

Consolidated Financial Statements of

**WESTFIELD REAL ESTATE
INVESTMENT TRUST**

September 30, 2006 and 2005
(Unaudited)

WESTFIELD REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheet

(Thousands of dollars)	September 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Income-producing properties (note 4)	\$ 381,057	\$ 209,658
Other assets (note 5)	70,349	47,984
Deferred financing costs, net of accumulated amortization of \$649 (2005, \$124)	3,978	2,523
Deposits on income-producing properties	200	425
Prepaid expenses	674	271
Rent and other receivables	2,032	1,447
Cash held in trust	1,841	1,033
Cash and cash equivalents	7,234	9,927
	\$ 467,365	\$ 273,268
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities:		
Mortgages and loans payable (note 6)	\$ 289,404	\$ 168,889
Convertible debentures (note 7)	41,683	21,945
Intangible liabilities (note 8)	13,842	7,299
Security deposits and prepaid rent	1,232	964
Accounts payable and other liabilities (note 9)	6,337	4,811
	352,498	203,908
Unitholders' equity:		
Capital contributions (note 10)	125,242	70,151
Contributed surplus	279	176
Equity component of convertible debentures (note 7)	11,958	5,024
Deficit	(22,612)	(5,991)
	114,867	69,360
Contingent consideration (note 14)		
Subsequent events (note 15)		
	\$ 467,365	\$ 273,268

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) "Armin Martens" Trustee

(Signed) "Delmore Crewson" 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 September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Revenue	\$ 15,744	\$ 1,728	\$ 37,033	\$ 3,097
Property operating expenses	5,665	355	13,215	696
	10,079	1,373	23,818	2,401
Interest	5,277	634	12,169	1,015
	4,802	739	11,649	1,386
Expenses:				
Corporate	532	219	2,087	329
Amortization	7,545	665	18,284	1,377
	8,077	884	20,371	1,706
Loss before gain on disposal of income-producing properties	(3,275)	(145)	(8,722)	(320)
Gain on disposal of income-producing properties	-	-	828	-
Loss for the period	(3,275)	(145)	(7,894)	(320)
Deficit, beginning of period	(16,149)	(682)	(5,991)	(142)
	(19,424)	(827)	(13,885)	(462)
Distributions (note 11)	(3,188)	(1,071)	(8,727)	(1,436)
Deficit, end of period	\$ (22,612)	\$ (1,898)	\$ (22,612)	\$ (1,898)
Basic and diluted loss per unit	\$ (0.271)	\$ (0.002)	\$ (0.720)	\$ (0.010)

See accompanying notes to consolidated financial statements.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows (unaudited)

(Thousands of dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Cash provided by (used for):				
Operating activities:				
Loss for the period	\$ (3,275)	\$ (145)	\$ (7,894)	\$ (320)
Adjustments for non cash items:				
Amortization:				
Income-producing properties	3,010	308	7,027	582
Office equipment	1	-	3	-
Above-market rent	55	22	165	27
Acquired in-place leases	4,244	312	10,585	728
Customer relationships	6	6	17	24
Deferred financing costs	224	39	543	42
Below-market rent	(1,002)	(79)	(2,193)	(312)
Tenant inducements and leasing costs	60	-	109	-
Above-market mortgage	(28)	-	(52)	-
Accretion on liability component of convertible debentures	399	73	922	76
Straight-line rent adjustment	(308)	(30)	(693)	(65)
Gain on disposal of income-producing properties	-	-	(828)	-
Unit based compensation expense	40	-	120	-
	3,426	506	7,831	782
Change in the following:				
Rent and other receivables	(294)	(429)	108	(431)
Cash held in trust	(266)	-	(808)	-
Prepaid expenses	2,145	(167)	(403)	(288)
Accounts payable and other liabilities	1,096	1,625	1,526	1,712
Security deposits and prepaid rent	18	349	268	356
	6,125	1,884	8,522	2,131
Investing activities:				
Acquisition of income-producing properties, net of related debt (note 3)	(33,559)	(42,064)	(79,656)	(45,019)
Dispositions of income-producing properties, net of mortgages and costs (note 3)	-	-	3,440	-
Addition to income-producing properties	(1,124)	-	(1,057)	-
Purchase of office equipment	-	-	(15)	-
Additions to tenant inducements and leasing costs	(709)	-	(1,293)	-
Changes in deposits on income-producing properties	1,588	(2,402)	225	(2,445)
	(33,804)	(44,466)	(78,356)	(47,464)
Financing activities:				
Issuance of units, net of issue costs	216	40,027	50,824	41,372
Issuance of convertible debentures	-	22,975	30,000	22,975
Distributions paid	(3,188)	(1,071)	(8,727)	(1,436)
Mortgages and loans principal repayments	(1,178)	(83)	(2,958)	(165)
Deferred financing costs	(180)	(1,600)	(1,998)	(1,636)
	(4,330)	60,248	67,141	61,110
Increase (decrease) in cash and cash equivalents	(32,009)	17,666	(2,693)	15,777
Cash and cash equivalents at beginning of period	39,243	1,381	9,927	3,270
Cash and cash equivalents at end of period	\$ 7,234	\$ 19,047	\$ 7,234	\$ 19,047
Supplementary cash flow information:				
Interest paid, net of interest received	\$ 4,513	\$ 463	\$ 9,996	\$ 829

See accompanying notes to consolidated financial statements.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 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.

On October 31, 2006, the REIT converted from a closed-end trust to an open-end trust, as disclosed in Note 15.

These interim consolidated financial statements present the financial position of the REIT as at September 30, 2006 and the results of operations and cash flows for the three and nine month periods ended September 30, 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 nine months of 2006, the REIT acquired the following properties:

<u>Property</u>	<u>Location</u>	<u>Acquisition Date</u>	<u>Type</u>
Northwest Centre	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	3120, 3124, 3126, 3134 8th St. E, Saskatoon, SK	March 31, 2006	Retail
Reenders Square	3-11 Reenders Drive, Winnipeg, MB	March 31, 2006	Retail
Sunridge Spectrum	2555 - 32nd St. NE, Calgary, AB	May 31, 2006	Retail
McCall Lake	1338-36 Ave. NE, Calgary, AB	June 30, 2006	Industrial
Heritage Square	8500 MacLeod Trail SE, Calgary, AB	July 13, 2006	Office
Franklin Showcase Warehouse	700-33rd Street NE & 3501-8th Avenue NE, Calgary, AB	July 14, 2006	Industrial
Horizon Heights	3508 - 32nd Avenue NE, Calgary, AB	July 17, 2006	Retail

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

3. Acquisitions and disposition of income-producing properties:

Acquisitions (continued):

During the first nine months of 2005, the REIT acquired the following properties:

<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
Johnston Terminal	25 Forks Market Road, Winnipeg, MB	August 1, 2005	Office
Sears Centre	12429 - 99 Street, Grande Prairie, AB	August 15, 2005	Retail
Southview Centre	3201 - 13th Avenue SE, Medicine Hat, AB	August 31, 2005	Retail
Airways Business Park	1935 - 32nd Avenue NE, Calgary, AB	September 16, 2005	Office
Edgemont Mall	34 Edgedale Drive NW, Calgary, AB	September 30, 2005	Retail
Landmark Shoppers	4150 Albert Street, Regina, SK	September 30, 2005	Retail
Strathcona Shoppers	2202 Broad Street, Regina, SK	September 30, 2005	Retail
Canarama Mall	7 Assiniboine Drive, Saskatoon, SK	September 30, 2005	Retail
Grain Exchange Building	167 Lombard Ave, Winnipeg, MB	September 30, 2005	Office
Hamilton Building	395 Main Street, Winnipeg, MB	September 30, 2005	Office

These acquisitions have been accounted for by the purchase method, with the results of operations included in Westfield's accounts from the dates of acquisition.

The net assets acquired including acquisition costs were as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Land	\$ 21,453	\$ 12,788	\$ 54,708	\$ 16,726
Buildings	53,744	56,154	114,890	60,432
Leasehold interest	-	8,009	-	8,009
Parking lots	1,400	1,250	3,600	1,470
Improvements	5,329	7,460	10,390	8,291
Acquired in-place leases	15,432	21,078	33,546	23,040
Above-market rent	28	557	88	572
Customer relationships	-	-	-	97
Below-market rent	(4,348)	(4,476)	(8,854)	(5,102)
Long-term debt including acquired above-market mortgage	(59,479)	(60,756)	(128,712)	(68,516)
Cash consideration	\$ 33,559	\$ 42,064	\$ 79,656	\$ 45,019
Acquisition costs	\$ 5,779	\$ 1,430	\$ 8,922	\$ 1,655

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

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

Dispositions:

During 2006, the REIT disposed of the following properties:

<u>Property</u>	<u>Location</u>	<u>Disposition Date</u>	<u>Type</u>
Edgemont Mall	34 Edgedale Drive NW, Calgary, AB	January 12, 2006	Retail
Keystone Village Mall	1300-18th Street, Brandon, MB	June 15, 2006	Retail

The proceeds from the sale of Edgemont Mall, net of costs, were \$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.

The proceeds from the sale of Keystone Village Mall, net of costs, were \$3,510. Consideration received was the assumption of the existing mortgage in the amount of \$2,211 and cash in the amount of \$1,299. The assets, intangible assets and liabilities associated with the property were removed from the books and a loss on sale of property in the amount of \$(113) was recorded.

4. Income-producing properties:

			September 30, 2006 (unaudited)	December 31, 2005
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 106,971	\$ -	\$ 106,971	\$ 52,365
Buildings	241,412	4,186	237,226	130,333
Leasehold interest	8,015	235	7,780	7,926
Improvements	25,815	4,286	21,529	14,712
Parking lots	7,820	269	7,551	4,322
	\$ 390,033	\$ 8,976	\$ 381,057	\$ 209,658

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

5. Other assets:

			September 30, 2006 (unaudited)	December 31, 2005
	Cost	Accumulated amortization	Net book value	Net book value
Acquired in-place leases	\$ 80,985	\$ 13,070	\$ 67,915	\$ 46,644
Above-market rent	1,065	235	830	915
Customer relationships	115	48	67	84
Tenant inducements and leasing costs	1,635	118	1,517	333
Office equipment	24	4	20	8
	\$ 83,824	\$ 13,475	\$ 70,349	\$ 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 5.51% at September 30, 2006 (2005, 5.24%) with maturity dates ranging from December 2, 2006 to August 1, 2016. All mortgages and loans bear interest at fixed rates except for the first mortgage payable secured by the Johnston Terminal. The balance of this mortgage at September 30, 2006 is \$7,716 and it bears interest at the prime interest rate plus 1/8 %.

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

	September 30, 2006 (unaudited)
For the twelve month period ended:	
September 30, 2007	\$ 24,340
September 30, 2008	9,478
September 30, 2009	15,498
September 30, 2010	14,790
September 30, 2011	27,540
September 30, 2012 and thereafter	197,117
	288,763
Above-market mortgage adjustment	641
	\$ 289,404

The 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 was held in escrow pending satisfaction of the outstanding vendor loan. On October 15, 2006, the outstanding vendor loan was repaid and ownership of the property was transferred to Westfield effective this date.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

7. Convertible debentures:

Particulars of the REIT's outstanding convertible debentures as at September 30, 2006 are as follows:

Convertible debenture issue	Series A convertible redeemable	Series B convertible redeemable	Series C convertible redeemable	Total
Issue date	August 4, 2005	November 9, 2005	May 4, 2006	
Interest rate	7.75%	7.5%	6.25%	
Face value	\$ 11,770	\$ 10,862	\$ 30,000	\$ 52,632
Equity portion	2,221	2,147	7,590	11,958
Liability portion	9,549	8,715	22,410	40,674
Accretion to				
September 30, 2006	404	290	315	1,009
Carrying value				
September 30, 2006	\$ 9,953	\$ 9,005	\$ 22,725	\$ 41,683

Accretion to the carrying value of the debt component was \$399 in the three month period ended September 30, 2006 (\$922 in the nine month period ended September 30, 2006).

On August 3, 2006, the \$875 convertible debenture matured. The holder, a corporation under the control of certain Trustees of the REIT, exercised its option and converted the debentures into 145,833 units at the exercise price of \$6. The carrying value of the debenture on maturity of \$875, together with the equity component attributed to the debenture of \$42, was recorded as a capital contribution in the period.

On August 25, 2006 and September 5, 2006, Series A debentures in the amount of \$3,200 and \$30 respectively, were converted and the REIT issued 256,348 units at the exercise price of \$12.60. The carrying value of the debt component was reduced by \$2,719 and the equity component was reduced by \$610. Capital contributions increased by \$3,329. An additional 13 units were issued in lieu of accrued interest.

8. Intangible liabilities:

			September 30, 2006 (unaudited)	December 31, 2005
	Cost	Accumulated amortization	Net book value	Net book value
Below-market rent	\$ 16,754	\$ 2,912	\$ 13,842	\$ 7,299

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

9. Accounts payable and other liabilities:

	September 30, 2006 (unaudited)	December 31, 2005
Accounts payable and accrued liabilities	\$ 5,262	\$ 4,115
Distributions payable (note 11)	1,075	696
	\$ 6,337	\$ 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:

Units stated on a post consolidation basis	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
Public offering, net of issue costs of \$3,676	3,862,000	50,391
Conversion of \$875 convertible debenture	145,833	921
Conversion of Series A debentures	256,361	3,329
Options exercised	63,000	422
Distribution Reinvestment Plan ("DRIP")	960	13
Units issued for Trustee compensation	1,066	15
Fractional units eliminated on consolidation	(5)	-
Balance at September 30, 2006	12,289,029	\$ 125,242

On June 27, 2006, Westfield announced its new Distribution Reinvestment Plan ("DRIP"). Under the terms of the DRIP, Unitholders now have the option to elect to receive all or a portion of their regular monthly distributions in additional REIT units.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

(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, management company employees and consultants as a form of compensation. The total number of units reserved under option for issuance may not exceed 5% 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 at beginning of period	348,393	\$ 10.286	100,000	\$ 6.000
Granted	-	-	-	-
Exercised	(63,000)	6.417	(36,000)	-
Balance at end of period	285,393	\$ 11.140	64,000	\$ 6.000
Options exercisable at end of period	72,098		64,000	

Options outstanding at September 30, 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	6,000	3.25 years	\$6.00	6,000
\$11.25	279,393	4.25 years	\$11.25	66,098
	285,393		\$11.140	72,098

The compensation expense related to unit options granted under the unit option plan for the three month period ended September 30, 2006 amounted to \$40 (2005, nil) and for the nine month period ended September 30, 2006 amounted to \$120 (2005, nil). The balance of contributed surplus at September 30, 2006 relates to unexercised options. The compensation expense was determined based on the fair value of the options at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected option life	5 years
Risk-free interest rate	4%
Dividend yield	9.3%
Expected volatility	41.12%

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

10. Capital contributions (continued):

(d) Weighted average units:

The weighted average number of units outstanding for the three month period ended September 30, 2006 is 12,072,151 (2005, 4,122,383) and for nine month period ended September 30, 2006 is 10,958,562 (2005, 2,188,618). The computation of diluted loss per unit for the periods ended September 30, 2006 and 2005 does not include convertible debentures and unit options as these instruments are anti-dilutive.

11. Distributions to unitholders:

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 in the amount of \$3,188 in the three month period ended September 30, 2006 (2005, \$1,071) and \$8,727 for the nine month period ended September 30, 2006 (2005, \$1,436). The amount payable at September 30, 2006 is \$1,075 (2005, \$696).

12. Related party transactions:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Legal fees	\$ 232	\$ 137	\$ 841	\$ 221
Advisory fees	284	24	653	45
Acquisition fees	441	512	1,009	553
Property management fees	539	11	1,269	11
Leasing commissions	242	-	490	-
Renovation fees	325	-	410	-
Consultation fees	-	-	34	-
Interest expense	11	-	73	-

The REIT incurred legal fees 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 September 30, 2006 is nil.

The REIT incurred advisory fees and acquisition fees under the asset management agreement with Marwest Management Canada Ltd, a company owned and controlled by certain trustees and officers of the REIT. There is no balance payable at September 30, 2006.

The REIT incurred property management fees, leasing commission fees, and renovation fees under the property management agreement with Marwest Management Canada Ltd. The amount payable at September 30, 2006 is \$351.

The REIT incurred consultation fees with an engineering firm associated with a Trustee of the REIT. There is no balance payable at September 30, 2006.

The REIT incurred interest expense on the \$875 convertible debenture issued to a corporation under the control of certain Trustees of the REIT. The debenture was fully converted on August 3, 2006.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

12. Related party transactions (continued):

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.

13. Segmented information:

The REIT owns and operates various retail, office and industrial 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 September 30, 2006				
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 7,156	\$ 8,075	\$ 411	\$ 102	\$ 15,744
Property operating expenses	2,023	3,522	114	6	5,665
	<u>5,133</u>	<u>4,553</u>	<u>297</u>	<u>96</u>	<u>10,079</u>
Interest	2,006	1,787	133	1,351	5,277
Corporate expenses	-	-	-	532	532
Amortization	3,353	3,768	251	173	7,545
	<u>5,359</u>	<u>5,555</u>	<u>384</u>	<u>2,056</u>	<u>13,354</u>
Loss for the period	<u>\$ (226)</u>	<u>\$ (1,002)</u>	<u>\$ (87)</u>	<u>\$ (1,960)</u>	<u>\$ (3,275)</u>
Total assets	<u>\$ 244,911</u>	<u>\$ 197,904</u>	<u>\$ 16,616</u>	<u>\$ 7,934</u>	<u>\$ 467,365</u>

	Three months ended September 30, 2005			
	Retail	Office	REIT	Total
Revenue	\$ 1,081	\$ 329	\$ 318	\$ 1,728
Property operating expenses	241	114	-	355
	<u>840</u>	<u>215</u>	<u>318</u>	<u>1,373</u>
Interest	314	-	320	634
Corporate expenses	-	-	219	219
Amortization	469	159	37	665
	<u>783</u>	<u>159</u>	<u>576</u>	<u>1,518</u>
Loss for the period	<u>\$ 57</u>	<u>\$ 56</u>	<u>\$ (258)</u>	<u>\$ (145)</u>
Total assets	<u>\$ 81,446</u>	<u>\$ 44,972</u>	<u>\$ 22,689</u>	<u>\$ 149,107</u>

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

13. Segmented information (continued):

	Nine months ended September 30, 2006				
	Retail	Office	Industrial	REIT	Total
Revenue	\$ 17,693	\$ 18,256	\$ 414	\$ 670	\$ 37,033
Property operating expenses	4,822	8,273	114	6	13,215
	<u>12,871</u>	<u>9,983</u>	<u>300</u>	<u>664</u>	<u>23,818</u>
Interest	4,930	3,922	133	3,184	12,169
Corporate expenses	-	-	-	2,087	2,087
Amortization	8,367	9,278	251	388	18,284
	<u>13,297</u>	<u>13,200</u>	<u>384</u>	<u>5,659</u>	<u>32,540</u>
	(426)	(3,217)	(84)	(4,995)	(8,722)
Gain on disposal of income-producing properties	-	-	-	828	828
Loss for the period	<u>\$ (426)</u>	<u>\$ (3,217)</u>	<u>\$ (84)</u>	<u>\$ (4,167)</u>	<u>\$ (7,894)</u>
Total assets	<u>\$ 244,911</u>	<u>\$ 197,904</u>	<u>\$ 16,616</u>	<u>\$ 7,934</u>	<u>\$ 467,365</u>

	Nine months ended September 30, 2005			
	Retail	Office	REIT	Total
Revenue	\$ 2,442	\$ 329	\$ 326	\$ 3,097
Property operating expenses	582	114	-	696
	<u>1,860</u>	<u>215</u>	<u>326</u>	<u>2,401</u>
Interest	677	-	338	1,015
Corporate expenses	-	-	329	329
Amortization	1,178	159	40	1,377
	<u>1,855</u>	<u>159</u>	<u>707</u>	<u>2,721</u>
Loss for the period	<u>\$ 5</u>	<u>\$ 56</u>	<u>\$ (381)</u>	<u>\$ (320)</u>
Total assets	<u>\$ 81,446</u>	<u>\$ 44,972</u>	<u>\$ 22,689</u>	<u>\$ 149,107</u>

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

14. Contingent Consideration

In accordance with the purchase and sale agreement for Heritage Square, the vendor is entitled to a purchase price adjustment related to future events. The purchase and sale agreement provides for contingent consideration based on certain leases expiring prior to June 30, 2011 and being re-leased at a higher rental rate, net of leasing costs. The calculation provides for the difference in rate to be capitalized at 7.5% and 30% of that amount paid to the vendor.

15. Subsequent events:

On October 11, 2006, the REIT issued 2,430,555 units at a price of \$14.40 per unit for aggregate gross proceeds of \$35,000, pursuant to its prospectus dated October 3, 2006.

On October 11, 2006, the REIT issued 450,000 options to acquire trust unit options granted to trustees, management, management company employees and consultants. The options are exercisable at a price of \$14.40; 25% of the options vest immediately and 25% vest on each of the first, second and third anniversaries from the date of grant.

On October 20, 2006, the REIT issued 737 units at a price of \$13.63 pursuant to the DRIP.

On October 31, 2006, the REIT issued 364,583 units at a price of \$14.40 pursuant to the exercise of the over-allotment option.

The resulting balance of units outstanding as of November 9, 2006, as follows:

Units outstanding at September 30, 2006	12,289,029
Units issued	2,795,138
Units issued, DRIP	<u>737</u>
Units outstanding at November 9, 2006	<u>15,084,904</u>

Title to the Sears Centre property was held in escrow pending satisfaction of the outstanding vendor loan. On October 15, 2006, the outstanding vendor loan was repaid and ownership of the property was transferred to Westfield effective this date.

On October 31, 2006, the REIT acquired Liberton Square, located in St. Albert, Alberta. The property was acquired for \$5,250 and the purchase price was satisfied with a combination of cash and new mortgage financing in the amount of \$3,529 bearing interest at a rate of 5.23% per annum.

WESTFIELD REAL ESTATE INVESTMENT TRUST

Notes to Consolidated Financial Statements (unaudited)

Nine months ended September 30, 2006 and 2005

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

15. Subsequent events (continued):

Effective October 31, 2006, the REIT converted from a closed-end trust to an open-end trust. In connection with the conversion the REIT amended and restated its Declaration of Trust to, among other things (i) amend the terms of the REIT's trust units such that they are redeemable at any time at the option of the holder at a price as defined in the Amended and Restated Declaration of Trust, subject to a maximum of \$30 in cash redemptions by the REIT in any one month. Redemptions in excess of this amount will be paid by way of a distribution of notes of the REIT or a wholly owned subsidiary of the REIT; (ii) authorize the issuance of a class of special voting units, which are non-participating voting units of the REIT, to be issued to holders of securities which are exchangeable for units of the REIT; and (iii) form a limited partnership with a wholly-owned subsidiary of the REIT as general partner and the REIT as limited partner. The limited partnership has two classes of limited partnership units, being: (i) Class B limited partnership units which are exchangeable for units of the REIT on a one-for-one basis and entitle the holder thereof to receive cash distributions which are equivalent to cash distributions on units; and (ii) Class A limited partnership units, which are entitled to the balance of cash distributions of the limited partnership.

Effective October 31, 2006, the REIT acquired, through the newly formed limited partnership, certain lands subject to a purchase and sale agreement, for an interim closing price of \$7,800. The partnership issued 543,781 Class B limited partnerships units ("Exchangeable LP Units") at a price of \$14.344 per unit and the REIT issued an equal number of special voting units as consideration. The purchase and sale agreement provides that the vendor of the lands will develop a Class A office building on the lands. The building is already under construction and will comprise 225,000 square feet and is 62% pre-leased to Golder Associates, an international environmental engineering firm, for an 11 year term, with a rental escalation commencing at the end of the 5th year. Upon completion (estimated as November 2008) the REIT will acquire the building based on a pre-determined formula as set out in the purchase and sale agreement. Effective November 1, 2006, the partnership will be entitled to a monthly development fee of \$100.

On November 2, 2006, the REIT repaid the outstanding floating-rate mortgage on the Grain Exchange in the amount of \$6,526.