



Management's Discussion and Analysis  
March 31, 2007

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock" or the "Trust") should be read in conjunction with the unaudited consolidated financial statements for the three months ended March 31, 2007 and 2006, the accompanying notes as well as the audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2006. Additional information relating to Whiterock, including its Annual Information Form and continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at [www.sedar.com](http://www.sedar.com).

This MD&A is based on information available to management as at May 11, 2007.

### **CAUTIONARY STATEMENT REGARDING DISCLOSURE**

This Management's Discussion and Analysis 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 or debt 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 market for Whiterock's securities, the general risks associated with real property ownership and acquisition, 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 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 March 21, 2007 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.

## NON-GAAP MEASURES

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and property operating income are non-GAAP performance measures used by Whiterock to improve the understanding of operating results for the investing public. “GAAP” means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

Funds from Operations, Adjusted Funds from Operations and property operating income are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, Funds from Operations, Adjusted Funds from Operations and property operating income may not be comparable to similar measures presented by other issuers. However, Whiterock presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007.

Neither FFO, AFFO, or property operating income is intended to represent operating profits for the period or from a property nor should they be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

## HIGHLIGHTS – MARCH 31, 2007

- **Process to solicit acquisition or merger proposals** – On January 16, 2007, announced the commencement of a process to solicit proposals to acquire or merge with the REIT, in an effort to continue to enhance Unit value.
- **Strong FFO Growth** – FFO per Unit (basic) for the three months ended March 31, 2007, increased by \$0.15 to \$0.28 per Unit compared to \$0.13 per Unit (basic) for the same period in the prior year.
- **Same Property Growth** – Property operating income increased 6% on a same property basis compared to the prior year period.
- **2007 Acquisitions** – Acquired a 41,710 square foot retail property in Charlottetown, Prince Edward Island, for \$6.6 million, including closing costs.
- **Investment Grade Tenants on Long-Term Leases** – At March 31, 2007, 45.6% of revenues from government leases, 69.7% of revenues from government and other investment grade tenants. Average lease term of portfolio is 8.5 years.
- **Unit Price Appreciation** – Unit price closed at \$13.96 on March 31, 2007, an increase of 89.4%, including reinvestment of distributions, since the June 2005 initial public offering.

## HIGHLIGHTS – SUBSEQUENT EVENTS

- **Sold three jointly owned Quebec properties** – Effective April 10, 2007, completed the sale to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreements, of its 50% undivided, non-managed interests in three Quebec City office properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy for \$51.75 million subject to closing adjustments.
- **Repaid Acquisition Facility** – On April 13, 2007, fully repaid the outstanding balance on the acquisition facility.

## UNIT CONSOLIDATION

On August 21, 2006, Whiterock consolidated its issued and outstanding Units on the basis of one post-consolidated Unit for every four pre-consolidated Units. All references to Units contained herein are calculated on a post-consolidated basis.

## BUSINESS OVERVIEW

On January 16, 2007, Whiterock announced that its Board of Trustees had approved a process to solicit proposals to acquire or merge with Whiterock in an effort to continue to enhance its Unit value (see "Sale or merger process").

In addition, during the first quarter of 2007, Whiterock focused on increasing Unitholder value through the ownership and management of its existing high quality office, industrial and retail properties in select markets across Canada which generally provide high returns while maintaining high tenant credit quality.

Whiterock began active operations on June 28, 2005. Since then, Whiterock has acquired 3.1 million square feet of properties with gross book values totaling approximately \$383.8 million.

The following table summarizes Whiterock's acquisitions by quarter:

<b>Acquisition Period</b>	<b>Number of Properties</b>	<b>Gross Leasable Area (GLA)</b>	<b>Gross Book Value (000's)<sup>(1)</sup></b>
June 28, 2005 to September 30, 2005	4	309,010	\$ 22,086
October 1, 2005 to December 31, 2005	8	871,145	98,904
January 1, 2006 to March 31, 2006	4	417,132	59,879
April 1, 2006 to June 30, 2006	7	691,874	68,770
July 1, 2006 to September 30, 2006	5	189,658	28,627
October 1, 2006 to December 31, 2006	5	561,120	98,880
January 1, 2007 to March 31, 2007	1	41,710	6,617
<b>Total - March 31, 2007</b>	<b>34</b>	<b>3,081,649</b>	<b>\$ 383,763</b>

(1) Gross Book Value is as at March 31, 2007.

At March 31, 2007, 45.6% of Whiterock's revenue stream was derived from government leases. Government leases combined with other investment grade tenants supply 69.7% of the revenue stream with an average remaining lease term of 8.5 years.

At March 31, 2007, Whiterock operated in select urban markets as summarized below:

Province	Office		Retail		Industrial	
	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA
Quebec	10	1,345,643			1	29,700
Saskatchewan	3	178,459	3	174,593	2	273,432
New Brunswick	1	80,162			2	134,704
Nova Scotia	1	75,989	1	33,857	1	115,773
Ontario	2	326,774			4	243,160
Prince Edward Island			3	69,403		
<b>Total</b>	<b>17</b>	<b>2,007,027</b>	<b>7</b>	<b>277,853</b>	<b>10</b>	<b>796,769</b>

Management believes that there are significant leasing and operating synergies which can be derived from a critical mass of properties in defined regions. Since its Initial Public Offering in June 2005, management considered and completed acquisitions in Western Canada, Ontario, Quebec and Atlantic Canada. Whiterock's investment criteria is contained in its declaration of trust, as amended, (the "Declaration of Trust") a copy of which may be obtained at [www.sedar.com](http://www.sedar.com).

While it has been Whiterock's intention to acquire a geographically diversified mix of office, retail and industrial properties, office buildings have comprised the majority of its acquisitions to date. Management believes this segment has provided the most favourable acquisition opportunities to date.

## OVERALL BUSINESS STRATEGY AND OBJECTIVES

In the first quarter of 2007, Whiterock continued to operate a high quality diversified portfolio of office, industrial and retail assets in select markets across Canada that produces an attractive and consistent return to investors. Whiterock focuses on properties that are not the primary focus of larger institutional investors while adhering to Whiterock's real estate investment criteria.

The objectives of Whiterock are to: (i) enhance the value of Whiterock's assets and maximize long-term Unit value through the active management of its assets; (ii) generate stable and growing cash distributions on a tax-efficient basis; and (iii) expand Whiterock's asset base and increase its income available for distribution through an accretive acquisition program. Whiterock achieved its objectives by employing the external and internal growth strategies set out below. In the shorter term, during the initial period of operations, Whiterock's objectives were to acquire well-located real estate with a large proportion of investment grade tenants having long-term leases and matching these acquisitions with fixed-rate debt of similar term.

### Growth through Opportunistic and Disciplined Acquisitions

As of March 31, 2007, Whiterock has increased its Gross Book Value ("GBV") of real estate assets since its initial public offering in June 2005 from \$3 million to \$383.8 million and increased its real estate portfolio from 26,000 square feet of Gross Leasable Area ("GLA") to 3.1 million square feet of GLA.

Whiterock's growth strategy includes acquiring real estate at capitalization rates which are above national averages, while maintaining the high credit quality of its tenants and the physical condition of the assets being acquired. By virtue of Whiterock's relatively small size, each additional acquisition can have a material impact on the REIT's overall performance. Completing acquisitions at higher capitalization rates, while obtaining mortgage financing at current low fixed interest rates, also serves to enhance the REIT's performance.

Whiterock has developed a national platform of diversified commercial real estate across Canada, with target markets nationwide, including: the Greater Toronto Area; Quebec City; Regina; Montreal; Ottawa; Halifax; Windsor; Saskatoon; Fredericton; Moncton; Dartmouth and Charlottetown. Whiterock targets economic centres nationwide in the office, industrial and retail segments.

Management has utilized a geographically opportunistic growth strategy, allowing the REIT to participate in any Canadian market where an opportunity exists to acquire assets that conform with its investment criteria. As a competitive advantage, Whiterock not only focuses on properties in major market centres in Canada, it also operates in markets that are generally not the primary focus of larger REITs and institutional investors.

Management has an extensive network of real estate contacts across Canada, the necessary experience to source properties directly from vendors or to purchase through traditional channels, as well as the ability to move quickly to acquire high quality, accretive properties.

Whiterock engages in rigorous financial, physical and market due diligence, focusing on the acquisition criteria set out below:

- *Finding superior locations:* Whiterock seeks assets that are well-located in their respective markets.
- *Long-term leases:* Whiterock attempts to secure long-term leases with high quality credit tenants.
- *Limiting deferred capital expenditures:* Whiterock attempts to acquire properties in good condition by focusing on the average age of the building and the length of time since renovation.
- *Acquiring properties below replacement cost:* Management believes this provides a significant advantage in retaining tenants.

### **Internal Growth through Active Asset Management**

Whiterock achieves internal growth by realizing market rate rents as existing below market rate leases expire and by renewing or extending tenant leases, when possible. Renewals, in contrast to tenant replacements, often minimize transaction costs associated with marketing, leasing and tenant improvements, avoid costs of renovations and prevent interruptions in rental income resulting from periods of vacancy. When an existing tenant chooses not to renew its lease, Whiterock attempts to identify, as early as possible, a replacement tenant at the best available market terms and lowest possible transaction costs.

Whiterock currently self-manages nine properties and has the ability to self-manage additional select assets, such as 655 Bay Street in Toronto, Ontario. Management believes that selective self management may further contribute to operating results.

### **Sale or Merger Process**

On January 16, 2007, Whiterock announced that its Board of Trustees had approved a process to solicit proposals to acquire or merge with Whiterock, in an effort to continue to enhance its Unit value.

The Board of Trustees of Whiterock has established a Special Committee of Independent Trustees to advise the Board of Trustees, which is comprised of David Thomson, currently serving as Chairman of the Board of Trustees, and Stanley Swartzman, currently serving as Chairman of the Investment Committee. Whiterock has retained Canaccord Adams and BMO Capital Markets to act as co-financial advisors to manage the process. There can be no assurance that a transaction will result from the process initiated by the Board of Trustees and there is no certainty as to the price at which a transaction will be effected, if one does take place.

During the sale process, Whiterock will continue to manage its business in the normal course. However, significant amounts of new capital will not be committed to new acquisitions during the sale process.

## KEY PERFORMANCE MEASURES

Several factors contribute to the successful operation of Whiterock's business. These include rental and renewal rates, occupancy levels, quality of tenant revenue stream, availability of properties that meet our acquisition criteria, financing rates and availability, tenant inducements, capital expenditures and the general economic environment. Whiterock's success is based on its ability to acquire well located real estate with a large proportion of tenants with high credit ratings having long-term leases and matching these acquisitions with fixed rate debt of similar term. In the opinion of management, the key measures of Whiterock's performance are illustrated in the table below together with a prior period comparative:

KEY PERFORMANCE MEASURES <sup>(1)</sup>	March 31, 2007	March 31, 2006
FFO (basic) per Unit	\$ 0.28	\$ 0.13
AFFO (basic) per Unit	\$ 0.22	\$ 0.10
Property operating income - continuing operations	\$ 7,067,652	\$ 3,136,953
Percentage of investment grade tenants	69.7%	73.6%
Investment in real estate	\$ 383,762,889	\$ 176,414,687
Weighted average fixed mortgage rate	5.4%	5.4%
Weighted average debenture rate	7.1%	8.5%
Interest coverage ratio <sup>(2)</sup>	1.6	1.3
Average lease term	8.5	8.5
Occupancy level <sup>(3)</sup>	98.3%	99.0%
FFO payout ratio <sup>(4)</sup>	100%	223%

(1) Including discontinued operations, except as noted.

(2) Interest coverage for the period is calculated based on property operating income less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest income.

(3) Occupancy includes space under head lease.

(4) FFO payout ratio is calculated as distributions divided by FFO.

Management believes Whiterock has met or exceeded its objectives. In the three months ended March 31, 2007, Whiterock significantly improved its FFO, AFFO, FFO per Unit, AFFO per Unit, property operating income, weighted average debenture interest rate, and increased its interest coverage ratio while reducing its payout ratio compared to the prior year comparative period.

## INVESTMENT ACTIVITIES

Whiterock has acquired 34 properties from the time of its initial public offering in June 2005 with a gross leasable area of 3.1 million square feet and a current gross book value of \$383.8 million with \$235 million of financing on acquisition. In the three months ended March 31, 2007, Whiterock completed the acquisition of 193 Malpeque, a newly constructed retail centre in Charlottetown PEI, which was under contract prior to Whiterock's announcement regarding the process to solicit acquisition or merger proposals. Whiterock's investment in properties acquired in 2007 and 2006 is as follows:

### 2007 ACQUISITION

(\$ in thousands)

Property Name	City	Province	Acquired	GLA (Sq. Ft.) <sup>(1)</sup>	Acquisition Cost <sup>(2)</sup>	Mortgage Financing <sup>(3)</sup>
193 Malpeque	Charlottetown	PEI	03/30/06	41,710	6,617	-

### 2006 ACQUISITIONS

(\$ in thousands)

Property Name	City	Province	Acquired	GLA (Sq. Ft.) <sup>(1)</sup>	Acquisition Cost <sup>(2)</sup>	Mortgage Financing <sup>(3)</sup>
4250 Albert	Regina	SK	01/10/06	41,181	\$ 7,267	\$ 5,750
2550 Quance	Regina	SK	01/12/06	84,861	14,035	10,500
2220 College	Regina	SK	02/28/06	59,590	7,599	5,650
2450 Girouard	St.-Hyacinthe	QC	03/23/06	231,500	30,923	20,000
410 Charest	Quebec City	QC	05/17/06	84,324	16,733	10,201
750 Charest	Quebec City	QC	05/17/06	107,403	11,312	7,800
880 & 930 Ste-Foy	Quebec City	QC	05/17/06	175,947	20,667	14,100
722 Edinburgh	Moncton	NB	06/01/06	41,200	1,747	1,285
250 King Street	Fredericton	NB	06/13/06	80,162	9,582	5,977
222 Edinburgh	Moncton	NB	06/15/06	93,504	3,376	2,400
603 Park Street	Regina	SK	06/30/06	109,334	5,320	-
998 Parkland Drive	Halifax	NS	08/01/06	33,857	6,925	4,721
9305 Twin Oaks	Windsor	ON	08/09/06	74,239	6,385	2,725
650 University	Charlottetown	PEI	08/17/06	1,650	787	-
7 Capella Court	Ottawa	ON	08/28/06	31,361	5,180	-
Royal Centre	Saskatoon	SK	09/06/06	48,551	9,350	-
4515 & 4525 Rhodes	Windsor	ON	10/05/06	91,057	7,430	5,175
2946 Walker Road	Windsor	ON	10/05/06	32,264	2,195	1,480
655 Bay Street	Toronto	ON	10/30/06	295,413	67,370	40,635
277 Pleasant Street	Halifax	NS	11/15/06	75,989	11,630	4,675
8550 Newman Blvd	Montreal	QC	11/16/06	66,397	10,215	7,425
				<b>1,859,784</b>	<b>256,028</b>	<b>150,499</b>

(1) Whiterock's interest.

(2) Acquisition cost includes land transfer taxes and closing costs.

(3) On acquisition.

**193 Malpeque** – is a newly constructed 41,710 square foot retail property anchored by Linen's N Things and a PEI Liquor Store, both on long term leases. The property is located at the intersection of Malpeque Road and the Charlottetown Perimeter Highway, within a new non-owned power centre currently under lease-up and construction.

**4250 Albert** - is a 41,181 square foot retail property located on the primary north-south artery in Regina and is anchored by a Sobeys. Other tenants include TD Bank, a UPS store and Ultracuts.

**2550 Quance** - is an 84,861 square foot retail property located at 2510-2640 Quance Street, 2660 Starlight Street and 625-635 University Park Drive, one of the busiest intersections in Regina. Primary tenants include Staples, Saskatchewan Liquor Store, Boston Pizza and Scotiabank. The centre is shadow anchored by a Costco Superstore.

**2220 College** – is a 59,590 square foot office property located at 2220 College Avenue in Regina, directly adjacent to Wascana Park and the Legislative Buildings. It is 100% leased to the Saskatchewan Provincial Government until 2011.

**2450 Girouard** – is a newly constructed and renovated office complex which is 100% leased on a long-term sale lease-back until 2026 to ING Insurance Company of Canada, the largest provider of property and casualty insurance in Canada with an A+ credit rating by Standard & Poor's. The property is located in Saint-Hyacinthe, a growing community located 30 minutes east of Montreal. 2450 rue Girouard Ouest consists of two buildings: 115,000 square feet built in 2005, and 87,000 square feet with recently completed renovations. A third building, at 455 Saint-Joseph Avenue, totaling 29,500 square feet, was significantly upgraded in 1990, and again in 2005.

**410 Charest** – is an award winning property which recently underwent a complete redevelopment from the ground up, resulting in a state of the art office building with high end finishes. This Class A+ office building is located in downtown Quebec City. Its major tenants are CGI, a large multinational corporation, and Le Soleil, a premier Quebec newspaper. Located in downtown Quebec City, its leases have a weighted average lease term of 9.4 years. Also included is a newly constructed 375 stall, 24 hour underground parkade.

**750 Charest** – is 100% occupied, with 89% of the building leased to the SIQ. The property underwent a complete renovation in 2001, and includes a 400 stall parkade. It is situated one block from 410 Charest within a highly desirable office and retail submarket.

**880 & 930 Ste-Foy** – the two properties are located across the street from one another and are 99% leased to the SIQ, with 89% of the project on new long-term leases. Both buildings were significantly renovated in 2005 and 2006, and include 390 on-site interior and exterior parking stalls.

Whiterock has a 50% interest in 410 Charest, 750 Charest and 880 & 930 Chemin Ste-Foy. In addition to Whiterock's interest, another 45% is owned by major Montreal and Quebec City based pension funds and 5% by the developer of the properties. (see "Subsequent Dispositions of Properties")

**722 Edinburgh** – is a single tenant industrial building originally built in 1977-78, with an addition and further capital improvements completed in 1999. The building is 100% leased on a long-term basis to Hercules Canada, an international tire and wheel supplier whose Canadian division achieves annual sales in excess of \$150 million.

**250 King Street** - is a four storey office building located in Fredericton's downtown business district. The building has been 100% leased to the Province of New Brunswick since its original construction in 2000. The site comprises an area of approximately 1.41 acres and provides 132 above ground parking spaces.

**222 Edinburgh** - is a one storey, multiple tenant industrial building located on one of the major roadways in the Moncton Industrial Park, with excellent access to all major transportation corridors. The property is fully leased, with the majority of the building occupied by Sonoco, a world leader in packaging products.

**603 Park Street** - is a 109,334 square foot flex industrial property located in the same submarket as Whiterock's Chestemere property in Regina. The property is 100% leased. The property was subsequently financed with a \$3.6 million 10 year mortgage at an interest rate of 5.6%

**998 Parkland Drive** - is a newly constructed, 100% leased retail plaza located at the intersection of Highway 102 and Kearney Lake Road in Halifax. Lawtons Drug Stores occupies two thirds of the project on a ten year lease, with the balance of the space occupied by retail and professional tenants.

**9305 Twin Oaks** - is a new industrial facility with 28 foot clear heights situated on 5.2 acres in the newly developed Twin Oaks Business Park, having excellent access to the E.C. Row Expressway, Lauzon Parkway and the airport. The property is 100% leased to Magna Closures Inc., a subsidiary of Magna International, a leading supplier of technologically advanced interior vehicle systems, components and complete modules. Subsequent to the acquisition date, the second phase of the property, which was unencumbered at the time of acquisition, was financed by a second draw of \$1.9 million on the original loan at an interest rate of 5.1%, resulting in a blended interest rate of 5.3% on the final loan amount of \$4.6 million over the remaining term of 118 months.

**650 University** - is a newly built 1,650 square foot A&W Restaurant in Charlottetown, acquired on August 17, 2006. It is across the street from an existing single tenant retail building of the Trust's which is leased to Staples.

**7 Capella Court** - Built in 2001, 7 Capella is a 31,361 square foot, three-storey office building located in the Rideau Heights Business Park, just west of the Ottawa International Airport. The 1.8 acre site provides 150 parking spaces and room for a 10,000 square foot expansion. The primary tenant, Lumenera, occupies 84% of the building, and is a leading developer and manufacturer of high performance digital cameras for the industrial, scientific and security markets. The property was subsequently financed by a 10 year mortgage of \$3.2 million at an interest rate of 5.2%.

**Royal Centre** - is a collection of three buildings designed for retail and office use, located in the Central Business District of Saskatoon. The site has a premier location, occupying nearly one-half of a city block directly across the street from the main entrance to Midtown Plaza, Saskatchewan's largest regional mall. The property is 100% leased to a number of high quality tenants, the largest of which is the Royal Bank of Canada, occupying approximately 51% of the rentable area. The property was subsequently financed by a 10 year mortgage of \$5.8 million at an interest rate of 5.3%.

**4515 & 4525 Rhodes Drive** - These two flex-industrial properties, totaling 91,057 square feet located in Windsor, Ontario, are immediately adjacent to a major arterial expressway and the Windsor International Airport. Built in 1998, these multi-tenant buildings offer 22 foot clear height and are serviced by both truck-level and grade-level doors. The nine acre site provides easy access to expressway connectors, provincial highways, railways, air transportation and the United States via tunnel or bridge.

**2946 Walker Road** - This 32,264 square foot, single-tenant industrial property is located two blocks from the Chrysler Assembly Plant in Windsor, Ontario. The building underwent significant renovation in 2004. The building's clear height varies from 16 feet to 28 feet, with ample access provided by nine truck-level doors. Situated on four acres of land, the building is occupied by Ground Effects, a leading and diversified supplier of exterior and interior accessories for the automotive industry.

**655 Bay Street** - is a 98% leased, 17-story, Class A multi-tenant office building with 295,413 square feet of GLA located just north of the financial district on the corner of Bay and Elm Streets in downtown Toronto, Ontario. The building was constructed in 1990 and renovated in 2006 and includes a three storey underground parking deck. The building's proximity to the Province of Ontario's legislative building at Queen's Park makes it a logical choice for the government tenants who occupy 42% of the building,

which includes the Canada Revenue Agency, the Ontario Municipal Board and the Ministry of the Attorney General.

**277 Pleasant Street** - Dartmouth Professional Centre is a 75,989 square foot multi-tenant office building located immediately north of the new Nova Scotia Community College and the Dartmouth General Hospital. The property is 100% leased, with the primary tenants being the Departments of Justice (48%) and Community Services (26%), and the remaining tenants consisting of various medical practices and a pharmacy.

**8550 Newman Boulevard** – is a 66,397 square foot, Class A medical office building is currently 100% leased, with the primary tenants being government funded healthcare institutions. The first phase was built in 2001, and is 100% occupied by the Centre Locaux de Services Communautaires Lasalle and the Douglas Hospital. The second phase was added in 2004-2005, and is currently approximately 70% occupied by a mix of medical tenants.

### Subsequent Dispositions of Properties

Effective April 10, 2007, Whiterock completed the sale of its 50% undivided, non-managed interest in three Quebec City office properties, being 410 Charest, 750 Charest and 880-930 Ste-Foy, to the existing co-owners through the exercise of buy-sell provisions initiated by Whiterock.

#### 2007 DISPOSITIONS

(\$ in thousands)

Property Name	City	Province	Disposition Date	GLA (Sq. Ft.) <sup>(1)</sup>	Disposition Price <sup>(1) (2)</sup>
410 Charest	Quebec City	QC	04/10/07	84,324	\$ 18,625
750 Charest	Quebec City	QC	04/10/07	107,403	11,500
880 & 930 Ste-Foy	Quebec City	QC	04/10/07	175,947	21,625
<b>Total</b>				<b>367,674</b>	<b>\$ 51,750</b>

(1) Whiterock's interest.

(2) Before closing adjustments.

## SUMMARY OF QUARTERLY RESULTS

Whiterock was created through a predecessor entity on December 8, 2004. It began active operations on June 28, 2005 in conjunction with an Initial Public Offering.

(in \$000's except per Unit information)	2007		2006			2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue								
- continuing operations	<b>11,966</b>	10,339	7,339	6,129	5,185	3,129	523	14
- discontinued operations	<b>1,984</b>	1,846	1,812	914	-	-	-	-
Property operating income								
- continuing operations	<b>7,068</b>	6,518	4,684	3,891	3,137	1,814	228	2
- discontinued operations	<b>980</b>	1,021	993	530	-	-	-	-
Income (loss)	<b>(225)</b>	(4,243)	(438)	(1,297)	(493)	(257)	(300)	(79)
Income (loss) adjusted <sup>(1)</sup>	<b>(225)</b>	(540)	(438)	(606)	(493)	(257)	(300)	(79)
Income (loss) per Unit								
- basic	<b>(0.02)</b>	(0.50)	(0.06)	(0.22)	(0.10)	(0.07)	(0.09)	(0.11)
- basic adjusted <sup>(1)</sup>	<b>(0.02)</b>	(0.06)	(0.06)	(0.10)	(0.10)	(0.07)	(0.09)	(0.11)
- diluted	<b>(0.02)</b>	(0.50)	(0.06)	(0.22)	(0.10)	(0.07)	(0.09)	(0.11)
- diluted adjusted <sup>(1)</sup>	<b>(0.02)</b>	(0.06)	(0.05)	(0.10)	(0.09)	(0.07)	(0.09)	(0.11)
Funds from operations (FFO)	<b>2,799</b>	(1,297)	1,711	365	651	352	(225)	(78)
FFO (adjusted) <sup>(2)</sup>	<b>2,799</b>	2,406	1,711	1,056	651	352	(225)	(78)
FFO per Unit								
- basic	<b>0.28</b>	(0.15)	0.22	0.06	0.13	0.09	(0.06)	(0.11)
- basic (adjusted) <sup>(2)</sup>	<b>0.28</b>	0.28	0.22	0.18	0.13	0.09	(0.06)	(0.11)
- diluted	<b>0.28</b>	(0.15)	0.21	0.06	0.12	0.09	(0.06)	(0.11)
- diluted (adjusted) <sup>(2)</sup>	<b>0.28</b>	0.28	0.21	0.17	0.12	0.09	(0.06)	(0.11)
Adjusted funds from operations (AFFO)	<b>2,173</b>	1,683	1,605	501	500	282	(143)	(75)
AFFO (adjusted) <sup>(3)</sup>	<b>2,173</b>	1,886	1,605	756	500	282	(143)	(75)
AFFO per Unit								
- basic	<b>0.22</b>	0.20	0.20	0.08	0.10	0.07	(0.04)	(0.11)
- basic (adjusted) <sup>(3)</sup>	<b>0.22</b>	0.22	0.20	0.13	0.10	0.07	(0.04)	(0.11)
- diluted	<b>0.21</b>	0.20	0.20	0.08	0.09	0.07	(0.04)	(0.11)
- diluted (adjusted) <sup>(3)</sup>	<b>0.21</b>	0.22	0.20	0.12	0.09	0.07	(0.04)	(0.11)
Cash distribution per Unit	<b>0.28</b>	0.28	0.28	0.28	0.28	0.28	0.28	-

(1) Income (loss) (adjusted) excludes the effect of the one-time costs relating to the internalization of management of \$3,703,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$690,838 in the second quarter of 2006.

(2) FFO per Unit (adjusted) excludes the effect of the one-time costs relating to the internalization of management of \$3,703,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$690,838 in the second quarter of 2006.

(3) AFFO per Unit (adjusted) excludes the effect of the one-time cash costs relating to the internalization of management of \$203,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$254,998 in the second quarter of 2006.

Whiterock's operations, and therefore its quarterly results, are generally not subject to seasonal influences, but they are impacted by economic events and cycles of a local, national and international nature which may impact the demand for space and the level of interest rates. Whiterock's leases generally have provisions which allow for increases in rents to offset the effects of inflation on operating costs.

After adjusting the fourth quarter 2006 results for the effect of the one-time costs relating to the internalization of management and the second quarter 2006 results for the effect of the one-time loss on redemption of the Series B Convertible Debentures, FFO, AFFO, FFO per Unit and AFFO per Unit, have consistently increased since Whiterock began active operations since June 2005, reflecting the impact of the accretive acquisitions Whiterock has undertaken to date.

## RESULTS OF OPERATIONS

### Statement of income

Summarized financial results for the three months ended March 31, 2007 and 2006 are as follows:

	Three months ended March 31, 2007	Three months ended March 31, 2006
Property operating income	\$ 7,067,652	\$ 3,136,953
Interest income	91,437	183,202
Interest expense	(4,258,175)	(2,123,406)
General and administrative expenses	(610,020)	(436,625)
Asset management and management services fees	-	(103,336)
Amortization	(2,827,996)	(1,149,760)
<b>Income (loss) from continuing operations</b>	<b>(537,102)</b>	<b>(492,972)</b>
Income from discontinued operations	312,545	-
<b>Net income (loss)</b>	<b>\$ (224,557)</b>	<b>\$ (492,972)</b>
<b>Basic and diluted net income (loss) per unit</b>		
Continuing operations	\$ (0.05)	\$ (0.10)
Discontinued operations	0.03	-
<b>Basic and diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.10)</b>

Whiterock's loss from continuing operations for the three months ended March 31, 2007 was \$0.5 million (three months ended March 31, 2006 – \$0.5 million) or \$0.05 loss per Unit basic and diluted (2006 – \$0.10 loss per Unit basic and diluted).

On February 16, 2007, Whiterock announced the sale of its interests in three Quebec City office properties being 410 Charest, 750 Charest and 880 – 930 Ste-Foy. In accordance with CICA Handbook Section 3475, the results of operations for the three properties have been separately identified and classified as discontinued operations.

Following is a discussion of individual income components:

## Property operating income

	Three months ended March 31, 2007	Three months ended March 31, 2006
<b>Income property rentals</b>		
<b>Same Property</b>		
Rental income	\$ 4,191,040	\$ 3,850,806
Straight-line rent	239,315	63,366
Above and below market lease amortization	277,998	326,320
	<b>4,708,353</b>	<b>4,240,492</b>
<b>Acquisitions <sup>(1)</sup></b>		
Rental income	6,965,718	724,484
Straight-line rent	146,749	10,554
Above and below market lease amortization	53,761	26,411
	<b>11,874,581</b>	<b>5,001,941</b>
<b>Property operating costs</b>		
Same property	1,955,845	1,643,734
Acquisitions <sup>(1)</sup>	2,851,084	221,254
	<b>4,806,929</b>	<b>1,864,988</b>
<b>Property operating income</b>		
Same property	2,752,508	2,596,758
Acquisitions <sup>(1)</sup>	4,315,144	540,195
	<b>\$ 7,067,652</b>	<b>\$ 3,136,953</b>

<sup>(1)</sup> Acquisition values exclude the results for the three properties classified as discontinued operations.

Property operating income represents non-GAAP information and may not be comparable to measures used by other issuers. Property operating income should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with GAAP.

### *Same Property Growth*

Income from same property rentals (13 properties owned for the complete three months ended March 31, 2007 and 2006) increased \$0.5 million, or 11% for the three months ended March 31, 2007 as compared to the same period in 2006. Same property operating costs have increased \$0.3 million in the three months ended March 31, 2007 compared to the same period in the prior year. Same property operating income for the three months ended March 31, 2007 includes \$0.2 million from leases with contractual rent increases, which are recognized on a straight-line basis and \$0.3 million of amortization of above and below market lease adjustments, as compared to \$0.1 million and \$0.3 million respectively for the same period in 2006.

On a same property basis, property operating income increased \$0.2 million or 6% compared to the three months ended March 31, 2006.

#### *Growth due to Acquisitions*

Income property rentals for the three months ended March 31, 2007 includes \$7.2 million from 18 continuing properties acquired throughout 2006 and the one property acquired in 2007, compared to \$0.8 million for the same period in 2006. Property operating costs increased by \$2.6 million to \$2.9 million in the three months ended March 31, 2007 compared to the same period in 2006 primarily as a result of these acquisitions. Property operating income resulting from acquisitions for the three months ended March 31, 2007 includes \$0.1 million from leases with contractual rent increases, which are recognized on a straight-line basis and \$0.1 million of amortization of above and below market lease adjustments.

As at March 31, 2007, the net recorded value of below market leases on acquisition for continuing operations was \$8.6 million. Management intends to capture the value of the below market leases over time in the form of higher rental rates as tenants' leases are renewed.

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended March 31, 2007 was as follows:

	<b>Office</b>	<b>Retail</b>	<b>Industrial</b>	<b>Total</b>
Income property rentals	\$ 9,053,004	\$ 1,309,969	\$ 1,511,608	\$ 11,874,581
Property operating costs	3,948,148	406,591	452,190	4,806,929
<b>Property operating income</b>	<b>\$ 5,104,856</b>	<b>\$ 903,378</b>	<b>\$ 1,059,418</b>	<b>\$ 7,067,652</b>
<b>Income properties</b>	<b>\$ 262,855,789</b>	<b>\$ 40,456,559</b>	<b>\$ 40,111,405</b>	<b>\$ 343,423,753</b>

#### **Interest income**

	<b>Three months ended March 31, 2007</b>	<b>Three months ended March 31, 2006</b>
<b>Interest income</b>	<b>\$ 91,437</b>	<b>\$ 183,202</b>

Interest income for the three months ended March 31, 2007 totaled \$0.1 million and was derived primarily from interest on funds raised from equity and convertible debenture offerings in advance of the use of those funds to acquire properties.

## Interest expense

	Three months ended March 31, 2007	Three months ended March 31, 2006
Mortgage interest expense	\$ 2,888,733	\$ 1,381,809
Acquisition facility interest	77,408	-
Debenture interest	904,458	522,739
Deferred finance cost		
- mortgages	52,507	45,140
- acquisition facility	106,052	-
- convertible debentures	128,331	124,376
Implicit interest rate in excess of coupon		
- convertible debentures	100,686	49,342
<b>Interest expense</b>	<b>\$ 4,258,175</b>	<b>\$ 2,123,406</b>

Interest for the three months ended March 31, 2007 results from mortgages on properties acquired in 2005 and 2006, convertible debentures issued during the same periods, and the acquisition credit facility.

## General and administrative expenses

	Three months ended March 31, 2007	Three months ended March 31, 2006
Salaries and wages	\$ 346,198	\$ 260,690
Non-cash compensation expense	20,901	69,048
Trustee fees	41,596	-
Legal, audit and regulatory	31,330	24,329
Office rent	20,645	12,328
Insurance	15,116	10,679
Other general and administrative	30,963	50,324
	<b>506,749</b>	<b>427,398</b>
Costs related to properties not acquired	103,271	3,302
Recruiting costs	-	5,925
<b>General and administrative expenses</b>	<b>\$ 610,020</b>	<b>\$ 436,625</b>

For the three months ended March 31, 2007, general and administrative expenses total \$0.6 million as compared to \$0.4 million in the same period of 2006. The increase in general and administrative expenses reflects \$0.1 million of costs related to properties not acquired and \$0.1 million of salaries and wages as a result of the internalization of management completed in the fourth quarter of 2006 as well as the increasing operations of the Trust as it continued to grow its portfolio throughout 2006.

## Asset management and management services fees

In June 2005, the Trust entered into exclusive agreements (“the Agreements”) with Whiterock Real Estate Capital Inc. (“Whiterock Capital”) to provide the services of two officers of the Trust, being Jason Underwood and Paul Simcox (the “Officers”). The Officers are Trustees of the Trust and principals of Whiterock Capital. Under these Agreements, Whiterock Capital earned acquisition fees equal to 0.5% of the cost of property acquired, as defined, and an annual advisory fee, equal to 0.3% of the adjusted cost base, as defined, of Whiterock’s assets. The Agreements had a five year term.

In December 2006, Whiterock terminated the agreements and following the termination, the Officers became employees of a subsidiary of Whiterock, with customary terms for these types of arrangements as determined by the Compensation Committee of the Board of Trustees of Whiterock.

In the three months ended March 31, 2006, \$0.1 million was expensed and \$0.3 million was recorded as an acquisition cost of income properties under these agreements. There were no related costs incurred in 2007.

## Amortization

	Three months ended March 31, 2007	Three months ended March 31, 2006
Building and improvements	\$ 1,630,844	\$ 736,817
Deferred charges		
- tenants inducements on acquisitions	441,031	187,685
- leasing costs	64,981	4,161
Intangible assets		
- lease origination	414,861	132,738
- tenant relationships	262,915	82,992
Furniture and fixtures	13,364	5,367
Amortization	\$ 2,827,996	\$ 1,149,760

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$2.8 million for the three months ended March 31, 2007.

## Discontinued operations

On February 16, 2007, Whiterock announced that it had agreed to sell to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreements, which were initiated by Whiterock, its 50% undivided, non-managed interest in three Quebec City properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy, subject to closing conditions and adjustments, for \$51.75 million. These properties were acquired in May 2006. The operating results for these properties have been reclassified as discontinued operations to comply with the disclosure requirements of CICA Handbook Section 3475. Discontinued operating results for these properties are as follows:

### *Property operating income*

	<b>Three months ended March 31, 2007</b>	Three months ended March 31, 2006
<b>Income property rentals</b>		
Discontinued operations		
Rental income	\$ 1,862,579	\$ -
Straight-line rent	28,911	-
Above and below market lease amortization	74,725	-
<b>Income property rentals</b>	<b>1,966,215</b>	<b>-</b>
<b>Property operating costs</b>		
Discontinued operations	<b>985,868</b>	-
<b>Property operating income</b>		
Discontinued operations	<b>\$ 980,347</b>	<b>\$ -</b>

### *Interest income*

	<b>Three months ended March 31, 2007</b>	Three months ended March 31, 2006
<b>Interest income</b>	<b>\$ 17,563</b>	<b>\$ -</b>

### *Interest expense*

	<b>Three months ended March 31, 2007</b>	Three months ended March 31, 2006
Mortgage interest expense	\$ 470,553	\$ -
Deferred finance cost	6,244	-
<b>Interest expense from discontinued operations</b>	<b>\$ 476,797</b>	<b>\$ -</b>

## Amortization

	Three months ended March 31, 2007	Three months ended March 31, 2006
Building and improvements	\$ 119,364	\$ -
Deferred charges		
- tenants inducements on acquisitions	32,812	-
Intangible assets		
- lease origination	34,087	-
- tenant relationships	22,305	-
<b>Amortization from discontinued operations</b>	<b>\$ 208,568</b>	<b>\$ -</b>

## Cash flow from operating activities

Cash flow from operating activities for the three months ended March 31, 2007 was \$2.1 million from continuing operations and cash used in discontinued operations for the same period was \$0.3 million, compared to cash flow from operations of \$0.4 million in the comparative prior year period. This was primarily due to property operating income on the properties acquired and income from invested cash being partly offset by interest on mortgages and convertible debentures.

## Funds from Operations and Adjusted Funds from Operations

Funds from operations ("FFO") and adjusted funds from operations ("AFFO") are non-GAAP performance measures used by Whiterock to improve the understanding of operating results for the investing public. "GAAP" means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

FFO for the three months ended March 31, 2007 and 2006 is calculated as follows:

	Three months ended March 31, 2007	Three months ended March 31, 2006
Income (loss) for the period	\$ (224,557)	\$ (492,972)
Add:		
Amortization of building and improvements	1,630,844	736,817
Amortization of tenant inducements on acquisition	441,031	187,685
Amortization of leasing costs	64,981	4,161
Amortization of lease origination costs	414,861	132,738
Amortization of tenant relationships	262,915	82,992
Amortization - discontinued operations	208,568	-
<b>Funds from Operations (FFO)</b>	<b>\$ 2,798,643</b>	<b>\$ 651,421</b>

AFFO for the three months ended March 31, 2007 and 2006 is calculated as follows:

	<b>Three months ended March 31, 2007</b>	Three months ended March 31, 2006
<b>Funds from Operations (FFO)</b>	<b>\$ 2,798,643</b>	\$ 651,421
Amortization of deferred finance costs		
Continuing operations	<b>286,890</b>	169,516
Discontinued operations	<b>6,244</b>	-
Convertible debentures implicit interest rate in excess of coupon rate	<b>100,686</b>	49,342
Non cash compensation expense	<b>20,901</b>	69,048
Non cash management services fees	-	103,336
Accrued straight line rental revenue		
Continuing operations	<b>(386,064)</b>	(73,920)
Discontinued operations	<b>(28,911)</b>	-
Above and below market lease amortization		
Continuing operations	<b>(331,759)</b>	(352,731)
Discontinued operations	<b>(74,725)</b>	-
Leasing costs and capital expenditures	<b>(218,812)</b>	(116,470)
<b>Adjusted Funds from Operations (AFFO)</b>	<b>\$ 2,173,093</b>	\$ 499,542

	<b>Three months ended March 31, 2007</b>	Three months ended March 31, 2006
Weighted average units outstanding		
Basic - FFO & AFFO	<b>9,924,803</b>	5,178,361
Diluted - FFO	<b>13,181,810</b>	5,333,181
Diluted - AFFO	<b>11,363,628</b>	5,333,181
FFO per unit - basic	<b>\$ 0.28</b>	\$ 0.13
FFO per unit - diluted	<b>\$ 0.28</b>	\$ 0.12
AFFO per unit - basic	<b>\$ 0.22</b>	\$ 0.10
AFFO per unit - diluted	<b>\$ 0.21</b>	\$ 0.09

Basic and diluted FFO per Unit increased \$0.15 per Unit to \$0.28 for the three months ended March 31, 2007, compared to the same period in 2006. The increase is a result of the accretive acquisitions completed and the increase in same asset property operating income exceeding interest and administrative costs.

AFFO includes the impact of leasing costs and capital expenditures, which totaled \$0.2 million for the three months ended March 31, 2007 (three months ended March 31, 2006 – \$0.1 million). Basic AFFO per Unit increased \$0.12 to \$0.22 per Unit for the three months ended March 31, 2007, compared to the same period in 2006. Diluted AFFO per Unit increased \$0.12 to \$0.21 per Unit for the three months ended March 31, 2007, compared to the same period in 2006.

FFO and AFFO for the three months ended March 31, 2007 was negatively impacted by \$0.1 million for costs related to properties not acquired. In addition, FFO and AFFO for the three months ended March 31, 2007 include the results of the three discontinued properties. Discontinued operations contributed

\$0.5 million and \$0.4 million, to FFO and AFFO respectively, or \$0.05 FFO per Unit basic and diluted and \$0.04 AFFO per Unit basic and diluted.

## FINANCIAL POSITION

Selected balance sheet information follows:

	March 31, 2007	December 31, 2006
Investment in real estate		
- continuing operations	\$ 335,049,918	\$ 328,214,492
- discontinued operations	\$ 48,712,971	\$ 48,712,586
Total assets	\$ 395,974,389	\$ 398,970,679
Mortgages payable		
- continuing operations	\$ 213,284,743	\$ 215,497,614
- discontinued operations	\$ 31,389,745	\$ 31,788,270
Acquisition facility	\$ 7,313,584	\$ 3,600,000
Convertible debentures	\$ 46,174,337	\$ 48,893,755
Cash	\$ 5,477,014	\$ 9,298,240
Unitholders' Equity	\$ 78,188,050	\$ 80,252,439

The major changes to the balance sheet accounts at March 31, 2007 result from the segregation of discontinued operations for three Quebec City office properties as well as the acquisition and financing under the acquisition facility for the property acquired in the period, as described under "Investment Activities". Further detail for mortgages payable, acquisition facility, convertible debentures and Unitholders' equity follows.

## MORTGAGES PAYABLE

Whiterock's Declaration of Trust provides that total indebtedness may not exceed 75% of Gross Book Value (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. At March 31, 2007, this ratio was 64.2% (March 31, 2006 – 71.3%). It is management's intention to reduce Whiterock's leverage ratio over time. A special resolution was passed at Whiterock's annual and special meeting of unitholders that this limitation on total indebtedness (which term shall be amended to include the aggregate principal amount of all convertible subordinated debentures of the Trust) be reduced to 65% of Gross Book Value, which reduction shall take effect at such time as the total assets of the Trust, as reflected on its audited annual consolidated financial statements for its most recently completed fiscal year, exceeds \$750 million.

Whiterock's fixed and floating rate mortgage debt as at March 31, 2007 and December 31, 2006 is as follows:

	March 31, 2007		December 31, 2006	
	Total	%	Total	%
Fixed rate	\$ 204,006,065	95.0%	\$ 204,616,689	95.0%
Floating rate	10,821,600	5.0%	10,880,925	5.0%
	<b>214,827,665</b>	<b>100.0%</b>	215,497,614	100.0%
Discontinued operations (fixed rate)	<b>31,636,468</b>		31,788,270	
Mortgage liability	<b>246,464,133</b>		247,285,884	
Deferred financing fees				
- continuing operations	(1,771,916)		-	
- discontinued operations	(263,909)		-	
Deferred financing fees	<b>(2,035,825)</b>		-	
Accumulated amortization				
- continuing operations	228,994		-	
- discontinued operations	17,186		-	
Deferred financing fees - Accumulated amortization	<b>246,180</b>		-	
Mortgages payable	<b>\$ 244,674,488</b>		\$ 247,285,884	

Whiterock strives to match the mortgage term on its acquisitions to the average lease term of its properties, where practicable.

The following table summarizes Whiterock's mortgage maturity schedule as at March 31, 2007:

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2007	\$ 2,030,575	\$ 10,674,185	\$ 12,704,760	6.40%
2008	2,635,118	4,500,000	7,135,118	6.84%
2009	2,784,647	-	2,784,647	5.36%
2010	2,986,859	12,716,598	15,703,457	5.21%
2011	3,539,112	-	3,539,112	5.36%
2012	4,487,337	-	4,487,337	5.34%
2013	4,739,147	-	4,739,147	5.35%
2014	5,005,363	-	5,005,363	5.35%
2015	5,142,238	46,290,082	51,432,320	5.27%
2016	2,858,256	87,747,848	90,606,104	5.29%
Thereafter	10,124,445	6,565,855	16,690,300	5.56%
Total continuing operations	<b>\$ 46,333,097</b>	<b>\$ 168,494,568</b>	<b>\$ 214,827,665</b>	<b>5.42%</b>
Total discontinued operations	<b>\$ 7,000,958</b>	<b>\$ 24,635,510</b>	<b>\$ 31,636,468</b>	

Management intends to refinance mortgages maturing in 2007 with new long-term financing.

## ACQUISITION FACILITY

On April 28, 2006, Whiterock entered into an 8.5% revolving \$23.5 million acquisition facility with an affiliate of Kimco Realty Corporation, maturing in May 2008. Effective July 31, 2006, the maximum amount available to be drawn under the facility was increased to \$45 million.

As of March 31, 2007, \$7.8 million was drawn on the acquisition facility and \$37.2 million available to fund acquisitions. In addition, the balance of the acquisition facility has been reduced by deferred financing fees net of accumulated amortization of \$0.5 million, in accordance with a new CICA Handbook policy (see "Changes to Significant Accounting Policies").

On April 13, 2007, Whiterock repaid the outstanding balance of the acquisition facility resulting in the full \$45 million being available to fund future acquisitions.

## CONVERTIBLE DEBENTURES

Whiterock has \$50.7 million (principal amount) of redeemable subordinated convertible debentures outstanding at March 31, 2007 (December 31, 2006 - \$51 million) as follows:

	Series A	Series B	Series C	Series D	Series E	Total
Liability	\$ 12,328,078	\$ 8,769,115	\$ 2,883,060	\$ 9,564,256	\$ 23,888,615	\$ 57,433,124
Equity	671,922	230,885	116,940	435,744	1,111,385	2,566,876
Principal on issuance	13,000,000	9,000,000	3,000,000	10,000,000	25,000,000	60,000,000
Conversion of debentures	-	(900,000)	-	-	-	(900,000)
Redemption of debentures	-	(8,100,000)	-	-	-	(8,100,000)
Principal -						
December 31, 2006	13,000,000	-	3,000,000	10,000,000	25,000,000	51,000,000
Conversion of debentures	-	-	(323,000)	-	-	(323,000)
<b>Principal -</b>						
<b>March 31, 2007</b>	<b>\$ 13,000,000</b>	<b>\$ -</b>	<b>\$ 2,677,000</b>	<b>\$ 10,000,000</b>	<b>\$ 25,000,000</b>	<b>\$ 50,677,000</b>

A continuity of the liability component of the convertible debentures is as follows:

	Series A	Series C	Series D	Series E	Total
Liability, December 31, 2006	\$ 12,498,617	\$ 2,902,070	\$ 9,591,719	\$ 23,901,349	\$ 48,893,755
Implicit interest rate in excess of coupon rate	31,112	4,732	18,412	46,430	100,686
Conversion of debentures	-	(312,456)	-	-	(312,456)
Liability -					
March 31, 2007	\$ 12,529,729	\$ 2,594,346	\$ 9,610,131	\$ 23,947,779	\$ 48,681,985
Deferred financing fees	(1,263,391)	(185,065)	(237,708)	(1,335,711)	(3,021,875)
Deferred financing fees - Accumulated amortization	379,439	35,332	26,188	73,268	514,227
<b>Balance - March 31, 2007</b>	<b>\$ 11,645,777</b>	<b>\$ 2,444,613</b>	<b>\$ 9,398,611</b>	<b>\$ 22,685,336</b>	<b>\$ 46,174,337</b>

### Series A Convertible Debentures

On June 28, 2005, the Trust issued 8% redeemable subordinated unsecured convertible debentures in the amount of \$13,000,000 with interest payable semi-annually and which mature on June 28, 2010. The debentures are convertible at the request of the holder after June 28, 2007, subject to certain terms and conditions at a conversion price per unit of \$10.20.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from June 29, 2007 and until June 28, 2009, providing that the 20-day weighted average trading price of the Units is at least \$15.30 and, after June 28, 2009, providing that the 20-day weighted average trading price is at least \$12.75.

On the date of issue, the debentures were allocated into a \$12.3 million liability component and a \$0.7 million equity component.

#### **Series C Convertible Debentures**

On December 21, 2005, the Trust issued 9% redeemable subordinated unsecured convertible debentures in the amount of \$3,000,000 with interest payable quarterly and which mature on December 21, 2010. The debentures are convertible at the request of the holder after December 21, 2006, subject to certain terms and conditions at a conversion price per unit of \$12.00.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 21, 2006 and until June 21, 2008, providing that the 20-day weighted average trading price of the Units is at least \$13.00 and, after June 21, 2008, providing that the 20-day weighted average trading price is at least \$14.00.

On the date of issue, the debentures were allocated into a \$2.9 million liability component and \$0.1 million equity component.

During the three months ended March 31, 2007, \$323,000 of the Series C debentures were converted into 26,914 units.

#### **Series D Convertible Debentures**

On August 14, 2006, the Trust issued 7.5% redeemable subordinated unsecured convertible debentures in the amount of \$10,000,000 with interest payable semi-annually and which mature on July 31, 2011. The debentures are convertible at the request of the holder after July 31, 2007, subject to certain terms and conditions at a conversion price per unit of \$15.00.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from July 31, 2009 and until July 14, 2010, providing that the 20-day weighted average trading price of the Units is at least \$18.75 and, after July 14, 2010, at the principal amount.

#### **Series E Convertible Debentures**

On December 8, 2006, the Trust issued 6.3% redeemable subordinated unsecured convertible debentures in the amount of \$25,000,000 with interest payable semi-annually and which mature on December 31, 2011. The debentures are convertible at the request of the holder, subject to certain terms and conditions at a conversion price per unit of \$13.75.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 31, 2009 and prior to December 31, 2010, providing that the 20-day weighted average trading price of the Units is at least \$17.19 and, after December 30, 2010, at their principal amount.

## UNITHOLDERS' EQUITY

Unitholders' equity at March 31, 2007 and December 31, 2006 consists of the following:

	<b>March 31, 2007</b>	December 31, 2006
Units	\$ 95,122,849	\$ 94,226,033
Unit options	861,639	840,738
Warrants	314,800	320,020
Equity component of convertible debentures	2,323,399	2,335,991
Cumulative earnings (loss)	(7,668,853)	(7,509,446)
Cumulative distributions to unitholders	(12,765,784)	(9,960,897)
	<b>\$ 78,188,050</b>	<b>\$ 80,252,439</b>

Distributions per Unit totaled \$0.28 for the three months ended March 31, 2007, and \$1.12 for the year ended December 31, 2006.

### Units

A summary of Units issued in the three months ended March 31, 2007 follows:

	<b>Units</b>	<b>\$</b>
Issued and outstanding at December 31, 2006	<b>9,869,877</b>	<b>\$ 94,226,033</b>
Units Issued		
Conversion of Series C Debentures	<b>34,708</b>	<b>449,077</b>
Issuance of Units in settlement of accrued Management Services Fees	<b>26,914</b>	<b>325,048</b>
Distribution Reinvestment Plan	<b>7,902</b>	<b>108,186</b>
Exercise of warrants	<b>5,625</b>	<b>30,375</b>
Value associated with warrants exercised		<b>5,220</b>
Unit issue costs		<b>(21,090)</b>
Issued and outstanding at March 31, 2007	<b>9,945,026</b>	<b>95,122,849</b>

During the three months ended March 31, 2007, \$0.3 million of Series C convertible debentures were converted into 26,914 Units of Whiterock.

On January 3, 2007, the Trust issued 34,708 Units valued at \$449,077 and paid \$238,705 cash to settle the remaining outstanding management services fees accrued as of December 31, 2006 in accordance with the original terms of the agreements.

### Unitholder Rights Plan

On January 29, 2007, Whiterock announced that, in connection with its previously announced process to solicit proposals to acquire or merge with the Trust, its Board of Trustees has adopted a Unitholder rights plan (the "Plan"), which was effective immediately and which obtained TSX approval on February 1, 2007. The Plan remains subject to Unitholder ratification within six months.

The Plan was adopted in order to ensure that the Board has sufficient time to consider any take-over bid or other change of control transaction that may arise outside of the sale or merger process and, in the event that such a bid or transaction is proposed, to provide the Board of Trustees and the Special

Committee thereof with an appropriate period of time to permit the sale or merger process to effectively operate in order to maximize unitholder value for all Unitholders.

## Unit Options

Whiterock may grant options to the Trustees, senior officers, investor relations consultants and technical consultants to Whiterock. The maximum number of units reserved for issuance under all securities based compensation arrangements is limited to 10% of the total number of issued and outstanding units. The Trustees set the exercise price at the time that an option is granted under the plan, which exercise price shall not be less than the volume weighted average price of the units on the five trading days prior to the date of grant. The options have a maximum term of five years from the date of grant.

Unit options with a Black-Scholes calculated value of \$0.9 million were outstanding at March 31, 2007 (March 31, 2006 - \$0.7 million). The fair value associated with the unit options issued during the three months ended March 31, 2006 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 25% on the underlying units, the term to expiry of 5 years, an annual dividend of \$1.12, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

Details of unit options granted and exercised follow:

	Three months ended March 31, 2007		Three months ended March 31, 2006	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	645,250	\$ 10.68	423,238	\$ 8.88
Granted	-		50,000	\$ 11.60
Exercised	-		(113)	\$ 4.00
<b>Outstanding, end of period</b>	<b>645,250</b>	<b>\$ 10.68</b>	<b>473,125</b>	<b>\$ 9.20</b>
<b>Options vested, end of period</b>	<b>576,500</b>	<b>\$ 10.66</b>	<b>360,625</b>	<b>\$ 8.97</b>
Weighted average remaining life (years)	3.8		4.4	

The objective of granting options is to encourage the holder to acquire an ownership interest over a period of time which acts as a financial incentive for the holder to consider the long-term interest of Whiterock and its unitholders.

## Warrants

Details of warrants issued and exercised follow:

	<b>Three months ended March 31, 2007</b>		<b>Three months ended March 31, 2006</b>	
	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of period	<b>221,125</b>	<b>\$ 13.73</b>	81,250	\$ 5.40
Issued	-	-	-	-
Exercised	<b>(5,625)</b>	<b>\$ 5.40</b>	(27,250)	\$ 5.40
Outstanding, end of period	<b>215,500</b>	<b>\$ 13.94</b>	54,000	\$ 5.40
Exercisable, end of period	<b>215,500</b>	<b>\$ 13.94</b>	54,000	\$ 5.40
Weighted average remaining life (years)	<b>4.2</b>		0.9	

As of March 31, 2007, all of the outstanding warrants are held by the third party provider of the revolving acquisition facility.

The Black-Scholes calculated value of the warrants outstanding at March 31, 2007 was \$0.3 million (2006 - \$0.1 million).

## CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

The maximum number of Units that would be outstanding if all convertible securities were to be converted is as follows:

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
Units outstanding	<b>9,945,026</b>	9,664,523
LP Class B Units	-	205,354
Unit options	<b>645,250</b>	645,250
Warrants	<b>215,500</b>	221,125
Convertible debentures		
Series A	<b>1,274,510</b>	1,274,510
Series C	<b>223,083</b>	250,000
Series D	<b>666,667</b>	666,667
Series E	<b>1,818,182</b>	1,818,182
	<b>14,788,218</b>	14,745,611

## LEASE MATURITIES PROFILE

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next five years range from 3.3% to 14.4% of the annualized total revenue of Whiterock's portfolio.

Whiterock's lease maturity profile at March 31, 2007 is as follows:

Date	Square Feet	% of Total Square Feet	% of Annualized Tenant Revenue <sup>(1)</sup>
2007	94,778	3.1%	3.3%
2008	221,174	7.2%	9.9%
2009	314,247	10.2%	8.9%
2010	258,765	8.4%	7.4%
2011	348,113	11.3%	14.4%
2012	214,849	7.0%	9.7%
2013	146,425	4.7%	4.2%
2014	10,803	0.3%	0.7%
2015	225,445	7.3%	4.9%
2016	142,844	4.6%	5.2%
Thereafter	1,052,762	34.2%	31.4%
Total / Average	3,030,205	98.3%	100.0%
Vacant	51,444	1.7%	
	<b>3,081,649</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Tenant revenue comprises income property rentals excluding straight line rents and market rent adjustments.

## TENANT PROFILE

The following table summarizes Whiterock's top ten tenants at March 31, 2007, which together represent 50.8% of Whiterock's annualized revenues from its income property portfolio at March 31, 2007:

Tenant	Rank	Square Feet	% of Annualized Tenant Revenue <sup>(1)</sup>
SIQ (Quebec Gov't Agency)	1	778,539	23.1%
ING	2	231,500	6.4%
Canada Revenue Agency	3	53,544	4.2%
Province of New Brunswick	4	80,162	2.8%
Government of Ontario	5	38,476	2.6%
Teranet Inc.	6	44,297	2.6%
SPMC (Saskatchewan Gov't Agency)	7	70,287	2.5%
Crown Investment Corp.	8	68,119	2.4%
Sobeys	9	55,795	2.2%
Information Technology Institute	10	26,583	2.0%
<b>Total: Top 10 Tenants</b>		<b>1,447,302</b>	<b>50.8%</b>

(1) Tenant revenue comprises income property rentals excluding straight line rents and market rent adjustments.

## **CASH DISTRIBUTIONS**

The Trust makes distributions on its Units equal to or greater than the amounts under the Declaration of Trust. As per the Declaration of Trust, the Trust shall distribute in each taxation year an amount equal to the greater of: (i) 85% of its Distributable Income for such taxation year; and (ii) an amount of net income and net realized capital gains of the Trust for such taxation year as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Tax Act. Distributable Income is defined as net income determined in accordance with Canadian generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including adding back amortization and excluding any gains or losses on the disposition of any asset. Interest expense on convertible debentures for purposes of determining distributable income is calculated based on the actual interest payable on debentures.

## **CAPITAL RESOURCES AND LIQUIDITY**

Whiterock's cash flow from operating activities for the three months ended March 31, 2007 was \$2.1 million from continuing operations compared to \$0.4 million for the comparative period in 2006. As funds continued to be invested in properties throughout 2006, cash flow from operating activities continued to increase. At March 31, 2007, Whiterock's cash balance was \$5.5 million. Subsequent to March 31, 2007, an additional \$20.8 million cash was generated from the disposition of the three Quebec City office properties (see "Subsequent Dispositions of Properties") of which \$7.8 million was used to fully repay the acquisition facility.

The main sources of acquisition funds for Whiterock are its acquisition facility (see "Acquisition Facility"), proceeds from convertible debentures (see "Convertible Debentures") and trust unit offerings (see "Units") and cash flows (see "Cash flow from operating activities") from the operations of its acquired properties. Mortgage financings reduce the equity component of new property acquisitions (see "Mortgages Payable").

The actual level of future borrowings and equity offerings will be determined based on prevailing interest rates, debt and equity market conditions and management's general view of the required leverage in the business.

Whiterock expects to continue to meet all of its existing obligations.

## **SUMMARY OF CRITICAL ACCOUNTING ESTIMATES**

Whiterock's significant accounting policies are described in Note 2 to the December 31, 2006 and 2005 audited Consolidated Financial Statements and in Note 2 to the March 31, 2007 unaudited Consolidated Financial Statements. Management's discussion and analysis for the year ended December 31, 2006 outlines the policies that management believes are most subject to estimation and management's judgement.

## **CHANGES TO SIGNIFICANT ACCOUNTING POLICIES**

Management monitors issued accounting pronouncements from the Canadian Institute of Chartered Accountants ("CICA") and assesses the applicability and impact, if any, of these pronouncements on Whiterock's consolidated financial statements.

The CICA has issued three new standards: Comprehensive Income – Handbook Section 1530; Financial Instruments, Recognition and Measurement – Handbook Section 3855; and Hedges – Handbook Section 3865, which were adopted by the Trust on January 1, 2007. In accordance with the transitional

provisions of the respective standards, prior periods have not been restated and the effect of adopting these standards was recorded as an adjustment to the opening balance of consolidated unitholders' equity.

*(i) Comprehensive income, CICA Handbook Section 1530*

This standard provides for new disclosure of Other Comprehensive Income ("OCI"), to be included in the consolidated financial statements. OCI generally includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation adjustments net of hedging arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Trust's consolidated financial statements includes a consolidated statement of income (loss) and comprehensive income while the cumulative amount and accumulated other comprehensive income ("AOCI"), is disclosed in the statement of unitholders' equity.

*(ii) Financial instruments – recognition and measurement, CICA Handbook Section 3855*

This standard provides guidance for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments are recorded on the balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net earnings, except for derivatives that are designated as cash flow hedges, in which case the fair value change for the effective portion of such hedging relationships are required to be recognized in OCI.

The standard permits the Trust to designate any financial instrument whose fair value can be reliably measured as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855.

The standard specifically excludes Section 3065, Leases, from the definition of financial instruments, except for derivatives that are embedded in a lease contract.

Upon adoption of the new standard, the Trust designated cash as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables which are measured at amortized cost. Mortgages payable, convertible debentures, acquisition facility payable, accounts payable and distributions payable have been classified as other financial liabilities and are measured at amortized cost using the effective interest method.

*(iii) Hedges, CICA Handbook Section 3865*

This standard specifies the criteria under which hedge accounting is applied and how hedge accounting should be executed for each of the permitted hedging strategies including fair value hedges and cash flow hedges.

In a fair value hedging relationship, the carrying value of the hedged item is adjusted by gains or losses attributable to the hedged risk and recognized in net income. The changes in the fair value of the hedged item, to the extent that the hedging relationship is effective as defined by the standard ("effective"), is offset by changes in the fair value of the hedging derivative. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is recognized in OCI. The ineffective portion as defined by the standard ("ineffective") is recognized in net income. The amounts

recognized in AOCI are reclassified to net income in those periods in which net income is affected by the variability in the cash flows of the hedged item.

*(iv) Impact of adopting CICA Handbook Sections 1530, 3855 and 3865*

These changes were adopted retroactively without restatement effective January 1, 2007. The impact of these changes in accounting policies was to change the method of amortization of the deferred financing costs to the effective interest rate method from straight-line, which increased cumulative earnings and accumulated comprehensive earnings by \$65,150; and to reclassify deferred financing costs of \$4,768,133 from other assets to net against the relevant host contract within the liability portion of the consolidated balance sheet.

## **CONTROLS AND PROCEDURES**

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

There were no significant changes made to the design of Whiterock's internal controls over financial reporting during the three months ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, Whiterock's internal controls over financial reporting.

## **RISKS AND UNCERTAINTIES**

Whiterock and its properties are subject to the normal risks common to real property ownership and operation. Income properties are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The major categories of risk Whiterock encounters in conducting its business and the manner in which it takes actions to minimize their impact are disclosed in the management's discussion and analysis of Whiterock for the year ended December 31, 2006 and in Whiterock's Annual Information Form dated March 21, 2007, filed on SEDAR.