



Management's Discussion and Analysis  
March 31, 2008

## **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 audited consolidated financial statements for the years ended December 31, 2007 and 2006. Additional information relating to Whiterock, including its Annual Information Form ("AIF") dated March 20, 2008 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 9, 2008.

### **CAUTIONARY STATEMENT REGARDING DISCLOSURE**

This MD&A 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 real estate investment trusts ("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 AIF dated March 20, 2008, 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.

FFO, AFFO and property operating income are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, FFO, AFFO 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, 2008

- **Record Quarterly FFO** – FFO increased 20% to \$3.4 million for the three months ended March 31, 2008. FFO per unit (basic) increased 14% to \$0.32 per unit in the same period. This represents a 87% FFO payout ratio.
- **Record Quarterly AFFO**– AFFO increased 28% to \$2.8 million for the three months ended March 31, 2008. AFFO per unit (basic) increased 22% to \$0.27 per unit in the same period.
- **Future Rental Rate Growth** – Lease rollover is estimated to add \$0.10 per unit of annualized rental rate growth by the end of 2010.
- **Yield** – Distribution yield of 11.9% annualized, based on per unit distributions for the three months ended March 31, 2008 totaling \$0.28, and the May 9, 2008 Unit closing price of \$9.45.
- **Same Property Growth** – Property operating income for the three months ended March 31, 2008 increased approximately 4.7% on a same property basis from the prior year comparative period.
- **Investment Grade Tenants on Long-Term Leases** – At March 31, 2008, 69% of revenues were from government and other investment grade tenants. Average lease term of the portfolio is 8.5 years.
- **Long-Term Fixed Rate Debt** – Average 8.3 year term for mortgage debt at a weighted average interest rate of 5.4% with 100% at fixed rates.
- **Continued Deleveraging** – \$1.7 million of convertible debentures converted to equity in the three months ended March 31, 2008. Subsequent to March 31, 2008, \$1.3 million of debentures were converted into equity.
- **Geographically Balanced Portfolio** – 21% of the portfolio is in Saskatchewan, 28% in Ontario, 36% in Quebec and 15% in Atlantic Canada.

## BUSINESS OVERVIEW

Whiterock is a growth-oriented REIT focused on increasing Unitholder value through strategic acquisitions, ownership and management of high quality office, industrial, and retail properties in select markets across Canada which generally provide high returns while maintaining high tenant credit quality.

From June 28, 2005, when Whiterock began active operations to March 31, 2008, it has acquired 37 properties with gross book values ("GBV") totaling approximately \$404.8 million and sold 4 properties for \$65.8 million and a gain of \$3.6 million.

Approximately 43% of Whiterock's revenue stream is derived from government leases. Government leases combined with other investment grade tenants supply 69% of the revenue stream. The average remaining lease term of this portfolio is 8.5 years.

At March 31, 2008, Whiterock operated in select urban markets as summarized below:

Province	Office		Retail		Industrial	
	Number of Properties	GLA <sup>(1)</sup>	Number of Properties	GLA <sup>(1)</sup>	Number of Properties	GLA <sup>(1)</sup>
Saskatchewan	5	219,776	3	174,865	2	273,437
New Brunswick	1	80,162	-	-	2	134,704
Nova Scotia	1	75,990	1	33,857	1	115,773
Ontario	2	326,774	-	-	4	243,161
Quebec	7	978,011	-	-	1	29,700
Prince Edward Island	-	-	3	69,431	-	-
<b>Total</b>	<b>16</b>	<b>1,680,713</b>	<b>7</b>	<b>278,153</b>	<b>10</b>	<b>796,775</b>

(1) Gross Leasable Area

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

During the three months ended March 31, 2008 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 has an active acquisition program with an additional focus on internal growth measures. 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 achieves its objectives by employing the external and internal growth strategies set out below. Whiterock's objective is 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, 2008, Whiterock has increased its GBV of real estate since its initial public offering in June 2005 from \$3 million to \$342.1 million and increased its real estate portfolio from 26,000 square feet of GLA to 2.8 million square feet of Gross Leasable Area (GLA).

Whiterock's growth strategy includes acquiring real estate at attractive 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 capitalization rates that have positive spreads to the asset level financing 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; Regina; Saskatoon; Southwestern Ontario; Ottawa; Halifax; Quebec City; and Montreal.

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 to 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 and Property 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 thirteen properties. Management believes that selective self management will further positively contribute to operating results.

## **Strategic Alternatives Review in 2007**

On January 16, 2007, Whiterock announced that its Trustees (the "Board") had approved a process to consider strategic alternatives, including sale or merger alternatives, in an effort to continue to enhance its Unit value.

A Special Committee of Independent Trustees (the "Special Committee") was established to advise the Board. Whiterock also retained third party investment advisors to act as co-financial advisors to manage the process. The Special Committee sought interest from a wide variety of parties and received multiple expressions of interest and non-binding offers. Whiterock had been in discussions with a potential bidder regarding the possible acquisition of substantially all of the assets of Whiterock. The Trustees reviewed the terms of this conditional proposal and determined that it did not offer a sufficient combination of a premium value to Unitholders and certainty of execution to justify proceeding further.

The due diligence process confirmed the quality of Whiterock's revenue stream and the absence of any material due diligence issues. At the same time, Whiterock's existing portfolio of high credit, long term leased assets has provided solid results, above management's expectations at the start of the process.

As a result of completing its review of sale or merger alternatives, and in light of the portfolio's strong performance and increased outlook, the Board unanimously determined that having management continue to operate the business was the best means to build and deliver value to Unitholders. As a result, the Special Committee was disbanded.

Management expects that further increases in AFFO per unit in 2008 will result from completed and anticipated new leasing and renewals, acquisitions, in-place rent increases and continued property management and general and administrative improvements.

## 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 Whiterock's acquisition criteria, financing rates and availability. Whiterock's success is also 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 year comparative:

(For the three months ended )	March 31, 2008	March 31, 2007
FFO (basic) per unit	\$ 0.32	\$ 0.28
AFFO (basic) per unit	\$ 0.27	\$ 0.22
Property operating income - continuing	\$ 7,673,126	\$ 7,067,652
Property operating income - same asset	\$ 7,400,178	\$ 7,065,604
Investment in real estate assets - continuing <sup>(1)</sup>	\$ 352,530,005	\$ 335,049,918
Weighted average mortgage rate	5.39%	5.42%
Weighted average debenture rate	7.01%	7.12%
Interest coverage ratio <sup>(2)</sup>	1.9	1.6
Average lease term (in years) <sup>(3)</sup>	8.5	8.5
Occupancy level <sup>(3)</sup>	98.8%	98.3
FFO payout ratio <sup>(4)</sup>	87.0%	100.0%

(1) Includes \$10.4 million of mortgages receivable secured by real estate assets.

(2) Interest Coverage is calculated based on continuing property operating income less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest income on bank balances.

(3) Reflects executed leases as at the date of this MD&A.

(4) FFO payout ratio is calculated as distributions divided by FFO for the three months ended March 31, 2008 and 2007.

In the three months ended March 31, 2008, Whiterock significantly improved its FFO, AFFO, FFO per unit, AFFO per unit, property operating income and increased its interest coverage ratio while reducing its payout ratio compared to the prior year period.

## INVESTMENT ACTIVITIES

Whiterock has acquired 37 properties from the time of its initial public offering in September 2005 to March 31, 2008 with a GLA of 3.6 million square feet and a GBV on acquisition of \$404.8 million. Whiterock completed the acquisition of four properties in 2007; 193 Malpeque, a newly constructed retail centre in Charlottetown PEI; 310 Henderson Drive, a 395,159 square foot industrial facility in Regina, SK, 2208 Scarth Street a multi-tenant office building in Regina, SK as well as 2445 13<sup>th</sup> Avenue, an office building also located in Regina, SK. In the year ended December 31, 2007, Whiterock disposed of three Quebec City office properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy for total proceeds of \$51.8 million and a \$3.5 million gain. Whiterock's investment in properties acquired in 2007 are as follows:

## 2007 Acquisitions

(in \$000's except as noted)

Property Name	City	Province	Acquired	GLA (Sq. Ft.)	Acquisition Cost <sup>(1)</sup>	Mortgage Financing <sup>(2)</sup>
193 Malpeque	Charlottetown	PEI	03/30/07	41,738	\$ 6,617	\$ -
310 Henderson Drive	Regina	SK	10/01/07	395,159	13,996	7,500
2208 Scarth Street	Regina	SK	12/14/07	25,310	3,515	2,226
2445 13th Avenue	Regina	SK	12/14/07	16,018	1,695	1,074
				<b>478,225</b>	<b>\$ 25,823</b>	<b>\$ 10,800</b>

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

(2) On acquisition.

**193 Malpeque** – is a newly constructed 41,738 square foot retail property 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.

**310 Henderson Drive** – is a high quality 395,159 square foot industrial facility comprised of 24 foot clear height warehouse and distribution space with a small office component. The property is one of the largest of its kind in Regina and is situated on approximately 21 acres of land in close proximity to Regina's Ring Road. Access to the building is provided by 35 dock doors, of which 25 have an enclosed loading area. The property is improved by extensive paved areas to facilitate large transport trailers, employee parking and 4 acres of excess land. The property was 54.4% occupied at December 31, 2007. It was sold January 28, 2008 for gross proceeds of \$14.0 million (see "2008 Disposition").

**2208 Scarth Street** – is a 25,310 square foot well maintained office building located two blocks south of Regina's core financial district. It overlooks a picturesque city park and also provides superior parking in comparison to its competition. It is 100% occupied by a mix of provincial and federal government agencies, accounting, and professional firms.

**2445 13<sup>th</sup> Avenue** – is a 16,018 square foot office building located two blocks southwest of Regina's core financial district. Its superior location, above average parking availability, and efficient layout distinguishes this asset from its competition. Given these characteristics it has high historical occupancy with minimal costs required for new and renewing tenants. It is 100% occupied by a mix of local and regional professional tenants.

## 2008 Disposition

Effective January 28, 2008, the Trust sold its interest in an industrial property in Regina, Saskatchewan for gross proceeds totaling \$14.0 million, which approximates the Trust's GBV. In conjunction with the sale, the Trust has provided a \$7.25 million second mortgage at a 10% interest rate in priority to the additional equity capital provided by the purchaser. The Trust has the right to acquire the property at market once substantially leased. As a condition of financing, the Trust continues to guarantee the \$7.5 million first mortgage financing on the property. This transaction has enabled the Trust to have the right to acquire an attractive asset in a desirable market without incurring operating shortfalls or the risk associated with lease-up of the property.

Details of property divestitures by Whiterock in 2008 are as follows:

(in \$000's except as noted)

<b>Property Name</b>	<b>City</b>	<b>Province</b>	<b>Disposition Date</b>	<b>GLA (Sq. Ft.)</b>	<b>Mortgage Financing</b>	<b>Disposition Price<sup>(1)</sup></b>
310 Henderson Drive	Regina	SK	01/28/08	395,159	\$ 7,500	\$ 13,980

(1) Before closing adjustments.

## 2007 Dispositions

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. The dispositions, for \$51.8 million, generated a \$3.5 million gain, a return of over 20% in 11 months of ownership, reinforcing the strength of Whiterock's acquisition criteria.

Details of property divestitures by Whiterock in 2007 are as follows:

(in \$000's except as noted)

<b>Property Name</b>	<b>City</b>	<b>Province</b>	<b>Disposition Date</b>	<b>GLA (Sq. Ft.)<sup>(1)</sup></b>	<b>Mortgage Financing<sup>(1)(2)</sup></b>	<b>Disposition Price<sup>(1)(3)</sup></b>
410 Charest	Quebec City	QC	04/10/07	84,324	\$ 10,022	\$ 18,625
750 Charest	Quebec City	QC	04/10/07	107,403	7,692	11,500
880 & 930 Ste-Foy	Quebec City	QC	04/10/07	175,947	13,905	21,625
<b>Total</b>				<b>367,674</b>	<b>\$ 31,619</b>	<b>\$ 51,750</b>

(1) Whiterock's interest.

(2) At date of disposition.

(3) 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)	2008		2007				2006		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Total revenue									
- continuing operations	<b>13,009</b>	12,944	12,005	11,938	11,966	10,339	7,339	6,129	
- discontinued operations	<b>116</b>	-	-	204	1,984	1,846	1,812	914	
Property operating income									
- continuing operations	<b>7,673</b>	7,696	7,257	7,249	7,068	6,518	4,684	3,891	
- discontinued operations	<b>18</b>	-	-	79	980	1,021	993	530	
Income (loss)	<b>359</b>	(704)	(235)	1,978	(225)	(4,243)	(438)	(1,297)	
Income (loss) adjusted <sup>(1)</sup>	<b>359</b>	(44)	(147)	(195)	(225)	(540)	(438)	(606)	
Income (loss) per unit									
- basic	<b>0.03</b>	(0.07)	(0.02)	0.20	(0.02)	(0.50)	(0.06)	(0.22)	
- diluted	<b>0.03</b>	(0.07)	(0.02)	0.20	(0.02)	(0.50)	(0.06)	(0.22)	
- basic adjusted <sup>(1)</sup>	<b>0.03</b>	-	(0.01)	(0.02)	(0.02)	(0.06)	(0.06)	(0.10)	
- diluted adjusted <sup>(1)</sup>	<b>0.03</b>	-	(0.01)	(0.02)	(0.02)	(0.06)	(0.05)	(0.10)	
Funds from operations (FFO)	<b>3,355</b>	2,985	2,649	541	2,799	(1,297)	1,711	365	
FFO (recurring) <sup>(2)</sup>	<b>3,355</b>	2,985	2,737	2,682	2,799	2,406	1,711	1,056	
FFO per unit									
- basic	<b>0.32</b>	0.29	0.26	0.05	0.28	(0.15)	0.22	0.06	
- diluted	<b>0.31</b>	0.29	0.26	0.05	0.28	(0.15)	0.21	0.06	
- basic (recurring) <sup>(2)</sup>	<b>0.32</b>	0.29	0.27	0.27	0.28	0.28	0.22	0.18	
- diluted (recurring) <sup>(2)</sup>	<b>0.31</b>	0.29	0.27	0.27	0.28	0.28	0.21	0.17	
Adjusted funds from operations (AFFO)	<b>2,784</b>	2,578	2,146	(8)	2,173	1,683	1,605	501	
AFFO (recurring) <sup>(3)</sup>	<b>2,784</b>	2,578	2,234	2,133	2,173	1,886	1,605	756	
AFFO per unit									
- basic	<b>0.27</b>	0.25	0.21	(0.00)	0.22	0.20	0.20	0.08	
- diluted	<b>0.26</b>	0.24	0.21	(0.00)	0.21	0.20	0.20	0.08	
- basic (recurring) <sup>(3)</sup>	<b>0.27</b>	0.25	0.22	0.21	0.22	0.22	0.20	0.13	
- diluted (recurring) <sup>(3)</sup>	<b>0.26</b>	0.24	0.21	0.21	0.21	0.22	0.20	0.12	
Cash distribution per unit	<b>0.28</b>	0.28	0.28	0.28	0.28	0.28	0.28	0.28	

(1) Income (loss) (adjusted) excludes the future income tax expense of \$660,000 in the fourth quarter of 2007, the effect of the costs associated with reviewing strategic alternatives for the REIT of \$87,623 in the third quarter of 2007 and \$2,141,667 in the second quarter of 2007, the gain on disposition of properties of \$3,514,785 and the future income tax recovery of \$800,000 in the second quarter of 2007, 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 (recurring) excludes the effect of the costs associated with reviewing strategic alternatives for the REIT of \$87,623 in the third quarter of 2007 and \$2,141,667 in the second quarter of 2007, as well as the 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 (recurring) excludes the effect of the costs associated with reviewing strategic alternatives for the REIT of \$87,623 in the third quarter of 2007 and \$2,141,667 in the second quarter of 2007, as well as 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.

## RESULTS OF OPERATIONS

### Statement of income

Summarized financial results for the three months ended March 31, 2008 and 2007 are as follows:

	Three months ended	
	March 31, 2008	March 31, 2007
Property operating income	\$ 7,673,126	\$ 7,067,652
Interest income	198,699	91,437
Interest expense	(4,090,057)	(4,258,175)
General and administrative expenses	(378,843)	(610,020)
Amortization	(2,963,337)	(2,827,996)
Income (loss) before the undernoted	439,588	(537,102)
Future income taxes	(70,000)	-
<b>Income (loss) from continuing operations</b>	<b>369,588</b>	<b>(537,102)</b>
Income from discontinued operations	(55,546)	312,545
Gain on disposition of properties	44,819	-
<b>Net income (loss)</b>	<b>\$ 358,861</b>	<b>\$ (224,557)</b>
<b>Basic net income (loss) per unit</b>		
Continuing operations	\$ 0.04	\$ (0.05)
Discontinued operations	\$ -	\$ 0.03
Net income per unit	\$ 0.03	\$ (0.02)
<b>Diluted net income (loss) per unit</b>		
Continuing operations	\$ 0.04	\$ (0.05)
Discontinued operations	\$ -	\$ 0.03
Net income per unit	\$ 0.03	\$ (0.02)

Whiterock's net income (loss) for the three months ended March 31, 2008 was \$0.4 million (2007 – \$(0.2) million).

Following is a discussion of individual income components:

### Property operating income

	Three months ended	
	March 31, 2008	March 31, 2007
<b>Income property rentals</b>		
<b>Same Property</b>		
Rental income	\$ 11,728,787	\$ 11,154,076
Straight-line rent	292,791	385,967
Above and below market lease amortization	371,038	331,758
	<b>12,392,616</b>	<b>11,871,801</b>
<b>Acquisitions <sup>(1)</sup></b>		
Rental income	400,561	2,683
Straight-line rent	2,641	97
Above and below market lease amortization	14,431	-
<b>Income property rentals</b>	<b>12,810,249</b>	<b>11,874,581</b>
<b>Property operating costs</b>		
Same property	4,992,438	4,806,197
Acquisitions <sup>(1)</sup>	144,685	732
<b>Property operating costs</b>	<b>5,137,123</b>	<b>4,806,929</b>
<b>Property operating income</b>		
Same property	7,400,178	7,065,604
Acquisitions <sup>(1)</sup>	272,948	2,048
<b>Total property operating income</b>	<b>\$ 7,673,126</b>	<b>\$ 7,067,652</b>

(1) Acquisition values exclude the results for one property classified as discontinued operations in 2008 and the three properties classified as discontinued operations in 2007. (See "2007 Dispositions" and "2008 Dispositions".)

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*

On a same property basis, property operating income for the three months ended March 31, 2008 increased \$0.3 million or 4.7% compared to the three months ended March 31, 2007.

Income property rentals from same properties (30 properties owned for the three months ended March 31, 2008 and 2007) increased \$0.5 million, or 4.4% for the three months ended March 31, 2008 compared to 2007, primarily as a result of higher occupancy levels and contractual rent increases. Same property operating costs have increased \$0.2 million in the three months ended March 31, 2008 compared to the prior year. Same property operating income for the three months ended March 31, 2008 includes \$0.3 million from leases with contractual rent increases recognized on a straight-line basis, compared to \$0.4 million in the comparable prior year period. In addition, income from same property rentals for the three months ended March 31, 2008 includes \$0.4 million of amortization of above and below market lease adjustments, compared to \$0.3 for the same period in 2007.

Margins on same property net operating income were consistent at 60% in the first quarter of 2008 and 2007.

*Growth due to Acquisitions*

Income property rentals for the three months ended March 31, 2008 includes \$0.4 million from continuing properties acquired throughout 2007, compared to \$0.003 million for the same periods in 2007. Property operating costs increased to \$0.1 million in the three months ended March 31, 2008 compared to the same periods in 2007 primarily as a result of the acquisition.

As at March 31, 2008, the gross value of above and below market leases on acquisition for continuing operations was \$8.8 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.

*Leasing Performance*

The Trust continues to increase occupancy in its properties. Occupancy levels were 98.8% at March 31, 2008 compared to 98.3% at March 31, 2007, primarily as a result of lease up at 655 Bay Street, an office building in Toronto, ON.

*Segmented Performance*

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended March 31, 2008 and 2007 were as follows:

	Three months ended March 31, 2008			
	Office	Retail	Industrial	Total
Income property rentals	\$ 9,619,371	\$ 1,583,628	\$ 1,607,250	\$ 12,810,249
Property operating costs	4,124,416	490,134	522,573	5,137,123
<b>Property operating income</b>	<b>\$ 5,494,955</b>	<b>\$ 1,093,494</b>	<b>\$ 1,084,677</b>	<b>\$ 7,673,126</b>
<b>Income properties - continuing</b>	<b>\$ 220,246,184</b>	<b>\$ 39,555,843</b>	<b>\$ 39,201,421</b>	<b>\$ 299,003,448</b>

	Three months ended March 31, 2007			
	Office	Retail	Industrial	Total
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
Property operating income	\$ 5,104,856	\$ 903,378	\$ 1,059,418	\$ 7,067,652
<b>Income properties - continuing</b>	<b>\$ 214,142,817</b>	<b>\$ 40,456,559</b>	<b>\$ 40,111,405</b>	<b>\$ 294,710,781</b>

Property operating income from office properties provided 72% of total property operating income for the three months ended March 31, 2008 and 2007.

Whiterock has achieved a geographic balance of revenue from its portfolio across Canada, with approximately 21% of the portfolios property operating income generated from Saskatchewan, 28% from Ontario, 36% from Quebec and 15% from Atlantic Canada.

## Interest income

	Three months ended	
	March 31, 2008	March 31, 2007
<b>Interest income</b>	<b>\$ 198,699</b>	<b>\$ 91,437</b>

Interest income for the three months ended March 31, 2008 totaled \$0.2 million and was derived primarily from interest on mortgages receivable and cash generated from property operations.

## Interest expense

	Three months ended	
	March 31, 2008	March 31, 2007
Mortgage interest expense	\$ 2,916,795	\$ 2,888,733
Acquisition facility interest	-	77,408
Debenture interest	818,166	904,458
Other interest expense	2,568	-
Deferred finance cost		
- mortgages	51,515	52,507
- acquisition facility	75,058	106,052
- convertible debentures	127,770	128,331
Implicit interest rate in excess of coupon		
- convertible debentures	98,185	100,686
<b>Interest expense</b>	<b>\$ 4,090,057</b>	<b>\$ 4,258,175</b>

Interest for the three months ended March 31, 2008 results from mortgages on properties acquired, convertible debentures issued, and from the acquisition facility. The decrease of \$0.2 million compared to the prior year results from the conversion of debentures into units in 2008 and 2007 and the repayment of the Trust's acquisition facility in 2007.

## General and administrative expenses

	Three months ended	
	March 31, 2008	March 31, 2007
Salaries and wages	\$ 232,163	\$ 346,198
Non-cash compensation expense	41,100	20,901
Trustee fees paid in cash	14,853	41,596
Legal, audit and regulatory	49,233	31,330
Office rent	-	20,645
Insurance	14,216	15,116
Other general and administrative	27,278	30,963
	<b>378,843</b>	<b>506,749</b>
Recruiting costs	-	103,271
<b>General and administrative expenses</b>	<b>\$ 378,843</b>	<b>\$ 610,020</b>

For the three months ended March 31, 2008, general and administrative expenses totaled \$0.4 million compared to \$0.6 million for the comparable period in 2007. Salaries and wages were reduced by \$0.1 million in the three months ended March 31, 2008 compared to the prior year due to management

efficiencies. In addition, in the three months ended March 31, 2007, included \$0.1 million in non-recurring recruiting costs.

In the third quarter of 2007, Whiterock relocated its head office to 655 Bay Street, a building it owns, resulting in the elimination of office rent.

## **Future income taxes**

The Trust currently qualifies as a Mutual Fund Trust for Canadian income tax purposes. Prior to new legislation relating to the federal income taxation of publicly-listed or traded trusts, as discussed below, income earned by the Trust and distributed annually to unitholders was not, and would not be, subject to taxation in the Trust, but was taxed at the individual unitholder level. For financial statement reporting purposes, the tax deductibility of the Trust's distributions was treated as an exemption from taxation as the Trust distributed and was committed to continue distributing all of its taxable income to its unitholders. Accordingly, the Trust did not previously record a provision for income taxes, or future income tax assets or liabilities, in respect of the Trust or its wholly owned subsidiary trust.

On June 22, 2007, legislation relating to the federal income taxation of a "specified investment flow-through" trust or partnership (a "SIFT"), received royal assent (the "SIFT Rules"). A SIFT includes a publicly-listed or traded partnership and trust, such as an income trust and real estate investment trusts which do not meet certain conditions. The Trust is currently a SIFT, as discussed below.

Under the SIFT Rules, following a transition period for qualifying SIFTs, certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax. In fiscal 2006 and 2007, all of the Trust's distributions were classed as returns of capital for tax purposes.

A SIFT that was publicly listed before November 1, 2006 (an "Existing Trust") will become subject to the tax on certain distributions commencing with the 2011 taxation year end. However, an Existing Trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. The Trust has not exceeded such limits.

Under the SIFT Rules, the new taxation regime will not apply to a trust that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). As currently structured, the Trust does not meet the REIT Conditions and, therefore is a SIFT. Accordingly, without further action, commencing in 2011 the Trust will become subject to tax on distributions of certain income. The Trust intends to take the necessary steps to qualify for the REIT conditions prior to 2011.

Due to the SIFT Rules, in 2007 the Trust commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax basis of its assets and liabilities, including those of its subsidiary trust, that are expected to reverse in or after 2011. Future income tax assets and liabilities are recorded using substantively enacted tax rates and laws expected to apply when the temporary differences are expected to reverse. The SIFT Rules resulted in the Trust including a future income tax asset of \$70,000 in the consolidated balance sheet at March 31, 2008, with a corresponding future income tax recovery of \$70,000 reflected in consolidated income.

The October 30, 2007, Canadian Federal Economic Statement announced several general corporate income tax rate reductions. Legislation for such rate reductions, which apply to the computation of SIFT tax, received Royal Assent on December 14, 2007. Consequently, in accounting for the Trust's future income taxes, the impact of these tax rate reductions from 31.5% to 29.5% for 2011 and 28.0% for 2012 and later have been applied in the periods that such temporary differences are expected to reverse.

## Amortization

	Three months ended	
	March 31, 2008	March 31, 2007
Building and improvements	\$ 1,693,198	\$ 1,630,844
Deferred charges		
- tenants inducements on acquisition	454,825	441,031
- leasing costs	91,741	64,981
Intangible assets		
- lease origination	432,682	414,861
- tenant relationships	268,084	262,915
Furniture and fixtures	22,807	13,364
Amortization	\$ 2,963,337	\$ 2,827,996

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$3.0 million for the three months ended March 31, 2008

## Discontinued operations

On January 28, 2008, the Trust sold its interest in an industrial property in Regina, Saskatchewan for gross proceeds totaling \$14.0 million, which approximates the Trust's GBV. In conjunction with the sale, the Trust has provided a \$7.25 million second mortgage at a 10% interest rate in priority to the additional equity capital provided by the purchaser. The Trust has the right to acquire the property at market once substantially leased. As a condition of financing, the Trust continues to guarantee the \$7.5 million first mortgage financing on the property. This transaction has enabled the Trust to have the right to acquire an attractive asset in a desirable market without incurring operating shortfalls or the risk associated with lease-up of the property.

On April 10, 2007, Whiterock sold 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 (the "Quebec City Properties"), being 410 Charest, 750 Charest, and 880-930 Ste-Foy. The dispositions, for \$51.8 million, generated a \$3.5 million gain, a return of over 20% in 11 months of ownership, reinforcing the strength of Whiterock's acquisition criteria.

The operating results for these properties and the gain on disposition of the properties have been classified as discontinued operations to comply with the disclosure requirements of CICA Handbook Section 3475.

Discontinued operating results for the above noted properties are as follows:

	Three months ended	
	March 31, 2008	March 31, 2007
<b>Income property rentals</b>		
Rental income	\$ 107,063	\$ 1,862,579
Straight-line rent	-	28,911
Above and below market lease amortization	8,831	74,725
<b>Income property rentals</b>	<b>115,894</b>	1,966,215
Property operating costs	(97,901)	(985,868)
<b>Property operating income</b>	<b>\$ 17,993</b>	\$ 980,347
<b>Interest income</b>	<b>271</b>	17,563
<b>Interest expense</b>		
Mortgage interest expense	(42,932)	(470,553)
Deferred finance cost	-	(6,244)
<b>Interest expense</b>	<b>(42,932)</b>	(476,797)
<b>Amortization</b>		
Building and improvements	(21,458)	(119,364)
Deferred charges		
- tenants inducements on acquisition	(2,610)	(32,811)
Intangible assets		
- lease origination	(4,035)	(34,088)
- tenant relationships	(2,775)	(22,305)
<b>Amortization</b>	<b>(30,878)</b>	(208,568)
<b>Income (loss) from discontinued operations</b>	<b>\$ (55,546)</b>	\$ 312,545

The gain on disposal for the above noted properties is as follows:

	Three months ended	
	March 31, 2008	March 31, 2007
<b>Gain on disposition of property</b>	<b>\$ 44,819</b>	\$ -

## Cash flow from operating activities

Cash flow from continuing operating activities for the three months ended March 31, 2008 was \$3.9 million compared to \$2.1 million in the comparative prior year period. Cash flow from continuing operations in 2008 was impacted by the higher leasing levels in 2008 and interest received on new mortgages receivable in 2008.

Cash flow from discontinued operating activities was \$6.2 million for the three months ended March 31, 2008. This compares to a cash outflow from discontinued operating activities of \$0.5 million in the prior year comparative period.

## Funds from Operations and Adjusted Funds from Operations

FFO and 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, 2008 and 2007 is calculated in accordance with guidance issued by the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007, as follows:

	Three months ended	
	March 31, 2008	March 31, 2007
Income (loss) for the period	\$ 358,861	\$ (224,557)
Add back amortization:		
Building and improvements	1,693,198	1,630,844
Tenant inducements on acquisition	454,825	441,031
Leasing costs	91,741	64,981
Lease origination costs	432,682	414,861
Tenant relationships	268,084	262,915
Discontinued operations	30,878	208,568
Add back:		
Future income taxes	70,000	-
Less:		
Gain on disposition of property	(44,819)	-
Funds from Operations (FFO)	\$ 3,355,450	\$ 2,798,643

FFO for the three months ended March 31, 2008 is \$3.4 million compared to \$2.8 million in 2007. This increase is primarily as a result of increased net operating income from the impact of lease-up and rent steps, a full period of operations for the properties acquired in 2007, reduced general and administrative expenses and additional interest income on 2008 mortgages receivable.

AFFO for the three months ended March 31, 2008 and 2007 is calculated as follows:

	Three months ended	
	March 31, 2008	March 31, 2007
<b>Funds from Operations (FFO)</b>	<b>\$ 3,355,450</b>	<b>\$ 2,798,643</b>
Amortization of deferred finance costs		
Continuing operations	254,343	286,890
Discontinued operations	-	6,244
Convertible debentures implicit interest rate in excess of coupon rate	98,185	100,686
Loss on debenture redemption	-	-
Non cash compensation expense	41,100	20,901
Accrued straight line rental revenue		
Continuing operations	(295,432)	(386,064)
Discontinued operations	-	(28,911)
Above and below market lease amortization		
Continuing operations	(385,470)	(331,759)
Discontinued operations	(8,831)	(74,725)
Normalized revenue sustaining capital expenditures and leasing costs		
Continuing operations	(275,000)	(218,424)
Discontinued operations	-	(388)
<b>Adjusted Funds from Operations (AFFO)</b>	<b>\$ 2,784,345</b>	<b>\$ 2,173,093</b>

AFFO for the three months ended March 31, 2008 is \$2.8 million compared to \$2.2 million in 2007. In the first quarter of 2008, the Trust incurred \$0.6 million of leasing costs and capital expenditures, of which \$0.5 million related to a one time \$1.1 million project undertaken to upgrade the existing HVAC system and enhance Whiterock's net operating income at 900 D'Youville in Quebec City. The remaining \$0.1 million of leasing costs and capital expenditures incurred in the quarter is considered to be revenue sustaining in nature. Normalized revenue sustaining capital expenditures and leasing costs of \$275,000 was used in the 2008 first quarter AFFO calculation.

Weighted average units outstanding and basic and diluted FFO and AFFO are as follows:

	Three months ended	
	March 31, 2008	March 31, 2007
Weighted average units outstanding		
Basic	10,412,841	9,924,803
Diluted - FFO	13,147,304	13,181,810
Diluted - AFFO	13,147,304	13,181,810
FFO per unit - basic	0.32	0.28
FFO per unit - diluted	0.31	0.28
AFFO per unit - basic	0.27	0.22
AFFO per unit - diluted	0.26	0.21

Basic FFO per unit increased by \$0.04 or 14% for the three months ended March 31, 2008, compared to the previous year comparable period. The increase is as a result of the additional FFO generated in 2008 partly offset by the additional units issued in 2008 and 2007.

Basic AFFO per unit increased \$0.05 per unit or 22% for the three months ended March 31, 2008 compared to the same period in 2007. Diluted AFFO per unit increased \$0.05 per unit for the three months ended March 31, 2008, compared to the same period in 2007.

## FINANCIAL POSITION

Selected balance sheet information follows:

	<b>March 31, 2008</b>	December 31, 2007
Investment in real estate <sup>(1)</sup>		
- continuing operations	\$ 352,530,005	\$ 341,552,543
- discontinued operations	\$ -	\$ 13,996,000
Total assets	\$ 346,679,902	\$ 355,172,837
Mortgages payable and facilities		
- continuing operations	\$ 216,865,905	\$ 217,098,967
- discontinued operations	\$ -	\$ 7,500,000
Convertible debentures	\$ 42,188,096	\$ 43,507,560
Cash	\$ 177,648	\$ 4,152,370
Unitholders' Equity	\$ 74,036,031	\$ 74,861,530

(1) Includes \$10.4 million in mortgages receivable secured by real estate assets.

The major changes to the balance sheet accounts at March 31, 2008 result from the sale of an industrial property in Regina, SK, new mortgages receivable totaling \$10.4 million and the conversion of \$1.7 million of convertible debentures. Further detail for mortgages payable, facilities, convertible debentures and Unitholders' equity follows.

## MORTGAGES PAYABLE AND FACILITIES

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

Whiterock's fixed and floating rate mortgage debt and acquisition facility payable as at March 31, 2008 and as at December 31, 2007 is as follows:

	March 31, 2008		December 31, 2007	
	Total	%	Total	%
<b>Mortgages payable</b>				
Fixed rate	\$ 218,116,556	100.0%	\$ 218,832,982	96.7%
Floating rate	-	-	-	-
	<b>218,116,556</b>	<b>100.0%</b>	218,832,982	96.7%
Discontinued operations (floating rate)	-	-	7,500,000	3.3%
Mortgage liability	<b>218,116,556</b>	<b>100.0%</b>	226,332,982	100.0%
Deferred financing fees	(1,885,866)		(2,016,987)	
Deferred financing fees - Accumulated amortization	316,221		398,254	
Mortgages payable - net of deferred financing fees	<b>216,546,911</b>		224,714,249	
<b>Acquisition and credit facilities</b>				
Acquisition and credit facility liability	360,000		-	
Deferred financing fees	(861,548)		(860,766)	
Deferred financing fees - Accumulated amortization	820,542		745,484	
Acquisition and credit facility - Deferred financing fees (net)	<b>(41,006)</b>		(115,282)	
<b>Mortgages payable and facilities</b>	<b>\$ 216,865,905</b>		\$ 224,598,967	

The following table summarizes Whiterock's mortgage maturity schedule as at March 31, 2008:

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2008	\$ 2,226,296	\$ 4,500,000	\$ 6,726,296	6.95%
2009	3,115,890	-	3,115,890	5.40%
2010	3,337,414	12,716,598	16,054,012	5.22%
2011	3,910,109	-	3,910,109	5.40%
2012	4,853,331	12,045,982	16,899,313	5.74%
2013	4,746,109	2,930,702	7,676,811	5.30%
2014	5,005,358	-	5,005,358	5.35%
2015	5,142,233	46,290,081	51,432,314	5.27%
2016	2,915,170	87,690,977	90,606,147	5.29%
2017	1,250,635	-	1,250,635	5.63%
Thereafter	8,873,816	6,565,855	15,439,671	5.55%
Total continuing operations	<b>\$ 45,376,361</b>	<b>\$ 172,740,195</b>	<b>\$ 218,116,556</b>	<b>5.39%</b>

### *Credit Facility*

On December 18, 2007, the Trust entered into a \$5 million revolving line of credit at a floating rate determined by reference to the prime rate plus 50 basis points. As at March 31, 2008 \$0.4 million was outstanding under the credit facility.

### *Acquisition Facility*

Whiterock has an 8.5% revolving \$45 million acquisition facility with an affiliate of Kimco Realty Corporation, maturing in May 2008.

As at March 31, 2008, no amount was outstanding under the acquisition facility. The Trust is in negotiation for a similar facility with a Canadian financial institution.

### *Total Indebtedness to Gross Book Value*

Whiterock's Declaration of Trust provides that total indebtedness may not exceed 75% of GBV (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. At March 31, 2008, according to the calculation as defined in the Declaration of Trust, this ratio was 59.0% (December 31, 2007 – 60.3%) as per the table below. 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 GBV. The 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.

The Total Indebtedness to GBV calculation, in accordance with the Declaration of Trust, is as follows as at March 31, 2008 and 2007:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
<b>Total Indebtedness</b>		
Mortgages payable		
- continuing operations	\$ 218,116,556	\$ 218,832,982
- discontinued operations	-	7,500,000
<b>Total Indebtedness</b>	<b>218,116,556</b>	<b>226,332,982</b>
<b>Gross Book Value</b>		
Total GBV of real estate assets		
- continuing operations	362,850,404	352,252,275
- discontinued operations	-	13,996,000
Other assets	6,599,795	8,788,892
<b>Total Gross Book Value</b>	<b>\$ 369,450,199</b>	<b>\$ 375,037,167</b>
<b>Total Indebtedness to Gross Book Value</b>	<b>59.0%</b>	<b>60.3%</b>

## CONVERTIBLE DEBENTURES

Whiterock had \$45.3 million (principal amount) of redeemable subordinated convertible debentures outstanding at March 31, 2008 (December 31, 2007 - \$46.9 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	(3,691,000)	(900,000)	(323,000)	-	-	(4,914,000)
Redemption of debentures	-	(8,100,000)	-	-	-	(8,100,000)
Principal -						
December 31, 2007	9,309,000	-	2,677,000	10,000,000	25,000,000	46,986,000
Conversion of debentures	(1,671,000)	-	-	-	-	(1,671,000)
<b>Principal -</b>						
<b>March 31, 2008</b>	<b>\$ 7,638,000</b>	<b>\$ -</b>	<b>\$ 2,677,000</b>	<b>\$ 10,000,000</b>	<b>\$ 25,000,000</b>	<b>\$ 45,315,000</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, 2007	\$ 9,044,036	\$ 2,608,559	\$ 9,667,411	\$ 24,090,489	\$ 45,410,495
Implicit interest rate in excess of coupon rate	23,299	4,976	19,996	49,914	\$ 98,185
Conversion of debentures	(1,627,303)	-	-	-	\$ (1,627,303)
Liability, December 31, 2007	7,440,032	2,613,535	9,687,407	24,140,403	43,881,377
Deferred financing fees	(962,892)	(185,065)	(240,458)	(1,338,461)	\$ (2,726,876)
Deferred financing fees - Accumulated amortization	590,920	69,343	68,786	304,546	\$ 1,033,595
<b>Balance -</b>					
<b>March 31, 2008</b>	<b>\$ 7,068,060</b>	<b>\$ 2,497,813</b>	<b>\$ 9,515,735</b>	<b>\$ 23,106,488</b>	<b>\$ 42,188,096</b>

### Series A Convertible Debentures

On June 28, 2005, the Trust issued 8% redeemable subordinated unsecured convertible debentures in the original principal 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.

In the three months ending March 31, 2008, \$1,671,000 of Series A debentures were converted into 163,822 units of Whiterock. Subsequent to March 31, 2008, \$840,000 million of debentures were converted into 82,352 units of Whiterock.

### Series C Convertible Debentures

On December 21, 2005, the Trust issued 9% redeemable subordinated unsecured convertible debentures in the original principal 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 of the Trust. Subsequent to March 31, 2008, \$465,000 of debentures were converted into 38,750 units of Whiterock.

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

On August 14, 2006, the Trust issued 7.5% redeemable subordinated unsecured convertible debentures in the original principal 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 original principal 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, 2008 and December 31, 2007 consists of the following:

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Units	\$ 101,390,614	\$ 99,571,778
Unit options	773,145	756,212
Warrants	314,800	314,800
Equity component of convertible debentures	2,046,258	2,132,625
Cumulative earnings and accumulated comprehensive earnings	(6,270,710)	(6,629,571)
Cumulative distributions to unitholders	(24,218,076)	(21,284,314)
	<b>\$ 74,036,031</b>	<b>\$ 74,861,530</b>

Distributions per unit totaled \$0.28 for the three months ended March 31, 2008 and \$1.12 per unit for the year ended December 31, 2007.

## Units

During the three months ended March 31, 2008, \$1.7 million of Series A convertible debentures were converted into 163,822 units of Whiterock.

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

During the three months ended March 31, 2008, 20,810 (March 31, 2007 – 7,902) units were issued under Whiterock's Distribution Reinvestment Plan ("DRIP"). The DRIP allows Unitholders to purchase additional units using their distributions, without brokerage fees, at 96% of the volume weighted average trading price for the ten days immediately preceding a distribution payment date and conserves cash for the Trust.

Subsequent to March 31, 2008, \$840,000 of Whiterock's Series A (8.0%) debentures were converted by debentureholders into 82,352 units and \$465,000 of Whiterock's Series C (9.0%) debentures were converted by debentureholders into 38,750 units and 18,458 units were issued under Whiterock's DRIP.

A summary of units issued in the three months ended March 31, 2008 follows:

	Units	\$
Issued and outstanding at December 31, 2007	10,385,274	\$ 99,571,778
Units Issued		
Conversion of Series A Debentures	163,822	1,713,670
Distribution Reinvestment Plan	20,810	197,172
Unit issue costs	-	(92,006)
<b>Issued and outstanding at March 31, 2008</b>	<b>10,569,906</b>	<b>\$ 101,390,614</b>

## Unitholder Rights Plan

On January 29, 2007, in connection with its review of strategic alternatives (see "Strategic Alternatives Review") for the Trust, the Board adopted a Unitholder rights plan (the "Plan"), which was effective immediately. On June 28, 2007, Unitholders ratified the Plan.

The Plan operates to prevent an attempt to acquire control of Whiterock other than by means of an offer made to all Unitholders that is a "Permitted Bid" as defined in the Plan. Under the Plan, those bids that meet certain requirements intended to protect the interests of Unitholders are considered to be "Permitted Bids." A Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws, remain open for 60 days, be made to all Unitholders, and satisfy certain other conditions.

## 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 \$0.8 million were outstanding at March 31, 2008 (March 31, 2007 – \$0.9 million). The fair value associated with the unit options issued during the three months ended March 31, 2008 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 20% (March 31, 2007 – 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).

During the three months ended March 31, 2008, 55,000 options were granted and 3,125 options expired. Subsequent to March 31, 2008, 170,000 options were granted.

Details of unit options granted and exercised for the three months ended March 31, 2008 and 2007 follow:

	<b>Three months ended March 31, 2008</b>		<b>Three months ended March 31, 2007</b>	
	<b>Unit Options</b>	<b>Weighted Average Exercise Price</b>	<b>Unit Options</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of period	<b>576,875</b>	<b>\$10.62</b>	645,250	\$10.68
Granted	<b>55,000</b>	<b>\$9.83</b>	-	-
Expired	<b>(3,125)</b>	<b>\$12.16</b>	-	-
Outstanding, end of period	<b>628,750</b>	<b>\$10.55</b>	645,250	\$10.68
Options vested, end of period	<b>603,125</b>	<b>\$10.55</b>	576,500	\$10.66
Weighted average remaining life (years)	<b>3.1</b>		3.8	

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 interests of Whiterock and its unitholders.

## Warrants

Details of warrants issued and exercised for the three months ended March 31, 2008 follow:

	<b>Three months ended March 31, 2008</b>		<b>Three months ended March 31, 2007</b>	
	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of period	<b>215,500</b>	<b>\$13.94</b>	221,125	\$13.73
Exercised	-	-	(5,625)	\$5.40
Outstanding, end of period	<b>215,500</b>	<b>\$13.94</b>	215,500	\$13.94
Exercisable, end of period	<b>215,500</b>	<b>\$13.94</b>	215,500	\$13.94
Weighted average remaining life (years)	<b>3.2</b>		4.2	

As of March 31, 2008, 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, 2008 was \$0.3 million (March 31, 2007 – \$0.3 million).

## CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

The following table lists all convertible securities of the Trust at March 31, 2008 and 2007 and the number of units resulting if they were converted or exercised:

(as at)	Exercise / Conversion Price	March 31, 2008	December 31, 2007
Units outstanding		<b>10,569,906</b>	10,385,274
Unit options			
	\$ 8.60	<b>186,250</b>	186,250
	\$ 9.74	<b>30,000</b>	-
	\$ 9.85	<b>12,500</b>	-
	\$ 10.00	<b>131,250</b>	131,250
	\$ 10.04	<b>12,500</b>	-
	\$ 10.88	<b>65,000</b>	65,000
	\$ 11.60	<b>18,750</b>	18,750
	\$ 12.16	<b>6,250</b>	9,375
	\$ 13.08	<b>166,250</b>	166,250
Warrants			
	\$ 13.76	<b>125,000</b>	125,000
	\$ 14.20	<b>90,500</b>	90,500
Convertible debentures			
Series A (8.0%)	\$ 10.20	<b>748,824</b>	912,647
Series C (9.0%)	\$ 12.00	<b>223,083</b>	223,083
Series E (6.3%)	\$ 13.75	<b>1,818,182</b>	1,818,182
Series D (7.5%)	\$ 15.00	<b>666,667</b>	666,667
		<b>14,870,912</b>	14,798,228

## Lease Maturities Risk Management

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 1.7% to 23.1% of the annualized tenant revenue in Whiterock's portfolio.

Whiterock's lease maturity profile at March 31, 2008 is as follows:

Date	Square Feet	% of Total Square Feet	% of Annualized Tenant Revenue <sup>(1)</sup>
2008 <sup>(1)</sup>	66,521	2.4%	1.7%
2009 <sup>(2)</sup>	368,028	13.4%	11.0%
2010 <sup>(3)</sup>	219,397	8.0%	7.6%
2011	438,547	15.9%	23.1%
2012	100,609	3.7%	4.6%
2013	207,670	7.5%	7.7%
2014	18,039	0.7%	1.1%
2015	235,129	8.5%	5.7%
2016	124,495	4.5%	5.0%
2017	58,440	2.1%	3.1%
Thereafter	884,322	32.1%	29.4%
Occupied	2,721,197	98.8%	100.0%
Vacant	34,444	1.2%	
<b>Total</b>	<b>2,755,641</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Reflects executed leases as at the date of this MD&A.

(2) 2009 expiring leases are approximately 16% below market

(3) 2010 expiring leases are approximately 22% below market

## Credit

The following table summarizes Whiterock's top ten tenants at March 31, 2008, which together represents 52.4% of Whiterock's annualized revenues from its income property portfolio as at March 31, 2008:

Tenant	Rank	Square Feet	% of Annualized Tenant Revenue <sup>(1)(2)</sup>
SIQ (Quebec Gov't Agency)	1	507,770	17.4%
ING Canada	2	231,500	6.9%
Federal Government	3	63,765	5.6%
Province of Ontario	4	74,277	4.9%
SPMC (Saskatchewan Gov't Agency)	5	80,857	3.3%
Province of Nova Scotia	6	58,017	3.2%
Province of New Brunswick	7	80,162	3.0%
Teranet	8	35,694	2.8%
Crown Investment Corp. <sup>(3)</sup>	9	70,112	2.8%
Sobeys	10	55,795	2.5%
<b>Total: Top 10 Tenants</b>		<b>1,257,949</b>	<b>52.4%</b>

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

(2) Includes executed leases as at the date of this MD&A.

(3) Holding company for Government of Saskatchewan utility companies.

## **CASH DISTRIBUTIONS**

The Trust makes distributions on the 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.

100% of the distributions made in 2007 were considered to be a return of capital for tax purposes.

## **CAPITAL RESOURCES AND LIQUIDITY**

Cash flow from continuing operating activities for the three months ended March 31, 2008 was \$3.9 million compared to \$2.1 million in the comparative prior year period. Cash flow from continuing operations in 2008 was impacted by the higher leasing levels in 2008 and interest received on new mortgages receivable in 2008.

At March 31, 2008, Whiterock's \$45 million acquisition facility was undrawn and \$0.4 million was drawn on its \$5 million operating facility. The Trust is in negotiations with a Canadian financial institution to replace the acquisition facility, which expires in May 2008, with a similar facility.

The main sources of acquisition funds for Whiterock are its acquisition and operating facility (see "Mortgages Payable and Facilities"), proceeds from convertible debentures (see "Convertible Debentures") 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 and Facilities").

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 its December 31, 2007 audited consolidated financial statements and in Note 2 to its March 31, 2008 unaudited consolidated financial statements. Management's discussion and analysis for the year ended December 31, 2007 outlines the policies that management believes are most subject to estimation and management's judgment.

## **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 Canadian Institute of Chartered Accountants (“CICA”) issued three new accounting standards that are effective for the Trust’s fiscal year commencing January 1, 2008: CICA Handbook Section 1535, Capital Disclosures; CICA Handbook Section 3862 – Financial Instruments – Disclosures; and Section 3863 – Financial Instruments – Presentation.

Section 1535 includes required disclosures of an entity’s objectives, policies and processes for managing capital, and quantitative data about what the entity regards as capital (Note 22).

Sections 3862 and 3863 replace the existing Section 3861, Financial Instruments – Disclosure and Presentation. These new Sections revise and enhance disclosure requirements and carry forward unchanged existing presentation requirements. The new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks (Note 23).

The new standards have no impact on the classification and valuation of the Trust’s financial instruments.

## **FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES**

The CICA has issued a new accounting standard, CICA Handbook Section 3064, Goodwill and Intangible Assets, effective for the Trust’s 2009 fiscal year, which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. CICA Handbook Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The Trust is in the process of evaluating the impact of these Standards on its 2009 consolidated financial statements.

## **CONTROLS AND PROCEDURES**

As at December 31, 2007, the Chief Executive Officer, the Chief Financial Officer and other members of management, have evaluated the design and effectiveness of the Trust’s disclosure controls and procedures, as defined in Multilateral Instrument 52-109. They have concluded that the disclosure controls and procedures were adequate and effective to provide reasonable assurance that material information relating to the Trust and its consolidated subsidiary entities for the year ended December 31, 2007 would have been made known to them.

In addition, for the year ended December 31, 2007, the Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the design of the Trust’s internal controls over financial reporting. The internal controls were designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. They have concluded that the design of the internal controls over financial reporting were adequate and effective to provide reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

The Trust did not make any significant changes to the design of the internal controls over financial reporting during the three months ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Note, however that 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.

## **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 management's discussion and analysis of Whiterock for the year ended December 31, 2007 and in Whiterock's Annual Information Form dated March 20, 2008, filed on SEDAR.