



Management's Discussion and Analysis
September 30, 2006

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

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock" or the "Trust") should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended September 30, 2006 and 2005, the accompanying notes as well as the audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2005. Additional information relating to Whiterock, including its Annual Information Form and continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com.

This MD&A is based on information available to management as at November 10, 2006.

CAUTIONARY STATEMENT REGARDING DISCLOSURE

This Management's Discussion and Analysis contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to financial performance, sale-leaseback opportunities, proposed acquisitions and equity offerings, new markets for growth, financial position, comparable commercial REITs and proposed acquisitions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

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

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.

HIGHLIGHTS – SEPTEMBER 30, 2006

- **Strong FFO Growth** – Q3 Funds From Operations (“FFO”) was \$0.22 per Unit, an increase of \$0.28 per Unit from the prior year comparative quarter.
- **Q1 and Q2 Acquisitions** – Acquired 11 properties for \$128.6 million totaling 1.1 million square feet.
- **Q3 Continuing Growth** – Acquired a 31,361 square foot office building in Ottawa, Ontario for \$5.2 million, including closing costs. Acquired three retail centres, one in Saskatoon, Saskatchewan, one in Halifax, Nova Scotia and one in Charlottetown, Prince Edward Island, totaling 84,058 square feet for \$17.1 million, including closing costs. Acquired a 74,239 square foot industrial property in Windsor, Ontario for \$6.4 million including closing costs. These acquisitions brought total investment in income properties for the nine months ended September 30, 2006 to \$157.3 million.
- **Investment Grade Tenants on Long-Term Leases** – At September 30, 2006, 46% of revenues from government leases. 68% of revenues from government and other investment grade tenants. Average lease term of portfolio is 10.9 years.
- **Unit Price Appreciation** – Unit price closed at \$12.80, a fifteen month increase of 66%, including reinvestment of distributions, since the June 2005 initial public offering.
- **Acquisition Facility** – Announced a \$23.5 million revolving debt facility to fund future acquisitions, with an affiliate of Kimco Realty Corporation. Negotiated an increase in the facility to \$45 million in the third quarter.
- **Debenture Refinancing** – \$10 million of 7.5% Redeemable Subordinated Convertible Debentures (the “Series D Debentures”) were issued to fund the redemption of all of Whiterock’s 9% Redeemable Subordinated Series B Convertible Debentures (the “Series B Debentures”), resulting in reduced interest payments, an extension of term and an increase in conversion price.
- **Unit Consolidation** – Completed a four for one Unit consolidation, effective August 21, 2006.
- **Expanded Board of Trustees** – Appointed a new independent Audit Committee Chair and Investment Committee Chair.

HIGHLIGHTS – SUBSEQUENT EVENTS

- **Continuing to Close the Acquisition Pipeline** – Acquired a 295,413 square foot office building in Toronto, Ontario for \$61.3 million, before closing and mortgage refinancing costs. Acquired two industrial properties in Windsor, Ontario totaling 123,321 square feet for \$9.3 million, before closing costs.
- **Announced Internalization of Management** – Internalizing, for \$3.5 million in Units, asset management and management services fees, subject to TSX and Unitholder approval.

UNIT CONSOLIDATION

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

BUSINESS OVERVIEW

Whiterock is a rapidly expanding, growth-oriented real estate investment trust ("REIT") focused on increasing Unitholder value through the strategic acquisition, 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.

Since Whiterock began active operations on June 28, 2005, it has acquired approximately 2.5 million square feet of properties with gross book values totaling approximately \$277.7 million at September 30, 2006, as follows:

Acquisition Period	Number of Properties	Gross Leasable Area (GLA)	Gross Book Value (000's)
June 28, 2005 to September 30, 2005	4	309,010	\$ 22,063
October 1, 2005 to December 31, 2005	8	871,145	98,416
January 1, 2006 to March 31, 2006	4	417,132	59,879
April 1, 2006 to June 30, 2006	7	691,874	68,759
July 1, 2006 to September 30, 2006	5	189,658	28,627
Total - September 30, 2006	28	2,478,819	\$ 277,744

At September 30, 2006, 46% of Whiterock's revenue stream was derived from government leases. Government leases combined with other investment grade tenants, supply 68% of the revenue stream with an average remaining lease term of 10.9 years.

At September 30, 2006, Whiterock operated in select urban markets as summarized below:

Province	Office		Retail		Industrial	
	Number of Properties	GLA	Number of Properties	GLA	Number of Properties	GLA
Quebec	9	1,279,246			1	29,700
Saskatchewan	3	178,459	3	174,593	2	273,432
New Brunswick	1	80,162			2	134,704
Nova Scotia			1	33,857	1	115,773
Ontario	1	31,361			2	119,839
Prince Edward Island			2	27,693		
Total	14	1,569,228	6	236,143	8	673,448

Management believes that there are significant leasing and operating synergies which can be derived from a critical mass of properties in defined regions and will continue executing this strategy. Areas in which management intends to consider acquisitions in the next twelve months include Western Canada, Ontario, Quebec and Atlantic Canada. Acquisitions will only be made if they satisfy Whiterock's investment criteria, contained in its declaration of trust, as amended, (the "Declaration of Trust") a copy of which may be obtained at www.sedar.com.

While it is 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 and intends to continue to acquire property in those segments of the market which it believes provide the most potential value over the long-term.

OVERALL BUSINESS STRATEGY AND OBJECTIVES

Whiterock's business strategy is to acquire and 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 executes on this strategy by focusing 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) generate stable and growing cash distributions on a tax-efficient basis; (ii) expand Whiterock's asset base and increase its income available for distribution through an accretive acquisition program; and, (iii) enhance the value of Whiterock's assets and maximize long-term unit value through the active management of its assets. Whiterock plans to achieve its objectives by employing the external and internal growth strategies set out below.

High Growth through Opportunistic and Disciplined Acquisitions

Whiterock is a growth-oriented REIT that has averaged over \$60 million in property acquisitions per quarter. As of November 10, 2006, Whiterock has increased its Gross Book Value ("GBV") of real estate assets since its initial public offering in June 2005 from \$3 million to \$355 million and increased its real estate portfolio from 26,000 square feet of GLA to 2.9 million square feet of Gross Leasable Area ("GLA").

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

Whiterock has developed a national platform of diversified commercial real estate across Canada, with target markets nationwide, including: the Greater Toronto Area; Quebec City; Regina; Montreal; Ottawa; Halifax; Windsor; Saskatoon; Fredericton; Moncton; and Charlottetown. Whiterock targets economic centres nationwide in the office, industrial and retail segments. As a result of its diversified national platform and focus on multiple property types, Whiterock has access to a significant amount of potential acquisitions. In 2005, approximately \$14 billion of office, retail and industrial properties were purchased and sold in Canada's major markets (Source: Colliers International).

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

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

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

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

Internal Growth through Active Asset Management

Whiterock intends to achieve 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 also intends to begin self management of selective assets, such as 655 Bay Street in Toronto, Ontario. Management believes that selective self management will further contribute to operating results.

KEY PERFORMANCE MEASURES

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

- funds from operations ("FFO") per Unit;
- adjusted funds from operations ("AFFO") per Unit;
- property operating income;
- payout ratio;
- percentage of revenue from investment grade tenants;
- future acquisitions as they relate to Whiterock's investment criteria;
- cost of debt compared to prevailing market rates;
- interest coverage ratio; and
- occupancy level.

Due to its high growth rate and the relatively short period that Whiterock has been in operation and owning properties, management believes it is important to apply these measures on a "run rate" basis rather than only a historical basis in order to better measure Whiterock's ongoing and future performance.

2006 Performance Compared to Objectives

Whiterock's long term objectives continue to be to: (i) generate stable and growing cash distributions on a tax-efficient basis; (ii) expand the asset base of Whiterock and increase its income available for distribution through an accretive acquisition program; and (iii) enhance the value of Whiterock's assets and maximize long-term unit value through the active management of its assets. In the shorter term, during the initial period of operations, Whiterock's objectives are to continue 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.

Management believes Whiterock has met or exceeded all of its objectives. In the nine months ended September 30, 2006, Whiterock acquired \$157.3 million of income properties to bring total acquisitions since its June 2005 initial public offering to \$277.7 million. The 16 properties acquired in the nine months ended September 30, 2006 were 59.8% levered with mortgages at an average rate of 5.6% and an average term of 11.7 years. This compares to 72.3% levered properties with first mortgages at an average interest rate of 5.4% and an average term of 7.9 years at December 31, 2005. Fixed rate financing accounts for 93.8% of total mortgage financing at September 30, 2006 compared to 86.8% at December 31, 2005.

These acquisitions have resulted in funds from operations increasing from \$-0.2 million (\$-0.06 per Unit) in the third quarter of 2005 to \$1.7 million (\$0.22 per Unit) in the third quarter of 2006.

At September 30, 2006, Whiterock's mortgage debt is 64% of gross book value. Approximately 68% of the portfolio's revenues at September 30, 2006 are attributable to provincial government or other investment grade tenants with an average remaining lease term of 10.9 years as compared to 6.8 years at December 31, 2005. These assets are well located, well maintained and generally acquired at or below replacement cost.

INVESTMENT ACTIVITIES

Whiterock acquired 12 properties from the time of its initial public offering in June 2005 to December 31, 2005 with a gross leasable area of 1,180,155 square feet and a current gross book value of \$120.5 million with \$84.2 million of financing on acquisition. In the nine months ended September 30, 2006, Whiterock has invested in new properties as follows:

(\$ in thousands)

Property Name	City	Province	Acquired	GLA (Sq. Ft.) ⁽¹⁾	Gross Book Value	Mortgage Financing ⁽²⁾
First Quarter						
4250 Albert	Regina	SK	1/10/06	41,181	\$ 7,267	\$ 5,750
2550 Quance	Regina	SK	1/12/06	84,861	14,081	10,500
2220 College	Regina	SK	2/28/06	59,590	7,608	5,650
2450 Girouard	St.-Hyacinthe	QC	3/23/06	231,500	30,923	20,000
				417,132	59,879	41,900
Second Quarter						
410 Charest	Quebec City	QC	5/17/06	84,324	16,733	10,201
750 Charest	Quebec City	QC	5/17/06	107,403	11,312	7,800
880 & 930 Chemin Ste-Foy	Quebec City	QC	5/17/06	175,947	20,682	14,100
722 Edinburgh	Moncton	NB	6/1/06	41,200	1,747	1,285
250 King Street	Fredericton	NB	6/13/06	80,162	9,582	5,977
222 Edinburgh	Moncton	NB	6/15/06	93,504	3,376	2,400
603 Park Street	Regina	SK	6/30/06	109,334	5,327	-
				691,874	68,759	41,763
Third Quarter						
998 Parkland Drive	Halifax	NS	8/1/06	33,857	6,925	4,721
9305 Twin Oaks	Windsor	ON	8/9/06	74,239	6,385	2,725
Royalty Centre (Phase I)	Charlottetown	PEI	8/17/06	1,650	787	-
7 Capella Court	Ottawa	ON	8/28/06	31,361	5,180	-
Royal Centre	Saskatoon	SK	9/6/06	48,551	9,350	-
				189,658	28,627	7,446
Nine months ended September 30, 2006				1,298,664	\$ 157,265	\$ 91,109

(1) Whiterock's interest

(2) on acquisition

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

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

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

2450 Girouard – is a 231,500 square foot office complex located at 2450 rue Girouard Ouest and 455 Saint-Joseph Avenue in Saint-Hyacinthe. This complex is 100% leased in a sale lease-back until 2026 with four, five-year extensions on a triple net basis, including all structural repairs and maintenance expenses. The tenant is ING Insurance Company of Canada ("ING"), one of the largest providers of property and casualty insurance in Canada with an A+ credit rating by Standard and Poor's. 2450 Girouard consists of two buildings connected by an elevated walkway, of which one building, totalling 115,000 square feet, was newly constructed in 2005 and the second building, totalling 87,000 square feet, recently completed significant renovations at ING's cost. The third building, totalling approximately 29,500 square feet, was significantly upgraded in 1990 and again in 2005.

410 Charest – is an eight storey, 168,648 square foot Class A+ property, state of the art, award winning office building with high end finishes. The property is located in downtown Quebec City, and its major tenants are CGI Group (a public business process services company) and Le Soleil (a Quebec newspaper) with a weighted average lease term of 9.7 years. It underwent a recent redevelopment, and includes a newly constructed 358 stall, 24 hour underground parkade.

750 Charest – is a five storey, 214,806 square foot office building, situated one block from 410 Charest within a highly desirable office and retail submarket in Quebec City. Its leases have a weighted average lease term of 3 years and are below market rates. The property underwent a complete renovation in 2001, and also includes a 362 stall parkade.

880 & 930 Chemin Ste-Foy – is an office complex, collectively 351,894 square feet located across the street from one another in Quebec City. The buildings were significantly renovated in 2005 and 2006, and also include 414 on-site interior and exterior parking stalls.

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

722 Edinburgh - is a 41,200 square feet single tenant industrial building located in Moncton, originally built in 1977-78, and renovated in 1994, with an addition and further capital improvements completed in 1999. The facility offers 22 foot clear ceiling heights, and is 100% leased until March 2016 to Hercules Tire Canada, an international tire and wheel supplier whose Canadian division achieves annual sales in excess of \$150 million.

250 King Street - is a four storey 80,162 square foot office building, on a site comprising 1.41 acres, located in Fredericton's downtown business district. It provides 132 above ground parking spaces. The building is 100% leased to the Province of New Brunswick on a 20 year lease, and has been since its original construction in 2000.

222 Edinburgh - is a one storey 93,504 square feet multiple tenant industrial building in the Moncton Industrial Park with excellent access to all major transportation corridors. The facility offers 18 to 22 foot clear ceiling heights. The property is fully leased, with the majority of the building occupied by Sonoco, a world leader in packaging products. Its leases have a weighted average lease term of 3.2 years.

603 Park Street - is a 109,334 square foot flex industrial property located in the same submarket as Whiterock's Chestemere property in Regina. The property is 100% leased.

998 Parkland Drive - Acquired on August 1, 2006, Parkland Plaza is a 33,857 square foot retail property, built in 2006, located at the intersection of Highway 102 and Kearney Lake Road in Halifax. Lawtons Drug Stores (a subsidiary of Sobey's Inc.) occupies two thirds of the project on a 10 year lease, with the balance of the space occupied by retail and professional tenants. It was purchased for \$6.7 million, before closing costs, and was financed by a \$4.7 million mortgage with 10 years remaining on the term at an interest rate of 5.60%

9305 Twin Oaks - Acquired on August 9, 2006, Twin Oaks is a 74,239 square foot industrial facility built in 2006 situated on 5.2 acres in the newly developed Twin Oaks Business Park in Windsor, with excellent access to the E.C. Row Expressway, Lauzon Parkway and the Windsor airport. The facility offers 28 foot clear heights and is 100% leased to Magna Closures Inc., a subsidiary of Magna International, expiring in June 2013. It was purchased for \$6.2 million, before closing costs, and was financed by a \$2.7 million mortgage on closing with 10 years remaining on the term at an interest rate of 5.43%. The property is being constructed in two phases, of which the first phase of 44,800 square feet is complete and occupied, and the second phase is anticipated to be completed and occupied in November 2006.

Royalty Centre (Phase I) - This newly built 1,650 square foot A&W Restaurant in Charlottetown, was acquired on August 17, 2006 and is the first phase of an acquisition of a 41,000 square foot retail centre currently under construction. It is down the street from an existing single tenant retail building of the Trust's which is leased to Staples. The property was purchased for \$0.8 million cash, before closing costs.

7 Capella Court - On August 28, 2006, Whiterock acquired the 31,361 square foot, three-storey office building located in the Rideau Heights Business Park, just west of the Ottawa International Airport which was built in 2000. The 1.8 acre site provides 150 parking spaces and room for a 10,000 square foot expansion. The primary tenant, Lumenera, occupies 84% of the building, and is a leading developer and manufacturer of high performance digital cameras for the industrial, scientific and security markets. The property's leases have a weighted average term of 3.7 years. It was purchased for \$5.0 million cash, before closing costs.

Royal Centre - Acquired on September 6, 2006, Royal Centre is a collection of three buildings totaling 48,551 square feet, designed for office and retail use, located in the Central Business District of Saskatoon. The property is situated on nearly one-half of a city block directly across the street from the main entrance to Midtown Plaza, Saskatchewan's largest regional mall. The property is 100% leased to a number of investment grade tenants, the largest of which is the Royal Bank of Canada, occupying approximately 51% of the rentable area. Its leases have a weighted average term of 4.2 years. The property was purchased for \$8.7 million, before closing costs, and was subsequently financed by a \$5.8 million mortgage with 10 years remaining on the term at an interest rate of 5.29%.

Acquisitions Completed Subsequent to September 30, 2006

(\$ in thousands)

Property Name	City	Province	Acquisition Date	GLA (sq. ft.)	Purchase Price ⁽¹⁾	Mortgage Financing ⁽²⁾
4515 & 4525 Rhodes	Windsor	ON	10/5/06	91,057	\$ 7,186	\$ 5,175
2946 Walker Road	Windsor	ON	10/5/06	32,264	2,115	1,481
655 Bay Street	Toronto	ON	10/30/06	295,413	61,300	40,635
Total				418,734	\$ 70,601	\$ 47,291

(1) before closing and mortgage refinancing costs

(2) on acquisition.

4515 & 4525 Rhodes Drive, Windsor, Ontario – These two flex-industrial buildings totaling 91,057 square feet are located on the south side of Rhodes Drive in Windsor, Ontario, immediately adjacent to a major arterial expressway and the Windsor International Airport. Built in 1998, these multi-tenant buildings offer 22 foot clear heights and are serviced by both truck-level and grade-level doors. The nine acre site provides easy access to expressway connectors, provincial highways, railways, air transportation and the United States via tunnel or bridge. Its leases have a weighted average term of 8.2 years. The property was purchased for \$7.2 million, before closing costs, and was financed by \$5.2 million in debt with 10 years remaining on the term at a 5.15% interest rate.

2946 Walker Road, Windsor, Ontario – This 32,264 square foot, single-tenant industrial property is located on the east side of Walker Road, just two blocks from the Chrysler Assembly Plant. The building underwent significant renovations in 2004. The building's clear height varies from 16 feet to 28 feet, with ample access provided by 9 truck level doors. Situated on four acres of land, the building is occupied by Ground Effects, a leading and diversified supplier of exterior and interior accessories for the automotive industry, whose lease expires in 2011. The property was purchased for \$2.1 million, before closing costs, and was financed by \$1.5 million in debt with 10 years remaining on the term at an interest rate of 5.15%.

655 Bay Street, Toronto, Ontario – 655 Bay Street is a 98% leased, seventeen-story, Class A multi-tenant office building with 295,413 square feet of GLA located just north of the financial district on the corner of Bay and Elm Streets in the Downtown North submarket of Toronto. The building was constructed in 1980 and renovated in 2006, and includes a three story underground parking deck. The building's proximity to Queen's Park makes it a logical choice for the government tenants who occupy 37% of the building, including the Canada Revenue Agency, the Ontario Municipal Board and the Ministry of the Attorney General. Its leases have a weighted average term of 4.2 years. The property was purchased for \$61.3 million, before closing costs, with assumed mortgage financing of \$40.6 million at an interest rate of 5.23% (after a refinancing payment of approximately \$3.3 million) with a 10 year term remaining.

Subsequent Agreements to Acquire Properties

Whiterock enters into conditional agreements to acquire properties in the normal course of business. Properties in this pipeline have similar characteristics to properties acquired to date. Management expects to be able to continue to source similar quality product at a pace consistent with its historic pace of acquisition.

Whiterock intends to fund these properties with cash on hand, use of its acquisition facility and first mortgages; however, there can be no assurance that Whiterock will complete any or all of these potential acquisitions.

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. Whiterock's quarterly information reflects this situation and the asset acquisitions identified under "Investment Activities".

(in \$'s)	2006				2005			2004
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	9,151,059	7,043,423	5,185,143	3,129,386	522,985	14,022	35	-
Property operating income	5,676,669	4,421,077	3,136,953	1,813,825	228,381	2,387	-	-
Income (loss)	(438,060)	(1,297,654)	(492,972)	(257,448)	(300,024)	(78,786)	(24,695)	-
Income (loss) per unit - basic	(0.06)	(0.22)	(0.10)	(0.07)	(0.09)	(0.11)	(0.08)	-
Income (loss) per unit - diluted	(0.06)	(0.22)	(0.10)	(0.07)	(0.09)	(0.11)	(0.08)	-
Funds from operations (FFO)	1,710,872	364,754	651,421	352,201	(224,744)	(78,124)	(24,695)	-
FFO per unit - basic	0.22	0.06	0.13	0.09	(0.06)	(0.11)	(0.08)	-
FFO per unit - diluted	0.21	0.06	0.12	0.09	(0.06)	(0.11)	(0.08)	-
Adjusted Funds From Operations (AFFO)	1,605,514	500,943	499,542	282,295	(142,662)	(75,179)	(24,695)	-
AFFO per unit - basic	0.20	0.08	0.10	0.07	(0.04)	(0.11)	(0.08)	-
AFFO per unit - diluted	0.20	0.08	0.09	0.07	(0.04)	(0.11)	(0.08)	-
Cash distribution per unit	0.28	0.28	0.28	0.28	0.28	-	-	-

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

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

RESULTS OF OPERATIONS

Statement of income

Summarized financial results for the three and nine months ended September 30, 2006 and 2005 are as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Property operating income	\$ 5,676,669	\$ 228,381	\$ 13,234,699	\$ 230,768
Interest income	155,301	177,260	516,751	187,899
Interest expense	(3,467,129)	(385,509)	(8,460,173)	(400,492)
General and administrative expenses	(643,934)	(244,876)	(1,848,652)	(345,738)
Provision for loss on debenture redemption	-	-	(690,838)	-
Amortization	(2,158,967)	(75,280)	(4,980,473)	(75,942)
Income (loss)	\$ (438,060)	\$ (300,024)	\$ (2,228,686)	\$ (403,505)
Income (loss) per unit				
Basic and diluted	\$ (0.06)	\$ (0.09)	\$ (0.35)	\$ (0.27)

Whiterock's loss for the three months ended September 30, 2006 was \$0.4 million (2005 – \$0.3 million) or \$0.06 loss per Unit basic and diluted (2005 – \$0.09 loss per Unit basic and diluted). Whiterock's loss for the nine months ended September 30, 2006 was \$2.2 million (2005 – \$0.4 million), or \$0.35 loss per Unit basic and diluted (2005 – \$0.27 loss per Unit basic and diluted).

A discussion of individual income components follows.

Property operating income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Income property rentals				
2006 acquisitions				
Rental income	\$ 4,251,416	\$ -	\$ 7,454,370	\$ -
Straight-line rent	32,449	-	81,299	-
Above and below market lease amortization	116,777	-	208,634	-
2005 acquisitions				
Rental income	4,188,554	330,067	11,936,552	333,485
Straight-line rent	190,394	1,074	313,212	1,074
Above and below market lease amortization	216,168	14,584	868,807	14,584
Income property rentals	\$ 8,995,758	\$ 345,725	\$ 20,862,874	\$ 349,143
Property operating costs				
2006 acquisitions	(1,513,832)	-	(2,506,603)	-
2005 acquisitions	(1,805,257)	(117,344)	(5,121,572)	(118,375)
Property operating costs	\$ (3,319,089)	\$ (117,344)	\$ (7,628,175)	\$ (118,375)
Property operating income	\$ 5,676,669	\$ 228,381	\$ 13,234,699	\$ 230,768

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.

Whiterock acquired interests in 5 properties in the three months ended September 30, 2006, (2005 – 3) and 16 properties in the nine months ended September 30, 2006 (2005 – 4). Whiterock's property operating income is derived from these acquisitions and the acquisitions completed in 2005. Property operating income in the three and nine months ended September 30, 2006 includes \$0.2 million and \$0.4 million respectively, from leases with contractual rent increases, which are recognized on a straight-line basis.

Property operating income also includes amortization of above and below market lease adjustments. The value of above and below market leases on acquisitions at September 30, 2006 is \$9.7 million. Management intends to capture the value of the below market leases over time in the form of higher rental rates as tenants' leases are renewed.

Property operating income by segment for the three months ended September 30, 2006 was as follows:

	Office	Retail	Industrial	Total
Income property rentals	\$ 6,979,472	\$ 972,419	\$ 1,043,867	\$ 8,995,758
Property operating costs	2,719,321	283,952	315,816	3,319,089
Property operating income	\$ 4,260,151	\$ 688,467	\$ 728,051	\$ 5,676,669

Property operating income by segment for the nine months ended September 30, 2006 was as follows:

	Office	Retail	Industrial	Total
Income property rentals	\$ 16,073,229	\$ 2,490,005	\$ 2,299,640	\$ 20,862,874
Property operating costs	6,191,279	719,204	717,692	7,628,175
Property operating income	\$ 9,881,950	\$ 1,770,801	\$ 1,581,948	\$ 13,234,699

Interest income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Interest income	\$ 155,301	\$ 177,260	\$ 516,751	\$ 187,899

Interest income for the three and nine months ended September 30, 2006 totaled \$0.2 million and \$0.5 million respectively, and was derived primarily from interest on funds raised from equity and convertible debenture offerings in advance of the use of those funds to acquire properties. Management expects that interest income will continue to decrease throughout the remainder of 2006 but that funds from operations per Unit will be increased by utilizing the acquisition line that was obtained during the current year to help initially fund the equity portion of future acquisitions.

Interest expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Mortgage and other interest	\$ 2,416,323	\$ 33,876	\$ 5,769,447	\$ 37,366
Acquisition facility interest	254,581	-	391,233	-
Debenture interest	520,001	262,137	1,558,384	270,685
Deferred finance cost - mortgages				
- mortgages	58,344	-	155,647	-
- acquisition facility	55,557	-	81,703	-
- convertible debentures	111,633	62,820	356,243	64,885
Implicit interest rate in excess of coupon				
- convertible debentures	50,690	26,676	147,516	27,556
Interest expense	\$ 3,467,129	\$ 385,509	\$ 8,460,173	\$ 400,492

Interest for the three and nine months ended September 30, 2006 results from mortgages on properties acquired in 2005 and 2006, convertible debentures issued during the same period, and the acquisition credit facility obtained in the current year.

General and administrative expenses

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Salaries and wages	\$ 250,788	\$ 46,917	\$ 794,608	\$ 46,917
Non-cash compensation expense	12,020	8,164	139,077	8,164
Legal and regulatory	16,448	18,571	46,550	48,014
Accrued services and asset management agreement fees	246,302	80	500,576	80
Recruiting costs	9,360	15,310	45,169	23,980
Costs related to properties not acquired	27,628	28,375	40,069	34,646
Other general and administrative	81,388	127,459	282,603	183,937
General and administrative expenses	\$ 643,934	\$ 244,876	\$ 1,848,652	\$ 345,738

For the three and nine months ended September 30, 2006, general and administrative expenses are \$0.6 million and \$1.8 million respectively. The increase in general and administrative expenses reflects the increasing operations of the Trust as it continues to grow its portfolio.

Whiterock has reached an agreement to acquire all of the rights and obligations under the Management Services and Asset Management Agreements, subject to the Toronto Stock Exchange and Unitholder approval (see Related Party Transactions – Services and asset management agreements). If approved, the transaction will result in the internalization of future services and asset management agreement fees.

Provision for loss on debenture redemption

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Impairment of convertible debenture deferred financing fees	\$ -	\$ -	\$ 435,840	\$ -
Provision for early redemption of debenture liability	-	-	254,998	-
	\$ -	\$ -	\$ 690,838	\$ -

During the third quarter, Whiterock announced the redemption of \$8.1 million outstanding principal amount of its Series B Debentures. The premium paid on the early redemption of the debentures was \$0.7 million which was charged to income as a loss on debenture redemption in the second quarter.

Amortization

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Building and improvements	\$ 1,299,626	\$ 55,621	\$ 3,075,986	\$ 56,116
Deferred charges				
- tenants inducements on acquisitions	338,058	6,867	789,520	6,936
- tenants inducements	8,305	-	15,231	-
- leasing costs	12,075	-	20,410	-
Intangible assets				
- lease origination	299,027	7,550	644,926	7,612
- tenant relationships	191,841	4,178	409,660	4,194
Furniture and fixtures	10,035	1,064	24,740	1,084
Amortization	\$ 2,158,967	\$ 75,280	\$ 4,980,473	\$ 75,942

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$2.2 million and \$5.0 million respectively, for the three and nine months ended September 30, 2006.

Cash flow from operations

Cash flow from operating activities for the three and nine months ended September 30, 2006 was \$0.5 million and \$3.0 million respectively, compared to an outflow of \$6.1 million and \$6.2 million in the comparative prior year periods. This was primarily due to income from the net operating income on the properties acquired and the invested cash being partly offset by interest on its mortgages and convertible debentures and by general and administrative expenses as noted above.

Funds from Operations and Adjusted Funds from Operations

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

Funds from Operations and Adjusted Funds from Operations are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, Funds from Operations and Adjusted Funds from Operations 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.

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

	Three Months Ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Income (loss) for the period	\$ (438,060)	\$ (300,024)	\$ (2,228,686)	\$ (403,505)
Add:				
Amortization of building and improvements	1,299,626	55,621	3,075,986	56,116
Amortization of tenant inducements on acquisition	338,058	6,867	789,520	6,936
Amortization of furniture and fixtures	-	1,064	-	1,084
Amortization of tenant inducements	8,305	-	15,231	-
Amortization of leasing costs	12,075	-	20,410	-
Amortization of lease origination costs	299,027	7,550	644,926	7,612
Amortization of tenant relationships	191,841	4,178	409,660	4,194
Funds from Operations (FFO)	1,710,872	(224,744)	2,727,047	(327,563)
Amortization of deferred finance costs	225,534	62,820	593,593	64,885
Provision for deferred finance costs - debentures	-	-	435,840	-
Convertible debentures implicit interest rate in excess of coupon rate	50,690	26,676	147,516	27,556
Non cash compensation expense	12,020	8,164	139,077	8,164
Non cash management services fees	246,302	80	500,576	80
Accrued straight line rental revenue	(222,843)	(1,074)	(394,511)	(1,074)
Above and below market lease amortization	(332,945)	(14,584)	(1,077,441)	(14,584)
Leasing costs and capital expenditures	(84,116)	-	(465,698)	-
Adjusted Funds from Operations (AFFO)	\$ 1,605,514	(\$142,662)	\$ 2,605,999	(\$242,536)

	Three Months Ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Weighted average number of units				
- basic	7,938,777	3,494,500	6,357,510	1,510,678
- diluted	8,026,261	3,494,500	6,467,835	1,510,678
FFO per unit - basic	\$0.22	(\$0.06)	\$0.43	(\$0.22)
FFO per unit - diluted	\$0.21	(\$0.06)	\$0.42	(\$0.22)
AFFO per unit - basic	\$0.20	(\$0.04)	\$0.41	(\$0.16)
AFFO per unit - diluted	\$0.20	(\$0.04)	\$0.40	(\$0.16)

Basic FFO per Unit increased \$0.28 per Unit to \$0.22 for the three months ended September 30, 2006 compared to the same period in 2005. Diluted FFO per Unit increased \$0.27 to \$0.21 per Unit for the three months ended September 30, 2006 compared to the same period in 2005.

For the nine months ended September 30, 2006, basic FFO per Unit increased \$0.65 to \$0.43 per Unit compared to the same period in 2005. Diluted FFO per Unit increased \$0.64 to \$0.42 per Unit compared to the same period in 2005.

These increases are due to the income from accretive acquisitions completed in 2005 and 2006 exceeding interest and administrative costs. FFO, for the nine months ended September 30, 2006, was negatively impacted by \$0.11 per Unit because of the provision recorded for the redemption of Whiterock's Series B debentures.

AFFO includes the impact of leasing costs and capital expenditures, which totaled \$0.1 million and \$0.5 million respectively, for the three and nine months ended September 30, 2006 (2005 – nil and nil). The above leasing costs exclude \$3.6 million of leasing fees paid to extend the existing Société Immobilière Québec (a Quebec government agency) ("SIQ"), leases for a term of an additional 15 years at 200 Chemin Ste-Foy and 900 D'Youville. The maturity dates of these leases are now 2030 and 2026 respectively. AFFO per Unit (basic and diluted) increased \$0.24 to \$0.20 per Unit for the three months ended September 30, 2006 compared to the same period in 2005. Basic AFFO per Unit increased \$0.57 to \$0.41 per Unit for the nine months ended September 30, 2006 compared to the same period in 2005. For the nine months ended September 30, 2006, diluted AFFO per Unit increased \$0.56 to \$0.40 per Unit compared to the same period in 2005. AFFO for the period ended September 30, 2006 was negatively impacted by \$0.04 per Unit because of the provision recorded for the redemption of Whiterock's Series B debentures

Management expects FFO and AFFO to continue to increase through 2006 as the full year impact of its 2005 acquisitions and the impact of its 2006 acquisitions is reflected in Whiterock's financial results.

RELATED PARTY TRANSACTIONS

Services and asset management agreements

In June 2005, the Trust entered into exclusive agreements with Whiterock Real Estate Capital Inc. ("Whiterock Capital") to provide the services of two officers of Whiterock, Mr. Jason Underwood and Mr. Paul Simcox, under an Asset Management Agreement and a Management Services Agreement (the "Agreements"). The two officers are trustees of Whiterock and principals of Whiterock Capital. Whiterock Capital earns acquisition fees equal to 0.5% of the cost of property acquired, as defined, and an annual advisory fee, equal to 0.3% of the adjusted cost base, as defined, of Whiterock's assets. The agreements have a five year term and may be cancelled with two years notice. Acquisition fees of \$0.8 million and advisory fees of \$0.5 million were earned by Whiterock Capital under these agreements in the nine months ended September 30, 2006.

Through its subsidiary Whiterock Limited Partnership ("Whiterock LP"), Whiterock has reached an agreement with Whiterock Capital to acquire all of its rights and obligations under the Agreements ("the Proposed Transaction"). Consideration will consist of \$3.5 million Class B units of Whiterock L.P. which may only be exchanged on a one-for-one basis for Units of Whiterock and have, in all material respects, the same economic and voting rights as Whiterock's Units. Following the Proposed Transaction Messrs. Underwood and Simcox will become employees of Whiterock LP, at market-based compensation packages and with other customary terms for these types of arrangements as determined by the Compensation Committee of the Board of Trustees of Whiterock.

The Proposed Transaction requires Toronto Stock Exchange approval and is subject to disinterested Unitholder approval. As a result, a special meeting of Unitholders (the "Special Meeting") is to be scheduled in December 2006 to consider the Proposed Transaction. Completion of the Proposed Transaction is subject to approval of the disinterested Unitholders at the Special Meeting.

The Proposed Transaction is "a related party transaction" for the purposes of Ontario Securities Commission Rule 61-501 but because the fair market value of the assets acquired and the consideration provided for the Proposed Transaction is less than 25% of the market capitalization of Whiterock, the Proposed Transaction is exempt from the formal valuation and minority approval requirements of such rule.

To evaluate the Proposed Transaction, the Compensation Committee of Whiterock, which is comprised entirely of independent trustees (the "Independent Committee"), was asked to consider the Proposed Transaction and whether it is in the best interests of Whiterock and fair to its Unitholders other than Messrs. Underwood and Simcox (the "Public Unitholders"). To assist it in evaluating the Proposed Transaction, the Independent Committee retained independent legal counsel and engaged LECG Canada Ltd. ("LECG") as its independent financial advisor. LECG delivered its opinion (the "Fairness Opinion") to the Independent Committee that the terms of the Proposed Transaction are fair to Whiterock and its Public Unitholders. The Fairness Opinion is subject to various assumptions and limitations and should be reviewed in its entirety. A copy of the Fairness Opinion will be attached to the information circular mailed to Unitholders in connection with the Special Meeting and Unitholders are encouraged to review its terms in detail.

Based on the LECG fairness opinion and other considerations, the Independent Committee concluded that the Proposed Transaction is in the best interests of Whiterock and fair to its Public Unitholders, and recommended that Whiterock's Board of Trustees approve the Proposed Transaction. Based on this recommendation, Whiterock's Board of Trustees determined that the Proposed Transaction is in the best interests of Whiterock and fair to the Public Unitholders and approved the Proposed Transaction, with those trustees who had a material interest in the Proposed Transaction declaring their interest and abstaining from voting.

The Board of Trustees of Whiterock believes that the Proposed Transaction is in the best interests of Unitholders as it is accretive to Whiterock's income available for distribution and will provide additional benefits to Whiterock and its Unitholders, including (among other things):

- a) improved harmonization of the interests of senior management with those of Whiterock and its Unitholders;
- b) increased liquidity of Whiterock's units as internalization of its asset management functions may make Whiterock's units more attractive to investors (particularly institutional investors) resulting in a more active market for the units;
- c) broader access to capital markets in Canada and a more attractive investment, including in particular, many institutional investors who require that management be internal as a condition to any investment made by them;
- d) an effective increase in the net yield from property investments due to the effective elimination of advisory and acquisition fees, thereby allowing more flexibility in future property acquisitions; and,
- e) continuity of existing management through employment agreements and management's increased ownership of Whiterock units thus avoiding operational and capital markets disruption that would likely occur in the event of the departure of current management.

FINANCIAL POSITION

Selected balance sheet information follows:

	September 30, 2006	December 31, 2005
Investment in real estate	\$ 277,743,561	\$ 116,402,537
Total assets	\$ 298,417,896	\$ 157,558,989
Mortgages payable	\$ 177,641,405	\$ 84,193,305
Acquisition facility	\$ 12,000,000	\$ -
Convertible debentures	\$ 24,936,687	\$ 24,039,144
Cash	\$ 5,734,167	\$ 29,281,723
Unitholders' Equity	\$ 64,213,410	\$ 38,218,035

The major changes to the balance sheet accounts at September 30, 2006 result from the acquisition and financing of sixteen properties as described under "Investment Activities". Further detail for mortgages payable, convertible debentures and Unitholders' equity follows.

MORTGAGES PAYABLE

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

Whiterock's fixed and floating rate mortgage debt as at September 30, 2006 and December 31, 2005 is as follows:

	September 30, 2006		December 31, 2005	
	Total	%	Total	%
Fixed rate	\$ 166,701,155	93.8%	\$ 73,075,080	86.8%
Floating rate	10,940,250	6.2%	11,118,225	13.2%
	\$ 177,641,405	100.0%	\$ 84,193,305	100.0%

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

The following table summarizes Whiterock's mortgage maturity schedule as at September 30, 2006:

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2006	\$ 680,920	\$ -	\$ 680,920	5.62%
2007	2,728,188	10,674,185	13,402,373	6.38%
2008	2,670,994	4,500,000	7,170,994	6.90%
2009	2,828,174	-	2,828,174	5.53%
2010	3,042,827	12,716,598	15,759,425	5.24%
2011	3,539,125	-	3,539,125	5.52%
2012	3,806,688	-	3,806,688	5.52%
2013	4,029,472	-	4,029,472	5.52%
2014	4,590,018	8,094,462	12,684,480	6.18%
2015	6,047,655	57,488,942	63,536,597	5.41%
Thereafter	15,784,723	34,418,434	50,203,157	5.43%
	\$49,748,784	\$127,892,621	\$177,641,405	5.60%

CONVERTIBLE DEBENTURES

Whiterock has \$26 million of redeemable subordinated convertible debentures outstanding at September 30, 2006 (December 31, 2005 - \$25 million) as follows:

Series A Convertible Debentures

On June 28, 2005, Whiterock issued 8% subordinated unsecured convertible debentures in the amount of \$13.0 million 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 "Series A Conversion Price").

The debentures are redeemable at the option of Whiterock, subject to certain terms and conditions, after June 28, 2007 and prior to June 29, 2009 at 150% of the Series A Conversion Price and after June 28, 2009 at 125% of the Series A Conversion Price.

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

Series C Convertible Debentures

On December 21, 2005, Whiterock issued 9% redeemable subordinated unsecured convertible debentures in the amount of \$3.0 million with interest payable monthly 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 Whiterock at the principal amount, subject to certain terms and conditions, from December 21, 2006 and until June 21, 2008, provided that the 20 day weighted average trading price is at least \$13.00 per Unit and, after June 21, 2008, provided that the 20 day weighted average trading price is at least \$14.00 per Unit.

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

Series D Convertible Debentures

On August 14, 2006, the Trust issued \$10.0 million of 7.5% Redeemable Subordinated Convertible Debentures, which was primarily used to fund the August 16, 2006 redemption of the \$8.1 million outstanding principal amount of the 9% Redeemable Subordinated Series B Convertible Debentures plus the redemption premium of \$0.7 million.

The debentures pay interest semi-annually and mature on July 31, 2011. The Series D 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 "Conversion Price"). The Series D Debentures are redeemable at the option of Whiterock at the principal amount, subject to certain terms and conditions; from July 31, 2009 to July 15, 2010 provided that the 20 day weighted average trading price of Whiterock's Units on the TSX exceeds 125% of the Conversion Price. From July 15, 2010 onward, the Series D Debentures will be redeemable at their principal amount.

UNITHOLDERS' EQUITY

Unitholders' equity at September 30, 2006 and December 31, 2005 consists of the following:

	September 30, 2006	December 31, 2005
Trust units	\$ 72,853,043	\$ 39,401,889
Unit options	836,995	499,299
Warrants	90,220	75,400
Equity component of convertible debentures	1,224,606	1,019,747
Cumulative earnings (loss)	(3,266,864)	(660,953)
Cumulative distributions to unitholders	(7,524,590)	(2,117,347)
	\$ 64,213,410	\$ 38,218,035

Distributions per Unit totaled \$0.56 in 2005 (from June 28, 2005, the date of the initial public offering of Whiterock) and \$0.84 for the nine months ended September 30, 2006.

Trust units

A summary of units issued in 2006 follows:

	Units	\$
Issued and outstanding at December 31, 2005	5,164,472	\$ 39,401,889
Units Issued		
Exercise of warrants	27,250	147,150
Exercise of options	113	450
Value associated with unit option grants exercised		126
Value associated with warrants exercised		25,288
Unit issue costs		(6,398)
Issued and outstanding at March 31, 2006	5,191,835	39,568,505
Units Issued		
Private Placement	2,579,662	33,535,612
Conversion of Series B Debentures (Note 10)	75,000	902,337
Distribution Reinvestment Plan	2,856	36,242
Financing fees paid in units (Note 8)	9,811	134,999
Exercise of warrants	12,500	67,500
Exercise of options	42,875	348,500
Value associated with unit option grants exercised		50,005
Value associated with warrants exercised		11,600
Unit issue costs		(2,164,252)
Issued and outstanding at June 30, 2006	7,914,539	72,491,048
Units Issued		
Distribution Reinvestment Plan	10,990	137,233
Exercise of warrants	35,875	193,725
Exercise of options	6,250	25,000
Value associated with unit option grants exercised		7,000
Value associated with warrants exercised		33,292
Unit issue costs		(34,255)
Issued and outstanding at September 30, 2006	7,967,654	\$ 72,853,043

On April 24, 2006 the Trust units, Series A convertible debentures and Series C convertible debentures were listed for trading on the Toronto Stock Exchange.

On June 8, 2006, Whiterock completed a private placement offering, raising gross proceeds of \$33.5 million from the issuance of 2.6 million Units.

During the nine months ended September 30, 2006, \$0.9 million of Series B convertible debentures were converted into 75,000 Units of Whiterock.

On August 3, 2006, Whiterock announced a four-for-one consolidation of its Units, effective August 21, 2006.

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 September 30, 2006 (December 31, 2005 - \$0.5 million). Details of unit options granted follow:

	Three Months Ended September 30, 2006		Three Months Ended September 30, 2005	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	649,000	\$10.60	223,750	\$7.21
Granted	-	-	50,000	\$8.60
Exercised	(6,250)	\$4.00	-	-
Cancelled	(9,375)	\$10.00	-	-
Outstanding, end of period	633,375	\$10.66	273,750	\$7.47
Weighted average remaining life (years)	4.2		4.4	

	Nine Months Ended September 30, 2006		Nine Months Ended September 30, 2005	
	Unit Options	Weighted Average Exercise Price	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	423,238	\$8.88	-	-
Granted	268,750	\$12.84	273,750	\$7.47
Exercised	(49,238)	\$7.59	-	-
Cancelled	(9,375)	\$10.00	-	-
Outstanding, end of period	633,375	\$10.66	273,750	\$7.47
Options vested, end of period	562,906	\$10.74	223,750	\$7.21
Weighted average remaining life (years)	4.2		4.4	

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

Warrants

	Three months ended September 30, 2006		Three months ended September 30, 2005	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	166,500	\$11.68	81,250	\$5.40
Issued	90,500	\$14.20	-	-
Exercised	(35,875)	\$5.40	-	-
Outstanding, end of period	221,125	\$13.73	81,250	\$5.40
Weighted average remaining life (years)	4.4		1.4	

	Nine months ended September 30, 2006		Nine months ended September 30, 2005	
	Warrants	Weighted Average Exercise Price	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	81,250	\$5.40	-	-
Issued	215,500	\$13.94	81,250	\$5.40
Exercised	(75,625)	\$5.40	-	-
Outstanding, end of period	221,125	\$13.73	81,250	\$5.40
Weighted average remaining life (years)	4.4		1.4	

The Black-Scholes calculated value of warrants outstanding at September 30, 2006 was \$0.1 million.

LEASE MATURITIES PROFILE

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next five years range from 2.3% to 10.2% of the annualized total revenue of Whiterock's portfolio.

Whiterock's lease maturity profile at September 30, 2006 is as follows:

Date	Square Feet	% of Total Square Feet	% of Annualized Total Revenue
2006	42,684	1.7%	1.3%
2007	141,454	5.7%	4.4%
2008	73,086	2.9%	2.3%
2009	308,265	12.4%	10.2%
2010	149,850	6.0%	7.5%
2011	226,623	9.1%	11.2%
2012	71,751	2.9%	4.7%
2013	112,927	4.6%	3.9%
2014	10,803	0.4%	1.0%
2015	235,002	9.5%	7.6%
2016	203,885	8.2%	9.1%
Thereafter	861,295	34.9%	36.8%
Total / Average	2,437,625	98.3%	100.0%
Vacant	41,194	1.7%	
	2,478,819	100.0%	100.0%

TENANT PROFILE

The following table summarizes Whiterock's the top ten tenants at September 30, 2006, which together represents 67.0% of Whiterock's annualized revenues from its income property portfolio at September 30, 2006:

Tenant	Rank	Square Feet	% of Total Revenues
SIQ (Quebec Gov't Agency)	1	778,539	33.4%
ING	2	231,500	9.3%
Province of New Brunswick	3	80,162	4.1%
SPMC (Saskatchewan Gov't Agency)	4	70,287	3.6%
Crown Investment Corp.	5	68,119	3.4%
Sobeys	6	55,795	3.2%
CGI	7	39,070	2.9%
Helly Hansen	8	115,773	2.4%
Staples / Business Depot	9	51,693	2.4%
Magna Closures Inc.	10	74,239	2.3%
Total: Top 10 Tenants		1,565,177	67.0%

Management believes that the high credit rating of its provincial Government tenants helps mitigate credit risk for Whiterock.

CASH DISTRIBUTIONS

Effective with the October 31, 2005 distribution, Whiterock amended its Declaration of Trust to provide for a monthly distribution instead of a quarterly distribution. Whiterock intends to make cash distributions to Unitholders on each monthly distribution date equal, on an annual basis, to approximately 85% of its distributable income. Until such time as the net proceeds from the equity raises are fully invested in additional properties which are accretive to cash flow, Whiterock intends to make cash distributions in excess of its distributable income in order to provide unitholders with stable cash flow.

CAPITAL RESOURCES AND LIQUIDITY

Whiterock's cash flow from operating activities for the three and nine months ended September 30, 2006 was \$0.5 million and \$3.0 million, respectively. As funds continued to be invested in properties, cash flow from operating activities continued to increase. At September 30, 2006, Whiterock's cash balance was \$5.7 million. During the remainder of 2006, cash flow is expected to continue to increase as additional properties are acquired and cash on hand is invested in properties.

The main sources of acquisition funds for Whiterock are proceeds from convertible debenture and trust unit offerings and cash flows from the operations of its acquired properties. Mortgage financings reduce the equity component of new property acquisitions. In May 2006, Whiterock completed the negotiation of a \$23.5 million revolving debt facility to further assist in the initial funding of future acquisitions, which was subsequently increased to \$45 million. As at September 30, 2006, \$12.0 million was drawn on this facility.

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

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

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Whiterock's significant accounting policies are described in Note 2 to the December 31, 2005 audited Consolidated Financial Statements and in Note 2 to the September 30, 2006 Consolidated Financial Statements. Management's discussion and analysis for the year ended December 31, 2005 outlines the policies that management believes are most subject to estimation and management's judgement.

FUTURE 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 released handbook section 1530, Comprehensive Income, which is applicable to Whiterock commencing January 1, 2007. This standard provides for a new statement, Comprehensive Income, to be included in the consolidated financial statements. Whiterock is in the process of assessing the impact of this new standard on Whiterock's consolidated financial statements.

The CICA released handbook section 3855, Financial Instruments – Recognition and Measurement, which standard is applicable to Whiterock commencing January 1, 2007. This standard provides more comprehensive guidance on how to recognize financial instruments on the balance sheet, how to measure them, and how to account for gains and losses. Whiterock is in the process of assessing the impact of this new standard on Whiterock's consolidated financial statements.

RISKS AND UNCERTAINTIES

Whiterock and its properties are subject to the normal risks common to real property ownership and operation. Income properties are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The major categories of risk Whiterock encounters in conducting its business and the manner in which it takes actions to minimize their impact are disclosed in the management's discussion and analysis of Whiterock for the year ended December 31, 2005 and in Whiterock's Annual Information Form dated April 26, 2006.