



Management's Discussion and Analysis  
March 31, 2009

## **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, 2008 and 2007. Additional information relating to Whiterock, including its Annual Information Form ("AIF") dated March 18, 2009 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 12, 2009.

### **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 made herein under the headings "Overall Business Strategy and Objectives", "Results of Operations – Future income taxes", "Mortgages Payable and Facilities – Total Indebtedness to Gross Book Value", and "Capital Resources and Liquidity", statements with respect to management's current intention to undertake certain transactions to reduce Whiterock's indebtedness, management's intention to restructure the Real Estate Investment Trust's (REIT's) affairs to qualify for the REIT exception prior to December 31, 2010, financial performance, sale-leaseback opportunities, proposed acquisitions and equity or debt offerings, new markets for growth, financial position, comparable commercial REITs, proposed acquisitions, and other statements concerning Whiterock's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations and other matters which are not historical facts.

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", and the negative forms thereof. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Whiterock's estimates and assumptions, which 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. Such risks include but are not limited to: the risks related to the market for Whiterock's securities, the general risks associated with real property ownership and acquisition, unexpected costs or liabilities related to acquisitions, that future accretive acquisition or joint venture opportunities will not be identified and/or completed by Whiterock, lease maturities, risk management, liquidity and general market conditions, an inability of Whiterock to obtain debt or equity financing on favourable terms or at all, credit risks, changes in the competitive landscape, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth and/or diversification opportunities, over-reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, fluctuations in the market price of Whiterock's units, the risk of failure to obtain additional financing, dilution, an unforeseen departure of key personnel, unanticipated adverse 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 which can be obtained at [www.sedar.com](http://www.sedar.com). In particular, but without limitation, there can be no assurance that Whiterock will be able to continue to increase its FFO or AFFO. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a less robust leasing environment than has been seen for the last several years; relatively stable interest costs; an increase in acquisition capitalization rates and more limited but available access to equity and debt capital markets to fund, at acceptable costs, Whiterock's future growth plans, and to enable Whiterock to refinance its debts as they mature.

Except as required by law, Whiterock does not undertake, and specifically disclaims, any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

## 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 and February 10, 2009. A reconciliation from net income to FFO is calculated under the heading "Funds from Operations and Adjusted Funds from Operations". Property Operating Income is calculated under the heading "Property Operating Income".

Neither FFO, AFFO, nor 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, 2009

- **Increased FFO** – FFO increased 16% to \$3.9 million for the three months ended March 31, 2009. FFO per unit (basic) increased 1.4% to \$0.98 per unit in the same period. This represents an 86% FFO payout ratio.
- **Increased AFFO** – AFFO for the three months ended March 31, 2009 was up 17% to \$3.3 million. AFFO per unit (basic) increased 2.6% to \$0.82 per unit in the same period.
- **Success in Renewing Tenants** – In the three months ended March 31, 2009, lease renewal retention rate was 87%. To date, 71% of leases up for renewal in 2009 have been re-leased.
- **Solid Rental Rate Increases** – In the three months ended March 31, 2009, lease renewal rates increased approximately 15%. To date, increases in lease renewal rates averaged approximately 18%.
- **Increased Financial Flexibility** – Year to date, issued \$10.1 million of equity and \$22.2 million of new 5 year term debt in a difficult financing environment.

- **Investment Grade Tenants on Long-Term Leases** – 59% of revenues were from government and other investment grade tenants. Average lease term of the portfolio is 7.7 years, providing strong cash flow stability.
- **Secure Top Ten Tenants** – Average remaining lease term of top ten tenants, all investment grade and representing 45.9% of revenue, is 11.4 years.
- **Long-Term Fixed Rate Debt** – Average 6.9 year term for mortgage debt at a weighted average interest rate of 5.6%, all at fixed rates.
- **Geographically Balanced Portfolio** – At March 31, 2009, 17% of the portfolio's property operating income was in Alberta, 17% in Saskatchewan, 24% in Ontario, 29% in Quebec and 13% in Atlantic Canada.
- **Yield** – Distribution yield of 22.9% annualized, based on per unit distribution for the three months ended March 31, 2009, totaling \$0.84, and the May 11, 2009 Unit closing price of \$14.70.
- **Tax Efficient Distributions** – 100% of the distributions made in 2008, 2007 and 2006 were classed as return of capital for tax purposes.

## UNIT CONSOLIDATION

On December 22, 2008, Whiterock consolidated its issued and outstanding units on the basis of one post-consolidated unit for every three pre-consolidated units. All references to units, unit options and warrants contained herein are calculated on a post-consolidated basis.

## 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 provide high returns while maintaining high tenant credit quality.

From June 28, 2005, when Whiterock began active operations to March 31, 2009, it acquired 47 properties with gross book values ("GBV") totaling approximately \$501 million and sold 4 properties for \$66 million and a gain of \$3.6 million.

At March 31, 2009, approximately 38% of Whiterock's revenue stream is derived from government leases, and government leases combined with other investment grade tenants supply 59% of the revenue stream. The average remaining lease term of the portfolio was 7.7 years at March 31, 2009.

At March 31, 2009, 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>
Alberta	4	183,438	1	54,516	3	103,691
Saskatchewan	5	219,776	3	174,865	2	273,437
New Brunswick	1	80,162	-	-	2	134,704
Nova Scotia	2	103,410	1	33,857	1	115,773
Ontario	3	363,701	-	-	4	243,161
Quebec	7	977,042	-	-	1	29,700
Prince Edward Island	-	-	3	69,431	-	-
<b>Total</b>	<b>22</b>	<b>1,927,529</b>	<b>8</b>	<b>332,669</b>	<b>13</b>	<b>900,466</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 has 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, 2009 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 opportunistic 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.

The internal growth potential from below market leases, combined with the security provided by existing long term high credit tenants, continue to help maintain the stability of results in turbulent times. Given the current difficult economic conditions, Whiterock remains intensely focused on its existing tenants and properties to continue to drive internal growth.

### Growth through Opportunistic and Disciplined Acquisitions

As of March 31, 2009, Whiterock's GBV of real estate was \$438 million, up from \$3 million at the time of its initial public offering in June 2005. During this period, the size of Whiterock's real estate portfolio has increased to 3.2 million square feet of Gross Leasable Area (GLA) from 26,000 square feet of GLA.

Whiterock's growth strategy includes acquiring real estate at attractive capitalization rates while maintaining the high credit quality of its tenants and the physical condition of the assets being acquired. Whiterock focuses on assets with visible, growing cash flow streams and draws on management's experience in leasing, operations and financing to enhance value. Completing acquisitions at capitalization rates that have positive spreads to the asset level financing 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: Calgary; Edmonton; 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 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 eighteen properties. Management believes that selective self management positively contributes to operating results and intends to continue to expand the self-management of its portfolio.

### **Current Business Environment**

Whiterock's improvement in its March 31, 2009 FFO and AFFO compared to the prior year comparative period, even as the Canadian economy experiences a recession in all regions of the country, is a result of its focus on active asset and property management and its disciplined acquisition strategy.

Whiterock's portfolio is built to help withstand the cyclicity of the real estate industry, with long-term leases (7.7 years), long-term debt (6.9 years) at fixed rates and a high percentage of investment grade

tenants (59%). Management believes that these characteristics should continue to benefit Whiterock throughout the rest of 2009.

Given the current economic environment management also believes it is prudent to bolster cash and facility reserves with a view to deleveraging over time. Subsequent to March 31, 2009, Whiterock raised \$10.1 million in a bought deal public offering which management intends to use to (i) reduce its overall indebtedness through the repayment of long-term debt; (ii) to fund future acquisitions; and/or (iii) for general trust purposes.

## 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, and 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, 2009	March 31, 2008
FFO (basic) per unit	\$ 0.98	\$ 0.97
AFFO (basic) per unit	\$ 0.82	\$ 0.80
Property operating income - continuing	\$ 9,323,827	\$ 7,673,126
Property operating income - same asset	\$ 7,393,983	\$ 7,673,126
Investment in real estate assets - continuing <sup>(1)</sup>	\$ 445,520,173	\$ 352,530,005
Weighted average mortgage rate	5.6%	5.4%
Weighted average debenture rate	6.8%	7.0%
Interest coverage ratio <sup>(2)</sup>	1.8	1.9
Average lease term (in years) <sup>(3)</sup>	7.7	8.5
Occupancy level <sup>(3)</sup>	97.1%	98.8%
FFO payout ratio <sup>(4)</sup>	85.8%	87.0%

(1) As at period end. March 31, 2009 includes \$7.3 million of mortgages receivable secured by real estate assets (March 31, 2008 - \$10.4 million).

(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 March 31, 2009.

(4) FFO payout ratio is calculated as distributions divided by FFO for the three months ended March 31, 2009 and 2008.

In the three months ended March 31, 2009, Whiterock improved its FFO, AFFO, FFO per unit, AFFO per unit and property operating income while reducing its payout ratio compared to the prior year comparative period.

## INVESTMENT ACTIVITIES

Whiterock acquired 47 properties from the time of its initial public offering in June 2005 to March 31, 2009 with a GLA of 3.2 million square feet and a GBV of approximately \$501 million. There were no acquisitions in the three months ended March 31, 2009 or March 31, 2008. In the three months ended March 31, 2009, there were no dispositions. In the three months ended March 31, 2008, Whiterock disposed of 310 Henderson Drive for proceeds of \$14.0 million with an option to reacquire at market once substantially leased.

Details of Whiterock's 2008 dispositions are as follows:

### **2008 Disposition**

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

<b>Property Name</b>	<b>City</b>	<b>Province</b>	<b>Disposition Date</b>	<b>GLA (Sq. Ft.)</b>
310 Henderson Drive	Regina	SK	01/28/08	395,159

Effective January 28, 2008, the Trust sold its interest in an industrial property in Regina, Saskatchewan for gross proceeds totaling \$14.0 million, which approximated the Trust's GBV. In conjunction with the sale, the Trust has provided a two year \$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.

## 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)	2009		2008			2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue								
- continuing operations	<b>15,740</b>	15,799	14,804	12,861	13,009	12,610	12,005	11,938
- discontinued operations	-	-	-	-	116	334	-	204
Property operating income								
- continuing operations	<b>9,324</b>	9,444	9,369	7,756	7,673	7,600	7,257	7,249
- discontinued operations	-	-	-	-	18	96	-	79
Income (loss)	<b>(546)</b>	221	377	620	359	(704)	(235)	1,978
Income (loss) adjusted <sup>(1)</sup>	<b>(546)</b>	221	377	620	359	(44)	(147)	(195)
Income (loss) per unit								
- basic	<b>(0.14)</b>	0.06	0.10	0.17	0.10	(0.21)	(0.07)	0.60
- diluted	<b>(0.14)</b>	0.06	0.10	0.17	0.10	(0.21)	(0.07)	0.59
- basic adjusted <sup>(1)</sup>	<b>(0.14)</b>	0.06	0.10	0.17	0.10	(0.01)	(0.04)	(0.06)
- diluted adjusted <sup>(1)</sup>	<b>(0.14)</b>	0.06	0.10	0.17	0.10	(0.01)	(0.04)	(0.06)
Funds from operations (FFO)	<b>3,882</b>	4,109	4,036	3,535	3,355	2,985	2,649	541
FFO (recurring) <sup>(2)</sup>	<b>3,882</b>	4,109	4,036	3,535	3,355	2,985	2,737	2,682
FFO per unit								
- basic	<b>0.98</b>	1.04	1.04	0.99	0.97	0.87	0.78	0.16
- diluted	<b>0.94</b>	0.99	0.99	0.96	0.94	0.86	0.78	0.16
- basic (recurring) <sup>(2)</sup>	<b>0.98</b>	1.04	1.04	0.99	0.97	0.87	0.81	0.81
- diluted (recurring) <sup>(2)</sup>	<b>0.94</b>	0.99	0.99	0.96	0.94	0.86	0.80	0.80
Adjusted funds from operations (AFFO)	<b>3,258</b>	3,432	3,324	2,923	2,784	2,578	2,146	(8)
AFFO (recurring) <sup>(3)</sup>	<b>3,258</b>	3,432	3,324	2,923	2,784	2,578	2,234	2,133
AFFO per unit								
- basic	<b>0.82</b>	0.87	0.86	0.82	0.80	0.75	0.63	-
- diluted	<b>0.78</b>	0.82	0.81	0.78	0.77	0.73	0.62	-
- basic (recurring) <sup>(3)</sup>	<b>0.82</b>	0.87	0.86	0.82	0.80	0.75	0.66	0.64
- diluted (recurring) <sup>(3)</sup>	<b>0.78</b>	0.82	0.81	0.78	0.77	0.73	0.64	0.63
Cash distribution per unit	<b>0.84</b>	0.84	0.84	0.84	0.84	0.84	0.84	0.84

(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.

(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.

(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.

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, 2009 and 2008 are as follows:

	Three months ended	
	March 31, 2009	March 31, 2008
Property operating income	\$ 9,323,827	\$ 7,673,126
Interest income	184,262	198,699
Interest expense	(5,208,607)	(4,090,057)
General and administrative expenses	(394,045)	(378,843)
Amortization	(4,451,526)	(2,963,337)
Income (loss) before the undernoted	(546,089)	439,588
Future income expense	-	(70,000)
<b>Income (loss) from continuing operations</b>	<b>(546,089)</b>	<b>369,588</b>
Income (loss) from discontinued operations	-	(55,546)
Gain on disposition of properties	-	44,819
<b>Net income (loss) and comprehensive income</b>	<b>\$ (546,089)</b>	<b>\$ 358,861</b>
<b>Basic net income (loss) per unit</b>		
Continuing operations	\$ (0.14)	\$ 0.11
Discontinued operations	\$ -	\$ -
Net income (loss) per unit	\$ (0.14)	\$ 0.10
<b>Diluted net income (loss) per unit</b>		
Continuing operations	\$ (0.14)	\$ 0.11
Discontinued operations	\$ -	\$ -
Net income (loss) per unit	\$ (0.14)	\$ 0.10

Whiterock's net income (loss) for the three months ended March 31, 2009 was \$(0.5) million (three months ended March 31, 2008 net income of \$0.4 million).

As a result of a tenant default at the Trust's 193 Malpeque Road property in Charlottetown, PEI, amortization expense includes a one time non-cash charge, totaling \$0.6 million, to write off the remaining unamortized balance of deferred charges and intangible assets that related to the lease that was terminated.

Following is a discussion of individual income components:

### Property operating income

	Three months ended	
	March 31, 2009	March 31, 2008
<b>Income property rentals</b>		
<b>Same Property <sup>(1)</sup></b>		
Rental income	\$ 12,285,890	\$ 12,129,347
Straight-line rent	245,736	295,432
Above and below market lease amortization	311,936	385,470
	<b>12,843,562</b>	<b>12,810,249</b>
<b>Acquisitions</b>		
Rental income	2,489,095	-
Straight-line rent	41,261	-
Above and below market lease amortization	181,844	-
	<b>15,555,762</b>	<b>12,810,249</b>
<b>Income property rentals</b>		
<b>Property operating costs</b>		
Same property <sup>(1)</sup>	5,449,579	5,137,123
Acquisitions	782,356	-
	<b>6,231,935</b>	<b>5,137,123</b>
<b>Property operating costs</b>		
<b>Property operating income</b>		
Same property <sup>(1)</sup>	7,393,983	7,673,126
Acquisitions	1,929,844	-
	<b>9,323,827</b>	<b>7,673,126</b>
<b>Total property operating income</b>		
	<b>\$ 9,323,827</b>	<b>\$ 7,673,126</b>

(1) Same property values exclude the results for one property classified as discontinued operations in 2008. (See "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, 2009 decreased \$0.28 million or 3.6% compared to the three months ended March 31, 2008. All of the decrease results from a reduction in occupancy of 1.7% compared to the prior year comparative period.

Income property rentals from same properties (33 properties owned for the three months ended March 31, 2009 and 2008) increased \$0.03 million, or 0.3% for the three months ended March 31, 2009 as compared to 2008, primarily as a result of contractual rent increases. Same property operating costs increased \$0.31 million, or 6.1% for the three months ended March 31, 2009 as compared to 2008. Same property operating income for the three months ended March 31, 2009 includes \$0.25 million from leases with contractual rent increases recognized on a straight-line basis, compared to \$0.30 million in the comparable prior year period. In addition, income from same property rentals for the three months ended March 31, 2009 includes \$0.31 million of amortization of above and below market lease adjustments, compared to \$0.39 million for the same period in 2008.

Margins on same property net operating income in the first quarter of 2009 and 2008 are 58% and 60% respectively. The decrease is due to the reasons noted above.

*Growth due to Acquisitions*

Income property rentals for the three months ended March 31, 2009 includes \$2.7 million from continuing properties acquired throughout 2008, compared to nil for the same period in 2008. Property operating costs increased due to acquisitions by \$0.8 million in the three months ended March 31, 2009 compared to the same period in 2008.

As at March 31, 2009, the gross value of above and below market leases on acquisition for continuing operations was \$11.3 million.

*Leasing Performance*

The Trust continues to experience high occupancy levels in its properties. Occupancy levels were 97.1% at March 31, 2009 compared to 98.8% at March 31, 2008.

*Segmented Performance*

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended March 31, 2009 and 2008 were as follows:

	Three months ended March 31, 2009			
	Office	Retail	Industrial	Total
Income property rentals	\$ 11,645,504	\$ 1,980,076	\$ 1,930,182	\$ 15,555,762
Property operating costs	4,927,230	701,825	602,880	6,231,935
<b>Property operating income</b>	<b>\$ 6,718,274</b>	<b>\$ 1,278,251</b>	<b>\$ 1,327,302</b>	<b>\$ 9,323,827</b>
<b>Income properties - continuing</b>	<b>\$ 272,350,228</b>	<b>\$ 55,569,939</b>	<b>\$ 50,259,691</b>	<b>\$ 378,179,858</b>

  

	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
Property operating income	\$ 5,494,955	\$ 1,093,494	\$ 1,084,677	\$ 7,673,126
Income properties - continuing	\$ 220,246,184	\$ 39,555,843	\$ 39,201,421	\$ 299,003,448

Property operating income from office properties provided 72% of total property operating income for the three months ended March 31, 2009 compared to 72% for the same period in 2008.

At March 31, 2009, Whiterock has achieved a geographic balance of revenue from its portfolio across Canada, with approximately 17% of the portfolio's property operating income generated from Alberta, 17% from Saskatchewan, 24% from Ontario, 29% from Quebec and 13% from Atlantic Canada.

## Interest income

	Three months ended	
	March 31, 2009	March 31, 2008
<b>Interest income</b>	<b>\$ 184,262</b>	<b>\$ 198,699</b>

Interest income for the three months ended March 31, 2009 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, 2009	March 31, 2008
Mortgage interest expense	\$ 3,536,361	\$ 2,916,795
Facilities and other interest expense	277,596	2,568
Debenture interest	937,974	818,166
Deferred finance cost		
- mortgages	77,120	51,515
- acquisition and operating facilities	130,911	75,058
- convertible debentures	126,205	127,770
Implicit interest rate in excess of coupon		
- convertible debentures	122,440	98,185
<b>Interest expense</b>	<b>\$ 5,208,607</b>	<b>\$ 4,090,057</b>

Interest for the three months ended March 31, 2009 results from mortgages on properties acquired, convertible debentures issued, and from the acquisition and operating facilities. The increase of \$1.1 million for the three months ended March 31, 2009 compared to the prior year comparative period results from mortgages on properties acquired, convertible debentures issued in connection with properties acquired, and from the use of the acquisition and operating facilities.

## General and administrative expenses

	Three months ended	
	March 31, 2009	March 31, 2008
Salaries and wages	\$ 280,965	\$ 232,163
Trustee fees paid in cash	45,942	14,853
Non-cash compensation - trustees and officers	338	41,100
Legal, audit and regulatory	31,093	49,233
Insurance	10,726	14,216
Other general and administrative	24,981	27,278
<b>General and administrative expenses</b>	<b>\$ 394,045</b>	<b>\$ 378,843</b>

For the three months ended March 31, 2009, general and administrative expenses totaled \$0.4 million compared to \$0.4 million for the comparable period in 2008. Non-cash compensation expense includes the value of options and equity rights issued to the trustees and management of Whiterock.

## **Future income taxes**

Recent tax legislation has adversely affected the tax status of many trusts. Whiterock intends to take the steps necessary to qualify for exemption from these adverse changes. The following summarizes the legislative changes.

Whiterock 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 Whiterock's distributions was treated as an exemption from taxation as Whiterock 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 Whiterock 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 certain publicly-listed or traded partnerships and trusts, such as income trusts 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 Existing Trusts (as defined below), 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 amounts 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, 2007 and 2008, all Whiterock'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 generally become subject to the tax contemplated under the SIFT Rules commencing in its 2011 taxation year. However, in accordance with the Normal Growth Guidelines released by the Department of Finance on December 15, 2006, as amended, an Existing Trust may become subject to this tax prior to its 2011 taxation year if it issues new equity capital beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. Whiterock has not exceeded such limits, and subject to any "undue expansion", management does not believe the Trust will be subject to the SIFT Rules prior to its 2011 taxation year.

Under the SIFT Rules, the new taxation regime will not apply to a trust that meets prescribed conditions relating to the nature of its revenue and investments (the "REIT Conditions"). The Trust intends to take the necessary steps to qualify for the REIT Conditions prior to 2011. Without further action, commencing in 2011 the Trust would become subject to the tax contemplated under the SIFT Rules, because, as currently structured, the Trust does not meet the REIT Conditions and, therefore, it is a SIFT.

Due to the SIFT Rules, in 2007 Whiterock 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 \$40,000 in the consolidated balance sheet at March 31, 2009 and December 31, 2008, and a future income tax expense of nil in the three months ended March 31, 2009 (March 31, 2008 - \$70,000).

## Amortization

	Three months ended	
	March 31, 2009	March 31, 2008
Building and improvements	\$ 2,145,651	\$ 1,693,198
Deferred charges		
- tenants inducements on acquisitions	855,290	454,825
- leasing costs	169,331	91,741
Intangible assets		
- lease origination costs	855,487	432,682
- tenant relationships	401,941	268,084
Furniture and fixtures	23,826	22,807
Amortization	\$ 4,451,526	\$ 2,963,337

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$4.5 million for the three months ended March 31, 2009, compared with \$3.0 million for the comparable prior year periods. The increases in the current year primarily reflect the impact of property additions in 2008 and a one time non-cash charge of \$0.6 million to write off the remaining unamortized balance of deferred charges and intangible assets related to a lease that was terminated in Charlottetown, PEI.

## 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 approximated the Trust's GBV. In conjunction with the sale, the Trust provided a two year \$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 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.

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, 2009	March 31, 2008
<b>Income property rentals</b>		
Rental income	\$ -	\$ 107,063
Straight-line rent	-	-
Above and below market lease amortization	-	8,831
<b>Income property rentals</b>	-	115,894
Property operating costs	-	(97,901)
<b>Property operating income</b>	-	17,993
<b>Interest income</b>	-	271
<b>Interest expense</b>		
Mortgage interest expense	-	(42,932)
Deferred finance cost	-	-
<b>Interest expense</b>	-	(42,932)
<b>Amortization</b>		
Building and improvements	-	(21,458)
Deferred charges		
- tenant inducements on acquisitions	-	(2,610)
Intangible assets		
- lease origination costs	-	(4,035)
- tenant relationships	-	(2,775)
<b>Amortization</b>	-	(30,878)
<b>Income (loss) from discontinued operations</b>	\$ -	\$ (55,546)

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

	Three months ended	
	March 31, 2009	March 31, 2008
<b>Gain on disposition of property</b>	\$ -	\$ 44,819

### Cash flow from operating activities

Cash flow from continuing operating activities for the three months ended March 31, 2009 was \$5.4 million, compared to cash flow of \$3.9 million in the comparative prior year period. Cash flow from continuing operations in the three months ended March 31, 2009 was impacted by higher contractual rents, synergies of the larger operating platform in 2009 and interest on mortgages receivable.

Cash flow from discontinued operating activities for the three months ended March 31, 2009 was nil, compared to a cash outflow of \$0.2 million in the comparative prior year period. The disposition of an industrial property in Regina, Saskatchewan in the three months ended March 31, 2008 generated net cash proceeds of \$6.4 million.

## 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, 2009 and 2008 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, and February 10, 2009 as follows:

	Three months ended	
	March 31, 2009	March 31, 2008
Income (loss) for the period	\$ (546,089)	\$ 358,861
Add back amortization:		
Building and improvements	2,145,651	1,693,198
Tenant inducements on acquisitions	855,290	454,825
Leasing costs	169,331	91,741
Lease origination costs	855,487	432,682
Tenant relationships	401,941	268,084
Discontinued operations	-	30,878
Add back:		
Future income tax expense (recovery)	-	70,000
Less:		
Gain on disposition of property	-	(44,819)
<b>Funds from Operations (FFO)</b>	<b>\$ 3,881,611</b>	<b>\$ 3,355,450</b>

AFFO for the three months ended March 31, 2009 and 2008 is calculated as follows:

	Three months ended	
	March 31, 2009	March 31, 2008
<b>Funds from Operations (FFO)</b>	<b>\$ 3,881,611</b>	<b>\$ 3,355,450</b>
Amortization of deferred finance costs		
Continuing operations	334,236	254,343
Convertible debentures implicit interest rate in excess of coupon rate	122,440	98,185
Non cash compensation expense	338	41,100
Accrued straight line rental revenue		
Continuing operations	(286,997)	(295,432)
Above and below market lease amortization		
Continuing operations	(493,780)	(385,470)
Discontinued operations	-	(8,831)
Normalized revenue sustaining capital expenditures and leasing costs		
Continuing operations	(300,000)	(275,000)
<b>Adjusted Funds from Operations (AFFO)</b>	<b>\$ 3,257,848</b>	<b>\$ 2,784,345</b>

FFO for the three months ended March 31, 2009 is \$3.9 million compared to \$3.4 million in 2008. This increase is primarily as a result of increased net operating income from the impact of new leases and rent escalations and accretive acquisitions in 2008 partially offset by a decrease in occupancy level compared to the prior year period.

AFFO for the three months ended March 31, 2009 is \$3.3 million compared to \$2.8 million for the same period in 2008. Leasing costs and capital expenditures incurred in the three months ended March 31, 2009 considered to be revenue sustaining in nature totaled \$0.4 million. Costs undertaken to upgrade Courthouse facilities in 277 Pleasant Street in the three months ended March 31, 2009 totaled \$0.9 million. Costs undertaken to upgrade the existing HVAC system at 900 D'Youville in Quebec City in the three months ended March 31, 2008 totaled \$0.5 million. These costs are revenue enhancing rather than revenue sustaining and are excluded from the calculation of AFFO. Normalized revenue sustaining capital expenditures and leasing costs, used in the calculation of AFFO, are \$0.3 million in the three months ended March 31, 2009 and 2008.

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

	Three months ended	
	March 31, 2009	March 31, 2008
Weighted average units outstanding		
Basic	<b>3,958,838</b>	3,470,947
Diluted - FFO	<b>5,074,489</b>	4,382,435
Diluted - AFFO	<b>5,074,489</b>	4,382,435
FFO per unit - basic	<b>\$ 0.98</b>	\$ 0.97
FFO per unit - diluted	<b>\$ 0.94</b>	\$ 0.94
AFFO per unit - basic	<b>\$ 0.82</b>	\$ 0.80
AFFO per unit - diluted	<b>\$ 0.78</b>	\$ 0.77

FFO per unit (basic) increased by \$0.01 or 1.4% for the three months ended March 31, 2009, compared to the previous year comparable period. The increase is as a result of the additional FFO generated in 2009 as described above, partly offset by the additional units issued in 2009 and 2008. Basic FFO per unit of \$0.98 for the three months ended March 31, 2009 represents a payout ratio of 86% on Whiterock's distributions in the quarter.

AFFO per unit (basic) increased \$0.02 per unit or 2.6% for the three months ended March 31, 2009 compared to the same period in 2008. AFFO per unit (diluted) increased \$0.01 per unit for the three months ended March 31, 2009, compared to the same period in 2008.

## FINANCIAL POSITION

Selected balance sheet information follows:

	March 31, 2009	December 31, 2008
Investment in real estate <sup>(1)</sup>		
- continuing operations	\$ 445,520,173	\$ 444,959,934
Total assets	\$ 432,514,923	\$ 432,904,905
Mortgages payable and facilities		
- continuing operations	\$ 286,420,739	\$ 284,153,909
Convertible debentures	\$ 52,782,165	\$ 52,533,520
Cash	\$ 2,991,690	\$ -
Unitholders' Equity	\$ 76,329,047	\$ 80,068,509

(1) Includes \$7.3 million in mortgages receivable secured by real estate assets.

## MORTGAGES PAYABLE AND FACILITIES

Whiterock strives to match the mortgage term on its acquisitions to the average lease term of its properties. At March 31, 2009, Whiterock's mortgages payable have a weighted average remaining term of 6.9 years and a weighted average interest rate of 5.6% with 100% at fixed rates.

Whiterock's fixed and floating rate mortgage debt and credit facilities payable as at March 31, 2009 and as at December 31, 2008 are as follows:

	March 31, 2009		December 31, 2008	
	Total	%	Total	%
<b>Mortgages payable</b>				
Fixed rate	\$ 271,503,643	100.0%	\$ 255,497,090	100.0%
Floating rate	-	-	-	-
	<b>271,503,643</b>	<b>100.0%</b>	255,497,090	100.0%
Mortgage liability	<b>271,503,643</b>	<b>100.0%</b>	255,497,090	100.0%
Deferred financing fees	(2,952,574)		(2,450,655)	
Deferred financing fees - Accumulated amortization	556,170		502,777	
Mortgages payable - net of deferred financing fees	<b>269,107,239</b>		253,549,212	
<b>Acquisition and Operating facilities</b>				
Acquisition and Operating facilities liability	17,500,000		30,855,442	
Deferred financing fees	(520,358)		(477,596)	
Deferred financing fees - Accumulated amortization	333,858		226,851	
Acquisition and Operating facilities - Deferred financing fees (net)	<b>(186,500)</b>		(250,745)	
<b>Mortgages payable and facilities</b>	<b>\$ 286,420,739</b>		\$ 284,153,909	

The major changes to the balance sheet accounts at March 31, 2009 result from the refinancing of a second mortgage that matured in March 2009 on a Quebec City, Quebec property, for net new proceeds of \$4.5 million and from obtaining a new \$12.5 million first mortgage on an existing property in Calgary, Alberta. Approximately \$13.4 million of proceeds were used to reduce the outstanding balance on the Trust's acquisition and credit facilities.

The following table summarizes Whiterock's mortgage maturity schedule as at March 31, 2009:

<b>Year of Maturity</b>	<b>Scheduled Amortization</b>	<b>Balloon Payments</b>	<b>Total</b>	<b>Weighted Average Interest Rate</b>
2009	\$ 3,183,213	\$ -	\$ 3,183,213	5.56%
2010 <sup>(1)</sup>	4,541,707	12,716,598	17,258,305	5.28%
2011	5,188,444	-	5,188,444	5.56%
2012	6,142,021	20,250,892	26,392,913	5.86%
2013	5,761,167	23,593,756	29,354,923	5.58%
2014	5,354,885	19,499,284	24,854,169	7.42%
2015	5,347,780	46,290,081	51,637,861	5.27%
2016	3,133,068	87,690,977	90,824,045	5.29%
2017	1,470,148	3,251,950	4,722,098	5.74%
2018	1,411,562	2,571,466	3,983,028	5.97%
Thereafter	7,538,789	6,565,855	14,104,644	5.54%
<b>Total continuing operations</b>	<b>\$ 49,072,784</b>	<b>\$ 222,430,859</b>	<b>\$ 271,503,643</b>	<b>5.61%</b>

(1) 2010 Balloon payments due November 1, 2010

#### *Acquisition and Operating Facilities*

On June 19, 2008, the Trust entered into a demand revolving acquisition and operating facility of up to \$40 million, subject to renewal on an annual basis, with a major Canadian financial institution. The facility is secured by mortgages on new and existing property and the guarantee of the Trust and can be used for acquisitions, operations and general trust purposes. The facility bears interest at floating rates determined, at Whiterock's option, by reference to the prime rate plus 150 basis points or Bankers Acceptance rates plus 250 basis points. As at March 31, 2009, \$17.5 million was outstanding under this facility.

The Trust's \$5 million demand revolving operating facility is subject to renewal on an annual basis and is secured by mortgages on existing property and the guarantee of the Trust. The facility bears interest at a floating rate determined by reference to the prime rate plus 50 basis points. As at March 31, 2009, there was no amount outstanding under this facility (December 31, 2008 – \$4.2 million). On April 17, 2009 the \$5.0 million facility was reduced to \$2.25 million and will bear interest at a floating rate determined by reference to the prime rate plus 150 basis points.

Subsequent to March 31, 2009, the Trust used the net proceeds from a \$5.3 million second mortgage financing and a \$10.1 million bought deal public offering to further reduce the outstanding balance of its revolving acquisition and operating facilities.

#### *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, 2009, according to the calculation as defined in the Declaration of Trust, this ratio was 57.8% (December 31, 2008 – 54.8%) 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, 2009 and December 31, 2008:

	<u>March 31, 2009</u>	<u>December 31, 2008</u>
<b>Total Indebtedness</b>		
Mortgages payable		
- continuing operations	<b>\$ 271,503,643</b>	\$ 255,497,090
<b>Total Indebtedness</b>	<b>271,503,643</b>	255,497,090
<b>Gross Book Value</b>		
Total GBV of real estate assets		
- continuing operations	<b>459,285,641</b>	458,725,402
Other assets	<b>10,508,372</b>	7,642,878
<b>Total Gross Book Value</b>	<b>\$ 469,794,013</b>	\$ 466,368,280
<b>Total Indebtedness to Gross Book Value</b>	<b>57.8%</b>	54.8%

## CONVERTIBLE DEBENTURES

Whiterock had \$55.4 million (principal amount) of redeemable subordinated convertible debentures outstanding at March 31, 2009 (December 31, 2008 - \$55.4 million) as follows:

	Series A	Series C	Series D	Series E	Series F	Total
Liability	\$ 12,328,078	\$ 2,883,060	\$ 9,564,256	\$ 23,888,615	\$ 10,987,454	\$ 59,651,463
Equity	671,922	116,940	435,744	1,111,385	412,546	2,748,537
Principal on issuance	13,000,000	3,000,000	10,000,000	25,000,000	11,400,000	62,400,000
Conversion of debentures	(6,202,300)	(788,000)	-	-	-	(6,990,300)
<b>Principal -</b>						
<b>March 31, 2009</b>	<b>\$ 6,797,700</b>	<b>\$ 2,212,000</b>	<b>\$ 10,000,000</b>	<b>\$ 25,000,000</b>	<b>\$ 11,400,000</b>	<b>\$ 55,409,700</b>

No convertible debentures were issued, converted or redeemed in the three months ended March 31, 2009.

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

	Series A	Series C	Series D	Series E	Series F	Total
Liability - December 31, 2008	\$ 6,674,865	\$ 2,171,735	\$ 9,749,681	\$ 24,293,821	\$ 11,028,871	\$ 53,918,973
Implicit interest rate in excess of coupon rate	19,518	4,540	21,448	53,658	23,276	122,440
Liability - March 31, 2009	6,694,383	2,176,275	9,771,129	24,347,479	11,052,147	54,041,413
Deferred financing fees	(922,431)	(165,067)	(240,458)	(1,338,461)	(108,758)	(2,775,175)
Deferred financing fees - Accumulated amortization	730,252	101,005	115,301	553,284	16,085	1,515,927
<b>Balance - March 31, 2009</b>	<b>\$ 6,502,204</b>	<b>\$ 2,112,213</b>	<b>\$ 9,645,972</b>	<b>\$ 23,562,302</b>	<b>\$ 10,959,474</b>	<b>\$ 52,782,165</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 \$30.60.

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 \$45.90 and, after June 28, 2009, providing that the 20-day weighted average trading price is at least \$38.25.

In the three months ended March 31, 2008, \$1.7 million of Series A debentures were converted into 54,607 units.

### 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 \$36.00.

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 \$39.00 and, after June 21, 2008, providing that the 20-day weighted average trading price is at least \$42.00.

### 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 \$45.00.

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 \$56.25 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 \$41.25.

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 \$51.57 and, after December 30, 2010, at their principal amount.

### Series F Convertible Debentures

On July 16, 2008, the Trust issued 6.0% redeemable subordinated unsecured convertible debentures in the original principal amount of \$11,400,000 with interest payable quarterly and which mature on July 15, 2012. The debentures are convertible at the request of the holder after July 15, 2009, subject to certain terms and conditions at a conversion price of \$39.66.

The debentures are redeemable at the option of the Trust at 115% of the principal amount subject to certain terms and conditions.

These debentures were issued as partial consideration for the acquisition of eight properties in Alberta.

## UNITHOLDERS' EQUITY

Unitholders' equity at March 31, 2009 and December 31, 2008 consists of the following:

	March 31, 2009	December 31, 2008
Units	\$ 115,504,454	\$ 115,426,201
Unit options	838,932	838,594
Warrants	314,800	314,800
Equity component of convertible debentures	2,397,246	2,397,246
Cumulative earnings and accumulated comprehensive earnings	(5,598,897)	(5,052,808)
Cumulative distributions to unitholders	(37,127,488)	(33,855,524)
	<b>\$ 76,329,047</b>	<b>\$ 80,068,509</b>

Distributions per unit totaled \$0.84 for the three months ended March 31, 2009 and \$3.37 per unit for the year ended December 31, 2008.

### Units

On December 22, 2008, the Trust consolidated its issued and outstanding units on the basis of one post-consolidation unit for every three pre-consolidation units. All references to units, unit options and warrants in these financial statements, including per unit values, have been adjusted to a post-consolidation basis.

During the three months ended March 31, 2009, 7,103 (March 31, 2008 – 6,937) 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.

During the three months ended March 31, 2008 the Trust issued 54,607 units upon conversion \$1.7 million of Series A Debentures.

Subsequent to March 31, 2009, the Trust closed a \$10.1 million bought deal public offering at a price of \$14.80 per unit, resulting in 680,000 additional units being issued and 3,754 units were issued under Whiterock's DRIP.

A summary of units issued in the three months ended March 31, 2009 follows:

	Units	\$
Issued and outstanding at December 31, 2008	3,956,516	\$ 115,426,201
Units Issued		
Distribution Reinvestment Plan	7,103	102,645
Unit issue costs		(24,392)
Issued and outstanding at March 31, 2009	3,963,619	\$ 115,504,454

## 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, 2009 (March 31, 2008 – \$0.8 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% on the underlying units, the term to expiry of 5 years, an annual dividend of \$3.37, 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 for the three months ended March 31, 2009 and 2008 follow:

	Three months ended March 31, 2009		Three months ended March 31, 2008	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	295,417	\$30.44	192,292	\$31.87
Granted	-	-	18,333	29.50
Expired	-	-	(1,042)	36.48
Outstanding, end of period	295,417	\$30.44	209,583	\$31.64
Options vested, end of period	293,333	\$30.45	201,042	\$31.65
Weighted average remaining life (years)	2.7		3.1	

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, 2009 and 2008 follow:

	<b>2009</b>		<b>2008</b>	
	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>	<b>Warrants</b>	<b>Weighted Average Exercise Price</b>
Warrants outstanding and exercisable, March 31	<b>71,833</b>	<b>\$41.83</b>	71,833	\$41.83
Weighted average remaining life (years)	<b>2.2</b>		3.2	

The Black-Scholes calculated value of the warrants outstanding at March 31, 2009 was \$0.3 million (March 31, 2008 – \$0.3 million).

## CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

The following table lists all convertible securities of the Trust at March 31, 2009 and December 31, 2008 and the number of units resulting if they were converted or exercised:

(as at)	Exercise / Conversion Price	March 31, 2009	December 31, 2008
Units outstanding		<b>3,963,619</b>	3,956,516
Unit options	\$ 18.27	<b>15,000</b>	15,000
	\$ 25.80	<b>60,000</b>	60,000
	\$ 29.22	<b>10,000</b>	10,000
	\$ 29.40	<b>56,667</b>	56,667
	\$ 29.55	<b>4,167</b>	4,167
	\$ 30.00	<b>43,750</b>	43,750
	\$ 30.12	<b>4,167</b>	4,167
	\$ 30.63	<b>23,333</b>	23,333
	\$ 32.64	<b>16,666</b>	16,666
	\$ 34.80	<b>6,250</b>	6,250
	\$ 39.24	<b>55,417</b>	55,417
Warrants	\$ 41.28	<b>41,667</b>	41,667
	\$ 42.60	<b>30,166</b>	30,166
Convertible debentures			
Series A (8.0%)	\$ 30.60	<b>222,147</b>	222,147
Series C (9.0%)	\$ 36.00	<b>61,444</b>	61,444
Series F (6.0%)	\$ 39.66	<b>287,443</b>	287,443
Series E (6.3%)	\$ 41.25	<b>606,060</b>	606,060
Series D (7.5%)	\$ 45.00	<b>222,222</b>	222,222
		<b>5,730,185</b>	5,723,082

## 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 3.5% to 17.3% of the annualized tenant revenue in Whiterock's portfolio.

Whiterock's lease maturity profile at March 31, 2009 is as follows:

<b>Date</b>	<b>Square Feet</b>	<b>% of Total Square Feet</b>	<b>% of Annualized Tenant Revenue</b>
2009	191,611	6.1%	3.5%
2010	237,514	7.5%	7.7%
2011	421,852	13.3%	17.3%
2012	179,812	5.7%	7.2%
2013	341,240	10.8%	13.9%
2014	195,180	6.2%	6.8%
2015	235,729	7.5%	4.8%
2016	156,276	4.9%	5.7%
2017	154,546	4.9%	6.0%
2018	51,704	1.6%	1.9%
Thereafter	904,682	28.6%	25.2%
Occupied	3,070,146	97.1%	100.0%
Vacant	90,518	2.9%	
<b>Total</b>	<b>3,160,664</b>	<b>100.0%</b>	<b>100.0%</b>

## Credit

The following table summarizes Whiterock's top ten tenants at March 31, 2009, which together represent 45.9% of Whiterock's annualized revenues from its income property portfolio as at March 31, 2009:

<b>Tenant</b>	<b>Rank</b>	<b>Square Feet</b>	<b>% of Annualized Tenant Revenue <sup>(1)</sup></b>
SIQ (Quebec Gov't Agency)	1	504,774	14.4%
Province of Ontario	2	92,396	5.9%
ING Canada	3	231,500	5.8%
Federal Government	4	72,303	5.1%
Province of Nova Scotia	5	63,717	2.8%
Saskatchewan Ministry of Government Services	6	80,857	2.7%
Province of New Brunswick	7	80,162	2.4%
Teranet	8	35,694	2.4%
Crown Investment Corp. <sup>(2)</sup>	9	67,592	2.3%
Sobeys	10	55,795	2.1%
<b>Total: Top 10 Tenants</b>		<b>1,284,790</b>	<b>45.9%</b>

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

(2) 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 *Income Tax Act* (Canada) (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 2008 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, 2009 was \$5.4 million compared to \$3.9 million in the comparative prior year period. Cash flow from continuing operations in 2009 was primarily impacted by new acquisitions in 2008.

On June 19, 2008, Whiterock entered into a demand revolving acquisition and operating facility of up to \$40 million, subject to renewal on an annual basis, with a major Canadian financial institution. The facility is secured by mortgages on new and existing property and can be used for acquisitions, operations and general trust purposes. The facility bears interest at floating rates determined, at Whiterock's option, by reference to the prime rate plus 150 basis points or Bankers Acceptance rates plus 250 basis points. As at March 31, 2009, \$17.5 million was outstanding under the facility. Subsequent to March 31, 2009 the Trust used the net proceeds from a new \$5.3 million mortgage to reduce the outstanding balance under its revolving acquisition and operating facilities and intends to use the net cash proceeds from a \$10.1 million bought deal public offering to reduce the outstanding balance under its revolving acquisition and operating facilities.

The Trust's \$5 million demand revolving operating facility is subject to renewal on an annual basis and is secured by mortgages on existing property and the guarantee of the Trust. The facility bears interest at a floating rate determined by reference to the prime rate plus 50 basis points. As at March 31, 2009, no amount was outstanding under this facility (December 31, 2008 – \$4.2 million). On April 17, 2009 the \$5.0 million facility was reduced to \$2.25 million and will bear interest at a floating rate determined by reference to the prime rate plus 150 basis points.

The main sources of acquisition funds for Whiterock are its revolving acquisition and operating facilities (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, 2008 audited consolidated financial statements and in Note 2 to its March 31, 2009 unaudited consolidated financial statements. Management's discussion and analysis for the year ended December 31, 2008 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 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 impact of these Standards on its 2009 consolidated financial statements is not material.

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

The CICA Accounting Standards Board has adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for public companies will be required to converge with International Financial Reporting Standards for fiscal years beginning on or after January 1, 2011 with comparative figures presented on the same basis. These new standards will be effective for Whiterock in the first quarter of 2011. Management is reviewing the new standards to determine the potential impact on the consolidated financial statements.

The CICA has issued a new accounting standard, CICA Handbook Section 1582 - Business Combinations which will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook sections 1601 - Consolidations and 1602 - Non-controlling Interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These sections replace the former CICA Handbook Sections 1581 - Business Combinations and 1600 - Consolidated Financial Statements. CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Trust is currently considering the effect on the financial statements of the new standards.

## **CONTROLS AND PROCEDURES**

The Trust's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to Management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

The Chief Executive Officer and Chief Financial Officer of the Trust, with the assistance of senior management, are responsible for establishing and maintaining adequate internal controls over financial

reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

During the three months ended March 31, 2009 no changes were made to the Trust's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

All control systems have inherent limitations, and evaluation of a control system cannot provide absolute assurance that all control issues have been detected, including risks of misstatement due to error or fraud. As a growing enterprise, management anticipates that the Trust will be continually monitoring and seeking to improve its systems of controls and procedures.

## **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 herein as well as in Whiterock's Annual Information Form dated March 18, 2009, filed under Whiterock's profile on the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com).