



# Management's Discussion & Analysis

Q3 - 2006

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

## 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 September 30, 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 November 9, 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](http://www.sedar.com).

### FORWARD-LOOKING DISCLAIMER

This MD&A contains forward-looking statements. 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. All forward-looking statements contained in this MD&A are qualified by this cautionary statement.

### 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 analyse 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, 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.

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## 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 Company". The company completed its qualifying transaction on June 1, 2004, and was approved as a Tier 2 real estate issuer on the TSX Venture 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.

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

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. As at November 9, 2006, there were 15,084,904 units and 735,393 options of the REIT outstanding (refer to the Subsequent Events section for further details).

### ***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 focused exclusively on commercial properties; retail, office and industrial, with strong tenancies in place.

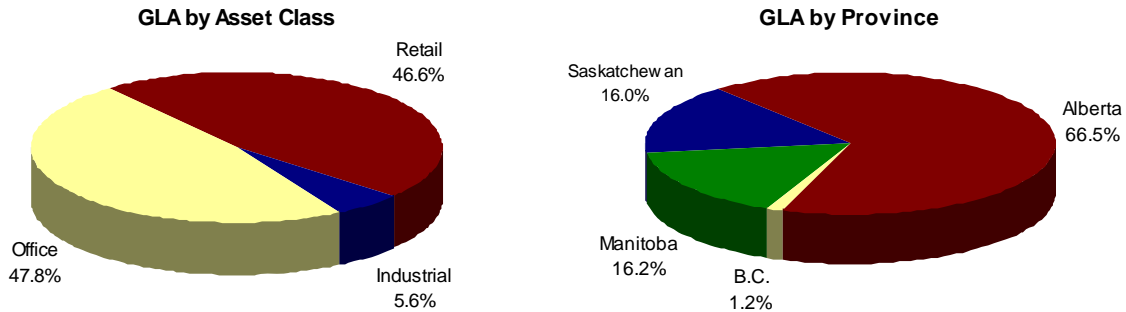
Westfield's primary objectives are:

- 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 DI 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 DI 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

In 2006, Westfield has continued to acquire in its target market, successfully concluding nine new acquisitions by the end of the third quarter (four in Q1, two in Q2 and three in Q3). At September 30, 2006, Westfield's portfolio was comprised of 34 properties located in Manitoba, Saskatchewan, Alberta, and British Columbia totaling 2,855,939 square feet of gross leasable area ("GLA"). Average occupancy across the portfolio was 95.8% at September 30, 2006, an increase from 93.4% at December 31, 2005. Westfield seeks to develop a diversified portfolio of retail, office and industrial properties across western Canada. By GLA, the portfolio is weighted 66.5% in Alberta consistent with the REIT's stated focus.



By comparison, at September 30, 2005, Westfield owned thirteen properties (five in Alberta, five in Saskatchewan and three in Manitoba) representing 1,038,370 square feet of GLA. At September 30, 2005, the portfolio was 44% office and 56% retail, with an overall 93.3% occupancy rate.,

Investors are invited to visit our website at [www.westfieldreit.ca](http://www.westfieldreit.ca) or SEDAR at [www.sedar.ca](http://www.sedar.ca) for further information.

## 2006 – THIRD QUARTER HIGHLIGHTS

### *Acquisitions*

<b>Heritage Square</b> <b>Acquired July 13, 2006</b>	<b>Alberta Office</b> <b>298,081 sq. ft.</b>
Heritage Square is a 5-storey class A suburban office complex located in south Calgary. Heritage Square has an attached heated parkade, an indoor atrium and other tenant amenities such as a health club and restaurant. Key tenants include The Cooperators, Credit Union Central Alberta and Jacob's Engineering Group. Heritage Square was 99% occupied at acquisition.	
<b>Franklin Showcase Warehouse</b> <b>Acquired July 14, 2006</b>	<b>Alberta Industrial</b> <b>69,269 sq. ft.</b>
Franklin Showcase Warehouse is a two-building complex located in the Franklin Industrial Park in Calgary, in close proximity to Calgary's Northgate Village Mall power centre, the Sunridge Mall and the Marlborough Mall. Key tenants include Windsor Building Supplies Ltd. and Eastside Dodge. Franklin Showcase Warehouse was 100% occupied at acquisition.	
<b>Horizon Heights</b> <b>Acquired July 17, 2006</b>	<b>Alberta Retail</b> <b>73,514 sq. ft.</b>
Horizon Heights is a four-building development, shadow anchored by an adjacent Safeway grocery store and in close proximity to the Peter Lougheed Regional Hospital and other high-profile national retailers. Significant tenants include Dollarama, the Bank of Nova Scotia, Blockbuster Video, and the Salvation Army of Canada. Horizon Heights was 100% occupied at acquisition.	

### *Other Significant Activities*

<b>Public Offering of Units</b>
On September 21, 2006, Westfield announced it had entered into a bought-deal arrangement with a syndicate of underwriters for the sale of 2,430,555 Trust units at a price of \$14.40 per unit. The offering closed on October 11, 2006, for aggregate gross proceeds of \$35 million. On October 27, 2006, the underwriting syndicate exercised their over-allotment option pursuant to the prospectus dated October 3, 2006. On October 30, 2006, Westfield issued 364,583 units for aggregate gross proceeds of \$5,250. (See "Subsequent Events" for further details).
<b>Unconditional Purchase Agreements</b>
In addition to the three acquisitions closed in the third quarter, Westfield also removed the conditions with respect to the acquisition of Liberton Square in St. Albert, Alberta. The acquisition subsequently closed on October 31, 2006. (See "Subsequent Events" for further details).

### *Distributions*

<b>July 31, 2006 Distribution Record Date</b>
Payable August 15, 2006 - \$0.0875 per unit
<b>August 31, 2006 Distribution Record Date</b>
Payable September 15, 2006 - \$0.0875 per unit
<b>September 30, 2006 Distribution Record Date</b>
Payable October 13, 2006 - \$0.0875 per unit

## SUMMARIZED FINANCIAL PERFORMANCE

### *Selected Financial Information*

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	<i>\$Thousands, except unit and per unit amounts</i>			
Revenues	\$ 15,744	\$ 1,728	\$ 37,033	\$ 3,097
Property NOI	\$ 10,079	\$ 1,373	\$ 23,818	\$ 2,401
Loss for the period	\$ (3,275)	\$ (145)	\$ (7,894)	\$ (320)
Loss per unit (basic and diluted)	\$ (0.271)	\$ (0.002)	\$ (0.720)	\$ (0.010)
Distributions	\$ 3,188	\$ 1,071	\$ 8,727	\$ 1,436
Distributions per unit	\$ 0.263	\$ 0.225	\$ 0.788	\$ 0.522
Distributable income ('DI')	\$ 4,587	\$ 593	\$ 10,319	\$ 1,132
DI per unit (basic)	\$ 0.380	\$ 0.144	\$ 0.942	\$ 0.517
DI per unit (diluted)	\$ 0.352	\$ 0.142	\$ 0.854	\$ 0.513
DI payout ratio	74.7 %	158.5 %	92.3 %	101.8 %
Funds from operations ('FFO')	\$ 4,045	\$ 481	\$ 9,016	\$ 1,014
FFO per unit (basic)	\$ 0.335	\$ 0.117	\$ 0.823	\$ 0.463
FFO per unit (diluted)	\$ 0.334	\$ 0.115	\$ 0.800	\$ 0.460
FFO payout ratio	78.7 %	195.7 %	98.5 %	113.5 %
DI per unit (basic and adjusted) <sup>(1)</sup>	\$ 0.383	\$ 0.144	\$ 0.978	\$ 0.436
FFO per unit (basic and adjusted) <sup>(1)</sup>	\$ 0.338	\$ 0.117	\$ 0.859	\$ 0.382
Weighted average units:				
Basic	12,072,151	4,122,383	10,958,562	2,188,618
Diluted (for DI)	15,609,760	4,152,154	14,498,392	2,206,398
Diluted (for FFO)	12,131,910	4,171,452	12,759,673	2,206,398
<p>(1) Added back to 2006 DI and FFO is \$397 of costs attributable to an unsuccessful bid on a portfolio of assets. Deducted from 2005 DI and FFO is \$178 of revenue recorded on the write-off of above-market lease value on an early lease termination.</p>				

Q3-06 results indicate substantial growth in revenues and Property NOI, increasing \$14,016 and \$8,706 respectively compared to Q3-05 results. On a year-to-date basis, revenues and Property NOI increased \$33,936 and \$21,417 respectively over last year's results. These significant increases are primarily due to the acquisition of properties since September 30, 2005. At September 30, 2005 Westfield owned 13 income-producing properties. At September 30, 2006, Westfield's portfolio consists of 34 income-producing properties.

DI and FFO in the current quarter have also increased significantly over the comparative period of 2005 (\$3,994 and \$3,564 respectively). On a year to date basis, DI has increased by \$9,187 and FFO by \$8,002. On a per unit basis, basic DI has increased \$0.236 over the same period of 2005 and \$0.425 on a year-over-year comparative basis. On a per unit basis, basic FFO has increased \$0.218 over the same period of 2005 and \$0.360 on a year over year comparative basis.

Losses for both the three and nine month periods ended September 30, 2006 have increased over the comparable periods in 2005, primarily as a result of the increase in non-cash amortization expense related to properties acquired in 2005 and 2006 which offset the increase in revenues, net of property operating expenses, interest and corporate expenses.

## ANALYSIS OF FINANCIAL RESULTS

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	<i>\$Thousands, except unit and per unit amounts</i>			
Revenue	\$ 15,744	\$ 1,728	\$ 37,033	\$ 3,097
Property operating expenses	<u>5,665</u>	<u>355</u>	<u>13,215</u>	<u>696</u>
Property NOI	10,079	1,373	23,818	2,401
Interest	<u>5,277</u>	<u>634</u>	<u>12,169</u>	<u>1,015</u>
	4,802	739	11,649	1,386
Expenses:				
Corporate	532	219	2,087	329
Amortization	<u>7,545</u>	<u>665</u>	<u>18,284</u>	<u>1,377</u>
	<u>8,077</u>	<u>884</u>	<u>20,371</u>	<u>1,706</u>
Loss before gain on disposal of income-producing properties	(3,275)	(145)	(8,722)	(320)
Gain on disposal of income-producing properties	<u>-</u>	<u>-</u>	<u>828</u>	<u>-</u>
Loss for the period	<u>\$ (3,275)</u>	<u>\$ (145)</u>	<u>\$ (7,894)</u>	<u>\$ (320)</u>
Loss per unit (basic and diluted)	<u>\$ (0.271)</u>	<u>\$ (0.002)</u>	<u>\$ (0.720)</u>	<u>\$ (0.010)</u>
Weighted average number of units:				
Basic and diluted	12,072,151	4,122,383	10,958,562	2,188,618

### **Revenues and Property NOI**

Westfield's revenues and Property NOI indicate significant growth over the previous year's results due primarily to the impact of acquisitions made since September 30, 2005. Q3-06 revenues included \$103 of interest earned on short-term investments (\$656 - YTD) and no lease termination fees paid by tenants (\$162 - YTD). In the previous year, Q3 revenues included \$7 of interest earned on short-term investments (\$14 - YTD) and no lease termination fees. Primarily as a result of significant acquisitions activity, Property NOI has increased by \$21,417 to \$23,818 for the nine months ended September 30, 2006.

In accordance with GAAP, 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 Q3-06 was \$308 (\$693 - YTD) compared to \$30 (\$65 - YTD) 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 Q3-06 was \$947 (\$2,028 -YTD) compared to \$57 in Q3-05 (\$285 - 2005 YTD).

**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 mortgages and other debt secured by properties at September 30, 2006 is 5.51% compared to 5.24% for the comparable period of 2005. The weighted average term to maturity is 6.73 years.

At the time of issue, the convertible debentures are allocated between their equity and liability components in accordance with GAAP (see Note 7 of the annual consolidated financial statements for further details). Westfield recorded interest expense on the carrying value of debentures at a rate of 13% on the \$875 Convertible, Series A and Series B debentures and at 11.75% on the Series C debentures. Management believes these rates are comparable to similar debt issues, given the risk, size, rates and terms of the debentures at the time of their issue. The difference between the interest paid, being the rates as stipulated on the debentures, and the interest recorded is treated as an addition (accretion) to the carrying value of the debentures. Westfield recorded interest expense of \$1,351 on the carrying value of debentures outstanding in the third quarter of 2006 (\$3,183 – YTD); the accretion entry was \$399 (\$922 – YTD).

For the comparable quarter of 2005, \$337 of interest expense was recorded (\$354 - YTD) and the accretion entry was \$73 (\$76 – YTD).

**Corporate Expenses**

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Accounting, legal, consulting	\$ 116	\$ 83	\$ 373	\$ 120
Advisory Fees	284	31	653	63
Public company costs	40	23	340	37
Annual report and AGM	-	-	61	-
Unit based compensation	40	-	120	-
Other general and administrative	21	82	143	109
Costs related to bid on property portfolio	31	-	397	-
<b>Total corporate expenses</b>	<b>\$ 532</b>	<b>\$ 219</b>	<b>\$ 2,087</b>	<b>\$ 329</b>

The current period's corporate expenses increased \$313 compared to Q3-05 (\$1,758 - YTD). Advisory fees contributed to \$253 of the increase in the current period (\$590 - YTD), reflecting the increased asset base of the REIT compared to the prior period.

Other significant factors that have contributed to the year-over-year increase in corporate expenses include one-time costs incurred on an unsuccessful bid to acquire a large portfolio of properties (\$397) and one-time TSX initial listing fees (\$160).

**Amortization**

Amortization expense includes amortization of the income-producing properties and intangible assets plus office equipment and other assets such as deferred financing costs. 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 \$3,010 in Q3-06 (\$7,027 – YTD) compared to \$308 in Q3-05 (\$582 – 2005 YTD). In Q3-06 Westfield recorded \$4,244 for the amortization of in-place leases (\$10,585 – YTD) compared to \$312 in Q3-05 (\$728 – 2005 YTD).



**Comparison to Forecast**

	Three months ended September 30,		Nine months ended September 30,	
	Actual	Forecast	Actual	Forecast
<i>\$ Thousands, except unit and per unit amounts</i>				
Revenue	\$ 15,744	\$ 11,221	\$ 37,033	\$ 31,538
Property operating expenses	<u>5,665</u>	<u>3,909</u>	<u>13,215</u>	<u>11,228</u>
Property NOI	10,079	7,312	23,818	20,310
Interest	<u>5,277</u>	<u>3,384</u>	<u>12,169</u>	<u>9,710</u>
	4,802	3,928	11,649	10,600
Expenses:				
Corporate	532	323	2,087	938
Amortization	<u>7,545</u>	<u>5,345</u>	<u>18,284</u>	<u>15,390</u>
	<u>8,077</u>	<u>5,668</u>	<u>20,371</u>	<u>16,328</u>
Loss before gain on disposal of income-producing properties	(3,275)	(1,740)	(8,722)	(5,728)
Gain on disposal of income-producing properties	<u>-</u>	<u>-</u>	<u>828</u>	<u>943</u>
Loss for the period	<u>\$ (3,275)</u>	<u>\$ (1,740)</u>	<u>\$ (7,894)</u>	<u>\$ (4,785)</u>
Loss per unit (basic and diluted)	<u>\$ (0.271)</u>	<u>\$ (0.150)</u>	<u>\$ (0.720)</u>	<u>\$ (0.450)</u>
Weighted average number of units:				
Basic and diluted	12,072,151	11,531,825	10,958,562	10,685,129

Westfield's Property NOI has surpassed forecasted expectations by \$2,767 in Q3-06 (\$3,508 – YTD). This represents a 37.8% increase over the forecast in the current period and a 17.3% increase over the forecast on a year-to-date basis. The growth has been substantially driven by on-going acquisition activity, however, Westfield has also achieved growth in same Property NOI over the forecast. A reconciliation of the Property NOI from forecast to actual follows:

	Three months ended September 30, 2006	Nine months ended September 30, 2005
Forecast Property NOI	\$ 7,312	\$ 20,310
Delay in forecasted acquisition	-	(82)
Interest revenue exceeding forecast amount	37	503
Property NOI from acquisitions not included in forecast	2,771	3,055
Property NOI from dispositions not included in forecast	(80)	(80)
Actual Property NOI exceeding forecast Property NOI	39	112
Actual Property NOI	<u>\$ 10,079</u>	<u>\$ 23,818</u>

Year-to-date interest expense exceeded the forecast by \$2,459. A substantial portion of the increase is attributable to interest on the \$30,000 Series C debentures issued in May 2006 which resulted in \$1,086 YTD not being forecast. Additional interest expense of \$1,178 in the current period (\$1,291 - YTD) was recorded as a result of mortgages on acquisitions not contemplated in the forecast. Interest expense was also higher than anticipated due to the impact of higher interest rates on the variable interest-rate mortgages. Corporate expenses and non-cash amortization expenses were higher than anticipated, substantially as a result of acquisitions not contemplated in the forecast as well as one-time costs incurred on an unsuccessful bid to acquire a large portfolio of properties (\$397) and one-time TSX initial listing fees (\$160).

**Reconciliation of GAAP Loss and Cash Flow from Operations to Distributable Income ("DI")**

**Reconciliation of GAAP Loss to DI:**

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
<i>\$ Thousands, except unit and per unit amounts</i>				
Loss for the period	\$ (3,275)	\$ (145)	\$ (7,894)	\$ (320)
Add:				
Amortization (excluding amortized leasing costs)	7,260	626	17,629	1,334
Amortized financing costs on convertible debentures	163	39	370	42
Accretion to carrying value of debt	399	73	922	76
Unit-based compensation expense	40	-	120	-
Gain on disposal of income-producing properties	-	-	(828)	-
Distributable income (DI)	<u>\$ 4,587</u>	<u>\$ 593</u>	<u>\$ 10,319</u>	<u>\$ 1,132</u>
DI per unit				
Basic and adjusted <sup>(1)</sup>	\$ 0.383	\$ 0.144	\$ 0.978	\$ 0.436
Basic	\$ 0.380	\$ 0.144	\$ 0.942	\$ 0.517
Diluted	<u>\$ 0.352</u>	<u>\$ 0.142</u>	<u>\$ 0.854</u>	<u>\$ 0.513</u>
Weighted average number of units:				
Basic	12,072,151	4,122,383	10,958,562	2,188,618
Diluted	15,609,760	4,152,154	14,498,392	2,206,398
<small>(1) Added back to 2006 DI is \$397 of costs attributable to an unsuccessful bid on a portfolio of assets. Deducted from 2005 DI is \$178 of revenue recorded on the write-off of above-market lease value on an early lease termination.</small>				

**Reconciliation of Cash Flows from Operations to DI:**

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
<i>\$ Thousands, except unit and per unit amounts</i>				
Cash flow from operations	\$ 6,125	\$ 1,884	\$ 8,522	\$ 2,131
Deduct amortization of:				
Office equipment	(1)	-	(3)	-
Above-market rent	(55)	(22)	(165)	(27)
Below-market rent	1,002	79	2,193	312
Tenant inducement and leasing costs	(60)	-	(109)	-
Above-market mortgage	28	-	52	-
Deferred financing costs, non-debenture	(61)	-	(173)	-
Add: Straight-line rent adjustment	308	30	693	65
Deduct change in:				
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)
Distributable income (DI)	\$ 4,587	\$ 593	\$ 10,319	\$ 1,132
DI per unit				
Basic and adjusted <sup>(1)</sup>	\$ 0.383	\$ 0.144	\$ 0.978	\$ 0.436
Basic	\$ 0.380	\$ 0.144	\$ 0.942	\$ 0.517
Diluted	\$ 0.352	\$ 0.143	\$ 0.854	\$ 0.513
Weighted average number of units:				
Basic	12,072,151	4,122,383	10,958,562	2,188,618
Diluted	15,609,760	4,152,154	14,498,392	2,206,398
<small>(1) Added back to 2006 DI is \$397 of costs attributable to an unsuccessful bid on a portfolio of assets. Deducted from 2005 DI is \$178 of revenue recorded on the write-off of above-market lease value on an early lease termination.</small>				

Q3-06 DI has increased \$3,994 over Q3-05 (\$9,187 – YTD). On a year-to-date basis, basic DI per unit has increased by \$0.425 (\$0.341 on a fully diluted basis). These increases are substantially as a result of the acquisitions concluded since September 30, 2005. Q3-06 DI of \$0.380 per unit (basic) reflects substantial investment of the net proceeds of the May 2006 Series C debenture issue in income-producing properties. As the current period acquisitions were not owned for the full quarter, management anticipates there will be further DI growth from these acquisitions in future periods.

Year over year DI comparability has been hampered by two significant transactions in Q2 of this year and last year. The "Basic and adjusted DI" presented above eliminates the impact of those transactions to improve comparability.

**Reconciliation of GAAP Loss to Funds from Operations ("FFO"):**

Q3-06 FFO has increased \$3,564 over Q3-05 (\$8,002 – YTD). On a year-to-date basis, basic FFO per unit has increased by \$0.360 (\$0.340 on a fully diluted basis). FFO growth has primarily been driven by acquisitions since December 31, 2005. Q3-06 FFO of \$0.335 per unit (basic) reflects substantial investment of the May 2006 Series C debenture issue in income-producing properties. As the current period acquisitions were not owned for the full quarter, management anticipates there will be further FFO growth from these acquisitions in future periods.

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
	<i>\$ Thousands, except unit and per unit amounts</i>			
Loss for the period	\$ (3,275)	\$ (145)	\$ (7,894)	\$ (320)
Add amortization on:				
Income-producing property	3,010	308	7,027	582
Acquired in-place leases	4,244	312	10,585	728
Customer relationships	6	6	17	24
Tenant improvement and leasing costs	60	-	109	-
Gain on disposal of income-producing properties	-	-	(828)	-
<b>FFO for the period</b>	<b>\$ 4,045</b>	<b>\$ 481</b>	<b>\$ 9,016</b>	<b>\$ 1,014</b>
<b>FFO per unit</b>				
Basic and adjusted <sup>(1)</sup>	\$ 0.338	\$ 0.117	\$ 0.859	\$ 0.382
Basic	\$ 0.335	\$ 0.117	\$ 0.823	\$ 0.463
Diluted	\$ 0.334	\$ 0.115	\$ 0.800	\$ 0.460
<b>Weighted average number of units:</b>				
Basic	12,072,151	4,122,383	10,958,562	2,188,618
Diluted	12,131,910	4,171,452	12,759,673	2,206,398
<small>(1) Added back to 2006 FFO is \$397 of costs attributable to an unsuccessful bid on a portfolio of assets. Deducted from 2005 FFO is \$178 of revenue recorded on the write-off of above-market lease value on an early lease termination.</small>				

Year-over-year FFO comparability has been hampered by two significant transactions in Q2 of this year and last year. The "Basic and adjusted FFO" presented above eliminates the impact of those transactions to improve comparability.

**Comparison of Actual v. Forecast DI and FFO:**

In its short form prospectus dated February 27, 2006, the REIT forecast a third quarter DI of \$3,749 and a third quarter FFO of \$3,470. Westfield has exceeded the forecast DI by 22.4% and forecast FFO by 16.6%, largely as a result of acquisitions made subsequent to and not included in the forecast.

**Summarized Quarterly Information:**

	<u>Q3-06</u>	<u>Q2-06</u>	<u>Q1-06</u>	<u>Q4-05</u>	<u>Q3-05</u>	<u>Q2-05</u>	<u>Q1-05</u>	<u>Q4-04</u>
	<i>\$Thousands, except unit and per unit amounts</i>							
Revenue	\$ 15,744	\$ 11,932	\$ 9,357	\$ 6,547	\$ 1,728	\$ 854	\$ 515	\$ 242
Property operating expenses	5,665	3,912	3,617	2,728	355	209	132	62
	10,079	8,020	5,740	3,819	1,373	645	383	180
Interest	5,277	3,986	2,906	2,150	634	212	169	102
	4,802	4,034	2,834	1,669	739	433	214	78
Expenses:								
Corporate	532	1,125	451	584	219	59	51	38
Amortization	7,545	5,906	4,833	3,284	665	478	234	84
	8,077	7,031	5,284	3,868	884	537	285	122
Loss before gain (loss) on disposal of income-producing properties	(3,275)	(2,997)	(2,450)	(2,199)	(145)	(104)	(71)	(44)
Gain (loss) on disposal of income-producing properties	-	(113)	941	-	-	-	-	-
Loss before income taxes	\$ (3,275)	\$ (3,110)	\$ (1,509)	\$ (2,199)	\$ (145)	\$ (104)	\$ (71)	\$ (44)
Income tax expense	-	-	-	-	-	-	-	29
Loss for the period	\$ (3,275)	\$ (3,110)	\$ (1,509)	\$ (2,199)	\$ (145)	\$ (104)	\$ (71)	\$ (73)
Loss per unit								
Basic and fully diluted	\$ (0.271)	\$ (0.262)	\$ (0.169)	\$ (0.314)	\$ (0.035)	\$ (0.082)	\$ (0.062)	\$ (0.133)

The quarterly review indicates steady growth in Westfield's Property NOI and operating income. Accounting losses have also increased steadily, primarily due to increasing non-cash amortization of the income-producing properties and their related intangible assets.

	<u>Q3-06</u>	<u>Q2-06</u>	<u>Q1-06</u>	<u>Q4-05</u>	<u>Q3-05</u>	<u>Q2-05</u>	<u>Q1-05</u>	<u>Q4-04</u>
	<i>\$ Thousands, except unit and per unit amounts</i>							
Loss for the period	\$ (3,275)	\$ (3,110)	\$ (1,509)	\$ (2,199)	\$ (145)	\$ (104)	\$ (71)	\$ (73)
Add:								
Amortization (excluding amortized leasing costs)	7,260	5,686	4,683	3,193	626	477	231	82
Amortized financing costs on convertible debentures	163	115	92	66	37	3	-	2
Accretion to carrying value of debt	399	326	197	162	73	-	3	5
Unit-based compensation expense	40	40	40	157	-	-	-	30
(Gain) loss on disposal of income-producing properties	-	113	(941)	-	-	-	-	-
Distributable income (DI)	\$ 4,587	\$ 3,170	\$ 2,562	\$ 1,379	\$ 591	\$ 376	\$ 163	\$ 46
DI per unit								
Basic	\$ 0.380	\$ 0.268	\$ 0.287	\$ 0.197	\$ 0.143	\$ 0.296	\$ 0.144	\$ 0.084
Diluted	\$ 0.352	\$ 0.252	\$ 0.266	\$ 0.196	\$ 0.142	\$ 0.296	\$ 0.144	\$ 0.084
Weighted average number of units:								
Basic	12,072,151	11,850,099	8,918,795	6,993,641	4,122,383	1,269,728	1,140,980	549,278
Diluted	15,609,760	15,003,921	11,502,700	7,030,560	4,152,154	1,270,131	1,142,227	549,278

A quarter over quarter comparison of DI indicates the same trend. On a per unit basis, the quarterly review indicates steady growth in DI and DI per unit, which is attributable to the successful closing of accretive acquisitions over the past two years. DI per unit results were lower than anticipated in Q2-06 and higher than anticipated in Q2-05 as a result of unusual and material transactions in those periods (discussed in previous sections). Management anticipates future growth in DI per unit will be achieved by maximizing property NOI in the existing portfolio, and by future accretive acquisitions.

## ANALYSIS OF FINANCIAL POSITION

	September 30, 2006	December 31 2005	Increase
<b>ASSETS</b>			
Income-producing properties	\$ 381,057	\$ 209,658	\$ 171,399
Other assets, including intangibles	77,033	52,225	24,808
Deposits on income-producing properties	200	425	(225)
Cash and cash equivalents	9,075	10,960	(1,885)
	<u>\$ 467,365</u>	<u>\$ 273,268</u>	<u>\$ 194,097</u>
<b>LIABILITIES</b>			
Long term debt	\$ 331,087	\$ 190,834	\$ 140,253
Other liabilities	21,411	13,074	8,337
	<u>\$ 352,498</u>	<u>\$ 203,908</u>	<u>\$ 148,590</u>
<b>UNITHOLDERS' EQUITY</b>			
	<u>\$ 114,867</u>	<u>\$ 69,360</u>	<u>\$ 45,507</u>

Westfield's total assets have increased 71.0% since December 31, 2005, reflecting the acquisition of \$208,368 of additional income producing properties (\$93,038 in Q3). Liabilities and equity have increased as a result of the \$30,000 issue of Series C debentures in May 2006 and the public offering of units in March 2006. As a result of these transactions, liabilities have increased 72.9% and unitholders' equity increased 65.6%.

### **Acquisition Activity**

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

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

<u>Property</u>	<u>Location</u>	<u>Acquisition Date</u>	<u>Type</u>
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 impact on the financial position of Westfield resulting from these acquisitions is summarized below.

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Cash consideration	\$ 33,559	\$ 42,064	\$ 79,656	\$ 45,019
New or assumed mortgages including above-market mortgage	59,479	60,756	128,712	68,516
<b>Net assets acquired</b>	<b>\$ 93,038</b>	<b>\$ 102,820</b>	<b>\$ 208,368</b>	<b>\$ 113,535</b>
Allocated to income-producing properties	\$ 81,926	\$ 85,661	\$ 183,588	\$ 94,928
Allocated to other assets	15,460	21,635	33,634	23,709
Allocated to intangible liabilities	(4,348)	(4,476)	(8,854)	(5,102)
<b>Net assets acquired</b>	<b>\$ 93,038</b>	<b>\$ 102,820</b>	<b>\$ 208,368</b>	<b>\$ 113,535</b>

### **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. In Q3-06, Westfield assumed an existing \$9,716 mortgage bearing interest at 5.76% per annum in conjunction with the acquisition of Horizon Heights and obtained a mortgage financing package of \$5,113 with an effective interest rate of 5.38% per annum with respect to the acquisition of Franklin Showcase Warehouse. Westfield defeased the existing mortgage on Heritage Square at a cost of \$4,124 and negotiated new mortgage financing of \$39,650 at a rate of 5.52% per annum, plus an additional \$5,000 vendor loan bearing interest at 6.00% per annum.

**Contractual Obligations**

<b>Long-term liabilities</b>	<u>Total</u>	<u>Less than 1 year</u>	<u>1 - 3 years</u>	<u>4 - 5 years</u>	<u>After 5 years</u>
Mortgages and other loans secured by properties	\$ 288,763	\$ 24,340	\$ 24,976	\$ 42,330	\$ 197,117
Convertible debentures <sup>(1)</sup>	<u>52,632</u>	<u>-</u>	<u>-</u>	<u>22,632</u>	<u>30,000</u>
					-
<b>Total</b>	<b><u>\$ 341,395</u></b>	<b><u>\$ 24,340</u></b>	<b><u>\$ 24,976</u></b>	<b><u>\$ 64,962</u></b>	<b><u>\$ 227,117</u></b>

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

The REIT's weighted average interest rate on mortgage and other debt secured by properties at September 30, 2006 is 5.51% compared to 5.24% for the comparable period of 2005. The weighted average term to maturity is 6.73 years.

In fiscal 2005, Sears Centre was acquired on an agreement for sale basis. Accordingly, title to the property was held in escrow pending payout of the related vendor loan. The vendor loan on Sears Centre was repaid on October 15, 2006 (see "Subsequent Events" for further details).

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 per unit. 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.

A summary of Westfield's remaining debentures outstanding as at September 30, 2006, are as follows:

	<u>Issued</u>	<u>Maturity</u>	<u>Face rate</u>	<u>Carrying value</u>	<u>Face value</u>
Series A	4-Aug-05	4-Aug-10	7.75%	\$ 9,953	\$ 11,770
Series B	9-Nov-05	9-Nov-10	7.50%	9,005	10,862
Series C	4-May-06	31-May-13	6.25%	<u>22,725</u>	<u>30,000</u>
				<b><u>\$ 41,683</u></b>	<b><u>\$ 52,632</u></b>



At September 30, 2006, Westfield debt to gross book value ratios are as follows:

	September 30, 2006	December 31 2005
Gross book value (GBV) of properties	\$ 455,444	\$ 254,071
Mortgages and loans secured by properties <sup>(1)</sup>	\$ 289,404	\$ 168,889
Mortgages and loans to GBV	63.5 %	66.5 %
Carrying value of convertible debentures	\$ 41,683	\$ 21,945
Total long-term debt	\$ 331,087	\$ 190,834
Total long-term debt to GBV	72.7 %	75.1 %
(1) Includes \$641 mark-to-market on above-market mortgages		

**Unitholders' equity**

In Q3-06 Westfield issued a total of 431,221 units as shown below:

	Units	Amount
Balance forward, June 30, 2006	11,857,808	\$ 120,769
Cash transactions:		
Exercise of trustees' and officers' \$6.00 options	22,000	132
Exercise of trustees' and officers' \$11.25 options	5,000	56
Distribution Reinvestment Plan ("DRIP")	960	13
Partial payment of trustees' fees	1,066	15
	<u>29,026</u>	<u>216</u>
Non-cash transactions:		
Conversion of Series A debentures to units @ \$12.60 per unit	256,361	3,329
Conversion of \$875 convertible debenture	145,833	921
Contribution surplus portion of options exercised	-	7
Fractional units	1	-
	<u>402,195</u>	<u>4,257</u>
	-	-
	<u>12,289,029</u>	<u>\$ 125,242</u>

At September 30, 2006 there are 6,000 of the \$6.00 options and 279,393 of the \$11.25 options outstanding. A total of 285,393 options are outstanding (72,098 exercisable) at a weighted average exercise price of \$11.14.

The weighted average number of units outstanding for Q3-06 was 12,072,151 (10,958,562 – YTD). The weighted average number of units outstanding for Q3-05 was 4,122,383 (2,188,618 – YTD).

## CASH FLOWS AND FUNDS FROM OPERATIONS (FFO)

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

	<u>Q3-06</u>	<u>Q2-06</u>	<u>Q1-06</u>	<u>Q4-05</u>	<u>Q3-05</u>	<u>Q2-05</u>	<u>Q1-05</u>	<u>Q4-04</u>
	<i>\$ Thousands, except unit and per unit amounts</i>							
Loss for the period	\$ (3,275)	\$ (3,110)	\$ (1,509)	\$ (2,199)	\$ (145)	\$ (104)	\$ (71)	\$ (73)
Add amortization on:								
Income-producing property	3,010	2,211	1,806	1,318	308	153	121	55
Acquired in-place leases	4,244	3,470	2,871	1,869	312	310	106	26
Customer relationships	6	5	6	6	6	14	4	-
Tenant improvement and leasing costs	60	33	16	9	-	-	-	-
Gain on disposal of income-producing properties	-	113	(941)	-	-	-	-	-
<b>Funds from operations (FFO)</b>	<b>\$ 4,045</b>	<b>\$ 2,722</b>	<b>\$ 2,249</b>	<b>\$ 1,003</b>	<b>\$ 481</b>	<b>\$ 373</b>	<b>\$ 160</b>	<b>\$ 8</b>
<b>FFO per unit</b>								
Basic	\$ 0.335	\$ 0.230	\$ 0.252	\$ 0.143	\$ 0.117	\$ 0.294	\$ 0.140	\$ 0.014
Diluted	\$ 0.334	\$ 0.228	\$ 0.237	\$ 0.143	\$ 0.116	\$ 0.294	\$ 0.140	\$ 0.014
<b>Weighted average shares</b>								
Basic	12,072,151	11,850,099	8,918,795	6,993,641	4,122,383	1,269,728	1,140,980	549,278
Diluted	12,131,910	12,074,314	9,507,631	7,030,560	4,152,154	1,270,131	1,142,227	549,278

A quarter over quarter comparison of Westfield FFO indicates steady growth in FFO and FFO per unit. This is attributable to the successful closing of accretive acquisitions over the past two years. FFO per unit results were lower than anticipated in Q2-06 and higher than anticipated in Q2-05 as a result of unusual and material transactions in those periods (discussed above). Management anticipates future growth in FFO per unit will be achieved by maximizing Property NOI in the existing portfolio, and by future accretive acquisitions.

In Q3-06, cash flow from Westfield's operating activities was \$6,125, compared to \$1,884 in Q3-05. For the nine months ended September 30, 2006 cash flow from operating activities is \$8,522 compared with \$2,131 in 2005. Investing activities in the nine months ended September 30, 2006 utilized \$78,356 of cash while financing activities generated \$67,141. The overall cash decrease for the current quarter was \$32,009 (\$2,693 – YTD) compared with an increase of \$17,666 in 2005 (\$15,777 - 2005 YTD).

Distributions to unitholders remained constant during the first three quarters of 2006 at \$0.0875 per unit per month (or \$0.2625 per quarter). In the previous year, Westfield distributed \$0.225 per unit in the third quarter.

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

## OPERATIONAL RESULTS

Operational results are significantly impacted by the mix of properties by asset 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. Information on the REIT's operating performance by asset class and province follows:

**Segmented Property NOI (by Asset Class)**

	Three months ended September 30,					
	2006			2005		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 7,156	\$ 8,075	\$ 411	\$ 1,081	\$ 329	\$ -
Property operating expenses	<u>2,023</u>	<u>3,522</u>	<u>114</u>	<u>241</u>	<u>114</u>	<u>-</u>
Property NOI	<u>\$ 5,133</u>	<u>\$ 4,553</u>	<u>\$ 297</u>	<u>\$ 840</u>	<u>\$ 215</u>	<u>\$ -</u>
Share of Property NOI	<u>51.4 %</u>	<u>45.6 %</u>	<u>3.0 %</u>	<u>79.6 %</u>	<u>20.4 %</u>	<u>0.0 %</u>

	Nine months ended September 30,					
	2006			2005		
	Retail	Office	Industrial	Retail	Office	Industrial
Revenue	\$ 17,693	\$ 18,256	\$ 414	\$ 2,442	\$ 329	\$ -
Property operating expenses	<u>4,822</u>	<u>8,273</u>	<u>114</u>	<u>582</u>	<u>114</u>	<u>-</u>
Property NOI	<u>\$ 12,871</u>	<u>\$ 9,983</u>	<u>\$ 300</u>	<u>\$ 1,860</u>	<u>\$ 215</u>	<u>\$ -</u>
Share of Property NOI	<u>55.6 %</u>	<u>43.1 %</u>	<u>1.3 %</u>	<u>89.6 %</u>	<u>10.4 %</u>	<u>0.0 %</u>

**Segmented Property NOI (by Province)**

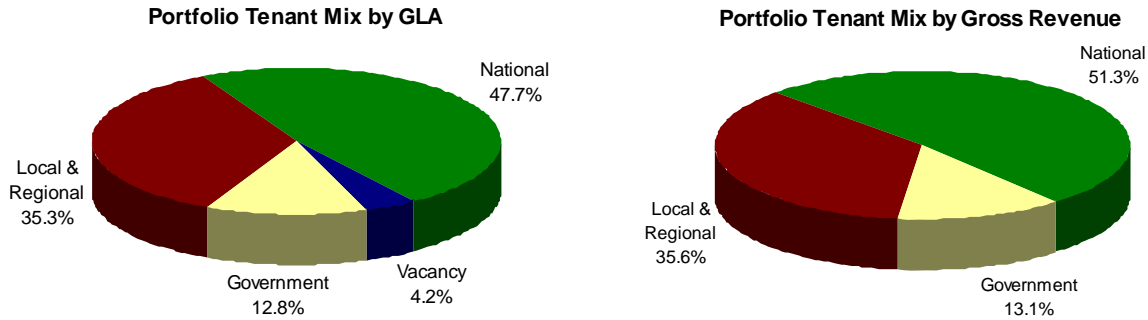
	Three months ended September 30,							
	2006				2005			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 2,265	\$ 2,666	\$ 10,472	\$ 239	\$ 298	\$ 423	\$ 671	\$ -
Property operating expenses	<u>996</u>	<u>859</u>	<u>3,694</u>	<u>67</u>	<u>105</u>	<u>159</u>	<u>133</u>	<u>-</u>
Property NOI	<u>\$ 1,269</u>	<u>\$ 1,807</u>	<u>\$ 6,778</u>	<u>\$ 172</u>	<u>\$ 193</u>	<u>\$ 264</u>	<u>\$ 538</u>	<u>\$ -</u>
Share of Property NOI	<u>12.7 %</u>	<u>18.0 %</u>	<u>67.6 %</u>	<u>1.7 %</u>	<u>19.4 %</u>	<u>26.5 %</u>	<u>54.1 %</u>	<u>0.0 %</u>

	Nine months ended September 30,							
	2006				2005			
	MB	SK	AB	BC	MB	SK	AB	BC
Revenue	\$ 6,531	\$ 7,533	\$ 21,589	\$ 709	\$ 298	\$ 1,317	\$ 1,136	\$ -
Property operating expenses	<u>3,034</u>	<u>2,374</u>	<u>7,617</u>	<u>194</u>	<u>105</u>	<u>424</u>	<u>232</u>	<u>-</u>
Property NOI	<u>\$ 3,497</u>	<u>\$ 5,159</u>	<u>\$ 13,972</u>	<u>\$ 515</u>	<u>\$ 193</u>	<u>\$ 893</u>	<u>\$ 904</u>	<u>\$ -</u>
Share of Property NOI	<u>15.1 %</u>	<u>22.3 %</u>	<u>60.4 %</u>	<u>2.2 %</u>	<u>9.7 %</u>	<u>44.9 %</u>	<u>45.4 %</u>	<u>0.0 %</u>

**Occupancy and Tenant Mix**

Westfield's current portfolio has a strong tenant profile, with approximately 64.4% of gross revenues or 60.5% of total GLA derived from government or national tenancies.



Westfield's ten top tenants (excluding government agencies) contribute approximately 25.8% to the REIT's overall gross revenue and occupy 24.3% of total GLA. The list is largely comprised of high-credit rated national retailers or businesses. Government tenants contribute another 13.1% to the REIT's overall gross revenue and occupy 12.8% of total GLA. Management believes this tenant mix speaks well for the strength and stability of Westfield's prospective cash flows.

Top Ten Tenants by GLA		Top Ten Tenants by Gross Revenue	
	Share		Share
Jacobs Canada	5.2%	Jacobs Canada	6.5%
Sears	3.7%	Credit Union Central	4.1%
Credit Union Central	3.0%	Shoppers Drug Mart Total	3.5%
Shoppers Drug Mart	2.8%	Cineplex Odeon	2.9%
Cineplex Odeon	2.3%	Komex International	2.0%
Komex International	1.8%	Columbia College Corp	1.5%
Columbia College Corp	1.8%	Cooperators General Insurance	1.4%
Home Outfitters	1.6%	Sobey's	1.4%
Hycal Energy Labs	1.4%	Home Outfitters	1.3%
Sobey's	1.3%	Bank of Montreal	1.2%
<b>Total of Top Ten by GLA</b>	<b>24.3%</b>	<b>Total of Top Ten by Gross Revenue</b>	<b>25.8%</b>

Government Entities by GLA		Government Entities by Gross Revenue	
	Share		Share
Federal Government	4.9%	Federal Government	4.9%
Provincial Government	5.0%	Provincial Government	5.5%
Civic or Municipal Govt	2.8%	Civic or Municipal Govt	2.7%
<b>Total Government by GLA</b>	<b>12.8%</b>	<b>Total Government by Gross Revenue</b>	<b>13.1%</b>

Overall occupancy in the portfolio at September 30, 2006 was 95.8% compared with 93.4% at December 31, 2005. Upcoming lease expiries are as follows:

<b>Year of Expiry</b>	<b>GLA</b>	<b>% of Portfolio GLA</b>	<b>% of Expiries in Alberta</b>
2006	86,988	3.0%	41.8%
2007	194,029	6.8%	44.8%
2008	473,219	16.6%	78.0%
2009	361,340	12.7%	70.6%
2010	440,007	15.4%	65.8%
2011	580,764	20.3%	80.8%
2012 & later	617,959	21.6%	59.0%

A significant proportion of the leases coming up for renewal are in the Alberta properties. Management believes there is substantial upside to be realized from the below-market leases coming up for renewal in Alberta, particularly in the strong Calgary office market.

### ***Leasing and Capital Expenditures***

Leasing and capital expenditures for Westfield are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Tenant inducements	\$ 467	\$ -	\$ 803	\$ -
Leasing commissions	242	-	490	-
Capital expenditures	1,025	-	1,035	-
<b>Total</b>	<b>\$ 1,734</b>	<b>\$ -</b>	<b>\$ 2,328</b>	<b>\$ -</b>

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 long-term revenues for the building.

## **2006 OUTLOOK**

Westfield is a growth-oriented REIT focused exclusively on commercial properties located in primary and growing secondary markets in western Canada, particularly in Alberta. Westfield's goal is to provide unitholders the opportunity to invest in high-quality western Canadian office, retail and industrial properties, as well as to provide monthly cash distributions that are stable, tax efficient, and growing over time.

Westfield intends to continue to source acquisitions or development opportunities within our stated product/market focus that meet our financial criteria. Westfield will also focus on increasing same Property NOI through effective property and leasing management.

### **Subsequent Events**

On October 11, 2006, Westfield closed a public offering of units for aggregate gross proceeds of \$35,000. 2,430,555 Trust units were issued at \$14.40, pursuant to the prospectus dated October 3, 2006. The units were purchased by a syndicate of underwriters led by Canaccord Adams, and including CIBC World Markets Inc., National Bank Financial, Scotia Capital Inc., BMO Nesbitt Burns Inc., Bieber Securities Inc., Desjardins Securities Inc., and Westwind Partners Inc. Net proceeds of the offering are intended to be used for debt reduction, property acquisitions and general working capital purposes.

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.

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 20, 2006, Westfield issued 727 units at a price of \$13.63 per unit pursuant to the DRIP.

On October 27, 2006, the underwriting syndicate for the prospectus dated October 3, 2006 exercised their over-allotment option. On October 30, 2006, Westfield issued 364,583 units for aggregate gross proceeds of \$5,250.

On October 31, 2006, Westfield acquired Liberton Square, a 20,829 square foot retail property located in the City of 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. Liberton Square was 100% occupied at acquisition.

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, Westfield repaid the outstanding floating-rate mortgage on the Grain Exchange in the amount of \$6,526.

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

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

The balance of options outstanding as of November 9, 2006 is as follows:

	<u>Options outstanding</u>	<u>Options exercisable</u>
\$6.00 options	6,000	6,000
\$11.25 options	279,393	66,098
\$14.40 options, issued October 11, 2006	<u>450,000</u>	<u>112,500</u>
	<u>735,393</u>	<u>184,598</u>

## 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	-

Westfield incurred legal fees with a law firm associated with a Trustee of Westfield in connection with the prospectus offerings, the property acquisitions and general business matters. The amount payable at September 30, 2006 is nil.

Westfield 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 Westfield. There is no balance payable at September 30, 2006.

Westfield 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.

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

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

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.

## **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. 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 April 19, 2006, filed on SEDAR.

On October 31, 2006, the Minister of Finance announced a proposal to impose tax on certain distributions from certain publicly traded income trusts. Based on Westfield's understanding of the proposal, Westfield believes that it will not be impacted by the proposal. However, it cannot be certain until the legislation is finalized and passed by Parliament.

## **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.