



SECOND QUARTER 2013

Q2



Contents

1	Letter to unitholders	31	Condensed consolidated financial statements
2	Management's discussion and analysis	35	Notes to the condensed consolidated financial statements
2	SECTION I – OBJECTIVES AND FINANCIAL HIGHLIGHTS	IBC	Corporate information
2	Basis of presentation		
3	Background		
3	Our objectives		
4	Our strategy		
5	Our properties		
6	Key performance indicators		
7	Financial overview		
8	Outlook		
9	SECTION II – EXECUTING THE STRATEGY		
9	Our operations		
13	Our resources and financial condition		
15	Our financing		
20	Our equity		
23	Our results of operations		
28	Quarterly information		
29	SECTION III – INTERNAL CONTROLS		
30	SECTION IV – RISKS AND OUR STRATEGY TO MANAGE		
30	SECTION V – CRITICAL ACCOUNTING POLICIES		
30	Critical accounting judgments, estimates and assumptions in applying accounting policies		
30	Changes in accounting estimates and changes in accounting policies		

Letter to unitholders

During the second full quarter of Dundee Industrial Real Estate Investment Trust's history (the third quarter following our IPO last October) we have made the Trust larger, stronger and more profitable. This past quarter was one of tremendous growth with the successful closing of two large and complex transactions and the addition of over 4.2 million square feet to our portfolio in four extremely desirable markets. Following is a brief summary of some of the quarter's highlights, which are discussed in more detail in our MD&A:

The Trust began the second quarter of 2013 with 11.4 million square feet of industrial assets. On April 5, Dundee Industrial announced the mailing of the Offer to acquire all of the issued and outstanding common shares of C2C Industrial Properties Inc. ("C2C"), which followed the March 19 announcement that it had entered into a support agreement with C2C. Approximately 95% of the outstanding common shares of C2C were tendered on May 15, 2013. On April 18, the Trust increased its annual distribution rate by 2.5 cents, or 3.7%, to \$0.70 per unit. Then, on April 24, the Trust completed the \$151.5 million acquisition of 22 properties from CanFirst Realty Fund III LP and CanFirst Industrial Realty Fund IV LP ("CanFirst").

On closing of the CanFirst and C2C transactions, Dundee Industrial Management Corp. assumed property management activities and Dundee Industrial's leasing team assumed their responsibilities from the vendor. During the quarter we also took over property management and leasing responsibilities of the KingSett assets acquired on December 19, 2012. In aggregate, our operating teams assumed responsibility for leasing and property management activities in 127 properties aggregating over 9.5 million square feet of industrial assets in four markets this quarter. As a result, we are now capturing all of these income streams related to the properties and we are responsible for the management of all of our assets.

Our portfolio has grown during this short period of time as follows:

	Owned GLA (sq. ft.)	Tenants
March 31 portfolio	11,433,251	939
CanFirst	1,625,844	164
C2C	2,530,091	168
Lingard	70,154	2
Total portfolio	15,659,340	1,273

On June 20, to complete the C2C transaction, the Trust entered into an agreement to acquire the remaining 5% of C2C shares that had not previously been tendered. Approval was obtained at a meeting of shareholders held on July 18.

Next quarter will be the first full quarter of operations for the entire portfolio and, with all the equity deployed, we will have the opportunity to further assess our business' capacity to deliver results. Dundee Industrial is the largest pure-play industrial REIT in Canada with a significant presence in key markets nationwide. We have established ourselves as an industry-leading business among industrial property owners and will continue to work hard to make our company stronger for our unitholders.

In closing, I am excited about our future, notwithstanding the typical challenges that are present in every portfolio. Dundee Industrial REIT has a very promising future and I am confident that we will demonstrate superior operating results in the quarters to come.

I would like to thank our unitholders and our trustees for their continued support.



Randy Cameron

President and Chief Executive Officer (Interim)

August 6, 2013

Management's discussion and analysis

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

SECTION I — OBJECTIVES AND FINANCIAL HIGHLIGHTS

BASIS OF PRESENTATION

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

This management's discussion and analysis ("MD&A") is dated as at August 6, 2013, except where otherwise noted.

Because the Trust was formed on July 20, 2012, there are no prior year second quarter results to serve as a basis for comparison. As a result, we have compared the Q2 2013 results to the immediately preceding quarter in this MD&A, and presented, for additional information, the results for the period ended December 31, 2012 in the tables.

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

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

Certain market information has been obtained from CB Richard Ellis, Canadian Industrial MarketView ("CBRE"), Second 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 are 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 August 6, 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 August 6, 2013 had a retained investment of 23.1%. Our REIT Units are listed on the Toronto Stock Exchange under the trading symbol DIR.UN.

On October 4, 2012, we completed our initial public offering ("IPO"), and acquired an initial portfolio of 77 industrial properties comprising 6.0 million square feet (the "Initial Properties") from subsidiaries of Dundee REIT and affiliates of Return On Innovation Capital Ltd. ("ROI"). Including the Initial Properties, we completed the following acquisitions since our IPO, which have solidified Dundee Industrial as Canada's largest industrial REIT:

	Date acquired	Number of properties	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price ⁽²⁾
Initial Properties ⁽¹⁾	October 4, 2012	77	6,006,904	97	\$ 646,860
Lone Oak/Chrislea, GTA	November 30, 2012	2	172,823	100	17,182
KingSett Portfolio	December 19, 2012	79	5,253,524	95	488,275
CanFirst Portfolio	April 24, 2013	22	1,625,844	96	155,650
C2C Portfolio	May 15, 2013	25	2,530,091	95	231,257
Lingard Road, Cambridge, ON	June 7, 2013	1	70,154	100	5,350
Total		206	15,659,340	96	\$ 1,544,574

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

(2) Includes transaction costs.

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

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

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

OUR OBJECTIVES

We are committed to:

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

Distributions

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. At June 30, 2013, approximately 4.7% of our total Units were enrolled in the Distribution Reinvestment and Unit Purchase Plan ("DRIP"), including 6.1% of the REIT Units and none of the LP B Units (see a description of Our Equity on page 20).

	2012			2013					
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Distribution rate	\$ 0.051	\$ 0.056	\$ 0.056	\$ 0.056	\$ 0.056	\$ 0.056	\$ 0.058	\$ 0.058	\$ 0.058
Month-end closing price	\$ 11.39	\$ 10.70	\$ 11.20	\$ 11.65	\$ 10.98	\$ 10.82	\$ 10.65	\$ 10.29	\$ 9.08

OUR STRATEGY

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

Optimizing the performance, value and cash flow of our portfolio

We actively manage our assets to optimize performance, maintain value, retain and attract tenants and maximize cash flows to our unitholders. Dundee Industrial REIT employs experienced staff in all markets where we are active. We strive to ensure that our assets are the most attractive and cost-effective premises for our tenants, the success of which is evidenced by our occupancy rates, which are often higher than the market average.

Maintaining and strengthening our conservative financial profile

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

Growing and diversifying our portfolio to reduce risk

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

Seeking accretive growth opportunities

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

OUR PROPERTIES

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

Today, Dundee Industrial REIT's portfolio consists of 206 properties comprising 15.7 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 portfolio is 95.8%, slightly ahead of the national industry average occupancy rate of 95.7% (CB Richard Ellis, Canadian Industrial MarketView, Second 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, totalling approximately 90,000 square feet. Rent recognition on these spaces is expected to commence primarily in the third quarter of 2013.

Our properties are geographically diversified as follows:

Province	June 30, 2013			December 31, 2012		
	Number of properties	Owned GLA (sq. ft.)	% of owned GLA	Number of properties	Owned GLA (sq. ft.)	% of owned GLA
British Columbia	1	17,405	0.1	1	17,405	0.2
Alberta	69	3,441,977	22.0	67	3,277,555	28.6
Saskatchewan	6	829,795	5.3	6	829,815	7.3
Ontario	58	4,825,231	30.8	25	1,917,401	16.8
Quebec	33	3,733,045	23.8	28	3,204,516	27.9
New Brunswick	3	134,704	0.9	3	134,704	1.2
Nova Scotia	36	2,677,183	17.1	28	2,056,799	18.0
Total	206	15,659,340	100.0	158	11,438,195	100.0

Our portfolio consists of multi-tenant buildings totalling 10.2 million square feet, or 65.2%, and single-tenant buildings totalling 5.5 million square feet, or 34.8%. Of the 5.5 million square feet of single-tenant space, 4.8 million is located in Ontario and Quebec. Multi-tenant space is distributed more evenly throughout the provinces in the portfolio, with a relatively higher concentration of 3.9 million square feet in Alberta and Saskatchewan. The difference between single- and multi-tenant buildings can be seen in the following operating metrics:

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

In addition to the geographic distribution, maintaining a balance of the two building types in the portfolio is part of our diversification strategy.

KEY PERFORMANCE INDICATORS

Performance is measured by these and other key indicators:

	Three months ended June 30, 2013	Three months ended March 31, 2013	Six months ended June 30, 2013	Period from October 4, 2012 to December 31, 2012
Operations				
Occupancy rate (period-end)	95.8%	96.5%		96.3%
Average in-place base rent per square foot (period-end)	\$ 6.90	\$ 7.18		\$ 7.12
Weighted average remaining lease term	4.83	5.10		5.41
Operating results				
Investment properties revenue	\$ 34,703	\$ 29,250	\$ 63,953	\$ 17,202
Net operating income ("NOI") ⁽¹⁾⁽²⁾	24,754	19,892	44,646	12,535
Funds from operations ("FFO") ⁽¹⁾⁽³⁾	15,572	11,993	27,565	8,452
Adjusted funds from operations ("AFFO") ⁽¹⁾⁽⁴⁾	12,530	9,275	21,805	6,492
Fair value increase to investment properties	283	577	860	6,048
Distributions				
Declared distributions	\$ 11,911	\$ 9,459	\$ 21,370	\$ 6,846
Distributions paid in cash	11,286	9,040	20,326	4,171
DRIP participation rate	5.2%	4.4%	4.9%	39%
Financing				
Weighted average effective interest rate on debt (period-end)	3.81%	3.86%		3.72%
Weighted average face interest rate on debt (period-end)	4.19%	4.25%		4.19%
Weighted average remaining term to maturity of debt (period-end) (years)	4.5	5.0		4.1
Interest coverage ratio	2.9 times	2.7 times	2.8 times	3.0 times
Per unit amounts⁽⁵⁾				
Distribution rate	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.16
Basic:				
FFO ⁽¹⁾	0.23	0.22	0.45	0.22
AFFO ⁽¹⁾⁽⁶⁾	0.19	0.17	0.36	0.17
Diluted:				
FFO ⁽¹⁾	0.23	0.22	0.45	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 24.

(3) FFO – The reconciliation of FFO to net income can be found on page 26.

(4) AFFO – The reconciliation of AFFO to cash generated from operating activities can be found on page 28.

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

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

FINANCIAL OVERVIEW

Q2 2013 results include the second complete quarter of operations and results from the Initial Properties and the KingSett Portfolio, as well as the impact of the C2C and CanFirst Portfolios acquired during the quarter. An overview of the financial results and highlights is set out below.

AFFO for the quarter was \$12.5 million, or \$0.19 per unit, representing an increase of 35.1% and \$0.02 per unit over the first quarter, respectively. Major sources of the increase in AFFO per unit are:

- Approximately 0.7 cents per unit representing the effect of acquisitions during the quarter;
- Additional NOI from the comparative property portfolio totalling 0.9 cents per unit, which includes the effect of internalization of the property management function of the KingSett Portfolio, as well as increased rents from leasing activity and rent steps; and
- Additional NOI from lease termination revenue, recovery adjustments and other items, amounting to 0.3 cents per unit.

FFO for the quarter was \$15.6 million, or \$0.23 per diluted unit, representing an increase of 29.8%, or \$0.01 per diluted unit. The increase in FFO per unit was slightly less than the increase in AFFO per unit due to additional deferred compensation expense recognized during the quarter of approximately 0.3 cents per unit.

Our investment properties amounted to over \$1.5 billion as at June 30, 2013, an increase of \$383 million, resulting almost entirely from acquisitions completed during the quarter. The fair value of the existing portfolio was largely stable during the quarter. The weighted average cap rate of the portfolio was 6.73% on stabilized NOI at June 30, 2013, a decrease of 3 basis points since March 31, primarily due to the effect of acquisitions, which had a moderately lower weighted average cap rate than the current portfolio.

Financing activities during the quarter were entirely related to our acquisition activity with our key debt and leverage metrics remaining largely stable during the quarter.

Occupancy declined from 96.5% at the end of the first quarter to 95.8%, which in part results from the acquisition of the C2C Portfolio which was 94.8% occupied on closing. The remainder of the decrease is primarily related to the departure of a 50,000 square foot tenant at one of our Edmonton properties with annualized base rent of approximately \$0.2 million. As reported last quarter, a 115,000 square foot tenant at a single-tenant property in Laval, Quebec, with annualized base rent of approximately \$1.0 million, previously declared bankruptcy. The receiver for this tenant surrendered the space in July. The effect of this will reduce occupancy in the portfolio by 0.7%.

Weighted average in-place rents on the portfolio decreased to \$6.90 per square foot compared to \$7.18 at March 31. Excluding the effect of acquisitions, the in-place rents increased to \$7.22 per square foot. The Trust continues to see modest rent growth as rents adjust to market on renewals, as well as the effect of contractual rent steps in existing leases. Rent steps are currently adding to NOI at the rate of \$50,000 to \$100,000 per quarter.

AFFO per unit for the second quarter of 2013 would have been marginally above 19 cents on a pro forma basis taking into account the following items:

- An additional 1 cent contribution from the acquisitions, had they occurred at the beginning of the quarter;
- The net effect of the tenant vacancies discussed above; and
- Lease terminations revenue, recovery adjustments and other items discussed above.

Management believes that this represents the Trust's current "steady state" AFFO contribution.

OUTLOOK

After nine months of operations, we have solidified Dundee Industrial REIT as the market leader in Canada, while strengthening our footprint in key markets, leveraging our platform and achieving operating results that are generally consistent with our expectations. With the acquisitions completed in the second quarter, we now own a nationally diversified portfolio totalling 15.7 million square feet of gross leasable area.

For the remainder of 2013, our senior leadership team will be primarily focused on enhancing the manner in which we operate our assets, managing our human capital, and continuing to institute best practices to strengthen relationships with our tenants.

We will continue to look for acquisition opportunities that meet our investment criteria. However, at this time we are not seeing significant acquisition opportunities in our target markets that would be materially accretive to our key operating metrics.

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	June 30, 2013			December 31, 2012		
	Multi-tenant buildings	Single-tenant buildings	Total	Multi-tenant buildings	Single-tenant buildings	Total
Occupancy rate	93.6%	100.0%	95.8%	94.5%	99.0%	96.3%
Average in-place base rental rates (per sq. ft.)	\$ 7.07	\$ 6.60	\$ 6.90	\$ 7.24	\$ 6.94	\$ 7.12
Tenant maturity profile – average term to maturity (years)	3.70	6.79	4.83	3.64	8.04	5.41

Occupancy

At June 30, 2013, the overall percentage of occupied and committed space across our portfolio was high at 95.8%, which is slightly ahead of the national industry average of 95.7% according to CBRE. Comparative properties occupancy decreased from the prior quarter due to the vacancy of a tenant occupying 50,000 square feet in Edmonton and the increase in vacancy in Nova Scotia.

(percentage)	Total portfolio		Comparative properties ⁽¹⁾	
	June 30, 2013	March 31, 2013	June 30, 2013	March 31, 2013
Western Canada	95.6	96.4	95.4	96.4
Central Canada	96.3	97.3	97.0	97.3
Eastern Canada	94.6	95.0	94.1	95.0
Total	95.8	96.5	95.9	96.5

(1) Comparative properties include all properties owned by the Trust on March 31, 2013.

Vacancy schedule

During the quarter, vacancy increased by approximately 60,000 square feet. Leasing activity included approximately 363,000 square feet of renewals and approximately 130,000 square feet of new leases. Vacancy for total portfolio was also affected by the acquisition of the C2C Portfolio which closed at a lower occupancy than expected due to an early termination of a tenant occupying 39,000 square feet in the GTA. The 91,000 square feet of space committed for future occupancy is leased at a weighted average rate of \$8.90 per square foot, and occupancy is expected to occur primarily during Q3 and the beginning of Q4.

(in square feet)	Three months ended June 30, 2013	Six months ended June 30, 2013
Available for lease	395,001	427,806
Vacancy committed for future occupancy	91,748	83,687
Vacant space at beginning of period	486,749	511,493
Acquired vacancy	200,676	200,676
Vacant space – restated	687,425	712,169
Remeasurements	(162)	(126)
Expiries	549,222	864,783
Early terminations and bankruptcies	3,429	4,553
New leases	(129,766)	(230,817)
Renewals	(363,317)	(603,731)
Vacant space – June 30, 2013	746,831	746,831
Vacancy committed for future occupancy	90,511	90,511
Available for lease – June 30, 2013	656,320	656,320

In-place rental rates

At June 30, 2013, estimated current market rents were 4.6% 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.

	June 30, 2013			March 31, 2013		
	Average in-place base rent	Market rent ⁽¹⁾	Market rent/ in-place rent (%)	Average in-place base rent	Market rent	Market rent/ in-place rent (%)
Total portfolio						
Western Canada	\$ 8.52	\$ 9.49	11.4	\$ 8.46	\$ 9.44	11.6
Central Canada	6.05	6.05	-	6.29	6.22	(1.1)
Eastern Canada	7.01	7.31	4.3	6.85	7.25	5.8
Total	\$ 6.90	\$ 7.22	4.6	\$ 7.18	\$ 7.58	5.6

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

The following table illustrates the in-place rental rates for our comparative properties. For the comparative properties, average in-place rent increased almost 1% over the prior period, due to renewals and new deals done above expiring or at market rents. The total average market rent did not experience material changes quarter-over-quarter.

	June 30, 2013			Comparative properties ⁽¹⁾ March 31, 2013		
	Average in-place base rent	Market rent ⁽²⁾	Market rent/ in-place rent (%)	Average in-place base rent	Market rent	Market rent/ in-place rent (%)
Comparative properties						
Western Canada	\$ 8.54	\$ 9.48	11.0	\$ 8.46	\$ 9.44	11.6
Central Canada	6.31	6.19	(1.9)	6.29	6.22	(1.1)
Eastern Canada	6.92	7.20	4.1	6.85	7.25	5.8
Total	\$ 7.22	\$ 7.57	4.9	\$ 7.18	\$ 7.58	5.6

(1) Comparative properties are properties owned by the Trust on March 31, 2013.

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

Leasing and tenant profile

The average remaining lease term and other portfolio information are detailed in the following table. Overall, our average remaining lease term is 4.8 years and our average tenant size is 11,796 square feet. Our single-tenant buildings have an average remaining lease term of 6.8 years and multi-tenant buildings have an average remaining lease term of 3.7 years. The weighted average lease term of our top ten tenants, weighted by annualized base rent, is 8.7 years.

	June 30, 2013			March 31, 2013		
	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)	Average remaining lease term (years)	Average tenant size (sq. ft.)	Average in-place base rent (per sq. ft.)
Western Canada	4.35	8,625	\$ 8.52	3.85	8,483	\$ 8.46
Central Canada	5.40	21,295	6.05	6.75	28,480	6.29
Eastern Canada	3.79	6,506	7.01	3.55	6,033	6.85
Total	4.83	11,796	\$ 6.90	5.10	11,164	\$ 7.18

The following table details our lease maturity profile by geographic segment at June 30, 2013. The table distinguishes between lease maturities that have yet to be renewed or re-leased and maturities for which we have leasing commitments. The uncommitted line should be referenced when considering future leasing risks or opportunities, and the committed line should be referenced when considering the impact of leasing activity. In the remainder of 2013, 884,133 square feet will expire, of which 410,332 square feet, or 46%, has already been committed for future occupancy. Our current maturity profile is well balanced with 6% of leases expiring in the remainder of 2013, 13% expiring in 2014 and 14% expiring in 2015.

(in square feet)	Current vacancy	Current monthly tenancies	2013 (remainder)	2014	2015	2016	2017 to 2027	Total
Western Canada								
Uncommitted	188,060	-	140,883	631,531	652,316	566,848	1,615,556	3,795,194
Committed	-	-	84,949	69,374	11,249	275,335	53,076	493,983
Total Western Canada	188,060	-	225,832	700,905	663,565	842,183	1,668,632	4,289,177
Central Canada								
Uncommitted	317,124	119,440	161,063	817,833	1,026,572	975,934	4,818,985	8,236,951
Committed	-	-	229,370	28,712	-	63,243	-	321,325
Total Central Canada	317,124	119,440	390,433	846,545	1,026,572	1,039,177	4,818,985	8,558,276
Eastern Canada								
Uncommitted	151,136	5,313	171,855	402,352	458,909	504,670	955,045	2,649,280
Committed	-	-	96,013	9,637	11,868	-	45,089	162,607
Total Eastern Canada	151,136	5,313	267,868	411,989	470,777	504,670	1,000,134	2,811,887
Total uncommitted	656,320	124,753	473,801	1,851,716	2,137,797	2,047,452	7,389,586	14,681,425
Total committed	-	-	410,332	107,723	23,117	338,578	98,165	977,915
Total	656,320	124,753	884,133	1,959,439	2,160,914	2,386,030	7,487,751	15,659,340

The following table details expiring rents across our portfolio as well as our estimate of average market rents based on current leasing activity in similar properties at June 30, 2013. Expiring rents and market rents represent base rates and do not include the impact of lease incentives. Currently, 2013 estimated market rents are 3.9% above expiring rents and our 2014 market rents are 3.1% 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⁽¹⁾						
Western Canada	\$ -	\$ 11.15	\$ 8.77	\$ 8.44	\$ 7.95	\$ 9.82
Central Canada	9.04	6.58	5.88	5.89	5.46	6.81
Eastern Canada	3.44	6.33	6.80	6.58	7.40	7.95
Portfolio average	\$ 8.80	\$ 7.85	\$ 7.07	\$ 6.82	\$ 6.63	\$ 7.72
Market rents⁽²⁾						
Western Canada	\$ -	\$ 11.67	\$ 9.14	\$ 9.37	\$ 8.85	\$ 9.71
Central Canada	9.07	6.47	5.92	5.58	5.55	6.19
Eastern Canada	7.07	6.88	7.15	6.80	7.56	7.59
Market rent average	\$ 8.99	\$ 8.16	\$ 7.29	\$ 7.00	\$ 6.96	\$ 7.27

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

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

Initial direct leasing costs and lease incentives

Initial direct leasing costs include leasing fees and related costs 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 June 30, 2013, we incurred \$2.5 million in leasing costs and lease incentives, representing an average rate of \$3.00 per square foot leased.

Performance indicators	Total
Operating activities	
Portfolio size (sq. ft.)	15,659,340
Occupied and committed	95.8%
Square footage leased and occupied in 2013	834,548
Lease incentives and initial direct leasing costs paid in 2013	\$ 2,484

Tenant base profile

Our tenant base consists of a diverse range of high-quality businesses and, with 1,273 tenants, our risk exposure to any single large lease or tenant is low. The average size of our tenants is 11,796 square feet, averaging 82,877 square feet across our single-tenant buildings and 7,907 square feet across our multi-tenant buildings.

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

Tenant	Owned area (sq. ft.)	Owned area (%)	Gross annualized base rent (%)	Weighted average remaining lease term (years)
Spectra/Premium Industries Inc.	642,368	4.1	4.2	11.9
TC Transcontinental	523,345	3.3	3.6	8.8
Molson Breweries	225,000	1.4	2.4	9.5
The Brick	327,000	2.1	2.2	10.9
Royal Group	346,035	2.2	1.9	4.5
Clean Harbors Industrial	93,672	0.6	1.7	5.3
Nellson Nutraceuical Canada	210,710	1.3	1.3	6.3
Array Canada Inc.	209,754	1.3	1.1	7.5
Access Distribution	239,901	1.5	1.1	10.3
McKesson Canada Corporation	181,000	1.2	0.9	4.5
Total	2,998,785	19.0	20.4	8.7

The exposure from any of our top ten tenants is relatively low. On annualized base rent, none of the tenants represent more than 5% of total revenue of the portfolio, and the weighted average remaining lease term stands strong at 8.7 years.

OUR RESOURCES AND FINANCIAL CONDITION

Investment properties

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

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

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

	Total portfolio		
	June 30, 2013	March 31, 2013	December 31, 2012
Western Canada	\$ 555,422	\$ 526,817	\$ 523,683
Central Canada	709,245	424,209	425,017
Eastern Canada	266,346	197,819	198,710
Total	\$ 1,531,013	\$ 1,148,845	\$ 1,147,410

	Comparative properties ⁽¹⁾		
	June 30, 2013	March 31, 2013	Change
Western Canada	\$ 532,426	\$ 526,817	\$ 5,609
Central Canada	423,182	424,209	(1,027)
Eastern Canada	199,390	197,819	1,571
Total	\$ 1,154,998	\$ 1,148,845	\$ 6,153

(1) Comparative properties are properties owned by the Trust on March 31, 2013.

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

	Total portfolio		Capitalization rates			
	June 30, 2013		Comparative properties ⁽¹⁾			
	Range (%)	Weighted average (%)	June 30, 2013	June 30, 2013	March 31, 2013	March 31, 2013
			Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Western Canada	6.00–8.25	6.48	6.00–8.25	6.49	6.00–8.25	6.50
Central Canada	6.00–8.75	6.81	6.00–8.75	6.97	6.00–8.75	6.97
Eastern Canada	6.50–8.25	7.05	6.50–8.25	7.08	6.50–8.25	6.99
Total	6.00–8.75	6.73	6.00–8.75	6.77	6.00–8.75	6.76

(1) Comparative properties are properties owned by the Trust on March 31, 2013.

Investing activities

The following acquisitions were completed in the second quarter of 2013:

	Interest acquired (%)	Acquired GLA (sq. ft.)	Occupancy on acquisition (%)	Purchase price allocated to Investment properties ⁽¹⁾	Date acquired
CanFirst Portfolio	100	1,625,844	96	\$ 155,650	April 24, 2013
C2C Portfolio	95 ⁽²⁾	2,530,091	95	231,257	May 15, 2013
Lingard Road, Cambridge, ON	100	70,154	100	5,350	June 7, 2013
Total	100	4,226,089	95	\$ 392,257	

(1) Includes transaction costs.

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

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

On April 24, 2013, we acquired a portfolio of 22 properties ("CanFirst Portfolio") comprising 1.6 million square feet of gross leasable area located across the GTA in key industrial markets and situated along major transportation corridors providing direct highway access. The total purchase price was \$151.5 million before transaction costs. The acquisition was funded by assumed debt with a fair value of \$62.0 million with an average term of 1.9 years, with the balance funded by cash from the equity issue that closed on March 6, 2013. The effective interest rate on the assumed debt is approximately 3.09% after giving effect to the vendor's buy-down of existing rates.

In addition, on May 15, 2013, we acquired approximately 95% of the outstanding common shares of C2C Industrial Properties Inc. ("C2C", or 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 Greater Toronto Area and the Greater Montreal Area. As part of this transaction, we have assumed mortgages with a fair value of \$115.6 million with an average term of 4.6 years and convertible debentures with a fair value of \$21.6 million at 6.75% face rate with 4.4 years to maturity. Subsequent to announcement, but prior to closing, a tenant occupying 39,000 square feet negotiated the early termination of the lease, with the payment of a \$150,000 lease termination fee, which is reflected in the purchase price allocation of C2C assets.

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

	Portfolio as at March 31, 2013 ⁽¹⁾	CanFirst Portfolio	C2C Portfolio	Gross leasable area (sq. ft.)		Geographic distribution	
				Lingard	June 30, 2013	March 31, 2013 portfolio (%)	June 30, 2013 portfolio (%)
British Columbia	17,405	-	-	-	17,405	0.2	0.1
Alberta	3,273,716	-	168,261	-	3,441,977	28.6	22.0
Saskatchewan	829,795	-	-	-	829,795	7.3	5.3
Ontario	1,917,401	1,625,844	1,211,832	70,154	4,825,231	16.8	30.8
Quebec	3,204,516	-	528,529	-	3,733,045	27.9	23.8
New Brunswick	134,704	-	-	-	134,704	1.2	0.9
Nova Scotia	2,055,714	-	621,469	-	2,677,183	18.0	17.1
Total	11,433,251	1,625,844	2,530,091	70,154	15,659,340	100.0	100.0

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

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.

	June 30, 2013	December 31, 2012
Debt	\$ 845,652	\$ 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:

	June 30, 2013	December 31, 2012
Financing activities		
Average effective interest rate ⁽¹⁾	3.81%	3.72%
Average face interest rate	4.19%	4.19%
Level of debt (debt-to-total assets) ⁽²⁾	53.0%	54.3%
Interest coverage ratio ⁽³⁾	2.8	3.0
Maximum proportion of debt maturities due in any one year	15.8% (2015)	18.2% (2019)
Debt – average term to maturity (years)	4.5	4.1
Variable rate debt as percentage of total debt	0.2%	6.5%

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

(2) Level of debt 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 six months ended June 30, 2013 and for the period ended December 31, 2012 is calculated as net rental income plus interest and fee income, less general and administrative expenses, plus deferred unit compensation expense, all divided by interest expense on debt excluding deferred financing and mark-to-market adjustments.

We currently use cash flow performance and debt level indicators to assess our ability to meet our financing obligations. Our current interest coverage ratio is 2.8 times, demonstrating our ability to more than adequately cover interest expense requirements. At June 30, 2013, our weighted average face rate of interest is 4.19% and, after accounting for market adjustments and financing costs, the weighted average effective interest rate for outstanding debt is 3.81%.

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. At June 30, 2013, the Trust extended a \$1.3 million fixed rate mortgage, which was expiring on June 1, 2013, to a variable rate loan for another 120 days.

	June 30, 2013			December 31, 2012		
	Fixed	Variable	Total	Fixed	Variable	Total
Mortgages	\$ 719,933	\$ 1,300	\$ 721,233	\$ 462,359	\$ -	\$ 462,359
Promissory note payable	-	-	-	42,000	-	42,000
Demand revolving credit facility	-	-	-	-	10,000	10,000
Unsecured non-revolving bridge facility	-	-	-	-	32,394	32,394
Convertible debentures	124,419	-	124,419	103,092	-	103,092
Total	\$ 844,352	\$ 1,300	\$ 845,652	\$ 607,451	\$ 42,394	\$ 649,845
Percentage	99.8%	0.2%	100.0%	93.5%	6.5%	100.0%

Mortgages payable are recorded net of \$12.8 million of fair value adjustments upon initial recognition and \$1.1 million of financing costs. At June 30, 2013, amounts recorded for the convertible debentures are net of a \$2.7 million discount allocated to their conversion features on issuance and net of financing costs of \$3.6 million. The fair value adjustments, discounts and financing costs are amortized to interest expense over the term to maturity of the related debt using the effective interest rate method.

Debt financing activities

New and assumed mortgages are highlighted in the table below.

	Three months ended June 30, 2013				Six months ended June 30, 2013			
	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)	Amount	Average term to maturity (years)	Weighted average interest rate (%)	Weighted average effective interest rate (%)
New mortgages	\$ -	-	-	-	\$ 98,606	8.5	3.8	3.9
New mortgages assumed on investment property acquisition and business combination	175,425	3.8	3.7	3.3	175,425	3.8	3.7	3.3
Overall	\$ 175,425	3.8	3.7	3.3	\$ 274,031	5.5	3.7	3.5

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

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

Demand revolving credit facility

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

Changes in debt levels are as follows:

	Three months ended June 30, 2013		
	Mortgages	Convertible debentures	Total
Debt as at March 31, 2013	\$ 556,174	\$ 103,330	\$ 659,504
New debt assumed on investment property acquisitions and business combination	175,425	20,125	195,550
New debt placed	-	-	-
Scheduled repayments	(4,415)	-	(4,415)
Lump sum repayments ⁽¹⁾	(7,149)	(705)	(7,854)
Other adjustments ⁽²⁾	1,198	1,669	2,867
Debt as at June 30, 2013	\$ 721,233	\$ 124,419	\$ 845,652

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

(2) Other adjustments include fair value adjustments and amortization of finance costs and fair value adjustments.

	Six months ended June 30, 2013					
	Mortgages	Promissory notes payable	Demand revolving credit facility	Unsecured non-revolving bridge facility	Convertible debentures	Total
Debt as at December 31, 2012	\$ 462,359	\$ 42,000	\$ 10,000	\$ 32,394	\$ 103,092	\$ 649,845
New debt assumed on investment property acquisitions and business combination	175,425	-	-	-	20,125	195,550
New debt placed	98,606	-	-	-	-	98,606
Scheduled repayments	(7,759)	-	-	-	-	(7,759)
Lump sum repayments ⁽¹⁾	(7,149)	(42,000)	(10,000)	(32,500)	(705)	(92,354)
Other adjustments ⁽²⁾	(249)	-	-	106	1,907	1,764
Debt as at June 30, 2013	\$ 721,233	\$ -	\$ -	\$ -	\$ 124,419	\$ 845,652

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

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

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

	Debt maturities	Scheduled principal repayments on non-matured debt	Amount	%	Weighted average effective interest rate on balance due at maturity (%)	Weighted average face rate on balance due at maturity (%)
2013	\$ 12,903	\$ 10,376	\$ 23,279	2.77	3.04	3.35
2014	94,900	19,220	114,120	13.58	3.01	4.00
2015	116,577	16,790	133,367	15.88	3.07	3.61
2016	93,270	13,249	106,519	12.68	3.19	4.26
2017	101,479	10,479	111,958	13.33	3.89	4.50
2018 and thereafter	327,115	23,824	350,939	41.76	4.55	4.39
Total	\$ 746,244	\$ 93,938	\$ 840,182	100.00	3.84	4.20
Financing costs			(4,664)			
Fair value adjustments			10,134			
Total			\$ 845,652			

Convertible debentures

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

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

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

The fair value of the conversion feature of the convertible debentures is remeasured each period, with changes in fair value being recorded in comprehensive income. At June 30, 2013, the conversion feature amounted to \$1.6 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 June 30, 2013, the Trust has entered into lease agreements that may require tenant improvement costs of approximately \$1.6 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.

	June 30, 2013		Unitholders' equity December 31, 2012	
	Number of Units	Amount	Number of Units	Amount
REIT Units	54,289,786	\$ 552,339	36,257,538	\$ 326,211
Add: LP B Units	16,282,096	147,841	16,198,747	181,426
Non-controlling interest	-	3,552	-	-
Total	70,571,882	\$ 703,732	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 June 30, 2013, Dundee REIT, indirectly through its wholly owned subsidiaries, held 16,282,096 LP B Units representing a total ownership interest of approximately 23.1%.

The following table summarizes the changes in our outstanding equity.

	REIT Units	LP B Units	Total
Total Units outstanding on January 1, 2013	36,257,538	16,198,747	52,456,285
Units issued pursuant to public offering	10,465,000	-	10,465,000
Units issued pursuant to C2C transaction	7,460,654	-	7,460,654
Units issued pursuant to DRIP	85,069	83,349	168,418
Units issued pursuant to Unit Purchase Plan	1,125	-	1,125
Units issued pursuant to Deferred Unit Incentive Plan ("DUIP")	20,400	-	20,400
Total Units outstanding on June 30, 2013	54,289,786	16,282,096	70,571,882
Percentage of all Units	76.9%	23.1%	100.0%
Units issued pursuant to Unit Purchase Plan	107	-	107
Units issued pursuant to DRIP on July 15, 2013	22,682	-	22,682
Units issued pursuant to amalgamation on July 19, 2013	387,399	-	387,399
Total Units outstanding on Aug 6, 2013⁽¹⁾	54,699,974	16,282,096	70,982,070
Percentage of all Units	77.1%	22.9%	100.0%

(1) The date of this report.

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

On March 6, 2013, the Trust completed a public offering of 10,465,000 REIT Units, at a price of \$11.00 per unit for gross proceeds of \$115.1 million, including 1,365,000 REIT Units pursuant to the exercise of the over-allotment option granted to the underwriters. Costs related to the offering of \$5.1 million (including costs of the over-allotment option) were charged directly to unitholders' equity.

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

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

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

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

Subsequent events

On July 19, 2013, we acquired the remaining outstanding 863,840 common shares of C2C by way of an amalgamation. Pursuant to the arrangement, the Trust paid consideration of 0.4485 REIT Units for each issued and outstanding common share of C2C, resulting in the issuance of 387,399 REIT Units.

Short form base shelf prospectus

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

Distribution policy

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

	Three months ended June 30, 2013			Six months ended June 30, 2013		
	Declared distributions	3% bonus distributions	Total	Declared distributions	3% bonus distributions	Total
2013 distributions						
Paid in cash or reinvested in Units	\$ 7,794	\$ 13	\$ 7,807	\$ 17,253	\$ 25	\$ 17,278
Payable at June 30, 2013	4,117	-	4,117	4,117	-	4,117
Total distributions⁽¹⁾	\$ 11,911	\$ 13	\$ 11,924	\$ 21,370	\$ 25	\$ 21,395
2013 reinvestment						
Reinvested to June 30, 2013	\$ 420	\$ 13	\$ 433	\$ 839	\$ 25	\$ 864
Reinvested on July 15, 2013	205	6	211	205	6	211
Total distributions reinvested	\$ 625	\$ 19	\$ 644	\$ 1,044	\$ 31	\$ 1,075
Distributions paid in cash	\$ 11,286			\$ 20,326		
Reinvestment to distribution ratio	5.2%			4.9%		
Cash payout ratio	94.8%			95.1%		

(1) Includes distributions on LP B Units.

Distributions declared for the three months ended June 30, 2013 were \$11.9 million. Distributions declared for the six months ended June 30, 2013 were \$21.4 million. Of the distributions declared for the three months ended June 30, 2013, \$0.6 million, or approximately 5%, was reinvested in additional Units resulting in a cash payout ratio of 95%, and for the six months ended June 30, 2013, \$1.0 million, or approximately 5%, was reinvested in additional Units resulting in a cash payout ratio of 95% (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 June 30, 2013	Six months ended June 30, 2013
Net income	\$ 33,965	\$ 51,889
Cash flows from operating activities	9,128	21,183
Add (deduct):		
Investment in lease incentives and initial direct leasing costs	1,665	2,484
Change in non-cash working capital	3,787	1,934
Adjusted cash flows from operating activities	14,580	25,601
Distributions paid and payable ⁽¹⁾	11,924	21,395
Add (deduct):		
Distributions on Units issued on March 6	(473)	(1,062)
Distributions on Units issued for C2C on May 15	(211)	(211)
Adjusted distributions paid and payable	11,240	20,122
Adjusted cash flows from operating activities over adjusted distributions paid and payable	3,340	5,479

(1) Includes distributions on LP B Units.

For the three months ended June 30, 2013, adjusted cash flows from operating activities exceeded adjusted distributions paid and payable by \$3.3 million (\$5.5 million for the six-month period). In the table above, for comparison purposes, distributions paid and payable were adjusted to remove the distributions related to the Units issued pursuant to the equity offering completed on March 6, 2013 and the Units issued for acquiring the common shares of C2C on May 15, 2013. The proceeds from the Units issued on March 6, 2013 were not deployed until the acquisition of CanFirst Portfolio on April 24, 2013, and accordingly, the cash flow from operations related to those Units only commenced from April 25, 2013. Distributions on the Units issued for acquiring the common shares of C2C reflects the period starting from May 1, 2013 to June 30, 2013. However, cash flow from operations associated with these Units only commenced on May 16, 2013. The net income included distributions paid and payable of \$2.8 million and \$5.6 million, respectively, for the three and six months ended June 30, 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 June 30, 2013	Three months ended March 31, 2013	Six months ended June 30, 2013	Period from October 4, 2012 to December 31, 2012
Investment properties revenue	\$ 34,703	\$ 29,250	\$ 63,953	\$ 17,202
Investment properties operating expenses	9,949	9,358	19,307	4,667
Net rental income	24,754	19,892	44,646	12,535
Other income and expenses				
General and administrative	(1,903)	(1,382)	(3,285)	(855)
Fair value adjustments to investment properties	283	577	860	6,048
Acquisition related costs	(11,018)	-	(11,018)	(11,528)
Interest:				
Debt	(7,365)	(6,551)	(13,916)	(3,244)
Subsidiary redeemable units	(2,849)	(2,748)	(5,597)	(2,711)
Interest and fee income	186	36	222	16
Fair value adjustments to financial instruments	32,149	8,100	40,249	(21,134)
Income (loss) before income taxes	34,237	17,924	52,161	(20,873)
Deferred income taxes	(272)	-	(272)	-
Net income (loss) and comprehensive income (loss)	\$ 33,965	\$ 17,924	\$ 51,889	\$ (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 \$34.7 million for the quarter. Investment properties revenue increased by \$5.5 million, or 18.6%, over the prior quarter ended March 31, 2013, primarily due to revenues from the CanFirst and C2C Portfolios acquired during the quarter.

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 \$9.9 million and \$19.3 million for the three and six months ended June 30, 2013, respectively. Investment properties operating expenses increased \$0.6 million over the prior quarter primarily due to expenses incurred in connection with the CanFirst and C2C Portfolios acquired during the quarter.

General and administrative

General and administrative expenses primarily comprise expenses related to corporate management, trustees' fees and expenses, investor relations and asset management fees. For the three months ended June 30, 2013, general and administrative expenses totalled \$1.9 million, comprising \$0.9 million in asset management fees, \$0.4 million in professional fees, \$0.2 million of general corporate expenses, and \$0.4 million related to the DUIP. General and administrative expenses increased \$0.5 million or 38% over the prior quarter primarily due to an increase in asset management fees on the CanFirst and C2C Portfolios acquired during the quarter, as well as an increase in deferred unit compensation expense related to the new grant of Units in May 2013. In addition, general and administrative expenses included \$0.2 million of deferred compensation related to the departure of certain executives of the Trust.

Fair value adjustments to investment properties

A \$0.3 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 three months ended June 30, 2013 was \$7.4 million, including \$8.1 million of contractual interest expense and \$0.2 million related to the amortization of financing costs, offset by \$0.9 million related to the amortization of market-to-market adjustments recorded on assumed debt and the issuance of convertible debentures. Interest expense on debt increased \$0.8 million over the prior quarter primarily as a result of interest on the debt assumed when we purchased the CanFirst and C2C Portfolios.

Interest and fee income

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

Fair value adjustments to financial instruments

Fair value adjustments to financial instruments include fair value adjustments on the conversion features of convertible debt, remeasurement of the carrying value of subsidiary redeemable units and remeasurement of the deferred trust units. For the three months ended June 30, 2013, we recognized gains of \$28.3 million and \$3.8 million on the remeasurement of the subsidiary redeemable units and the remeasurement of the conversion feature on the convertible debentures, respectively, primarily due to a decline in the trading value of REIT Units at the end of the quarter compared to March 31, 2013.

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 20 to the condensed consolidated financial statements. Pursuant to the Asset Management Agreement, we paid \$3.0 million for the three months ended June 30, 2013, comprising \$0.9 million reported in general and administration expenses for asset management fees in the statement of net income and other comprehensive income and \$0.2 million recorded as a financing cost and \$1.9 million in acquisition costs.

Net operating income

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

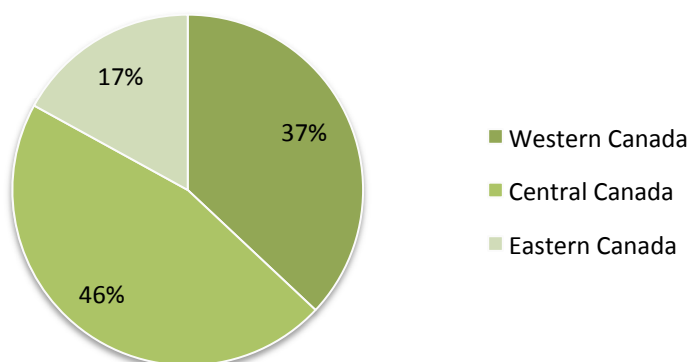
Net operating income is an important measure used by management in evaluating property operating performance; however, it is not defined by IFRS, does not have a standard meaning and may not be comparable with similar measures presented by other income trusts.

	Three months ended June 30, 2013	Three months ended March 31, 2013	Six months ended June 30, 2013	Period from October 4, 2012 to December 31, 2012
Total portfolio				
Western Canada	\$ 9,117	\$ 8,672	\$ 17,789	\$ 6,371
Central Canada	11,326	7,729	19,055	5,138
Eastern Canada	4,311	3,491	7,802	1,026
Net operating income	\$ 24,754	\$ 19,892	\$ 44,646	\$ 12,535

Net operating income for the three months ended June 30, 2013 was \$24.8 million, up from \$19.9 million for the three months ended March 31, 2013, largely reflecting the contribution of acquisitions completed during the quarter.

NOI BY REGION

(Three months ended June 30, 2013)



NOI prior quarter comparison

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

	Three months ended June 30, 2013	Three months ended March 31, 2013	Growth	
			Amount	%
Western Canada	\$ 8,676	\$ 8,439	\$ 237	3
Central Canada	7,785	7,474	311	4
Eastern Canada	3,501	3,418	83	2
Comparative properties	19,962	19,331	631	3
Lease termination fees and other items	184	(65)	249	
Acquisitions	3,925	-	3,925	
Straight-line rent	801	727	74	
Bad debt expenses	(98)	(97)	(1)	
Amortization of lease incentives	(20)	(4)	(16)	
NOI	\$ 24,754	\$ 19,892	\$ 4,862	24

The increase in comparative property NOI during the quarter was due in part to the internalization of the property management of the KingSett Portfolio, which was externally managed until March 31, 2013, reducing external fees by \$0.4 million, as well as contractual rent steps and increased rent from leasing activity totalling \$0.3 million. Lease termination fees and other items include items that management regards as one time in nature, such as common area maintenance ("CAM") recovery adjustments and similar items. Acquisitions contributed \$3.9 million to NOI during the quarter.

Funds from operations and adjusted funds from operations

	Three months ended June 30, 2013	Three months ended March 31, 2013	Six months ended June 30, 2013	Period from October 4, 2012 to December 31, 2012
Net income (loss)	\$ 33,965	\$ 17,924	\$ 51,889	\$ (20,873)
Add (deduct):				
Amortization of lease incentives	20	4	24	-
Interest expense on subsidiary redeemable units	2,849	2,748	5,597	2,711
Acquisition related costs	11,018	-	11,018	11,528
Fair value adjustments to investment properties	(283)	(577)	(860)	(6,048)
Fair value adjustments to financial instruments	(32,149)	(8,100)	(40,249)	21,134
Fair value adjustments of DUIP included in general and administrative expenses	(53)	(6)	(59)	-
FFO share related to non-controlling interest of C2C	(67)	-	(67)	-
Deferred income taxes	272	-	272	-
FFO	\$ 15,572	\$ 11,993	\$ 27,565	\$ 8,452
Funds from operations	\$ 15,572	\$ 11,993	\$ 27,565	\$ 8,452
Add (deduct):				
Amortization of fair value adjustments on assumed debt	(924)	(685)	(1,609)	(819)
Deferred unit compensation expense	493	212	705	46
Straight-line rent	(801)	(727)	(1,528)	(400)
FFO share related to non-controlling interest of C2C	67	-	67	-
AFFO share related to non-controlling interest of C2C	(56)	-	(56)	-
	14,351	10,793	25,144	7,279
Deduct:				
Normalized initial direct leasing costs and lease incentives	1,138	949	2,087	562
Normalized recurring capital expenditures	683	569	1,252	225
AFFO	\$ 12,530	\$ 9,275	\$ 21,805	\$ 6,492

In the calculation of AFFO, the Trust assumes 8% of NOI, adjusted from straight-line rent and property management income for normalized initial direct leasing costs and recurring capital expenditures. This assumption will be re-evaluated from time to time based on actual experience as our expenditure pattern is established in the future.

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 June 30, 2013 includes \$1.8 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 June 30, 2013	Three months ended March 31, 2013	Six months ended June 30, 2013	Period from October 4, 2012 to December 31, 2012
Weighted average Units outstanding for basic per unit amounts (in thousands)	66,930	55,561	61,277	39,320
Weighted average Units outstanding for diluted per unit amounts (in thousands)	75,830	63,622	69,760	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 June 30, 2013	Three months ended March 31, 2013	Six months ended June 30, 2013	Period from October 4, 2012 to December 31, 2012
FFO	\$ 15,572	\$ 11,993	\$ 27,565	\$ 8,452
FFO per unit – basic	\$ 0.23	\$ 0.22	\$ 0.45	\$ 0.22
FFO per unit – diluted	\$ 0.23	\$ 0.22	\$ 0.45	\$ 0.21

For the three months ended June 30, 2013, FFO per diluted unit was \$0.23, versus FFO per diluted unit of \$0.22 for the first quarter. The increase over the prior quarter is due to the effect of acquisitions during the quarter and increases in NOI from property operations and leasing.

Adjusted funds from operations

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 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, adjusted for properties that have been acquired or sold. Our estimates of normalized 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 June 30, 2013	Three months ended March 31, 2013	Six months ended June 30, 2013	Period from October 4, 2012 to December 31, 2012
AFFO	\$ 12,530	\$ 9,275	\$ 21,805	\$ 6,492
AFFO per unit – basic	\$ 0.19	\$ 0.17	\$ 0.36	\$ 0.17

AFFO was \$12.5 million, or \$0.19 per unit. The increase over the prior quarter is due mainly to the effects of acquisitions during the quarter and increases in NOI from property operations and leasing.

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

	Three months ended June 30, 2013	Three months ended March 31, 2013	Six months ended June 30, 2013	Period from October 4, 2012 to December 31, 2012
Cash generated from operating activities	\$ 9,128	\$ 12,055	\$ 21,183	\$ 10,241
Add (deduct):				
Initial direct leasing costs and lease incentives incurred	1,665	819	2,484	562
Change in non-cash working capital	3,787	(1,853)	1,934	(3,424)
Amortization of financing costs on debt	(207)	(206)	(413)	(100)
AFFO share related to non-controlling interest	(56)	-	(56)	-
Normalized initial direct leasing costs and lease incentives	(1,138)	(949)	(2,087)	(562)
Normalized recurring capital expenditures	(683)	(569)	(1,252)	(225)
Other	34	(22)	12	-
AFFO	\$ 12,530	\$ 9,275	\$ 21,805	\$ 6,492

QUARTERLY INFORMATION

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

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

Calculation of funds from operations

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

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

	Q2 2013	Q1 2013	Q4 2012
FUNDS FROM OPERATIONS	\$ 15,572	\$ 11,993	\$ 8,452
Add (deduct):			
Amortization of fair value adjustment on assumed debt	(924)	(685)	(819)
Deferred unit compensation expense	493	212	46
Straight-line rent	(801)	(727)	(400)
FFO share related to non-controlling interest of C2C	67	-	-
AFFO share related to non-controlling interest of C2C	(56)	-	-
	14,351	10,793	7,279
Adjusted for:			
Normalized initial direct leasing costs and lease incentives	1,138	949	562
Normalized recurring capital expenditures	683	569	225
Adjusted funds from operations	\$ 12,530	\$ 9,275	\$ 6,492
AFFO per unit – basic ⁽¹⁾	\$ 0.19	\$ 0.17	\$ 0.17
Weighted average units outstanding for FFO and AFFO			
Basic (in thousands)	66,930	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)(b) of National Instrument 52-109, our Chief Executive Officer and Chief Financial Officer have limited the scope of our design of Disclosure Controls and Procedures and Internal Control 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, and the acquisitions of the C2C Portfolio and CanFirst Portfolio, as they were acquired less than 365 days before the last day of the interim period ended June 30, 2013. The results of the acquired businesses are included in our condensed consolidated financial statements for the period ended June 30, 2013. We intend to complete our design of Disclosure Controls and Procedures and Internal Control 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 consolidated financial statements.

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

Condensed consolidated balance sheets

(unaudited)

(in thousands of Canadian dollars)	Note	June 30, 2013	December 31, 2012
Assets			
NON-CURRENT ASSETS			
Investment properties	7	\$ 1,532,034	\$ 1,147,410
Other non-current assets	9	38,568	36,595
Deferred income tax assets	11	1,963	-
		1,572,565	1,184,005
CURRENT ASSETS			
Amounts receivable	10	3,833	2,177
Prepaid expenses and other assets		5,106	3,378
Cash and cash equivalents		2,458	2,306
		11,397	7,861
Total assets		\$ 1,583,962	\$ 1,191,866
Liabilities			
NON-CURRENT LIABILITIES			
Debt	12	\$ 744,311	\$ 548,959
Subsidiary redeemable units	13	147,841	181,426
Tenant security deposits		9,330	5,750
Conversion feature on the convertible debentures	12	1,576	6,228
Deferred Unit Incentive Plan	14	458	51
		903,516	742,414
CURRENT LIABILITIES			
Debt	12	101,341	100,886
Amounts payable and accrued liabilities	15	20,047	20,316
Distributions payable	16	3,167	2,039
		124,555	123,241
Total liabilities		1,028,071	865,655
Equity			
Unitholders' equity		540,796	351,299
Retained earnings (deficit)		11,543	(25,088)
Total unitholders' equity		552,339	326,211
Non-controlling interest		3,552	-
Total equity		555,891	326,211
Total liabilities and equity		\$ 1,583,962	\$ 1,191,866

See accompanying notes to the condensed consolidated financial statements.

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



Joanne Ferstman
Trustee



Vincenza Sera
Trustee

Condensed consolidated statements of net income and comprehensive income

(unaudited)

(in thousands of Canadian dollars)	Note	Three months ended June 30, 2013	Six months ended June 30, 2013
Investment properties revenue		\$ 34,703	\$ 63,953
Investment properties operating expenses		9,949	19,307
Net rental income		24,754	44,646
Other income and expenses			
General and administrative		(1,903)	(3,285)
Fair value adjustments to investment properties	7	283	860
Acquisition related costs	5	(11,018)	(11,018)
Interest:			
Debt	18	(7,365)	(13,916)
Subsidiary redeemable units	18	(2,849)	(5,597)
Interest and fee income		186	222
Fair value adjustments to financial instruments	19	32,149	40,249
Income before income taxes		34,237	52,161
Deferred income taxes	11	(272)	(272)
Net income and comprehensive income		\$ 33,965	\$ 51,889
Net income and comprehensive income attributable to:			
Unitholders		\$ 34,505	\$ 52,429
Non-controlling interest		(540)	(540)
		\$ 33,965	\$ 51,889

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of changes in equity

(unaudited)

(in thousands of Canadian dollars, except number of units)	Note	Attributable to unitholders of the Trust					Non-controlling interest	Total equity
		Number of Units	Unitholders' equity	Retained earnings (deficit)	Total unitholders' equity			
Balance at January 1, 2013		36,257,538	\$ 351,299	\$ (25,088)	\$ 326,211	\$ -	\$	326,211
Net income for the period		-	-	52,429	52,429	(540)		51,889
Distributions paid and payable	16	-	-	(15,798)	(15,798)	-		(15,798)
Public offering of REIT Units	17	10,465,000	115,115	-	115,115	-		115,115
REIT Units issued for C2C acquisition	5	7,460,654	78,785	-	78,785	4,092		82,877
Distribution Reinvestment Plan	16, 17	85,069	900	-	900	-		900
Unit Purchase Plan	17	1,125	12	-	12	-		12
Deferred trust units exchanged for REIT Units	17	20,400	218	-	218	-		218
Issue costs	17	-	(5,533)	-	(5,533)	-		(5,533)
Balance at June 30, 2013		54,289,786	\$ 540,796	\$ 11,543	\$ 552,339	\$ 3,552	\$	555,891

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

See accompanying notes to the condensed consolidated financial statements.

Condensed consolidated statements of cash flows

(unaudited)

(in thousands of Canadian dollars)	Note	Three months ended June 30, 2013	Six months ended June 30, 2013
Generated from (utilized in) operating activities			
Net income		\$ 33,965	\$ 51,889
Non-cash items:			
Amortization of financing costs	18	207	413
Amortization of lease incentives	7	20	24
Amortization of fair value adjustments on debt	18	(924)	(1,609)
Deferred unit compensation expense	14	440	646
Straight-line rent adjustment	9	(801)	(1,528)
Fair value adjustments to investment properties	7	(283)	(860)
Fair value adjustments to financial instruments	19	(32,149)	(40,249)
Reinvestment in subsidiary redeemable units	13, 18	-	938
Deferred income taxes	11	272	272
Investment in lease incentives and initial direct leasing costs	7	(1,665)	(2,484)
Transaction costs included in net income		11,018	11,018
Interest paid on subsidiary redeemable units	18	2,815	4,647
Change in non-cash working capital	21	(3,787)	(1,934)
		9,128	21,183
Generated from (utilized in) investing activities			
Additions to property and equipment	9	(50)	(51)
Investment in investment properties	7	(22)	(65)
Acquisition of C2C shares, net of cash acquired	5	1,592	1,592
Transaction costs paid during the period		(11,499)	(15,803)
Acquisition of investment properties	6	(91,815)	(92,815)
		(101,794)	(107,142)
Generated from (utilized in) financing activities			
Proceeds from mortgage financings	12	-	98,606
Financing costs on mortgages placed	12	-	(624)
Mortgage principal repayments		(4,415)	(7,759)
Mortgage lump sum repayment		(7,149)	(7,149)
Payment made for the tender of 6.75% Debentures	12	(705)	(705)
Repayment of unsecured non-revolving bridge loan facility	12	-	(32,500)
Repayment of demand revolving credit facility	12	-	(10,000)
Repayment of promissory notes payable	12	-	(42,000)
Distributions paid on Units	16	(7,933)	(13,770)
Interest paid on subsidiary redeemable units	18	(2,815)	(4,647)
Cash proceeds on issue of Units	17	6	115,127
Unit issue costs paid during the period	17	(1,295)	(8,468)
		(24,306)	86,111
(Decrease) increase in cash and cash equivalents		(116,972)	152
Cash and cash equivalents, beginning of period		119,430	2,306
Cash and cash equivalents, end of period		\$ 2,458	\$ 2,458

See accompanying notes to the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements

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

Note 1

ORGANIZATION

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

The Trust's registered office is 30 Adelaide Street East, Suite 1600, Toronto, Ontario, Canada M5C 3H1. The Trust is listed on the Toronto Stock Exchange under the symbol "DIR.UN". Dundee Industrial's condensed consolidated financial statements for the three and six months ended June 30, 2013, were authorized for issue by the Board of Trustees on August 6, 2013, after which date they may only be amended with the Board of Trustees' approval.

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

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

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

At June 30, 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 consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB, have been omitted or condensed.

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

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

Note 3

ACCOUNTING POLICIES SELECTED AND APPLIED FOR SIGNIFICANT TRANSACTIONS AND EVENTS

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

Changes in accounting policies

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

Financial instruments: disclosures

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

Consolidated financial statements

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

Joint arrangements

IFRS 11, “Joint Arrangements” (“IFRS 11”), supersedes IAS 31, “Interests in Joint Ventures”, and requires joint arrangements to be classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, the Trust recognizes its share of assets, liabilities, revenues and expenses of the joint operation. 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 on January 1, 2013 did not result in any changes in the accounting for its joint arrangements.

Disclosures of interests in other entities

In May 2011, the IASB issued IFRS 12, “Disclosure of Interests in Other Entities” (“IFRS 12”), to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates, including the reporting entity’s involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e., special purpose entities). The Trust adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 will result in 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 23. 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 net income and comprehensive income and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive income.

Income taxes

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

Note 4

CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS IN APPLYING ACCOUNTING POLICIES

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

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

Note 5

BUSINESS COMBINATIONS

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

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

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

Acquisition related costs for the C2C Portfolio totalled \$11,018.

During the period May 15, 2013 to June 30, 2013, the Trust recognized \$3,263 of revenue, and \$1,117 of comprehensive income before fair value adjustments, related to the acquisition of the C2C Portfolio. Had the acquisition occurred on January 1, 2013, the Trust would have recognized an additional \$9,575 of revenue and \$3,302 of comprehensive income before fair value adjustments for the six months ended June 30, 2013, and an additional \$3,192 of revenue and \$1,092 of comprehensive income before fair value adjustments for the three months ended June 30, 2013.

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

The initial accounting for the assets and liabilities recognized on the acquisition of the Initial Properties and the KingSett Portfolio has not been finalized and remains subject to adjustment.

Note 6

INVESTMENT PROPERTY ACQUISITIONS

Detailed below are the investment property acquisitions completed during the six months ended June 30, 2013.

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

(1) Includes transaction costs.

The consideration paid consists of:

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

Note 7

INVESTMENT PROPERTIES

	Note	Six months ended June 30, 2013	Period from July 20, 2012 to December 31, 2012
Balance at beginning of period		\$ 1,147,410	\$ -
Additions:			
Acquisitions from business combination ⁽¹⁾	5	220,239	1,123,618
Investment property acquisitions	6	161,000	17,182
Building improvements		65	-
Lease incentives and initial direct leasing costs		2,484	562
Amortization of lease incentives		(24)	-
Fair value adjustments to investment properties		860	6,048
Balance at end of period		\$ 1,532,034	\$ 1,147,410

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

The Trust's investment properties have been reduced by \$1,928 (December 31, 2012 – \$400) related to straight-line rent receivable, which has been reclassified to other non-current assets.

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

	June 30, 2013		December 31, 2012	
	Range (%)	Weighted average (%)	Range (%)	Weighted average (%)
Capitalization rate ("cap rate")	6.00–8.75	6.73	5.85–8.75	6.80
Discount rate	6.50–9.50	7.69	6.75–9.50	7.65
Terminal rate	5.75–9.00	6.98	6.25–9.00	6.88

Investment properties with an aggregate fair value of \$170,421 as at June 30, 2013 (December 31, 2012 – \$178,088) were valued by qualified external valuation professionals. Investment properties with an aggregate June 30, 2013 fair value of \$1,325,418 were valued by qualified external valuation professionals for the period between October 4, 2012 and June 30, 2013.

If the cap rate were to increase by 25 basis points ("bps"), the value of investment properties would decrease by \$49,377. If the cap rate were to decrease by 25 bps, the value of investment properties would increase by \$65,069.

As at June 30, 2013, investment properties with a fair value of \$1,366,789 (December 31, 2012 – \$878,269) are pledged as first-ranking and/or second-ranking collateral for mortgages. As at June 30, 2013, investment properties with a fair value of \$80,618 (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 (%)	
			June 30, 2013	December 31, 2012
2240 Premier Way (GE Turbine Building)	Investment property	Edmonton, AB	50.0	50.0

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

	June 30, 2013	December 31, 2012
Non-current assets		
Investment properties	\$ 2,530	\$ 2,250
	2,530	2,250
Current assets		
Amounts receivable	48	2
Prepaid expenses and other assets	1	1
Cash and cash equivalents	56	52
	105	55
Total assets	\$ 2,635	\$ 2,305
Current liabilities		
Debt	\$ 1,300	\$ 1,320
Amounts payable and accrued liabilities	48	14
Total liabilities	\$ 1,348	\$ 1,334

	Three months ended June 30, 2013	Six months ended June 30, 2013
Investment properties revenue	\$ 44	\$ 95
Investment properties operating expenses	15	37
Net rental income	29	58
Other income and expenses		
Fair value adjustments to investment properties	280	280
Interest on debt	(14)	(24)
Net income	\$ 295	\$ 314

Note 9

OTHER NON-CURRENT ASSETS

	June 30, 2013	December 31, 2012
Deposits	\$ 382	\$ -
Property and equipment	53	2
Straight-line rent receivable	1,928	400
Goodwill	36,205	36,193
Total	\$ 38,568	\$ 36,595

Note 10

AMOUNTS RECEIVABLE

	June 30, 2013	December 31, 2012
Trade receivables	\$ 2,570	\$ 1,540
Less: Provision for impairment of trade receivables	(352)	(275)
Trade receivables, net	2,218	1,265
Other amounts receivable	1,615	912
Amounts receivable	\$ 3,833	\$ 2,177

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

	2013
As at January 1	\$ 275
Provision for impairment of trade receivables	283
Receivables written off during the period as uncollectible	(206)
As at June 30	\$ 352

The carrying value of amounts receivable approximates fair value due to their current nature. As at June 30, 2013, trade receivables of approximately \$48 (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:

	June 30, 2013
2013	\$ 49,056
2014 to 2017	284,296
2018 to 2026	154,425
	\$ 487,777

Note 11

INCOME TAXES

DIR Industrial Properties Inc., one of the Trust's subsidiaries, is subject to corporate income taxes. The deferred tax assets relate to temporary differences between the accounting and tax basis of the net assets of the subsidiary, which include non-capital losses on acquisition and deductible Units issue and financing costs of \$1,910 and fair value adjustments on assumed debt offset by those on investment properties of \$325. The tax asset was reduced by \$272 since the acquisition on May 15, 2013, to account for changes in the balances of the tax attributes during the quarter.

Note 12

DEBT

	June 30, 2013	December 31, 2012
Mortgages ⁽¹⁾	\$ 721,233	\$ 462,359
Demand revolving credit facility ⁽¹⁾	-	10,000
Promissory notes payable	-	42,000
Unsecured non-revolving bridge facility	-	32,394
Convertible debentures	124,419	103,092
Total	845,652	649,845
Less: Current portion	(101,341)	(100,886)
Non-current debt	\$ 744,311	\$ 548,959

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

Convertible debentures

	June 30, 2013	December 31, 2012
5.25% Debentures	\$ 103,572	\$ 103,092
6.75% Debentures	20,847	-
Total	\$ 124,419	\$ 103,092

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

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

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

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

Demand revolving credit facility

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

Promissory notes payable

On October 4, 2012, the Trust entered into promissory notes payable with subsidiaries of Dundee REIT totalling \$42,000. 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	
	June 30, 2013	December 31, 2012		June 30, 2013	December 31, 2012
Fixed rate					
Mortgages	3.38%	3.27%	2013–2023	\$ 719,933	\$ 462,359
Promissory notes payable	-	3.10%	2013	-	42,000
Convertible debentures	6.12%	6.09%	2017–2019	124,419	103,092
Total fixed rate debt	3.81%	3.74%		844,352	607,451
Variable rate					
Mortgage	3.12%	-	2013	1,300	-
Unsecured non-revolving bridge facility	-	3.48%	2013	-	32,394
Demand revolving credit facility	-	3.90%	2014	-	10,000
Total variable rate debt	3.12%	3.58%		1,300	42,394
Total debt	3.81%	3.72%		\$ 845,652	\$ 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	\$ 23,279	\$ -	\$ 23,279
2014	114,120	-	114,120
2015	133,367	-	133,367
2016	106,519	-	106,519
2017	92,538	19,420	111,958
2018 and thereafter	239,689	111,250	350,939
	709,512	130,670	840,182
Financing costs	(1,110)	(3,554)	(4,664)
Fair value adjustments on initial recognition of assumed debt	12,831	(2,697)	10,134
	11,721	(6,251)	5,470
Total	\$ 721,233	\$ 124,419	\$ 845,652

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 six months ended June 30, 2013	Period from July 20, 2012 to December 31, 2012
Opening balance		\$ 6,228	\$ -
New issuance of convertible debentures		-	4,406
Assumed from business combination	5	1,053	-
Fair value adjustment on conversion feature of the convertible debentures	19	(5,705)	1,822
Ending balance		\$ 1,576	\$ 6,228

Note 13

SUBSIDIARY REDEEMABLE UNITS

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

The Trust has the following subsidiary redeemable units outstanding:

		Six months ended June 30, 2013		Period from July 20, 2012 to December 31, 2012	
	Note	Number of units issued and outstanding	Amount	Number of units issued and outstanding	Amount
Opening balance		16,198,747	\$ 181,426	-	\$ -
New issuance of units		-	-	16,034,631	160,346
Distribution Reinvestment Plan		83,349	938	164,116	1,773
Remeasurement of carrying value	19	-	(34,523)	-	19,307
Ending balance		16,282,096	\$ 147,841	16,198,747	\$ 181,426

During the six months ended June 30, 2013, the Trust recorded \$5,597 in distributions on the subsidiary redeemable units, which are included as interest expense in the condensed consolidated statement of net income and comprehensive income (see Note 18).

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

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

Note 14

DEFERRED UNIT INCENTIVE PLAN

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

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

	Note	
As at July 20, 2012	\$	-
Compensation during the period		46
Remeasurement of carrying value		5
As at December 31, 2012		51
Compensation during the period		646
REIT Units issued for vested units		(218)
Remeasurement of carrying value	19	(21)
As at June 30, 2013	\$	458

During the six months ended June 30, 2013, \$646 of compensation expense was recorded and included in general and administrative expenses. For the same period, \$21 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	212,601	4,993	217,594
REIT Units issued	(20,151)	(249)	(20,400)
Cancelled upon termination	(5,432)	(116)	(5,548)
Outstanding and payable at June 30, 2013	227,436	5,030	232,466

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

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

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

During the three and six months ended June 30, 2013, the Trust issued 20,400 REIT Units and cancelled 5,548 deferred trust units and income deferred trust units in relation to the termination of employment of certain executives.

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

Note 15

AMOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2013	December 31, 2012
Trade payables	\$ 691	\$ 2,109
Accrued liabilities and other payables	15,539	15,032
Accrued interest	3,343	2,753
Rent received in advance	474	422
Total	\$ 20,047	\$ 20,316

Note 16

DISTRIBUTIONS

The following table breaks down distribution payments for the six months ended June 30, 2013:

Paid in cash	\$ 13,770
Paid by way of reinvestment in REIT Units	900
Less: Payable at December 31, 2012	(2,039)
Plus: Payable at June 30, 2013	3,167
Total	\$ 15,798

On June 18, 2013, the Trust announced a cash distribution of \$0.05833 per REIT Unit for the month of June 2013. The June 2013 distribution was paid on July 15, 2013, to unitholders on record as at June 30, 2013.

Dundee Industrial's Declaration of Trust endeavours to maintain monthly distribution payments to unitholders payable on or about the 15th day of the following month. The amount of the annualized distribution to be paid is based on a percentage of distributable income. Distributable income is defined in the Declaration of Trust and the percentage is determined by the trustees, at their sole discretion, based on what they consider appropriate given the circumstances of the Trust. Distributions may be adjusted for amounts paid in prior periods if the actual distributable income for those prior periods is greater or less than the estimates used for those prior periods. In addition, the trustees may declare distributions out of the income, net realized capital gains, net recapture income and capital of the Trust, to the extent such amounts have not already been paid, allocated or distributed. Distributable income is not a measure defined by IFRS and therefore may not be comparable to similar measures presented by other real estate investment trusts. The Trust declared distributions of \$0.34374 for the six months ended June 30, 2013 (\$0.16331 for the period from July 20, 2012 to December 31, 2012).

Note 17

EQUITY

	June 30, 2013		December 31, 2012	
	Number of Units	Amount	Number of Units	Amount
REIT Units	54,289,786	\$ 552,339	36,257,538	\$ 326,211
Total	54,289,786	\$ 552,339	36,257,538	\$ 326,211

Dundee Industrial REIT Units

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

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

	Number of REIT Units	Amount
Equity attributable to unitholders of the Trust, January 1, 2013	36,257,538	\$ 326,211
Net income for the period	-	52,429
Distributions paid	-	(12,631)
Distributions payable	-	(3,167)
Public offering of REIT Units	10,465,000	115,115
REIT Units issued for C2C acquisition	7,460,654	78,785
Distribution Reinvestment Plan	85,069	900
Unit Purchase Plan	1,125	12
Deferred trust units exchanged for REIT Units	20,400	218
Issue costs	-	(5,533)
Equity attributable to unitholders of the Trust, June 30, 2013	54,289,786	\$ 552,339

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 \$15 in relation to the issuance of units for the Distribution Reinvestment Plan and Unit Purchase Plan during the six months ended June 30, 2013.

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

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

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 of \$82 related to the issue of REIT Units to KingSett were charged directly to unitholders' equity.

Distribution Reinvestment and Unit Purchase Plan

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

For the six months ended June 30, 2013, 85,069 REIT Units were issued under the DRIP and \$900 was recorded as distributions in the condensed consolidated statement of changes in equity.

The Unit Purchase Plan feature of the DRIP facilitates the purchase of additional REIT Units by existing unitholders. Participation in the Unit Purchase Plan is optional and subject to certain limitations on the maximum number of additional REIT Units that may be acquired. The price per unit is calculated in the same manner as the DRIP. No commission, service charges or brokerage fees are payable by participants in connection with either the reinvestment or purchase features of the DRIP. For the six months ended June 30, 2013, 1,125 REIT Units were issued under the Unit Purchase Plan for proceeds of \$12.

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 June 30, 2013, \$168,842 (December 31, 2012 – \$168,842) in REIT Units and \$111,250 (December 31, 2012 – \$111,250) in debt securities have been issued under the short form base shelf prospectus.

Note 18

INTEREST

Interest on debt

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

	Three months ended June 30, 2013	Six months ended June 30, 2013
Interest expense incurred, at contractual rate	\$ 8,082	\$ 15,112
Amortization of financing costs	207	413
Amortization of fair value adjustments on debt	(924)	(1,609)
Interest expense	7,365	13,916
Add/deduct:		
Amortization of financing costs	(207)	(413)
Amortization of fair value adjustments on debt	924	1,609
Change in accrued interest	1,106	(903)
Cash interest paid	\$ 9,188	\$ 14,209

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

Interest on subsidiary redeemable units

Interest payments charged to comprehensive income are recorded as follows:

	Three months ended June 30, 2013	Six months ended June 30, 2013
Paid in cash	\$ 2,815	\$ 4,647
Paid by way of reinvestment in subsidiary redeemable units	-	938
Less: Interest payable at March 31, 2013	(916)	-
Less: Interest payable at December 31, 2012	-	(938)
Plus: Interest payable at June 30, 2013	950	950
Total	\$ 2,849	\$ 5,597

The interest payable at June 30, 2013 was satisfied on July 15, 2013, in cash.

Note 19

FAIR VALUE ADJUSTMENTS TO FINANCIAL INSTRUMENTS

	Note	Three months ended June 30, 2013	Six months ended June 30, 2013
Fair value adjustment on conversion feature of the convertible debentures	12	\$ (3,784)	\$ (5,705)
Remeasurement of carrying value of subsidiary redeemable units	13	(28,331)	(34,523)
Remeasurement of carrying value of Deferred Unit Incentive Plan	14	(34)	(21)
		\$ (32,149)	\$ (40,249)

Note 20

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

From time to time, Dundee Industrial and its subsidiaries enter into transactions with related parties that are conducted under normal commercial terms. Dundee Industrial, DILP, Dundee Industrial Management Limited Partnership (a wholly owned subsidiary of DILP), Dundee Industrial Management Corporation and Dundee Realty Management Corporation ("DRMC"), a subsidiary of Dundee REIT, are parties to an administrative services agreement (the "Services Agreement") that is in effect until October 4, 2013. Effective October 4, 2012, Dundee Industrial also has an asset management agreement (the "Asset Management Agreement") with Dundee Realty Corporation ("DRC"), a subsidiary of DREAM Unlimited Corp., pursuant to which DRC provides certain asset management services to Dundee Industrial and its subsidiaries, which is in effect until October 4, 2022.

Asset Management Agreement

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

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

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

Related party transactions

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

	Three months ended June 30, 2013	Six months ended June 30, 2013
Amounts paid and payable		
Fees paid by Dundee Industrial under the Asset Management Agreement included in:		
General and administrative expenses	\$ 868	\$ 1,597
Property acquisitions and acquisition related costs	1,922	1,922
Financing costs	162	280
Total fees incurred under the Asset Management Agreement	\$ 2,952	\$ 3,799

During the three and six months ended June 30, 2013, the Trust also incurred service fees of \$990 and \$1,323 charged by DRMC.

Included in amounts payable and accrued liabilities at June 30, 2013 is \$325 (December 31, 2012 – \$3,237) related to the Asset Management Agreement.

Included in amounts payable as at June 30, 2013 is \$1,530 (December 31, 2012 – \$4,207) due to Dundee REIT for service fees to DRMC and acquisition and IPO related costs paid by Dundee REIT on behalf of Dundee Industrial. Amounts receivable at June 30, 2013 include \$1,037 (December 31, 2012 – \$4,248) related to working capital adjustments as a result of the acquisition of the Initial Properties. Also included in amounts payable and accrued liabilities is the June 2013 monthly distribution in the amount of \$950 (December 31, 2012 – \$938) payable to Dundee REIT. For the six months ended June 30, 2013, the Trust has recorded \$32 in interest expense on the promissory notes payable to Dundee REIT. On January 10, 2013, the Trust repaid the promissory notes along with \$349 of accrued interest. During the three and six months ended June 30, 2013, the Trust had recorded \$2,849 and \$5,597, respectively, in interest expense on subsidiary redeemable units relating to distributions paid to Dundee REIT on its LP Class B limited partnership Units. At June 30, 2013, Dundee REIT's retained interest in the Trust was 23.1%.

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

	Three months ended June 30, 2013	Six months ended June 30, 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 21

SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended June 30, 2013	Six months ended June 30, 2013
(Increase) in amounts receivable	\$ (1,233)	\$ (1,758)
(Increase) decrease in prepaid expenses and other assets	(749)	31
(Increase) in other non-current assets	(349)	(382)
(Decrease) in amounts payable and accrued liabilities	(1,641)	(262)
Increase in tenant security deposits	185	437
Change in non-cash working capital	\$ (3,787)	\$ (1,934)

The following amounts were paid on account of interest:

	Three months ended June 30, 2013	Six months ended June 30, 2013
Interest		
Debt	\$ 9,188	\$ 14,209
Subsidiary redeemable units	2,815	4,647
Total	\$ 12,003	\$ 18,856

Note 22

COMMITMENTS AND CONTINGENCIES

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

Purchase and other obligations

The Trust has entered into lease agreements that may require tenant improvement costs of approximately \$1,584 (December 31, 2012 – \$254).

Note 23

FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

	June 30, 2013		December 31, 2012	
	Total		Total	
	Carrying value	Fair value	Carrying value	Fair value
Mortgages	\$ 721,233	\$ 711,121	\$ 462,359	\$ 463,279
Demand revolving credit facility	-	-	10,000	10,000
Promissory notes payable	-	-	42,000	42,000
Unsecured non-revolving bridge facility	-	-	32,394	32,500
Convertible debentures	124,419	130,586	103,092	108,081

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

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

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

	June 30, 2013			December 31, 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial liabilities						
Conversion feature on the convertible debentures	\$ -	\$ -	\$ 1,576	\$ -	\$ -	\$ 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 June 30, 2013 are the following:

- Volatility: Historical volatility as at June 30, 2013 was derived from the historical prices of the S&P/TSX Capped REIT with maturity equal to the term to maturity of the convertible debentures.
- Credit spread: The credit spread of the convertible debentures was imputed from the traded price of the convertible debenture as at June 28, 2013 (last business day).

	Credit spread	Volatility
5.25% Debentures	3.086%	19.103%
6.75% Debentures	4.683%	14.674%

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

Note 24

COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

Note 25

SUBSEQUENT EVENTS

On July 19, 2013, the Trust acquired the remaining outstanding 863,840 common shares of C2C by way of an amalgamation. Pursuant to the arrangement, the Trust paid consideration of 0.4485 REIT Units for each issued and outstanding common share of C2C, resulting in the issuance of 387,399 REIT Units.

This page intentionally left blank.

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

Stock exchange listing

THE TORONTO STOCK EXCHANGE

Listing symbols:

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

Distribution Reinvestment and Unit Purchase Plan

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

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

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

To enrol, contact:

**COMPUTERSHARE TRUST
COMPANY OF CANADA**

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

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

For more information, you may also visit our
web site: www.dundeeindustrial.com.



DUNDEE INDUSTRIAL REIT

State Street Financial Centre
30 Adelaide Street East, Suite 1600
Toronto, Ontario M5C 3H1

www.dundeeindustrial.com

