

**Press Release - For Immediate Release**

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## **Whiterock REIT Announces \$50 Million of Conditional Acquisitions and a \$35 Million Private Placement of Units**

Thursday, May 11, 2006

**TSX - WRK.UN**

TORONTO, May 11 / CNW / - Whiterock Real Estate Investment Trust ("Whiterock" or the "REIT") today announced that it has entered into conditional agreements to acquire approximately \$50 million (including closing costs) of properties, and will be seeking additional funding through a private placement of trust units led by RBC Capital Markets raising approximately \$35 million. These acquisitions bring completed and announced property acquisitions by the REIT to approximately \$275 million since its IPO on June 28, 2005.

The properties are under contract from seven separate vendors and total approximately 520,000 square feet of real estate (approximately 47% industrial, 38% office and 15% retail). Consistent with Whiterock's existing portfolio, these assets provide stable cash flows with approximately 62% of revenues being generated from provincial governments, national banks, and other high credit quality national or international firms. In total, these assets are currently 98% leased with an average lease term remaining of approximately 10 years. Rents are generally at or below market, with contractual rent increases.

The total purchase price of approximately \$50 million represents an average going-in unleveraged return of approximately 8.8%. Three of the properties are expected to be acquired with the assumption of a total of \$18.1 million in existing debt at an average interest rate of 5.7%. The remainder will be financed with the proceeds from the private placement offering and potential new mortgage financing.

"This round of acquisitions continues to demonstrate Whiterock's ability to source superior assets at attractive pricing. We expect that these acquisitions will be immediately accretive to our Adjusted Funds From Operations per unit, even at low leverage," said Whiterock CEO Jason Underwood. "These assets further build on our foundation of a high quality portfolio with long term, high credit leases. Additionally, these acquisitions are consistent with our strategy of increasing our geographic diversification, and provide for our entrance into four new markets: Ottawa, Fredericton, Moncton and Saskatoon."

Further details of the properties being acquired are outlined below.

### **Fredericton Government Office Portfolio**

- Two government office properties located at 250 and 551 King Street in downtown Fredericton totaling 166,200 square feet, which are 90% leased to the New Brunswick provincial government with an average lease term of 15 years. Other tenants include National Bank and Avis Rental Car. These newly constructed buildings (2000 and 2002), which are located in the downtown core, were built to house the provincial government tenants. The properties also include 216 above ground and 76 below ground on-site parking stalls. The properties are being purchased for \$9.4 million and \$14.3 million, representing capitalization rates of 8.9% and 8.5%, respectively. Closings are expected in 30 to 60 days and are subject to due diligence (in the case of 551 King Street only) and satisfying normal closing conditions.

### **Moncton Industrial Properties**

- Two industrial properties totaling 134,700 square feet, which are 100% leased to tenants including Sonoco Ltd (44%), and Hercules Tire (31%). The properties are well located within the Moncton Industrial Park, are being acquired at a substantial discount to replacement cost and have an average lease term remaining of 5.5 years. The properties are being purchased for \$4.9 million, representing a capitalization rate of 10.1%, with closing expected in less than 30 days, subject to satisfying normal closing conditions.

#### **Halifax New Retail**

- Parkland Plaza is a newly constructed 33,144 square foot retail centre. The property is 100% leased, is located on one of the highest traffic corridors in Halifax, Nova Scotia, and is anchored by a Lawton's Drugstore until 2016. The property is being purchased for \$6.5 million, representing a capitalization rate of 7.9%, with closing expected in 60 to 90 days, subject to due diligence and satisfying normal closing conditions.

#### **Ottawa Office Property**

- Located within an established business park near the Ottawa International Airport, 7 Capella Court is a 31,431 square foot office property, currently 86.7% occupied by two tenants with a weighted average lease term of 4.2 years. The major tenant is Lumenera. This newly constructed (2001) property contains excess land and parking capable of supporting a further 12,000 square foot expansion. This property is being purchased for \$5.1 million, representing a capitalization rate of 9.0%, with closing expected in 60 to 90 days, subject to due diligence and satisfying normal closing conditions.

#### **Saskatoon and Moose Jaw Retail**

- Two newly constructed Giant Tiger retail stores totaling 42,640 square feet. Also included is excess land under negotiation for a land lease to a national fast food retailer. Both stores are in well located in-fill areas, with an average lease term of 8.5 years. The Giant Tiger leases are guaranteed by the North West Company. These properties are being purchased for \$3.67 million, representing a capitalization rate of 8.6%, with closing expected in 30 to 60 days, subject to due diligence and satisfying normal closing conditions.

#### **Regina Industrial Property**

- A 109,400 square foot flex industrial asset located in north east Regina, SK at 609-679 Park Street, with direct access to Regina's Ring Road. This property is 100% leased, with the major tenant being Uponor Canada Inc., and is characterized by high quality regional tenants with rents at or below market. Once acquired, and together with Whiterock's currently owned and nearby Chestemere industrial asset, Whiterock will control approximately 65% of the comparable high demand flex industrial space within this submarket. This property is being purchased for \$5.16 million, representing a capitalization rate of 8.8%. Closing is expected in 60 to 90 days, subject to due diligence and satisfying normal closing conditions.

Provided that Whiterock closes the above noted conditional acquisitions, the REIT's commercial real estate portfolio will increase to 2.46 million square feet and be diversified between office (75%), retail (13%) and industrial (12%) based on property net operating income. The REIT will have 52% of its GLA in Quebec, 26% in Saskatchewan, 12% in New Brunswick, 6% in Nova Scotia, 3% in Ontario, and 1% in Prince Edward Island. The REIT's average lease term will be 8.7 years with contractual rent expiries averaging 4.4% over the next four calendar years. No more than 9.6% of leasable area matures in any one year until 2015. The REIT's average term to maturity on its mortgages will be over 10 years and 94% of the REIT's debt will be at fixed rates at an average interest rate of 5.5%. After giving effect to these acquisitions, related mortgages and the proposed private placement, the REIT's Debt to Gross Book Value Ratio (excluding convertible debentures) will decrease from 69% to approximately 63%. Even with this deleveraging the acquisitions are approximately \$0.01 accretive. The REIT will have 75% of its space leased to government or other high quality corporate tenants. The REIT's top ten tenants based on total revenues will be as follows: Société immobilière du Québec (Quebec government

agency) (33%); ING Canada (9%); Province of New Brunswick (8%); Saskatchewan Property Management Corp. (Saskatchewan government agency) (3%); Crown Investment Corp. (holding company for government of Saskatchewan utility companies) (3%); CGI (3%); Staples (2%); Helly Hansen (2%); Sobeys (2%); and the Northwest Company (Giant Tiger) (2%).

Whiterock also announced today that it has engaged RBC Capital Markets (the "Agent") in connection with a private placement offering (the "Offering"), of approximately \$35 million of trust units ("Units"). The pricing of the Units will be determined by the Agent and Whiterock in the context of the market. The Offering is expected to be completed on a best efforts basis by a syndicate of investment dealers in June 2006. Units sold pursuant to the Offering will be subject to a four-month hold period under applicable Canadian securities laws and shall be subject to the approval of the Toronto Stock Exchange. The proceeds of the Offering are intended to be used to satisfy the cash portion of the purchase price for the acquisition of the properties described herein (subject to the right of Whiterock to substitute comparable properties if it is unable to complete the acquisition of any or all of such properties as currently contemplated), the repayment of debt, future acquisitions and general corporate purposes.

Given the fact that, under the Offering, Whiterock may issue greater than 25% of its outstanding units at a price per unit that may be less than the market price as of the date notice was provided to the TSX in respect of the Offering, Whiterock is seeking Unitholder approval of the Offering (if then required) at its upcoming annual and special meeting of Unitholders scheduled for May 29, 2006. Details pertaining to such Unitholder approvals (and all other matters scheduled for approval at the Unitholders meeting) may be found in Whiterock's Notice of Annual and Special Meeting of Unitholders and Information Circular dated May 3, 2006, which can be obtained at [www.sedar.com](http://www.sedar.com).

In keeping with the REIT's recent move to the Toronto Stock Exchange and its desire to conform to best practices regarding governance and other matters in the Canadian REIT market, the REIT also announced that it is seeking Unitholder approval for the following changes to its Declaration of Trust at its Annual and Special Meeting on May 29, 2006:

- (a) decreasing total indebtedness to 65% of Gross Book Value (including convertible debentures) by the time that the REIT reaches \$750 million in assets;
- (b) limiting development activities to existing properties and mezzanine financings until the REIT reaches \$1.5 billion in assets;
- (c) requiring the Board of Trustees and all committees to have a majority of its members be independent; and
- (d) requiring the Chair of the Audit Committee to be a Chartered Accountant.

#### About Whiterock

Whiterock is a TSX listed growth oriented REIT focused on increasing Unitholder value through the strategic acquisition, ownership and management of well-located, long-term leased office, industrial and retail properties in select markets across Canada. Since its formation as a Trust on June 28, 2005, Whiterock has acquired or announced it is acquiring properties totaling over 2.4 million square feet with a value on acquisition of approximately \$275 million.

#### Forward Looking Statements

This news release contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to financial performance, sale-leaseback opportunities, proposed acquisitions and equity offerings, new markets for growth, financial position, comparable commercial REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking

terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Whiterock to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the public financial market for Whiterock’s securities, the general risks associated with real property ownership and acquisition (including in particular but without limitation that any or all of the properties subject to conditional agreement of purchase and sale discussed herein will be acquired as scheduled and/or on the terms currently anticipated and/or described herein) including that future accretive acquisition opportunities will be identified and/or completed by Whiterock, lease maturities risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth opportunities, diversification, reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the relationship with Whiterock Real Estate Capital Inc., the availability of sufficient cash flow, fluctuations in cash distributions, the market price of Whiterock’s units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in the section entitled “Risk Factors” in Whiterock’s Annual Information Form dated April 26, 2006, which can be obtained at [www.sedar.com](http://www.sedar.com).

Although Whiterock has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Whiterock does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

This press release shall not constitute an offer to sell, or the solicitation of an offer to buy any securities in any jurisdiction. The Units being offered have not been and will not be registered under the U.S. Securities Act of 1933 and state securities laws. Accordingly, the Units may not be offered or sold to U.S. persons except pursuant to applicable exemptions from registration.

The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

**For further information:** [www.whiterockreit.ca](http://www.whiterockreit.ca)

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Source: Whiterock Real Estate Investment Trust