

Consolidated Financial Statements of

**WESTFIELD REAL ESTATE
INVESTMENT TRUST**

March 31, 2006 and 2005
(Unaudited)

WESTFIELD REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

(Thousands of dollars)	March 31, 2006 (unaudited)	December 31, 2005
ASSETS		
Income-producing properties (note 4)	\$ 265,467	\$ 209,658
Other assets (note 5)	57,302	47,984
Deferred financing costs, net of accumulated amortization of \$258 (2005, \$124)	2,663	2,523
Deposits on income-producing properties	600	425
Prepaid expenses	372	271
Rent and other receivables	2,130	1,447
Cash held in trust	4,164	1,033
Cash and cash equivalents	31,753	9,927
	\$ 364,451	\$ 273,268
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Mortgages and loans payable (note 6)	\$ 210,997	\$ 168,889
Convertible debentures (note 7)	22,143	21,945
Intangible liabilities (note 8)	8,877	7,299
Security deposits and prepaid rent	1,112	964
Accounts payable and other liabilities (note 9)	5,462	4,811
	248,591	203,908
Unitholders' equity:		
Capital contributions (note 10)	120,547	70,151
Contributed surplus	216	176
Equity component of convertible debentures (note 7)	5,024	5,024
Deficit	(9,927)	(5,991)
	115,860	69,360
Subsequent events (note 14)	\$ 364,451	\$ 273,268

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) "Armin Martens" Trustee

(Signed) "Wayne Townsend" Trustee

WESTFIELD REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Operations and Deficit (unaudited)

(Thousands of dollars, except unit and per unit amounts)	Three months ended March 31,	
	2006	2005
Revenue	\$ 9,357	\$ 515
Property operating expenses	3,617	132
	5,740	383
Interest	2,906	169
	2,834	214
Expenses:		
Corporate	451	51
Amortization	4,833	234
	5,284	285
Loss before gain on disposal of income-producing property	(2,450)	(71)
Gain on disposal of income-producing property (note 3)	941	-
Loss for the period	(1,509)	(71)
Deficit, beginning of period	(5,991)	(142)
	(7,500)	(213)
Distributions (note 11)	(2,427)	(171)
Deficit, end of period	\$ (9,927)	\$ (384)
Basic and diluted loss per unit	\$ (0.169)	\$ (0.062)
Weighted average number of units outstanding Basic	8,918,795	1,140,980

See accompanying notes to consolidated financial statements.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows (unaudited)

(Thousands of dollars)	Three months ended March 31,	
	2006	2005
Cash provided by (used in):		
Operating activities:		
Loss for the period	\$ (1,509)	\$ (71)
Adjustments for non cash items:		
Amortization:		
Income-producing properties	1,806	121
Office equipment	1	-
Above-market rent	54	2
Acquired in-place leases	2,871	106
Customer relationships	6	4
Deferred financing costs	134	3
Below-market rent	(530)	(22)
Tenant inducements and leasing costs	16	-
Above-market mortgage	(9)	-
Accretion on liability component of convertible debentures	197	3
Straight line rent adjustment	(165)	-
Gain on disposal of income-producing rental property	(941)	-
Unit based compensation expense	40	-
	1,971	146
Change in the following:		
Rent and other receivables	(518)	8
Cash held in trust	(3,131)	-
Prepaid expenses	(101)	(2)
Accounts payable and other liabilities	651	140
Security deposits and prepaid rent	148	7
	(980)	299
Investing activities:		
Acquisition of income-producing properties, net of related debt (note 3)	(25,814)	(2,955)
Disposition of income-producing property, net of mortgage and costs (note 3)	2,141	-
Net change to existing income-producing properties	7	-
Purchase of office equipment	(2)	-
Additions to tenant inducements and leasing costs	(239)	-
Changes in deposits on income-producing properties	(175)	157
	(24,082)	(2,798)
Financing activities:		
Issuance of units, net of issue costs	50,396	488
Distributions or dividends paid	(2,427)	(171)
Mortgages and loans principal repayments	(807)	(42)
Deferred financing costs	(274)	(81)
	46,888	194
Increase (decrease) in cash and cash equivalents	21,826	(2,305)
Cash and cash equivalents at beginning of period	9,927	3,270
Cash and cash equivalents at end of period	\$ 31,753	\$ 965
Supplementary cash flow information:		
Interest paid, net of interest received	\$ 2,586	\$ 162

See accompanying notes to consolidated financial statements.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Three months ended March 31, 2006 and 2005

(Thousands of dollars, except unit and per unit amounts)

1. Organization:

Westfield Real Estate Investment Trust (the REIT) is an unincorporated closed-end real estate investment trust created under, and governed by, the laws of the province of Manitoba and was created pursuant to the Declaration of Trust dated November 8, 2004, when one REIT unit was issued for cash. The purpose of the REIT is to directly, or indirectly, own, manage, lease and (where appropriate) develop retail, industrial and office properties in Canada.

These interim consolidated financial statements present the financial position of the REIT as at March 31, 2006 and the results of operations and cash flows for the three month period ended March 31, 2006.

2. Significant accounting policies:

These interim consolidated financial statements of Westfield Real Estate Investment Trust (the REIT) have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These interim consolidated financial statements follow the same accounting principles and methods of application as those disclosed in note 2 to the REIT's audited financial statements as at and for the year ended December 31, 2005 (2005 Audited Financial Statements). The REIT's interim consolidated financial statements do not include all disclosures required by GAAP for annual consolidated financial statements and, accordingly, should be read in conjunction with the 2005 Audited Financial Statements.

The preparation of interim consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Acquisitions and disposition of income-producing properties:

Acquisitions:

During the first quarter of 2006, the REIT acquired the following properties. These acquisitions have been accounted for by the purchase method, with the results of operations included in the REIT's accounts from the dates of acquisition.

<i>Property</i>	<i>Location</i>	<i>Acquisition Date</i>	<i>Type</i>
Northwest Centre 1 & 2	4500 and 4520-16th Ave NW Calgary, AB	February 28, 2006	Office
Southwood Corner	10233 Elbow Drive Calgary, AB	March 31, 2006	Retail
Circle 8	8th Street and Circle Drive Saskatoon, SK	March 31, 2006	Retail
Reenders Square	3-11 Reenders Drive Winnipeg, MB	March 31, 2006	Retail

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

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(Thousands of dollars, except unit and per unit amounts)

3. Acquisitions and disposition of income-producing properties (continued):

During the first quarter of 2005, the REIT acquired the following properties. These acquisitions have been accounted for by the purchase method, with the results of operations included in the REIT's accounts from the dates of acquisition.

<i>Property</i>	<i>Location</i>	<i>Acquisition Date</i>	<i>Type</i>
Royal Square	15 Worobetz Place Saskatoon, SK	February 1, 2005	Retail
Capital City Centre	1825 & 1875 E. Victoria Ave. Regina, SK	February 2, 2005	Retail

The net assets acquired, including acquisition costs in the amount of \$2,284 (2005, \$225), were as follows:

	Three months ended March 31,	
	2006	2005
Land	\$ 19,105	\$ 3,938
Buildings	37,281	4,278
Parking lots	1,000	220
Improvements	3,278	831
Acquired in-place leases	13,222	1,962
Above-market rent	7	15
Customer relationships	-	97
Below-market rent	(2,179)	(626)
Long-term debt including acquired above-market mortgage	(45,900)	(7,760)
Cash consideration	\$ 25,814	\$ 2,955

Disposition:

During the first quarter of 2006, the REIT disposed of the following property.

<i>Property</i>	<i>Location</i>	<i>Disposition Date</i>	<i>Type</i>
Edgemont Mall	4150 Edgemont Blvd. N.W. Calgary, AB	January 12, 2006	Retail

The proceeds from the sale, net of costs was \$5,117. Consideration received was the assumption of the existing mortgage in the amount of \$2,976 and cash in the amount of \$2,141.

The assets, intangible assets and liabilities associated with the property were removed from the books and a gain on sale of property in the amount of \$941 was recorded.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Three months ended March 31, 2006 and 2005

(Thousands of dollars, except unit and per unit amounts)

4. Income-producing properties:

			March 31, 2006 (unaudited)	December 31, 2005
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 71,219	\$ -	\$ 71,219	\$ 52,365
Buildings	165,876	1,638	164,238	130,333
Leasehold interest	8,015	134	7,881	7,926
Improvements	18,836	1,924	16,912	14,712
Parking lots	5,320	103	5,217	4,322
	\$ 269,266	\$ 3,799	\$ 265,467	\$ 209,658

5. Other assets:

			March 31, 2006 (unaudited)	December 31, 2005
	Cost	Accumulated amortization	Net book value	Net book value
Acquired in-place leases	\$ 61,215	\$ 5,423	\$ 55,792	\$ 46,644
Above-market rent	990	124	866	915
Customer relationships	115	37	78	84
Tenant inducements and leasing costs	581	25	556	333
Office equipment	12	2	10	8
	\$ 62,913	\$ 5,611	\$ 57,302	\$ 47,984

6. Mortgages and loans payable:

Substantially all of the REIT's assets have been pledged as security under mortgages and other security agreements. The mortgages and loans payable bear interest at a weighted average rate of 5.27% at March 31, 2006 (March 31, 2005, 6.18%) with maturity dates ranging from November 2, 2006 to April 1, 2016. All mortgages and loans bear interest at fixed rates except for the first mortgages payable secured by two of the income-producing properties, Johnston Terminal and Grain Exchange which aggregate approximately \$14,373 at March 31, 2006 and which bear interest at the prime interest rate plus 1/8 % and 3/8 %, respectively.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Three months ended March 31, 2006 and 2005

(Thousands of dollars, except unit and per unit amounts)

6. Mortgages and loans payable (continued):

Principal payment requirements on the mortgages and loans payable are as follows:

	March 31, 2006 (unaudited)
2006	\$ 22,184
2007	8,099
2008	9,132
2009	4,052
2010	31,239
2011 and thereafter	136,125
	210,831
Above-market mortgage adjustment	166
	\$ 210,997

Acquisition in the prior year of one property, known as Sears Centre, was concluded on an agreement for sale basis. Title to the Sears Centre property is held in escrow pending satisfaction of the outstanding vendor loan. In accordance with the Purchase Agreement, payment of the vendor loan and the subsequent release of title may occur any time up to, but must be concluded by, December 15, 2006.

7. Convertible debentures:

Particulars of the REIT's outstanding convertible debentures as at March 31, 2006 are as follows

Convertible debenture issue	7.25% convertible	Series A convertible redeemable	Series B convertible redeemable	Total
Issue date	August 3, 2005	August 4, 2005	November 9, 2005	
Interest rate	7.25%	7.75%	7.5%	
Face value	\$ 875	\$ 15,000	\$ 10,862	\$ 26,737
Equity portion	46	2,831	2,147	5,024
Liability portion	829	12,169	8,715	21,713
Accretion to				
March 31, 2006	30	277	123	430
Carrying value				
March 31, 2006	\$ 859	\$ 12,446	\$ 8,838	\$ 22,143

Accretion to the carrying value of the debt component was \$197 in the current period.

For the comparable period of 2005, the REIT had one 8% convertible redeemable debenture outstanding with a carrying value of \$181. Accretion of \$3 was recorded in the period. The balance of the convertible debentures were fully converted prior to December 31, 2005.

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Notes to Consolidated Financial Statements (unaudited)

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8. Intangible liabilities:

			March 31, 2006 (unaudited)	December 31, 2005
	Cost	Accumulated amortization	Net book value	Net book value
Below-market rent	\$ 10,119	\$ 1,242	\$ 8,877	\$ 7,299

9. Accounts payable and other liabilities:

	March 31, 2006 (unaudited)		December 31, 2005	
Accounts payable and accrued liabilities	\$	4,428	\$	4,115
Distributions payable (note 11)		1,034		696
	\$	5,462	\$	4,811

10. Capital contributions:

(a) Authorized:

The REIT may issue an unlimited number of units pursuant to the Declaration of Trust. Each unit represents an equal fractional undivided beneficial interest in any distributions from the REIT and in the net assets in the event of termination or wind-up of the REIT. All units are of the same class with equal rights and privileges. Effective February 1, 2006, the REIT consolidated its units on a 15 for one basis. All unit and per unit disclosures are presented on a post-consolidation basis.

(b) Issued:

<i>Units stated on a post consolidation basis</i>	Number of units	Amount
Balance at December 31, 2004	1,080,799	4,886
Private placements, net of issue costs of \$4,739	6,683,564	64,172
Conversion of convertible debentures	101,571	526
Warrants exercised	29,889	179
Broker warrants exercised	27,991	151
Options exercised	36,000	237
Balance at December 31, 2005	7,959,814	70,151
Private placements, net of issue costs of \$3,672	3,862,000	50,396
Balance at March 31, 2006	11,821,814	\$ 120,547

At March 31, 2006, the REIT has a balance of 30,000 units held in escrow. These units will be released in future periods in accordance with the escrow agreement.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

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(Thousands of dollars, except unit and per unit amounts)

10. Capital contributions (continued):

(c) Unit options:

The REIT has a unit option plan which is administered by the Board of Trustees of the REIT with unit options granted to trustees, management, employees and consultants as a form of compensation. The total number of units reserved under option for issuance may not exceed 10% of the units outstanding.

A summary of the REIT's unit options are as follows:

	2006		2005	
	Units	Weighted average exercise price	Units	Weighted average exercise price
Balance, beginning of period	348,393	\$ 10.286	100,000	\$ 6.000
Granted	-	-	-	-
Exercised	-	-	-	-
Balance, end of period	348,393	\$ 10.286	100,000	\$ 6.000
Options exercisable, end of period	135,098		100,000	
Weighted average fair value per unit of options granted during the period		\$ -		\$ -

Options outstanding at March 31, 2006 consist of the following:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Options outstanding weighted average exercise price	Number exercisable
\$6.00	64,000	3.75 years	\$6.00	64,000
\$11.25	284,393	4.75 years	\$11.25	71,098
	348,393		\$10.286	135,098

The compensation expense related to unit options granted under the unit option plan during the first quarter of 2006 aggregated \$40 (2005, nil).

(d) Weighted average units:

The weighted average number of units outstanding for the period ended March 31, 2006 is 8,918,795 (2005, 1,140,980). The computation of diluted loss per unit for the periods ended March 31, 2006 and 2005 does not include convertible debentures, warrants and unit options as these instruments are anti-dilutive.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Three months ended March 31, 2006 and 2005

(Thousands of dollars, except unit and per unit amounts)

11. Distributions to unitholders or dividends to shareholders:

Distributable Income, which is defined in the Declaration of Trust, means net income in accordance with generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust, including: (i) adding back amortization (excluding leasing costs) and accretion to the carrying value of debt and (ii) excluding gains or losses on the disposition of any asset, and (iii) adding or deducting other adjustments as determined by the Trustees at their discretion. Distributable Income is a not a generally accepted accounting principles financial measure and should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with generally accepted accounting principles as an indicator of the REIT's performance.

The REIT declared distributions to unitholders of record totalling \$2,427 in the period (2005, \$171). At March 31, 2006 \$1,034 remained payable (2005, \$161).

12. Related party transactions:

In the three month period ending March 31, 2006, the REIT incurred interest expense on the \$875 convertible debenture issued in connection with the Johnston Terminal transaction in the amount of \$27 (2005, nil).

In the three month period ending March 31, 2006, the REIT incurred interest expense in connection with the vendor take back financing on the acquisition of the Hamilton Building in the amount of \$7 (2005, nil).

In the three month period ending March 31, 2006, the REIT incurred legal fees in the amount of \$183 (2005, \$49) with a law firm associated with a Trustee of the REIT in connection with the prospectus offerings, the property acquisitions and general business matters. The amount payable at March 31, 2006 is \$112.

In the three month period ending March 31, 2006, the REIT incurred advisory fees in the amount of \$160 (2005, \$9) and acquisition fees in the amount of \$355 (2005, \$26) under the asset management agreement with Marwest Management Canada Ltd. The amount payable at March 31, 2006 is \$350.

In the three month period ending March 31, 2006, the REIT incurred property management fees in the amount of \$326, leasing commission fees in the amount of \$99 and renovation fees in the amount of \$52 under the property management agreement with Marwest Management Canada Ltd. The amount payable at March 31, 2006 is \$53.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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Notes to Consolidated Financial Statements (unaudited)

Three months ended March 31, 2006 and 2005

(Thousands of dollars, except unit and per unit amounts)

13. Segmented information:

The REIT owns and operates various retail and office properties located in western Canada. Information related to these property types is presented below. REIT expenses as well as interest and amortization of deferred financing costs relating to the convertible debentures have not been allocated to the segments.

	Three months ended March 31, 2006			
	Retail	Office	REIT	Total
Revenue	\$ 4,791	\$ 4,410	\$ 156	\$ 9,357
Property operating expenses	1,468	2,149	-	3,617
	3,323	2,261	156	5,740
Interest	1,280	925	701	2,906
	2,043	1,336	(545)	2,834
Corporate expenses	-	-	451	451
Amortization	2,408	2,332	93	4,833
	(365)	(996)	(1,089)	(2,450)
Gain on disposal of income-producing property	-	-	941	941
Loss for the period	\$ (365)	\$ (996)	\$ (148)	\$ (1,509)
Total assets	\$ 210,379	\$ 120,185	\$ 33,887	\$ 364,451

	Three months ended March 31, 2005			
	Retail	Office	REIT	Total
Revenue	\$ 509	\$ -	\$ 6	\$ 515
Property operating expenses	132	-	-	132
	377	-	6	383
Interest	169	-	-	169
	208	-	6	214
Corporate expenses	-	-	51	51
Amortization	234	-	-	234
Loss for the period	\$ (26)	\$ -	\$ (45)	\$ (71)
Total assets	\$ 19,037	\$ -	\$ 959	\$ 19,996

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Three months ended March 31, 2006 and 2005

(Thousands of dollars, except unit and per unit amounts)

14. Subsequent events:

Effective April 17, 2006, the REIT's units (WFD.UN) ceased trading on the TSX Venture exchange and commenced trading on the Toronto Stock Exchange ("the TSX"). On that same date, the REIT also listed its Series A and Series B Convertible Redeemable debentures on the TSX, trading under the symbols WFD.DB.A. and WFD. DB. B respectively.

On April 26, 2006, the REIT filed a short-form prospectus for the offering of \$30,000 of 6.25% convertible redeemable unsecured subordinated debentures (the "Series C debentures") to a syndicate of underwriters on a bought deal basis. The Series C debentures mature May 31, 2013, and are convertible into units at the option of the holder at any time prior to maturity at a conversion price of \$17.25 per unit. The redemption privilege is available on or after May 31, 2009, but prior to May 31, 2011, at a price equal to the principal plus accrued interest provided that the weighted average trading price of the units is not less than 125% of the conversion price. After May 31, 2011, the debentures are redeemable at the REIT's option at a price equal to the principal plus accrued interest. The payment of principal and interest on the Series C debentures will have priority on the payment of unit distributions, but will be subordinate to senior indebtedness of the REIT. The Series C debentures rank pari passu with Series A and Series B debentures. The offering closed on May 4, 2006.

On May 18, 2006, the REIT removed the conditions with respect to the acquisition of the Heritage Square office building in Calgary, Alberta, which is being acquired for a total of \$61,300. The purchase price is to be satisfied from the proceeds of \$39,650 of new 10-year mortgage financing, a 3-year \$5,000 vendor take back loan bearing interest at 6% and the balance in cash. The acquisitions is expected to close in the second quarter of 2006.