WHITEROCK
REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis
December 31, 2008

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

This Management's Discussion and Analysis of the results of operations and financial condition ("MD&A") of Whiterock Real Estate Investment Trust ("Whiterock" or the "Trust") should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2008 and 2007. Additional information relating to Whiterock, including its Annual Information Form ("AIF") dated March 18, 2009 and continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("SEDAR") and can be accessed electronically at www.sedar.com.

This MD&A is based on information available to management as at March 18, 2009.

CAUTIONARY STATEMENT REGARDING DISCLOSURE

This MD&A contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements made herein under the headings "Overall Business Strategy and Objectives", "Results of Operations – Future income taxes", "Mortgages Payable and Facilities – Total Indebtedness to Gross Book Value", and "Risks and Uncertainties – Income Available for Distribution", statements with respect to financial performance, sale-leaseback opportunities, proposed acquisitions and equity or debt offerings, new markets for growth, financial position, comparable commercial Real Estate Investment Trusts (REITs), proposed acquisitions, and other statements concerning Whiterock's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations and other matters which are not historical facts.

Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved", and the negative forms thereof. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. All forward-looking statements in this MD&A are qualified by these cautionary statements.

Forward-looking statements are not guarantees of future events or performance and, by their nature, are based on Whiterock's estimates and assumptions, which are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Whiterock to be materially different from those expressed or implied by such forward-looking statements. Such risks include but are not limited to: the risks related to the market for Whiterock's securities, the general risks associated with real property ownership and acquisition, unexpected costs or liabilities related to acquisitions, that future accretive acquisition opportunities will not be identified and/or completed by Whiterock, lease maturities, risk management, liquidity and general market conditions, an ability of Whiterock to obtain debt financing on favourable terms or at all, credit risks, changes in the competitive landscape, general uninsured losses, interest rate fluctuations, environmental matters, restrictions on redemptions of outstanding Whiterock securities, lack of availability of growth and/or diversification opportunities, over-reliance on anchor or single tenant properties, potential Unitholder liability, potential conflicts of interest, the availability of sufficient cash flow, fluctuations in cash distributions, fluctuations in the market price of Whiterock's units, the risk of failure to obtain additional financing, dilution, an unforeseen departure of key personnel, unanticipated adverse changes in legislation, failure to obtain or maintain mutual fund trust status and delays in obtaining governmental approvals or financing as well as those additional factors discussed herein under the heading "Risks and Uncertainties", and in the section entitled "Risk Factors" in Whiterock's Annual

Information Form which can be obtained at www.sedar.com. In particular, but without limitation, there can be no assurance that Whiterock will be able to continue to increase its FFO or AFFO. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: a less robust leasing environment than has been seen for the last several years; relatively stable interest costs; an increase in acquisition capitalization rates and more limited but available access to equity and debt capital markets to fund, at acceptable costs, Whiterock's future growth plans, and to enable Whiterock to refinance its debts as they mature.

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

NON-GAAP MEASURES

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

FFO, AFFO and property operating income are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, FFO, AFFO and property operating income may not be comparable to similar measures presented by other issuers. However, Whiterock presents its FFO in accordance with the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007 and February 10, 2009. A reconciliation from net income to FFO is calculated under the heading "Funds from Operations and Adjusted Funds from Operations". Property Operating Income is calculated under the heading "Property Operating Income".

Neither FFO, AFFO, 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 – December 31, 2008

- **Increased FFO –** Recurring FFO increased 34% to $15.0 million for the year ended December 31, 2008. Recurring FFO per unit (basic) increased 21% to $4.05 per unit in the same period. On a quarterly basis, recurring FFO increased 38% to $4.1 million for the three months ended December 31, 2008. Recurring FFO per unit (basic) increased 19% to $1.04 per unit in the same period. This represents an 81% FFO payout ratio.

- **Increased AFFO** – Recurring AFFO for the year ended December 31, 2008 was up 37% to $12.5 million. For the three months ended December 31, 2008 it increased 33% to $3.4 million. Recurring AFFO per unit (basic) increased 24% to $3.35 per unit and 15% to $0.87 for the year and three months ended December 31, 2008 respectively.

- **Success in Renewing Tenants** – In 2008, lease renewal retention rate was 89.3%. To date, 68.1% of leases up for renewal in 2009 have been re-leased

- **Solid Rental Rate Increases** – Increase in 2008 lease renewal rates averaged approximately 22%. In 2009 to date, increases in lease renewal rates averaged approximately 18%.

- **Same Property Growth** – Property operating income for the year ended December 31, 2008 increased approximately 3.9% on a same property basis from the prior year comparative period.

- **Investment Grade Tenants on Long-Term Leases** – 59% of revenues were from government and other investment grade tenants. Average lease term of the portfolio is 7.7 years, providing strong cash flow stability.

- **Secure Top Ten Tenants** – Average remaining lease term of top ten tenants, all investment grade and representing 45% of revenue, is 11.8 years.

- **New Acquisitions** – Acquired $92.7 million of properties comprised of eight commercial properties in Calgary and Edmonton, Alberta and two office properties in Chatham, Ontario and Dartmouth, Nova Scotia totaling 406,000 square feet in the year ended December 31, 2008. Real estate assets increased 27%.

- **Growth in Equity** – Issued $16.2 million of equity (a 14% increase in units) and $11.4 million of convertible debentures in a difficult financing environment.

- **Long-Term Fixed Rate Debt** – Average 7.2 year term for mortgage debt at a weighted average interest rate of 5.5%, all at fixed rates.

- **Geographically Balanced Portfolio** – At December 31, 2008, 17% of the portfolio's property operating income was in Alberta, 17% in Saskatchewan, 24% in Ontario, 29% in Quebec and 13% in Atlantic Canada.

- **Internal Property Management** – Expanded internally operated property management to eighteen properties, including 655 Bay Street, thereby increasing property management efficiencies.

- **Tax Efficient Distributions** – 100% of the distributions made in 2008, 2007 and 2006 were classed as return of capital for tax purposes.

UNIT CONSOLIDATION

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

BUSINESS OVERVIEW

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

From June 28, 2005, when Whiterock began active operations to December 31, 2008, it acquired 47 properties with gross book values ("GBV") totaling approximately $500 million and sold 4 properties for $66 million and a gain of $3.6 million.

At December 31, 2008, approximately 37% of Whiterock's revenue stream is derived from government leases, and government leases combined with other investment grade tenants supply 59% of the revenue stream. The average remaining lease term of the portfolio was 7.7 years at December 31, 2008.

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

Province	Office		Retail		Industrial	
	Number of Properties	GLA (1)	Number of Properties	GLA (1)	Number of Properties	GLA (1)
Alberta	4	183,438	1	54,516	3	103,691
Saskatchewan	5	219,776	3	174,865	2	273,437
New Brunswick	1	80,162	-	-	2	134,704
Nova Scotia	2	103,410	1	33,857	1	115,773
Ontario	3	363,701	-	-	4	243,161
Quebec	7	977,042	-	-	1	29,700
Prince Edward Island	-	-	3	69,431	-	-
Total	**22**	**1,927,529**	**8**	**332,669**	**13**	**900,466**

(1) Gross Leasable Area

In 2008, the Trust acquired 4 office and 3 industrial properties in Calgary, Alberta and a retail centre in Edmonton, Alberta for $79.75 million before closing costs. The purchase price was satisfied by a $22.8 million private placement of new units and new convertible unsecured subordinated debentures to the vendor, with the balance of the funds provided by the assumption of $23.3 million of mortgages with a weighted average interest rate of 5.9%, $11.5 million of new mortgages with an interest rate of 5.5%, with the balance paid in cash and from the Trust's acquisition and operating facilities. The vendor received $11.4 million of new Whiterock units issued at $34.50 per unit and $11.4 million of new 6% convertible unsecured subordinated debentures with a 4-year term and a conversion price of $39.66 per unit.

Additionally, the Trust completed the purchase of two office buildings located in Chatham, Ontario and Halifax, Nova Scotia for $10.1 million before closing costs and financed by the Trust's acquisition and operating facilities and $2.6 million of 5 year mortgage debt. The property in Chatham, Ontario was subsequently refinanced with $3.4 million of 10 year mortgage debt.

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

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 2008 Whiterock continued to operate a high quality diversified portfolio of office, industrial and retail assets in select markets across Canada that produces an attractive and consistent return to investors. Whiterock has an opportunistic acquisition program with an additional focus on internal growth measures. Whiterock focuses on properties that are not the primary focus of larger institutional investors while adhering to Whiterock's real estate investment criteria.

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

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

Growth through Opportunistic and Disciplined Acquisitions

As of December 31, 2008, Whiterock's GBV of real estate was $438 million, up from $3 million at the time of its initial public offering in June 2005. During this period, the size of Whiterock's real estate portfolio has increased to 3.2 million square feet of Gross Leasable Area (GLA) from 26,000 square feet of GLA.

Whiterock's growth strategy includes acquiring real estate at attractive capitalization rates while maintaining the high credit quality of its tenants and the physical condition of the assets being acquired. Whiterock focuses on assets with visible, growing cash flow streams and draws on management's experience in leasing, operations and financing to enhance value. Completing acquisitions at capitalization rates that have positive spreads to the asset level financing serves to enhance the REIT's performance.

Whiterock has developed a national platform of diversified commercial real estate across Canada, with target markets nationwide, including: Calgary; Edmonton; the Greater Toronto Area; Regina; Saskatoon; Southwestern Ontario; Ottawa; Halifax; Quebec City; and Montreal.

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

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

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

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

Internal Growth through Active Management

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

Whiterock currently self-manages eighteen properties. Management believes that selective self management positively contributes to operating results and intends to continue to expand the self-management of its portfolio.

Current Business Environment

Whiterock's continuing improvement in its 2008 financial and operating results were driven by its focus on active asset and property management and its disciplined acquisition strategy.

Whitrerock's portfolio is also built to withstand the cyclicality of the real estate industry, with long-term leases (7.7 years), long-term debt (7.2 years) at fixed rates and a high percentage of investment grade tenants (59%). Management believes that these characteristics were a factor in Whiterock's continued positive results in the fourth quarter of 2008 and should benefit Whiterock in 2009 as the Canadian economy experiences a recession in all regions of the country.

KEY PERFORMANCE MEASURES

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

(For the year ended)		**2008**		2007
FFO (basic) per unit - recurring	**$**	**4.05**	$	3.33
AFFO (basic) per unit - recurring	**$**	**3.35**	$	2.71
Property operating income - continuing	**$**	**34,242,039**	$	29,173,835
Property operating income - same asset	**$**	**29,848,894**	$	28,718,859
Investment in real estate assets - continuing (1)	**$**	**444,959,934**	$	341,552,543
Weighted average mortgage rate		**5.5%**		5.4%
Weighted average debenture rate		**6.8%**		7.0%
Interest coverage ratio (2)		**1.9**		1.7
Average lease term (in years) (3)		**7.7**		8.6
Occupancy level (3)		**98.1%**		98.6%
Recurring FFO payout ratio (4)		**83.2%**		100.9%

(1) As at period end. December 31, 2008 includes $7.3 million of mortgages receivable secured by real estate assets.
(2) Interest coverage is calculated based on continuing property operating income less G&A, divided by interest expense (including debentures and financing fee amortization) net of interest income on bank balances.
(3) Reflects executed leases as at December 31, 2008
(4) Recurring FFO payout ratio is calculated as distributions divided by recurring FFO for the year ended December 31, 2008 and 2007.

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

SELECTED ANNUAL INFORMATION

Additional selected annual information for Whiterock as at, and for the year ended, December 31, 2008 and 2007 is as follows:

(000's except per unit data and ratios)		**2008**		2007
Investment in real estate (continuing) during the year	**$**	**100,977**	$	12,103
Total assets	**$**	**432,905**	$	355,173
Mortgages payable and facilities	**$**	**284,154**	$	224,599
Convertible debentures	**$**	**52,534**	$	43,508
Unitholders' equity	**$**	**80,069**	$	74,862
Total revenue	**$**	**56,473**	$	48,520
Property operating income	**$**	**34,242**	$	29,174
Interest expense	**$**	**18,245**	$	16,774
Income	**$**	**1,577**	$	815
Income per unit - basic	**$**	**0.42**	$	0.24
Income per unit - diluted	**$**	**0.42**	$	0.24
Funds from operations (FFO)	**$**	**15,035**	$	8,974
FFO (recurring) [(1)]	**$**	**15,035**	$	11,203
FFO per unit - basic	**$**	**4.05**	$	2.67
FFO per unit - basic (recurring) [(1)]	**$**	**4.05**	$	3.33
FFO per unit - diluted	**$**	**3.88**	$	2.64
FFO per unit - diluted (recurring) [(1)]	**$**	**3.88**	$	3.29
Adjusted funds from operations (AFFO)	**$**	**12,463**	$	6,889
AFFO recurring [(1)]	**$**	**12,463**	$	9,119
AFFO per unit - basic	**$**	**3.35**	$	2.05
AFFO per unit - basic (recurring) [(1)]	**$**	**3.35**	$	2.71
AFFO per unit - diluted	**$**	**3.18**	$	2.03
AFFO per unit - diluted (recurring) [(1)]	**$**	**3.18**	$	2.65
Weighted average units outstanding				
Basic		**3,714,927**		3,359,302
Diluted - FFO and AFFO		**4,695,681**		3,393,048
Diluted - Recurring FFO		**4,695,681**		3,999,108
Diluted - Recurring AFFO		**4,695,681**		4,386,005
Net debt to total market capitalization - debentures as equity		**80.5%**		60.5%
Net debt to total market capitalization - debentures as debt		**86.9%**		71.6%
Interest coverage - including debentures as debt [(2)]		**1.9**		1.7
Interest coverage - including debentures as equity [(2)]		**2.5**		2.3
Total annual distributions	**$**	**12,571**	$	11,323
Total annual distributions - per unit	**$**	**3.37**	$	3.37

(1) Recurring FFO and AFFO are adjusted to remove $2,229,290 in costs associated with reviewing strategic alternatives for the REIT in 2007.

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

INVESTMENT ACTIVITIES

Whiterock acquired 47 properties from the time of its initial public offering in June 2005 to December 31, 2008 with a GLA of 3.9 million square feet and a GBV of approximately $500 million. Whiterock completed the acquisition of ten new properties in 2008 for $92.7 million with initial mortgage financing of $37.4 million and four properties in 2007 for $25.8 million with initial mortgage financing of $10.8 million. In the first quarter of 2008, Whiterock disposed of 310 Henderson Drive for proceeds of $14.0 million with an option to reacquire at market once substantially leased. In the year ended December 31, 2007, Whiterock disposed of three Quebec City office properties for total proceeds of $51.8 million and a $3.5 million gain.

Details of Whiterock's 2008 and 2007 acquisitions and dispositions are as follows:

2008 Acquisitions

Property Name	City	Province	Date Acquired	GLA (Sq. Ft.)
441 5th Avenue	Calgary	AB	07/16/08	58,061
12804 137th Avenue	Edmonton	AB	07/16/08	54,516
9705 Horton Road SW	Calgary	AB	07/16/08	54,517
2721 Hopewell Place NE	Calgary	AB	07/16/08	37,690
1512-1514 8th Street	Nisku	AB	07/16/08	46,500
2816 11th Street NE	Calgary	AB	07/16/08	33,170
4021 9th Street SW	Calgary	AB	07/16/08	44,491
4609 Manitoba Road SE	Calgary	AB	07/16/08	12,700
180 Keil Drive	Chatham	ON	07/28/08	36,927
111 Ilsley Avenue	Dartmouth	NS	08/27/08	27,428
				406,000

441 5th Avenue – is a ten-storey, 58,061 square foot, multi-tenant office building located on the southeast corner of 4th Street and 5th Avenue SW, in the heart of Calgary's downtown commercial core. The property is occupied by a mix of regional professional and energy service firms.

12804 137th Avenue (Palisades Shopping Centre) - is located on the northwest corner of 137th Avenue and 127th Street within the high growth Pembina neighborhood in northwest Edmonton. This recently expanded and updated property shares common access with a new Canada Safeway food store, which acts as a shadow anchor. The property is located at the start of a new format, big-box retail development anchored by Home Depot and Best Buy.

9705 Horton Road SW – contains three multi-tenant suburban office buildings and is located in the community of Haysboro in central southwest Calgary. This well located property is situated on 1.7 acres and offers 156 surface parking spots. The property is occupied by a mix of local and regional tenants.

2721 Hopewell Place NE – is located on a 1.89 acre site, within 10 minutes of the Calgary airport and with direct access to major roadways. This newly constructed building, with equal components of office and warehouse space, is fully leased to Net Safety Monitoring Inc., a privately-held Canadian corporation. Net Safety has grown to become a global leader in their industry, designing and manufacturing fixed flame and gas detection equipment and safety-related accessories.

1512-1514 8th Street – is well located in the high demand area of Nisku, immediately south of Edmonton, near the Edmonton International Airport on 10.2 acres. This industrial building is fully leased, on a long-term basis to Arcticor Structures, a private company in operation for over 40 years. Arcticor builds and services remote shelter needs for modular office units, workforce camps, and custom designed projects.

2816 11th Street NE – is a 33,170 square foot, well maintained three-story office building located in the community of South Airways in northeast Calgary. Situated in a high demand suburban setting, the property has views overlooking Barlow Trail and the Calgary skyline. The 0.9 acre site provides 57 surface parking stalls.

4021 9th Street SW – is a single-tenanted industrial building located in the well established industrial district of Highfield in central Calgary. The district is in close proximity to the downtown core creating more retail frontages and increasing rents and land values. The tenant, Fratello Coffee Company, a family—owned specialty coffee manufacturer, uses the building for showroom, office and warehouse to sell and distribute its products on a commercial basis.

4609 Manitoba Road SE – is a single-tenanted industrial property located on the west side of Manitoba Road SE, in the industrial district of South Manchester in central Calgary. Situated on 1.24 acres of land, this building is fully leased to Arcticor Structures, a private company that has been in operation for over 40 years. This company builds and services remote shelter needs for modular office units, workforce camps, and custom designed projects.

180 Keil Drive – this office property is located at the high traffic intersection of Keil Drive and Richmond Street (Hwy 2) in the heart of Chatham's south end and is visible immediately on entering the downtown. The Property has excellent access, sightlines and exposure, newly constructed, best-of-class finishes with an abundance of on-site parking. The property is leased on a long-term, fully net basis to Minacs Worldwide Inc., a wholly owned subsidiary of Aditya Birla Group, a multi-national organization.

111 Ilsley Avenue – this 3-story office property is very well located at the corner of Ilsley and Burnside Drive, a high visibility, elevated site at the entrance to Burnside Industrial Park. The 1.56 acre property has 124 surface parking spots surrounding the building on all sides and is occupied by Bank of Montreal and PCL Construction.

2007 Acquisitions

Property Name	City	Province	Date Acquired	GLA (Sq. Ft.)
193 Malpeque	Charlottetown	PEI	03/30/07	41,738
310 Henderson Drive	Regina	SK	10/01/07	395,159
2208 Scarth Street	Regina	SK	12/14/07	25,310
2445 13th Avenue	Regina	SK	12/14/07	16,018
				478,225

193 Malpeque – is a newly constructed 41,738 square foot retail property located at the intersection of Malpeque Road and the Charlottetown Perimeter Highway, within a new non-owned power centre.

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

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

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

2008 Disposition

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

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

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

2007 Dispositions

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

Property Name	City	Province	Disposition Date	GLA (Sq. Ft.)(1)
410 Charest	Quebec City	QC	04/10/07	84,324
750 Charest	Quebec City	QC	04/10/07	107,403
880 & 930 Ste-Foy	Quebec City	QC	04/10/07	175,947
Total				**367,674**

(1) Whiterock's interest.

Effective April 10, 2007, Whiterock completed the sale of its 50% undivided, non-managed interest in three Quebec City office properties, being 410 Charest, 750 Charest and 880-930 Ste-Foy, to the existing co-owners through the exercise of buy-sell provisions initiated by Whiterock. The dispositions, for $51.8 million with mortgage financing of $31.6 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.

SUMMARY OF QUARTERLY RESULTS

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

(in $000's except per unit information)	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1
Total revenue								
- continuing operations	**15,799**	14,804	12,861	13,009	12,610	12,005	11,938	11,966
- discontinued operations	**-**	-	-	116	334	-	204	1,984
Property operating income								
- continuing operations	**9,444**	9,369	7,756	7,673	7,600	7,257	7,249	7,068
- discontinued operations	**-**	-	-	18	96	-	79	980
Income (loss)	**221**	377	620	359	(704)	(235)	1,978	(225)
Income (loss) adjusted (1)	**221**	377	620	359	(44)	(147)	(195)	(225)
Income (loss) per unit								
- basic	**0.06**	0.10	0.17	0.10	(0.21)	(0.07)	0.60	(0.07)
- diluted	**0.06**	0.10	0.17	0.10	(0.21)	(0.07)	0.59	(0.07)
- basic adjusted (1)	**0.06**	0.10	0.17	0.10	(0.01)	(0.04)	(0.06)	(0.07)
- diluted adjusted (1)	**0.06**	0.10	0.17	0.10	(0.01)	(0.04)	(0.06)	(0.07)
Funds from operations (FFO)	**4,109**	4,036	3,535	3,355	2,985	2,649	541	2,799
FFO (recurring) (2)	**4,109**	4,036	3,535	3,355	2,985	2,737	2,682	2,799
FFO per unit								
- basic	**1.04**	1.04	0.99	0.97	0.87	0.78	0.16	0.85
- diluted	**0.99**	0.99	0.96	0.94	0.86	0.78	0.16	0.83
- basic (recurring) (2)	**1.04**	1.04	0.99	0.97	0.87	0.81	0.81	0.85
- diluted (recurring) (2)	**0.99**	0.99	0.96	0.94	0.86	0.80	0.80	0.83
Adjusted funds from operations (AFFO)	**3,432**	3,324	2,923	2,784	2,578	2,146	(8)	2,173
AFFO (recurring) (3)	**3,432**	3,324	2,923	2,784	2,578	2,234	2,133	2,173
AFFO per unit								
- basic	**0.87**	0.86	0.82	0.80	0.75	0.63	-	0.66
- diluted	**0.82**	0.81	0.78	0.77	0.73	0.62	-	0.64
- basic (recurring) (3)	**0.87**	0.86	0.82	0.80	0.75	0.66	0.64	0.66
- diluted (recurring) (3)	**0.82**	0.81	0.78	0.77	0.73	0.64	0.63	0.64
Cash distribution per unit	**0.84**	0.84	0.84	0.84	0.84	0.84	0.84	0.84

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

(2) FFO per unit (recurring) excludes the effect of the costs associated with reviewing strategic alternatives for the REIT of $87,623 in the third quarter of 2007 and $2,141,667 in the second quarter of 2007.

(3) AFFO per unit (recurring) excludes the effect of the costs associated with reviewing strategic alternatives for the REIT of $87,623 in the third quarter of 2007 and $2,141,667 in the second quarter of 2007.

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

RESULTS OF OPERATIONS

Statement of income

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

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Property operating income	**$ 9,443,683**	$ 7,600,162	**$ 34,242,039**	$ 29,173,835
Interest income	**182,821**	100,902	**833,361**	504,738
Interest expense	**(5,140,977)**	(4,197,744)	**(18,244,883)**	(16,773,966)
General and administrative expenses	**(351,860)**	(505,888)	**(1,673,278)**	(2,201,395)
Amortization	**(3,882,828)**	(2,949,782)	**(13,469,749)**	(11,563,739)
Income (loss) before the undernoted	**250,839**	47,650	**1,687,490**	(860,527)
Strategic alternatives costs	**-**	-	**-**	(2,229,290)
Future income taxes	**(30,000)**	(660,000)	**(100,000)**	140,000
Income (loss) from continuing operations	**220,839**	(612,350)	**1,587,490**	(2,949,817)
Income from discontinued operations	**-**	(92,051)	**(55,546)**	249,757
Gain on disposition of properties	**-**	-	**44,819**	3,514,785
Net income (loss)	**$ 220,839**	$ (704,401)	**$ 1,576,763**	$ 814,725
Basic net income (loss) per unit				
Continuing operations	**$ 0.06**	$ (0.18)	**$ 0.43**	$ (0.88)
Discontinued operations	**$ -**	$ (0.03)	**$ -**	$ 1.12
Net income (loss) per unit	**$ 0.06**	$ (0.21)	**$ 0.42**	$ 0.24
Diluted net income (loss) per unit				
Continuing operations	**$ 0.06**	$ (0.18)	**$ 0.43**	$ (0.88)
Discontinued operations	**$ -**	$ (0.03)	**$ -**	$ 1.11
Net income (loss) per unit	**$ 0.06**	$ (0.21)	**$ 0.42**	$ 0.24

Whiterock's net income for the three months and year ended December 31, 2008 was $0.2 million and $1.6 million respectively (three months and year ended December 31, 2007 net income (loss) of ($0.7) million and $0.8 million respectively).

Following is a discussion of individual income components:

Property operating income

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Income property rentals				
Same Property				
Rental income	**$ 12,081,987**	$ 11,884,255	**$ 46,661,567**	$ 44,796,744
Straight-line rent	**268,297**	275,622	**1,162,329**	1,376,589
Above and below market lease amortization	**324,149**	324,330	**1,450,144**	1,310,147
	12,674,433	12,484,207	**49,274,040**	47,483,480
Acquisitions (1)				
Rental income	**2,690,012**	20,919	**5,885,928**	519,529
Straight-line rent	**45,110**	6	**83,377**	7,892
Above and below market lease amortization	**206,210**	4,446	**395,840**	4,446
Income property rentals	**15,615,765**	12,509,578	**55,639,185**	48,015,347
Property operating costs				
Same property	**5,145,983**	4,904,684	**19,425,146**	18,764,621
Acquisitions (1)	**1,026,099**	4,732	**1,972,000**	76,891
Property operating costs	**6,172,082**	4,909,416	**21,397,146**	18,841,512
Property operating income				
Same property	**7,528,450**	7,579,523	**29,848,894**	28,718,859
Acquisitions (1)	**1,915,233**	20,639	**4,393,145**	454,976
Total property operating income	**$ 9,443,683**	$ 7,600,162	**$ 34,242,039**	$ 29,173,835

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

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

Same Property Growth
On a same property basis, property operating income for the year ended December 31, 2008 increased $1.1 million or 3.9% compared to the year ended December 31, 2007 and decreased $0.05 million or 0.7% for the three months ended December 31, 2008 over the same period in 2007. The three month same property operating income was negatively impacted by a lower average occupancy rate in 2008 compared to the same period in 2007.

Income property rentals from same properties (31 properties owned for the three months ended December 31, 2008 and 2007 and 30 properties owned for the year ended December 31, 2008 and 2007) increased $0.2 million, or 1.5% for the three months ended December 31, 2008, and $1.8 million or 3.8% for the year ended December 31, 2008, as compared to 2007, primarily as a result of contractual rent increases. Same property operating costs increased $0.2 million, or 4.9% for the three months ended December 31, 2008, and increased $0.7 million or 3.5% in the year ended December 31, 2008 compared to the same periods in the prior year. Same property operating income for the three months and year ended December 31, 2008 includes $0.3 million and $1.2 respectively, from leases with contractual rent increases recognized on a straight-line basis, compared to $0.3 million and $1.4 in the comparable prior year periods. In addition, income from same property rentals for the three months and year ended

December 31, 2008 includes $0.3 million and $1.5 million respectively of amortization of above and below market lease adjustments, compared to $0.3 and $1.3 million for the same period in 2007.

Margins on same property net operating income in the fourth quarter of 2008 and 2007 are 60% and 61% respectively. The decrease is due to the reasons noted above.

Growth due to Acquisitions
Income property rentals for the three months and year ended December 31, 2008 includes $2.9 million and $6.4 million respectively, from continuing properties acquired throughout 2007 and 2008, compared to $0.03 million and $0.5 million for the same periods in 2007. Property operating costs increased due to acquisitions by $1.0 million in the three months ended December 31, 2008 and by $1.9 million for the year ended December 31, 2008 compared to the same periods in 2007.

As at December 31, 2008, the gross value of above and below market leases on acquisition for continuing operations was $11.3 million. Management intends to capture the value of the below market leases over time in the form of higher rental rates as tenants' leases are renewed.

Leasing Performance
The Trust continues to experience high occupancy levels in its properties. Occupancy levels were 98.1% at December 31, 2008 compared to 98.6% at December 31, 2007.

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

	Three months ended December 31, 2008			
	Office	**Retail**	**Industrial**	**Total**
Income property rentals	**$ 11,606,578**	**$ 2,091,198**	**$ 1,917,989**	**$ 15,615,765**
Property operating costs	**4,940,473**	**626,906**	**604,703**	**6,172,082**
Property operating income	**$ 6,666,105**	**$ 1,464,292**	**$ 1,313,286**	**$ 9,443,683**

	Three months ended December 31, 2007			
	Office	Retail	Industrial	Total
Income property rentals	$ 9,278,011	$ 1,553,075	$ 1,678,492	$ 12,509,578
Property operating costs	3,838,400	473,728	597,288	4,909,416
Property operating income	$ 5,439,611	$ 1,079,347	$ 1,081,204	$ 7,600,162

Property operating income from office properties provided 71% of total property operating income for the three months ended December 31, 2008 compared to 72% for the same period in 2007.

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

	Year ended December 31, 2008			
	Office	**Retail**	**Industrial**	**Total**
Income property rentals	**$ 41,576,968**	**$ 7,044,811**	**$ 7,017,406**	**$ 55,639,185**
Property operating costs	**17,123,265**	**2,035,964**	**2,237,917**	**21,397,146**
Property operating income	**$ 24,453,703**	**$ 5,008,847**	**$ 4,779,489**	**$ 34,242,039**
Income properties - continuing	**$ 273,901,568**	**$ 55,879,073**	**$ 50,544,868**	**$ 380,325,509**

	Year ended December 31, 2007			
	Office	Retail	Industrial	Total
Income property rentals	$ 36,124,987	$ 5,696,038	$ 6,194,322	$ 48,015,347
Property operating costs	15,292,713	1,603,894	1,944,905	18,841,512
Property operating income	$ 20,832,274	$ 4,092,144	$ 4,249,417	$ 29,173,835
Income properties - continuing	$ 220,961,593	$ 39,781,022	$ 39,428,918	$ 300,171,533

Property operating income from office properties provided 71% of total property operating income for the year ended December 31, 2008 compared to 71% for the same period in 2007.

At December 31, 2008, Whiterock has achieved a geographic balance of revenue from its portfolio across Canada, with approximately 17% of the portfolio's property operating income generated from Alberta, 17% from Saskatchewan, 24% from Ontario, 29% from Quebec and 13% from Atlantic Canada.

Interest income

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Interest income	**$ 182,821**	$ 100,902	**$ 833,361**	$ 504,738

Interest income for the three months and year ended December 31, 2008 totaled $0.2 million and $0.8 million respectively and was derived primarily from interest on mortgages receivable and cash generated from property operations.

Interest expense

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Mortgage interest expense	**$ 3,464,712**	$ 2,887,856	**$ 12,606,774**	$ 11,535,901
Facilities and other interest expense	**298,518**	-	**729,277**	100,184
Debenture interest	**942,736**	855,985	**3,436,488**	3,497,576
Deferred finance cost				
- mortgages	**72,889**	53,692	**238,071**	221,767
- acquisition and operating facilities	**119,618**	174,630	**326,698**	499,642
- convertible debentures	**123,695**	127,179	**483,897**	519,929
Implicit interest rate in excess of coupon				
- convertible debentures	**118,809**	98,402	**423,678**	398,967
Interest expense	**$ 5,140,977**	$ 4,197,744	**$ 18,244,883**	$ 16,773,966

Interest for the three months and year ended December 31, 2008 results from mortgages on properties acquired, convertible debentures issued, and from the acquisition and operating facilities. The increase of $0.9 million for the three months, and $1.5 million for the year ended December 31, 2008 compared to the prior year results from mortgages on properties acquired, convertible debentures issued, and from the acquisition and operating facilities offset by reductions from the conversion of debentures into units in 2008 and 2007 and the repayment of the Trust's acquisition facility in 2007.

General and administrative expenses

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Salaries and wages	**$ 147,351**	$ 296,085	**$ 774,285**	$ 1,260,687
Trustee fees paid in cash	**25,825**	20,661	**50,031**	134,507
Non-cash compensation - trustees and officers	**32,309**	3,958	**206,260**	75,702
Legal, audit and regulatory	**88,638**	66,199	**348,860**	252,216
Office rent	**-**	13,939	**-**	84,218
Insurance	**10,726**	14,217	**51,593**	61,679
Other general and administrative	**37,838**	30,549	**120,355**	106,761
	342,687	445,608	**1,551,384**	1,975,770
Costs related to properties not acquired	**4,832**	-	**45,673**	106,482
Office relocation costs	**-**	-	**-**	38,543
Recruiting costs	**4,341**	60,280	**76,221**	80,600
General and administrative expenses	**$ 351,860**	$ 505,888	**$ 1,673,278**	$ 2,201,395

For the three months and year ended December 31, 2008, general and administrative expenses totaled $0.4 million and $1.7 million respectively compared to $0.5 million and $2.2 million respectively for the comparable periods in 2007. Salaries and wages were reduced in the three months and year ended December 31, 2008 compared to the prior year periods due to management efficiencies. Non-cash compensation expense includes the value of options issued to management and the trustees of Whiterock. Costs related to properties considered for acquisition but not acquired totaled $0.005 million for the three months and $0.05 million for the year ended December 31, 2008 compared to nil and $0.1 million in the comparable prior year periods.

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

Strategic alternatives costs

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Strategic alternatives costs	**$ -**	$ -	**$ -**	$ (2,229,290)

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

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

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

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

Whiterock expensed $2.2 million of costs, primarily for legal, special committee and due diligence costs related to the process, in the year ended December 31, 2007.

Future income taxes

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

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

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

Under the SIFT Rules, following a transition period for Existing Trusts (as defined below), certain distributions from a SIFT will no longer be deductible in computing a SIFT's taxable income, and a SIFT will be subject to tax on such amounts at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax. In fiscal 2006, 2007 and 2008, all Whiterock's distributions were classed as returns of capital for tax purposes.

A SIFT that was publicly listed before November 1, 2006 (an "Existing Trust") will generally become subject to the tax contemplated under the SIFT Rules commencing in its 2011 taxation year. However, in accordance with the Normal Growth Guidelines released by the Department of Finance on December 15, 2006, as amended, an Existing Trust may become subject to this tax prior to its 2011 taxation year if it issues new equity capital beyond certain limits measured against the market capitalization of the Existing Trust at the close of trading on October 31, 2006. Whiterock has not exceeded such limits, and subject to any "undue expansion", management does not believe the Trust will be subject to the SIFT Rules prior to its 2011 taxation year.

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

Due to the SIFT Rules, in 2007 Whiterock commenced recognizing future income tax assets and liabilities with respect to the temporary differences between the carrying amounts and tax basis of its assets and liabilities, including those of its subsidiary trust, that are expected to reverse in or after 2011. Future income tax assets and liabilities are recorded using substantively enacted tax rates and laws expected to apply when the temporary differences are expected to reverse. The SIFT Rules resulted in the Trust including a future income tax asset of $40,000 (2007 - $140,000) in the consolidated balance sheet at December 31, 2008, and a future income tax expense of $100,000 (2007 - $140,000 recovery) reflected in consolidated income for the year ended December 31, 2008.

Amortization

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Building and improvements	**$ 2,149,370**	$ 1,668,135	**$ 7,604,174**	$ 6,622,840
Deferred charges				
- tenants inducements on acquisitions	**538,118**	452,570	**1,946,026**	1,804,820
- leasing costs	**132,383**	115,701	**449,102**	323,465
Intangible assets				
- lease origination costs	**635,959**	423,203	**2,066,339**	1,685,138
- tenant relationships	**401,940**	267,708	**1,306,690**	1,066,572
Furniture and fixtures	**25,058**	22,465	**97,418**	60,904
Amortization	**$ 3,882,828**	$ 2,949,782	**$ 13,469,749**	$ 11,563,739

Amortization on properties acquired, including related amortization of lease origination costs, costs related to tenant relationships and tenant inducements, totaled $3.9 million for the three months ended December 31, 2008, and $13.5 million for the year ended December 31, 2008, compared with $2.9 million and $11.6 million for the comparable prior year periods. The increases in the current year primarily reflect the impact of property additions in 2008.

Discontinued operations

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

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

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

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

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Income property rentals				
Rental income	**$ -**	$ 307,070	**$ 107,063**	$ 2,355,436
Straight-line rent	**-**	-	**-**	38,470
Above and below market lease amortization	**-**	26,494	**8,831**	109,521
Income property rentals	**-**	333,564	**115,894**	2,503,427
Property operating costs	**-**	(237,797)	**(97,901)**	(1,348,394)
Property operating income	**-**	95,767	**17,993**	1,155,033
Interest income	**-**	240	**271**	17,803
Interest expense				
Mortgage interest expense	**-**	(85,500)	**(42,932)**	(604,009)
Deferred finance cost	**-**	-	**-**	(7,944)
Interest expense	**-**	(85,500)	**(42,932)**	(611,953)
Amortization				
Building and improvements	**-**	(71,272)	**(21,458)**	(190,636)
Deferred charges				
- tenant inducements on acquisitions	**-**	(8,668)	**(2,610)**	(41,479)
Intangible assets				
- lease origination costs	**-**	(13,402)	**(4,035)**	(47,490)
- tenant relationships	**-**	(9,216)	**(2,775)**	(31,521)
Amortization	**-**	(102,558)	**(30,878)**	(311,126)
Income (loss) from discontinued operations	**$ -**	$ (92,051)	**$ (55,546)**	$ 249,757

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

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Gain on disposition of property	**$ -**	$ -	**$ 44,819**	$ 3,514,785

Cash flow from operating activities

Cash flow from continuing operating activities for the year ended December 31, 2008 was $14.6 million, compared to cash flow of $5.8 million in the comparative prior year period. Cash flow from continuing operations in 2008 was impacted by higher contractual rents, synergies of the larger operating platform in 2008 and interest on new mortgages receivable in the 2008 period. The year ended December 31, 2007 was negatively impacted by the payment of strategic alternative costs.

Cash flow from discontinued operating activities for the year ended December 31, 2008 was a cash outflow of $0.2 million, compared to a cash outflow of $0.06 million in the comparative prior year period. The disposition of an industrial property in Regina, Saskatchewan in 2008 and three Quebec properties in 2007 generated net cash proceeds of $6.4 million and $20.1 million respectively.

Funds from Operations and Adjusted Funds from Operations

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

FFO for the three months and year ended December 31, 2008 and 2007 is calculated in accordance with guidance issued by the Real Property Association of Canada (REALpac) White Paper on Funds from Operations dated November 30, 2004, with revisions February 1, 2007, and February 10, 2009 as follows:

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Income (loss) for the period	**$ 220,839**	$ (704,401)	**$ 1,576,763**	$ 814,725
Add back amortization:				
Building and improvements	**2,149,370**	1,668,135	**7,604,174**	6,622,840
Tenant inducements on acquisitions	**538,118**	452,570	**1,946,026**	1,804,820
Leasing costs	**132,383**	115,701	**449,102**	323,465
Lease origination costs	**635,959**	423,203	**2,066,339**	1,685,138
Tenant relationships	**401,940**	267,708	**1,306,690**	1,066,572
Discontinued operations	**-**	102,558	**30,878**	311,126
Add back:				
Future income tax expense (recovery)	**30,000**	660,000	**100,000**	(140,000)
Less:				
Gain on disposition of property	**-**	-	**(44,819)**	(3,514,785)
Funds from Operations (FFO)	**$ 4,108,609**	$ 2,985,474	**$ 15,035,153**	$ 8,973,901

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

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Funds from Operations (FFO)	**$ 4,108,609**	$ 2,985,474	**$ 15,035,153**	$ 8,973,901
Amortization of deferred finance costs				
Continuing operations	**316,202**	355,501	**1,048,666**	1,241,338
Discontinued operations	**-**	-	**-**	7,944
Convertible debentures implicit interest rate in excess of coupon rate	**118,809**	98,402	**423,678**	398,967
Non cash compensation expense	**32,309**	3,958	**206,260**	75,702
Accrued straight line rental revenue				
Continuing operations	**(313,407)**	(275,627)	**(1,245,706)**	(1,384,481)
Discontinued operations	**-**	-	**-**	(38,470)
Above and below market lease amortization				
Continuing operations	**(530,359)**	(328,775)	**(1,845,984)**	(1,314,592)
Discontinued operations	**-**	(26,494)	**(8,831)**	(109,521)
Normalized revenue sustaining capital expenditures and leasing costs				
Continuing operations	**(300,000)**	(234,189)	**(1,150,000)**	(933,389)
Discontinued operations	**-**	**-**	**-**	(28,017)
Adjusted Funds from Operations (AFFO)	**$ 3,432,163**	$ 2,578,250	**$ 12,463,236**	$ 6,889,382

For the year ended December 31, 2007, non-recurring costs associated with the review of strategic alternatives for the REIT negatively impacted FFO and AFFO by $2.2 million.

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

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
FFO Adjustments				
Funds from Operations	**$ 4,108,609**	$ 2,985,474	**$ 15,035,153**	$ 8,973,901
Add back:				
- Strategic alternatives costs	**-**	-	**-**	2,229,290
Recurring FFO	**$ 4,108,609**	$ 2,985,474	**$ 15,035,153**	$ 11,203,191
AFFO Adjustments				
Adjusted Funds from Operations from Operations (AFFO)	**$ 3,432,163**	$ 2,578,250	**$ 12,463,236**	$ 6,889,382
Add back:				
- Strategic alternatives costs	**-**	-	**-**	2,229,290
Recurring AFFO	**$ 3,432,163**	$ 2,578,250	**$ 12,463,236**	$ 9,118,672

Recurring FFO for the three months ended December 31, 2008 is $4.0 million compared to $3.0 million in 2007. For the year ended December 31 2008 and 2007, recurring FFO is $15.0 million compared to $11.2 million respectively. This increase is primarily as a result of increased net operating income from the impact of new leases and rent steps, the period of operation for the properties acquired in 2007 and 2008, reduced general and administrative expenses and additional interest income on 2008 mortgages receivable.

Recurring AFFO for the three months ended December 31, 2008 is $3.4 million compared to $2.6 million for the same period in 2007. For the year ended December 31, 2008, recurring AFFO increased to $12.4

million from $9.1 million for the same period in 2007. Leasing costs and capital expenditures incurred in the three months and year ended December 31, 2008 considered to be revenue sustaining in nature totaled $0.46 million and $1.15 million respectively. Costs undertaken to upgrade the existing HVAC system at 900 D'Youville in Quebec City in the three months and year ended December 31, 2008 totaled nil and $0.9 million. These costs are revenue enhancing rather than revenue sustaining and excluded from the calculation of AFFO. Normalized revenue sustaining capital expenditures and leasing costs, used in the calculation of AFFO, are $0.3 million and $1.2 million in the three months and year ended December 31, 2008, respectively.

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

	Three months ended		Year ended	
	Dec. 31, 2008	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Weighted average units outstanding				
Basic	**3,945,379**	3,421,741	**3,714,927**	3,359,302
Diluted - FFO	**5,061,030**	4,380,591	**4,695,681**	3,393,048
Diluted - Recurring FFO	**5,061,030**	4,380,591	**4,695,681**	3,999,108
Diluted - AFFO	**5,122,474**	4,380,591	**4,695,681**	3,393,048
Diluted - Recurring AFFO	**5,122,474**	4,380,591	**4,695,681**	4,386,005
FFO per unit - basic	**$ 1.04**	$ 0.87	**$ 4.05**	$ 2.67
FFO per unit - diluted	**$ 0.99**	$ 0.86	**$ 3.88**	$ 2.64
Recurring FFO per unit - basic	**$ 1.04**	$ 0.87	**$ 4.05**	$ 3.33
Recurring FFO per unit - diluted	**$ 0.99**	$ 0.86	**$ 3.88**	$ 3.29
AFFO per unit - basic	**$ 0.87**	$ 0.75	**$ 3.35**	$ 2.05
AFFO per unit - diluted	**$ 0.82**	$ 0.73	**$ 3.18**	$ 2.03
Recurring AFFO per unit - basic	**$ 0.87**	$ 0.75	**$ 3.35**	$ 2.71
Recurring AFFO per unit - diluted	**$ 0.82**	$ 0.73	**$ 3.18**	$ 2.65

Recurring FFO per unit (basic) increased by $0.17 or 19% for the three months ended December 31, 2008 and $0.71 or 21% for the year ended December 31, 2008, compared to the previous year comparable period. The increase is as a result of the additional FFO generated in 2008 as described above, partly offset by the additional units issued in 2008 and 2007. Basic FFO per unit of $1.04 for the three months ended December 31, 2008 represents a payout ratio of 81% on Whiterock's distributions in the quarter.

Recurring AFFO per unit (basic) increased $0.12 per unit or 15% for the three months ended December 31, 2008 and $0.64 per unit or 24% for the year ended December 31, 2008 compared to the same period in 2007. Recurring AFFO per unit (diluted) increased $0.09 per unit for the three months and $0.53 for the year ended December 31, 2008, compared to the same period in 2007.

FINANCIAL POSITION

Selected balance sheet information follows:

		December 31, 2008		December 31, 2007
Investment in real estate (1)				
- continuing operations	**$**	**444,959,934**	$	341,552,543
- discontinued operations	**$**	**-**	$	13,996,000
Total assets	**$**	**432,904,905**	$	355,172,837
Mortgages payable and facilities				
- continuing operations	**$**	**284,153,909**	$	217,098,967
- discontinued operations	**$**	**-**	$	7,500,000
Convertible debentures	**$**	**52,533,520**	$	43,507,560
Cash	**$**	**-**	$	4,152,370
Unitholders' Equity	**$**	**80,068,509**	$	74,861,530

(1) Includes $7.3 million in mortgages receivable secured by real estate assets in 2008.

The major changes to the balance sheet accounts at December 31, 2008 result from the acquisition of ten properties for $92.7 million in Alberta, Nova Scotia and Ontario, the sale of an industrial property in Regina, SK, new mortgages receivable totaling $7.3 million and the conversion of $3.0 million of convertible debentures. Further detail for mortgages payable and facilities, convertible debentures and Unitholders' equity follows.

MORTGAGES PAYABLE AND FACILITIES

Whiterock strives to match the mortgage term on its acquisitions to the average lease term of its properties. At December 31, 2008, Whiterock's mortgages payable have a weighted average remaining term of 7.2 years and a weighted average interest rate of 5.5% with 100% at fixed rates.

Whiterock's fixed and floating rate mortgage debt and credit facilities payable as at December 31, 2008 and as at December 31, 2007 are as follows:

	December 31, 2008		December 31, 2007	
	Total	**%**	Total	%
Mortgages payable				
Fixed rate	**$ 255,497,090**	**100.0%**	$ 218,832,982	96.7%
Floating rate	**-**	**-**	-	-
	255,497,090	**100.0%**	218,832,982	96.7%
Discontinued operations (floating rate)	**-**	-	7,500,000	3.3%
Mortgage liability	**255,497,090**	**100.0%**	226,332,982	100.0%
Deferred financing fees	**(2,450,655)**		(2,016,987)	
Deferred financing fees - Accumulated amortization	**502,777**		398,254	
Mortgages payable - net of deferred financing fees	**253,549,212**		224,714,249	
Acquisition and Operating facilities				
Acquisition and Operating facilities liability	**30,855,442**		-	
Deferred financing fees	**(477,596)**		(860,766)	
Deferred financing fees - Accumulated amortization	**226,851**		745,484	
Acquisition and Operating facilities - Deferred financing fees (net)	**(250,745)**		(115,282)	
Mortgages payable and facilities	**$ 284,153,909**		$ 224,598,967	

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

Year of Maturity	Scheduled Amortization	Balloon Payments	Total	Weighted Average Interest Rate
2009 (1)	3,947,418	4,500,000	**8,447,418**	7.89%
2010 (2)	4,217,951	12,716,598	**16,934,549**	5.25%
2011	4,842,556	-	**4,842,556**	5.47%
2012	5,693,642	20,250,892	**25,944,534**	5.83%
2013	5,263,344	23,593,756	**28,857,100**	5.55%
2014	5,199,257	-	**5,199,257**	5.37%
2015	5,347,780	46,290,081	**51,637,861**	5.27%
2016	3,133,068	87,690,977	**90,824,045**	5.29%
2017	1,470,148	3,251,950	**4,722,098**	5.74%
2018	1,411,562	2,571,466	**3,983,028**	5.97%
Thereafter	7,538,789	6,565,855	**14,104,644**	5.54%
Total continuing operations	**$ 48,065,515**	**$ 207,431,575**	**$ 255,497,090**	**5.49%**

(1) 10% $4.5 million second mortgage due in 2009 refinanced subsequent to year end with a $9.0 million second mortgage at 9.5% for 5 years.
(2) 2010 Balloon payments due November 1, 2010

Acquisition and Operating Facilities

On June 19, 2008, the Trust entered into a demand revolving acquisition and operating facility of up to $40 million, subject to renewal on an annual basis, with a major Canadian financial institution. The facility is secured by mortgages on new and existing property and the guarantee of the Trust and can be used for acquisitions, operations and general corporate purposes. The facility bears interest at floating rates determined, at Whiterock's option, by reference to the prime rate plus 150 basis points or Bankers Acceptance rates plus 250 basis points. As at December 31, 2008, $26.7 million was outstanding under this facility. Subsequent to year end, the Trust used $17.0 million of mortgage proceeds to reduce the outstanding balance of its revolving acquisition and operating facilities.

The Trust's $5 million demand revolving operating facility is subject to renewal on an annual basis and is secured by mortgages on existing property and the guarantee of the Trust. The facility bears interest at a floating rate determined by reference to the prime rate plus 50 basis points. As at December 31, 2008, $4.2 million was outstanding under this facility (December 31, 2007 – nil).

On April 28, 2006, the Trust entered into an 8.5% revolving $23.5 million acquisition facility with a third party provider which was amended on July 31, 2006, so that the maximum amount available to be drawn was increased to $45 million. This facility expired in May 2008 and was replaced by the new $40 million revolving acquisition and operating facility described above.

Total Indebtedness to Gross Book Value

Whiterock's Declaration of Trust provides that total indebtedness may not exceed 75% of GBV (all as defined in the Declaration of Trust). Whiterock continues to be in compliance with this ratio. At December 31, 2008, according to the calculation as defined in the Declaration of Trust, this ratio was 54.8% (December 31, 2007 – 60.3%) as per the table below. It is management's intention to reduce Whiterock's leverage ratio over time. A special resolution was passed at Whiterock's annual and special meeting of Unitholders that this limitation on total indebtedness (which term shall be amended to include the aggregate principal amount of all convertible subordinated debentures of the Trust) be reduced to 65% of GBV. The reduction shall take effect at such time as the total assets of the Trust, as reflected on its audited annual consolidated financial statements for its most recently completed fiscal year, exceeds $750 million.

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

	December 31, 2008	December 31, 2007
Total Indebtedness		
Mortgages payable		
- continuing operations	**$ 255,497,090**	$ 218,832,982
- discontinued operations	**-**	7,500,000
Total Indebtedness	**255,497,090**	226,332,982
Gross Book Value		
Total GBV of real estate assets		
- continuing operations	**458,725,402**	351,881,901
- discontinued operations	**-**	14,366,374
Other assets	**7,642,878**	8,788,892
Total Gross Book Value	**$ 466,368,280**	$ 375,037,167
Total Indebtedness to Gross Book Value	**54.8%**	60.3%

CONVERTIBLE DEBENTURES

Whiterock had $55.4 million (principal amount) of redeemable subordinated convertible debentures outstanding at December 31, 2008 (December 31, 2007 - $47.0 million) as follows:

	Series A	Series C	Series D	Series E	Series F	Total
Liability	$ 12,328,078	$ 2,883,060	$ 9,564,256	$ 23,888,615	$ -	$ 48,664,009
Equity	671,922	116,940	435,744	1,111,385	-	2,335,991
Principal on issuance	13,000,000	3,000,000	10,000,000	25,000,000	-	51,000,000
Conversion of debentures	(3,691,000)	(323,000)	-	-	-	(4,014,000)
Redemption of debentures	-	-	-	-	-	-
Principal - December 31, 2007	9,309,000	2,677,000	10,000,000	25,000,000	-	46,986,000
Issuance of debentures - liability	-	-	-	-	10,987,454	10,987,454
Issuance of debentures - equity	-	-	-	-	412,546	412,546
Conversion of debentures	(2,511,300)	(465,000)	-	-	-	(2,976,300)
Principal - December 31, 2008	**$ 6,797,700**	**$ 2,212,000**	**$ 10,000,000**	**$ 25,000,000**	**$ 11,400,000**	**$ 55,409,700**

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

	Series A	Series C	Series D	Series E	Series F	Total
Liability - December 31, 2007	$ 9,044,036	$ 2,608,559	$ 9,667,411	$24,090,489	$ -	$ 45,410,495
Issuance of debentures	-	-	-	-	10,987,454	10,987,454
Implicit interest rate in excess of coupon rate	78,660	17,999	82,270	203,332	41,417	423,678
Conversion of debentures	(2,447,831)	(454,823)	-	-	-	(2,902,654)
Liability - December 31, 2008	6,674,865	2,171,735	9,749,681	24,293,821	11,028,871	53,918,973
Deferred financing fees	(922,431)	(165,067)	(240,458)	(1,338,461)	(108,758)	(2,775,175)
Deferred financing fees - Accumulated amortization	694,334	92,731	103,300	489,392	9,965	1,389,722
Balance - December 31, 2008	**$ 6,446,768**	**$ 2,099,399**	**$ 9,612,523**	**$23,444,752**	**$ 10,930,078**	**$ 52,533,520**

Series A Convertible Debentures

On June 28, 2005, the Trust issued 8% redeemable subordinated unsecured convertible debentures in the original principal amount of $13,000,000 with interest payable semi-annually and which mature on June 28, 2010. The debentures are convertible at the request of the holder after June 28, 2007, subject to certain terms and conditions at a conversion price per unit of $30.60.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from June 29, 2007, and until June 28, 2009, providing that the 20-day weighted average trading price of the units is at least $45.90 and, after June 28, 2009, providing that the 20-day weighted average trading price is at least $38.25.

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

In 2008, $2.5 million of Series A debentures were converted into 82,068 units. In 2007, $3.7 million of Series A debentures converted into 120,619 units.

Series C Convertible Debentures
On December 21, 2005, the Trust issued 9% redeemable subordinated unsecured convertible debentures in the original principal amount of $3,000,000 with interest payable quarterly and which mature on December 21, 2010. The debentures are convertible at the request of the holder after December 21, 2006, subject to certain terms and conditions at a conversion price per unit of $36.00.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 21, 2006, and until June 21, 2008, providing that the 20-day weighted average trading price of the units is at least $39.00 and, after June 21, 2008, providing that the 20-day weighted average trading price is at least $42.00.

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

In 2008, $0.5 million of Series C debentures were converted into 12,917 units. In 2007, $0.3 million of Series C debentures converted into 8,971 units.

Series D Convertible Debentures
On August 14, 2006, the Trust issued 7.5% redeemable subordinated unsecured convertible debentures in the original principal amount of $10,000,000 with interest payable semi-annually and which mature on July 31, 2011. The debentures are convertible at the request of the holder after July 31, 2007, subject to certain terms and conditions at a conversion price per unit of $45.00.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from July 31, 2009 and until July 14, 2010, providing that the 20-day weighted average trading price of the units is at least $56.25 and, after July 14, 2010, at the principal amount.

Series E Convertible Debentures
On December 8, 2006, the Trust issued 6.3% redeemable subordinated unsecured convertible debentures in the original principal amount of $25,000,000 with interest payable semi-annually and which mature on December 31, 2011. The debentures are convertible at the request of the holder, subject to certain terms and conditions at a conversion price per unit of $41.25.

The debentures are redeemable at the option of the Trust at the principal amount, subject to certain terms and conditions, from December 31, 2009 and prior to December 31, 2010, providing that the 20-day weighted average trading price of the units is at least $51.57 and, after December 30, 2010, at their principal amount.

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

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

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

UNITHOLDERS' EQUITY

Unitholders' equity at December 31, 2008 and December 31, 2007 consists of the following:

		December 31, 2008		December 31, 2007
Units	**$**	**115,426,201**	$	99,571,778
Unit options		**838,594**		756,212
Warrants		**314,800**		314,800
Equity component of convertible debentures		**2,397,246**		2,132,625
Cumulative earnings				
and accumulated comprehensive earnings		**(5,052,808)**		(6,629,571)
Cumulative distributions to unitholders		**(33,855,524)**		(21,284,314)
	$	**80,068,509**	$	74,861,530

Distributions per unit totaled $3.37 for the year ended December 31, 2008 and $3.37 per unit for the year ended December 31, 2007.

Units

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

In the year ended December 31, 2008, 330,434 units were issued at $34.50 per unit as partial consideration for the acquisition of eight Alberta properties.

In the three months ended December 31, 2008, the Trust issued 1,081 units at $20.16 to the independent Trustees of Whiterock in lieu of paying the quarterly retainers to the Trustees.

During the year ended December 31, 2008, $2.5 million (2007 - $3.7 million) of Series A debentures were converted into 82,068 (2007 – 120,619) units of Whiterock, and $0.5 million (2007 - $0.3 million) of Series C debentures were converted into 12,917 (2007 – 8,971) units of Whiterock.

During the year ended December 31, 2008, 63,590 (2007 – 15,139) units were issued under Whiterock's Distribution Reinvestment Plan ("DRIP"). The DRIP allows Unitholders to purchase additional units using their distributions, without brokerage fees, at 96% of the volume weighted average trading price for the ten days immediately preceding a distribution payment date and conserves cash for the Trust.

During the year ended December 31, 2008, 3,666 units were issued to the independent trustees of Whiterock in lieu of paying quarterly retainers, at a weighted average price of $26.85, and 2,083 units were issued upon the exercise of options. In the year ended December 31, 2007 13,625 units were issued on exercise of units and 1,875 units were issued on exercise of warrants.

On January 3, 2007, the Trust issued 11,569 units valued at $449,077 and paid $238,705 cash to two officers and Trustees of the Trust to settle the remaining outstanding fees accrued as of December 31, 2006, in accordance with the original terms of their management services agreements.

Subsequent to December 31, 2008, 7,106 units were issued under Whiterock's DRIP.

A summary of units issued in the year ended December 31, 2008 follows:

	Units	$
Issued and outstanding at December 31, 2007	**3,461,758**	**$ 99,571,778**
Units Issued		
Conversion of Series A Debentures	**54,608**	**1,713,670**
Distribution Reinvestment Plan	**6,937**	**197,172**
Unit issue costs		**(92,006)**
Issued and outstanding at March 31, 2008	**3,523,303**	**$ 101,390,614**
Units issued		
Conversion of Series A Debentures	**27,460**	**863,960**
Conversion of Series C Debentures	**12,917**	**472,949**
Distribution Reinvestment Plan	**18,881**	**576,526**
Exercise of Options	**2,083**	**53,750**
Exercise of Equity Rights	**1,716**	**50,416**
Value Associated with Options Exercised		**4,677**
Unit issue costs		**(83,090)**
Issued and outstanding at June 30, 2008	**3,586,360**	**$ 103,329,802**
Units Issued		
Issuance of Units - property acquisition	**330,434**	**11,400,000**
Issuance of Units - trustees	**869**	**26,233**
Distribution Reinvestment Plan	**14,419**	**418,537**
Unit issue costs		**(177,598)**
Issued and outstanding at September 30, 2008	**3,932,082**	**$ 114,996,974**
Units Issued		
Distribution Reinvestment Plan	**23,353**	**412,650**
Issuance of units	**1,081**	**21,799**
Value Associated with Options Expired		**20,735**
Unit issue costs		**(25,957)**
Issued and outstanding at December 31, 2008	**3,956,516**	**$ 115,426,201**

Unitholder Rights Plan

On January 29, 2007, in connection with its review of strategic alternatives (see “Strategic Alternatives Costs”) for the Trust, the Board adopted a Unitholder rights plan (the “Plan”), which was effective immediately. On June 28, 2007, Unitholders ratified the Plan. The Unitholder Rights Plan has a term of three years and will expire in 2010, unless reconfirmed by the Unitholders or otherwise terminated in accordance with the terms of the Plan.

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

Unit Options

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

Unit options with a Black-Scholes calculated value of $0.8 million were outstanding at December 31, 2008 (December 31, 2007 – $0.8 million). The fair value associated with the unit options issued during the year ended December 31, 2008 was calculated using the Black-Scholes model for option valuation, assuming a weighted average volatility of 24% (December 31, 2007 – 25%) on the underlying units, the term to expiry of 5 years, an annual dividend of $3.37, and the five year weighted average risk free interest rate (typically the five year Canada bond rate at the date of grant).

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

	Three months ended Dec. 31, 2008		Three months ended Dec. 31, 2007	
	Unit Options	**Weighted Average Exercise Price**	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of period	**280,417**	**$31.09**	229,980	$32.07
Granted	**15,000**	**18.27**	-	-
Exercised	**-**	**-**	(13,625)	24.39
Expired	**-**	**-**	(20,938)	38.25
Cancelled	**-**	**-**	(3,125)	36.48
Outstanding, end of period	**295,417**	**$30.44**	192,292	$31.87
Options vested, end of period	**291,250**	**$30.45**	187,917	$31.83
Weighted average remaining life (years)	**3.0**		3.2	

Details of unit options granted and exercised for the year ended December 31, 2008 and 2007 follow:

	Year ended Dec. 31, 2008		Year ended Dec. 31, 2007	
	Unit Options	**Weighted Average Exercise Price**	Unit Options	Weighted Average Exercise Price
Outstanding, beginning of year	**192,292**	**$31.87**	215,084	$32.04
Granted	**113,333**	**28.20**	21,667	$32.64
Exercised	**(2,083)**	**25.80**	(13,625)	$24.39
Expired	**(5,104)**	**34.60**	(20,938)	$38.25
Cancelled	**(3,021)**	**33.30**	(9,896)	$34.08
Outstanding, end of year	**295,417**	**$30.44**	192,292	$31.87
Options vested, end of year	**291,250**	**$30.45**	187,917	$31.83
Weighted average remaining life (years)	**3.0**		3.2	

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 interests of Whiterock and its unitholders.

Warrants

Details of warrants issued and exercised for the three months ended December 31, 2008 and 2007 follow:

	Three months ended Dec. 31, 2008		Three months ended Dec. 31, 2007	
	Warrants	**Weighted Average Exercise Price**	Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	**71,833**	**$41.83**	71,833	$41.83
Exercised	**-**	**-**	-	-
Outstanding, end of period	**71,833**	**$41.83**	71,833	$41.83
Exercisable, end of period	**71,833**	**$41.83**	71,833	$41.83
Weighted average remaining life (years)	**2.5**		3.5	

Details of warrants issued and exercised for year ended December 31, 2008 and 2007 follow:

	Year ended Dec. 31, 2008		Year ended Dec. 31, 2007	
	Warrants	**Weighted Average Exercise Price**	Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	**71,833**	**$41.83**	73,708	$41.18
Exercised	**-**	**-**	(1,875)	16.20
Outstanding, end of year	**71,833**	**$41.83**	71,833	$41.83
Exercisable, end of year	**71,833**	**$41.83**	71,833	$41.83
Weighted average remaining life (years)	**2.5**		3.5	

The Black-Scholes calculated value of the warrants outstanding at December 31, 2008 was $0.3 million (December 31, 2007 – $0.3 million).

CAPITAL STRUCTURE ON CONVERSION OF SECURITIES

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

(as at)	**Exercise / Conversion Price**	**December 31, 2008**	December 31, 2007
Units outstanding		**3,956,516**	3,461,758
Unit options	$ 18.27	**15,000**	-
	$ 25.80	**60,000**	62,083
	$ 29.22	**10,000**	-
	$ 29.40	**56,667**	-
	$ 29.55	**4,167**	-
	$ 30.00	**43,750**	43,750
	$ 30.12	**4,167**	-
	$ 30.63	**23,333**	-
	$ 32.64	**16,666**	21,667
	$ 34.80	**6,250**	6,250
	$ 36.48	**-**	3,125
	$ 39.24	**55,417**	55,417
Warrants			
	$ 41.28	**41,667**	41,667
	$ 42.60	**30,166**	30,166
Convertble debentures			
Series A (8.0%)	$ 30.60	**222,147**	304,215
Series C (9.0%)	$ 36.00	**61,444**	74,361
Series F (6.0%)	$ 39.66	**287,443**	-
Series E (6.3%)	$ 41.25	**606,060**	606,060
Series D (7.5%)	$ 45.00	**222,222**	222,222
		5,723,082	4,932,741

CASH DISTRIBUTIONS

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

100% of the distributions made in 2008 were considered to be a return of capital for tax purposes.

CAPITAL RESOURCES AND LIQUIDITY

Cash flow from continuing operating activities for the year ended December 31, 2008 was $14.6 million compared to $5.8 million in the comparative prior year period. Cash flow from continuing operations in 2008 was impacted by the higher leasing levels in 2008, interest on new mortgages receivable in the 2008 period and new acquisitions in 2007 and 2008. The 2007 period was negatively impacted by the payment of strategic alternative costs.

On June 19, 2008, Whiterock entered into a demand revolving acquisition and operating facility of up to $40 million, subject to renewal on an annual basis, with a major Canadian financial institution. The facility is secured by mortgages on new and existing property and can be used for acquisitions, operations and general corporate purposes. The facility bears interest at floating rates determined, at Whiterock's option, by reference to the prime rate plus 150 basis points or Bankers Acceptance rates plus 250 basis points. As at December 31, 2008, $26.7 million was outstanding under the facility. Subsequent to year end the Trust used $17.0 million of mortgage proceeds to reduce the outstanding balance of its revolving acquisition and operating facilities.

The Trust's $5 million demand revolving operating facility is subject to renewal on an annual basis and is secured by mortgages on existing property and the guarantee of the Trust. The facility bears interest at a floating rate determined by reference to the prime rate plus 50 basis points. As at December 31, 2008, $4.2 million was outstanding under this facility (December 31, 2007 – nil).

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

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

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

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

Whiterock's significant accounting policies are described in Note 2 to its December 31, 2008 audited consolidated financial statements. Management believes the policies that are most subject to estimation and management's judgment are outlined below.

Income Property Acquisitions

Management is required to allocate the purchase price of income property acquisitions to land, building and improvements, tenant inducements and intangible assets such as lease origination costs and the value of tenant relationships. Management uses estimates and judgment to determine the following:

- The fair value of land as of the acquisition date;
- The value of the replacement cost of buildings and improvements as of the acquisition date based on prevailing construction costs for buildings of a similar class and age;
- The value of deferred leasing costs, including tenant improvements associated with in-place leases based on estimates of prevailing tenant allowances, taking into account the condition of tenants' premises and remaining lease term;

- The value of lease origination costs, including leasing commissions, foregone rent and operating cost recoveries during an estimated lease-up period, based on estimates of the costs that would be required for the existing leases to be put in place under the same terms and conditions;

- The value ascribed to above and below market in-place leases based on the present value of the difference between the rents payable under the terms of the in-place leases and estimated market rents;

- The value of tenant relationships, based on the net costs avoided if the tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew; and

- The fair value of debt assumed on acquisition by reference to market interest rates.

Such estimates of fair values and market interest rates could vary and affect reported financial results.

Amortization of Income Properties

Buildings and improvements are amortized on a straight-line basis over their estimated useful lives, not to exceed 40 years. A significant portion of the acquisition cost of each property is allocated to the building. The allocation of the acquisition cost to the building and the determination of the useful life are based on management's estimates. If the allocation to the building is inappropriate or the estimated useful lives of the buildings prove to be incorrect, the computation of amortization will not be appropriately reflected over future periods.

Impairment of Income Properties

Under Canadian GAAP, management is required to write down to fair value long-lived assets that are determined to have been impaired. If events or circumstances indicate that the carrying value of an income property may be impaired, a recoverability analysis is performed based on the estimated undiscounted cash flows to be generated from the income property. If the analysis indicates that the carrying value is not recoverable from future cash flows, the income property is written down to its estimated fair value and an impairment loss is recognized.

Fair Value of Mortgages and Debentures Payable

Management determines the fair value of Whiterock's mortgages and debentures payable on a quarterly basis. In determining the fair value, Management uses internally developed models that are based upon current market conditions. The process involves discounting the future contractual mortgage or debenture payments based upon a current market rate. In determining market rates, Management adds a credit spread to the quoted yields on Canadian government bonds with similar maturity dates to Whiterock's mortgages and debentures. The credit spread is estimated based upon experience in obtaining similar financing, and is also affected by current market conditions.

CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

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

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

Section 1535 includes required disclosures of an entity's objectives, policies and processes for managing capital, and quantitative data about the entity's various sources of capital.

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

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

FUTURE CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

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

The CICA has issued a new accounting standard, CICA Handbook Section 3064 - Goodwill and Intangible Assets, effective for the Trust's 2009 fiscal year, which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. CICA Handbook Section 1000 - Financial Statement Concepts, was also amended to provide consistency with this new standard. The Trust believes the impact of these Standards on its 2009 consolidated financial statements will not be material.

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

CONTROLS AND PROCEDURES

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

As of December 31, 2008, an evaluation was carried out, under the supervision of and with the participation of Management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Trust's disclosure controls and procedures as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the Trust's disclosure controls and procedures were effective as at December 31, 2008.

Internal Controls Over Financial Reporting
Management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer evaluated, or caused to be evaluated, the design of the Trust's internal controls over financial reporting (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2008. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Trust's internal controls over financial reporting were appropriately designed and were operating effectively as at December 31, 2008 in accordance with the internal control framework published by the Committee of Sponsoring Organizations of the Treadway Commission.

During the year ended December 31, 2008, no changes to internal controls over financial reporting have materially affected, or are reasonable likely to materially affect, internal controls over financial reporting.

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

RISKS AND UNCERTAINTIES

Whiterock and its properties are subject to the normal risks common to real property ownership and operation. Income properties are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The major categories of risk Whiterock encounters in conducting its business and the manner in which it takes actions to minimize their impact are disclosed herein as well as in Whiterock's Annual Information Form dated March 18, 2009, filed under Whiterock's profile on the Canadian Securities Administrators' website at www.sedar.com.

Real Property Ownership

All real property investments are subject to elements of risk. Such investments 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 value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants. Whiterock's financial performance would be adversely affected if its tenants were to become unable to meet their obligations under their leases. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Whiterock than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and costs to protect Whiterock's investment may be incurred. Furthermore, at any time, a tenant of any of Whiterock's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby adversely affect the financial performance of Whiterock.

Certain expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the real property is producing any income.

Lease Maturities Risk Management

Whiterock's lease maturities are spread on a property-by-property basis, which helps to generate a more stable cash flow and is intended to mitigate risks related to changing market conditions. However, these risks cannot be eliminated, and Whiterock remains subject to such systemic risks. Lease expirations in each of the next five years range from 7.0% to 17.3% of the annualized tenant revenue in Whiterock's portfolio.

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

Date	Square Feet	% of Total Square Feet	% of Annualized Tenant Revenue
2009	323,678	10.2%	7.9%
2010	233,977	7.4%	7.4%
2011	415,652	13.2%	17.3%
2012	173,984	5.5%	7.0%
2013	346,920	11.0%	13.7%
2014	105,076	3.3%	3.4%
2015	235,729	7.5%	4.7%
2016	153,901	4.9%	5.5%
2017	154,546	4.9%	6.1%
2018	51,704	1.6%	1.9%
Thereafter	904,682	28.6%	25.1%
Occupied	3,099,849	98.1%	100.0%
Vacant	60,815	1.9%	
Total	**3,160,664**	**100.0%**	**100.0%**

Income available for distribution

A return on an investment in units is not comparable to the return on an investment in a fixed income security. The recovery of an investment in units is at risk, and any anticipated return on an investment in units is based on many performance assumptions.

Although Whiterock currently intends to make distributions of a significant percentage of its available cash to Unitholders, such cash distributions are not assured and may be reduced, suspended or discontinued at any time, as circumstances may warrant. The ability of Whiterock to make cash distributions and the actual amount of cash distributed will be dependent upon, among other factors, the financial performance of the properties in its portfolio, its debt covenants and obligations, its working capital requirements and its future capital requirements. In addition, the market value of the units may decline for a variety of reasons, including if Whiterock is unable to meet its cash distribution targets in the future, and such decline may be significant.

It is important for a person making an investment in units to consider the particular risk factors that may affect both Whiterock and the real estate industry in which Whiterock operates and which may therefore affect the stability of the cash distributions on units.

The after-tax return from an investment in units to Unitholders that is subject to Canadian income tax can be made up of both a “return on” and a “return of” capital. That composition may change over time, thus affecting a Unitholder’s after-tax return. Subject to the SIFT Rules, returns on capital are generally taxed as ordinary income, capital gains or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred and reduce the Unitholder’s cost base in the Unit for tax purposes.

Public Market Risk

It is not possible to predict the price at which units will trade and there can be no assurance that an active trading market for the units will be sustained. The units will not necessarily trade at values determined solely by reference to the value of the properties of Whiterock. Accordingly, the units may trade at a premium or a discount to the value implied by the value of the properties of Whiterock. The market price for the units may be materially affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond Whiterock’s control or ability to predict.

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Whiterock’s ability to vary its portfolio promptly in response to changing economic or investment conditions. If Whiterock were to liquidate a real property investment, the proceeds could be significantly less than the aggregate carrying value of such property.

Whiterock faces the risk associated with general market conditions and their potential effects on its results of operations. Current general market conditions may include, among other factors, the insolvency of market participants, more restrictive lending standards and practices, with a consequent decreased availability of cash, and changes in unemployment levels, corporate sales levels, and real estate values. These market conditions may impact occupancy levels and Whiterock’s ability to obtain credit on favourable terms or to conduct public market financings. (See “Debt Financing” and “Failure to Obtain Additional Financing” below).

Debt Financing

Whiterock has outstanding indebtedness and may incur additional indebtedness in the future, including by way of additional mortgage loans, debentures and/or credit facilities. A portion of the cash flow generated by properties owned by Whiterock will be devoted to servicing such debt and there can be no assurance that Whiterock will continue to generate sufficient cash flow from operations to meet the required interest and principal payments on the debt.

The property mortgage indebtedness and acquisition and credit facilities are senior to the indebtedness under Whiterock’s convertible debentures.

Whiterock is subject to the risks associated with debt financing, including the risk that any mortgages and credit facilities secured by properties of Whiterock will not be able to be refinanced or that the terms of

such refinancing will not be as favourable as the terms of existing indebtedness. In addition, if Whiterock were to fail to meet its obligations under its mortgage indebtedness or its acquisition and credit facilities, this may materially and adversely impact Whiterock's ability to declare distributions to Unitholders and/or its ability to repay indebtedness under the debentures.
Whiterock attempts to appropriately structure the timing of significant tenant lease renewals on properties in relation to the time at which mortgage indebtedness on such property becomes due for refinancing, so as to minimize this risk, to the extent possible.

Credit

The following table summarizes Whiterock's top ten tenants at December 31, 2008, which together represents 44.8% of Whiterock's annualized revenues from its income property portfolio as at December 31, 2008:

Tenant	Rank	Square Feet	% of Annualized Tenant Revenue (1)
SIQ (Quebec Gov't Agency)	1	507,770	14.6%
ING Canada	2	231,500	5.7%
Federal Government	3	72,303	5.4%
Province of Ontario	4	74,277	4.4%
Province of Nova Scotia	5	63,717	3.0%
Saskatchewan Ministry of Government Services	6	80,857	2.8%
Province of New Brunswick	7	80,162	2.4%
Teranet	8	35,694	2.3%
Crown Investment Corp. (2)	9	67,592	2.2%
Sobeys	10	55,795	2.0%
Total: Top 10 Tenants		**1,269,667**	**44.8%**

(1) Tenant revenue comprises income property rentals excluding straight line rents and market rent adjustments.
(2) Holding company for Government of Saskatchewan utility companies.

Management believes that the existing credit ratings of its Government and other investment grade tenants helps mitigate credit risk for Whiterock. However, credit ratings are subject to ongoing review by ratings agencies and may be downgraded at any time, if circumstances warrant. No assurance can be made in the current economic climate that such ratings will be maintained.

Competition

The real estate business is extremely competitive. Numerous other developers, acquirers, managers and owners of office, industrial and retail properties compete with Whiterock in seeking properties. The existence of competing developers and owners, and the potential entry of additional competing developers and/or owners, could have an adverse effect on Whiterock's ability to acquire properties and on the rents charged or concessions granted. There can be no guarantee that additional properties will be available to Whiterock at fair prices or at all.

General Uninsured Losses

Whiterock believes that it carries such comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles as is customarily carried for similar properties in the regions in which it operates. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, Whiterock could lose its investment in, and anticipated profits and cash flows from, its properties and Whiterock would continue to be obliged to repay any recourse mortgage indebtedness on such properties.

Interest Rate Fluctuations and Financing

Whiterock's financing may include indebtedness with interest rates based on variable interest rates that result in fluctuations in Whiterock's cost of borrowing. There is a potential negative impact on Whiterock's cash available for distribution from such fluctuations. As at December 31, 2008, all of Whiterock's mortgage and convertible debenture debt was at fixed rates and $30.9 million (9% of total indebtedness) drawn under Whiterock's credit facilities was at floating rates.

Whiterock seeks to reduce its interest rate risk by staggering the maturities of long-term debt and limiting the use of floating-rate debt so as to minimize exposure to interest rate fluctuations.

Reliance on Anchor or Single Tenant Properties

Retail shopping centres have traditionally relied upon anchor tenants and therefore an investment in retail shopping centres is subject to the risk that such anchor tenants may move out of the property or default on their obligations under their leases.

Certain of Whiterock's properties have only a single tenant or a limited number of tenants. In the event that such tenant or tenants were to default on its or their lease payment obligations, there would be a significant negative effect on Whiterock. Whiterock's largest tenant is SIQ, a Quebec government agency. The Trust's top 10 tenants are identified in this section under the heading "Credit".

Diversification

While Whiterock's investment strategy is to acquire diversified properties in order to obtain its investment objectives, the portfolio of Whiterock is currently comprised of a limited number of properties currently concentrated in a few geographic sectors of Canada. The value of the units and the ability of Whiterock to fund distributions are dependent on the ability of Whiterock to derive income from these properties, and any economic shock in these geographic sectors could have a materially adverse impact on Whiterock's results of operations.

Failure to Obtain Additional Financing

Whiterock may require additional financing in order to grow and expand its operations. It is possible that such financing will not be available or, if it is available, will not be available on favourable terms. In addition, upon the expiry of the term of financing or refinancing of any particular property owned by Whiterock, refinancing may not be available in amounts required or may be available only on terms less favourable to Whiterock than existing financing. Future financing may take many forms, including debt or equity financing which could alter Whiterock's debt-to-equity ratio or which could be dilutive to Unitholders.

Environmental Matters

As an owner of real property, Whiterock is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Whiterock could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Whiterock's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in material claims against Whiterock. Management is not aware of any material non-compliance with environmental laws with respect to its income properties. Moreover, Whiterock is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with its properties.

It is Whiterock's policy to obtain a Phase I environmental audit conducted by a qualified environmental consultant prior to acquiring any additional real property. In addition, where appropriate, tenant leases generally specify that the tenant will conduct its business in accordance with environmental regulations and shall be responsible for liabilities arising out of any breach of such regulations.

SIFT Legislation

On June 22, 2007, legislation relating to the federal income taxation of SIFTs, received royal assent. A SIFT includes certain publicly-listed or traded partnerships and trusts, such as income trusts and real estate investment trusts which do not meet certain conditions. The Trust is currently a SIFT. (See "Future income taxes")

The Trust intends to restructure its business entities and processes in order to minimize or eliminate the impact of the SIFT Rules. There can be no assurances, however, that the Trust will be able to restructure such that it would not be subject to the tax contemplated by the SIFT Rules.

Other Tax Related Risk Factors

The extent to which distributions will be tax deferred in the future will depend on the extent to which Whiterock can shelter its taxable income by claiming capital cost allowances and other available deductions.

There can be no assurance that income tax laws (or the judicial interpretation thereof or the administrative and/or assessing practices of Canada Revenue Agency) and/or the treatment of mutual fund trusts will not be changed in a manner which would adversely affect Unitholders.

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act ("Plans"). Any Series 2 Note or Series 3 Note or other property distributed to a Unitholder on an in specie redemption of units may not be a qualified investment for Plans.

Interest on the Series 1 Notes accrues for income tax purposes whether or not actually paid. As the Declaration of Trust provides that Whiterock shall, subject to the Trustees resolving otherwise, distribute to Unitholders in each year an amount of net income and net realized capital gains in order to eliminate Whiterock's liability for tax under Part I of the Tax Act, where the amount of net income and net realized capital gains of Whiterock in a taxation year exceeds the cash available for distribution in the year (including, for instance, where interest payments on the Series 1 Notes are due but not paid in whole or in part during such year), such excess net income and net realized capital gains may be distributed to Unitholders in the form of additional units. Unitholders will generally be required to include an amount equal to the fair market value of those units in their taxable income, notwithstanding that they do not directly receive a cash distribution.

Market Price of Units

One of the factors that may influence the market price of the units is the annual yield thereon. Accordingly, an increase in market interest rates may lead purchasers of units to expect a higher annual yield, which could adversely affect the market price of the units. In addition, the market price for the units may be affected by changes in general market conditions, fluctuations in the market for equity securities, short-term supply and demand factors for real estate investment trusts and numerous other factors beyond Whiterock's control or ability to predict.

Availability of Cash Flow

Distributions may exceed actual cash available to Whiterock from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. Whiterock may be required to use part of its debt capacity or reduce distributions to Unitholders in order to accommodate such items.

Reliance on Key Personnel

The success of Whiterock is highly dependent on the continued services of certain key management personnel, including Jason Underwood and Paul Simcox. The loss of the services of such personnel could have a material adverse effect on Whiterock.

Legal risks

Whiterock's operations are subject to a variety of laws and regulations across all of its operating jurisdictions, and the Trust therefore faces risks associated with legal and regulatory changes and litigation. Whiterock retains external legal consultants to assist in remaining current with legal and regulatory changes and in responding to potential litigation.

Changes in Legislation

There can be no assurance that applicable legislation, including without limitation, income tax laws, will not be changed in a manner that will adversely affect Whiterock or its security holders.

Lack of Availability of Growth Opportunities

Whiterock's business plan includes growth through identification of suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If Whiterock is unable to identify suitable growth opportunities and consummate such acquisitions, or manage its growth effectively, its business, operating results, financial condition and distributions may be adversely affected.

There can be no assurance that Whiterock will be able to identify and acquire such assets, that such acquisitions, if any, will be accretive to earnings, or that distributions from Whiterock to Unitholders will increase or be maintained.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with real property acquisition is that there may be an undisclosed or unknown liability concerning the acquired properties, and Whiterock may not be indemnified for some or all of these liabilities. Following an acquisition, Whiterock may discover that it has acquired undisclosed liabilities, which may be material.
Whiterock conducts what management believes to be an appropriate level of investigation in connection with its acquisition of properties, and seeks through contractual representations and warranties to ensure that risks lie with the appropriate party.

Fluctuations in Cash Distributions

A return on an investment in units is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in units is at risk and the return on an investment in units is based on many performance assumptions. Although Whiterock intends to make cash distributions, the actual amount distributed in respect of units will depend on numerous factors, including the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and other factors that may be beyond the control of Whiterock. In addition, the market value of the units may decline if Whiterock is unable to provide a satisfactory return to Unitholders.

Dilution

The number of units that Whiterock is authorized to issue is unlimited. The Trustees have the discretion to issue additional units, which issuances, if any, may have a dilutive effect on Unitholders.

Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for holders of units to liquidate their investments. Series 2 Notes or Series 3 Notes which may be distributed in specie to holders of units in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities and such securities may be subject to an indefinite “hold period” or other resale restriction under applicable securities laws. Series 2 Notes and Series 3 Notes so distributed may not be qualified investments for deferred income plans. Regulatory approvals will be required in connection with a distribution of a Series 2 Note or Series 3 Note in specie to holders of units in connection with a redemption of units.

The entitlement of Unitholders to receive cash upon the redemption of their units is subject to the following limitations: (i) the total amount payable by Whiterock in respect of such units and all other units tendered for redemption in the same calendar month shall not exceed $20,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such units are tendered for redemption, the outstanding units shall be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the units; and (iii) the trading of the units has not been suspended or halted on any stock exchange on which the units are listed (or, if not listed on a stock exchange, on any market on which the units are quoted for trading) on the redemption date for more than five trading days during the 10 day period commencing immediately after the redemption date.

Legal Rights Attaching to Units

As a holder of units, a Unitholder does not have all of the statutory rights normally associated with the ownership of shares in a corporation including, for example, the right to bring "oppression" or "derivative" actions against Whiterock. The units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act (Canada)* and are not insured under the provisions of that Act or any other legislation. Furthermore, Whiterock is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Investment Eligibility

There can be no assurance that the units or debentures will continue to be qualified investments under certain Plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Potential Conflicts of Interest

The Trustees and officers of the Trust, or entities owned and/or controlled by them, or which they are affiliated or associated with, may become involved in transactions in which their interests actually, or are perceived to, conflict with the interests of Whiterock. Such conflicts will be subject to procedures and remedies similar to those provided under the *Canada Business Corporations Act ("CBCA")*, except as otherwise disclosed herein.

The Declaration of Trust contains "conflict of interest" provisions that serve to protect Unitholders without creating undue limitations on Whiterock. As the Trustees may be engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the CBCA that require each Trustee to disclose to Whiterock any interest in a material contract or transaction or proposed material contract or transaction with Whiterock (or an affiliate of Whiterock). A Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction except in limited circumstances such as where the contract or transaction is one for indemnity under the provisions of the Declaration of Trust or liability insurance.

Unitholder Liability

On June 16, 2005, *The Investment Trust Unitholders' Protection Act (Manitoba)* came into force. This legislation creates a statutory limitation on the liability of beneficiaries of Manitoba income trusts such as Whiterock. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation, or liability of Whiterock. Further, the Declaration of Trust provides that no Unitholder or annuitant under a plan in which a Unitholder acts as trustee or carrier (an "annuitant") will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Whiterock or its Trustees. It is possible that reliance on such statute by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Notwithstanding the Declaration of Trust, Unitholders may not be protected from liabilities of Whiterock to the same extent as a shareholder of a corporation is protected from the liabilities of the corporation. There is the possibility that personal liability may also arise in respect of claims against Whiterock (to the extent that not satisfied by Whiterock) that do not arise out of contract, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

The Declaration of Trust further provides that a property manager, the Trustees and officers of the Trust (and their respective affiliates and associates) and the directors and officers thereof may, from time to time, be engaged, directly or indirectly, for their own account or on behalf of others (including without limitation as trustee, administrator, manager or property manager of other trusts or portfolios) in real estate investments and other activities identical or similar to and competitive with the activities of the Trust and its Subsidiaries. The Declaration of Trust further provides that neither a property manager, a Trustee or officer of the Trust, nor any of their respective affiliates or associates (or their respective directors and officers) shall incur or be under any liability to the Trust, any Unitholder or any annuitant by reason of, or as a result of any such engagement or competition or the manner in which such person may resolve any conflict of interest or duty arising therefrom.