

NUVEEN DIVIDEND ADVANTAGE MUNICIPAL FUND 3
Form N-Q
September 29, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-10345

Nuveen Dividend Advantage Municipal Fund 3

(Exact name of registrant as specified in charter)

333 West Wacker Drive, Chicago, Illinois, 60606

Address of principal executive offices) (Zip code)

Jessica R. Droeger Vice President and Secretary

333 West Wacker Drive, Chicago, Illinois, 60606

(Name and address of agent for service)

Registrant's telephone number, including area code: 312-917-7700

Date of fiscal year end: 10/31

Date of reporting period: 7/31/04

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments

Portfolio of Investments (Unaudited)
Nuveen Dividend Advantage Municipal Fund 3 (NZF)
July 31, 2004

Principal Description ⁽¹⁾	Optional Call Provisions*	Ratings**	Market Value
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QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMP

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Principal Amount (000)		Optional Call	Market
Alabama - 1.0%			
\$ 5,655	Alabama State Port Authority, Docks Facilities Revenue Bonds, Series 2001, 5.250%, 10/01/26 (Alternative Minimum Tax) - MBIA Insured	10/11 at 100.00	AAA \$ 5,726,988
Alaska - 0.7%			
4,000	Alaska Student Loan Corporation, Student Loan Revenue Bonds, Series 1998A, 5.250%, 7/01/14 (Alternative Minimum Tax) - AMBAC Insured	7/08 at 100.00	AAA 4,150,200
Arkansas - 0.9%			
	Sebastian County Health Facilities Board, Arkansas, Hospital Revenue Improvement Bonds, Sparks Regional Medical Center, Series 2001A:		
1,805	5.500%, 11/01/13	11/11 at 101.00	Baa1 1,900,178
1,900	5.500%, 11/01/14	11/11 at 101.00	Baa1 1,977,387
1,555	5.250%, 11/01/21	11/11 at 101.00	Baa1 1,526,668
California - 10.6%			
5,000	California Infrastructure Economic Development Bank, Revenue Bonds, Kaiser Hospital Assistance LLC, Series 2001A, 5.550%, 8/01/31	8/11 at 102.00	A 5,052,200
18,850	California, General Obligation Veterans Welfare Bonds, Series 2001BZ, 5.350%, 12/01/21 (Alternative Minimum Tax) - MBIA Insured	6/07 at 101.00	AAA 19,124,268
1,500	California Statewide Community Development Authority, Senior Lien Revenue Bonds, East Valley Tourist Authority, Series 2003B, 9.250%, 10/01/20	10/15 at 103.00	N/R 1,627,485
5,000	California Statewide Community Development Authority, Revenue Bonds, Kaiser Permanente System, Series 2004G, 2.300%, 4/01/34 (Mandatory put 5/01/07)	No Opt. Call	A 4,938,050
	Los Angeles Regional Airports Improvement Corporation, California, Lease Revenue Refunding Bonds, LAXFUEL Corporation at Los Angeles International Airport, Series 2001:		
13,955	5.750%, 1/01/16 (Alternative Minimum Tax) - AMBAC Insured	1/12 at 100.00	AAA 15,338,778
5,000	5.375%, 1/01/21 (Alternative Minimum Tax) - AMBAC Insured	1/12 at 100.00	AAA 5,128,200
1,500	5.250%, 1/01/23 (Alternative Minimum Tax) - AMBAC Insured	1/12 at 100.00	AAA 1,508,625
10,000	5.500%, 1/01/32 (Alternative Minimum Tax) - AMBAC Insured	1/12 at 100.00	AAA 10,093,400
Colorado - 8.4%			
2,250	Canterberry Crossing Metropolitan District II, Parker, Colorado, Limited Tax General Obligation Bonds, Series 2002, 7.375%, 12/01/32	12/12 at 100.00	N/R 2,277,540
1,775	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Weld County School District 6 - Frontier Academy, Series 2001, 7.375%, 6/01/31	6/11 at 100.00	Ba1 1,847,101
3,250	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Montessori Peaks Building Foundation, Series 2002A, 8.000%, 5/01/32	5/12 at 102.00	N/R 3,377,238
1,700	Colorado Educational and Cultural Facilities Authority, Charter School Revenue Bonds, Belle Creek	3/12 at 100.00	N/R 1,712,019

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Principal		Optional Call		Market
	Education Center, Series 2002A, 7.625%, 3/15/32			
5,060	Colorado Housing and Finance Authority, Multifamily Project Bonds, Class I, Series 2001A-1, 5.500%, 4/01/31 (Alternative Minimum Tax)	10/11 at 100.00	AAA	5,154,015
10,100	Colorado Springs, Colorado, Utilities System Improvement and Refunding Revenue Bonds, Series 1997A, 5.375%, 11/15/26	11/07 at 100.00	AA	10,418,352
2,000	Denver City and County, Colorado, Airport System Revenue Refunding Bonds, Series 2001A, 5.500%, 11/15/16 (Alternative Minimum Tax) - FGIC Insured	11/11 at 100.00	AAA	2,162,900
19,150	Denver City and County, Colorado, Airport System Revenue Bonds, Series 1996A: 5.750%, 11/15/16 - MBIA Insured	11/06 at 101.00	AAA	20,613,443
1,105	5.500%, 11/15/25 - MBIA Insured	11/06 at 101.00	AAA	1,163,885
1,000	Plaza Metropolitan District 1, Lakewood, Colorado, Tax Increment Revenue Bonds, Series 2003, 8.000%, 12/01/25	6/14 at 101.00	N/R	1,027,900
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Connecticut - 0.0%				
220	Connecticut Housing Finance Authority, Housing Mortgage Finance Program Bonds, Series 2001A-2, 5.350%, 11/15/22 (Alternative Minimum Tax)	5/10 at 100.00	AAA	226,296
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Delaware - 0.6%				
3,390	Delaware State Housing Authority, Multifamily Mortgage Revenue Bonds, Series 2001A, 5.400%, 7/01/24	7/12 at 100.00	Aa3	3,474,750
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District of Columbia - 1.1%				
6,000	District of Columbia, Revenue Bonds, The Catholic University of America Issue, Series 1999, 5.625%, 10/01/29 - AMBAC Insured	10/09 at 101.00	AAA	6,317,460
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Florida - 2.1%				
2,000	Dade County, Florida, Water and Sewer System Revenue Bonds, Series 1997, 5.375%, 10/01/16 - FGIC Insured	10/07 at 102.00	AAA	2,171,520
2,230	Florida, Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds, Series 1995D, 4.750%, 6/01/22	6/05 at 101.00	AA+	2,232,966
1,105	Orange County, Florida, Housing Finance Authority, Multifamily Housing Revenue Bonds, Oak Glen Apartments, Series 2001G: 5.400%, 12/01/32 - FSA Insured	12/11 at 100.00	AAA	1,120,746
2,195	5.450%, 12/01/41 - FSA Insured	12/11 at 100.00	AAA	2,224,874
4,175	Pace Property Finance Authority Inc., Florida, Utility System Improvement and Refunding Revenue Bonds, Series 1997, 5.250%, 9/01/17 - AMBAC Insured	9/07 at 102.00	AAA	4,503,656
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Georgia - 2.3%				
5,000	Atlanta, Georgia, Airport General Revenue Bonds, Series 2000B, 5.625%, 1/01/30 (Alternative Minimum Tax) - FGIC Insured	1/10 at 101.00	AAA	5,171,050

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Principal		Optional Call		Market
2,700	Atlanta, Georgia, Tax Allocation Bonds, Atlantic Station Project, Series 2001, 7.900%, 12/01/24	12/11 at 101.00	N/R	2,813,940
3,600	Gainesville, Hall County Hospital Authority, Georgia, Revenue Anticipation Certificates, Northeast Georgia Health Services Inc. Project, Series 2001, 5.500%, 5/15/31	5/11 at 100.00	A-	3,637,224
2,000	Henry County, Georgia, and Henry County Water and Sewerage Authority, Water and Sewerage Revenue Bonds, Series 2000, 5.625%, 2/01/30 - FGIC Insured	2/10 at 101.00	AAA	2,118,440
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Hawaii - 0.9%				
5,125	Hawaii, Highway Revenue Bonds, Series 2001, 5.375%, 7/01/21 - FSA Insured	7/11 at 100.00	AAA	5,476,216
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Illinois - 16.3%				
3,000	Chicago, Illinois, General Obligation Bonds, Neighborhoods Alive 21 Program, Series 2001A, 5.500%, 1/01/31 - FGIC Insured	1/11 at 100.00	AAA	3,118,920
8,375	Chicago, Illinois, Revenue Bonds, Midway Airport, Series 2001A, 5.500%, 1/01/19 (Alternative Minimum Tax) - FSA Insured	1/11 at 101.00	AAA	8,876,830
4,950	Chicago, Illinois, Second Lien Passenger Facility Charge Revenue Bonds, O'Hare International Airport, Series 2001A, 5.375%, 1/01/32 (Alternative Minimum Tax) - AMBAC Insured	1/11 at 101.00	AAA	5,004,054
1,750	Chicago, Illinois, Sales Tax Revenue Bonds, Series 1998, 5.250%, 1/01/28 - FGIC Insured	7/08 at 102.00	AAA	1,784,667
10,800	Chicago, Illinois, Sales Tax Revenue Bonds, Series 1999, 5.375%, 1/01/30 (Pre-refunded to 1/01/09) - FGIC Insured	1/09 at 101.00	AAA	11,951,064
2,220	Chicago, Illinois, Second Lien Wastewater Transmission Revenue Bonds, Series 2001A: 5.500%, 1/01/16 - MBIA Insured	No Opt. Call	AAA	2,489,219
8,610	5.500%, 1/01/26 (Pre-refunded to 1/01/11) - AMBAC Insured	1/11 at 100.00	AAA	9,626,238
10,000	Chicago, Illinois, Senior Lien Water Revenue Bonds, Series 2001, 5.000%, 11/01/26 (Pre-refunded to 11/01/11) - AMBAC Insured	11/11 at 100.00	AAA	10,032,400
1,100	Illinois Health Facilities Authority, Revenue Bonds, Condell Medical Center, Series 2000, 6.500%, 5/15/30	5/10 at 101.00	Baa2	1,169,993
15,000	Illinois Health Facilities Authority, Revenue Bonds, Loyola University Health System, Series 2001A, 6.125%, 7/01/31	7/11 at 100.00	Baa1	15,209,850
9,000	Illinois Health Facilities Authority, Revenue Bonds, Covenant Retirement Communities Inc., Series 2001, 5.875%, 12/01/31	12/11 at 101.00	BBB+	8,520,120
2,000	Metropolitan Pier and Exposition Authority, Illinois, McCormick Place Expansion Project Refunding Bonds, Series 1998A, 5.500%, 6/15/29 - FGIC Insured	No Opt. Call	AAA	2,178,920
16,900	Metropolitan Pier and Exposition Authority, Illinois, McCormick Place Expansion Project Bonds, Series 1999A, 5.250%, 12/15/28 - FGIC Insured	12/09 at 101.00	AAA	17,268,758

Indiana - 4.8%

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Principal		Optional Call		Market
	Clark-Pleasant Community School Building Corporation, Indiana, First Mortgage Bonds, Series 2001:			
1,255	5.000%, 7/15/21 - AMBAC Insured	1/12 at 100.00	AAA	1,287,555
1,000	5.000%, 1/15/26 - AMBAC Insured	1/12 at 100.00	AAA	1,002,750
	Evansville-Vanderburgh Public Library Leasing Corporation, Indiana, First Mortgage Bonds, Series 2001:			
2,000	5.750%, 7/15/18 - MBIA Insured	7/12 at 100.00	AAA	2,190,000
2,750	5.125%, 1/15/24 - MBIA Insured	1/12 at 100.00	AAA	2,793,368
3,465	Gary, Indiana, GNMA/FHA Mortgage Revenue Bonds, Windsor Square Project, Series 2001A, 5.375%, 10/20/41 (Alternative Minimum Tax)	11/11 at 102.00	AAA	3,487,245
1,250	Hamilton Southeastern Cumberland Campus School Building Corporation, Indiana, First Mortgage Bonds, Series 2001, 5.125%, 1/15/23 - AMBAC Insured	1/12 at 100.00	AAA	1,284,413
9,500	Indiana Educational Facilities Authority, Educational Facilities Revenue Bonds, Butler University Project, Series 2001, 5.500%, 2/01/26 - MBIA Insured	2/11 at 100.00	AAA	9,945,930
2,650	Indianapolis Airport Authority, Indiana, Specialty Facility Revenue Bonds, United Air Lines Inc., Indianapolis Maintenance Center Project, Series 1995A, 6.500%, 11/15/31 (Alternative Minimum Tax)#	11/05 at 102.00	N/R	493,578
3,500	University of Southern Indiana, Student Fee Bonds, Series 2001H, 5.000%, 10/01/21 - AMBAC Insured	10/11 at 100.00	Aaa	3,589,845
	Wayne County Jail Holding Corporation, Indiana, First Mortgage Bonds, Series 2001:			
1,150	5.625%, 7/15/18 - AMBAC Insured	1/13 at 101.00	AAA	1,271,555
1,090	5.500%, 7/15/22 - AMBAC Insured	1/13 at 101.00	AAA	1,177,832
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Iowa - 4.6%				
2,000	Iowa Finance Authority, Health Care Facilities Revenue Bonds, Great River Medical Center, Series 2001, 5.250%, 5/15/31 - FSA Insured	5/11 at 100.00	AAA	2,016,880
	Iowa Tobacco Settlement Authority, Tobacco Settlement Asset-Backed Revenue Bonds, Series 2001B:			
28,000	5.300%, 6/01/25	6/11 at 101.00	BBB	22,596,280
3,950	5.600%, 6/01/35	6/11 at 101.00	BBB	3,019,933
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Kentucky - 3.2%				
18,500	Louisville and Jefferson County Metropolitan Sewer District, Kentucky, Sewer and Drainage System Revenue Bonds, Series 2001A, 5.125%, 5/15/27 - MBIA Insured	11/11 at 101.00	AAA	18,896,455
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Louisiana - 3.8%				
19,890	Tobacco Settlement Financing Corporation, Louisiana, Tobacco Settlement Asset-Backed Bonds, Series 2001B, 5.875%, 5/15/39	5/11 at 101.00	BBB	16,251,323
6,000	West Feliciana Parish, Louisiana, Remarketed Pollution Control Revenue Bonds, Gulf States Utilities Company, Series 1985A, 7.500%, 5/01/15	11/04 at 101.00	BB+	6,126,120
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Maine - 1.2%				
	Maine State Housing Authority, Mortgage Purchase Bonds, Series 2001B:			
4,610	5.400%, 11/15/21 (Alternative Minimum Tax)	11/10 at 100.00	AA+	4,746,963
2,430	5.500%, 11/15/32 (Alternative Minimum Tax)	11/10 at 100.00	AA+	2,470,435

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Principal		Optional Call		Market
Maryland - 2.3%				
	Maryland Community Development Administration, Multifamily Housing Insured Mortgage Loans, Series 2001B:			
1,175	5.250%, 5/15/21 (Alternative Minimum Tax)	5/11 at 100.00	Aa2	1,207,653
1,570	5.250%, 7/01/21 (Alternative Minimum Tax)	7/11 at 100.00	Aa2	1,617,163
10,600	Maryland Energy Financing Administration, Revenue Bonds, AES Warrior Run Project, Series 1995, 7.400%, 9/01/19 (Alternative Minimum Tax)	9/05 at 102.00	N/R	10,838,606
Massachusetts - 0.9%				
5,000	Massachusetts Port Authority, Special Facilities Revenue Bonds, Delta Air Lines Inc. Project, Series 2001A, 5.500%, 1/01/18 (Alternative Minimum Tax) - AMBAC Insured	1/11 at 101.00	AAA	5,101,900
405	Massachusetts Housing Finance Agency, Single Family Housing Revenue Bonds, Series 71, 5.650%, 6/01/31 (Alternative Minimum Tax) - FSA Insured	6/09 at 100.00	AAA	410,257
Michigan - 8.7%				
15,000	Detroit City School District, Wayne County, Michigan, Unlimited Tax School Building and Site Improvement Bonds, Series 2001A, 6.000%, 5/01/29 - FSA Insured	No Opt. Call	AAA	17,457,150
11,000	Kent Hospital Finance Authority, Michigan, Revenue Bonds, Spectrum Health, Series 2001A, 5.500%, 1/15/31	7/11 at 101.00	AA	11,216,150
3,485	Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Sisters of Mercy Health Corporation, Series 1993P, 5.375%, 8/15/14 - MBIA Insured	No Opt. Call	AAA	3,836,811
	Michigan State Hospital Finance Authority, Hospital Revenue Refunding Bonds, Sparrow Obligated Group, Series 2001:			
1,400	5.500%, 11/15/21	11/11 at 101.00	A1	1,441,664
2,500	5.625%, 11/15/31	11/11 at 101.00	A1	2,527,825
12,640	Royal Oak Hospital Finance Authority, Michigan, Hospital Revenue Bonds, William Beaumont Hospital, Series 2001M, 5.250%, 11/15/31 - MBIA Insured	11/11 at 100.00	AAA	12,776,259
2,395	Ypsilanti Community Utilities Authority, County of Washtenaw, Michigan, Sanitary Sewer System No. 3 Bonds, Series 2001, 5.100%, 5/01/31 - FGIC Insured	5/11 at 100.00	AAA	2,413,992
Minnesota - 0.4%				
2,380	Dakota County Community Development Agency, Minnesota, GNMA Collateralized Multifamily Housing Revenue Bonds, Rose Apartments Project, Series 2001, 6.350%, 10/20/37 (Alternative Minimum Tax)	10/11 at 105.00	Aaa	2,413,463
Mississippi - 1.5%				
2,155	Mississippi Business Finance Corporation, GNMA Collateralized Retirement Facility Mortgage Revenue Refunding Bonds, Aldersgate Retirement Community Inc. Project, Series 1999A, 5.450%, 5/20/34	5/09 at 103.00	AAA	2,190,127
6,420	Mississippi, Highway Revenue Bonds, Series 1999, 5.250%, 6/01/05	No Opt. Call	AAA	6,621,588

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Principal		Optional Call		Market
Missouri - 2.6%				
2,000	Fenton, Missouri, Tax Increment Refunding and Improvement Bonds, Gravois Bluffs Project, Series 2002, 6.125%, 10/01/21	10/12 at 100.00	N/R	2,038,360
Missouri Development Finance Board, Cultural Facilities Revenue Bonds, Nelson Gallery Foundation, Series 2001A:				
3,335	5.250%, 12/01/19 - MBIA Insured	12/11 at 100.00	AAA	3,564,348
3,510	5.250%, 12/01/20 - MBIA Insured	12/11 at 100.00	AAA	3,732,674
3,695	5.250%, 12/01/21 - MBIA Insured	12/11 at 100.00	AAA	3,911,490
2,040	5.250%, 12/01/22 - MBIA Insured	12/11 at 100.00	AAA	2,131,331
Montana - 0.9%				
5,000	Montana Board of Investments, Exempt Facility Revenue Bonds, Stillwater Mining Company Project, Series 2000, 8.000%, 7/01/20 (Alternative Minimum Tax)	7/10 at 101.00	B1	5,154,300
Nebraska - 1.3%				
Nebraska Investment Finance Authority, Single Family Housing Revenue Bonds, Series 2001D:				
3,365	5.250%, 9/01/21 (Alternative Minimum Tax)	9/11 at 100.00	AAA	3,441,722
4,545	5.375%, 9/01/32 (Alternative Minimum Tax)	9/11 at 100.00	AAA	4,586,041
Nevada - 7.7%				
35,000	Clark County, Nevada, General Obligation Limited Tax Bond Bank Bonds, Series 2000, 5.500%, 7/01/30 - MBIA Insured	7/10 at 100.00	AAA	36,520,750
4,000	Director of Nevada State Department of Business and Industry, Revenue Bonds, Las Vegas Monorail Project, Second Tier, Series 2000, 7.375%, 1/01/40	1/10 at 102.00	N/R	3,882,480
1,000	Nevada Housing Division, Single Family Mortgage Senior Bonds, Series 1998A-1, 5.300%, 4/01/18 (Alternative Minimum Tax)	4/08 at 101.50	Aaa	1,030,440
4,290	University of Nevada, Universities Revenue Bonds, Community College System Project, Series 2001A, 5.250%, 7/01/26 - FGIC Insured	1/12 at 100.00	AAA	4,405,101
New Hampshire - 0.4%				
2,000	New Hampshire Health and Education Authority, Hospital Revenue Bonds, Concord Hospital Issue, Series 2001, 5.500%, 10/01/21 - FSA Insured	10/11 at 101.00	Aaa	2,128,220
New Jersey - 2.5%				
10,000	New Jersey Economic Development Authority, Water Facilities Revenue Bonds, American Water Company, Series 2002A, 5.250%, 11/01/32 (Alternative Minimum Tax) - AMBAC Insured	11/12 at 101.00	Aaa	10,107,300
4,125	New Jersey Transit Corporation, Certificates of Participation, Federal Transit Administration Grants, Series 2002A, 5.500%, 9/15/13 - AMBAC Insured	No Opt. Call	AAA	4,613,359
New York - 5.3%				
1,780	East Rochester Housing Authority, New York, GNMA Secured Revenue Bonds, Gates Senior Housing Inc.	10/11 at 101.00	AAA	1,822,364

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Principal		Optional Call		Market
	Project, Series 2001, 5.300%, 4/20/31			
5,350	Metropolitan Transportation Authority, New York, Dedicated Tax Fund Bonds, Series 2001A, 5.000%, 11/15/31 - FGIC Insured	11/11 at 100.00	AAA	5,357,704
4,155	Monroe County Airport Authority, New York, Greater Rochester International Airport Revenue Refunding Bonds, Series 1999, 5.750%, 1/01/13 (Alternative Minimum Tax) - MBIA Insured	No Opt. Call	AAA	4,621,607
2,500	New York City, New York, General Obligation Bonds, Fiscal Series 2002G, 5.625%, 8/01/20 - MBIA Insured	8/12 at 100.00	AAA	2,761,650
8,610	New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Fiscal Series 2001A: 5.500%, 6/15/33 - MBIA Insured	6/10 at 101.00	AAA	8,992,198
5,710	5.500%, 6/15/33 - FGIC Insured	6/10 at 101.00	AAA	5,963,467
2,000	New York Tobacco Settlement Financing Corporation, Tobacco Settlement Asset-Backed and State Contingency Contract-Backed Bonds, Series 2003B-1C, 5.500%, 6/01/16	6/11 at 100.00	AA-	2,146,240
North Carolina - 0.3%				
1,800	North Carolina Municipal Power Agency 1, Catawba Electric Revenue Bonds, Series 2003A, 5.500%, 1/01/13	No Opt. Call	BBB+	1,959,786
Ohio - 3.0%				
6,000	Ohio Housing Finance Agency, Residential Mortgage Revenue Bonds, GNMA Mortgage-Backed Securities Program, Series 1998A-1, 5.300%, 9/01/19 (Alternative Minimum Tax) - FSA Insured	3/08 at 101.50	AAA	6,162,060
7,900	Ohio Water Development Authority, Solid Waste Disposal Revenue Bonds, Bay Shore Power, Series 1998B, 6.625%, 9/01/20 (Alternative Minimum Tax)	9/09 at 102.00	N/R	7,945,899
1,870	Portage County, Ohio, General Obligation Bonds, Series 2001: 5.000%, 12/01/21 - FGIC Insured	12/11 at 100.00	AAA	1,930,700
1,775	5.000%, 12/01/23 - FGIC Insured	12/11 at 100.00	AAA	1,812,577
Oklahoma - 0.6%				
1,000	Oklahoma Development Finance Authority, Revenue Refunding Bonds, Hillcrest Healthcare System, Series 1999A: 5.125%, 8/15/10	8/09 at 101.00	B1	987,470
2,500	5.625%, 8/15/29	8/09 at 101.00	B1	2,529,300
Oregon - 2.5%				
4,700	Oregon Health, Housing, Educational and Cultural Facilities Authority, Revenue Bonds, Peacehealth Issue, Series 2001, 5.250%, 11/15/21 - AMBAC Insured	11/11 at 101.00	AAA	4,898,434
10,000	Oregon, Housing and Community Services Department, Multifamily Housing Revenue Bonds, Series 2000A, 6.050%, 7/01/42 (Alternative Minimum Tax)	7/10 at 100.00	Aa2	10,258,400
Pennsylvania - 1.9%				

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Principal		Optional Call		Market
	Allegheny County Hospital Development Authority, Pennsylvania, Revenue Bonds, West Penn Allegheny Health System, Series 2000B:			
2,000	9.250%, 11/15/22	11/10 at 102.00	B	2,244,260
2,000	9.250%, 11/15/30	11/10 at 102.00	B	2,244,260
3,500	Pennsylvania Economic Development Financing Authority, Resource Recovery Revenue Bonds, Northampton Generating Project, Senior Lien, Series 1994A, 6.600%, 1/01/19 (Alternative Minimum Tax)	1/05 at 101.00	BBB-	3,528,875
3,205	Philadelphia School District, Pennsylvania, General Obligation Bonds, Series 2002B, 5.625%, 8/01/16 - FGIC Insured	8/12 at 100.00	AAA	3,516,109
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South Carolina - 1.7%				
2,185	Greenville County, South Carolina, Special Source Revenue Bonds, Road Improvement Project, Series 2001, 5.500%, 4/01/21 - AMBAC Insured	4/11 at 101.00	AAA	2,343,413
6,850	South Carolina Transportation Infrastructure Bank, Revenue Bonds, Series 2001A, 5.500%, 10/01/22 (Pre-refunded to 10/01/11) - AMBAC Insured	10/11 at 100.00	Aaa	7,738,582
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Tennessee - 1.6%				
5,210	Memphis-Shelby County Airport Authority, Tennessee, Airport Revenue Bonds, Series 2001A, 5.500%, 3/01/14 (Alternative Minimum Tax) - FSA Insured	3/11 at 100.00	AAA	5,577,722
2,025	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 1998-2, 5.350%, 7/01/23 (Alternative Minimum Tax)	1/09 at 101.00	AA	2,065,217
1,970	Tennessee Housing Development Agency, Homeownership Program Bonds, Series 2001-3A, 5.200%, 7/01/22 (Alternative Minimum Tax)	7/11 at 100.00	AA	2,008,533
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Texas - 17.8%				
1,125	Brushy Creek Municipal Utility District, Williamson County, Texas, Combination Unlimited Tax Revenue Refunding Bonds, Series 2001, 5.125%, 6/01/26 - FSA Insured	6/09 at 100.00	Aaa	1,135,609
3,850	Dallas-Fort Worth International Airport, Texas, Joint Revenue Refunding and Improvement Bonds, Series 2001A, 5.500%, 11/01/35 (Alternative Minimum Tax) - FGIC Insured	11/11 at 100.00	AAA	3,929,657
1,910	Frisco, Texas, Collins and Denton Counties, General Obligation Bonds, Series 2001: 5.000%, 2/15/20 - FGIC Insured	2/11 at 100.00	AAA	1,967,930
2,005	5.000%, 2/15/21 - FGIC Insured	2/11 at 100.00	AAA	2,050,393
4,040	Harris County, Texas, Tax and Revenue Certificates of Obligation, Series 2001, 5.000%, 8/15/27	8/11 at 100.00	AA+	4,050,140
7,000	Houston, Texas, Airport System Subordinate Lien Revenue Bonds, Series 1998B, 5.250%, 7/01/14 (Alternative Minimum Tax) - FGIC Insured	7/08 at 101.00	AAA	7,337,050
2,525	Houston, Texas, Airport System Subordinate Lien Revenue Refunding Bonds, Series 2001A: 5.500%, 7/01/13 (Alternative Minimum Tax) - FGIC Insured	1/12 at 100.00	AAA	2,724,778
2,905	5.500%, 7/01/14 (Alternative Minimum Tax) - FGIC Insured	1/12 at 100.00	AAA	3,150,240
6,000	Houston, Texas, Water and Sewer System, Junior Lien Revenue Refunding Bonds, Series 2001B, 5.500%,	No Opt. Call	AAA	6,505,020

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Principal		Optional Call		Market
	12/01/29 - MBIA Insured			
	Jefferson County, Texas, Health Facilities Development Corporation, FHA-Insured Mortgage Revenue Bonds, Baptist Hospital of Southeast Texas, Series 2001:			
8,500	5.400%, 8/15/31 - AMBAC Insured	8/11 at 100.00	AAA	8,670,170
8,500	5.500%, 8/15/41 - AMBAC Insured	8/11 at 100.00	AAA	8,688,700
10,700	Laredo Independent School District, Webb County, Texas, General Obligation Refunding Bonds, Series 2001, 5.000%, 8/01/25	8/11 at 100.00	AAA	10,784,851
2,500	Matagorda County Navigation District 1, Texas, Collateralized Revenue Refunding Bonds, Houston Light and Power Company, Series 1997, 5.125%, 11/01/28 (Alternative Minimum Tax) - AMBAC Insured	No Opt. Call	AAA	2,511,225
1,540	Medina Valley Independent School District, Medina County, Texas, General Obligation Bonds, Series 2001, 5.250%, 2/15/26	2/11 at 100.00	Aaa	1,576,313
5,430	Mineral Wells Independent School District, Pale Pinto and Parker Counties, Texas, Unlimited School Tax Building and Refunding Bonds, Series 1998, 4.750%, 2/15/22	2/08 at 100.00	Aaa	5,432,498
3,000	North Central Texas Health Facilities Development Corporation, Revenue Bonds, Texas Health Resources System, Series 1997B, 5.375%, 2/15/26 - MBIA Insured	2/08 at 102.00	AAA	3,055,260
3,045	Port of Houston Authority, Harris County, Texas, General Obligation Port Improvement Bonds, Series 2001B, 5.500%, 10/01/17 (Alternative Minimum Tax) - FGIC Insured	10/11 at 100.00	AAA	3,268,199
11,985	Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Bonds, Series 2001A, 5.350%, 7/01/33 (Alternative Minimum Tax)	7/11 at 100.00	AAA	12,089,869
15,700	Texas Water Development Board, State Revolving Fund Revenue Bonds, Senior Lien, Series 1996B, 5.125%, 7/15/18	1/07 at 100.00	AAA	16,511,376
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Utah - 1.1%				
Utah Housing Corporation, Single Family Mortgage Bonds, Series 2001E:				
2,235	5.200%, 1/01/18 (Alternative Minimum Tax)	7/11 at 100.00	AA-	2,298,541
695	5.500%, 1/01/23 (Alternative Minimum Tax)	7/11 at 100.00	Aa2	706,752
Utah Housing Corporation, Single Family Mortgage Bonds, Series 2001F-1:				
2,765	4.950%, 7/01/18 (Alternative Minimum Tax)	7/11 at 100.00	Aa2	2,846,789
690	5.300%, 7/01/23 (Alternative Minimum Tax)	7/11 at 100.00	AA-	707,836
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Virginia - 1.4%				
7,000	Pocahontas Parkway Association, Virginia, Route 895 Connector Toll Road Senior Lien Revenue Bonds, Series 1998B, 0.000%, 8/15/13	8/08 at 77.58	BB	3,544,450
4,945	Virginia Housing Development Authority, Commonwealth Mortgage Bonds, Series 2001J-1, 5.200%, 7/01/19 - MBIA Insured	7/11 at 100.00	AAA	5,061,257
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Washington - 16.4%				
Bellingham Housing Authority, Washington, Housing Revenue Bonds, Varsity Village Project, Series 2001A:				
1,000	5.500%, 12/01/27 - MBIA Insured	12/11 at 100.00	Aaa	1,045,620

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Principal		Optional Call		Market
2,000	5.600%, 12/01/36 - MBIA Insured	12/11 at 100.00	Aaa	2,106,540
2,090	Public Utility District No. 1 of Benton County, Washington, Electric Revenue Refunding Bonds, Series 2001A, 5.625%, 11/01/15 - FSA Insured	11/11 at 100.00	AAA	2,318,500
1,500	Public Utility District No. 1 of Grays Harbor County, Washington, Electric Revenue Bonds, Series 2001, 5.125%, 1/01/22 - AMBAC Insured	1/11 at 100.00	AAA	1,542,195
2,475	Public Utility District No. 1 of Klickitat County, Washington, Electric Revenue Bonds, Series 2001B, 5.000%, 12/01/26 - AMBAC Insured	12/11 at 100.00	AAA	2,480,099
12,955	Port of Seattle, Washington, Passenger Facility Charge Revenue Bonds, Series 1998B, 5.300%, 12/01/16 (Alternative Minimum Tax) - AMBAC Insured	12/08 at 101.00	AAA	13,713,904
2,535	Port of Seattle, Washington, Revenue Bonds, Series 2001B: 5.625%, 4/01/18 (Alternative Minimum Tax) - FGIC Insured	10/11 at 100.00	AAA	2,733,541
16,000	5.100%, 4/01/24 (Alternative Minimum Tax) - FGIC Insured	10/08 at 100.00	AAA	16,018,400
5,680	Seattle, Washington, Municipal Light and Power Revenue Refunding and Improvement Bonds, Series 2001, 5.500%, 3/01/18 - FSA Insured	3/11 at 100.00	AAA	6,179,102
4,530	Tacoma, Washington, Solid Waste Utility Revenue Refunding Bonds, Series 2001, 5.250%, 12/01/21 - AMBAC Insured	12/11 at 100.00	AAA	4,746,353
2,250	Washington, Certificates of Participation, Washington State Convention and Trade Center, Series 1999, 5.250%, 7/01/14 - MBIA Insured	7/09 at 100.00	AAA	2,433,128
3,005	Washington State Healthcare Facilities Authority, Revenue Bonds, Group Health Cooperative of Puget Sound, Series 2001: 5.375%, 12/01/17 - AMBAC Insured	12/11 at 101.00	AAA	3,218,265
2,915	5.375%, 12/01/18 - AMBAC Insured	12/11 at 101.00	AAA	3,109,256
3,720	Washington State Healthcare Facilities Authority, Revenue Bonds, Children's Hospital and Regional Medical Center, Series 2001, 5.375%, 10/01/18 - AMBAC Insured	10/11 at 100.00	Aaa	3,954,360
5,480	Washington State Healthcare Facilities Authority, Revenue Bonds, Good Samaritan Hospital, Series 2001: 5.500%, 10/01/21 - RAAI Insured	10/11 at 101.00	AA	5,740,081
25,435	5.625%, 10/01/31 - RAAI Insured	10/11 at 101.00	AA	26,333,364

Wisconsin - 5.2%

3,705	Appleton, Wisconsin, Waterworks Revenue Refunding Bonds, Series 2001: 5.375%, 1/01/20 - FGIC Insured	1/12 at 100.00	Aaa	3,961,645
1,850	5.000%, 1/01/21 - FGIC Insured	1/12 at 100.00	Aaa	1,905,963
1,735	Evansville Community School District, Dane, Green and Rock Counties, Wisconsin, General Obligation Refunding Bonds, Series 2001, 5.500%, 4/01/20 - FGIC Insured	4/11 at 100.00	AAA	1,889,745
12,250	La Crosse, Wisconsin, Pollution Control Refunding Revenue Bonds, Dairyland Power Cooperative Project, Series 1997B, 5.550%, 2/01/15 - AMBAC Insured	12/08 at 102.00	AAA	13,312,933
3,180	Wisconsin, Clean Water Revenue Bonds, Series 1999-1, 5.500%, 6/01/17	6/09 at 100.00	AA+	3,459,808
4,000	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Froedtert and Community Health Obligated Group, Series 2001, 5.375%, 10/01/30	10/11 at 101.00	A+	3,977,440

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Principal		Optional Call	Market
2,500	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Marshfield Clinic, Series 2001B, 6.000%, 2/15/25	2/12 at 100.00	BBB+ 2,527,820
\$ 877,550	Total Long-Term Investments (cost \$878,584,401) - 150.5%		895,263,767
Short-Term Investments - 0.5%			
3,000	New York City Municipal Water Finance Authority, New York, Water and Sewerage System Revenue Bonds, Variable Rate Demand Obligations, Fiscal Series 1993C, 1.070%, 6/15/22 - FGIC Insured		A-1+ 3,000,000
\$ 3,000	Total Short-Term Investments (cost \$3,000,000)		3,000,000
Total Investments (cost \$878,664,147) - 151.0%		898,263,767	
Other Assets Less Liabilities - 1.4%		8,649,282	
Preferred Shares, at Liquidation Value - (52.4)%		(312,000,000)	
Net Assets Applicable to Common Shares - 100%		\$594,913,049	

- (1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares.
- * Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates.
- ** Ratings: Using the higher of Standard & Poor's or Moody's rating.
- # On December 9, 2002, UAL Corporation, the holding company of United Air Lines, Inc. filed for federal bankruptcy protection. The Adviser determined that it was likely United would not remain current on their interest payment obligations with respect to these bonds and thus has stopped accruing interest.
- N/R Investment is not rated. Security has a maturity of more than one year, but has variable rate and demand features which qualify it as a short-term security. The rate disclosed is that currently in effect. This rate changes periodically based on market conditions or a specified market index.

Income Tax Information

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recognizing income on taxable market discount securities and timing differences in recognizing certain gains and losses on security transactions.

At July 31, 2004, the cost of investments was \$881,584,397.

Gross unrealized appreciation and gross unrealized depreciation of investments at July 31, 2004 were as follows:

Gross unrealized:	
Appreciation	\$ 27,580,548
Depreciation	(10,901,178)
Net unrealized appreciation of investments	\$ 16,679,370

Item 2. Controls and Procedures.

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- a. The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")(17 CFR 240.13a-15(b) or 240.15d-15(b)).
- b. There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the Act (17 CFR 270.30a-2(a)), exactly as set forth below: EX-99 CERT Attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Dividend Advantage Municipal Fund 3

By (Signature and Title)* /s/ Jessica R. Droeger--Vice President and Secretary

Date 09/29/04

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* /s/ Gifford R. Zimmerman--Chief Administrative Officer (Principal Executive Officer)

Date 09/29/04

By (Signature and Title)* /s/ Stephen D. Foy--Vice President and Controller (Principal Financial Officer)

Date 09/29/04

* Print the name and title of each signing officer under his or her signature.