



FIRST QUARTER 2013

Q1



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Letter to unitholders

I am very excited about my new role and to write to you about the great company that we are building. This quarter marks the first full period of operations and earnings for Dundee Industrial, including both the Initial Portfolio and the significant portfolio acquired late in 2012, and the results are strong and consistent with expectations. We are assembling a great team of professionals dedicated to Dundee Industrial which, when coupled with the dedicated and internal property management, will contribute towards stronger performance and earnings momentum going forward.

Our Platform

When the REIT was initially formed, the property management platform was shared with Dundee REIT. We have now shifted toward dedicated industrial real estate management so that the Industrial REIT has its own property management group. This team had been responsible for the Initial Portfolio and each individual's orientation now becomes more focused on our industrial properties. This group has also taken over the management of the KingSett Portfolio from third-party managers. This platform operates in all of our major markets and provides direct management to smaller markets like Moncton as well.

Our Management

April 1, 2013, marked a significant milestone for Dundee Industrial as we internalized the property management of the KingSett Portfolio. At the time the acquisition was completed late in 2012, we were still building out our platform and decided to maintain the third party management then in place for a transition period, providing consistency of service for our tenants and affording us the time necessary to properly complete the staffing process. By taking over the management, we will add approximately half a cent per unit of AFFO on a quarterly basis. This process has come together very well and I am very pleased to report that Joe Iadaluca has joined Dundee Industrial REIT as Senior Vice President, Eastern Industrial. Joe has more than 25 years of experience in commercial real estate in Quebec, having worked previously with GE Real Estate and Dundee Realty Management Corp. Also joining our team is Yanick Frappier as Vice President, Western Industrial. Yanick has 15 years of experience in commercial real estate, and is joining us from Ivanhoe Cambridge. In addition, we have filled key leadership positions for leasing in both Eastern and Western Canada. And, finally, our property manager has also filled important positions providing dedicated leadership and personnel for industrial property management, including property operations and accounting, across the country.

With a strong, scalable platform in place, we will ensure that we are appropriately staffed as our business continues to grow.

Our Business

Our business is fundamentally the ownership and management of industrial assets, approximately two-thirds of which as measured by contribution to net operating income, are multi-tenant assets. With two very significant portfolio acquisitions being completed within six months of the launch of Dundee Industrial, and another pending, we continue to prove out the merits of a key objective, to be a consolidator in the industrial sector. The benefits of scale include risk management, provided by geographic diversity and tenant mix, and also operational synergies – spreading the costs of our platform over a larger portfolio and allowing us to better meet the changing needs of our tenants. This business requires a dedicated team of in-house personnel who are motivated to provide best in class management of the assets as we improve the quality of some of our buildings through active management and recoverable capital expenditures, where required.

With the closing of the CanFirst acquisition subsequent to quarter-end, 22 light industrial properties comprising 1.6 million square feet of gross leasable area have been added to our portfolio in the Greater Toronto Area. This acquisition brings our presence in the GTA to 3.5 million square feet, increases our total portfolio size to 13.1 million square feet and, with the pending acquisition of the C2C Industrial Properties portfolio will bring our total national portfolio size to 15.6 million square feet of gross leasable area.

So much has been accomplished in this short three month period and yet we have only just begun. We will remain focused on running our assets well, developing and instituting best practices in our leasing and management, and strengthening our relationships with our new tenants. We will work to maintain a high level of occupancy and aggressively manage our leasing opportunities. In some markets, we have tenants who desperately want and need to grow, yet we have no place to put them. It will be very important that we find ways to meet the growth requirements of these tenants or miss the opportunity. Meanwhile, we will work to further develop our team and position ourselves to accommodate continued growth. I thoroughly believe it will be an exciting year for Dundee Industrial REIT and I thank you for your support.

A handwritten signature in black ink, appearing to read 'Randy Cameron', with a stylized, cursive script.

Randy Cameron

President & Chief Executive Officer (*Interim*)

May 7, 2013

Management's discussion and analysis

(All dollar amounts in our tables are presented in thousands, 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 period ended March 31, 2013.

This management's discussion and analysis is dated as at May 7, 2013, except where otherwise noted.

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 market information has been obtained from CB Richard Ellis, Canadian Industrial MarketView, First Quarter 2013, a publicly available document prepared by an independent third-party commercial firm that provides information relating to the real estate industry. Although we believe this information is reliable, its accuracy and completeness is not guaranteed. We have not independently verified this information and make no representation as to its accuracy.

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; and 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 May 7, 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 at May 7, 2013 had a retained investment of 25.8%. 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"), acquiring 77 industrial properties totalling 6.0 million square feet (the "Initial Properties") from subsidiaries of Dundee REIT and affiliates of Return On Innovation Capital Ltd. ("ROI") for cash consideration of approximately \$177.7 million (subject to working capital adjustments), \$160.3 million of LP B Units issued to wholly owned subsidiaries of Dundee REIT, which are exchangeable for REIT Units of Dundee Industrial, a \$42.0 million promissory note payable to wholly owned subsidiaries of Dundee REIT, and the assumption of mortgages.

On November 30, 2012, we acquired two fully leased light industrial properties totalling 0.2 million square feet located in the Greater Toronto Area ("GTA") for \$17.2 million, including transaction costs. The acquisition was funded with cash on hand and \$10.0 million drawn from our revolving credit facility.

On December 19, 2012, we acquired 79 industrial properties totalling 5.2 million square feet from KingSett Capital Inc. ("KingSett", and the "KingSett Portfolio") for cash consideration of \$293.8 million, \$25.0 million of REIT Units, \$25.0 million of 5.25% unsecured subordinated convertible debentures issued to an affiliate of KingSett, and the assumption of \$148.5 million in mortgages before fair value adjustments.

At March 31, 2013, we owned 158 income-producing light industrial buildings 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 and 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

On February 19, 2013, we announced an increase in our annualized distribution rate to \$0.70 per unit, or \$0.058 per unit on a monthly basis, from the original annualized distribution rate of \$0.675 or \$0.056 on a monthly basis. The new distribution rate commenced with the April 30, 2013 record date. Prior to April 30, 2013, we were paying monthly distributions to unitholders of \$0.056 per unit, or \$0.675 per unit on an annual basis. At March 31, 2013, approximately 4.5% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), including 6.5% of the REIT Units and 0% of the LP B Units (see a description of Our Equity on page 19).

	2012			2013		
	Oct	Nov	Dec	Jan	Feb	Mar
Distribution rate	\$ 0.051	\$ 0.056	\$ 0.056	\$ 0.056	\$ 0.056	\$ 0.056
Month-end closing price	\$ 11.39	\$ 10.70	\$ 11.20	\$ 11.65	\$ 10.98	\$ 10.82

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:

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.

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 has 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, the success of which is evidenced by our occupancy rates, which are often higher than the market average.

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.

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.

OUR ASSETS

Our properties

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

The IPO of Dundee Industrial REIT was completed on October 4, 2012, with a portfolio of 77 properties totalling 6.0 million square feet of gross leasable area ("GLA"). We subsequently completed two additional acquisitions: two fully leased single tenant properties in the GTA totalling 0.2 million square feet on November 30, 2012; and a portfolio of 79 light industrial properties comprising 5.2 million square feet of GLA in Halifax, Calgary, the GTA and the Greater Montreal Area on December 19, 2012.

Today, Dundee Industrial REIT's portfolio comprises 158 properties totalling 11.4 million square feet of GLA. Our properties are located in desirable business parks, close to highways, and are generally considered functional and well suited for their respective markets. The occupancy rate across our industrial portfolio is high at 96.5%, ahead of the national industry average occupancy rate of 94.2% (CB Richard Ellis, Canadian Industrial MarketView, First Quarter 2013). Our occupancy rates include lease commitments for space that is currently being readied for occupancy but for which rent is not yet being recognized.

These properties are geographically diversified as follows:

Province	March 31, 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	0.2	1	17,405	0.2
Alberta	67	3,274,042	28.6	67	3,277,555	28.6
Saskatchewan	6	829,852	7.3	6	829,815	7.3
Ontario	25	1,917,401	16.8	25	1,917,401	16.8
Quebec	28	3,204,516	27.9	28	3,204,516	27.9
New Brunswick	3	134,704	1.2	3	134,704	1.2
Nova Scotia	28	2,056,498	18.0	28	2,056,799	18.0
Total	158	11,434,418	100.0	158	11,438,195	100.0

Our portfolio comprises multi-tenant buildings totalling 7.0 million square feet, or 61.4%, and single-tenant buildings totalling 4.4 million square feet, or 38.6%.

On April 24, 2013, we completed the acquisition of a portfolio of 22 industrial properties (the “CanFirst Portfolio”) comprising 1.6 million square feet of GLA located across the GTA in key industrial markets and situated along major transportation corridors providing direct highway access.

In addition, we have offered to acquire all of the issued and outstanding shares of C2C Industrial Properties Inc. (“C2C”, and the “C2C Portfolio”) in exchange for Units of Dundee Industrial. The C2C Portfolio comprises 2.5 million square feet of GLA located primarily in Halifax, Edmonton, the GTA and the Greater Montreal Area. The transaction is expected to close in May 2013.

The following table shows the impact of these acquisitions on our portfolio.

	Gross leasable area (sq. ft.)				Geographic distribution	
	Current portfolio	CanFirst Portfolio	C2C Portfolio	Pro forma	Current portfolio (%)	Pro forma C2C and CanFirst (%)
British Columbia	17,405	-	-	17,405	0.2	0.1
Alberta	3,274,042	-	168,251	3,442,293	28.6	22.1
Saskatchewan	829,852	-	-	829,852	7.3	5.3
Ontario	1,917,401	1,625,814	1,211,822	4,755,037	16.8	30.5
Quebec	3,204,516	-	528,508	3,733,024	27.9	23.9
New Brunswick	134,704	-	-	134,704	1.2	0.9
Nova Scotia	2,056,498	-	619,876	2,676,374	18	17.2
Total	11,434,418	1,625,814	2,528,457	15,588,689	100.0	100.0

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	Three months ended March 31, 2013	Period from October 4, 2012 to December 31, 2012
Operations		
Occupancy rate (period-end)	96.5%	96.3%
Average in-place base rent per square foot (period-end)	\$ 7.18	\$ 7.12
Operating results		
Investment properties revenue	\$ 29,250	\$ 17,202
Net operating income ("NOI") ⁽¹⁾⁽²⁾	19,892	12,535
Funds from operations ("FFO") ⁽¹⁾⁽³⁾	11,993	8,452
Adjusted funds from operations ("AFFO") ⁽¹⁾⁽⁴⁾	9,275	6,492
Fair value increase to investment properties	577	6,048
Distributions		
Declared distributions	\$ 9,467	\$ 6,846
Distributions paid in cash	8,093	4,171
DRIP participation ratio	14%	39%
Financing		
Weighted average effective interest rate on debt (period-end)	3.86%	3.72%
Weighted average face interest rate on debt (period-end)	4.25%	4.19%
Interest coverage ratio	2.7 times	3.0 times
Per unit amounts ⁽⁵⁾		
Basic:		
FFO ⁽¹⁾	\$ 0.22	\$ 0.22
AFFO ⁽¹⁾	0.17	0.17
Distribution rate	0.17	0.16
Diluted:		
FFO ⁽¹⁾	0.22	0.21

(1) NOI, FFO and AFFO 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 is defined as net rental income. The reconciliation of NOI to net rental income can be found on page 23.

(3) FFO — The reconciliation of FFO to net income can be found on page 25.

(4) AFFO — The reconciliation of AFFO to FFO can be found on page 25.

(5) A description of the determination of basic and diluted amounts per unit can be found on page 26.

FINANCIAL OVERVIEW

Q1 2013 was our first full quarter of operations and the results reflect the first full quarter for all of the properties we acquired in Q4 2012. Below is an overview of our financial and portfolio highlights for the quarter.

AFFO for the quarter was \$9.3 million or \$0.17 per unit, representing an increase of \$2.8 million or 42.9% over the prior period (October 4, 2012 to December 31, 2012) and no change on a per unit basis over the prior period. The increase in AFFO is largely due to a full quarter of earnings from the KingSett Portfolio acquired on December 19, 2012, as well as a full quarter of earnings from the Initial Properties acquired on October 4, 2012. On a per unit basis we were flat over the prior period; however, this quarter's results included dilution of approximately \$0.01 per unit relating to the proceeds from the March 6, 2013 equity offering which were not deployed in the quarter.

FFO for the quarter was \$12.0 million or \$0.22 per unit, representing an increase of \$3.5 million or 41.9% over the prior period and no change on a per unit basis over the prior period. For the reasons noted above, FFO increased largely due to the timing of acquisitions, and on a per unit basis was partially diluted from cash related to the equity offering which was not deployed in the quarter.

NOI for the quarter was \$19.9 million, representing an increase of \$7.4 million or 58.7% over the prior period due mainly to the timing of the KingSett Portfolio acquisition in Q4 2012.

As of March 31, 2013, the fair value of our investment properties was \$1,148.8 million at an IFRS cap rate of 6.76%. We did not have any investment property acquisitions in the quarter. We recognized fair value gains on our investment property portfolio of \$0.6 million due to slight cap rate compression in our Calgary and GTA markets.

We secured new mortgages totalling \$98.6 million at a weighted average term to maturity of 8.5 years and a weighted average face interest rate of 3.8%. The proceeds of the new mortgage financings were used to repay the \$42.0 million promissory note payable to Dundee REIT, the \$32.5 million bridge loan facility used to partially fund the acquisition of the KingSett Portfolio, and the \$10.0 million outstanding on our revolving credit facility. At March 31, 2013, our weighted average face rate of interest is 4.25%, our interest coverage ratio is 2.7 times and our net debt-to-gross book value is 50.1%.

On March 6, 2013, we completed a public offering of 10.5 million REIT Units at a price of \$11.00 per unit for gross proceeds of \$115.1 million.

OUTLOOK

In the first six months of operations we have accomplished a great deal. In addition to the successful IPO, adding \$497.4 million of high-quality properties to our portfolio, leveraging our established platform, strengthening our footprint in key markets and completing financings at low rates and for long terms, we have also achieved operational results consistent with our expectations. Moving into the second quarter of 2013, we have approximately \$378 million of acquisitions committed which will bring more geographic and tenant diversification to our property mix and will strengthen and solidify the stability of our cash flows.

Both the acquisition of the CanFirst Portfolio completed on April 24, 2013 and the pending acquisition of C2C, which we anticipate closing towards the end of May, further solidify the position of Dundee Industrial REIT as the market leader. The properties complement Dundee Industrial's existing assets in terms of asset type and quality, as well as other key portfolio metrics. Upon completion of the C2C transaction, we will own a nationally diversified portfolio of 15.6 million square feet of gross leasable area.

The following table summarizes their pro forma impact on key operating metrics:

Portfolio	Current portfolio	Pro forma CanFirst Portfolio	Pro forma CanFirst and C2C Portfolios
Gross leasable area (sq. ft.)	11.4 million	13.1 million	15.6 million
Number of properties	158	180	205
Average remaining lease term (years)	5.1	4.9	4.7
Average in-place rent (per sq. ft.)	\$7.18	\$7.00	\$6.79
Average market rent (per sq. ft.)	\$7.58	\$7.39	\$7.17
Average tenant size (sq. ft.)	11,164	11,353	11,769
Number of tenants	990	1,110	1,276
NOI by multi-tenant/single tenant	61%/39%	62%/38%	66%/34%
Occupancy rate (%)	97%	96%	96%

In addition to pursuing our external growth strategy, we have worked diligently to ensure that our human capital keeps pace with the growth of our asset base. Senior leadership is in place for both the Eastern and Western Canada regions and, in turn, they continue to build out their respective teams. We remain focused on running our assets well, developing and instituting best practices across our platform and strengthening our relationships with our new tenants.

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	March 31, 2013			December 31, 2012		
	Multi-tenant buildings	Single-tenant buildings	Total	Multi-tenant buildings	Single-tenant buildings	Total
Occupancy rate	94.9%	99.0%	96.5%	94.5%	99.0%	96.3%
Average in-place base rental rates (per sq. ft.)	\$ 7.28	\$ 7.02	\$ 7.18	\$ 7.24	\$ 6.94	\$ 7.12
Tenant maturity profile – average term to maturity (years)	3.51	7.49	5.10	3.64	8.04	5.41

Occupancy

At March 31, 2013, the overall percentage of occupied and committed space across our portfolio was high at 96.5%, well above the national industry average of 94.2%, and a slight increase from our December 31, 2012 occupancy of 96.3%.

(percentage)	Total portfolio	
	March 31, 2013	December 31, 2012
Western Canada	96.4	95.8
Central Canada	97.3	97.3
Eastern Canada	95.0	94.8
Total	96.5	96.3

Vacancy schedule

During the quarter, vacancy was reduced by approximately 24,700 square feet. Leasing activity included approximately 240,400 square feet of renewals and approximately 101,100 of new leases more than offsetting approximately 316,700 square feet of expiries and early terminations.

(in square feet)	Three months ended March 31, 2013
Available for lease	427,806
Vacancy committed for future occupancy	83,687
Vacant space at beginning of period	511,493
Remeasurements	36
Expiries	315,561
Early terminations and bankruptcies	1,124
New leases	(101,051)
Renewals	(240,414)
Vacant space – March 31, 2013	486,749
Vacancy committed for future occupancy	91,748
Available for lease – March 31, 2013	395,001

In-place rental rates

At March 31, 2013, estimated market rents were 5.6% 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 tightened since year-end reflecting an increase in in-place base rents as a result of step rents and new leasing completed at higher rental rates than expiring rates.

	March 31, 2013			December 31, 2012		
	Average in-place base rent	Market rent	Market rent/in-place rent (%)	Average in-place base rent	Market rent	Market rent/in-place rent (%)
Total portfolio						
Western Canada	\$ 8.46	\$ 9.44	11.6	\$ 8.40	\$ 9.37	11.6
Central Canada	6.29	6.22	(1.1)	6.21	6.24	0.5
Eastern Canada	6.85	7.25	5.8	6.87	7.34	6.8
Total	\$ 7.18	\$ 7.58	5.6	\$ 7.12	\$ 7.57	6.3

The average in-place rents are currently 5.6% below market. The largest change over prior quarter was in our Central Canada region where in-place rents increased 1.2% over the prior period. Market rents in this region declined to \$6.22 per square foot from \$6.24 per square foot last quarter. Of our total portfolio, the average in-place base rent for our multi-tenant portfolio is \$7.28 per square foot, which is below market rent of \$7.85 per square foot. The average in-place base rent for our single-tenant portfolio is \$7.02 per square foot, below the market rent of \$7.15 per square foot.

Leasing and tenant profile

The average remaining lease term and other portfolio information is detailed in the following table. Overall, our average remaining lease term is 5.1 years and our average tenant size is 11,164 square feet. Our single-tenant buildings have an average remaining lease term of 7.5 years and multi-tenant buildings have an average remaining lease term of 3.5 years. The weighted average lease term of our top ten tenants, as measured by annualized base rent, is 8.7 years. The decline in the average remaining lease term was due to a tenant bankruptcy for which the lease term was originally set to expire in 2023 as well as new deals being completed for shorter terms.

	March 31, 2013			December 31, 2012		
	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	3.85	8,483	\$ 8.46	3.88	8,611	\$ 8.40
Central Canada	6.75	28,480	6.29	7.33	30,748	6.21
Eastern Canada	3.55	6,033	6.85	3.72	6,237	6.87
Total	5.10	11,164	\$ 7.18	5.41	11,541	\$ 7.12

The following table details our lease maturity profile by geographic segment at March 31, 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 2013, 1,116,431 square feet will expire, of which 371,125 square feet or 33% has already been committed for future occupancy. Our current maturity profile is well balanced with 10% of leases expiring in 2013, 11% expiring in 2014 and 13% expiring in 2015.

(in square feet)	Current vacancy	Current monthly tenancies	2013	2014	2015	2016	2017 to 2027	Total
Western Canada								
Uncommitted	147,242	-	314,953	627,132	615,916	753,749	1,366,946	3,825,938
Committed	-	-	221,312	41,500	11,249	-	21,300	295,361
Total Western Canada	147,242	-	536,265	668,632	627,165	753,749	1,388,246	4,121,299
Central Canada								
Uncommitted	138,000	117,546	204,842	287,998	444,408	163,247	3,616,510	4,972,551
Committed	-	-	86,123	-	-	63,243	-	149,366
Total Central Canada	138,000	117,546	290,965	287,998	444,408	226,490	3,616,510	5,121,917
Eastern Canada								
Uncommitted	109,759	7,160	225,511	293,243	421,716	424,449	614,663	2,096,501
Committed	-	-	63,690	9,646	11,868	-	9,497	94,701
Total Eastern Canada	109,759	7,160	289,201	302,889	433,584	424,449	624,160	2,191,202
Total								
Uncommitted	395,001	124,706	745,306	1,208,373	1,482,040	1,341,445	5,598,119	10,894,990
Committed	-	-	371,125	51,146	23,117	63,243	30,797	539,428
Total	395,001	124,706	1,116,431	1,259,519	1,505,157	1,404,688	5,628,916	11,434,418

The following table details expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in comparable properties at March 31, 2013. Expiring rents and market rents represent base rates and do not include the impact of lease incentives. Currently, 2013 estimated market rents are approximately 6.1% above expiring rents and our 2014 market rents are 2.8% above expiring rents, representing an opportunity to increase rents as space is re-leased.

(per square foot)	Current monthly tenancies	2013	2014	2015	2016	2017 to 2027
Expiring rents						
Western Canada	\$ -	\$ 9.96	\$ 8.72	\$ 8.46	\$ 6.63	\$ 10.32
Central Canada	9.12	6.87	5.60	5.79	6.51	6.99
Eastern Canada	5.29	6.40	6.75	6.46	7.22	7.84
Portfolio average	\$ 8.90	\$ 8.03	\$ 7.50	\$ 7.09	\$ 6.80	\$ 7.99
Market rents⁽¹⁾						
Western Canada	\$ -	\$ 10.65	\$ 8.97	\$ 9.11	\$ 8.09	\$ 9.98
Central Canada	8.93	6.54	5.50	5.74	5.63	6.28
Eastern Canada	7.45	7.33	7.18	6.75	7.55	7.52
Market rent average	\$ 8.85	\$ 8.52	\$ 7.71	\$ 7.43	\$ 7.62	\$ 7.42

(1) 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 and broker commissions incurred in 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.

For the period from January 1, 2013 to March 31, 2013, we incurred \$0.8 million in leasing costs and lease incentives, representing an average rate of \$2.40 per square foot leased.

Performance indicators	Total
Operating activities	
Portfolio size (sq. ft.)	11,434,418
Occupied and committed	96.5%
Square footage leased and occupied in 2013	341,465
Lease incentives and initial direct leasing costs paid in 2013	\$ 819

Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses and, with 990 tenants, our risk exposure to any single large lease or tenant is low. The average size of our tenants is 11,164 square feet, averaging 83,697 square feet across our single-tenant buildings and 7,060 square feet in 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	5.6	5.2	12.2
QuadGraphics Inc.	1,046,690	9.2	4.4	9.0
Molson Breweries	225,000	2.0	3.1	9.8
The Brick	327,000	2.9	2.8	11.2
Royal Group	346,035	3.0	2.4	4.8
Clean Harbors Industrial	111,077	1.0	2.1	6.1
Nellson Nutraceutical Canada	210,710	1.8	1.6	6.5
Access Distribution	239,901	2.0	1.2	2.9
McKesson Canada	181,000	1.6	1.1	4.7
The Dollco Corporation	114,724	1.0	1.1	12.1
Total	3,444,505	30.1	25.0	8.7

Late in the first quarter, one of our previous top ten tenants filed for bankruptcy. The tenant was a single tenant in a Quebec property, occupying 115,000 square feet. In the quarter, we recorded \$60 thousand of bad debt related to the tenant. A Trustee of the tenant has taken occupancy of the space which will be in place for April and May 2013.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

At March 31, 2013, the fair value of our investment property portfolio was \$1.1 billion, representing a weighted average capitalization rate ("cap rate") of 6.76%.

During Q1 2013 we:

- incurred \$0.8 million in lease incentives; and
- recorded fair value gains of \$0.6 million.

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 increase in fair value is mainly attributable to slight cap rate compression, primarily in our Calgary and GTA markets which declined 3 basis points ("bps") and 10 bps, respectively. Overall, investment properties grew by \$0.6 million, primarily comprised of net valuation gains of \$2.6 million, offset by a \$2.0 million loss on a single-tenant building where the tenant went bankrupt.

The fair value of our investment properties is set out below.

	Total portfolio	
	March 31, 2013	December 31, 2012
Western Canada	\$ 526,817	\$ 523,683
Central Canada	424,209	425,017
Eastern Canada	197,819	198,710
Total	\$ 1,148,845	\$ 1,147,410

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

	Capitalization rates			
	March 31, 2013		December 31, 2012	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	6.00– 8.25	6.50	5.85– 8.25	6.52
Central Canada	6.00– 8.75	6.97	6.03– 8.75	7.02
Eastern Canada	6.50– 8.25	6.99	6.03– 8.50	7.07
Total	6.00– 8.75	6.76	5.85– 8.75	6.80

Investing activities

Key performance indicators in the management of our investing activities include the following:

	Three months ended March 31, 2013	Period from October 4, 2012 to December 31, 2012
Investing activities		
Acquisition of investment properties	\$ -	\$ 17,182
Acquisition of the Initial Properties	-	643,375
Acquisition of the KingSett Portfolio	-	480,243
Deposits on acquisition of investment properties	1,000	-
Investment in building and improvements	43	-

Acquisitions

No acquisitions were completed in the first quarter of 2013. During the period from July 20, 2012 to December 31, 2012, we completed the following acquisitions:

	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price	Date acquired
Initial Properties ⁽²⁾	100	6,006,327	97	\$ 643,375	October 4, 2012
Lone Oak/Chrislea	100	172,823	100	17,182 ⁽¹⁾	November 30, 2012
KingSett Portfolio	100	5,255,268	95	480,243	December 19, 2012
Total	100	11,434,418	96	\$ 1,140,800	

(1) Includes transaction costs.

(2) Acquired all properties at 100% except for one property which was acquired at 50%.

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.

On April 24, 2013, the Trust acquired a portfolio of 22 industrial properties comprising 1.6 million square feet of gross leasable area for approximately \$151.5 million before transaction costs. The acquisition was funded by \$93.5 million in cash from the equity issue that closed on March 6, 2013, with the balance funded by an assumed \$61.7 million mortgage debt with an average term of 1.9 years. The effective interest rate on the assumed debt is approximately 3.09% after giving effect to the vendor's buy-down of existing rates.

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.

	March 31, 2013	December 31, 2012
Debt	\$ 659,504	\$ 649,845

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:

	Three months ended March 31, 2013	Period from October 4, 2012 to December 31, 2012
Financing activities		
Average effective interest rate ⁽¹⁾	3.86%	3.72%
Average face interest rate	4.25%	4.19%
Level of debt (debt-to-gross book value) ⁽²⁾	50.1%	54.3%
Interest coverage ratio ⁽³⁾	2.7	3.0
Proportion of total debt due in 2013	2.0%	15.3%
Debt – average term to maturity (years)	5.0	4.1
Variable rate debt as percentage of total debt	0.0%	6.5%

(1) Average effective interest rate is calculated as the weighted average interest rate of all interest bearing debt.

(2) Level of debt is determined as total debt before deferred financing costs and mark-to-market adjustments, divided by total assets.

(3) The interest coverage ratio for the period is calculated as net rental income plus interest and fee income, less general and administrative expenses, all divided by interest expense on debt excluding deferred financing and mark-to-market adjustments.

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 2.7 times, demonstrating our ability to more than adequately cover interest expense requirements. At March 31, 2013, our weighted average face rate of interest is 4.25% and, after accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 3.86%.

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. Accordingly, at March 31, 2013, we had no variable rate debt.

	March 31, 2013			December 31, 2012		
	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	\$ 556,174	\$ -	\$ 556,174	\$ 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	103,330	-	103,330	103,092	-	103,092
Total	\$ 659,504	\$ -	\$ 659,504	\$ 607,451	\$ 42,394	\$ 649,845
Percentage	100.0%	0.0%	100.0%	93.5%	6.5%	100.0%

Mortgages payable are recorded net of \$11.6 million of fair value adjustments and \$1.1 million of financing costs. At March 31, 2013, amounts recorded for the convertible debentures are net of a \$4.2 million discount allocated to their conversion features on issuance and net of financing costs of \$3.7 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 mortgages are highlighted in the table below.

	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)
New mortgages	\$ 98,606	8.5	3.8	3.9
Overall	\$ 98,606	8.5	3.8	3.9

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

Demand revolving credit facilities

On October 4, 2012, we entered into a \$35.0 million demand revolving credit facility. The revolving credit facility is in the form of rolling one-month bankers' acceptances ("BA") bearing interest at the BA rate plus 1.90% or at the bank's prime rate (3.0% at December 31, 2012) plus 0.90%. 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 March 31, 2013, 15 properties were secured as first-ranking mortgages on the facility, and nothing was drawn on the facility. The facility is available up to a formula-based maximum not to exceed \$49.6 million. The facility expires on October 4, 2014.

For the three months ended March 31, 2013

	Mortgages	Promissory notes payable	Demand revolving credit facilities	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 placed	98,606	-	-	-	-	98,606
Scheduled repayments	(3,344)	-	-	-	-	(3,344)
Lump sum repayments	-	(42,000)	(10,000)	(32,500)	-	(84,500)
Other adjustments ⁽¹⁾	(1,447)	-	-	106	238	(1,103)
Debt as at March 31, 2013	\$ 556,174	\$ -	\$ -	\$ -	\$ 103,330	\$ 659,504

(1) Other adjustments include finance costs on new debt placed, fair value adjustments and amortization of finance costs and fair value adjustments.

Our current debt profile is balanced with maturities staggered over the next 11 years. The following is our debt maturity profile as at March 31, 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	\$ 1,300	\$ 11,686	\$ 12,986	1.98	3.12	6.77
2014	73,769	14,584	88,353	13.45	3.01	4.25
2015	108,296	12,811	121,107	18.44	3.08	3.67
2016	60,855	9,947	70,802	10.78	3.23	4.59
2017	30,136	8,089	38,225	5.82	3.27	4.18
2018 and thereafter	305,569	19,859	325,428	49.53	4.61	4.42
Total	\$ 579,925	\$ 76,976	\$ 656,901	100.00	3.90	4.27
Financing costs			(4,767)			
Fair value adjustments			7,370			
Total			\$ 659,504			

Convertible debentures

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

	Date issued	Maturity date	Outstanding principal March 31, 2013	Outstanding principal May 7, 2013	REIT Units if converted May 7, 2013
5.25% convertible debentures					
– public	December 13, 2012	December 31, 2019	\$ 86,250	\$ 86,250	6,250,000
5.25% convertible debentures					
– KingSett	December 19, 2012	December 31, 2019	25,000	25,000	1,811,594
Total			\$ 111,250	\$ 111,250	8,061,594

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 March 31, 2013, the conversion feature amounted to \$4.3 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 consolidated financial statements.

Dundee Industrial did not enter into any operating or finance leases during this reporting period. As at March 31, 2013, the Trust has entered into lease agreements that may require tenant improvement costs of approximately \$0.6 million.

OUR EQUITY

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

	March 31, 2013		Unitholders' equity December 31, 2012	
	Number of Units	Amount	Number of Units	Amount
REIT Units	46,749,543	\$ 449,712	36,257,538	\$ 326,211
Add: LP B Units	16,282,096	176,172	16,198,747	181,426
Total	63,031,639	\$ 625,884	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 March 31, 2013, Dundee REIT, indirectly through its wholly owned subsidiaries, held 16,282,096 LP B Units representing a total ownership interest of approximately 25.8%.

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 DRIP	26,476	83,349	109,825
Units issued pursuant to Unit Purchase Plan	529	-	529
Total Units outstanding on March 31, 2013	46,749,543	16,282,096	63,031,639
Percentage of all Units	74.2%	25.8%	100.0%
Units issued pursuant to Unit Purchase Plan	187	-	187
Units issued pursuant to DRIP on April 15, 2013	16,497	-	16,497
Total Units outstanding on May 7, 2013	46,766,227	16,282,096	63,048,323
Percentage of all Units	74.2%	25.8%	100.0%

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, 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.

Subsequent events

On April 5, 2013, we announced that we mailed to the shareholders of C2C our offer to acquire all of the issued and outstanding shares (the "C2C Shares") of C2C in exchange for REIT Units. Included in the mailing was Dundee Industrial REIT's offer to purchase, our take-over bid circular, and the C2C Board of Directors' circular unanimously recommending that C2C shareholders tender their shares to the offer. C2C shareholders will receive 0.4485 Dundee Industrial REIT Units for each C2C Share. The offer is subject to certain conditions typical for transactions of this nature, including that a minimum of 66 2/3% of the C2C Shares (on a fully diluted basis) are tendered to the offer, customary regulatory approvals (including under the *Competition Act*) and required consents. The offer is scheduled to expire at 12:01 a.m. on May 11, 2013, unless the offer is extended or withdrawn in accordance with the terms of the agreement between Dundee Industrial and C2C and applicable law.

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 billion. As at March 31, 2013, \$168,842 in REIT Units and \$111,250 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 exclude the impact of transaction costs expensed on business combinations as these costs are considered to be non-recurring.

Three months ended March 31, 2013	Declared distributions	3% bonus distributions	Total
2013 distributions			
Paid in cash or reinvested in Units	\$ 5,912	\$ 9	\$ 5,921
Payable at March 31, 2013	3,546	-	3,546
Total distributions⁽¹⁾	\$ 9,458	\$ 9	\$ 9,467
2013 reinvestment			
Reinvested to March 31, 2013	\$ 1,194	\$ 9	\$ 1,203
Reinvested on April 15, 2013	171	5	176
Total distributions reinvested	\$ 1,365	\$ 14	\$ 1,379
Distributions paid in cash	\$ 8,093		
Reinvestment to distribution ratio	14.4%		
Cash payout ratio	85.6%		

(1) Includes distributions on LP B Units.

Distributions declared for the three months ended March 31, 2013 were \$9.5 million. Of the distributions declared for the three months ended March 31, 2013, \$1.4 million, or approximately 14%, was reinvested in additional Units resulting in a cash payout ratio of 86% (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 March 31, 2013	Period from October 4, 2012 to December 31, 2012
Net income	\$ 17,924	\$ (20,873)
Cash flows from operating activities	5,694	6,486
Add (deduct):		
Investment in lease incentives and initial direct leasing costs	819	562
Transaction costs	-	11,528
Change in non-cash working capital	4,508	(11,197)
Adjusted cash flows from operating activities	11,021	7,379
Distributions paid and payable ⁽¹⁾	9,467	6,926
Add (deduct):		
Distribution on Units issued on March 6 ⁽²⁾	(589)	-
Adjusted distributions paid and payable	8,878	6,926
Adjusted cash flows from operating activities over adjusted distributions paid and payable	2,143	453

(1) Includes distributions on LP B Units.

(2) The proceeds from Units issued on March 6, 2013 were used to purchase the CanFirst Portfolio on April 24, 2013.

For the three months ended March 31, 2013, adjusted cash flows from operating activities exceeded adjusted distributions paid and payable by \$2.1 million. Distributions paid and payable was adjusted to remove the distributions related to the Units issued on the March 6, 2013 equity offering, as the proceeds were later deployed to purchase the CanFirst Portfolio. Accordingly, the Units did not have any cash flow from operations associated with them, but will in Q2 2013. When establishing distribution payments, we do not take into consideration fluctuations in working capital and transaction costs on business combinations, but rather use a normalized amount as a proxy for leasing costs. The net income included distributions paid and payable of \$2.7 million for the three months ended March 31, 2013 paid on subsidiary redeemable units. 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 March 31, 2013	Period from October 4, 2012 to December 31, 2012
Investment properties revenue	\$ 29,250	\$ 17,202
Investment properties operating expenses	9,358	4,667
Net rental income	19,892	12,535
Other income and expenses		
General and administrative	(1,382)	(855)
Fair value adjustments to investment properties	577	6,048
Acquisition related costs	-	(11,528)
Interest:		
Debt	(6,551)	(3,244)
Subsidiary redeemable units	(2,748)	(2,711)
Interest and fee income	36	16
Fair value adjustments to financial instruments	8,100	(21,134)
Net income (loss) and comprehensive income (loss)	\$ 17,924	\$ (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 \$29.3 million for the period. Investment properties revenue increased by \$12.0 million or 70.0% over the prior period (October 4, 2012 to December 31, 2012), primarily due to a full quarter of earnings for the KingSett Portfolio which was acquired on December 19, 2012.

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 \$9.4 million for the period. Investment properties operating expenses increased \$4.7 million over the prior period primarily due to a full quarter of expenses for the KingSett Portfolio acquired on December 19, 2012.

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 period, general and administrative expenses totalled \$1.4 million, comprising \$0.7 million in asset management fees, \$0.2 million in professional fees (primarily relating to audit fees for the fiscal year audit), \$0.3 million of general corporate expenses, and \$0.2 million related to the Deferred Unit Incentive Plan ("DUIP"). General and administrative expenses increased \$0.5 million or 61.6% over the prior period primarily due to an increase in asset management fees on the KingSett Portfolio which has now been owned for a full quarter, as well as an increase in deferred unit compensation expense related to the new grant of units in February 2013.

Fair value adjustments to investment properties

A \$0.6 million fair value adjustment was recorded during the quarter, primarily relating to valuation increases from marginal cap rate compression.

Interest expense – Debt

Interest expense on debt for the period was \$6.6 million, including \$7.1 million of contractual interest expense, \$0.2 million related to the amortization of financing costs, offset by \$0.7 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 \$3.3 million over the prior period primarily relating to a full quarter of interest on the mortgages assumed when we purchased the KingSett Portfolio as well as the additional two new portfolio mortgages entered into to finance the acquisition being outstanding for a full quarter. Additionally, interest expense on debt has increased due to a full quarter of interest on the convertible debentures issued on December 13, 2012 and December 19, 2012.

Interest expense – Subsidiary redeemable units

Interest on subsidiary redeemable units was \$2.7 million. Interest expense on subsidiary redeemable units increased slightly over the prior period due to more units outstanding as well as having a full quarter of distributions on the units.

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. Interest and fee income was \$36 thousand for the quarter, comprising \$31 thousand earned on bank accounts and \$5 thousand related to management fees earned on a co-owned property. Interest and fee income increased marginally over the prior period due to interest earned on higher cash balances in the quarter.

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. We recognized gains on the remeasurement of the subsidiary redeemable units and the remeasurement of the conversion feature on the convertible debentures of \$6.2 million and \$1.9 million, respectively, primarily due to a decline in the trading value of REIT Units at the end of the quarter versus the value on December 31, 2012. Fair value changes on the Deferred Unit Incentive Plan were nominal for the quarter.

Related party transactions

From time to time, Dundee Industrial and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms and as disclosed in Note 19 to the condensed consolidated financial statements. Pursuant to the Asset Management Agreement, we paid \$0.8 million, comprising \$0.7 million reported in general and administration expenses for asset management fees in the statement of other comprehensive income and \$0.1 million recorded as a financing cost.

Net operating income

We define NOI as net rental income: the total of investment property revenue less investment property operating expenses.

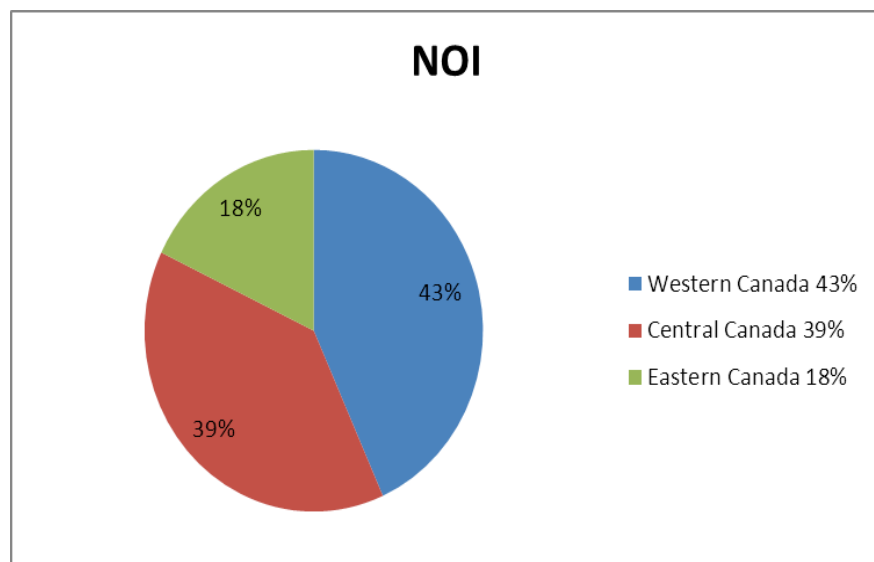
Net operating income is an important measure used by management in evaluating property operating performance; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

	Three months ended March 31, 2013	Period from October 4, 2012 to December 31, 2012
Total portfolio		
Western Canada	\$ 8,614	\$ 6,371
Central Canada	7,722	5,138
Eastern Canada	3,556	1,026
Net operating income	\$ 19,892	\$ 12,535

Net operating income for the three months ended March 31, 2013 was \$19.9 million and for the period from October 4, 2012 to December 31, 2012 was \$12.5 million.

NOI BY REGION

(Three months ended March 31, 2013)

**NOI prior quarter comparison**

The comparative properties disclosed in the following table include properties acquired on October 4, 2012.

Three months ended	March 31, 2013	December 31, 2012	Growth	
			Amount	%
Western Canada	\$ 6,088	\$ 5,903	\$ 185	3
Central Canada	4,570	4,416	154	3
Eastern Canada	553	588	(35)	(6)
Comparative properties	11,211	10,907	304	3
Lease termination fees and other	12	-	12	
Acquisitions	8,043	1,228	6,815	
Straight-line rent	727	400	327	
Bad debt expenses	(97)	-	(97)	
Amortization of lease incentives	(4)	-	(4)	
NOI	\$ 19,892	\$ 12,535	\$ 7,357	59

Increase in comparative properties over the prior period (October 4, 2012 to December 31, 2012) is primarily due to the timing of the IPO on October 4, 2012, along with slight growth from step rents. Properties acquired subsequent to October 4, 2012 contributed \$8.0 million of NOI in the quarter. Acquisitions increased by \$6.8 million, representing a full quarter of earnings from the KingSett Portfolio which was acquired on December 19, 2012. Straight-line rent increased by \$0.3 million over the prior period primarily relating to straight-line rent on the KingSett Portfolio properties.

Funds from operations and adjusted funds from operations

	Three months ended	Period from
	March 31, 2013	October 4, 2012 to December 31, 2012
Net income (loss)	\$ 17,924	\$ (20,873)
Add (deduct):		
Amortization of lease incentives	4	-
Interest expense on subsidiary redeemable units	2,748	2,711
Acquisition related costs	-	11,528
Fair value adjustments to investment properties	(577)	(6,048)
Fair value adjustments to financial instruments	(8,100)	21,134
Fair value adjustments of DUIP included in general and administrative expenses	(6)	-
FFO	\$ 11,993	\$ 8,452
Funds from operations	\$ 11,993	\$ 8,452
Add (deduct):		
Amortization of fair value adjustments on assumed debt	(685)	(819)
Deferred unit compensation expense	212	46
Straight-line rent	(727)	(400)
	10,793	7,279
Deduct:		
Normalized initial direct leasing costs and lease incentives	949	562
Normalized non-recoverable recurring capital expenditures	569	225
AFFO	\$ 9,275	\$ 6,492

Funds from operations and adjusted funds from operations per unit amounts

The basic weighted average number of units outstanding used in the FFO and AFFO calculations include 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. Diluted FFO for the quarter ended March 31, 2013 includes \$1.7 million in interest on convertible debentures. The impact of unvested deferred trust units was not included for the period as they were anti-dilutive.

	Three months ended	Period from
	March 31, 2013	October 4, 2012 to December 31, 2012
Weighted average units outstanding for basic per unit amounts (in thousands)	55,561	39,320
Weighted average units outstanding for diluted per unit amounts (in thousands)	63,622	40,828

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 cash flow from operating activities, as defined by GAAP, and is not necessarily indicative of cash available to fund Dundee Industrial's needs. In compliance with Canadian Securities Administrators Staff Notice 52-306 (Revised), "Non-GAAP Financial Measures", FFO has been reconciled to net income in a previous table.

	Three months ended	Period from
	March 31, 2013	October 4, 2012 to December 31, 2012
FFO	\$ 11,993	\$ 8,452
FFO per unit – basic	\$ 0.22	\$ 0.22
FFO per unit – diluted	\$ 0.22	\$ 0.21

For the three months ended March 31, 2013, FFO per diluted unit was \$0.22, versus FFO per diluted unit of \$0.21 for the period from October 4, 2012 to December 31, 2012. The increase over the prior period is due mainly to a full quarter of earnings from ownership of the KingSett Portfolio, offset by dilution related to holding cash from the March 6, 2013 equity offering of approximately \$0.01 per unit.

Adjusted funds from operations

Management believes that 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 Dundee Industrial's needs.

Our calculation of AFFO includes a deduction for an estimated amount of normalized non-recoverable maintenance capital expenditures, initial direct leasing costs and tenant incentives that we expect to incur based on our current portfolio, and expected average leasing activity. Our estimates of initial direct leasing costs and lease incentives are based on the average of our expected leasing activity over the next two to three years multiplied by the average cost per square foot that we have budgeted, adjusted for properties that have been acquired or sold. Our estimates of normalized non-recoverable capital expenditures are based on our expected average expenditures for our current property portfolio. This estimate will differ from actual experience due to the timing of expenditures and any growth in our business resulting from property acquisitions.

	Three months ended	Period from
	March 31, 2013	October 4, 2012 to December 31, 2012
AFFO	\$ 9,275	\$ 6,492
AFFO per unit – basic	\$ 0.17	\$ 0.17

AFFO was \$9.3 million, or \$0.17 per unit. AFFO per unit was consistent with the prior quarter, but is partially diluted by approximately \$0.01 per unit due to the impact of holding excess cash in the period from the March 6, 2013 equity offering.

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 March 31, 2013	Period from October 4, 2012 to December 31, 2012
Cash generated from operating activities	\$ 5,694	\$ 6,486
Add (deduct):		
Initial direct leasing costs and lease incentives incurred	819	562
Transaction costs on acquired businesses	-	11,528
Change in non-cash working capital	4,508	(11,197)
Amortization of financing costs on debt	(206)	(100)
Normalized initial direct leasing costs and lease incentives	(949)	(562)
Normalized non-recoverable recurring capital expenditures	(569)	(225)
Other	(22)	-
AFFO	\$ 9,275	\$ 6,492

QUARTERLY INFORMATION

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

	Q1 2013	Q4 2012
Investment properties revenue	\$ 29,250	\$ 17,202
Investment properties operating expenses	9,358	4,667
Net rental income	19,892	12,535
Other income and expenses		
General and administrative	(1,382)	(855)
Fair value adjustments to investment properties	577	6,048
Acquisition related costs	-	(11,528)
Interest:		
Debt	(6,551)	(3,244)
Subsidiary redeemable units	(2,748)	(2,711)
Interest and fee income	36	16
Fair value adjustments to financial instruments	8,100	(21,134)
Net income (loss) and comprehensive income	\$ 17,924	\$ (20,873)

Calculation of funds from operations

	Q1 2013	Q4 2012
NET INCOME (LOSS)	\$ 17,924	\$ (20,873)
Add (deduct):		
Amortization of lease incentives	4	-
Interest expense on subsidiary redeemable units	2,748	2,711
Acquisition related costs	-	11,528
Fair value adjustments to investment properties	(577)	(6,048)
Fair value adjustments to financial instruments	(8,100)	21,134
Fair value adjustments of DUIP included in general and administrative expenses	(6)	-
FFO	\$ 11,993	\$ 8,452
FFO per unit – basic⁽¹⁾	\$ 0.22	\$ 0.22
FFO per unit – diluted	\$ 0.22	\$ 0.21

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

	Q1 2013	Q4 2012
FUNDS FROM OPERATIONS	\$ 11,993	\$ 8,452
Add (deduct):		
Amortization of fair value adjustment on assumed debt	(685)	(819)
Deferred unit compensation expense	212	46
Straight-line rent	(727)	(400)
	10,793	7,279
Adjusted for:		
Normalized initial direct leasing costs and lease incentives	949	562
Normalized non-recoverable recurring capital expenditures	569	225
Adjusted funds from operations	\$ 9,275	\$ 6,492
AFFO per unit – basic⁽¹⁾	\$ 0.17	\$ 0.17
Weighted average units outstanding for FFO and AFFO		
Basic (in thousands)	55,561	39,320

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

SECTION III — INTERNAL CONTROLS

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)(c) of National Instrument 51-109, our Chief Executive Officer and Chief Financial Officer have limited the scope of our design of Disclosure Controls 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 they form the business that we acquired less than 365 days before the last day of the interim period ended March 31, 2013. The results of the acquired business, which forms our entire business, are included in our condensed consolidated financial statements for the period ended March 31, 2013. We intend to complete our design of Disclosure Controls and Procedures and Internal Controls over Financial Reporting by the end of our third 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 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 sheet

(unaudited)

(in thousands of dollars)	Note	March 31, 2013	December 31, 2012
Assets			
NON-CURRENT ASSETS			
Investment properties	7	\$ 1,148,845	\$ 1,147,410
Other non-current assets	9	37,408	36,595
		1,186,253	1,184,005
CURRENT ASSETS			
Amounts receivable	10	1,009	536
Prepaid expenses and other assets		3,598	3,378
Cash and cash equivalents		119,430	2,306
		124,037	6,220
Total assets		\$ 1,310,290	\$ 1,190,225
Liabilities			
NON-CURRENT LIABILITIES			
Debt	11	\$ 595,146	\$ 548,959
Subsidiary redeemable units	12	176,172	181,426
Deposits		6,002	5,750
Conversion feature on the convertible debentures	11	4,307	6,228
Deferred Unit Incentive Plan	13	270	51
		781,897	742,414
CURRENT LIABILITIES			
Debt	11	64,358	100,886
Amounts payable and accrued liabilities	14	13,693	18,675
Distributions payable	15, 16	2,630	2,039
		80,681	121,600
Total liabilities		862,578	864,014
Equity			
Unitholders' equity		461,595	351,299
Deficit		(13,883)	(25,088)
Total equity	16	447,712	326,211
Total liabilities and equity		\$ 1,310,290	\$ 1,190,225

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 statement of comprehensive income

(unaudited)

(in thousands of dollars)		For the three months ended March 31, 2013
	Note	
Investment properties revenue		\$ 29,250
Investment properties operating expenses		9,358
Net rental income		19,892
Other income and expenses		
General and administrative		(1,382)
Fair value adjustments to investment properties	7	577
Interest:		
Debt	17	(6,551)
Subsidiary redeemable units	17	(2,748)
Interest and fee income		36
Fair value adjustments to financial instruments	18	8,100
Net income and comprehensive income		\$ 17,924

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statement of changes in equity

(unaudited)

(in thousands of dollars, except number of units)	Note	Attributable to unitholders of the Trust			
		Number of Units	Unitholders' equity	Deficit	Total
Balance at January 1, 2013		36,257,538	\$ 351,299	\$ (25,088)	\$ 326,211
Net income for the period		-	-	17,924	17,924
Distributions paid	15	-	-	(4,089)	(4,089)
Distributions payable	15	-	-	(2,630)	(2,630)
Public offering of REIT Units	16	10,465,000	115,115	-	115,115
Distribution Reinvestment Plan	15, 16	26,476	291	-	291
Unit Purchase Plan	16	529	6	-	6
Issue costs	16	-	(5,116)	-	(5,116)
Balance at March 31, 2013		46,749,543	\$ 461,595	\$ (13,883)	\$ 447,712

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statement of cash flows

(unaudited)

(in thousands of dollars)	Note	For the three months ended March 31, 2013
Generated from (utilized in) operating activities		
Net income		\$ 17,924
Non-cash items:		
Amortization of financing costs	17	206
Amortization of lease incentives	7	4
Amortization of fair value adjustments on debt	17	(685)
Deferred unit compensation expense	13	206
Straight-line rent adjustment	9	(727)
Fair value adjustments to investment properties	7	(577)
Fair value adjustments to financial instruments	18	(8,100)
Reinvestment in subsidiary redeemable units	12, 17	938
Investment in lease incentives and initial direct leasing costs	7	(819)
Interest paid on subsidiary redeemable units	17	1,832
Change in non-cash working capital	20	(4,508)
		5,694
Generated from (utilized in) investing activities		
Additions to property and equipment	9	(1)
Investment in building improvements	7	(43)
Deposits on acquisition of investment properties		(1,000)
		(1,044)
Generated from (utilized in) financing activities		
Mortgages placed	11	98,606
Financing costs on mortgages placed	11	(624)
Mortgage principal repayments		(3,344)
Repayment of unsecured non-revolving bridge loan facility	11	(32,500)
Repayment of demand revolving credit facility	11	(10,000)
Repayment of promissory notes payable	11	(42,000)
Distributions paid on Units	15	(5,837)
Interest paid on subsidiary redeemable units	17	(1,832)
Units issued for cash	16	115,121
Issue costs	16	(5,116)
		112,474
Increase in cash and cash equivalents		117,124
Cash and cash equivalents, beginning of period		2,306
Cash and cash equivalents, end of period		\$ 119,430

See accompanying notes to the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

(All dollar amounts in thousands of 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 months ended March 31, 2013, were authorized for issue by the Board of Trustees on May 7, 2013, after which date they may only be amended with the Board of Trustees' approval.

Equity is described in Note 16; 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 limited partnership Units
- "Units", meaning REIT Units; and Special Trust Units, collectively

Subsidiary redeemable units classified as a liability are described in Note 12; 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").

At March 31, 2013, Dundee Real Estate Investment Trust ("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 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 three months ended March 31, 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 three months ended March 31, 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 either as 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. And 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 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 additional disclosures 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 fair value disclosures for financial instruments in Note 22. This will also result in additional disclosures 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 comprehensive income and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income.

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.

Note 5

BUSINESS COMBINATIONS

No business combination occurred during the first quarter of 2013.

On October 4, 2012, the Trust completed the purchase of 77 industrial properties totalling 6.0 million square feet (the "Initial Properties") from subsidiaries of Dundee REIT and affiliates of Return On Innovation Capital Ltd. ("ROI"). The purchase price was satisfied with cash consideration of \$177,714, the issuance of 16,034,631 subsidiary redeemable units for \$160,346, and the assumption of promissory notes payable to Dundee REIT for \$42,000 and a receivable from Dundee REIT for \$4,065 (relating to working capital items on acquisition), representing total consideration of \$380,060. On closing, the fair value of the net identifiable assets and liabilities acquired equalled \$361,452. The total consideration exceeded the net identifiable assets and liabilities by \$18,608, which has been recorded as goodwill on acquisition.

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

	Note	
Investment properties		\$ 643,375
Prepaid expenses		1,862
Amounts receivable		1,797
Related party receivables		4,131
Cash and cash equivalents		2,398
Amounts payable and accrued liabilities assumed		(2,753)
Deposits		(2,551)
Deferred revenue		(4,847)
Assumed debt at fair value		(281,960)
Total identifiable net assets and liabilities		361,452
Goodwill	9	18,608
Fair value of consideration		\$ 380,060

Acquisition related costs for the Initial Properties comprise \$3,485 in transaction costs. The fair value of acquired tenant receivables is \$1,797. The gross contractual amount for tenant receivables is \$2,124, of which \$327 is expected to be uncollectible. Fair value of the related party receivables is \$4,131.

On December 19, 2012, the Trust completed the purchase of 79 industrial properties totalling 5.2 million square feet (the "KingSett Portfolio") from an affiliate of KingSett Capital Inc. ("KingSett"). The purchase price was satisfied with cash consideration of \$293,847, the issuance of 2,358,491 REIT Units for \$25,000, and the issuance of 5.25% convertible debentures for a total of \$25,000, representing total consideration of \$343,847. On closing, the fair value of the net identifiable assets and liabilities acquired equalled \$326,210. The total consideration exceeded the net identifiable assets and liabilities by \$17,637, which has been recorded as goodwill on acquisition.

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

	Note	
Investment properties		\$ 480,243
Prepaid expenses		2,090
Amounts payable and accrued liabilities assumed		(3,010)
Deposits		(3,206)
Deferred revenue		(1,975)
Assumed debt		(147,932)
Total identifiable net assets and liabilities		326,210
Goodwill	9	17,637
Fair value of consideration		\$ 343,847

Acquisition related costs for the KingSett Portfolio comprise \$8,032 in transaction costs.

The initial accounting for the assets and liabilities recognized on the acquisition of the Initial Properties and the KingSett Portfolio has been completed provisionally with respect to the valuations of investment properties, goodwill, 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. During the first quarter, the Trust recorded a \$52 increase to the provision for impairment of amounts receivable, with a corresponding increase to goodwill, related to the acquisition of the Initial Properties.

Note 6

PROPERTY ACQUISITIONS

No property acquisitions occurred during the first quarter of 2013.

Acquisitions for the period ended December 31, 2012 were as follows:

	Interest acquired (%)	Purchase price ⁽¹⁾	Date acquired
2 Lone Oak Court, Etobicoke, ON	100.0	\$ 7,615	November 30, 2012
441 Chrislea Road, Vaughan, ON	100.0	9,567	November 30, 2012
Total		\$ 17,182	

(1) Includes transaction costs.

The assets acquired and liabilities assumed in these transactions were allocated as follows:

	Period from July 20, 2012 to December 31, 2012
Investment properties	\$ 17,182
Total purchase price	\$ 17,182

The consideration paid consists of:

Cash paid during the period	\$ 16,847
	16,847
Transaction costs included in amounts payable	64
Assumed non-cash working capital	271
Total consideration	\$ 17,182

Note 7

INVESTMENT PROPERTIES

	Note	For the three months ended March 31, 2013	Period from July 20, 2012 to December 31, 2012
Balance at beginning of period		\$ 1,147,410	\$ -
Additions:			
Acquisitions from business combinations	5	-	1,123,618
Property acquisitions	6	-	17,182
Building improvements		43	-
Lease incentives and initial direct leasing costs		819	562
Amortization of lease incentives		(4)	-
Fair value adjustments to investment properties		577	6,048
Balance at end of period		\$ 1,148,845	\$ 1,147,410

The Trust's investment properties have been reduced by \$1,127 (December 31, 2012 – \$400) related to straight-line rent receivables, which have been reclassified to other non-current assets.

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

	March 31, 2013		December 31, 2012	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Capitalization rate	6.00–8.75	6.76	5.85–8.75	6.80
Discount rate	6.50–9.50	7.74	6.75–9.50	7.65
Terminal rate	5.75–9.00	7.01	6.25–9.00	6.88

Investment properties with an aggregate fair value of \$316,296 at March 31, 2013 (December 31, 2012 – \$178,088) were valued by qualified external valuation professionals. The Initial Properties, aggregating \$643,375 at the time of acquisition, were subject to external appraisals for their acquisition fair values.

If the cap rate were to increase by 25 basis points (“bps”), the value of investment properties would decrease by \$39,801. If the cap rate were to decrease by 25 bps, the value of investment properties would increase by \$45,522.

As at March 31, 2013, investment properties with a fair value of \$1,044,809 (December 31, 2012 – \$878,269) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at March 31, 2013, investment properties with a fair value of \$80,149 (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 (%)	
			March 31, 2013	December 31, 2012
2240 Premier Way (GE Turbine Building)	Investment property	Edmonton, Alberta	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.

	March 31, 2013	December 31, 2012
Non-current assets		
Investment properties	\$ 2,250	\$ 2,250
	2,250	2,250
Current assets		
Amounts receivable	20	2
Prepaid expenses and other assets	1	1
Cash and cash equivalents	49	52
	70	55
Total assets	\$ 2,320	\$ 2,305
Current liabilities		
Debt	\$ 1,308	\$ 1,320
Amounts payable and accrued liabilities	21	14
	1,329	1,334
Total liabilities	\$ 1,329	\$ 1,334

		For the three months ended March 31, 2013
Investment properties revenue	\$	51
Investment properties operating expenses		22
Net rental income		29
Other income and expenses		
Fair value adjustments to investment properties		-
Interest on debt		(10)
Net income	\$	19

Note 9

OTHER NON-CURRENT ASSETS

	March 31, 2013	December 31, 2012
Deposits	\$ 33	\$ -
Property and equipment	3	2
Straight-line rent receivable	1,127	400
Goodwill	36,245	36,193
Total	\$ 37,408	\$ 36,595

Note 10

AMOUNTS RECEIVABLE

Amounts receivable are net of credit adjustments aggregating to \$1,592 (December 31, 2012 – \$1,641).

	March 31, 2013	December 31, 2012
Trade receivables	\$ 909	\$ 811
Less: Provision for impairment of trade receivables	(419)	(275)
Trade receivables, net	490	536
Other amounts receivable	519	-
Amounts receivable	\$ 1,009	\$ 536

Amounts receivable are recorded net of a provision for impairment of \$419 (December 31, 2012 – \$275).

The movement in the provision for impairment of trade receivables during the three months ended March 31, 2013 is as follows:

	2013
As at January 1	\$ 275
Provision for impairment of trade receivables	171
Receivables written off during the period as uncollectible	(27)
As at March 31	\$ 419

The carrying value of amounts receivable approximates fair value due to their current nature. As at March 31, 2013, trade receivables of approximately \$415 (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:

	March 31, 2013
2013	\$ 55,273
2014 to 2017	219,110
2018 to 2025	135,240
	\$ 409,623

Note 11

DEBT

	March 31, 2013	December 31, 2012
Mortgages ⁽¹⁾	\$ 556,174	\$ 462,359
Demand revolving credit facility ⁽¹⁾	-	10,000
Promissory notes payable	-	42,000
Unsecured non-revolving bridge facility	-	32,394
Convertible debentures	103,330	103,092
Total	659,504	649,845
Less: Current portion	64,358	100,886
Non-current debt	\$ 595,146	\$ 548,959

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

Convertible debentures

	March 31, 2013	December 31, 2012
5.25% convertible debentures	\$ 103,330	\$ 103,092
Total	\$ 103,330	\$ 103,092

The outstanding principal was issued in two tranches on December 13, 2012 and December 19, 2012 for \$86,250 and \$25,000, respectively, with maturity on December 31, 2019. The convertible 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 and after December 31, 2015, but prior to December 31, 2017, the convertible debentures may be redeemed by the Trust at a price equal to the principal amount plus accrued and unpaid interest. Interest on the convertible debentures is payable at a rate of 5.25% semi-annually on June 30 and December 31. Transaction costs associated with these convertible debentures amounted to \$3,798 and have been netted against the carrying value.

Demand revolving credit facility

On October 4, 2012, the Trust entered into a \$35,000 demand revolving credit facility. The revolving credit facility is in the form of rolling one-month bankers' acceptances ("BA") bearing interest at the BA rate plus 1.90% or at the bank's prime rate (3.0% as at March 31, 2013) plus 0.90%. 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 March 31, 2013, \$nil (December 31, 2012 – \$10,000) was drawn on the facility. The formula-based amount available under this facility as at March 31, 2013 is \$49,584 (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. The promissory notes payable bear interest at 3.1% and 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	
	March 31, 2013	December 31, 2012		March 31, 2013	December 31, 2012
Fixed rate					
Mortgages	3.41%	3.27%	2013–2023	\$ 556,174	\$ 462,359
Promissory notes payable	-	3.10%	2013	-	42,000
Convertible debentures	6.09%	6.09%	2019	103,330	103,092
Total fixed rate debt	3.86%	3.74%		659,504	607,451
Variable rate					
Unsecured non-revolving bridge facility	-	3.48%	2013	-	32,394
Demand revolving credit facility	-	3.90%	2014	-	10,000
Total variable rate debt	-	3.58%		-	42,394
Total debt	3.86%	3.72%		\$ 659,504	\$ 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	\$ 12,986	\$ -	\$ 12,986
2014	88,353	-	88,353
2015	121,107	-	121,107
2016	70,802	-	70,802
2017	38,225	-	38,225
2018 and thereafter	214,178	111,250	325,428
	545,651	111,250	656,901
Financing costs	(1,101)	(3,666)	(4,767)
Fair value adjustments	11,624	(4,254)	7,370
	10,523	(7,920)	2,603
Total	\$ 556,174	\$ 103,330	\$ 659,504

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 three months ended March 31, 2013	Period from July 20, 2012 to December 31, 2012
Opening balance		\$ 6,228	\$ -
New issuance of convertible debentures		-	4,406
Fair value adjustment on conversion feature of the convertible debentures	18	(1,921)	1,822
Ending balance		\$ 4,307	\$ 6,228

Note 12

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:

		Three months ended March 31, 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	18	-	(6,192)	-	19,307
Ending balance		16,282,096	\$ 176,172	16,198,747	\$ 181,426

During the three months ended March 31, 2013, the Trust recorded \$2,748 in distributions on the subsidiary redeemable units, which are included as interest expense in the condensed consolidated statement of comprehensive income (see Note 17).

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 March 31, 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 March 31, 2013, 16,282,096 (December 31, 2012 – 16,198,747) Special Trust Units were issued and outstanding.

Note 13

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 Units will be issued immediately on vesting. As at March 31, 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		206
Remeasurement of carrying value	18	13
As at March 31, 2013	\$	270

During the three months ended March 31, 2013, \$206 of compensation expense was recorded and included in general and administrative expenses. For the same period, \$13 was recognized in fair value adjustments to financial instruments representing the remeasurement of the Deferred Unit Incentive Plan 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	174,040	1,530	175,570
Outstanding and payable at March 31, 2013	214,458	1,932	216,390

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.

None of the units were vested at March 31, 2013.

Note 14

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2013	December 31, 2012
Trade payables	\$ 797	\$ 2,109
Accrued liabilities and other payables	8,221	13,391
Accrued interest	4,468	2,753
Rent received in advance	207	422
Total	\$ 13,693	\$ 18,675

Note 15

DISTRIBUTIONS

The following table breaks down distribution payments for the three months ended March 31, 2013:

Paid in cash	\$	5,837
Paid by way of reinvestment in REIT Units		291
Less: Payable at December 31, 2012		(2,039)
Plus: Payable at March 31, 2013		2,630
Total	\$	6,719

On March 18, 2013, the Trust announced a cash distribution of \$0.05625 per REIT Unit for the month of March 2013. The March 2013 distribution will be payable on April 15, 2013, to unitholders on record as at March 31, 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 lesser 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 \$0.16875 for the three months ended March 31, 2013 (\$0.16331 for the period from July 20, 2012 to December 31, 2012).

Note 16

EQUITY

	March 31, 2013		December 31, 2012	
	Number of Units	Amount	Number of Units	Amount
REIT Units	46,749,543	\$ 449,712	36,257,538	\$ 326,211
Total	46,749,543	\$ 449,712	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, January 1, 2013	36,257,538	\$ 326,211
Net income for the period	-	17,924
Distributions paid	-	(4,089)
Distributions payable	-	(2,630)
Public offering of REIT Units	10,465,000	115,115
Distribution Reinvestment Plan	26,476	291
Unit Purchase Plan	529	6
Issue costs	-	(5,116)
Equity, March 31, 2013	46,749,543	\$ 447,712

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 \$11 in relation to the issuance of units for the Distribution Reinvestment Plan and Unit Purchase Plan during the three months ended March 31, 2013.

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 KingSett transaction

Pursuant to the acquisition of the KingSett Portfolio on December 19, 2012, the Trust issued 2,358,491 REIT Units to an affiliate of KingSett Capital Inc. as partial consideration for the KingSett Portfolio. Costs related to the issue of REIT Units to KingSett of \$82 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 three months ended March 31, 2013, 26,476 REIT Units were issued under the DRIP and \$291 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. During the quarter ended March 31, 2013, 529 REIT Units were issued under the Unit Purchase Plan and for proceeds of \$6.

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 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 billion. As of March 31, 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 17

INTEREST

Interest on debt

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

	For the three months ended March 31, 2013
Interest expense incurred, at contractual rate	\$ 7,030
Amortization of financing costs	206
Amortization of fair value adjustments on debt	(685)
Interest expense	6,551
Add/deduct:	
Amortization of financing costs	(206)
Amortization of fair value adjustments on debt	685
Change in accrued interest	(2,009)
Cash interest paid	\$ 5,021

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:

		For the three months ended March 31, 2013
Paid in cash	\$	1,832
Paid by way of reinvestment in subsidiary redeemable units		938
Less: Interest payable at December 31, 2012		(938)
Plus: Interest payable at March 31, 2013		916
Total	\$	2,748

The interest payable at March 31, 2013, was satisfied on April 15, 2013, in cash.

Note 18

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note	For the three months ended March 31, 2013
Fair value adjustment on conversion feature of the convertible debentures	11	\$ (1,921)
Remeasurement of carrying value of subsidiary redeemable units	12	(6,192)
Remeasurement of carrying value of Deferred Unit Incentive Plan	13	13
		\$ (8,100)

Note 19

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") are parties to an administrative services agreement (the "Services Agreement") that is in effect until October 4, 2013. Effective October 4, 2012, Dundee Industrial also has an asset management agreement (the "Asset Management Agreement") with Dundee Realty Corporation ("DRC"), 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 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 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 on properties in excess of \$200 million 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 0.25% of the amount of debt and equity relating to all financing transactions completed, to a maximum of 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:

For the three months ended March 31	2013
Amounts paid and payable	
Fees paid by Dundee Industrial under the Asset Management Agreement included in:	
General and administrative expenses	\$ 729
Property acquisitions and acquisition related costs	-
Financing costs reported in unitholders' equity	118
Total fees paid and payable under the Asset Management Agreement	\$ 847

During the period, the Trust also incurred service fees of \$333 charged by DRMC.

Included in amounts payable and accrued liabilities at March 31, 2013 is \$605 (December 31, 2012 – \$3,237) related to the Asset Management Agreement.

Included in amounts receivable as at March 31, 2013 is \$320 (December 31, 2012 – \$41) due from Dundee REIT for acquisition and IPO related costs paid by Dundee REIT on behalf of Dundee Industrial and service fees to DRMC, offset by rents deposited to Dundee REIT that belong to Dundee Industrial and working capital adjustments as a result of the acquisition of the Initial Properties. Also included in amounts payable and accrued liabilities is the March 2013 monthly distribution in the amount of \$916 (December 31, 2012 – \$938) payable to Dundee REIT. For the three-month period ended, 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 first quarter, the Trust had recorded \$2,748 in interest expense on subsidiary redeemable units relating to distributions paid to Dundee REIT on its LP B Units. At March 31, 2013, Dundee REIT's retained interest in the Trust was 25.8%.

Compensation of key management personnel for the three months ended March 31, 2013 is as follows:

	For the three months ended March 31, 2013
Unit-based awards ⁽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 20

SUPPLEMENTARY CASH FLOW INFORMATION

For the three months ended March 31	2013
Increase in amounts receivable	\$ (525)
Decrease in prepaid expenses and other assets	780
Decrease in other non-current assets	(33)
Decrease in amounts payable and accrued liabilities	(4,982)
Increase in tenant deposits	252
Change in non-cash working capital	\$ (4,508)

The following amounts were paid on account of interest:

For the three months ended March 31	2013
Interest	
Debt	\$ 5,021
Subsidiary redeemable units	1,832
Total	\$ 6,853

Note 21

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 \$629 (December 31, 2012 – \$254).

Note 22

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, 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:

	March 31, 2013		December 31, 2012	
	Total		Total	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages	\$ 556,174	\$ 561,019	\$ 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	103,330	115,144	103,092	108,081

All gains and losses recorded in Note 18 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.

	March 31, 2013			December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities						
Conversion feature on the convertible debentures	\$ -	\$ -	\$ 4,307	\$ -	\$ -	\$ 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 March 31, 2013, are the following:

- Volatility: Historical volatility as at March 31, 2013 was derived from the historical prices of the S&P/TSX Capped REIT ("STREID Index") 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 March 28, 2013 (last business day).

Credit spread	3.469%
Historical volatility	18.992%

The change in the fair value of the conversion feature of the convertible debentures for the three months ended March 31, 2013 is disclosed in Note 11. Remeasurement of the conversion feature is included in the fair value adjustments to financial instruments line in the condensed consolidated statement of comprehensive income.

Note 23

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 24

SUBSEQUENT EVENTS

On April 5, 2013, the Trust announced the mailing to the shareholders of C2C Industrial Properties Inc. ("C2C") our offer to acquire all of the issued and outstanding shares ("C2C Shares") of C2C in exchange for REIT Units. Included in the mailing was Dundee Industrial's offer to purchase and take-over bid circular, and the C2C Board of Directors' circular unanimously recommending that C2C shareholders tender their shares to the offer. C2C shareholders will receive 0.4485 REIT Units for each C2C Share. The offer is subject to certain conditions typical for transactions of this nature, including that a minimum of 66 2/3% of the C2C Shares (on a fully diluted basis) are tendered to offer, customary regulatory approvals (including under the Competition Act) and required consents. The offer is scheduled to expire at 12:01 a.m. on May 11, 2013, unless the offer is extended or withdrawn in accordance with the terms of the agreement between Dundee Industrial and C2C and the applicable law.

On April 24, 2013, the Trust acquired a portfolio of 22 industrial properties comprising 1.6 million square feet of gross leasable area for approximately \$151,500 before transaction costs. The acquisition was funded by \$93,500 in cash from the equity issue that closed on March 6, 2013, with the balance funded by an assumed \$61,700 mortgage debt, with an average term of 1.9 years. The effective interest rate on the assumed debt is approximately 3.09% after giving effect to the vendor's buy-down of existing rates.

Corporate information

Head office

**DUNDEE INDUSTRIAL REAL ESTATE
INVESTMENT TRUST**

State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1
Phone: (416) 365-3535
Fax: (416) 365-6565

Transfer agent

(for change of address, registration
or other unitholder inquiries)

**COMPUTERSHARE
TRUST COMPANY OF CANADA**

100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Phone: (514) 982-7555 or
1 800 564-6253
Fax: (416) 263-9394 or
1 888 453-0330
E-mail: service@computershare.com

Auditors

PRICEWATERHOUSECOOPERS LLP

PwC Tower, 18 York Street, Suite 2600
Toronto, Ontario M5J 0B2

Corporate counsel

OSLER, HOSKIN & HARCOURT LLP

Box 50, 1 First Canadian Place
Suite 6100
Toronto, Ontario M5X 1B8

Investor relations

Phone: (416) 365-3536
Toll free: 1 877 365-3535
E-mail: info@dundeeindustrial.com
Web site: www.dundeeindustrial.com

Taxation of distributions

*Distributions paid to unitholders in respect
of the tax year ending December 31, 2012,
are taxed as follows:*

Return of capital: 100%

Management estimates that 65% of the
distributions to be made by the REIT in 2013
will be tax deferred.

Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols:

REIT Units: DIR.UN

5.25% Convertible Debentures: DIR.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
web site: www.dundeeindustrial.com.





DUNDEE INDUSTRIAL REIT

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