



Management's Discussion and Analysis  
September 30, 2007

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

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock" or the "Trust") should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended September 30, 2007 and 2006, the accompanying notes as well as the audited consolidated financial statements and management's discussion and analysis for the year ended December 31, 2006. Additional information relating to Whiterock, including its Annual Information Form and continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at [www.sedar.com](http://www.sedar.com).

This MD&A is based on information available to management as at November 9, 2007.

### **CAUTIONARY STATEMENT REGARDING DISCLOSURE**

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

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Whiterock to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: the risks related to the market for Whiterock's securities, the general risks associated with real property ownership and acquisition, that future accretive acquisition opportunities will be identified and/or completed by Whiterock, lease maturities, risk management, liquidity, debt financing, credit risk, competition, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth opportunities, diversification, reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, the market price of Whiterock's Units, the failure to obtain additional financing, dilution, reliance on key personnel, changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed in the section entitled "Risk Factors" in Whiterock's Annual Information Form dated March 21, 2007, which can be obtained at [www.sedar.com](http://www.sedar.com). In particular, but without limitation, there is no assurance that Whiterock will be able to increase its AFFO (as defined herein) as anticipated.

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

## NON-GAAP MEASURES

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

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

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

## HIGHLIGHTS – September 30, 2007

- **Yield** – Distribution yield of 10.6% annualized, based on per Unit distributions for the nine months ended September 30, 2007 totaling \$0.84, and the November 9, 2007 Unit closing price of \$10.55.
- **FFO Growth** – Q3 recurring FFO per Unit (basic) increased by 23% to \$0.27 per Unit compared to \$0.22 per Unit (basic) for the same period in the prior year.
- **Solid Leasing Performance** – Average rate increase of 12% on 2007 expiring leases with Saskatchewan delivering increases of 31%. Tenant inducements on renewals were minimal at \$1.34 per square foot, and for new leasing were \$4.33 per square foot.
- **Same Property Growth** – Property operating income for the nine months ended September 30, 2007 increased approximately 5.2% on a same property basis from the prior year comparative period.
- **Investment Grade Tenants on Long-Term Leases** – At September 30, 2007, 70% of revenues from government and other investment grade tenants. Average lease term of portfolio is 9 years.
- **Long-Term Fixed Rate Debt** – Average 9 year debt term at a weighted average interest rate of 5.4% with 95% at fixed rates.
- **Continued Deleveraging** – \$2.3 million of Series A convertible debentures converted to equity in the quarter ended September 30, 2007.
- **Geographically Balanced Portfolio** – 20% in Saskatchewan, 28% in Ontario, 37% in Quebec and 15% in Atlantic Canada.

## HIGHLIGHTS – SUBSEQUENT EVENTS

- **Acquisition Pipeline** – Whiterock has resumed its acquisition program. Acquired a 395,159 square foot industrial facility in Regina, Saskatchewan for \$14.55 million, including closing costs on October 1, 2007. The stabilized cap rate of the property will be approximately 8.6% upon the finalization of lease-up. Announced agreements to acquire two additional properties totaling 41,000 square feet for approximately \$5 million, before closing costs, at a blended cap rate of approximately 8.7% and is in negotiations to acquire an additional 80,000 square foot property for approximately \$15 million, before closing costs.
- **New Leasing Activity** – Executed 28,000 square feet of new leasing at 655 Bay Street which will add approximately \$1.1 million to net operating income on an annualized basis beginning in 2008 (\$0.11 per basic Unit outstanding).

## UNIT CONSOLIDATION

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

## BUSINESS OVERVIEW

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

From June 28, 2005, when Whiterock began active operations to September 30, 2007, it has acquired 3.1 million square feet of properties with gross book values totaling approximately \$384.5 million and sold 0.4 million square feet of properties for \$51.7 million and a gain of \$3.5 million.

Approximately 43% of Whiterock’s revenue stream is derived from government leases. Government leases combined with other investment grade tenants supply 70% of the revenue stream. The average remaining lease term of the entire portfolio is 9 years.

At September 30, 2007, Whiterock operated in select urban markets as summarized below:

| Province             | Office               |                  | Retail               |                | Industrial           |                |
|----------------------|----------------------|------------------|----------------------|----------------|----------------------|----------------|
|                      | Number of Properties | GLA              | Number of Properties | GLA            | Number of Properties | GLA            |
| Quebec               | 7                    | 977,803          | -                    | -              | 1                    | 29,700         |
| Saskatchewan         | 3                    | 178,448          | 3                    | 174,865        | 2                    | 273,437        |
| New Brunswick        | 1                    | 80,162           | -                    | -              | 2                    | 134,704        |
| Nova Scotia          | 1                    | 75,990           | 1                    | 33,857         | 1                    | 115,773        |
| Ontario              | 2                    | 326,774          | -                    | -              | 4                    | 243,161        |
| Prince Edward Island | -                    | -                | 3                    | 69,431         | -                    | -              |
| <b>Total</b>         | <b>14</b>            | <b>1,639,177</b> | <b>7</b>             | <b>278,153</b> | <b>10</b>            | <b>796,775</b> |

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

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

## **OVERALL BUSINESS STRATEGY AND OBJECTIVES**

During the third quarter of 2007, Whiterock continued to operate a high quality diversified portfolio of office, industrial and retail assets in select markets across Canada that produces an attractive and consistent return to investors. Whiterock has an active acquisition program with an additional focus on internal growth measures. Whiterock focuses on properties that are not the primary focus of larger institutional investors while adhering to Whiterock's real estate investment criteria.

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

### **Growth through Opportunistic and Disciplined Acquisitions**

As of September 30, 2007, Whiterock has increased its GBV of real estate assets since its initial public offering in June 2005 from \$3 million to \$336 million and increased its real estate portfolio from 26,000 square feet of GLA to 2.7 million square feet of GLA.

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

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

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

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

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

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

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

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

As part of its internal growth initiatives, effective October 1, 2007, Whiterock began self-managing four additional properties, including 655 Bay Street in Toronto, Ontario. As a result, Whiterock currently self-manages thirteen properties. Management believes that selective self management will further positively contribute to operating results.

### **Strategic Alternatives Review**

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

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

The due diligence process confirmed the quality of Whiterock's revenue stream and the absence of any material due diligence issues. At the same time, Whiterock's existing portfolio of high credit, long term leased assets has provided solid results, above management's expectations at the start of the process. Reinvestment of available cash, operating improvements, and further internal growth opportunities are expected to increase its AFFO such that annualized run rate AFFO is expected to exceed distributions in 2008.

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

## KEY PERFORMANCE MEASURES

Several factors contribute to the successful operation of Whiterock's business. These include rental and renewal rates, occupancy levels, quality of tenant revenue stream, availability of properties that meet Whiterock's acquisition criteria, financing rates and availability, tenant inducements, capital expenditures and the general economic environment. 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 period comparative:

### KEY PERFORMANCE MEASURES

| (For the nine months ended September 30)          | September 30, 2007 | September 30, 2006 |
|---|--------------------|--------------------|
| Recurring FFO (basic) per Unit <sup>(1)</sup>     | \$ 0.82            | \$ 0.54            |
| Recurring AFFO (basic) per Unit <sup>(1)</sup>    | \$ 0.65            | \$ 0.45            |
| Property operating income - continuing operations | \$ 21,573,673      | \$ 11,712,059      |
| Property operating income - same asset            | \$ 8,415,785       | \$ 7,996,999       |
| Investment in real estate                         | \$ 335,794,287     | \$ 229,016,543     |
| Weighted average mortgage rate                    | 5.4%               | 5.6%               |
| Weighted average debenture rate                   | 7.1%               | 8.2%               |
| Interest coverage ratio <sup>(2)</sup>            | 1.6                | 1.4                |
| Average lease term <sup>(3)</sup>                 | 8.9                | 10.9               |
| Occupancy level <sup>(3)</sup>                    | 98.8%              | 98.3%              |
| Recurring FFO payout ratio <sup>(4)</sup>         | 103%               | 157%               |

(1) Recurring FFO and AFFO are adjusted to remove the costs associated with reviewing strategic alternatives for the REIT. September 30, 2006 FFO and AFFO are adjusted for the effect of the one time loss on the redemption of the Series B Convertible Debentures of \$690,838 and \$254,998 respectively.

(2) Interest Coverage is calculated based on property operating income less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest income. For the third quarter, the interest coverage ratio has improved to 1.7 compared to 1.4 in the prior year comparative quarter.

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

(4) Recurring FFO payout ratio is calculated as distributions divided by Recurring FFO for the nine months ended September 30 2007 and 2006.

In the three and nine months ended September 30, 2007, Whiterock significantly improved its Recurring FFO, Recurring AFFO, Recurring FFO per Unit, Recurring AFFO per Unit, property operating income, weighted average debenture interest rate, and increased its interest coverage ratio while reducing its payout ratio compared to the prior year comparative period.

## INVESTMENT ACTIVITIES

To September 30, 2007, Whiterock has acquired 34 properties from the time of its initial public offering in September 2005 with a GLA of 3.1 million square feet and a GBV on acquisition of \$384.5 million. In the nine months ended September 30, 2007, Whiterock disposed of three Quebec City office properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy for total proceeds of \$51.75 million and a \$3.5 million gain. Whiterock also completed the acquisition of 193 Malpeque, a newly constructed retail centre in Charlottetown PEI, during the same period. Whiterock's current investment in properties acquired in 2007 and 2006 is as follows:

### 2007 Acquisitions

(in \$000's except as noted)

| Property Name | City          | Province | Acquired | GLA<br>(Sq. Ft.) | Acquisition<br>Cost <sup>(1)</sup> | Mortgage<br>Financing <sup>(2)</sup> |
|---------------|---------------|----------|----------|------------------|------------------------------------|--------------------------------------|
| 193 Malpeque  | Charlottetown | PEI      | 03/30/07 | 41,738           | \$ 6,617                           | -                                    |

### 2006 Acquisitions

(in \$000's except as noted)

| Property Name       | City          | Province | Acquired | GLA<br>(Sq. Ft.) | Acquisition<br>Cost <sup>(1)</sup> | Mortgage<br>Financing <sup>(2)</sup> |
|---------------------|---------------|----------|----------|------------------|------------------------------------|--------------------------------------|
| 4250 Albert         | Regina        | SK       | 01/10/06 | 41,238           | \$ 7,267                           | \$ 5,750                             |
| 2550 Quance         | Regina        | SK       | 01/12/06 | 85,076           | 14,035                             | 10,500                               |
| 2220 College        | Regina        | SK       | 02/28/06 | 59,590           | 7,599                              | 5,650                                |
| 2450 Girouard       | St.-Hyacinthe | QC       | 03/23/06 | 231,500          | 30,923                             | 20,000                               |
| 722 Edinburgh       | Moncton       | NB       | 06/01/06 | 41,200           | 1,747                              | 1,285                                |
| 250 King Street     | Fredericton   | NB       | 06/13/06 | 80,162           | 9,582                              | 5,977                                |
| 222 Edinburgh       | Moncton       | NB       | 06/15/06 | 93,504           | 3,376                              | 2,400                                |
| 603 Park Street     | Regina        | SK       | 06/30/06 | 109,345          | 5,320                              | -                                    |
| 998 Parkland Drive  | Halifax       | NS       | 08/01/06 | 33,857           | 6,925                              | 4,721                                |
| 9305 Twin Oaks      | Windsor       | ON       | 08/09/06 | 74,239           | 6,385                              | 2,725                                |
| 650 University      | Charlottetown | PEI      | 08/17/06 | 1,650            | 787                                | -                                    |
| 7 Capella Court     | Ottawa        | ON       | 08/28/06 | 31,361           | 5,180                              | -                                    |
| Royal Centre        | Saskatoon     | SK       | 09/06/06 | 48,551           | 9,350                              | -                                    |
| 4515 & 4525 Rhodes  | Windsor       | ON       | 10/05/06 | 91,058           | 7,430                              | 5,175                                |
| 2946 Walker Road    | Windsor       | ON       | 10/05/06 | 32,264           | 2,195                              | 1,480                                |
| 655 Bay Street      | Toronto       | ON       | 10/30/06 | 295,413          | 67,370                             | 40,635                               |
| 277 Pleasant Street | Halifax       | NS       | 11/15/06 | 75,990           | 11,630                             | 4,675                                |
| 8550 Newman Blvd    | Montreal      | QC       | 11/16/06 | 66,400           | 10,215                             | 7,425                                |
|                     |               |          |          | <b>1,492,398</b> | <b>207,316</b>                     | <b>118,398</b>                       |

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

(2) On acquisition.

**193 Malpeque** – is a newly constructed 41,738 square foot retail property anchored by Linen's N Things and a PEI Liquor Store, both on long term leases. The property is located at the intersection of Malpeque Road and the Charlottetown Perimeter Highway, within a new non-owned power centre currently under lease-up and construction.

**4250 Albert** - is a 41,238 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 85,076 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, and in Regina's primary retail district. 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. The asset is very well maintained with recently upgraded lobbies and common areas. It also has adjacent land west and north of the property utilized as 104 surface parking stalls. It is 100% leased to the Saskatchewan Provincial Government until 2011.

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

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

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

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

**603 Park Street** - is a 109,345 square foot flex industrial property located in the same submarket as Whiterock's Chestemere property in Regina. Together these two properties constitute approximately 65% of the comparable flex industrial inventory in the city. The property is anchored by Uponor Canada Inc., whose international parent generates over \$1 billion EUR in sales. The property was subsequently financed with a \$3.6 million 10 year mortgage at an interest rate of 5.6%

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

**9305 Twin Oaks** - is a new industrial facility in Windsor, Ontario with 28 foot clear heights situated on 5.2 acres in the newly developed Twin Oaks Business Park, having excellent access to the E.C. Row Expressway, Lauzon Parkway and the airport. The property is 100% leased on a long term basis to Magna Closures Inc., a subsidiary of Magna International, a leading supplier of technologically advanced

interior vehicle systems, components and complete modules. Subsequent to the acquisition date, the second phase of the property, which was unencumbered at the time of acquisition, was financed by a second draw of \$1.9 million on the original loan at an interest rate of 5.1%, resulting in a blended interest rate of 5.3% on the final loan amount of \$4.6 million over the remaining term of 118 months.

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

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

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

**4515 & 4525 Rhodes Drive** - These two flex-industrial properties, totaling 91,058 square feet located in Windsor, Ontario, are immediately adjacent to a major arterial expressway and the Windsor International Airport. Built in 1998, these multi-tenant buildings offer 22 foot clear height and are serviced by both truck-level and grade-level doors. The nine acre site provides easy access to expressway connectors, provincial highways, railways, air transportation and the United States via tunnel or bridge.

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

**655 Bay Street** - is a fully leased, 17-story, Class A multi-tenant office building with 295,413 square feet of GLA located just north of the financial district on the corner of Bay and Elm Streets in downtown Toronto, Ontario. The building was constructed in 1990 and renovated in 2006 and includes a three storey underground parking deck. The building's proximity to the Toronto financial core, the Province of Ontario's legislative building at Queen's Park and several major medical institutions result in high tenant demand for the property. Current tenants include the Canada Revenue Agency, the Ontario Municipal Board and the Ministry of the Attorney General.

**277 Pleasant Street** - Dartmouth Professional Centre is a 75,990 square foot multi-tenant office building located immediately north of the new Nova Scotia Community College and the Dartmouth General Hospital. The property is 100% leased, with the primary tenants being the Departments of Justice (48%) and Community Services (28%), and the remaining tenants consisting of various medical practices and a pharmacy.

**8550 Newman Boulevard** - is a 66,400 square foot, Class A medical office building which is currently 99% leased, with the primary tenants being government funded healthcare institutions. The first phase was built in 2001, and is 100% occupied by the Centre Locaux de Services Communautaires Lasalle (CLSC) and the Douglas Hospital. The second phase was added in 2004-2005, and is currently occupied by a mix of complimentary medical tenants.

## 2007 Dispositions

Effective April 10, 2007, Whiterock completed the sale of its 50% undivided, non-managed interest in three Quebec City office properties, being 410 Charest, 750 Charest and 880-930 Ste-Foy, to the existing co-owners through the exercise of buy-sell provisions initiated by Whiterock. The dispositions, for \$51.75 million, generated a \$3.5 million gain, a return of over 20% in 11 months of ownership, reinforcing the strength of Whiterock's acquisition criteria.

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

| (in \$000's except as noted) |             |          |                  |                              |                                      |                                     |
|------------------------------|-------------|----------|------------------|------------------------------|--------------------------------------|-------------------------------------|
| Property Name                | City        | Province | Disposition Date | GLA (Sq. Ft.) <sup>(1)</sup> | Mortgage Financing <sup>(1)(2)</sup> | Disposition Price <sup>(1)(3)</sup> |
| 410 Charest                  | Quebec City | QC       | 04/10/07         | 84,324                       | \$ 10,022                            | \$ 18,625                           |
| 750 Charest                  | Quebec City | QC       | 04/10/07         | 107,403                      | 7,692                                | 11,500                              |
| 880 & 930 Ste-Foy            | Quebec City | QC       | 04/10/07         | 175,947                      | 13,905                               | 21,625                              |
| <b>Total</b>                 |             |          |                  | <b>367,674</b>               | <b>\$ 31,619</b>                     | <b>\$ 51,750</b>                    |

(1) Whiterock's interest.

(2) at date of disposition.

(3) before closing adjustments.

## Acquisitions Completed Subsequent to September 30, 2007

| (in \$000's except as noted) |        |          |          |               |                               |                                   |
|------------------------------|--------|----------|----------|---------------|-------------------------------|-----------------------------------|
| Property Name                | City   | Province | Acquired | GLA (Sq. Ft.) | Purchase Price <sup>(1)</sup> | Mortgage Financing <sup>(2)</sup> |
| 310 Henderson Drive          | Regina | Sk       | 10/01/07 | 395,159       | \$ 14,550                     | \$ 7,500                          |

(1) after closing, tenant restructuring and mortgage refinancing costs.

(2) on acquisition.

**310 Henderson Drive** – is a high quality 395,159 square foot industrial facility with 24 foot clear height warehouse and distribution space and a small office component. The property is one of the largest of its kind in Regina and is situated on approximately 21 acres of land in close proximity to Regina's Ring Road. Access to the building is provided by 35 dock doors, of which 25 have an enclosed loading area. It is configured to facilitate large transport trailers, employee parking and includes 4 acres of excess land.

## Subsequent Agreements to Acquire Properties

Whiterock enters into conditional agreements to acquire properties in the normal course of business. As of September 30, 2007, Whiterock has two properties under agreement, as follows:

(in \$000's except as noted)

| <b>Property Name</b> | <b>City</b> | <b>Province</b> | <b>GLA<br/>(Sq. Ft.)</b> | <b>Purchase<br/>Price <sup>(1)</sup></b> |
|----------------------|-------------|-----------------|--------------------------|--|
| Central Park         | Regina      | SK              | 25,310                   | \$ 3,425                                 |
| Franciscan Place     | Regina      | SK              | 16,018                   | 1,625                                    |
| <b>TOTAL</b>         |             |                 | <b>41,328</b>            | <b>\$ 5,050</b>                          |

(1) Before closing costs and land transfer taxes.

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

**Franciscan Place, Regina, Saskatchewan** – is a 16,018 square foot office building located two blocks southwest of Regina's core financial district. Its superior location, above average parking availability, and efficient layout distinguishes this asset from its competition. Given these characteristics it has high historical occupancy with minimal costs required for new and renewing tenants. It is fully occupied and anchored by Petro Canada and the Saskatchewan Labour Federation.

In addition to the under contract properties, Whiterock is currently in negotiations to acquire a \$15 million, newly constructed, mixed use office and retail facility in Bedford, Nova-Scotia. The property is located on a new power centre development and is shadow anchored by a new Wal-Mart and Sobeys, as well as a Canadian Tire and Home Depot currently under construction.

Whiterock intends to fund these acquisitions with cash on hand, mortgages and/or its acquisition facility; however, there can be no assurance that Whiterock will complete the potential acquisitions in this manner or at all.

## SUMMARY OF QUARTERLY RESULTS

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

| (in \$000's except per Unit information) | 2007          |        |        |         | 2006   |         |        | 2005   |
|--|---------------|--------|--------|---------|--------|---------|--------|--------|
|  | Q3            | Q2     | Q1     | Q4      | Q3     | Q2      | Q1     | Q4     |
| Total revenue                            |               |        |        |         |        |         |        |        |
| - continuing operations                  | <b>12,005</b> | 11,938 | 11,966 | 10,339  | 7,339  | 6,129   | 5,185  | 3,129  |
| - discontinued operations                | -             | 204    | 1,984  | 1,846   | 1,812  | 914     | -      | -      |
| Property operating income                |               |        |        |         |        |         |        |        |
| - continuing operations                  | <b>7,257</b>  | 7,249  | 7,068  | 6,518   | 4,684  | 3,891   | 3,137  | 1,814  |
| - discontinued operations                | -             | 79     | 980    | 1,021   | 993    | 530     | -      | -      |
| Income (loss)                            | <b>(235)</b>  | 1,978  | (225)  | (4,243) | (438)  | (1,297) | (493)  | (257)  |
| Income (loss) adjusted <sup>(1)</sup>    | <b>(147)</b>  | (195)  | (225)  | (540)   | (438)  | (606)   | (493)  | (257)  |
| Income (loss) per Unit                   |               |        |        |         |        |         |        |        |
| - basic                                  | <b>(0.02)</b> | 0.20   | (0.02) | (0.50)  | (0.06) | (0.22)  | (0.10) | (0.07) |
| - diluted                                | <b>(0.02)</b> | 0.20   | (0.02) | (0.50)  | (0.06) | (0.22)  | (0.10) | (0.07) |
| - basic adjusted <sup>(1)</sup>          | <b>(0.01)</b> | (0.02) | (0.02) | (0.06)  | (0.06) | (0.10)  | (0.10) | (0.07) |
| - diluted adjusted <sup>(1)</sup>        | <b>(0.01)</b> | (0.02) | (0.02) | (0.06)  | (0.05) | (0.10)  | (0.09) | (0.07) |
| Funds from operations (FFO)              | <b>2,649</b>  | 541    | 2,799  | (1,297) | 1,711  | 365     | 651    | 352    |
| FFO (recurring) <sup>(2)</sup>           | <b>2,737</b>  | 2,682  | 2,799  | 2,406   | 1,711  | 1,056   | 651    | 352    |
| FFO per Unit                             |               |        |        |         |        |         |        |        |
| - basic                                  | <b>0.26</b>   | 0.05   | 0.28   | (0.15)  | 0.22   | 0.06    | 0.13   | 0.09   |
| - diluted                                | <b>0.26</b>   | 0.05   | 0.28   | (0.15)  | 0.21   | 0.06    | 0.12   | 0.09   |
| - basic (recurring) <sup>(2)</sup>       | <b>0.27</b>   | 0.27   | 0.28   | 0.28    | 0.22   | 0.18    | 0.13   | 0.09   |
| - diluted (recurring) <sup>(2)</sup>     | <b>0.27</b>   | 0.27   | 0.28   | 0.28    | 0.21   | 0.17    | 0.12   | 0.09   |
| Adjusted funds from operations (AFFO)    | <b>2,146</b>  | (8)    | 2,173  | 1,683   | 1,605  | 501     | 500    | 282    |
| AFFO (recurring) <sup>(3)</sup>          | <b>2,234</b>  | 2,133  | 2,173  | 1,886   | 1,605  | 756     | 500    | 282    |
| AFFO per Unit                            |               |        |        |         |        |         |        |        |
| - basic                                  | <b>0.21</b>   | (0.00) | 0.22   | 0.20    | 0.20   | 0.08    | 0.10   | 0.07   |
| - diluted                                | <b>0.21</b>   | (0.00) | 0.21   | 0.20    | 0.20   | 0.08    | 0.09   | 0.07   |
| - basic (recurring) <sup>(3)</sup>       | <b>0.22</b>   | 0.21   | 0.22   | 0.22    | 0.20   | 0.13    | 0.10   | 0.07   |
| - diluted (recurring) <sup>(3)</sup>     | <b>0.21</b>   | 0.21   | 0.21   | 0.22    | 0.20   | 0.12    | 0.09   | 0.07   |
| Cash distribution per Unit               | <b>0.28</b>   | 0.28   | 0.28   | 0.28    | 0.28   | 0.28    | 0.28   | 0.28   |

(1) Income (loss) (adjusted) excludes the 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 taxes of \$800,000 in the second quarter of 2007, and costs relating to the internalization of management of \$3,703,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$690,838 in the second quarter of 2006.

(2) FFO per Unit (recurring) excludes the effect of the costs associated with reviewing strategic alternatives for the REIT of \$87,623 in the third quarter of 2007 and \$2,141,667 in the second quarter of 2007, as well as the costs relating to the internalization of management of \$3,703,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$690,838 in the second quarter of 2006.

(3) AFFO per Unit (recurring) excludes the effect of the costs associated with reviewing strategic alternatives for the REIT of \$87,623 in the third quarter of 2007 and \$2,141,667 in the second quarter of 2007, as well as costs relating to the internalization of management of \$203,112 in the fourth quarter of 2006 and the redemption of the Series B convertible debentures of \$254,998 in the second quarter of 2006.

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

## RESULTS OF OPERATIONS

### Statement of income

Summarized financial results for the three and nine months ended September 30, 2007 and 2006 are as follows:

|   | Three months ended  |                     | Nine months ended   |                       |
|---|---------------------|---------------------|---------------------|-----------------------|
|   | Sept. 30, 2007      | Sept. 30, 2006      | Sept. 30, 2007      | Sept. 30, 2006        |
| Property operating income                       | \$ 7,257,166        | \$ 4,683,831        | \$ 21,573,673       | \$ 11,712,059         |
| Interest income                                 | 132,220             | 155,301             | 403,836             | 516,751               |
| Interest expense                                | (4,113,196)         | (2,976,336)         | (12,576,222)        | (7,730,491)           |
| General and administrative expenses             | (527,270)           | (643,934)           | (1,695,507)         | (1,848,652)           |
| Amortization                                    | (2,895,916)         | (1,745,054)         | (8,613,957)         | (4,362,435)           |
| Income (loss) before the undernoted             | (146,996)           | (526,192)           | (908,177)           | (1,712,768)           |
| Strategic alternatives costs                    | (87,623)            | -                   | (2,229,290)         | -                     |
| Provision for loss on debenture redemption      | -                   | -                   | -                   | (690,838)             |
| Future income taxes                             | -                   | -                   | 800,000             | -                     |
| <b>Income (loss) from continuing operations</b> | <b>(234,619)</b>    | <b>(526,192)</b>    | <b>(2,337,467)</b>  | <b>(2,403,606)</b>    |
| Income from discontinued operations             | -                   | 88,132              | 341,808             | 174,920               |
| Gain on disposition of properties               | -                   | -                   | 3,514,785           | -                     |
| <b>Net income (loss)</b>                        | <b>\$ (234,619)</b> | <b>\$ (438,060)</b> | <b>\$ 1,519,126</b> | <b>\$ (2,228,686)</b> |
| <b>Basic net income (loss) per unit</b>         |                     |                     |                     |                       |
| Continuing operations                           | \$ (0.02)           | \$ (0.07)           | \$ (0.23)           | \$ (0.38)             |
| Discontinued operations                         | \$ -                | \$ 0.01             | \$ 0.39             | \$ 0.03               |
| Net income per Unit                             | \$ (0.02)           | \$ (0.06)           | \$ 0.15             | \$ (0.35)             |
| <b>Diluted net income (loss) per unit</b>       |                     |                     |                     |                       |
| Continuing operations                           | \$ (0.02)           | \$ (0.07)           | \$ (0.23)           | \$ (0.38)             |
| Discontinued operations                         | \$ -                | \$ 0.01             | \$ 0.38             | \$ 0.03               |
| Net income per Unit                             | \$ (0.02)           | \$ (0.06)           | \$ 0.15             | \$ (0.35)             |

Whiterock's net income (loss) for the three and nine months ended September 30, 2007 was (\$0.2) million and \$1.5 million respectively (three and nine months ended September 30, 2006 net loss of \$0.4 million and \$2.2 million respectively).

Following is a discussion of individual income components:

### Property operating income

|   | Three months ended  |                | Nine months ended    |                |
|---|---------------------|----------------|----------------------|----------------|
|   | Sept. 30, 2007      | Sept. 30, 2006 | Sept. 30, 2007       | Sept. 30, 2006 |
| <b>Income property rentals</b>            |                     |                |                      |                |
| <b>Same Property</b>                      |                     |                |                      |                |
| Rental income                             | \$ 6,465,043        | \$ 6,391,224   | \$ 12,510,453        | \$ 11,936,552  |
| Straight-line rent                        | 244,092             | 201,308        | 721,857              | 313,212        |
| Above and below market lease amortization | 324,425             | 259,738        | 829,206              | 868,807        |
|   | <b>7,033,560</b>    | 6,852,270      | <b>14,061,516</b>    | 13,118,571     |
| <b>Acquisitions <sup>(1)</sup></b>        |                     |                |                      |                |
| Rental income                             | 4,725,624           | 321,454        | 20,900,645           | 4,879,661      |
| Straight-line rent                        | 117,638             | 9,185          | 386,997              | 41,248         |
| Above and below market lease amortization | (3,804)             | 419            | 156,611              | 96,811         |
| <b>Income property rentals</b>            | <b>11,873,018</b>   | 7,183,328      | <b>35,505,769</b>    | 18,136,291     |
| <b>Property operating costs</b>           |                     |                |                      |                |
| Same property                             | 2,472,790           | 2,403,601      | 5,645,731            | 5,121,572      |
| Acquisitions <sup>(1)</sup>               | 2,143,062           | 95,896         | 8,286,365            | 1,302,660      |
| <b>Property operating costs</b>           | <b>4,615,852</b>    | 2,499,497      | <b>13,932,096</b>    | 6,424,232      |
| <b>Property operating income</b>          |                     |                |                      |                |
| Same property                             | 4,560,770           | 4,448,669      | 8,415,785            | 7,996,999      |
| Acquisitions <sup>(1)</sup>               | 2,696,396           | 235,162        | 13,157,888           | 3,715,060      |
| <b>Total property operating income</b>    | <b>\$ 7,257,166</b> | \$ 4,683,831   | <b>\$ 21,573,673</b> | \$ 11,712,059  |

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

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

#### Same Property Growth

On a same property basis, property operating income for the three months ended September 30, 2007 increased \$0.1 million or 2.5% compared to the three months ended September 30, 2006, and for the nine months ended September 30, 2007 increased \$0.4 million or 5.2% over the same period in 2006.

Income property rentals from same properties (20 properties owned for the three months ended September 30, 2007 and 2006 and 12 properties owned for the nine months ended September 30, 2007 and 2006) increased \$0.2 million, or 2.6% for the three months ended September 30, 2007, and \$0.9 million, or 7.2% for the nine months ended September 30, 2007, as compared to 2006. Same property operating costs have increased \$0.1 million in the three months ended September 30, 2007, and \$0.5 million in the nine months ended September 30, 2007 compared to the same periods in the prior year. Same property operating income for the three and nine months ended September 30, 2007 includes \$0.2 million and \$0.7 respectively, from leases with contractual rent increases recognized on a straight-line

basis, compared to \$0.2 million and \$0.3 million in the comparable prior year period. In addition, income from same property rentals for the three and nine months ended September 30, 2007 includes \$0.3 million and \$0.8 million respectively of amortization of above and below market lease adjustments, compared to \$0.3 and \$0.9 million for the same periods in 2006.

#### *Growth due to Acquisitions*

Income property rentals for the three and nine months ended September 30, 2007 includes \$11.9 million and \$35.5 million respectively, from continuing properties acquired throughout 2006 and 2007, compared to \$7.2 million and \$18.1 million for the same periods in 2006. Property operating costs increased to \$2.1 million in the three months ended September 30, 2007 and by \$7.0 million to \$8.3 million for the nine months ended September 30, 2007 compared to the same periods in 2006 primarily as a result of these acquisitions. Property operating income resulting from acquisitions for the three and nine months ended September 30, 2007 includes \$0.1 million and \$0.4 million respectively from leases with contractual rent increases, which are recognized on a straight-line basis and \$0.2 million of amortization of above and below market lease adjustments for the nine months ended September 30, 2007.

As at September 30, 2007, the net recorded value of below market leases on acquisition for continuing operations was \$8.6 million. Management intends to capture the value of the below market leases over time in the form of higher rental rates as tenants' leases are renewed.

#### *Leasing Performance*

Whiterock obtained an average rate increase of 12% on the 2007 expiring leases, with Saskatchewan delivering increases of 31%. Tenant inducements on the renewals were minimal at \$1.34 per square foot and for new leasing were \$4.33 per square foot.

In the quarter ended September 30, 2007, 28,000 square feet of new leasing was executed at 655 Bay Street, which will add approximately \$1.1 million to property operating income on an annualized basis beginning in 2008 (\$0.11 per basic Unit outstanding).

#### *Segmented Performance*

Property operating income (excluding discontinued operations) and income properties by segment for the three months ended September 30, 2007 and 2006 were as follows:

|                                  | <b>Three months ended September 30, 2007</b> |                      |                      |                       |
|----------------------------------|--|----------------------|----------------------|-----------------------|
|                                  | <b>Office</b>                                | <b>Retail</b>        | <b>Industrial</b>    | <b>Total</b>          |
| Income property rentals          | \$ 8,872,993                                 | \$ 1,455,068         | \$ 1,544,957         | \$ 11,873,018         |
| Property operating costs         | 3,746,073                                    | 399,870              | 469,909              | 4,615,852             |
| <b>Property operating income</b> | <b>\$ 5,126,920</b>                          | <b>\$ 1,055,198</b>  | <b>\$ 1,075,048</b>  | <b>\$ 7,257,166</b>   |
| <b>Income properties</b>         | <b>\$ 216,609,976</b>                        | <b>\$ 40,006,201</b> | <b>\$ 39,656,414</b> | <b>\$ 296,272,591</b> |

  

|                           | <b>Three months ended September 30, 2006</b> |               |                   |                |
|---------------------------|--|---------------|-------------------|----------------|
|                           | <b>Office</b>                                | <b>Retail</b> | <b>Industrial</b> | <b>Total</b>   |
| Income property rentals   | \$ 5,167,044                                 | \$ 972,419    | \$ 1,043,865      | \$ 7,183,328   |
| Property operating costs  | 1,896,380                                    | 286,372       | 316,745           | 2,499,497      |
| Property operating income | \$ 3,270,664                                 | \$ 686,047    | \$ 727,120        | \$ 4,683,831   |
| Income properties         | \$ 136,588,923                               | \$ 35,374,873 | \$ 31,264,742     | \$ 203,228,538 |

Property operating income from office properties provided 71% of total property operating income for the three months ended September 30, 2007, compared to 70% in the prior year comparative period.

Property operating income (excluding discontinued operations) for the nine months ended September 30, 2007 and 2006 were as follows:

|                                  | <b>Nine months ended September 30, 2007</b> |                     |                     |                      |
|----------------------------------|---|---------------------|---------------------|----------------------|
|                                  | <b>Office</b>                               | <b>Retail</b>       | <b>Industrial</b>   | <b>Total</b>         |
| Income property rentals          | \$ 26,846,977                               | \$ 4,142,961        | \$ 4,515,831        | \$ 35,505,769        |
| Property operating costs         | 11,454,074                                  | 1,130,404           | 1,347,618           | 13,932,096           |
| <b>Property operating income</b> | <b>\$ 15,392,903</b>                        | <b>\$ 3,012,557</b> | <b>\$ 3,168,213</b> | <b>\$ 21,573,673</b> |

|                           | <b>Nine months ended September 30, 2006</b> |               |                   |               |
|---------------------------|---|---------------|-------------------|---------------|
|                           | <b>Office</b>                               | <b>Retail</b> | <b>Industrial</b> | <b>Total</b>  |
| Income property rentals   | \$ 13,346,646                               | \$ 2,490,005  | \$ 2,299,640      | \$ 18,136,291 |
| Property operating costs  | 4,987,336                                   | 719,204       | 717,692           | 6,424,232     |
| Property operating income | \$ 8,359,310                                | \$ 1,770,801  | \$ 1,581,948      | \$ 11,712,059 |

Property operating income from office properties provided 71% of total property operating income for the nine months ended September 30, 2007, which is consistent with the prior year comparative period.

Whiterock has improved the geographic balance of revenue from its portfolio across Canada, with approximately 20% of the portfolios property operating income generated from Saskatchewan, 28% from Ontario, 37% from Quebec and 15% from Atlantic Canada.

### **Interest income**

|                        | <b>Three months ended</b> |                       | <b>Nine months ended</b> |                       |
|------------------------|---------------------------|-----------------------|--------------------------|-----------------------|
|                        | <b>Sept. 30, 2007</b>     | <b>Sept. 30, 2006</b> | <b>Sept. 30, 2007</b>    | <b>Sept. 30, 2006</b> |
| <b>Interest income</b> | <b>\$ 132,220</b>         | <b>\$ 155,301</b>     | <b>\$ 403,836</b>        | <b>\$ 516,751</b>     |

Interest income for the three and nine months ended September 30, 2007 totaled \$0.1 million and \$0.4 million respectively and was derived primarily from interest on funds realized on the sale of three properties in April 2007, and cash generated from property operations.

## Interest expense

|   | Three months ended  |                     | Nine months ended    |                     |
|---|---------------------|---------------------|----------------------|---------------------|
|   | Sept. 30, 2007      | Sept. 30, 2006      | Sept. 30, 2007       | Sept. 30, 2006      |
| Mortgage interest expense                     | \$ 2,879,032        | \$ 1,938,528        | \$ 8,648,045         | 5,052,248           |
| Acquisition facility interest                 | -                   | 249,935             | 100,184              | 391,233             |
| Debenture interest                            | 835,687             | 520,001             | 2,641,591            | 1,558,384           |
| Deferred finance cost                         |                     |                     |                      |                     |
| - mortgages                                   | 58,250              | 49,992              | 168,075              | 143,164             |
| - acquisition facility                        | 110,639             | 55,557              | 325,012              | 81,703              |
| - convertible debentures                      | 130,541             | 111,633             | 392,750              | 356,243             |
| Implicit interest rate in<br>excess of coupon |                     |                     |                      |                     |
| - convertible debentures                      | 99,047              | 50,690              | 300,565              | 147,516             |
| <b>Interest expense</b>                       | <b>\$ 4,113,196</b> | <b>\$ 2,976,336</b> | <b>\$ 12,576,222</b> | <b>\$ 7,730,491</b> |

Interest for the three and nine months ended September 30, 2007 results from mortgages on properties acquired, convertible debentures issued, and from the acquisition facility.

## General and administrative expenses

|  | Three months ended |                   | Nine months ended   |                     |
|--|--------------------|-------------------|---------------------|---------------------|
|  | Sept. 30, 2007     | Sept. 30, 2006    | Sept. 30, 2007      | Sept. 30, 2006      |
| Salaries and wages                               | \$ 259,366         | \$ 250,788        | \$ 964,602          | \$ 794,608          |
| Asset management and<br>management services fees | -                  | 246,302           | -                   | 500,576             |
| Non-cash compensation expense                    | 34,408             | 12,020            | 71,744              | 139,077             |
| Trustee fees                                     | 28,500             | -                 | 113,846             | -                   |
| Legal, audit and regulatory                      | 95,971             | 42,140            | 186,017             | 113,498             |
| Office rent                                      | 21,004             | 17,960            | 62,984              | 42,652              |
| Insurance  | 17,229             | 10,692            | 47,462              | 31,889              |
| Other general and administrative                 | 8,718              | 27,044            | 83,507              | 141,114             |
|  | <b>465,196</b>     | <b>606,946</b>    | <b>1,530,162</b>    | <b>1,763,414</b>    |
| Costs related to properties<br>not acquired      | 3,211              | 27,628            | 106,482             | 40,069              |
| Office relocation costs                          | 38,543             | -                 | 38,543              | -                   |
| Recruiting costs                                 | 20,320             | 9,360             | 20,320              | 45,169              |
| <b>General and<br/>administrative expenses</b>   | <b>\$ 527,270</b>  | <b>\$ 643,934</b> | <b>\$ 1,695,507</b> | <b>\$ 1,848,652</b> |

For the three and nine months ended September 30, 2007, general and administrative expenses total \$0.5 million and \$1.7 million respectively, compared to \$0.6 million and \$1.8 million for the comparable periods in 2006. The increase in salaries and wages in the three and nine months ended September 30, 2007 was more than offset by the reduction of asset management and management services fees due to the management internalization completed in 2006.

In the third quarter of 2007, Whiterock relocated its head office to 655 Bay Street. Costs expensed in connection with the relocation totaled \$0.04 million in the period. As a result of the move, Whiterock anticipates annual savings of approximately \$0.1 million.

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

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

In the three and nine months ended September 30, 2006, \$0.2 million and \$0.5 million respectively was expensed and \$0.1 million and \$0.8 million was recorded as an acquisition cost of income properties under these agreements. There were no related costs incurred in 2007.

### Strategic alternatives costs

|                                     | Three months ended |                | Nine months ended   |                |
|-------------------------------------|--------------------|----------------|---------------------|----------------|
|                                     | Sept. 30, 2007     | Sept. 30, 2006 | Sept. 30, 2007      | Sept. 30, 2006 |
| <b>Strategic alternatives costs</b> | <b>\$ 87,623</b>   | <b>\$ -</b>    | <b>\$ 2,229,290</b> | <b>\$ -</b>    |

On July 18, 2007, Whiterock announced that it had completed the process to review its strategic alternatives and to solicit proposals to acquire or merge with Whiterock (see “Strategic Alternatives Review”). Whiterock expensed \$2.2 million of costs, primarily for legal, special committee and independent trustee fees and due diligence costs relating to the process, in the nine months ended September 30, 2007.

### Loss on debenture redemption

|   | Three months ended |                | Nine months ended |                   |
|---|--------------------|----------------|-------------------|-------------------|
|   | Sept. 30, 2007     | Sept. 30, 2006 | Sept. 30, 2007    | Sept. 30, 2006    |
| Impairment of convertible debenture deferred financing fees | \$ -               | \$ -           | \$ -              | \$ 435,840        |
| Loss on early redemption of debenture liability             | -                  | -              | -                 | 254,998           |
|   | <b>\$ -</b>        | <b>\$ -</b>    | <b>\$ -</b>       | <b>\$ 690,838</b> |

During the second quarter of 2006, Whiterock charged \$0.7 million to income as a result of its decision to redeem \$8.1 million outstanding principal amount of its Series B Debentures.

## **Future income taxes**

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

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

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

A SIFT which was publicly listed before November 1, 2006 (an "Existing Trust") will become subject to the tax on distributions commencing with the 2011 taxation year end. However, an Existing Trust may become subject to this tax prior to the 2011 taxation year end if its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006,

Under the SIFT Rules, the new taxation regime will not apply to a trust that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). As currently structured, the Trust does not meet the REIT Conditions and, therefore is a SIFT. Accordingly, commencing in 2011, unless it restructures to meet the REIT Conditions, the REIT will become subject to tax on distributions of certain income. Management of the Trust intends to review alternative measures that may be available, which could include restructuring, assuming that it is in the best interests of Unitholders, in order to qualify for the REIT Exemption however, no assurances can be given that the REIT will qualify for the REIT Exemption.

Due to the SIFT Rules, the Trust commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax bases of its assets and liabilities, and those of its subsidiary trust, that are expected to reverse in or after 2011. Future income tax assets or 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 \$0.8 million in the consolidated balance sheet at September 30, 2007, with a corresponding future income tax recovery of \$0.8 million reflected in consolidated income for the nine months ended September 30, 2007. Temporary differences expected to reverse in or after 2011 have been measured using a tax rate of 31.5%.

## Amortization

|                           | Three months ended  |                     | Nine months ended   |                     |
|---------------------------|---------------------|---------------------|---------------------|---------------------|
|                           | Sept. 30, 2007      | Sept. 30, 2006      | Sept. 30, 2007      | Sept. 30, 2006      |
| Building and improvements | \$ 1,662,476        | \$ 1,063,329        | \$ 4,954,705        | \$ 2,722,149        |
| Deferred charges          |                     |                     |                     |                     |
| - tenants inducements     |                     |                     |                     |                     |
| on acquisition            | 455,609             | 273,173             | 1,352,250           | 692,341             |
| - leasing costs           | 74,006              | 20,380              | 207,764             | 35,641              |
| Intangible assets         |                     |                     |                     |                     |
| - lease origination       | 423,537             | 231,618             | 1,261,935           | 543,965             |
| - tenant relationships    | 267,974             | 146,519             | 798,864             | 343,599             |
| Furniture and fixtures    | 12,314              | 10,035              | 38,439              | 24,740              |
| <b>Amortization</b>       | <b>\$ 2,895,916</b> | <b>\$ 1,745,054</b> | <b>\$ 8,613,957</b> | <b>\$ 4,362,435</b> |

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled \$2.9 million for the three months ended September 30, 2007, and \$8.6 million for the nine months ended September 30, 2007.

## Discontinued operations

On April 10, 2007, Whiterock sold to the existing co-owners through the exercise of buy-sell provisions in its co-ownership agreements, which were initiated by Whiterock, its 50% undivided, non-managed interest in three Quebec City properties, being 410 Charest, 750 Charest, and 880-930 Ste-Foy. The dispositions, for \$51.75 million, generated a \$3.5 million gain, a return of over 20% in 11 months of ownership, reinforcing the strength of Whiterock's acquisition criteria.

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

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

|  | Three months ended |                | Nine months ended |                |
|--|--------------------|----------------|-------------------|----------------|
|  | Sept. 30, 2007     | Sept. 30, 2006 | Sept. 30, 2007    | Sept. 30, 2006 |
| <b>Income property rentals</b>             |                    |                |                   |                |
| Rental income                              | \$ -               | \$ 1,727,292   | \$ 2,048,366      | \$ 2,574,709   |
| Straight-line rent                         | -                  | 12,350         | 38,470            | 40,051         |
| Above and below market lease amortization  | -                  | 72,788         | 83,027            | 111,823        |
| <b>Income property rentals</b>             | -                  | 1,812,430      | 2,169,863         | 2,726,583      |
| Property operating costs                   | -                  | (819,592)      | (1,110,597)       | (1,203,943)    |
| <b>Property operating income</b>           | \$ -               | \$ 992,838     | \$ 1,059,266      | \$ 1,522,640   |
| <b>Interest income</b>                     | -                  | -              | 17,563            | -              |
| <b>Interest expense</b>                    |                    |                |                   |                |
| Mortgage interest expense                  | -                  | (482,441)      | (518,509)         | (717,199)      |
| Deferred finance cost                      | -                  | (8,352)        | (7,944)           | (12,483)       |
| <b>Interest expense</b>                    | -                  | (490,793)      | (526,453)         | (729,682)      |
| <b>Amortization</b>                        |                    |                |                   |                |
| Building and improvements                  | -                  | (236,297)      | (119,364)         | (353,837)      |
| Deferred charges                           |                    |                |                   |                |
| - tenants inducements on acquisition       | -                  | (64,885)       | (32,811)          | (97,179)       |
| Intangible assets                          |                    |                |                   |                |
| - lease origination                        | -                  | (67,409)       | (34,088)          | (100,961)      |
| - tenant relationships                     | -                  | (45,322)       | (22,305)          | (66,061)       |
| <b>Amortization</b>                        | -                  | (413,913)      | (208,568)         | (618,038)      |
| <b>Income from discontinued operations</b> | \$ -               | \$ 88,132      | \$ 341,808        | \$ 174,920     |

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

|  | Three months ended |                | Nine months ended |                |
|--|--------------------|----------------|-------------------|----------------|
|  | Sept. 30, 2007     | Sept. 30, 2006 | Sept. 30, 2007    | Sept. 30, 2006 |
| <b>Gain on disposition of properties</b> | \$ -               | \$ -           | \$ 3,514,785      | \$ -           |

## Cash flow from operating activities

Cash flow from continuing operating activities was a cash outflow of \$0.8 million for the three months ended September 30, 2007 and a cash inflow of \$2.0 million for the nine months ended September 30, 2007 compared to a cash outflow from operations of \$0.2 million and an inflow of \$1.7 million in the comparative prior year periods. Cash flow from continuing operations in 2007 was negatively impacted by the payment of costs associated with reviewing strategic alternatives for the REIT offset by property operating income on properties acquired throughout 2006.

Cash flow from discontinued operating activities was nil and an outflow of \$0.2 million for the three and nine months ended September 30, 2007 respectively. This compares to cash flow from discontinued operating activities of \$0.7 million and \$1.3 million in the prior year comparative periods. The disposition of the three Quebec City properties in the second quarter of 2007, generated \$20.1 million of cash proceeds.

## 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 and nine months ended September 30, 2007 and 2006 is calculated in accordance with guidance issued by the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007, as follows:

|                                   | Three months ended |                | Nine months ended |                |
|-----------------------------------|--------------------|----------------|-------------------|----------------|
|                                   | Sept. 30, 2007     | Sept. 30, 2006 | Sept. 30, 2007    | Sept. 30, 2006 |
| Income (loss) for the period      | \$ (234,619)       | \$ (438,060)   | \$ 1,519,126      | \$ (2,228,686) |
| Add back amortization:            |                    |                |                   |                |
| Building and improvements         | 1,662,476          | 1,063,329      | 4,954,705         | 2,722,149      |
| Tenant inducements on acquisition | 455,609            | 273,173        | 1,352,250         | 692,341        |
| Leasing costs                     | 74,006             | 20,380         | 207,764           | 35,641         |
| Lease origination costs           | 423,537            | 231,618        | 1,261,935         | 543,965        |
| Tenant relationships              | 267,974            | 146,519        | 798,864           | 343,599        |
| Discontinued operations           | -                  | 413,913        | 208,568           | 618,038        |
| Less:                             |                    |                |                   |                |
| Future income taxes               | -                  | -              | (800,000)         | -              |
| Gain on disposition of properties | -                  | -              | (3,514,785)       | -              |
| Funds from Operations (FFO)       | \$ 2,648,983       | \$ 1,710,872   | 5,988,427         | \$ 2,727,047   |

AFFO for the three and nine months ended September 30, 2007 and 2006 is calculated as follows:

|  | Three months ended  |                     | Nine months ended   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Sept. 30, 2007      | Sept. 30, 2006      | Sept. 30, 2007      | Sept. 30, 2006      |
| <b>Funds from Operations (FFO)</b>                                     | <b>\$ 2,648,983</b> | <b>\$ 1,710,872</b> | <b>\$ 5,988,427</b> | <b>\$ 2,727,047</b> |
| Amortization of deferred finance costs                                 |                     |                     |                     |                     |
| Continuing operations  | 299,430             | 217,182             | 885,837             | 581,110             |
| Discontinued operations  | -                   | 8,352               | 7,944               | 12,483              |
| Convertible debentures implicit interest rate in excess of coupon rate | 99,047              | 50,690              | 300,565             | 147,516             |
| Loss on debenture redemption   | -                   | -                   | -                   | 435,840             |
| Non cash compensation expense  | 34,408              | 12,020              | 71,744              | 139,077             |
| Non cash management services fees                                      | -                   | 246,302             | -                   | 500,576             |
| Accrued straight line rental revenue                                   |                     |                     |                     |                     |
| Continuing operations  | (361,730)           | (210,493)           | (1,108,854)         | (354,460)           |
| Discontinued operations  | -                   | (12,350)            | (38,470)            | (40,051)            |
| Above and below market lease amortization                              |                     |                     |                     |                     |
| Continuing operations  | (320,621)           | (260,157)           | (985,817)           | (965,618)           |
| Discontinued operations  | -                   | (72,788)            | (83,027)            | (111,823)           |
| Leasing costs and capital expenditures                                 | (253,187)           | (84,116)            | (727,217)           | (465,698)           |
| Adjusted Funds from Operations (AFFO)                                  | <b>\$ 2,146,330</b> | <b>\$ 1,605,514</b> | <b>\$ 4,311,132</b> | <b>\$ 2,605,999</b> |

FFO and AFFO for the three and nine months ended September 30, 2007 and 2006 are negatively impacted by two non-recurring charges. For the nine months ended September 30, 2007, the costs associated with the review of strategic alternatives for the Trust negatively impacted FFO and AFFO by \$2.2 million, or \$0.22 per Unit basic. In 2006, the provision of \$0.7 million recorded for the loss on the early redemption of the Series B convertible debentures negatively impacted FFO by \$0.11 per Unit basic for the nine months ended September 30, 2006, and impacted AFFO by \$0.3 million, or \$0.04 per Unit basic for the nine months ended September 30, 2006. FFO and AFFO do not include the effect of the gain of \$3.5 million on the disposition of properties in 2007.

Excluding the impact of the non-recurring charges, recurring FFO and AFFO are calculated as follows:

|   | Three months ended  |                     | Nine months ended   |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Sept. 30, 2007      | Sept. 30, 2006      | Sept. 30, 2007      | Sept. 30, 2006      |
| <b>FFO Adjustments</b>                                |                     |                     |                     |                     |
| Funds from Operations                                 | \$ 2,648,983        | \$ 1,710,872        | \$ 5,988,427        | \$ 2,727,047        |
| Add back:   |                     |                     |                     |                     |
| - Strategic alternatives costs                        | 87,623              | -                   | 2,229,290           | -                   |
| - Loss on redemption of debentures                    | -                   | -                   | -                   | 690,838             |
| Recurring FFO   | <b>\$ 2,736,606</b> | <b>\$ 1,710,872</b> | <b>\$ 8,217,717</b> | <b>\$ 3,417,885</b> |
| <b>AFFO Adjustments</b>                               |                     |                     |                     |                     |
| Adjusted Funds from Operations from Operations (AFFO) | \$ 2,146,330        | \$ 1,605,514        | \$ 4,311,132        | \$ 2,605,999        |
| Add back:   |                     |                     |                     |                     |
| - Strategic alternatives costs                        | 87,623              | -                   | 2,229,290           | -                   |
| - Loss on redemption of debentures                    | -                   | -                   | -                   | 254,998             |
| Recurring AFFO  | <b>\$ 2,233,953</b> | <b>\$ 1,605,514</b> | <b>\$ 6,540,422</b> | <b>\$ 2,860,997</b> |

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

|                                    | Three months ended |                | Nine months ended |                |
|------------------------------------|--------------------|----------------|-------------------|----------------|
|                                    | Sept. 30, 2007     | Sept. 30, 2006 | Sept. 30, 2007    | Sept. 30, 2006 |
| Weighted average units outstanding |                    |                |                   |                |
| Basic                              | <b>10,164,402</b>  | 7,938,777      | <b>10,014,782</b> | 6,357,510      |
| Diluted - FFO                      | <b>10,238,723</b>  | 8,026,261      | <b>10,133,984</b> | 6,467,835      |
| Diluted - Recurring FFO            | <b>12,056,905</b>  | 8,026,261      | <b>11,952,166</b> | 6,467,835      |
| Diluted - AFFO                     | <b>13,137,924</b>  | 8,026,261      | <b>10,133,984</b> | 6,467,835      |
| Diluted - Recurring AFFO           | <b>13,137,924</b>  | 8,026,261      | <b>13,161,470</b> | 6,467,835      |
| FFO per unit - basic               | <b>\$ 0.26</b>     | \$ 0.22        | <b>\$ 0.60</b>    | \$ 0.43        |
| FFO per unit - diluted             | <b>\$ 0.26</b>     | \$ 0.21        | <b>\$ 0.59</b>    | \$ 0.42        |
| Recurring FFO per unit - basic     | <b>\$ 0.27</b>     | \$ 0.22        | <b>\$ 0.82</b>    | \$ 0.54        |
| Recurring FFO per unit - diluted   | <b>\$ 0.27</b>     | \$ 0.21        | <b>\$ 0.81</b>    | \$ 0.53        |
| AFFO per unit - basic              | <b>\$ 0.21</b>     | \$ 0.20        | <b>\$ 0.43</b>    | \$ 0.41        |
| AFFO per unit - diluted            | <b>\$ 0.21</b>     | \$ 0.20        | <b>\$ 0.43</b>    | \$ 0.40        |
| Recurring AFFO per unit - basic    | <b>\$ 0.22</b>     | \$ 0.20        | <b>\$ 0.65</b>    | \$ 0.45        |
| Recurring AFFO per unit - diluted  | <b>\$ 0.21</b>     | \$ 0.20        | <b>\$ 0.64</b>    | \$ 0.44        |

Basic FFO per Unit increased by \$0.04 for the three months ended September 30, 2007, compared to the previous year comparable period and increased \$0.17 per Unit to \$0.60 for the nine months ended September 30, 2007. Diluted FFO per Unit increased by \$0.05 for the three months ended September 30, 2007, compared to the previous year comparable period and increased \$0.17 per Unit for the nine months ended September 30, 2007. The increases are the result of the accretive acquisitions completed in 2006, the growth in same asset property operating income exceeding interest and administrative costs, offset by the non-recurring costs associated with reviewing strategic alternatives for the Trust in the second quarter of 2007 and the loss on the redemption of the Series B debentures in the second quarter of 2006.

AFFO includes the impact of leasing costs and capital expenditures, which totaled \$0.3 million for the three months ended September 30, 2007, and \$0.7 million for the nine months ended September 30, 2007 (three and nine months ended September 30, 2006 – \$0.1 million and \$0.5 million). Basic AFFO per Unit increased \$0.01 per Unit for the three months ended September 30, 2007, and increased \$0.02 to \$0.43 per Unit for the nine months ended September 30, 2007, compared to the same periods in 2006. Diluted AFFO per Unit increased \$0.01 per Unit for the three months ended September 30, 2007, and increased \$0.03 to \$0.43 per Unit compared to the same period in 2006.

Excluding the impact of the non-recurring costs, Recurring FFO increased \$0.05 and \$0.28 per Unit basic for the three and nine months ended September 30, 2007, and Recurring AFFO per Unit basic for the same periods increased \$0.02 and \$0.20 respectively.

## FINANCIAL POSITION

Selected balance sheet information follows:

|   | <b>Sept. 30, 2007</b> | <b>December 31, 2006</b> |
|---|-----------------------|--------------------------|
| Investment in real estate                     |                       |                          |
| - continuing operations                       | \$ 335,794,287        | \$ 328,214,492           |
| - discontinued operations                     | \$ -                  | \$ 48,712,586            |
| Total assets                                  | \$ 347,377,699        | \$ 398,970,679           |
| Mortgages payable and<br>acquisition facility |                       |                          |
| - continuing operations                       | \$ 211,695,934        | \$ 219,097,614           |
| - discontinued operations                     | \$ -                  | \$ 31,788,270            |
| Convertible debentures                        | \$ 44,545,347         | \$ 48,893,755            |
| Cash  | \$ 10,162,078         | \$ 9,298,240             |
| Unitholders' Equity                           | \$ 76,764,582         | \$ 80,252,439            |

The major changes to the balance sheet accounts at September 30, 2007 result from the sale of the three Quebec City office properties and the repayment in full of the acquisition facility. Further detail for mortgages payable, acquisition facility, convertible debentures and Unitholders' equity follows.

## MORTGAGES PAYABLE AND ACQUISITION FACILITY

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

Effective January 1, 2007, Whiterock adopted CICA section Handbook Section 3855, Financial Instruments – Recognition and Measurement. As a result, deferred financing costs and its related accumulated amortization have been netted against the mortgage payable and acquisition facility payable balance without retroactive adjustment (see “Changes to Significant Accounting Policies”).

Whiterock's fixed and floating rate mortgage debt and acquisition facility payable as at September 30, 2007, and December 31, 2006 is as follows:

|   | September 30, 2007    |               | December 31, 2006 |        |
|---|-----------------------|---------------|-------------------|--------|
|   | Total                 | %             | Total             | %      |
| <b>Mortgages payable</b>                                |                       |               |                   |        |
| Fixed rate  | \$ 202,759,297        | 95.0%         | \$ 204,616,689    | 95.0%  |
| Floating rate   | 10,702,950            | 5.0%          | 10,880,925        | 5.0%   |
|   | <b>213,462,247</b>    | <b>100.0%</b> | 215,497,614       | 100.0% |
| Discontinued operations (fixed rate)                    | -                     |               | 31,788,270        |        |
| Mortgage liability                                      | <b>213,462,247</b>    |               | 247,285,884       |        |
| Deferred financing fees                                 | (1,843,419)           |               | -                 |        |
| Deferred financing fees -<br>Accumulated amortization   | 344,562               |               | -                 |        |
| Mortgages payable -<br>Deferred financing fees (net)    | <b>(1,498,857)</b>    |               | -                 |        |
| <b>Acquisition facility</b>                             |                       |               |                   |        |
| Acquisition facility liability                          | -                     |               | 3,600,000         |        |
| Deferred financing fees                                 | (838,310)             |               | -                 |        |
| Deferred financing fees -<br>Accumulated amortization   | 570,854               |               | -                 |        |
| Acquisition facility -<br>Deferred financing fees (net) | <b>(267,456)</b>      |               | -                 |        |
| <b>Mortgages payable and acquisition facility</b>       | <b>\$ 211,695,934</b> |               | \$ 250,885,884    |        |

The following table summarizes Whiterock's mortgage maturity schedule as at September 30, 2007:

| Year of Maturity            | Scheduled Amortization | Balloon Payments      | Total                 | Weighted Average Interest Rate |
|-----------------------------|------------------------|-----------------------|-----------------------|--------------------------------|
| 2007                        | \$ 665,157             | \$ 10,674,185         | \$ 11,339,342         | 7.07%                          |
| 2008                        | \$ 2,635,118           | \$ 4,500,000          | \$ 7,135,118          | 6.84%                          |
| 2009                        | \$ 2,784,647           | \$ -                  | \$ 2,784,647          | 5.36%                          |
| 2010                        | \$ 2,986,859           | \$ 12,716,598         | \$ 15,703,457         | 5.21%                          |
| 2011                        | \$ 3,539,112           | \$ -                  | \$ 3,539,112          | 5.36%                          |
| 2012                        | \$ 4,487,337           | \$ -                  | \$ 4,487,337          | 5.34%                          |
| 2013                        | \$ 4,739,147           | \$ -                  | \$ 4,739,147          | 5.35%                          |
| 2014                        | \$ 5,005,363           | \$ -                  | \$ 5,005,363          | 5.35%                          |
| 2015                        | \$ 5,142,238           | \$ 46,290,082         | \$ 51,432,320         | 5.27%                          |
| 2016                        | \$ 2,858,256           | \$ 87,747,848         | \$ 90,606,104         | 5.29%                          |
| Thereafter                  | \$ 10,124,445          | \$ 6,565,855          | \$ 16,690,300         | 5.56%                          |
| Total continuing operations | <b>\$ 44,967,679</b>   | <b>\$ 168,494,568</b> | <b>\$ 213,462,247</b> | <b>5.45%</b>                   |

Subsequent to September 30, 2007, Whiterock refinanced \$10.7 million in variable rate mortgages which were scheduled to mature in 2007 with \$13.4 million in new 5.89%, 5 year fixed rate financing.

### *Acquisition Facility*

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

As of September 30, 2007, the acquisition facility was undrawn.

### *Total Indebtedness to Gross Book Value*

Whiterock's Declaration of Trust provides that total indebtedness may not exceed 75% of Gross Book Value (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. At September 30, 2007, according to the calculation as defined in the Declaration of Trust, this ratio was 58.6% (September 30, 2006 – 58.4%) 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 Gross Book Value. 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 Gross Book Value ("GBV") calculation, in accordance with the Declaration of Trust, is as follows as at September 30, 2007 and December 31, 2006:

|   | <u>September 30, 2007</u> | <u>December 31, 2006</u> |
|---|---------------------------|--------------------------|
| <b>Total Indebtedness</b>                     |                           |                          |
| Mortgages payable                             |                           |                          |
| - continuing operations                       | \$ 213,462,247            | \$ 215,497,614           |
| - discontinued operations                     | -                         | 31,788,270               |
| <b>Total Indebtedness</b>                     | <b>213,462,247</b>        | <b>247,285,884</b>       |
| <b>Gross Book Value</b>                       |                           |                          |
| Total GBV of real estate assets               |                           |                          |
| - continuing operations                       | 345,964,241               | 338,389,767              |
| - discontinued operations                     | -                         | 50,373,258               |
| Other assets                                  | 18,115,854                | 18,983,386               |
| <b>Total Gross Book Value</b>                 | <b>\$ 364,080,095</b>     | <b>\$ 407,746,411</b>    |
| <b>Total Indebtedness to Gross Book Value</b> | <b>58.6%</b>              | <b>60.6%</b>             |

## CONVERTIBLE DEBENTURES

Whiterock has \$48.4 million (principal amount) of redeemable subordinated convertible debentures outstanding at September 30, 2007 (December 31, 2006 - \$51 million) as follows:

|                           | Series A             | Series B     | Series C            | Series D             | Series E             | Total                |
|---------------------------|----------------------|--------------|---------------------|----------------------|----------------------|----------------------|
| Liability                 | \$ 12,328,078        | \$ 8,769,115 | \$ 2,883,060        | \$ 9,564,256         | \$ 23,888,615        | \$ 57,433,124        |
| Equity                    | 671,922              | 230,885      | 116,940             | 435,744              | 1,111,385            | 2,566,876            |
| Principal on issuance     | 13,000,000           | 9,000,000    | 3,000,000           | 10,000,000           | 25,000,000           | 60,000,000           |
| Conversion of debentures  | -                    | (900,000)    | -                   | -                    | -                    | (900,000)            |
| Redemption of debentures  | -                    | (8,100,000)  | -                   | -                    | -                    | (8,100,000)          |
| Principal -               |                      |              |                     |                      |                      |                      |
| December 31, 2006         | 13,000,000           | -            | 3,000,000           | 10,000,000           | 25,000,000           | 51,000,000           |
| Conversion of debentures  | (2,310,000)          | -            | (323,000)           | -                    | -                    | (2,633,000)          |
| <b>Principal -</b>        |                      |              |                     |                      |                      |                      |
| <b>September 30, 2007</b> | <b>\$ 10,690,000</b> | <b>\$ -</b>  | <b>\$ 2,677,000</b> | <b>\$ 10,000,000</b> | <b>\$ 25,000,000</b> | <b>\$ 48,367,000</b> |

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

|   | Series A            | Series C            | Series D            | Series E             | Total                |
|---|---------------------|---------------------|---------------------|----------------------|----------------------|
| Liability, December 31, 2006                          | \$ 12,498,617       | \$ 2,902,070        | \$ 9,591,719        | \$ 23,901,349        | \$ 48,893,755        |
| Implicit interest rate in<br>excess of coupon rate    | 89,194              | 14,052              | 56,253              | 141,000              | 300,499              |
| Conversion of debentures                              | (2,231,965)         | (312,456)           | -                   | -                    | (2,544,421)          |
| Liability, September 30, 2007                         | 10,355,846          | 2,603,666           | 9,647,972           | 24,042,349           | 46,649,833           |
| Deferred financing fees                               | (1,119,148)         | (185,065)           | (240,458)           | (1,338,461)          | (2,883,132)          |
| Deferred financing fees -<br>Accumulated amortization | 492,963             | 51,915              | 46,965              | 186,803              | 778,646              |
| <b>Balance -</b>                                      |                     |                     |                     |                      |                      |
| <b>September 30, 2007</b>                             | <b>\$ 9,729,661</b> | <b>\$ 2,470,516</b> | <b>\$ 9,454,479</b> | <b>\$ 22,890,691</b> | <b>\$ 44,545,347</b> |

### Series A Convertible Debentures

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

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

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

During the three months ended September 30, 2007, \$2,310,000 of Series A convertible debentures were converted into 226,467 Units of the Trust. Subsequent to September 30, 2007, \$10,000 of debentures were converted into 980 units.

### Series C Convertible Debentures

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

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

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

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

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

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

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

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

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

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

### **UNITHOLDERS' EQUITY**

Unitholders' equity at September 30, 2007 and December 31, 2006 consists of the following:

|   | <b>September 30, 2007</b> | December 31, 2006 |
|---|---------------------------|-------------------|
| Units   | <b>\$ 97,656,380</b>      | \$ 94,226,033     |
| Unit options  | <b>912,482</b>            | 840,738           |
| Warrants  | <b>314,800</b>            | 320,020           |
| Equity component of convertible debentures                    | <b>2,204,004</b>          | 2,335,991         |
| Cumulative earnings<br>and accumulated comprehensive earnings | <b>(5,925,170)</b>        | (7,509,446)       |
| Cumulative distributions to unitholders                       | <b>(18,397,914)</b>       | (9,960,897)       |
|   | <b>\$ 76,764,582</b>      | \$ 80,252,439     |

Distributions per Unit totaled \$0.84 for the nine months ended September 30, 2007, and \$1.12 for the year ended December 31, 2006.

## Units

A summary of Units issued in the nine months ended September 30, 2007 follows:

|  | Units             | \$                   |
|--|-------------------|----------------------|
| Issued and outstanding at December 31, 2006                            | 9,869,877         | \$ 94,226,033        |
| Units Issued   |                   |                      |
| Issuance of Units in settlement of<br>accrued Management Services Fees | 34,708            | 449,077              |
| Conversion of Series C Debentures                                      | 26,914            | 325,048              |
| Distribution Reinvestment Plan   | 7,902             | 108,186              |
| Exercise of warrants   | 5,625             | 30,375               |
| Value associated with warrants exercised                               | -                 | 5,220                |
| Unit issue costs   | -                 | (21,090)             |
| Issued and outstanding at March 31, 2007                               | 9,945,026         | 95,122,849           |
| Units Issued   |                   |                      |
| Distribution Reinvestment Plan   | 15,575            | 199,472              |
| Unit issue costs   | -                 | (5,273)              |
| Issued and outstanding at June 30, 2007                                | 9,960,601         | 95,317,048           |
| Units Issued   |                   |                      |
| Conversion of Series A Debentures                                      | 226,467           | 2,351,360            |
| Distribution Reinvestment Plan   | 12,940            | 144,165              |
| Unit issue costs   | -                 | (156,193)            |
| <b>Issued and outstanding at September 30, 2007</b>                    | <b>10,200,008</b> | <b>\$ 97,656,380</b> |

During the nine months ended September 30, 2007, \$2.3 million of Series A convertible debentures and \$0.3 million of Series C convertible debentures were converted into 226,467 and 26,914 Units, respectively, of Whiterock. Subsequent to September 30, 2007, 980 Units were issued resulting from the conversion of \$10,000 Series A Debentures.

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

During the nine months ended September 30, 2007, 36,417 (2006 – 13,846) 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.

## Unitholder Rights Plan

On January 29, 2007, Whiterock announced that, in connection with its previously announced review of strategic alternatives for the Trust, its Board of Trustees had adopted a unitholder rights plan (the "Plan"), which was effective immediately, and on June 28, 2007, Unitholders ratified the Plan.

The Plan operates to prevent an attempt to acquire control of Whiterock other than by means of an offer made to all unitholders that is a "Permitted Bid" as defined in the Plan. Under the Plan, those bids that

meet certain requirements intended to protect the interests of unitholders are considered to be "Permitted Bids." A Permitted Bid must be made by way of a take-over bid circular prepared in compliance with applicable securities laws, remain open for 60 days, be made to all unitholders, and satisfy certain other conditions.

## Unit Options

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

Unit options with a Black-Scholes calculated value of \$0.9 million were outstanding at September 30, 2007 (September 30, 2006 – \$0.8 million). The fair value associated with the unit options issued during the nine months ended September 30, 2007 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 25% on the underlying units, the term to expiry of 5 years, an annual dividend of \$1.12, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

During the three and nine months ended September 30, 2007, 65,000 options were issued and 20,312 options were cancelled.

Details of unit options granted and exercised for the three months ended September 30, 2007 and 2006 follow:

|  | <b>Three months ended<br/>September 30, 2007</b> |  | <b>Three months ended<br/>September 30, 2006</b> |  |
|--|--|--|--|--|
|  | <b>Unit Options</b>                              | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Unit Options</b>                              | <b>Weighted<br/>Average<br/>Exercise Price</b> |
| Outstanding, beginning of period           | <b>645,250</b>                                   | <b>\$10.68</b>                                 | 649,000  | \$10.60  |
| Granted                                    | <b>65,000</b>                                    | <b>\$10.88</b>                                 | -  | -  |
| Exercised                                  | -  | -  | (6,250)  | \$4.00   |
| Cancelled                                  | <b>(20,312)</b>                                  | <b>\$10.72</b>                                 | (9,375)  | \$10.00  |
| Outstanding, end of period                 | <b>689,938</b>                                   | <b>\$10.70</b>                                 | 633,375  | \$10.66  |
| Options vested, end of period              | <b>665,876</b>                                   | <b>\$10.65</b>                                 | 562,906  | \$10.74  |
| Weighted average remaining life<br>(years) | <b>2.9</b>                                       |  | 4.2  |  |

Details of unit options granted and exercised for the nine months ended September 30, 2007 and 2006 follow:

|  | <b>Nine months ended<br/>September 30, 2007</b> |  | <b>Nine months ended<br/>September 30, 2006</b> |  |
|--|---|--|---|--|
|  | <b>Unit Options</b>                             | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Unit Options</b>                             | <b>Weighted<br/>Average<br/>Exercise Price</b> |
| Outstanding, beginning of year             | <b>645,250</b>                                  | <b>\$10.68</b>                                 | 423,238   | \$8.88   |
| Granted                                    | <b>65,000</b>                                   | <b>\$10.88</b>                                 | 268,750   | \$12.84  |
| Exercised                                  | -   | -  | (49,238)  | \$7.59   |
| Cancelled                                  | <b>(20,312)</b>                                 | <b>\$10.72</b>                                 | (9,375)   | \$10.00  |
| Outstanding, end of period                 | <b>689,938</b>                                  | <b>\$10.70</b>                                 | 633,375   | \$10.66  |
| Options vested, end of period              | <b>665,876</b>                                  | <b>\$10.65</b>                                 | 562,906   | \$10.74  |
| Weighted average remaining life<br>(years) | <b>2.9</b>                                      |  | 4.2   |  |

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

## **Warrants**

Details of warrants issued and exercised for the three months ended September 30, 2007 and 2006 follow:

|  | <b>Three months ended<br/>September 30, 2007</b> |  | <b>Three months ended<br/>September 30, 2006</b> |  |
|--|--|--|--|--|
|  | <b>Warrants</b>                                  | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Warrants</b>                                  | <b>Weighted<br/>Average<br/>Exercise Price</b> |
| Outstanding, beginning of period           | <b>215,500</b>                                   | <b>\$13.94</b>                                 | 166,500  | \$11.68  |
| Issued                                     | -  | -  | 90,500   | \$14.20  |
| Exercised                                  | -  | -  | (35,875)   | \$5.40   |
| Outstanding, end of period                 | <b>215,500</b>                                   | <b>\$13.94</b>                                 | 221,125  | \$13.73  |
| Exercisable, end of period                 | <b>215,500</b>                                   | <b>\$13.94</b>                                 | 68,125   | \$13.07  |
| Weighted average remaining life<br>(years) | <b>3.7</b>                                       |  | 4.6  |  |

Details of warrants issued and exercised for the nine months ended September 30, 2007 and 2006 follow:

|  | <b>Nine months ended<br/>September 30, 2007</b> |  | Nine months ended<br>September 30, 2006 |  |
|--|---|--|---|--|
|  | <b>Warrants</b>                                 | <b>Weighted<br/>Average<br/>Exercise Price</b> | <b>Warrants</b>                         | <b>Weighted<br/>Average<br/>Exercise Price</b> |
| Outstanding, beginning of year             | <b>221,125</b>                                  | <b>\$13.73</b>                                 | 81,250                                  | \$5.40   |
| Issued                                     | -   | -  | 215,500                                 | \$13.94  |
| Exercised                                  | <b>(5,625)</b>                                  | <b>\$5.40</b>                                  | (75,625)                                | \$5.40   |
| <b>Outstanding, end of period</b>          | <b>215,500</b>                                  | <b>\$13.94</b>                                 | 221,125                                 | \$13.73  |
| <b>Exercisable, end of period</b>          | <b>215,500</b>                                  | <b>\$13.94</b>                                 | 68,125                                  | \$13.07  |
| Weighted average remaining life<br>(years) | <b>3.7</b>                                      |  | 4.6                                     |  |

As of September 30, 2007, all of the outstanding warrants are held by the third party provider of the revolving acquisition facility.

The Black-Scholes calculated value of the warrants outstanding at September 30, 2007 was \$0.3 million (2006 – \$0.1 million).

## **CAPITAL STRUCTURE ON CONVERSION OF SECURITIES**

The maximum number of Units that would be outstanding if all convertible securities were converted and all options and warrants were exercised, is as follows:

|                        | <b>September 30, 2007</b> | December 31, 2006 |
|------------------------|---------------------------|-------------------|
| Units outstanding      | <b>10,200,008</b>         | 9,664,523         |
| LP Class B Units       | -                         | 205,354           |
| Unit options           | <b>689,938</b>            | 645,250           |
| Warrants               | <b>215,500</b>            | 221,125           |
| Convertible debentures |                           |                   |
| Series A               | <b>1,048,039</b>          | 1,274,510         |
| Series C               | <b>223,083</b>            | 250,000           |
| Series D               | <b>666,667</b>            | 666,667           |
| Series E               | <b>1,818,182</b>          | 1,818,182         |
|                        | <b>14,861,417</b>         | 14,745,611        |

## LEASE MATURITIES PROFILE

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and mitigate risks related to changing market conditions. Lease expirations in each of the next five years range from 0.2% to 22.9% of the annualized total revenue of Whiterock's portfolio.

Whiterock's lease maturity profile at September 30, 2007 is as follows:

| Date                | Square Feet      | % of Total Square Feet | % of Annualized Tenant Revenue <sup>(2)</sup> |
|---------------------|------------------|------------------------|---|
| 2007 <sup>(1)</sup> | 4,793            | 0.2%                   | 0.2%  |
| 2008                | 145,015          | 5.3%                   | 5.5%  |
| 2009                | 353,565          | 13.0%                  | 10.5%   |
| 2010                | 193,908          | 7.1%                   | 6.7%  |
| 2011                | 427,107          | 15.7%                  | 22.9%   |
| 2012                | 96,269           | 3.6%                   | 4.5%  |
| 2013                | 138,251          | 5.1%                   | 4.5%  |
| 2014                | 22,346           | 0.8%                   | 1.2%  |
| 2015                | 235,129          | 8.7%                   | 5.8%  |
| 2016                | 124,495          | 4.6%                   | 5.3%  |
| Thereafter          | 941,074          | 34.7%                  | 32.9%   |
| Occupied            | 2,681,952        | 98.8%                  | 100.0%  |
| Vacant              | 32,153           | 1.2%                   |   |
| <b>Total</b>        | <b>2,714,105</b> | <b>100.0%</b>          | <b>100.0%</b>                                 |

(1) Includes month-to-month tenants.

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

## TENANT PROFILE

The following table summarizes Whiterock's top ten tenants at September 30, 2007, which together represent 52.8% of Whiterock's annualized revenues from its income property portfolio at September 30, 2007:

| Tenant                                | Rank | Square Feet      | % of Annualized Tenant Revenue <sup>(1)(2)</sup> |
|---------------------------------------|------|------------------|--|
| SIQ (Quebec Gov't Agency)             | 1    | 507,770          | 17.8%  |
| ING                                   | 2    | 231,500          | 7.1%   |
| Federal Government                    | 3    | 63,839           | 5.6%   |
| Province of Ontario                   | 4    | 74,277           | 4.9%   |
| Province of Nova Scotia               | 5    | 58,017           | 3.2%   |
| SPMC (Saskatchewan Gov't Agency)      | 6    | 75,532           | 3.1%   |
| Province of New Brunswick             | 7    | 80,162           | 3.1%   |
| Crown Investment Corp. <sup>(3)</sup> | 8    | 70,112           | 2.8%   |
| Teranet Inc.                          | 9    | 35,694           | 2.7%   |
| Sobeys                                | 10   | 55,795           | 2.6%   |
| <b>Total: Top 10 Tenants</b>          |      | <b>1,252,698</b> | <b>52.8%</b>                                     |

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

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

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

## **CASH DISTRIBUTIONS**

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

## **CAPITAL RESOURCES AND LIQUIDITY**

Whiterock's cash flow from operating activities for the three and nine months ended September 30, 2007 was an outflow of \$0.8 million and positive cash flow of \$2.0 million from continuing operations compared to an outflow of \$0.2 million and cash flow of \$1.7 million for the comparative periods in 2006. 2007 cash flow was negatively impacted due to costs incurred with reviewing strategic alternatives for the Trust which were settled in the three months ended September 30, 2007. The increase in cash flow for the nine months ended September 30, 2007 is primarily due to investments in properties throughout 2006 contributing to cash flow from operating activities.

At September 30, 2007, Whiterock's cash balance was \$10.2 million, \$7.4 million of unlevered properties were available to generate additional financing and its \$45 million acquisition facility was undrawn.

The main sources of acquisition funds for Whiterock are its cash available in the bank, acquisition facility (see "Mortgages Payable and Acquisition Facility"), proceeds from convertible debentures (see "Convertible Debentures") and trust unit offerings (see "Units") and cash flows (see "Cash flow from operating activities") from the operations of its acquired properties. Mortgage financings reduce the equity component of new property acquisitions (see "Mortgages Payable and Acquisition 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 its December 31, 2006 and 2005 audited Consolidated Financial Statements and in Note 2 to its September 30, 2007 unaudited Consolidated Financial Statements. Management's discussion and analysis for the year ended December 31, 2006 outlines the policies that management believes are most subject to estimation and management's judgement.

## CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

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

The CICA has issued three new standards: Comprehensive Income – Handbook Section 1530; Financial Instruments, Recognition and Measurement – Handbook Section 3855; and Hedges – Handbook Section 3865, which were adopted by the Trust on January 1, 2007. In accordance with the transitional provisions of the respective standards, prior periods have not been restated and the effect of adopting these standards was recorded as an adjustment to the opening balance of consolidated unitholders’ equity.

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

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

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

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

Financial assets and financial liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables and financial liabilities (other than those held-for-trading) are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments are recorded on the balance sheet at fair value including those derivatives that are embedded in a financial instrument or other contract but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in net earnings, except for derivatives that are designated as cash flow hedges, in which case the fair value change for the effective portion of such hedging relationships are required to be recognized in OCI. The standard permits the Trust to designate any financial instrument whose fair value can be reliably measured as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855.

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

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

*(iii) Hedges, CICA Handbook Section 3865*

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

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

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

These changes were adopted retroactively without restatement effective January 1, 2007. The impact of these changes in accounting policies was to change the method of amortization of the deferred financing costs to the effective interest rate method from straight-line, which increased cumulative earnings and accumulated comprehensive earnings by \$65,150; and to reclassify deferred financing costs of \$5,007,203 from other assets to net against the relevant host contract within the liability portion of the consolidated balance sheet.

## **CONTROLS AND PROCEDURES**

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

There were no significant changes made to the design of Whiterock's internal controls over financial reporting during the three months ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, Whiterock's internal controls over financial reporting.

## **RISKS AND UNCERTAINTIES**

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