



Management's Discussion & Analysis

Q1 - 2006

On the TSX: WFD.UN WFD.DB.A WFD.DB.B WFD.DB.C

MESSAGE TO UNITHOLDERS

Dear fellow unitholder:

We are pleased to present our Management Discussion and Analysis for Westfield Real Estate Investment Trust ("Westfield" or "the REIT") for the quarter ending March 31, 2006.

This has been another strong quarter for Westfield with continued growth through acquisitions and the completion of another significant equity offering.

The four acquisitions concluded in the quarter increased Westfield's asset base by over \$72 million and have also increased our investment in western Canada. Consistent with our stated objective of weighting the portfolio in Alberta, two of the four properties acquired are in Calgary: Northwest Centre I & II (a suburban office complex) and Southwood Corner (an unenclosed retail development with a number of high-profile national retailers in place).

After completing a unit consolidation on a 15:1 basis, Westfield filed a short-form prospectus and on March 8 closed a public equity offering at \$14.00 per unit. The offering grossed over \$54 million (including the exercise of an over-allotment option by the underwriting syndicate), with proceeds to be used for acquisitions and general purposes. We are pleased to advise that a significant proportion of units were sold through the retail distribution channels which will provide enhanced liquidity for the REIT's unitholders.

The first quarter of 2006 also saw a number of important changes that will strengthen the REIT and provide enhanced flexibility for long-term growth. In January, Westfield's unitholders approved the appointment of Mr. Andre Kuzmicki as an additional independent trustee. Mr. Kuzmicki's expertise in the real estate sector and sound capital markets background will add increased depth to the Board. At the same time, Westfield's unitholders also approved the conversion of the REIT from a closed-ended to an open-ended trust. This change, once enacted, will provide more flexibility for acquisition and potential joint venture agreements. Another achievement in the first quarter was the receipt of conditional approval to list Westfield's securities on the Toronto Stock Exchange ("TSX"). On April 17, 2006, Westfield's securities listed on the TSX, another move which provides increased liquidity for unitholders.

Effective management of the portfolio is a high priority, and Westfield is pleased to report that the first quarter of 2006 saw an increase in overall occupancy from 93.4% at December 31, 2005 to 94.0% at March 31, 2006. Westfield also realized increases in distributable income and funds from operations of approximately 101% and 80% respectively over the March 31, 2005 results.

Westfield's outlook for 2006 is strong. The second quarter has already seen the additional placement of a \$30 million convertible debenture issue with proceeds to be used for acquisitions or to pay down debt. Westfield has signed offers on a series of new acquisition targets that management anticipates will close by the end of June or early in the third quarter. We anticipate that after these transactions are concluded, Westfield will have acquired nearly \$450 million of high-quality commercial property in Western Canada, with over 66% of the leasable area in Alberta (the strongest office market in North America). Management will be focused on maximizing property net operating income growth through increased occupancy across the portfolio and on lease turnovers in 2006, particularly in Alberta, which accounts for approximately 27% of the REIT's 2006 lease expiries.

Our business model is sound and disciplined. We will continue to focus our acquisition efforts on Western Canada only, with an emphasis on Alberta, and exclusively target high-quality office, retail and industrial properties. We will also continue to focus on driving up same-property NOI growth by actively managing the portfolio. We are confident that these efforts will continue to provide stable and growing distributions to our unitholders.

To maintain an optimum level of communication, we invite our investors and interested parties to visit our website, www.westfieldreit.ca, for additional information and ongoing updates, including our latest press releases. Unitholders who have any questions should feel free to contact the undersigned, or Jim Green, Chief Financial Officer, at 1-204-947-1200 or info@westfieldreit.ca.

Sincerely,

Westfield REIT

Armin Martens, P.Eng., MBA
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("MD&A") of the financial condition and results of operations of Westfield Real Estate Investment Trust ("Westfield" or "the REIT") should be read in conjunction with Westfield's audited annual consolidated financial statements for the years ended December 31, 2005 and 2004, the unaudited consolidated financial statements for the periods ended March 31, 2006 and 2005 and the notes thereto, and the Statement of Consolidated Forecasted Net Income (the "forecast") for the year ended December 31, 2006 included in Westfield's short form prospectus dated February 27, 2006. This MD&A has been prepared taking into account material transactions and events up to and including May 26, 2006. Additional information about Westfield, including the Annual Information Form, has been filed with applicable Canadian securities regulatory authorities and is available at www.sedar.com.

FORWARD-LOOKING DISCLAIMER

Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward looking statements. Without limiting the foregoing, the words "expects", "anticipates", "intends", "estimates", "projects", and similar expressions are intended to identify forward looking statements.

Westfield is subject to significant risks and uncertainties which may cause the actual results, performance or achievements of Westfield to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. Such risk factors include, but are not limited to, risks associated with real property ownership, availability of cash flow, general uninsured losses, future property acquisitions, environmental matters, tax related matters, debt financing, unitholder liability, potential conflicts of interest, potential dilution, reliance on key personnel, changes in legislation and potential changes in the tax treatment of trusts. Westfield cannot assure investors that actual results will be consistent with any forward-looking statement and Westfield assumes no obligation to update or revise such forward-looking statements to reflect actual events or new circumstances.

NON-GAAP MEASURES

Distributable Income ("DI"), Property Net Operating Income ("Property NOI" or "NOI") and Funds from Operations ("FFO") are non-GAAP measures commonly used by Canadian income trusts as an indicator of financial performance. "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.

Management uses DI Property NOI and FFO to analyze operating performance. As one of the factors that may be considered relevant by prospective investors is the cash distributed by Westfield relative to the price of the units, management believes that DI and FFO are useful supplemental measures that may assist prospective investors in assessing an investment in the units.

DI, Property NOI and FFO are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, DI, Property NOI and FFO may not be comparable to similar measures presented by other issuers. Neither DI nor FFO are intended to represent operating profits for the period or from a property nor should either be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

Where these measures are referred to in this MD&A, Westfield defines DI in accordance with its Declaration of Trust as net income in accordance with generally accepted accounting principles, subject to certain adjustments as set out in the Declaration of Trust,

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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.

Westfield defines Property NOI as property revenues, prepared in accordance with GAAP, less property operating expenses (such as taxes, utilities, repairs and maintenance). Property NOI does not include charges for interest and amortization. Westfield calculates FFO in accordance with the guideline set out by REALPAC. Other real estate investment trusts may calculate FFO on a different basis that is not comparable to Westfield's FFO.

OVERVIEW

Westfield Properties Ltd. was incorporated under the *Canada Business Corporation Act* on December 18, 2003. The company's shares were listed for trading on the TSX Venture Exchange ("the Exchange") on February 14, 2004 as a "Capital Pool Corporation". The company completed its qualifying transaction on June 1, 2004, and was approved as a Tier 2 real estate issuer on the Exchange.

Westfield Real Estate Investment Trust ("Westfield" or "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. The REIT entered into a plan of arrangement on December 20, 2004 whereby Westfield Properties Ltd. was continued as the REIT and all of Westfield Properties Ltd.'s common shares were exchanged for a similar number of REIT units. The financial statements and MD&A reflect a continuation of Westfield Properties Ltd. with the results of Westfield Properties Ltd. from December 18, 2003 to December 20, 2004 and the REIT from that date forward.

Effective April 17, 2006, Westfield was listed on the Toronto Stock Exchange (the "TSX") with units trading under the symbol WFD.UN. The REIT's convertible debentures also listed on the TSX and trade under the symbols WFD.DB.A, WFD.DB.B and WFD.DB.C. At May 26, 2006, there were 11,851,813 units of the REIT outstanding.

Westfield's Primary Objectives

Westfield's geographic focus is on primary and growing secondary markets in western Canada, with a particular emphasis on Alberta. Westfield is exclusively focused on quality commercial properties; retail, office and industrial, with strong tenancies in place.

Westfield's primary objectives are:

- to provide unitholders with stable and growing cash distributions, payable monthly and, to the maximum extent practicable, income tax deferred, from investments in a diversified portfolio of income-producing office, retail and industrial properties located in western Canada, primarily in Alberta;
- to enhance the value of Westfield's assets and maximize long-term unit value through the active management of its assets; and
- to expand Westfield's asset base and increase its Distributable Income through accretive acquisitions in western Canada.

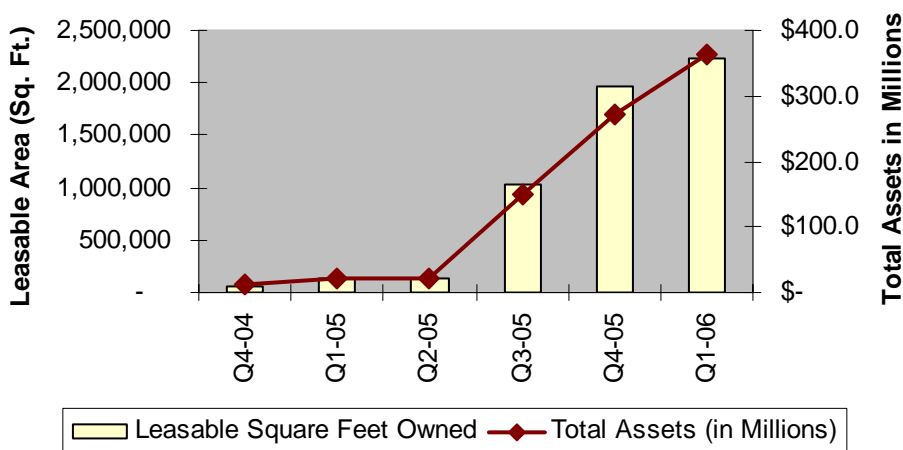
The Declaration of Trust provides that Westfield make monthly cash distributions to its unitholders. The amount distributed in each year will be in an amount equal to not less than the greater of: (i) the percentage of distributable income in the year set down in a policy by the Trustees (currently \$1.05 per unit on an annualized basis); and (ii) an amount of net income and net realized capital gains for the year as is necessary to ensure that the REIT will not be subject to tax in accordance with the terms of the Declaration of Trust.

Westfield's Portfolio Summary

Since becoming a publicly traded real estate investment trust on December 20, 2004, Westfield has demonstrated its ability to grow its portfolio through accretive acquisitions.

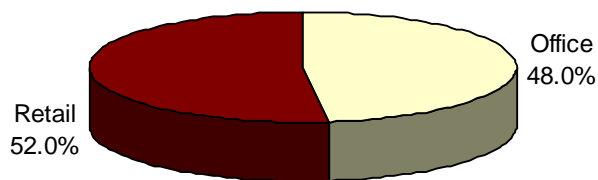
In 2006, Westfield has continued to acquire in its target market, successfully concluding four new acquisitions by the end of the first quarter. At March 31, 2006, Westfield's portfolio was comprised of 30 properties located in Manitoba, Saskatchewan, Alberta, and British Columbia totaling 2,226,309 square feet of leasable area. Weighted average occupancy across the portfolio is 94.0% at March 31, 2006, an increase from 93.4% at December 31, 2005.

Quarterly Growth

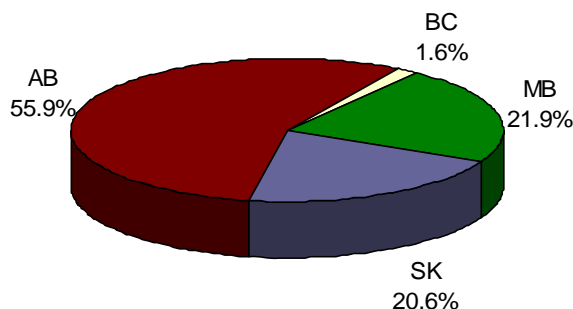


At March 31, 2005, Westfield owned three properties, representing 136,321 square feet of leasable area, 100% occupied.

Leasable Square Feet by Asset Class



Leasable Square Feet by Province



Investors are invited to visit our website at www.westfieldreit.ca or SEDAR at www.sedar.ca for further information.

2006 – FIRST QUARTER HIGHLIGHTS**Acquisitions**

Northwest Centre I & II Acquired February 28, 2006	Alberta Office 77,553 sq. ft.
Northwest Centre I & II is a suburban office complex located in Northwest Calgary on 16th Avenue (the Trans-Canada Highway) near the Calgary Regional Hospital and the University of Calgary. Northwest Centre I & II is comprised of two four-storey office buildings connected by a multilevel underground parkade. Major tenants are Komex International (to 2011) and the Calgary Health Region (to 2015).	
Circle 8 Centre Acquired March 31, 2006	Saskatchewan Retail 77,010 sq. ft.
Circle 8 Centre is an unenclosed mall located on Circle Drive and 8 th Street East in Saskatoon, a prime “centre ice” location. The centre is 99% occupied with approximately 78% of tenancies considered high-credit rated national and/or government tenants. Key tenants include McNally Robinsons, Penningtons, CIBC Moxies and the Saskatchewan Liquor Board.	
Reenders Square Acquired March 31, 2006	Manitoba Retail 65,754 sq. ft.
Reenders Square is an unenclosed grocery anchored mall in east Winnipeg’s power centre node. Sobeys/IGA occupies 56% of the leasable area on a long-term lease to 2018. Reenders Square is adjacent to a RONA Home Improvement Centre and in close proximity to the Kildonan Place Shopping Centre, Wal-Mart, Superstore and other national retailers. The centre is 100% leased and approximately 89% of tenancies are considered national tenancies.	
Southwood Corner Acquired March 31, 2006	Alberta Retail 111,184 sq. ft.
Southwood Corner is an unenclosed southwest Calgary retail mall located at the corner of Elbow and Southland Drive SW. The mall is in the heart of an affluent demographic area and enjoys high visibility and ease of access. Southwood Corner is 99% leased and major tenants include high-profile retailers such as Sport Swap, Fabricland, Rexall Drugs, Roger’s Video and the Bank of Montreal. Management estimates in-place leases are approximately 15 – 30% below market.	

Other Significant Activities

Appointment of New Trustee
At a special meeting of unitholders held January 28, 2006, Mr. Andre Kuzmicki’s appointment to the Board was approved. Mr. Kuzmicki brings a solid finance and capital markets background to the Board and has 30 years of real estate investment experience.
Unit Consolidation
Effective February 1, 2006, Westfield’s units were consolidated on a fifteen for one basis and units commenced trading under the symbols WFD.UN
Public Offering of Units
Westfield issued 3,572,000 units at \$14.00 per unit pursuant to a prospectus filed February 27, 2006 for total gross proceeds of \$50,008,000.
Conditional TSX Listing Approval
On March 20, 2006, Westfield received conditional approval from the TSX to list its securities (units and convertible debentures) on the Toronto Stock Exchange. The securities listed on April 17, 2006.
Exercise of Overallotment Option
On March 30, 2006, Westfield issued 290,000 units at \$14.00 per unit pursuant to the exercise of an overallotment option for gross proceeds of \$4,060,000.
Sale of Edgemont Mall
Edgemont Mall is a small neighbourhood strip mall located in Calgary. The property was acquired in 2005 as part of a larger portfolio and sold in January of 2006 after receipt of an unsolicited offer from a local Calgary business operation.

*(all amounts presented in thousands, except unit and per unit amounts)***Distributions**

January 31, 2006 Distribution Record Date
Payable February 15, 2006 - \$0.0875 per Unit
February 28, 2006 Distribution Record Date
Payable March 15, 2006 - \$0.0875 per Unit
March 31, 2006 Distribution Record Date
Payable April 15, 2006 - \$0.0875 per Unit

SUMMARIZED FINANCIAL PERFORMANCE**Selected Financial Information**

Three month period ending March 31 \$ Thousands, except unit and per unit amounts	2006		2005		Increase (Decrease)
Revenues	\$	9,357	\$	515	\$ 8,842
Property NOI	\$	5,740	\$	383	\$ 5,357
Net loss	\$	(1,509)	\$	(71)	\$ (1,438)
Net loss per unit (basic and diluted)	\$	(0.169)	\$	(0.062)	\$ (0.107)
Distributable income ("DI")	\$	2,562	\$	163	\$ 2,399
DI per unit (basic)	\$	0.287	\$	0.143	\$ 0.144
DI per unit (diluted)	\$	0.266	\$	0.143	\$ 0.123
Distributions	\$	2,427	\$	171	\$ 2,256
Distributions per unit	\$	0.262	\$	0.150	\$ 0.112
Funds from operations ("FFO")	\$	2,249	\$	160	\$ 2,089
FFO per unit (basic)	\$	0.252	\$	0.140	\$ 0.112
FFO per unit (diluted)	\$	0.239	\$	0.140	\$ 0.099
Total Assets	\$	364,451	\$	19,996	\$ 344,455
Total Debt	\$	248,591	\$	14,576	\$ 234,015
Weighted average units:					
Basic		8,918,795		1,140,980	
Diluted (for DI)		11,502,700		1,142,227	
Diluted (for FFO)		9,507,631		1,142,227	

Westfield's first quarter 2006 results reflect three months of operations of the 27 properties owned at December 31, 2005, plus the operations of Northwest Centre I & II for one month. In comparison, the 2005 first quarter results reflect a full three months of operations of Sunridge Home Outfitters, plus two

(all amounts presented in thousands, except unit and per unit amounts)

months of operations of Royal Square and Capital City Centre. The significant increases in revenues, property NOI and losses were driven by property acquisitions that largely occurred in the third and fourth quarters of 2005.

A year over year comparison at March 31 indicates that distributions to unitholders were increased by 75%. As a result of the successful integration of accretive acquisitions into the portfolio and on-going financing activity, Westfield's asset base increased over \$344 million and DI (basic) and FFO (basic) increased by 100.5% and 80.1% respectively over that same time frame.

Three properties were acquired on March 31, 2006 and accordingly the results for the quarter do not include any revenues and expenses for those properties. Management believes the addition of these properties will positively impact future performance.

ANALYSIS OF FINANCIAL RESULTS

Period ended March 31, \$ Thousands, except unit and per unit amounts	2006 - Actual	2006 - Forecast	Variance	2005 - Actual	Variance
Revenue	\$ 9,357	\$ 9,237	\$ 120	\$ 515	\$ 8,842
Property operating expenses	3,617	3,410	207	132	3,485
Property NOI	5,740	5,827	(87)	383	5,357
Interest	2,906	2,917	(11)	169	2,737
Operating income	\$ 2,834	\$ 2,910	\$ (76)	\$ 214	\$ 2,620
Expenses:					
Corporate	451	292	159	51	400
Amortization	4,833	4,631	202	234	4,599
	\$ 5,284	\$ 4,923	\$ 361	\$ 285	\$ 4,999
Loss before gain on disposal of income-producing property	(2,450)	(2,013)	(437)	(71)	(2,379)
Gain on disposal of income- producing property	941	943	(2)	-	-
Loss for the period	\$ (1,509)	\$ (1,070)	\$ (439)	\$ (71)	\$ (1,438)
Loss per unit (basic and diluted)	\$ (0.169)	\$ (0.119)	\$ (0.050)	\$ (0.062)	\$ (0.107)
Weighted average units:					
Basic	8,918,795	8,991,736		1,140,980	

Property NOI:

A summary of Westfield's actual first quarter 2006 property performance in comparison to the 2006 forecast is summarized below:

Three month period ending March 31 \$ Thousands	Actual	Forecast	Variance	Southwood	Adjusted Variance
Revenues	\$ 9,357	\$ 9,237	\$ 120	\$ (141)	\$ 261
Operating expenses	3,617	3,410	207	(59)	266
Property NOI	\$ 5,740	\$ 5,827	\$ (87)	\$ (82)	\$ (5)

Westfield's forecast 2006 results included \$82 of NOI from the Southwood Corner property, which was originally forecast to close on March 15, 2006. Southwood Corner actually closed March 31, 2006.

Westfield's operating results were in line with the 2006 forecast, after adjusting for the lag in the closing of the Southwood Corner acquisition. Property expenses came in \$266 over the forecast while revenues increased \$261 over the forecast. Overall property NOI results were within \$5 of quarterly forecast.

(all amounts presented in thousands, except unit and per unit amounts)

Revenues, operating expenses and NOI are not comparable to the prior period results due to the number of properties acquired since March 31, 2005.

In accordance with CICA guidelines, Westfield accounts for rent step-ups by straight-lining the incremental increases over the entire non-cancelable lease term. The straight-line rent adjustment for the first quarter of 2006 was \$165 (nil in 2005). On the acquisition of properties, Westfield records intangible assets and liabilities resulting from above and below-market rent leases. These intangible assets and liabilities are amortized to revenue over the term of the related lease. The adjustment to market rents for the first quarter of 2006 was \$476 (\$20 in 2005).

Interest:

The current period's interest on long-term debt is attributable to mortgages and other secured loans against the income-producing properties as well as debentures outstanding. The REIT's weighted average interest rate on mortgage and other debt secured by properties at March 31, 2006 has been reduced to 5.27% compared to 6.18% for the comparable period of 2005.

At time of issue, the convertible debentures are allocated between their equity and liability components in accordance with GAAP (see Note 7 of the consolidated financial statements for further details for the years ended December 31, 2005 and 2004). Westfield records interest expense on the carrying value of loans at a rate of 13% (comparable to similar debt issues); the difference between the interest paid and interest incurred is treated as an addition (accretion) to the carrying value of the debentures. Westfield recorded interest expense of \$700 on the carrying value of debentures outstanding in the first quarter of 2006; the accretion entry was \$197.

In comparison to the first quarter of 2005, interest costs have increased significantly due to growth in the portfolio and the assumption of related debt, as well as further debenture financing.

Interest expense for the period was \$2,906, which was \$28 (or 1%) above the 2006 forecast, after adjusting out \$39 of interest expense attributed to Southwood Corner for the period. The variance is due to \$9 of non-cash interest recorded on the amortization of an above-market mortgage and \$13 of additional interest based on rate increases on variable rate mortgages.

Corporate Expenses:

Westfield's actual first quarter 2006 corporate expenses in comparison to the 2006 forecast and the comparable period of 2005 are summarized below:

Three month period ending March 31			
\$ Thousands	Actual	Forecast	Variance
Asset management fee	\$ 161	\$ 160	\$ 1
Audit and accounting	101	23	78
Bad debt expense	17	-	17
Insurance	4	4	-
Legal fees	12	12	-
Postage, supplies, stationary	13	5	8
Stock exchange fees	12	10	2
Trustees fees and expenses	8	25	(17)
Transfer agent fees	15	6	9
Travel and meals	12	5	7
TI's and leasing commissions	10	2	8
Unit compensation expense	40	37	3
Other trust expenses	46	3	43
Total	\$ 451	\$ 292	\$ 159

Significant variances over the forecast were recorded at March 31, 2006 in audit and accounting expenses as well as bad debt expense. Actual audit and accounting fees recorded include the costs of

(all amounts presented in thousands, except unit and per unit amounts)

a first quarter review engagement, which was not forecast, as well as an increased accrual amount for the 2006 year end audit based on the 2005 audit review. A final contributing factor was an unanticipated additional expense of \$48 applicable to auditors' work done in 2005. Bad debt expense was greater than expected due to the bankruptcy of a single tenant in January.

Westfield incurred approximately \$81 of costs above the forecast in corporate expense categories (other than trustees fees and expenses, accounting fees and bad debt expense). Westfield expended significant effort in preparing the 2006 forecast and in anticipation of the January 28, 2006 special meeting of Unitholder, the February 27, 2006 prospectus, development of a new web site and other growth related activities, which increased supplies, stationary, postage, travel and sundry expenses beyond the forecasted amounts.

Amortization:

Amortization expense includes amortization of the income-producing properties and intangible assets plus office equipment and other assets such as deferred financing. Westfield follows the EIC Abstract 140 in accounting for acquisitions of income-producing properties, which requires that a portion of the purchase price be allocated to intangible assets, such as the value of in-place operating leases and customer relationship values. All assets are amortized on a straight-line basis over their useful lives, or the term of the underlying agreements, as applicable. Amortization of income-producing property was \$1,806 in the period ending March 31, 2006 (\$121 in 2005) and \$2,871 (\$106 in 2005) of amortization of in-place leases was recorded.

Westfield's actual first quarter 2006 amortization expense was \$202 above the forecast. A significant portion of the variance relates to a one-time charge of \$152 to eliminate the balance of intangible assets related to an early lease termination in the Johnston Terminal.

The current period's amortization expense is not comparable to the 2005 due to the number of acquisitions in the interim.

Reconciliation of GAAP Loss to Distributable Income ("DI"):

Period ended March 31, \$ Thousands, except unit and per unit amounts	2006	2005
Loss for the period	\$ (1,509)	\$ (71)
Add:		
Amortization (excluding amortized leasing costs)	4,683	231
Amortized financing costs on convertible debentures	92	-
Accretion to carrying value of debt	197	3
Unit compensation	40	-
Less: Gain on disposition	(941)	-
Distributable Income (DI)	\$ 2,562	\$ 163
DI per Unit		
Basic	\$ 0.287	\$ 0.143
Diluted	\$ 0.266	\$ 0.143
Weighted average units:		
Basic	8,918,795	1,140,980
Diluted	11,502,700	1,142,227

Westfield has increased its DI per unit (basic) by 100.5% since March 31, 2005, primarily as a result of on-going accretive acquisition activity.

(all amounts presented in thousands, except unit and per unit amounts)

Reconciliation of GAAP Loss to Funds from Operations (“FFO”):

Period ended March 31, \$ Thousands, except unit and per unit amounts	2006	2005
Loss for the period	\$ (1,509)	\$ (71)
Add back amortization on:		
Income producing property	1,806	121
Acquired in-place leases	2,871	106
Customer relationships	6	4
Tenant improvements and leasing costs	16	-
Less: Gain on disposition	(941)	-
FFO for the period	\$ 2,249	\$ 160
FFO per Unit		
Basic	\$ 0.252	\$ 0.140
Diluted	\$ 0.239	\$ 0.140
Weighted average units:		
Basic	8,918,795	1,140,980
Diluted	9,507,631	1,142,227

Westfield has increased its FFO per unit (basic) by 80.1% since March 31, 2005, primarily as a result of on-going accretive acquisition activity.

Comparison of Actual v. Forecast DI and FFO:

In the prospectus dated February 27, 2006, the REIT forecast a first quarter DI of \$2,815 and a first quarter FFO of \$2,487. Actual results were less than forecast due to the impact of delaying the closing of Southwood Corner (\$82) as well as increased corporate expenses (\$159).

Summarized financial results for the last eight quarters:

<i>In Thousands, except unit and per unit amounts</i>	Q1-06	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04	Q3-04	Q2-04
Revenue	\$ 9,357	\$ 6,547	\$ 1,728	\$ 854	\$ 515	\$ 242	\$ 237	\$ 71
Property operating expenses	3,617	2,728	355	209	132	62	42	19
Property NOI	5,740	3,819	1,373	645	383	180	195	52
Interest	2,906	2,150	634	212	169	102	105	32
Operating income	2,834	1,669	739	433	214	78	90	20
Expenses								
Corporate	451	584	219	59	51	38	6	0
Amortization	4,833	3,284	665	478	234	84	99	15
	5,284	3,868	884	537	285	122	105	15
Income (loss) before gain on disposal of income-producing property and income taxes	(2,450)	(2,199)	(145)	(104)	(71)	(44)	(15)	5
Gain on disposal of income- producing property	941	-	-	-	-	-	-	-
Income (loss) before income taxes	(1,509)	(2,199)	(145)	(104)	(71)	(44)	(15)	5
Income taxes (recovery)	-	-	-	-	-	29	(4)	-
Income (loss) for the period	(1,509)	(2,199)	(145)	(104)	(71)	(73)	(11)	5
Income (loss) per unit								
Basic and fully diluted	\$ (0.169)	\$ (0.314)	\$ (0.035)	\$ (0.082)	\$ (0.062)	\$ (0.133)	\$ (0.022)	\$ 0.020

(all amounts presented in thousands, except unit and per unit amounts)

<i>In Thousands, except unit and per unit amounts</i>	Q1-06	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04	Q3-04	Q2-04
Income (loss) for the period	\$ (1,509)	\$ (2,199)	\$ (145)	\$ (104)	\$ (71)	\$ (73)	\$ (11)	\$ 5
Add:								
Amortization income-producing properties	4,683	3,193	626	477	231	82	96	15
Amortized financing costs on convertible debentures	92	66	37	3	-	2	2	1
Accretion to carrying value of debt	197	162	73	-	3	5	7	-
Unit compensation	40	157	-	-	-	30	-	-
Less: Gain on disposition	(941)	-	-	-	-	-	-	-
Distributable income	\$ 2,562	\$ 1,378	\$ 591	\$ 376	\$ 164	\$ 46	\$ 94	\$ 21
DI per Unit								
Basic	\$ 0.287	\$ 0.197	\$ 0.143	\$ 0.296	\$ 0.144	\$ 0.084	\$ 0.194	\$ 0.079
Diluted	\$ 0.266	\$ 0.196	\$ 0.142	\$ 0.296	\$ 0.144	\$ 0.084	\$ 0.194	\$ 0.079
Weighted average units:								
Basic	8,918,795	6,993,641	4,122,383	1,269,728	1,140,980	549,278	485,608	264,952
Diluted	11,502,700	7,030,560	4,152,154	1,270,131	1,142,227	549,278	485,608	264,952

A quarterly analysis of Westfield's financial results clearly illustrates the steady growth in operating income and DI as funds have been invested in income-producing properties. Net losses have also increased steadily due to the impact of increased amortization expense related to acquired income-producing properties and their related intangible assets.

Management believes that the acquisitions made at the end of the quarter will have a positive impact on future performance.

ANALYSIS OF FINANCIAL POSITION

<i>In Thousands</i>	As at December 31,		Increase
	As at March 31, 2006	2005	
Assets			
Income-producing properties	\$ 265,467	\$ 209,658	\$ 55,809
Other assets, including intangibles	62,467	52,225	10,242
Deposits on income-producing properties	600	425	175
Cash	35,917	10,960	24,957
	\$ 364,451	\$ 273,268	\$ 91,183
Liabilities			
Long-term debt	\$ 233,140	\$ 190,834	\$ 42,306
Other liabilities	15,451	13,074	2,377
	\$ 248,591	\$ 203,908	\$ 44,683
Unitholders' equity	\$ 115,860	\$ 69,360	\$ 46,500

Westfield's financial position has changed significantly in the first quarter of 2006 and since March 31, 2005 due to on-going acquisitions of income-producing properties, the assumption of related debt and new proceeds raised in equity and debenture financings. The asset base increased 33% since December 31, 2005 and total debt increased 22%.

At March 31, 2006, Westfield had significant cash on hand. This reflects the proceeds of the March 8, 2006 public offering of equity that had not yet been fully invested in income-producing properties. Due to this un-invested balance of cash, Westfield's first quarter operating results cannot be considered "run-rate" as they do not reflect a fully invested position.

(all amounts presented in thousands, except unit and per unit amounts)

2006 Acquisition Activity

Four properties were acquired in the first quarter of 2006: Northwest Centre I & II, Reenders Square, Southwood Corner and Circle 8 Mall. The impact on the financial position of the REIT of these acquisitions is summarized below.

Three month period ending March 31,	2006		2005	
\$ Thousands				
Cash consideration	\$	25,814	\$	2,955
New or assumed mortgages including above-market mortgage		45,900		7,760
Net Assets Acquired	\$	71,714	\$	10,715
Allocated to income-producing properties	\$	60,664	\$	9,267
Allocated to other assets		13,229		2,074
Allocated to intangible liabilities		(2,179)		(626)
Net Assets Acquired	\$	71,714	\$	10,715

In the comparable period of 2005, Westfield acquired two properties: Royal Square and Capital City Centre.

In conjunction with on-going acquisitions, Westfield has continued to bring down its targeted debt to gross book value ratio, as follows:

\$ Thousands	2006		2005	
Gross book value (GBV) of properties	\$	321,467	\$	18,490
Mortgages and other loans secured by properties	\$	210,997	\$	13,343
Mortgages to GBV		65.6%		72.2%
Carrying value of convertible debentures	\$	22,143	\$	181
Total long-term debt	\$	233,140	\$	13,524
Total Debt to GBV		72.5%		73.1%

2006 Financing Activity

Westfield finances growth and operations through mortgages and loans on its properties and through the issue of debentures and trust units.

Substantially all of Westfield's income-producing properties are pledged as security under mortgages and other loans. The below chart sets out Westfield's contractual obligations under mortgages and debentures for the coming years (including the newly assumed mortgage debt of \$45,900 on the four first quarter acquisitions)

Contractual Obligations:

Long-term liabilities	Total	Payments due in period			After 5 years
		Less than 1 year	1 - 3 years	4 - 5 years	
Mortgages and other loans secured by properties	\$ 210,831	\$ 23,135	\$ 7,893	\$ 21,594	\$ 158,209
Convertible debentures ⁽¹⁾	26,737	875	-	25,862	-
Total	\$ 237,568	\$ 24,010	\$ 7,893	\$ 47,456	\$ 158,209

⁽¹⁾ It is assumed that none of the debentures convert and are paid out in cash on maturity

(all amounts presented in thousands, except unit and per unit amounts)

In fiscal 2005, Sears Centre was acquired on an agreement for sale basis. Accordingly, title to the property is held in escrow pending payout of the related vendor loan. The vendor loan on Sears Centre may be repaid any time up to, but must be concluded by, December 15, 2006.

A summary of Westfield's debentures outstanding as at March 31, 2006, are as follows:

\$ Thousands Security	Issued	Maturity	Face Rate	Carrying Value	Face Value
Series A	4-Aug-05	4-Aug-10	7.75%	\$ 12,446	\$ 15,000
7.25% 1-Yr Convertible	3-Aug-05	3-Aug-06	7.25%	859	875
Series B	9-Nov-05	9-Nov-10	7.50%	8,838	10,862
Total				\$ 22,143	\$ 26,737

Unitholders' equity:

Westfield consolidated its units on a 15:1 basis effective February 1, 2006 and commenced trading under the symbol WFD.UN. At the time of consolidation there were 119,397,368 units outstanding which were exchanged for 7,959,814 units on a post-consolidation basis. All unit amounts presented for this period and comparable prior periods are presented on a post-consolidation basis.

Westfield issued 3,572,000 units at \$14.00 per unit pursuant to a short form prospectus dated February 27, 2006. The offering was undertaken with a syndicate of underwriters, led by Canaccord Capital Corporation, and including CIBC World Markets Inc., National Bank Financial Inc., Scotia Capital Inc., Bieber Securities Inc., and Westwind Partners Inc. The offering closed March 8, 2006 for gross proceeds of \$50,008.

Westfield issued 290,000 units at \$14.00 per unit to the underwriters, pursuant to the exercise of the overallotment option set out in the short form prospectus dated February 27, 2006. The additional units were sold effective March 30, 2006 for gross proceeds of \$4,060.

At March 31, 2006, Westfield had 11,821,814 units outstanding (2005, 1,230,198). Weighted average units outstanding (basic) at March 31, 2006 was 8,918,795 (1,140,980 in 2005). At March 31, 2006, Westfield had 348,393 options outstanding (135,098 exercisable) at a weighted average exercise price of \$10.286.

CASH FLOWS AND FUNDS FROM OPERATIONS (FFO)

The below table presents the reconciliation of Westfield's FFO to GAAP income (loss) on quarterly basis.

\$ Thousands, except unit and per unit amounts	Q1-06	Q4-05	Q3-05	Q2-05	Q1-05	Q4-04	Q3-04	Q2-04
Income (loss) for the period	\$ (1,509)	\$ (2,199)	\$ (145)	\$ (104)	\$ (71)	\$ (74)	\$ (12)	\$ 5
Add amortization on:								
Income producing property	1,806	1,318	308	153	121	55	61	15
Acquired in-place leases	2,871	1,869	312	310	106	26	35	-
Customer relationships	6	6	6	14	4	0	0	-
Tenant improvements and leasing costs	16	9	-	-	-	-	-	-
Less: Gain on disposition	(941)	-	-	-	-	-	-	-
Funds from Operations ("FFO")	\$ 2,249	\$ 1,003	\$ 481	\$ 373	\$ 160	\$ 8	\$ 85	\$ 20
FFO per Unit								
Basic	\$ 0.252	\$ 0.143	\$ 0.117	\$ 0.294	\$ 0.140	\$ 0.014	\$ 0.174	\$ 0.074
Diluted	\$ 0.239	\$ 0.143	\$ 0.116	\$ 0.294	\$ 0.140	\$ 0.014	\$ 0.174	\$ 0.074
Weighted average units:								
Basic	8,918,795	6,993,641	4,122,383	1,269,728	1,140,980	549,278	485,608	264,952
Diluted	9,507,631	7,030,560	4,152,154	1,270,131	1,142,227	549,278	485,608	264,952

(all amounts presented in thousands, except unit and per unit amounts)

Westfield has achieved steadily increasing FFO results over the past eight quarters. Results for the first quarter of 2006 are not comparable to preceding quarters due to the number and timing of acquisitions. Revenues from properties acquired at the end of the quarter are not included in the March 31, 2006 results. Management believes these acquisitions will positively impact future performance.

Distributions to unitholders stayed constant during the first quarter of 2006 at \$0.0875 per unit (pre-consolidation: \$0.005833). Distributions were declared to unitholders on the last day of January, February and March. In the previous year, Westfield distributed \$0.0495 per unit (pre-consolidation: \$0.0033 per unit).

In the first quarter of 2006, cash flow from Westfield's operating activities was \$1,971, compared to \$146 in the first quarter of 2005. The increase is due to the acquisitions of income-producing properties, most of which were in the third and fourth quarters of the year. Westfield utilized \$24,082 of cash (\$2,798 in 2005) in the first quarter primarily in investment in income-producing properties. Westfield financed investment and operations largely through the issuance of new units, which provided \$50,936 of cash, net of issue costs, compared with \$488 in 2005. In the first quarter of the year, the repayment of mortgages and retirement of loans used \$807 (\$42 in 2005).

In the period ended March 31, 2006, the REIT generated \$21,826 of positive cash flows leaving a balance of cash on hand of \$31,753. This compares with a net cash outflow of \$2,305 in the first quarter of 2005. Westfield intends to use these proceeds to finance the cash portion of further acquisitions, to pay down debt and for general purposes. See "Subsequent Events" for particulars of properties under contract.

Westfield expects to meet all of its on-going obligations and capital commitments with respect to owned properties through funds generated from operations and from the proceeds of mortgage refinancings.

OPERATIONAL RESULTS

Operational results are significantly impacted by the mix of properties by assets class, the location of the properties and strength of those respective regional economies, the mix of tenants in place as well as leasing and renewal activity.

Segmented Property NOI (by Asset Class)

Information on the REIT's operating performance by asset class and province follows:

Three month period ending March 31, \$ Thousands	2006		2005	
	Retail	Office	Retail	Office
Revenue	\$ 4,791	\$ 4,410	\$ 509	\$ -
Property operating expenses	1,468	2,149	132	-
Property NOI	\$ 3,323	\$ 2,261	\$ 377	\$ -
Share of Property NOI	57.9%	39.4%	100.0%	0.0%

All three of Westfield's properties at March 31, 2005 were retail. Acquisitions activity since that time has diversified the portfolio such that at March 31, 2006, 19 of the 30 properties are retail and 11 are office properties.

(all amounts presented in thousands, except unit and per unit amounts)

Property NOI (by Province)

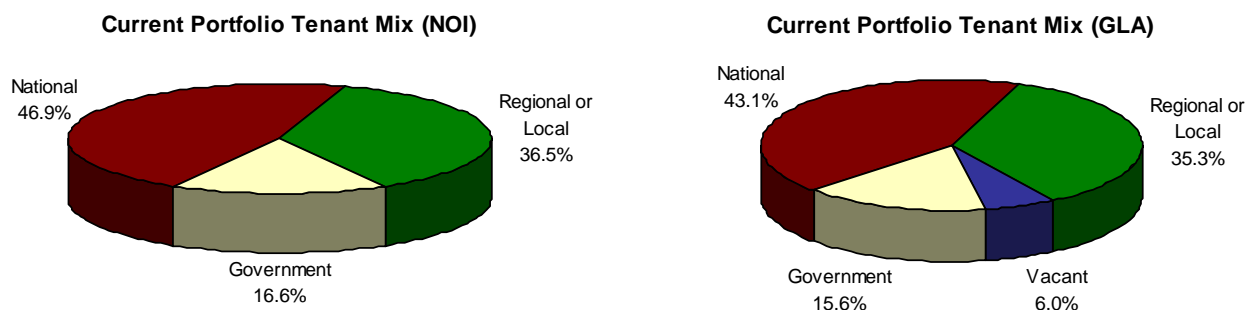
Three month period ending March 31, 2006					
\$ Thousands	Manitoba	Saskatche- wan	Alberta	B.C.	
Revenue	\$ 1,899	\$ 2,154	\$ 4,911	\$ 237	
Property operating expenses	1,014	718	1,821	64	
Property NOI	\$ 885	\$ 1,436	\$ 3,090	\$ 173	
Share of Property NOI	15.9%	25.7%	55.3%	3.1%	

Three month period ending March 31, 2005					
Property NOI by Province	Manitoba	Saskatche- wan	Alberta	B.C.	
Revenue	\$ -	\$ 270	\$ 239	\$ -	
Property operating expenses	-	84	48	-	
Property NOI	\$ -	\$ 186	\$ 191	\$ -	
Share of Property NOI	0.0%	49.3%	50.7%	0.0%	

Westfield continues to sustain its focus in Alberta, with over 55% (51% in 2005) of Property NOI derived from properties in that province.

Occupancy and Tenant Mix

Westfield's current portfolio has a strong tenant profile, with approximately 64% of Property NOI derived from government or national tenancies. Approximately 59% of gross leasable area ("GLA") is occupied by either municipal, provincial or federal government tenants or high profile national corporations or retailers.



An analysis of Westfield's top ten tenants indicates that no single tenant occupied more than 4.7% of the portfolio's GLA or 5.7% of the REIT's overall Property NOI at March 31, 2006. The top ten tenants (excluding government tenancies) at March 31 account for 22.7% of Westfield's Property NOI and are almost entirely high-profile national tenancies. A significant proportion of the REIT's GLA is leased by government tenants.

(all amounts presented in thousands, except unit and per unit amounts)

Top Ten Tenants by GLA	Share	Top Ten Tenants by NOI	Share
Sears Canada	4.7%	Shoppers Drug Mart	5.7%
Shoppers Drug Mart	3.2%	Sears Canada	3.0%
Columbia College	2.0%	Komex International	2.4%
Komex International	1.9%	Home Outfitters	2.3%
Home Outfitters	1.8%	London Drugs	1.9%
Sobey's/IGA	1.7%	Future Shop	1.9%
Future Shop	1.6%	Columbia College	1.8%
The Brick	1.5%	The Brick	1.4%
London Drugs	1.4%	Hinz Automation	1.1%
Hinz Automation	1.3%	Bank of Montreal	1.1%
Total of Top Ten by GLA	21.1%	Total of Top Ten by NOI	22.7%

Government Entities by GLA	Share	Government Entities by NOI	Share
Federal Government	5.6%	Federal Government	5.9%
Provincial Government	2.8%	Provincial Government	3.3%
Civic or Municipal Gov't	6.9%	Civic or Municipal Gov't	8.7%
Total Government by GLA	15.3%	Total Government by NOI	17.8%

Overall occupancy in the portfolio at March 31, 2006 was 94.0% (2005 – 100%). Upcoming lease expiries are as follows:

Year of Expiry	Square Feet	% of Portfolio Leasable Area	% of Expiries in Alberta
2006	224,327	10.1%	26.5%
2007	141,745	6.4%	61.9%
2008	303,096	13.6%	66.3%
2009	300,643	13.5%	60.4%
2010	367,826	16.5%	64.3%
2011 & later	750,813	33.7%	53.6%

A significant proportion of the leases coming up for renewal are in the Alberta properties. Management believes there is significant upside to be realized from the below-market leases coming up for renewal in Alberta, which has the strongest office market in North America.

Leasing and Capital Expenditures

In the first quarter of 2006, leasing and capital expenditures were as follows:

Tenant Inducements	\$ 89
Leasing Commissions	99
Capital Expenditures	<u>53</u>
Total	<u>\$ 241</u>

Tenant inducements and leasing commissions were incurred in connection with the leasing of vacant space or the renewal or replacement of tenants where lease terms expired. Tenant inducements may include allowances paid to the tenants or costs to the REIT to ready the space for the tenant. Leasing commissions are paid with respect to new and renewed leases.

Capital expenditures were incurred in substantive building improvements not related to a specific lease or tenancy. Westfield anticipates these expenditures will result in enhanced revenues for the building.

2006 OUTLOOK

Westfield will continue to focus on growth through acquisition of high-quality income-producing retail, office and industrial properties in western Canada, particularly in Alberta. Westfield also intends to drive up same Property NOI through effective property and leasing management.

Two key changes anticipated in 2006 are the conversion from a closed-ended to an open-ended trust and the election or appointment of a new independent Trustee.

Subsequent Events

Effective April 17, 2006, Westfield's units (WFD.UN) ceased trading on the Exchange and commenced trading on the TSX. In conjunction with that change, Westfield's Series A and Series B convertible redeemable debentures were also listed on the TSX, trading under the symbols WFD.DB.A. and WFD.DB.B respectively.

On April 26, 2006, Westfield 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 offering closed on May 4, 2006. See Note 14 of the accompanying March 31, 2006 financial statements for further particulars.

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 acquisition is expected to close in the second quarter of 2006.

RISKS AND UNCERTAINTIES

All real property investments are subject to elements of risk. General economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors affect such investments.

The primary risk facing Westfield relates to rents receivable from tenants. Subsequent to December 31, 2004, the acquisition of additional properties reduces the proportionate credit exposure of any one tenant.

Westfield is subject to other risk factors, including: public market risks, tax related risks, debt financing, general uninsured losses, interest rate fluctuations, environmental factors, land leases, unitholder liability, changes in legislation, potential conflicts of interest and reliance on key personnel. For a more complete discussion of general and specific risks please see our Annual Information Form, dated December 20, 2005, filed on SEDAR.

CRITICAL ACCOUNTING ESTIMATES

Westfield's critical accounting estimates remain unchanged from those set out in the REIT's 2005 Annual Report.

CHANGES IN ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants issued accounting pronouncements which impact the accounting policies of the REIT. The impact of the accounting changes on the REIT are as disclosed in Westfield's 2005 Annual Report.

RELATED PARTY TRANSACTIONS

In the three month period ending March 31, 2006, Westfield 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, Westfield 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). Both the Johnston Terminal and the Hamilton Building were acquired from companies under the control of certain Trustees of Westfield.

In the three month period ending March 31, 2006, Westfield incurred legal fees in the amount of \$183 (2005, \$49) with a law firm associated with a Trustee of Westfield. These fees were incurred in connection with the prospectus offering, 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, Westfield incurred advisory fees in the amount of \$160 (2005, \$9) under the asset management agreement with Marwest Management Canada Ltd. ("Marwest") and \$355 (2005, \$26) with regard to acquisition and financing fees. The amount payable at March 31, 2006 is \$350. Marwest is a company under the control of certain Trustees of Westfield.

In the three month period ending March 31, 2006, Westfield 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. 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.

Full disclosure of all related party transactions is included as Note 12 to the Consolidated Financial Statements for March 31, 2006.