Amortization of deferred leasing costs	7	-	7	-
Depreciation of property and equipment	38	-	38	-
Interest expense on subsidiary redeemable units	2,850	2,849	8,447	2,711
Acquisition related costs	-	11,018	11,018	11,528
Fair value adjustments to investment properties	(1,599)	(283)	(2,459)	(6,048)
Fair value adjustments to financial instruments	(6,114)	(32,149)	(46,363)	21,134
Fair value adjustments of DUIP included in general and administrative expenses	(71)	(53)	(130)	-
FFO share related to non-controlling interest of C2C	(23)	(67)	(90)	-
Deferred income taxes	1,352	272	1,624	-
FFO	\$ 17,126	\$ 15,572	\$ 44,691	\$ 8,452
Funds from operations	\$ 17,126	\$ 15,572	\$ 44,691	\$ 8,452
Add (deduct):				
Amortization of fair value adjustments on assumed debt	(877)	(924)	(2,486)	(819)
Deferred unit compensation expense excluding fair value adjustments	378	493	1,083	46
Straight-line rent	(823)	(801)	(2,351)	(400)
Debt settlement gains	(49)	-	(49)	-
FFO share related to non-controlling interest of C2C	23	67	90	-
AFFO share related to non-controlling interest of C2C	(20)	(56)	(76)	-
	15,758	14,351	40,902	7,279
Deduct:				
Normalized initial direct leasing costs and lease incentives	1,267	1,138	3,354	562
Normalized recurring capital expenditures	762	683	2,014	225
AFFO	\$ 13,729	\$ 12,530	\$ 35,534	\$ 6,492

Funds from operations

	Three months ended September 30, 2013	Three months ended June 30, 2013	Nine months ended September 30, 2013	Period from October 4, 2012 to December 31, 2012
FFO	\$ 17,126	\$ 15,572	\$ 44,691	\$ 8,452
FFO per unit – basic	\$ 0.24	\$ 0.23	\$ 0.69	\$ 0.22
FFO per unit – diluted	\$ 0.24	\$ 0.23	\$ 0.68	\$ 0.21

For the three months ended September 30, 2013, FFO per diluted unit was \$0.24, versus FFO per diluted unit of \$0.23 for the second quarter. The increase over the prior quarter is due to the effect of acquisitions during the quarter and increases in NOI from property operations and leasing.

Adjusted funds from operations

	Three months ended September 30, 2013	Three months ended June 30, 2013	Nine months ended September 30, 2013	Period from October 4, 2012 to December 31, 2012
AFFO	\$ 13,729	\$ 12,530	\$ 35,534	\$ 6,492
AFFO per unit – basic	\$ 0.19	\$ 0.19	\$ 0.55	\$ 0.17

AFFO was \$13.7 million, or \$0.19 per unit. The increase over the prior quarter is due mainly to the effects of acquisitions and increases in NOI from property operations and leasing.

AFFO is not defined by IFRS and, therefore, may not be comparable to similar measures presented by other real estate investment trusts. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), “Non-GAAP Financial Measures”, the table below reconciles AFFO to cash generated from operating activities.

	Three months ended September 30, 2013	Three months ended June 30, 2013	Nine months ended September 30, 2013	Period from October 4, 2012 to December 31, 2012
Cash generated from operating activities	\$ 20,872	\$ 9,128	\$ 42,055	\$ 10,241
Add (deduct):				
Initial direct leasing costs and lease incentives incurred	2,011	1,665	4,495	562
Change in non-cash working capital	(6,894)	3,787	(4,960)	(3,424)
Amortization of financing costs on debt	(211)	(207)	(624)	(100)
AFFO share related to non-controlling interest of C2C	(20)	(56)	(76)	-
Normalized initial direct leasing costs and lease incentives	(1,267)	(1,138)	(3,354)	(562)
Normalized recurring capital expenditures	(762)	(683)	(2,014)	(225)
Other	-	34	12	-
AFFO	\$ 13,729	\$ 12,530	\$ 35,534	\$ 6,492

QUARTERLY INFORMATION

The following tables show quarterly information since October 4, 2012.

	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Investment properties revenue	\$ 37,842	\$ 34,703	\$ 29,250	\$ 17,202
Investment properties operating expenses	10,621	9,949	9,358	4,667
Net rental income	27,221	24,754	19,892	12,535
Other income and expenses				
General and administrative	(2,009)	(1,903)	(1,382)	(855)
Fair value adjustments to investment properties	1,599	283	577	6,048
Acquisition related costs	-	(11,018)	-	(11,528)
Interest:				
Debt	(8,084)	(7,365)	(6,551)	(3,244)
Subsidiary redeemable units	(2,850)	(2,849)	(2,748)	(2,711)
Debt settlement gains	49	-	-	-
Depreciation and amortization	(45)	-	-	-
Interest and fee income	17	186	36	16
Fair value adjustments to financial instruments	6,114	32,149	8,100	(21,134)
Income (loss) before income taxes	22,012	34,237	17,924	(20,873)
Deferred income taxes	(1,352)	(272)	-	-
Net income (loss) and comprehensive income (loss)	\$ 20,660	\$ 33,965	\$ 17,924	\$ (20,873)

Calculation of funds from operations

	Q3 2013	Q2 2013	Q1 2013	Q4 2012
NET INCOME (LOSS)	\$ 20,660	\$ 33,965	\$ 17,924	\$ (20,873)
Add (deduct):				
Amortization of tenant inducements	26	20	4	-
Amortization of deferred leasing costs	7	-	-	-
Depreciation of property and equipment	38	-	-	-
Interest expense on subsidiary redeemable units	2,850	2,849	2,748	2,711
Acquisition related costs	-	11,018	-	11,528
Fair value adjustments to investment properties	(1,599)	(283)	(577)	(6,048)
Fair value adjustments to financial instruments	(6,114)	(32,149)	(8,100)	21,134
Fair value adjustments of DUIP included in general and administrative expenses	(71)	(53)	(6)	-
FFO share related to non-controlling interest of C2C	(23)	(67)	-	-
Deferred income taxes	1,352	272	-	-
FFO	\$ 17,126	\$ 15,572	\$ 11,993	\$ 8,452
FFO per unit – basic ⁽¹⁾	\$ 0.24	\$ 0.23	\$ 0.22	\$ 0.22
FFO per unit – diluted ⁽¹⁾⁽²⁾	\$ 0.24	\$ 0.23	\$ 0.22	\$ 0.21

(1) The LP B Units are included in the calculation of basic and diluted FFO per unit.

(2) Diluted FFO for Q3 2013, Q2 2013, Q1 2013 and Q4 2012 excludes \$2.0 million, \$1.8 million, \$1.7 million and \$0.3 million in interest on convertible debentures, respectively.

	Q3 2013	Q2 2013	Q1 2013	Q4 2012
FUNDS FROM OPERATIONS	\$ 17,126	\$ 15,572	\$ 11,993	\$ 8,452
Add (deduct):				
Amortization of fair value adjustment on assumed debt	(877)	(924)	(685)	(819)
Deferred unit compensation expense excluding fair value adjustments	378	493	212	46
Straight-line rent	(823)	(801)	(727)	(400)
Debt settlement gains	(49)	-	-	-
FFO share related to non-controlling interest of C2C	23	67	-	-
AFFO share related to non-controlling interest of C2C	(20)	(56)	-	-
	15,758	14,351	10,793	7,279
Adjusted for:				
Normalized initial direct leasing costs and lease incentives	1,267	1,138	949	562
Normalized recurring capital expenditures	762	683	569	225
Adjusted funds from operations	\$ 13,729	\$ 12,530	\$ 9,275	\$ 6,492
AFFO per unit – basic ⁽¹⁾	\$ 0.19	\$ 0.19	\$ 0.17	\$ 0.17
Weighted average Units outstanding for FFO and AFFO				
Basic (in thousands)	70,931	66,930	55,561	39,320

(1) The LP B Units are included in the calculation of basic AFFO per unit.

NON-GAAP MEASURES

The following non-GAAP measures are important measures used by management in evaluating the Trust's underlying operating performance and debt management. These non-GAAP measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other income trusts.

Funds from operations

Management believes FFO is an important measure of our operating performance. This non-GAAP measurement is a commonly used measure of performance of real estate operations; however, it does not represent net income or cash flow from operating activities, as defined by GAAP, and is not necessarily indicative of cash available to fund Dundee Industrial REIT's needs. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income under the heading "Funds from operations and adjusted funds from operations".

Adjusted funds from operations

Management believes AFFO is an important measure of our economic performance and is indicative of our ability to pay distributions. This non-GAAP measurement is commonly used for assessing real estate performance; however, it does not represent cash flow from operating activities, as defined by GAAP, and is not necessarily indicative of cash available to fund the Trust's needs.

In the calculation of AFFO, the Trust assumes 8% of NOI, adjusted for straight-line rent and property management income for normalized initial direct leasing costs and recurring capital expenditures. This assumption will be re-evaluated from time to time based on actual experience as our expenditure pattern is established in the future. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", AFFO has been reconciled to cash generated from operating activities under the heading "Funds from operations and adjusted funds from operations".

Weighted average number of Units

The basic weighted average number of Units outstanding used in the FFO and AFFO calculations includes the weighted average of all REIT Units, LP B Units, and vested but unissued deferred trust units and income deferred trust units. The diluted weighted average number of Units assumes the conversion of the convertible debentures.

	Three months ended September 30, 2013	Three months ended June 30, 2013	Nine months ended September 30, 2013	Period from October 4, 2012 to December 31, 2012
Weighted average Units outstanding for basic per unit amounts (in thousands)	70,931	66,930	64,530	39,320
Weighted average Units outstanding for diluted per unit amounts (in thousands)	80,761	75,830	73,598	40,828

Level of debt (debt-to-total assets)

Management believes this non-GAAP measurement is an important measure in the management of our debt levels. Level of debt as shown below is determined as total debt before deferred financing costs and mark-to-market adjustments, divided by total assets.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the level of debt (debt-to-total assets).

Amounts per condensed consolidated financial statements	September 30, 2013	December 31, 2012
Non-current debt	\$ 746,331	\$ 548,959
Current debt	91,820	100,886
Total debt	838,151	649,845
Add (deduct):		
Deferred financing costs	4,720	4,349
Mark-to-market adjustments	(9,108)	(8,055)
Total debt before deferred financing costs and mark-to-market adjustments	833,763	646,139
Total assets	\$ 1,586,915	\$ 1,191,866
Debt-to-total assets	52.5%	54.2%

Interest coverage ratio

Management believes this non-GAAP measurement is an important measure in determining our ability to cover interest expense based on our operating performance. Interest coverage ratio as shown below is calculated as net rental income plus interest and fee income, less general and administrative expenses, plus deferred unit compensation expense, all divided by interest expense on total debt excluding deferred financing and mark-to-market adjustments.

In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", the table below calculates the interest coverage ratio.

Amounts per condensed consolidated financial statements	Three months ended September 30, 2013	Three months ended June 30, 2013	Three months ended March 31, 2013	Nine months ended September 30, 2013	Period from October 4, 2012 to December 31, 2012
Net rental income	\$ 27,221	\$ 24,754	\$ 19,892	\$ 71,867	\$ 12,535
Add (deduct):					
Interest and fee income	17	186	36	239	16
General and administrative expenses	(2,009)	(1,903)	(1,382)	(5,294)	(855)
Deferred unit compensation expense	307	440	206	953	46
	25,536	23,477	18,752	67,765	11,742
Interest expense incurred, at contractual rate	8,750	8,082	7,030	23,862	3,963
Interest coverage ratio (times)	2.9	2.9	2.7	2.8	3.0

SECTION III — DISCLOSURE CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining Disclosure Controls and Procedures and Internal Controls over Financial Reporting, as those terms are defined for the Trust in National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings". In accordance with Section 3.3(1)(b) of National Instrument 52-109, our Chief Executive Officer and Chief Financial Officer have limited the scope of our design of Disclosure Control and Procedures and Internal Controls over Financial Reporting to exclude controls, policies and procedures related to the portfolio of properties we acquired during the period from October 4, 2012 to December 31, 2012, as well as the acquisitions of the C2C and CanFirst Portfolios, as they were acquired less than 365 days before the last day of the interim period ended September 30, 2013. The results of the acquired businesses are included in our condensed consolidated financial statements for the period ended September 30, 2013. We intend to complete our design of Disclosure Controls and Procedures and Internal Control over Financial Reporting by the end of our fourth quarter in 2013.

SECTION IV — RISKS AND OUR STRATEGY TO MANAGE

For a full list and explanation of our risks and uncertainties, please refer to our 2012 Annual Report and our Annual Information Form dated April 1, 2013, filed on SEDAR (www.sedar.com).

SECTION V — CRITICAL ACCOUNTING POLICIES

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosures of contingent liabilities. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but that are inherently uncertain and unpredictable, the result of which forms the basis of the carrying amounts of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment in the future to the carrying amounts of the asset or liability affected. Dundee Industrial's critical accounting judgments, estimates and assumptions in applying accounting policies are described in Note 4 in the condensed consolidated financial statements and also in our annual consolidated statements for the period from July 20, 2012 to December 31, 2012.

CHANGES IN ACCOUNTING ESTIMATES AND CHANGES IN ACCOUNTING POLICIES

Future accounting policy changes

Dundee Industrial's changes in accounting policies are described in Note 3 in the condensed consolidated financial statements.

Additional information relating to Dundee Industrial REIT, including the latest annual information form of Dundee Industrial REIT, is available on SEDAR at www.sedar.com.

Condensed consolidated balance sheets

(unaudited)

(in thousands of Canadian dollars)	Note	September 30, 2013	December 31, 2012
Assets			
NON-CURRENT ASSETS			
Investment properties	7	\$ 1,536,125	\$ 1,147,410
Other non-current assets	9	38,792	36,595
Deferred income tax assets	11	611	-
		1,575,528	1,184,005
CURRENT ASSETS			
Amounts receivable	10	2,411	2,177
Prepaid expenses and other assets		5,135	3,378
Cash and cash equivalents		3,841	2,306
		11,387	7,861
Total assets		\$ 1,586,915	\$ 1,191,866
Liabilities			
NON-CURRENT LIABILITIES			
Debt	12	\$ 746,331	\$ 548,959
Subsidiary redeemable units	13	142,305	181,426
Tenant security deposits		9,215	5,750
Conversion feature on the convertible debentures	12	1,006	6,228
Deferred Unit Incentive Plan	14	757	51
		899,614	742,414
CURRENT LIABILITIES			
Debt	12	91,820	100,886
Amounts payable and accrued liabilities	15	24,424	20,316
Distributions payable	16	3,196	2,039
		119,440	123,241
Total liabilities		1,019,054	865,655
Equity			
Unitholders' equity		545,522	351,299
Retained earnings (deficit)		22,339	(25,088)
Total equity		567,861	326,211
Total liabilities and equity		\$ 1,586,915	\$ 1,191,866

See accompanying notes to the condensed consolidated financial statements.

On behalf of the Board of Trustees of Dundee Industrial Real Estate Investment Trust:



Joanne Ferstman
Trustee



Vincenza Sera
Trustee

Condensed consolidated statements of net income and comprehensive income

(unaudited)

(in thousands of Canadian dollars)		Three months ended September 30, 2013	Nine months ended September 30, 2013
	Note		
Investment properties revenue		\$ 37,842	\$ 101,795
Investment properties operating expenses		10,621	29,928
Net rental income		27,221	71,867
Other income and expenses			
General and administrative		(2,009)	(5,294)
Fair value adjustments to investment properties	7	1,599	2,459
Acquisition related costs	5	-	(11,018)
Interest:			
Debt	18	(8,084)	(22,000)
Subsidiary redeemable units	18	(2,850)	(8,447)
Debt settlement gains		49	49
Depreciation and amortization		(45)	(45)
Interest and fee income		17	239
Fair value adjustments to financial instruments	19	6,114	46,363
Income before income taxes		22,012	74,173
Deferred income taxes	11	(1,352)	(1,624)
Net income and comprehensive income		\$ 20,660	\$ 72,549
Net income and comprehensive income attributable to:			
Unitholders		\$ 20,403	\$ 72,832
Non-controlling interest		257	(283)
		\$ 20,660	\$ 72,549

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

(unaudited)

(in thousands of Canadian dollars, except number of units)	Note	Attributable to unitholders of the Trust			
		Number of Units	Unitholders' equity	Retained earnings (deficit)	Total
Balance at January 1, 2013		36,257,538	\$ 351,299	\$ (25,088)	\$ 326,211
Net income for the period		-	-	72,832	72,832
Distributions paid and payable	16	-	-	(25,405)	(25,405)
Public offering of REIT Units	17	10,465,000	115,115	-	115,115
REIT Units issued for C2C acquisition	5, 17	7,460,654	78,785	-	78,785
REIT Units issued for C2C amalgamation	5, 17	387,399	3,618	-	3,618
Distribution Reinvestment Plan	16, 17	191,570	1,816	-	1,816
Unit Purchase Plan	17	1,826	18	-	18
REIT Units issued for vested deferred trust units	14, 17	20,400	218	-	218
Issue costs	17	-	(5,347)	-	(5,347)
Balance at September 30, 2013		54,784,387	\$ 545,522	\$ 22,339	\$ 567,861

(in thousands of Canadian dollars, except number of units)		Attributable to unitholders of the Trust			
		Number of Units	Unitholders' equity	Retained earnings (deficit)	Total
Balance at July 20, 2012		-	\$ -	\$ -	\$ -
Net loss for the period		-	-	(20,873)	(20,873)
Distributions paid and payable		-	-	(4,215)	(4,215)
Public offering of REIT Units		33,895,000	347,092	-	347,092
REIT Units issued for KingSett transaction		2,358,491	25,000	-	25,000
Distribution Reinvestment Plan		4,047	44	-	44
Issue costs		-	(20,837)	-	(20,837)
Balance at December 31, 2012		36,257,538	\$ 351,299	\$ (25,088)	\$ 326,211

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of cash flows

(unaudited)

		Three months ended September 30, 2013	Nine months ended September 30, 2013
(in thousands of Canadian dollars)	Note		
Generated from (utilized in) operating activities			
Net income		\$ 20,660	\$ 72,549
Non-cash items:			
Amortization of financing costs	18	211	624
Amortization of tenant inducements	7	26	50
Amortization of deferred leasing costs	7	7	7
Depreciation of property and equipment		38	38
Amortization of fair value adjustments on debt	18	(877)	(2,486)
Deferred unit compensation expense	14	307	953
Straight-line rent adjustment	9	(823)	(2,351)
Fair value adjustments to investment properties	7	(1,599)	(2,459)
Fair value adjustments to financial instruments	19	(6,114)	(46,363)
Reinvestment in subsidiary redeemable units	13, 18	-	938
Deferred income taxes	11	1,352	1,624
Investment in lease incentives and initial direct leasing costs	7	(2,011)	(4,495)
Debt settlement gains		(49)	(49)
Transaction costs included in net income		-	11,018
Interest paid on subsidiary redeemable units	18	2,850	7,497
Change in non-cash working capital	21	6,894	4,960
		20,872	42,055
Generated from (utilized in) investing activities			
Additions to property and equipment	9	(25)	(76)
Investment in investment properties	7	(514)	(579)
Acquisition of C2C, net of cash acquired	5	-	1,592
Transaction costs paid during the period		(104)	(15,907)
Acquisition of investment properties	6	-	(92,815)
		(643)	(107,785)
Generated from (utilized in) financing activities			
Proceeds from mortgage financings	12	14,500	113,106
Financing costs on mortgages placed	12	(213)	(837)
Mortgage principal repayments		(5,210)	(12,969)
Mortgage lump sum repayment		(15,709)	(22,858)
Payment made for the tender of 6.75% Debentures	12	-	(705)
Repayment of unsecured non-revolving bridge loan facility	12	-	(32,500)
Repayment of demand revolving credit facility	12	-	(10,000)
Repayment of promissory notes payable	12	-	(42,000)
Distributions paid on Units	16	(8,662)	(22,432)
Interest paid on subsidiary redeemable units	18	(2,850)	(7,497)
Cash proceeds on issue of Units	17	6	115,133
Unit issue costs paid during the period	17	(708)	(9,176)
		(18,846)	67,265
Increase in cash and cash equivalents		1,383	1,535
Cash and cash equivalents, beginning of period		2,458	2,306
Cash and cash equivalents, end of period		\$ 3,841	\$ 3,841

See accompanying notes to the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

(All dollar amounts in thousands of Canadian dollars, except unit or per unit amounts)

Note 1

ORGANIZATION

Dundee Industrial Real Estate Investment Trust ("Dundee Industrial" or the "Trust") is an open-ended investment trust created pursuant to a Declaration of Trust, as amended and restated, under the laws of the Province of Ontario. The condensed consolidated financial statements of Dundee Industrial include the accounts of Dundee Industrial and its consolidated subsidiaries. Dundee Industrial's portfolio comprises industrial properties located in urban centres across Canada. A subsidiary of Dundee Industrial performs the property management function.

The Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "DIR.UN". Dundee Industrial's condensed consolidated financial statements for the three and nine months ended September 30, 2013, were authorized for issuance by the Board of Trustees on November 4, 2013, after which date they may only be amended with the Board of Trustees' approval.

Equity is described in Note 17; however, for simplicity, throughout the Notes, reference is made to the following:

- "REIT Units", meaning the REIT Units
- "Special Trust Units", meaning units that are exchangeable for REIT Units, including the LP Class B Units
- "Units", meaning REIT Units and Special Trust Units, collectively

Subsidiary redeemable units classified as a liability are described in Note 13; however, for simplicity, throughout the Notes, reference is made to "subsidiary redeemable units", meaning the LP Class B Units of Dundee Industrial Limited Partnership ("DILP").

On July 20, 2012, one Unit was issued to Dundee Property Limited Partnership, a subsidiary of Dundee Real Estate Investment Trust ("Dundee REIT"), for cash at \$10 per unit. During the period from July 20, 2012 to October 4, 2012, the Trust had no operating activity.

At September 30, 2013, Dundee REIT, directly and indirectly through its subsidiaries, held all 16,282,096 (December 31, 2012 – 16,198,747) subsidiary redeemable units.

Note 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

The condensed consolidated financial statements have been prepared using the same significant accounting policies and methods as those used in the consolidated financial statements for the period ended December 31, 2012, except as disclosed in Note 3 of the condensed consolidated financial statements.

These condensed consolidated financial statements should be read in conjunction with the Trust's consolidated financial statements for the period from July 20, 2012 to December 31, 2012.

Note 3

ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

The accounting policies selected and applied for significant transactions and events are consistent with those for the period from July 20, 2012 to December 31, 2012. In addition, the Trust has adopted the following significant accounting policies in the nine months ended September 30, 2013.

Changes in accounting policies

The Trust has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

Financial instruments: disclosures

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended to require annual disclosure of information on rights to offset financial instruments and related arrangements. The Trust adopted this amendment effective January 1, 2013. The amendments to IFRS 7 had no impact on the amounts recognized in the Trust's condensed consolidated financial statements or note disclosures for the nine months ended September 30, 2013, but will result in additional disclosures in the Trust's consolidated financial statements for the year ending December 31, 2013. The new disclosures are required for all recognized financial instruments that are offset in accordance with IAS 32, "Financial Instruments: Presentation" ("IAS 32"). They also apply to recognized financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether the financial instruments are offset in accordance with IAS 32.

Consolidated financial statements

IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), replaces the guidance on control and consolidation in IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"), and SIC-12, "Consolidation – Special Purpose Entities". IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Trust assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

Joint arrangements

IFRS 11, "Joint Arrangements" ("IFRS 11"), supersedes IAS 31, "Interests in Joint Ventures", and requires joint arrangements to be classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, the Trust recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") (amended in 2011). The other amendments to IAS 28 did not affect the Trust. The Trust has classified its joint arrangements and concluded that the adoption of IFRS 11 on January 1, 2013 did not result in any changes in the accounting for its joint arrangements.

Disclosures of interests in other entities

In May 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates, including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e., special purpose entities). The Trust adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 will result in disclosures of the condensed financial statements of subsidiaries, joint arrangements and associates in the Trust's consolidated financial statements for the year ending December 31, 2013.

Fair value measurement

IFRS 13, "Fair Value Measurement" ("IFRS 13"), provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Trust adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Trust to measure fair value and did not result in any measurement adjustments as at January 1, 2013. Furthermore, adoption of this standard led to the inclusion of additional fair value disclosures for financial instruments in Note 23. This will also result in

incremental disclosures with respect to unobservable inputs and sensitivity of fair value measurements of Level 3 non-financial assets in the Trust's consolidated financial statements for the year ending December 31, 2013.

Presentation of items of other comprehensive income

The Trust has adopted the amendments to IAS 1, "Presentation of Items of Financial Statements", effective January 1, 2013. These amendments required the Trust to group other comprehensive income items by those that will be reclassified subsequently to the condensed consolidated statement of net income and comprehensive income and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income.

Income taxes

For one of the Trust's subsidiaries, income taxes are accounted for using the asset and liability method. Under this method, deferred income taxes are recognized for the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Deferred income taxes are computed using substantively enacted income tax rates or laws for the years in which the temporary differences are expected to reverse or settle.

Note 4

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

Preparing the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. Management bases its judgments and estimates on historical experience and other factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future. Management has applied the same methodologies in making critical accounting judgments, estimates and assumptions as disclosed in the Trust's consolidated financial statements for the period from July 20, 2012 to December 31, 2012.

IAS 36, "Impairment Testing", requires management to use judgment in determining the recoverable amount of assets tested for impairment, including goodwill. Judgment is involved in estimating the fair value, less cost to sell and value in use, of the cash generating units ("CGUs") to which goodwill has been allocated, and estimates of portfolio and control premiums and cash flow projections. The values assigned to these key assumptions reflect past experience and are consistent with external sources of information.

Note 5

BUSINESS COMBINATIONS

On May 15, 2013, the Trust acquired 16,634,679 common shares representing approximately 95% of the outstanding common shares of C2C Industrial Properties Inc. ("C2C" and the "C2C Portfolio"). The C2C Portfolio comprises 25 properties and one parcel of land totalling 2.5 million square feet of gross leasable area located primarily in Halifax, Edmonton, the Greater Toronto Area and the Greater Montreal Area. The purchase price was satisfied with the issuance of 7,460,654 REIT Units valued at \$78,785 based on the closing price of the Trust's Units on the TSX on May 15, 2013. On closing, the fair value of the net identifiable assets and liabilities amounted to \$82,877.

The following are the recognized amounts of identifiable assets acquired and liabilities assumed, measured at their respective fair values on the date of acquisition:

Investment properties	\$	220,239
Deferred income tax assets		2,235
Prepaid expenses and other assets		1,630
Cash and cash equivalents		1,592
Amounts payable and accrued liabilities		(1,918)
Tenant security deposits		(1,567)
Deferred revenue		(1,053)
Assumed debt at fair value		(137,228)
Conversion feature on the convertible debentures		(1,053)
Total identifiable net assets		82,877
Non-controlling interest		(4,092)
Fair value of consideration	\$	78,785

Acquisition related costs for the C2C Portfolio totalled \$11,018. On July 19, 2013, the Trust issued 387,399 REIT Units to purchase the remaining 5% of outstanding common shares of C2C by way of an amalgamation and, as a result, the non-controlling interest was reduced to nil with a corresponding increase to unitholders' equity.

During the three and nine months ended September 30, 2013, the Trust recognized \$5,561 and \$8,824 of revenue and \$865 and \$1,982 of comprehensive income for each period, respectively, before fair value adjustments and acquisition related costs, related to the acquisition of the C2C Portfolio. Had the acquisition occurred on January 1, 2013, the Trust would have recognized an additional \$8,824 of revenue and \$1,982 of comprehensive income before fair value adjustments and acquisition related costs.

The initial accounting for the assets and liabilities recognized on the acquisition of the C2C Portfolio has been completed provisionally with respect to the valuations of investment properties, assumed debt, determination of final working capital balances and other financial instruments. Accordingly, the initial accounting has not been finalized and remains subject to adjustment.

Upon finalizing the accounting for the acquisition of the Initial Properties, the Trust reduced goodwill by \$653 resulting from adjustments to the fair value of certain assets and liabilities as at the date of the acquisition.

The initial accounting for the assets and liabilities recognized on the acquisition of the KingSett Portfolio on December 19, 2012 has been completed provisionally with respect to the valuations of investment properties, assumed debt, and determination of final working capital balances. Accordingly, the initial accounting has not been finalized and remains subject to adjustment.

Note 6

INVESTMENT PROPERTY ACQUISITIONS

Detailed below are the investment property acquisitions completed during the nine months ended September 30, 2013.

	Interest acquired (%)	Purchase price ⁽¹⁾	Date acquired
CanFirst Portfolio	100.0	\$ 155,650	April 24, 2013
100 Lingard Road, Cambridge, ON	100.0	5,350	June 7, 2013
Total		\$ 161,000	

(1) Includes transaction costs.

The consideration consists of:

Cash paid during the period	\$	92,815
		92,815
Transaction costs included in amounts payable		3,960
Assumed mortgages at fair value		62,009
Assumed non-cash working capital		2,216
Total consideration for investment properties	\$	161,000

Note 7

INVESTMENT PROPERTIES

		Nine months ended September 30, 2013	Period from July 20, 2012 to December 31, 2012
	Note		
Balance at beginning of period		\$ 1,147,410	\$ -
Additions:			
Acquisitions from business combination ⁽¹⁾	5	220,239	1,123,618
Investment property acquisitions	6	161,000	17,182
Building improvements		579	-
Lease incentives and initial direct leasing costs		4,495	562
Amortization of lease incentives		(57)	-
Fair value adjustments to investment properties		2,459	6,048
Balance at end of period		\$ 1,536,125	\$ 1,147,410

(1) Includes \$1,022 for the parcel of land acquired from C2C.

The Trust's investment properties have been reduced by \$2,751 (December 31, 2012 – \$400) related to straight-line rent receivable, which has been reclassified to other non-current assets.

The key valuation metrics for investment properties are set out below:

	September 30, 2013		December 31, 2012	
	Range	Weighted	Range	Weighted
	(%)	average (%)	(%)	average (%)
Capitalization rate ("cap rate")	6.00–8.75	6.73	5.85–8.75	6.80
Discount rate	6.75–9.50	7.69	6.75–9.50	7.65
Terminal rate	6.25–9.00	6.99	6.25–9.00	6.88

Investment properties with an aggregate fair value of \$207,710 as at September 30, 2013 (December 31, 2012 – \$178,088) were valued by qualified external valuation professionals. Investment properties with an aggregate September 30, 2013 fair value of \$1,529,903 were valued by qualified external valuation professionals for the period between October 4, 2012 and September 30, 2013.

If the cap rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by \$43,635. If the cap rate were to decrease by 25 bps, the value of investment properties would increase by \$71,642.

As at September 30, 2013, investment properties with a fair value of \$1,370,459 (December 31, 2012 – \$878,269) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at September 30, 2013, investment properties with a fair value of \$80,781 (December 31, 2012 – \$79,497) are pledged as security for the Trust's demand revolving credit facility.

Note 8

JOINT ARRANGEMENTS

Name	Principal activity	Location	Ownership interest (%)	
			September 30, 2013	December 31, 2012
2240 Premier Way (GE Turbine Building)	Investment property	Edmonton, AB	50.0	50.0

The following amounts represent the ownership interest in the assets, liabilities, revenues and expenses of the co-owned property in which the Trust participates.

	September 30, 2013	December 31, 2012
Non-current assets		
Investment properties	\$ 2,500	\$ 2,250
	2,500	2,250
Current assets		
Amounts receivable	(23)	2
Prepaid expenses and other assets	7	1
Cash and cash equivalents	75	52
	59	55
Total assets	\$ 2,559	\$ 2,305
Current liabilities		
Debt	\$ 1,289	\$ 1,320
Amounts payable and accrued liabilities	11	14
Total liabilities	\$ 1,300	\$ 1,334

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Investment properties revenue	\$ 46	\$ 141
Investment properties operating expenses	16	53
Net rental income	30	88
Other income and expenses		
Fair value adjustments to investment properties	(30)	250
Interest on debt	(24)	(48)
Net income	\$ (24)	\$ 290

Note 9

OTHER NON-CURRENT ASSETS

	September 30, 2013	December 31, 2012
Deposits	\$ 429	\$ -
Property and equipment	72	2
Straight-line rent receivable	2,751	400
Goodwill	35,540	36,193
Total	\$ 38,792	\$ 36,595

Note 10

AMOUNTS RECEIVABLE

	September 30, 2013	December 31, 2012
Trade receivables	\$ 1,140	\$ 1,540
Less: Provision for impairment of trade receivables	(286)	(275)
Trade receivables, net	854	1,265
Other amounts receivable	1,557	912
Amounts receivable	\$ 2,411	\$ 2,177

The movement in the provision for impairment of trade receivables during the nine months ended September 30, 2013 is as follows:

	2013
As at January 1	\$ 275
Provision for impairment of trade receivables	372
Receivables written off during the period as uncollectible	(361)
As at September 30	\$ 286

The carrying value of amounts receivable approximates fair value due to their current nature. As at September 30, 2013, trade receivables of approximately \$110 (December 31, 2012 – \$298) were past due but not considered impaired as the Trust has ongoing relationships with these tenants and the aging of these trade receivables is not indicative of expected default.

The Trust leases industrial properties to tenants under operating leases. Minimum rental commitments on non-cancellable tenant operating leases over their remaining term are as follows:

	September 30, 2013
2013	\$ 25,398
2014 to 2017	312,953
2018 to 2027	184,020
	\$ 522,371

Note 11

INCOME TAXES

DIR Industrial Properties Inc., one of the Trust's subsidiaries, is subject to corporate income taxes. The deferred tax assets relate to temporary differences between the accounting and tax basis of the net assets of the subsidiary, which include non-capital losses on acquisition and deductible Unit issue and financing costs of \$1,910 and fair value adjustments on assumed debt offset by those on investment properties totalling \$325. The tax asset was reduced by \$1,624 since the acquisition on May 15, 2013, to account for changes in the balances of the tax attributed to date.

Note 12

DEBT

	September 30, 2013	December 31, 2012
Mortgages ⁽¹⁾	\$ 713,561	\$ 462,359
Demand revolving credit facility ⁽¹⁾	-	10,000
Promissory notes payable	-	42,000
Unsecured non-revolving bridge facility	-	32,394
Convertible debentures	124,590	103,092
Total	838,151	649,845
Less: Current portion	(91,820)	(100,886)
Non-current debt	\$ 746,331	\$ 548,959

(1) Secured by charges on specific investment properties (refer to Note 7).

Convertible debentures

	September 30, 2013	December 31, 2012
5.25% Debentures	\$ 103,816	\$ 103,092
6.75% Debentures	20,774	-
Total	\$ 124,590	\$ 103,092

	Date issued	Maturity date	Original principal issued	Interest rate	September 30, 2013	December 31, 2012
5.25% Debentures	December 13, 2012	December 31, 2019	\$ 86,250	5.25%	\$ 86,250	\$ 86,250
5.25% Debentures	December 19, 2012	December 31, 2019	25,000	5.25%	25,000	25,000
6.75% Debentures	May 15, 2013 ⁽¹⁾	November 30, 2017	20,125	6.75%	19,420	-
			\$ 131,375		\$ 130,670	\$ 111,250

(1) The 6.75% Debentures were assumed as part of the C2C acquisition on May 15, 2013.

The outstanding principal for the 5.25% Debentures was issued in two tranches: \$86,250 on December 13, 2012 and \$25,000 on December 19, 2012, both maturing on December 31, 2019. The 5.25% Debentures are convertible at any time by the holder into 72.4638 REIT Units per one thousand dollars of face value, representing a conversion price of \$13.80 per unit. On or after December 31, 2015, but prior to December 31, 2017, the 5.25% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. Interest on the 5.25% Debentures is payable at a rate of 5.25% semi-annually on June 30 and December 31. Transaction costs associated with the 5.25% Debentures amounted to \$3,798 and the carrying value of the 5.25% Debentures is recorded net of these costs.

The outstanding principal for the 6.75% Debentures was assumed as part of the acquisition of the C2C Portfolio. The 6.75% Debentures are convertible at any time by the holder into REIT Units at a conversion price of \$12.37 per unit. On or after November 30, 2015, but prior to November 30, 2017, the 6.75% Debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. Interest on the 6.75% Debentures is payable at a rate of 6.75% semi-annually on May 31 and November 30. During the nine months ended September 30, 2013, certain holders of the 6.75% Debentures tendered \$705 of the original principal outstanding in connection with an offer to purchase that expired on June 26, 2013.

Demand revolving credit facility

On October 4, 2012, the Trust entered into a \$35,000 demand revolving credit facility with a Canadian chartered bank. Draws under the demand revolving credit facility are in the form of one-month bankers' acceptances ("BAs") bearing interest at the BA rate plus 1.90% or at the bank's prime rate (3.0% as at September 30, 2013) plus 0.90% at the Trust's option. On December 19, 2012, the Trust increased the available capacity under the demand revolving credit facility to \$50,000, to coincide with the acquisition of the KingSett Portfolio; all other terms under the demand revolving credit facility remained the same. The revolving credit facility matures on October 4, 2014. As at September 30, 2013, \$nil (December 31, 2012 – \$10,000) was drawn on the facility. As at September 30, 2013, the Trust has an outstanding letter of credit totalling \$500 issued by the bank under the facility to secure the Trust's obligations under certain contractual arrangements. Based upon the security provided, the amount available to draw under this facility as at September 30, 2013 is \$49,500 (December 31, 2012 – \$39,584). Fifteen properties are secured as first-ranking mortgages on the facility.

Promissory notes payable

On October 4, 2012, the Trust entered into promissory notes payable with subsidiaries of Dundee REIT totalling \$42,000 and bearing interest at 3.1%. The promissory notes payable were due on the later of (i) the date of closing of and funding of the last of the outstanding financing that was being assessed by the Trust as at December 31, 2012, and (ii) January 2, 2013. The Trust had the option to prepay all or a portion of the promissory notes payable prior to the maturity date. On January 10, 2013, the Trust fully repaid the promissory notes payable.

Unsecured non-revolving bridge facility

On December 19, 2012, the Trust entered into an \$80,000 unsecured non-revolving bridge facility to facilitate the acquisition of the KingSett Portfolio. The non-revolving bridge facility was available up to a formula-based maximum not to exceed \$80,000, bearing interest at the bank's prime rate (3.0% as at January 21, 2013) plus 1.25% or at BA rates plus 2.25%. The facility was fully repaid on January 21, 2013.

Debt weighted average effective interest rates and maturity

	Weighted average effective interest rates ⁽¹⁾		Maturity dates	Debt amount	
	September 30, 2013	December 31, 2012		September 30, 2013	December 31, 2012
Fixed rate					
Mortgages	3.40%	3.27%	2013–2023	\$ 712,272	\$ 462,359
Promissory notes payable	-	3.10%	2013	-	42,000
Convertible debentures	6.12%	6.09%	2017–2019	124,590	103,092
Total fixed rate debt	3.83%	3.74%		836,862	607,451
Variable rate					
Mortgage	3.12%	-	2013	1,289	-
Unsecured non-revolving bridge facility	-	3.48%	2013	-	32,394
Demand revolving credit facility	-	3.90%	2014	-	10,000
Total variable rate debt	3.12%	3.58%		1,289	42,394
Total debt	3.83%	3.72%		\$ 838,151	\$ 649,845

(1) The effective interest rate method includes the impact of fair value adjustments on assumed debt and financing costs.

The scheduled principal repayments and debt maturities are as follows:

	Mortgages	Convertible debentures	Total
2013	\$ 9,244	\$ -	\$ 9,244
2014	107,649	-	107,649
2015	133,737	-	133,737
2016	106,904	-	106,904
2017	92,938	19,420	112,358
2018 and thereafter	252,621	111,250	363,871
	703,093	130,670	833,763
Financing costs	(1,279)	(3,441)	(4,720)
Fair value adjustments on initial recognition of assumed debt	11,747	(2,639)	9,108
	10,468	(6,080)	4,388
Total	\$ 713,561	\$ 124,590	\$ 838,151

Conversion feature on the convertible debentures

The movement in the conversion feature on the convertible debentures for the period is as follows:

	Note	For the nine months ended September 30, 2013	Period from July 20, 2012 to December 31, 2012
Opening balance		\$ 6,228	\$ -
New issuance of convertible debentures		-	4,406
Assumed from business combination	5	1,053	-
Fair value adjustment on conversion feature of the convertible debentures	19	(6,275)	1,822
Ending balance		\$ 1,006	\$ 6,228

Note 13

SUBSIDIARY REDEEMABLE UNITS

DILP, a subsidiary of Dundee Industrial, is authorized to issue an unlimited number of LP Class B limited partnership Units. The subsidiary redeemable units, together with the accompanying Special Trust Units, have economic and voting rights equivalent in all material respects to the REIT Units. Generally, each subsidiary redeemable unit entitles the holder to a distribution equal to distributions declared on REIT Units. Subsidiary redeemable units may be surrendered or indirectly exchanged for REIT Units on a one-for-one basis at the option of the holder, generally at any time, subject to certain restrictions.

The Trust has the following subsidiary redeemable units outstanding:

		Nine months ended September 30, 2013		Period from July 20, 2012 to December 31, 2012	
	Note	Number of units issued and outstanding	Amount	Number of units issued and outstanding	Amount
Opening balance		16,198,747	\$ 181,426	-	\$ -
New issuance of units		-	-	16,034,631	160,346
Distribution Reinvestment Plan		83,349	938	164,116	1,773
Remeasurement of carrying value	19	-	(40,059)	-	19,307
Ending balance		16,282,096	\$ 142,305	16,198,747	\$ 181,426

During the nine months ended September 30, 2013, the Trust recorded \$8,447 in distributions on the subsidiary redeemable units, which are included as interest expense in the condensed consolidated statement of net income and comprehensive income (see Note 18).

Holders of the LP Class A Units are entitled to vote at meetings of the limited partners of DILP and each Unit entitles the holder to a distribution equal to distributions on the subsidiary redeemable units. As at September 30, 2013, all issued and outstanding LP Class A Units are owned directly by Dundee Industrial and have been eliminated in the condensed consolidated balance sheet.

Special Trust Units are issued in connection with subsidiary redeemable units. The Special Trust Units are not transferable separately from the subsidiary redeemable units to which they relate and will be automatically redeemed for a nominal amount and cancelled on surrender or exchange of such subsidiary redeemable units. Each Special Trust Unit entitles the holder to the number of votes at any meeting of unitholders that is equal to the number of REIT Units that may be obtained on the surrender or exchange of the subsidiary redeemable units to which they relate. As at September 30, 2013, 16,282,096 (December 31, 2012 – 16,198,747) Special Trust Units were issued and outstanding.

Note 14

DEFERRED UNIT INCENTIVE PLAN

The Deferred Unit Incentive Plan ("DUIP") provides for the grant of deferred trust units to trustees, officers and employees as well as affiliates and their service providers, including the asset manager. Deferred trust units are granted at the discretion of the trustees and earn income deferred trust units based on the payment of distributions. Once issued, each deferred trust unit, and the related distribution of income deferred trust units, vest evenly over a three- or five-year period on the anniversary date of the grant. Subject to an election option available for certain participants to defer receipt of REIT Units, such REIT Units will be issued immediately on vesting. As at September 30, 2013, up to a maximum of 1,500,000 (December 31, 2012 – 1,500,000) deferred trust units are issuable under the Deferred Unit Incentive Plan.

The movement in the Deferred Unit Incentive Plan balance was as follows:

	Note	
As at July 20, 2012	\$	-
Compensation during the period		46
Remeasurement of carrying value		5
As at December 31, 2012		51
Compensation during the period		953
REIT Units issued for vested deferred trust units		(218)
Remeasurement of carrying value	19	(29)
As at September 30, 2013	\$	757

During the nine months ended September 30, 2013, \$953 of compensation expense was recorded and included in general and administrative expenses. For the same period, \$29 was recognized in fair value adjustments to financial instruments representing the remeasurement of the DUIP liability during the period.

	Deferred trust units	Income deferred trust units	Total units
Outstanding at January 1, 2013	40,418	402	40,820
Granted during the period	212,601	9,706	222,307
REIT Units issued	(20,151)	(249)	(20,400)
Cancelled upon termination	(5,432)	(116)	(5,548)
Outstanding and payable at September 30, 2013	227,436	9,743	237,179

On February 19, 2013, 161,500 deferred trust units were granted to trustees and senior managers of the Trust. Of the units granted, 25,000 units relate to key management personnel. The grant date value of these deferred trust units was \$11.11 per unit granted.

On February 22, 2013, 12,540 deferred trust units were granted to trustees who elected to receive their 2012 retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was \$11.09 per unit granted.

On May 7, 2013, 38,561 deferred trust units were granted to trustees who elected to receive their 2013 retainer in the form of deferred trust units rather than cash. The grant date value of these deferred trust units was \$10.73 per unit granted.

During the nine months ended September 30, 2013, the Trust issued 20,400 REIT Units and cancelled 5,548 deferred trust units and income deferred trust units in relation to the departure of certain officers of the Trust.

None of the outstanding units were vested as at September 30, 2013.

Note 15

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2013	December 31, 2012
Trade payables	\$ 638	\$ 2,109
Accrued liabilities and other payables	17,386	15,032
Accrued interest	5,041	2,753
Rent received in advance	1,359	422
Total	\$ 24,424	\$ 20,316

Note 16

DISTRIBUTIONS

The following table breaks down distribution payments for the nine months ended September 30, 2013:

Paid in cash	\$ 22,432
Paid by way of reinvestment in REIT Units	1,816
Less: Payable at December 31, 2012	(2,039)
Plus: Payable at September 30, 2013	3,196
Total	\$ 25,405

On September 16, 2013, the Trust announced a cash distribution of \$0.05833 per REIT Unit for the month of September 2013. The September 2013 distribution was paid on October 15, 2013, to unitholders on record as at September 30, 2013.

Dundee Industrial's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or less than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust, to the extent such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. The Trust declared distributions of \$0.51873 for the nine months ended September 30, 2013 (\$0.16331 for the period from July 20, 2012 to December 31, 2012).

Note 17

EQUITY

	September 30, 2013		December 31, 2012	
	Number of Units	Amount	Number of Units	Amount
REIT Units	54,784,387	\$ 567,861	36,257,538	\$ 326,211
Total	54,784,387	\$ 567,861	36,257,538	\$ 326,211

Dundee Industrial REIT Units

Dundee Industrial is authorized to issue an unlimited number of REIT Units and an unlimited number of Special Trust Units. The Special Trust Units may only be issued to holders of subsidiary redeemable units.

REIT Units represent an undivided beneficial interest in Dundee Industrial and in distributions made by Dundee Industrial. No REIT Unit has preference or priority over any other. Each REIT Unit entitles the holder to one vote at all meetings of unitholders.

	Number of REIT Units	Amount
Equity attributable to unitholders of the Trust, January 1, 2013	36,257,538	\$ 326,211
Net income for the period	-	72,832
Distributions paid	-	(22,209)
Distributions payable	-	(3,196)
Public offering of REIT Units	10,465,000	115,115
REIT Units issued for C2C acquisition	7,460,654	78,785
REIT Units issued for C2C amalgamation	387,399	3,618
Distribution Reinvestment Plan	191,570	1,816
Unit Purchase Plan	1,826	18
REIT Units issued for vested deferred trust units	20,400	218
Issue costs	-	(5,347)
Equity attributable to unitholders of the Trust, September 30, 2013	54,784,387	\$ 567,861

Public offering of REIT Units

On March 6, 2013, the Trust completed a public offering of 10,465,000 REIT Units, at a price of \$11.00 per unit for gross proceeds of \$115,115, including 1,365,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Costs related to the offering totalled \$5,105 and were charged directly to unitholders' equity.

The Trust also incurred \$18 in relation to the issuance of units for the Distribution Reinvestment Plan and Unit Purchase Plan during the nine months ended September 30, 2013.

Included in the issue costs is \$413 incurred during the nine months ended September 30, 2013 for the acquisition of non-controlling interest of C2C on July 19, 2013.

In relation to the C2C amalgamation, on July 19, 2013, the Trust recorded \$189 for the difference between the fair value of the consideration paid and the carrying amount of non-controlling interest as a reduction to issue costs. The Units were issued at \$9.34 per unit resulting in a fair value of \$3,618.

On December 13, 2012, the Trust completed a public offering of 13,570,000 REIT Units, at a price of \$10.60 per unit for gross proceeds of \$143,842, including 1,770,000 REIT Units issued pursuant to the exercise of the over-allotment option granted to the underwriters. Costs related to the offering totalled \$6,224 and were charged directly to unitholders' equity.

On October 4, 2012, the Trust completed its initial public offering of 15,500,000 REIT Units, at a price of \$10.00 per unit for gross proceeds of \$155,000. Concurrently with the initial public offering, Dundee Corporation and a trustee purchased 1,750,000 REIT Units and 750,000 REIT Units, respectively, at the same price as the public issuance for gross proceeds totalling \$25,000. On October 17, 2012, the Trust issued an additional 2,325,000 REIT Units, pursuant to the exercise of the over-allotment option granted to the underwriters, for gross proceeds of \$23,250. Costs related to the initial public offering totalled \$14,531 (including costs of the over-allotment option) and were charged directly to unitholders' equity.

Units issued for C2C transaction

Pursuant to the acquisition of C2C on May 15, 2013, the Trust issued 7,460,654 REIT Units to purchase approximately 95% of the outstanding common shares of C2C. On July 19, 2013, the Trust issued 387,399 REIT Units to purchase the remaining 5% of outstanding common shares of C2C by way of an amalgamation.

Units issued for KingSett transaction

On December 19, 2012, the Trust issued 2,358,491 REIT Units to an affiliate of KingSett Capital Inc. as partial consideration for acquisition of the KingSett Portfolio. Costs of \$82 related to the issue of REIT Units to KingSett were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

The Distribution Reinvestment and Unit Purchase Plan ("DRIP") allows holders of REIT Units or subsidiary redeemable units, other than unitholders who are resident of or present in the United States, to elect to have all cash distributions from Dundee Industrial reinvested in additional Units. Unitholders who participate in the DRIP receive an additional distribution of Units equal to 3.0% of each cash distribution that is reinvested. The price per unit is calculated by reference to a five-day weighted average closing price of the REIT Units on the Toronto Stock Exchange preceding the relevant distribution date, which typically is on or about the 15th day of the month following the declaration.

For the nine months ended September 30, 2013, 191,570 REIT Units were issued under the DRIP and \$1,816 was recorded as distributions in the condensed consolidated statement of changes in equity.

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units that may be acquired. The price per unit is calculated in the same manner as the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the nine months ended September 30, 2013, 1,826 REIT Units were issued under the Unit Purchase Plan for proceeds of \$18.

Short form base shelf prospectus

On November 26, 2012, the Trust issued a short form base shelf prospectus which is valid for a 25-month period, during which time the Trust may, from time to time, offer and issue units and debt securities convertible into or exchangeable for Units of the Trust, or any combination thereof, having an aggregate offering price of up to \$1 billion. As of September 30, 2013, \$168,842 (December 31, 2012 – \$168,842) in REIT Units and \$111,250 (December 31, 2012 – \$111,250) in debt securities have been issued under the short form base shelf prospectus.

Note 18

INTEREST

Interest on debt

Interest on debt incurred and charged to comprehensive income is recorded as follows:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Interest expense incurred, at contractual rate	\$ 8,750	\$ 23,862
Amortization of financing costs	211	624
Amortization of fair value adjustments on debt	(877)	(2,486)
Interest expense	8,084	22,000
Add/deduct:		
Amortization of financing costs	(211)	(624)
Amortization of fair value adjustments on debt	877	2,486
Change in accrued interest	(1,761)	(2,664)
Cash interest paid	\$ 6,989	\$ 21,198

Certain debt assumed in connection with acquisitions has been adjusted to fair value using the estimated market interest rate at the time of the acquisition (“fair value adjustment”). This fair value adjustment is amortized to interest expense over the expected life of the debt using the effective interest rate method. Non-cash adjustments to interest expense are recorded as a change in non-cash working capital in the condensed consolidated statement of cash flows.

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income are recorded as follows:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Paid in cash	\$ 2,850	\$ 7,497
Paid by way of reinvestment in subsidiary redeemable units	-	938
Less: Interest payable at June 30, 2013	(950)	-
Less: Interest payable at December 31, 2012	-	(938)
Plus: Interest payable at September 30, 2013	950	950
Total	\$ 2,850	\$ 8,447

The interest payable at September 30, 2013 was satisfied on October 15, 2013, in cash.

Note 19

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note	Three months ended September 30, 2013	Nine months ended September 30, 2013
Fair value adjustment on conversion feature of the convertible debentures	12	\$ (570)	\$ (6,275)
Remeasurement of carrying value of subsidiary redeemable units	13	(5,536)	(40,059)
Remeasurement of carrying value of Deferred Unit Incentive Plan	14	(8)	(29)
		\$ (6,114)	\$ (46,363)

Note 20

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee Industrial and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Dundee Industrial, DILP, Dundee Industrial Management Limited Partnership (a wholly owned subsidiary of DILP), Dundee Industrial Management Corporation and Dundee Realty Management Corporation (“DRMC”), a subsidiary of Dundee REIT, are parties to an administrative services agreement (the “Services Agreement”) that is in effect until October 4, 2014. Unless terminated by any party to the Services Agreement, the term is automatically renewed for additional one-year terms. Effective October 4, 2012, Dundee Industrial also has an asset management agreement (the “Asset Management Agreement”) with Dundee Realty Corporation (“DRC”), subsidiary of DREAM Unlimited Corp., pursuant to which DRC provides certain asset management services to Dundee Industrial and its subsidiaries, which is in effect until October 4, 2022.

Asset Management Agreement

The Asset Management Agreement provides for a broad range of asset management services for the following fees:

- base annual management fee calculated and payable on a monthly basis, equal to 0.25% of the gross asset value of properties (which, with respect to the Initial Properties, will be the sum of the purchase prices reflected in the Return On Innovation Capital Ltd. ("ROI") purchase agreement);
- incentive fee equal to 15% of Dundee Industrial's adjusted funds from operations per unit in excess of \$0.80 per unit, increasing annually by 50% of the increase in the consumer price index;
- capital expenditures fee equal to 5% of all hard construction costs incurred on each capital project with costs in excess of \$1.0 million, excluding work done on behalf of tenants or any maintenance capital expenditures;
- acquisition fee equal to: (a) 1.0% of the purchase price of a property on the first \$100 million of properties acquired in each fiscal year; (b) 0.75% of the purchase price of a property on the next \$100 million of properties acquired in each fiscal year; and (c) 0.50% of the purchase price of a property in excess of \$200 million of properties acquired in each fiscal year. No acquisition fee was payable to DRC from the Trust in respect of the acquisition of the Initial Properties, with the exception of the proportionate share acquired from ROI;
- financing fee equal to the lesser of 0.25% of the amount of debt and equity relating to all financing transactions completed and actual expenses incurred by DRC in supplying services relating to financing transactions. No financing fee was due with respect to the acquisition of the Initial Properties or the initial public offering.

In addition, Dundee Industrial will reimburse DRC for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the Asset Management Agreement or such other services that Dundee Industrial and DRC agree in writing are to be provided from time to time by DRC.

Related party transactions

The portions of fees paid and payable to related parties were as follows:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Amounts paid and payable		
Fees paid by Dundee Industrial under the Asset Management Agreement included in:		
General and administrative expenses	\$ 1,191	\$ 2,788
Property acquisitions and acquisition related costs	2	1,924
Financing costs	143	423
Total fees incurred under the Asset Management Agreement	\$ 1,336	\$ 5,135

During the three and nine months ended September 30, 2013, the Trust recorded \$1,630 and \$2,953, respectively, in relation to the salaries and benefits costs and shared service costs incurred by Dundee REIT on behalf of the Trust.

Included in amounts payable and accrued liabilities at September 30, 2013 is \$788 (December 31, 2012 – \$3,237) related to the Asset Management Agreement, and \$304 in cost reimbursements to DRC for certain salaries and benefits costs incurred by DRC on behalf of the Trust. Amounts receivable at September 30, 2013 include \$38 (December 31, 2012 – \$nil) for reimbursement of certain costs paid by the Trust on behalf of DRC.

Included in amounts payable as at September 30, 2013 is \$3,235 (December 31, 2012 – \$4,207) due to Dundee REIT for services costs reimbursement to DRMC and acquisition and IPO related costs paid by Dundee REIT on behalf of Dundee Industrial. Amounts receivable at September 30, 2013 include \$1,372 (December 31, 2012 – \$4,248) related to working capital adjustments as a result of the acquisition of the Initial Properties. Also included in amounts payable and accrued liabilities is the September 2013 monthly distribution in the amount of \$950 (December 31, 2012 – \$938) payable to Dundee REIT. For the nine months ended September 30, 2013, the Trust has recorded \$32 in interest expense on the promissory notes payable to Dundee REIT. On January 10, 2013, the Trust repaid the promissory notes along with \$349 of accrued interest. During the three and nine months ended September 30, 2013, the Trust had recorded \$2,850 and \$8,447, respectively, in interest expense on subsidiary

redeemable units relating to distributions paid to Dundee REIT on its LP Class B limited partnership Units. At September 30, 2013, Dundee REIT's retained interest in the Trust was 22.9%.

Compensation of key management personnel for the period ended September 30, 2013 is as follows:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Unit-based awards granted during the period ⁽¹⁾	\$ -	\$ 278
Total	\$ -	\$ 278

(1) Deferred trust units granted to officers vest over a five-year period with one-fifth of the deferred trust units vesting each year. Amounts are determined based on the grant date fair value of deferred trust units multiplied by the number of deferred trust units granted in the period.

Note 21

SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Decrease (increase) in amounts receivable	\$ 1,185	\$ (573)
(Increase) in prepaid expenses and other assets	(104)	(73)
(Increase) in other non-current assets	(39)	(421)
Increase in amounts payable and accrued liabilities	5,970	5,708
(Decrease) increase in tenant security deposits	(118)	319
Change in non-cash working capital	\$ 6,894	\$ 4,960

The following amounts were paid on account of interest:

	Three months ended September 30, 2013	Nine months ended September 30, 2013
Interest:		
Debt	\$ 6,989	\$ 21,198
Subsidiary redeemable units	2,850	7,497
Total	\$ 9,839	\$ 28,695

Note 22

COMMITMENTS AND CONTINGENCIES

Dundee Industrial 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 condensed consolidated financial statements of Dundee Industrial.

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately \$1,535 (December 31, 2012 – \$254).

Note 23

FINANCIAL INSTRUMENTS

Fair value of financial instruments

The following financial instruments are not measured at fair value on the condensed consolidated balance sheet; however, their fair values approximate carrying value: amounts receivable, cash and cash equivalents, subsidiary redeemable units, the Deferred Unit Incentive Plan, tenant security deposits, amounts payable and accrued liabilities, and distributions payable.

The following financial instruments are not measured at fair value on the condensed consolidated balance sheet and their carrying values do not approximate fair values:

	September 30, 2013		December 31, 2012	
	Total		Total	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages	\$ 713,561	\$ 706,901	\$ 462,359	\$ 463,279
Demand revolving credit facility	-	-	10,000	10,000
Promissory notes payable	-	-	42,000	42,000
Unsecured non-revolving bridge facility	-	-	32,394	32,500
Convertible debentures	124,590	130,502	103,092	108,081

All gains and losses recorded in Note 19 are changes in unrealized gains and losses relating to the items on the condensed consolidated balance sheet.

The conversion feature of the convertible debentures is measured at fair value.

The Trust values financial instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. The Trust has determined that the conversion feature on convertible debentures is valued using Level 3 inputs.

	September 30, 2013			December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities						
Conversion feature on the convertible debentures	\$ -	\$ -	\$ 1,006	\$ -	\$ -	\$ 6,228

The model used to determine the fair value of the conversion feature, categorized in Level 3, is based on the paper by K. Tsiveriotis and C. Fernandes. In this model, a convertible bond consists of two components, an equity component and a debt component, and these components have different default risks. The equity component is discounted at the risk-free rate. The equity component has no default risk since the Trust can always issue its own units. The debt component is discounted at the risk-free rate plus a credit spread.

A qualified independent consultant calculates the fair value measurement for the financial liability classified as Level 3. The valuation processes and results are determined and reviewed by senior management. The inputs and processes used in the valuation and the results thereof are reviewed by senior management and discussed with the qualified independent consultant to ensure conformity with IFRS.

The significant unobservable inputs used in the fair value measurement of the conversion feature as at September 30, 2013 are the following:

- Volatility: Historical volatility as at September 30, 2013 was derived from the historical prices of the S&P/TSX Capped REIT with maturity equal to the term to maturity of the convertible debentures.
- Credit spread: The credit spread of the convertible debentures was imputed from the traded price of the convertible debenture as at September 30, 2013.

	Credit spread	Volatility
5.25% Debentures	3.090%	19.211%
6.75% Debentures	4.004%	12.586%

The change in the fair value of the conversion feature of the convertible debentures for the nine months ended September 30, 2013 is disclosed in Note 12. Remeasurement of the conversion feature is included in the fair value adjustments to financial instruments line in the condensed consolidated statement of net income and comprehensive income.

Note 24

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2013 condensed consolidated financial statements.

Corporate information

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Transfer agent

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Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols:

REIT Units: DIR.UN
5.25% Convertible Debentures: DIR.DB
6.75% Convertible Debentures: DIN.DB

Distribution Reinvestment and Unit Purchase Plan

The purpose of our Distribution Reinvestment and Unit Purchase Plan ("DRIP") is to provide 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, you may invest in additional units in two ways:

Distribution reinvestment: Unitholders will have cash distributions from Dundee Industrial REIT reinvested in additional units as and when cash distributions are made. If you register in the DRIP you will also receive a "bonus" distribution of units equal to 3% of the amount of your cash distribution reinvested pursuant to the Plan. In other words, for every \$1.00 of cash distributions reinvested by you under the Plan, \$1.03 worth of units will be purchased.

Cash purchase: Unitholders may invest in additional units by making cash purchases.

To enrol, contact:

**COMPUTERSHARE TRUST
COMPANY OF CANADA**

100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Attention: Dividend Reinvestment Services

Or call their Customer Contact Centre at
1 800 564-6253 (toll free)
or (514) 982-7555

For more information, you may also visit our
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