TEMPLE
Real Estate Investment Trust

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARCH 31, 2007

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Unitholder Returns

	Three Months Ended March 31, 2007	349 Days Ended December 31, 2006
Distribution per unit	$0.15	$0.14
Opening unit price	$4.95	$5.00
Closing unit price	$4.41	$4.95

Projected cash distribution per unit - 2007	$0.60
Closing unit price - May 28, 2007	$4.80
Current yield	12.5%

Number of units outstanding	- March 31, 2006	8,841,837
	- May 28, 2007	8,848,920

Temple Real Estate Investment Trust trades on the TSX Venture Exchange under the symbol "TR.UN".

REIT Unit Price History

Month	High	Low	Volume
2007			
May 1 to May 28	$5.05	$4.63	312,971
April	$5.25	$4.11	279,908
March	$5.10	$4.25	321,668
February	$5.72	$5.00	402,662
January	$5.25	$4.83	13,496
2006			
December	$4.95	$4.25	54,269
November	$4.89	$4.00	86,533
October	$5.00	$4.50	33,418

REPORT TO UNITHOLDERS

Temple REIT commenced operations as a publicly-listed real estate investment Trust at the beginning of October 2006 and completed the 2006 fiscal year with one hotel property and a cash balance of approximately $4 Million.

The primary investment objective of Temple Real Estate Investment Trust (Temple REIT) is to create a large and diversified portfolio of quality hotel properties and to maximize the investment return to the holders of units by focusing on an accretive acquisition program and a proactive asset and property management strategy.

The operating results for the first quarter of 2007 provide a clear indication that Temple REIT has the capability of fulfilling its investment objectives. During the first quarter of 2007, Temple REIT successfully raised over $48 Million of new investment capital from a public offering of trust units and convertible debentures and finalized the acquisition of two additional hotel properties with a combined purchase price of $69.5 Million. The new hotel properties will have a significant impact on income growth commencing in the second quarter of 2007, as the properties were acquired at the end of March and only made a nominal contribution to operating results during the first quarter of the year. Subsequent to March 31, 2007, Temple REIT acquired four additional hotel properties with a total purchase price of $68.5 Million and further enhanced its base of quality income-producing properties.

During the first quarter of 2007, the primary income-producing asset in the Temple REIT portfolio was the Temple Gardens Hotel and, once again, the hotel generated positive operating results, achieving an average occupancy rate of 73.5% during the first quarter of 2007; revenue per available room of $108.39 and an operating profit margin of 32.5%. Overall, Temple REIT generated net income of $206,544 during the first quarter of 2007, representing an increase of $105,620 or 105%, in comparison to the preceding three month operating period in 2006.

On a per unit basis, net income decreased from $0.090 per unit during the fourth quarter of 2006 to $0.039 per unit during the first quarter of 2007. The "per unit" results are reflective of a real estate investment trust in the beginning stages of a period of strong growth, where the income returns from a gradually expanding portfolio lag behind the cost of investment capital. As the capital reserves of the Trust were fully invested at the beginning of May, it is anticipated that the return on investment will increase substantially during the second quarter of the year and that there will be a marked improvement in income levels on a per unit basis.

In summary, Temple REIT is well positioned to achieve strong growth in its asset base and operating income during the remainder of 2007. The Board of Trustees and the management team of Shelter Canadian Properties Limited remain fully committed to the long-term success of the Trust.

TEMPLE REAL ESTATE INVESTMENT TRUST

A.C. Thorsteinson

ARNI C. THORSTEINSON, CFA
President & Chief Executive Officer
May 29, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-Looking Statements

Management's Discussion and Analysis ("MD&A") of Temple Real Estate Investment Trust ("Temple REIT" or the "Trust") should be read in conjunction with the audited financial statements of Temple REIT for the quarter ended March 31, 2007 and with reference to the 2006 Annual Report.

Certain statements contained in this MD&A and in certain documents incorporated by reference herein are "forward-looking statements" that reflect the expectations of management regarding the future growth, results of operations, performance, prospects and opportunities of Temple REIT. Readers are cautioned not to place undue reliance on forward-looking information. All statements other than statements of historical fact contained or incorporated by reference herein are forward-looking statements including, without limitation, statements regarding the timing and amount of distributions and the future financial position, business strategy, potential acquisitions, plans and objectives of Temple REIT. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors, as discussed herein, could cause actual results to differ materially from the results discussed in forward-looking statements. Although the forward-looking statements contained or incorporated by reference herein are based upon what management believes to be reasonable assumptions, Temple REIT cannot assure investors that actual results will be consistent with these forward-looking statements.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. Forward-looking statements are made as of the date hereof, or such other date specified in such statements, and neither Temple REIT nor any other person assumes any obligation to update or revise such forward-looking statements to reflect new information, events or circumstances, except as expressly required by applicable securities law.

2007 FIRST QUARTER HIGHLIGHTS

- Raised $48.16 Million of investment capital from the placement of $32.48 Million of trust units and $15.68 Million of convertible debentures.

- Closed the acquisition of Clearwater Suites Hotel and Chateau Nova at the end of March 2007, comprising 210 hotel rooms, at a combined purchase price of $69.5 Million.

- Operating income from the operations of the Trust increased by $285,455, compared to the preceding quarter.

- Completed first quarter of 2007 with a cash balance of $29.6 Million, which served to fund the cash portion of the acquisition of four additional hotel properties (333 rooms) in Fort McMurray on April 30, 2007.

Financial and Operating Statistics

	Three Months Ended March 31, 2007		349 Days Ended December 31, 2006	
BALANCE SHEET				
Total assets	$129,198,234		$32,961,791	
Total liabilities	$88,738,878		$24,456,613	
CASH DISTRIBUTIONS				
Amount - total	$966,676		$328,417	
- per unit	$0.15 ($0.60 annualized)		$0.14 ($0.56 annualized)	
KEY PERFORMANCE INDICATORS				
Operations				
Occupancy *	73.50%		74.04%	
ADR *	$147.53		$139.66	
RevPar *	$108.39		$103.40	
Operating profit margin *	32.5%		29.9%	
Operating Results				
Total revenue	$3,278,709		$2,985,282	
Operating income	$1,066,867		$823,174	
Net income	$206,544		$109,377	
Cash Flows				
Cash flow from operating activities	$180,100		$1,257,575	
Distributable income *	$445,610		$349,346	
Financing				
Weighted average interest rate of long-term debt *	6.505%		6.15%	
PER UNIT AMOUNTS	Basic	Diluted	Basic	Diluted
Net income	$0.039	$0.038	$0.097	$0.096
Distributable income *	$0.084	$0.083	$0.311	$0.307

Non-GAAP Measurements

Items marked with an asterisk represent measurements which are not calculated or presented in accordance with GAAP or which do not have a standardized meaning as prescribed by GAAP. The non-GAAP measurements may not be comparable to the measurements which are provided by other entities and should not be used as an alternative to the measurements which are determined in accordance with GAAP for purposes of assessing the performance of Temple REIT. Temple REIT believes, however, that the non-GAAP measurements are useful in supplementing the reader's understanding of the performance of the Trust.

Details regarding the calculation of the non-GAAP measurements and a reconciliation to GAAP measurements, where applicable, are provided in the report.

OVERVIEW OF TRUST OPERATIONS

Creation of Temple Real Estate Investment Trust ("Temple REIT")

Prior to its reorganization as a real estate investment trust, Temple REIT existed as a capital pool company known as "HPVC Inc.". HPVC Inc. was incorporated under the Canada Business Corporations Act on August 5, 2005, completed its initial public offering on February 22, 2006 and became a publicly listed company on the TSX Venture Exchange on February 27, 2006.

On October 1, 2006, HPVC Inc. completed a Qualifying Transaction whereby, pursuant to a Plan of Arrangement, HPVC Inc. was reorganized into a real estate investment trust, under the name of "Temple Real Estate Investment Trust". In accordance with the Plan of Arrangement, the common shares of HPVC Inc. were exchanged for trust units of Temple REIT on a ten to one basis and all of the assets and liabilities of HPVC Inc. were transferred to the Trust.

Overall Investment Objectives and Strategy

Primary Objectives

Temple REIT is an open-ended real estate investment trust focused on owning and acquiring a geographically and sectorally diversified portfolio of hotel properties and assets in primary and secondary markets across Canada. The primary objectives of Temple REIT are to generate stable and growing cash distributions on a tax-efficient basis, enhance the value of Temple REIT's assets and maximize long-term unit value through the active management of its assets, and expand the asset base and increase distributable income through an accretive acquisition program.

Growth

The general strategy of Temple REIT for external growth is to pursue the acquisition of hotel properties and assets in markets across Canada and, possibly in the United States, based on an investment criteria which focuses on return of equity, security of cash flow and potential for capital appreciation. The target capitalization rate for hotel acquisitions is between 9% and 13%.

The assessment of the capital appreciation potential of targeted properties includes an evaluation of market conditions, an analysis of the available opportunities for increasing cash flows by implementing more efficient operating systems, and an examination of the potential redevelopment or expansion opportunities for the property.

The overall investment strategy of Temple REIT will also encompass the acquisition of hotels in regional clusters and of similar asset sizes in order to create economies of scale. Temple REIT will also focus on acquiring hotels in solid physical condition with minimal initial capital expenditure requirements.

Financing

The overall strategy of Temple REIT is to raise investment capital through the issuance of trust units or convertible debentures. In general, new property acquisitions will be funded by arranging new mortgage financing or assuming existing mortgage financing, with the remaining equity portion to be funded from the reserves of investment capital. The equity portion of new property acquisitions may also be partially funded by the exchange of trust units.

The strategy of Temple REIT is to efficiently utilize and manage leverage, targeting first mortgage debt in the range of 65% to 75% of appraised value to maximize return on equity while maintaining cash flow stability. Temple REIT will pursue the upward refinancing of under-leveraged properties or the subsequent arrangement of mortgage financing for properties which are initially acquired on a 100% cash basis.

Temple REIT will also utilize operating lines of credit, bridge financing and other short-term financing facilities as a source of interim investment capital, as investment opportunities arise, pending the replenishment of capital reserves from additional trust unit or convertible debenture offerings.

Management

Temple REIT has assembled a highly skilled and experienced management team in order to assist the Trust in achieving its business objectives. The management team and the Trustees of Temple REIT have extensive experience in all facets of the hotel industry and have developed key relationships with vendors across North America which should enable Temple REIT to gain access to a significant acquisition pipeline on an unlisted basis.

Asset management services are provided to Temple REIT by Shelter Canadian Properties Limited. Shelter Canadian has been one of Canada's leading real estate development and property management companies for over 35 years and brings a wealth of real estate investment, development and asset management experience to Temple REIT. Please refer to the section of this report entitled "Related Party Transactions" for details of the remuneration of Shelter Canadian.

The hotel properties of Temple REIT will be primarily, but not exclusively, operated and managed by Atlific Hotels and Resorts ("Atlific"). Atlific currently manages a portfolio of over 30 properties across Canada, including hotels with the Marriott, Best Western, Comfort Inn and Holiday Inn brands. Atlific is an affiliate of Ocean Properties Ltd., one of the largest privately owned hotel management companies in North America. Combined, Atlific and Ocean Properties have over 80 years of experience in hotel management and manage a portfolio of 100 properties.

Property Portfolio - March 31, 2007

As of March 31, 2007, the real estate portfolio of Temple REIT consists of three hotel properties.

Temple Gardens Mineral Spa Resort Hotel

The Temple Gardens Mineral Spa Resort Hotel was acquired by Temple REIT on October 1, 2006. The hotel is located in Moose Jaw, Saskatchewan and consists of a 179 guest rooms. The hotel also features a restaurant, café, banquet and meeting rooms, gift shop, fitness room, spa treatment centre and geo-thermal mineral water pool. The spa resort is most well known for its mineral-rich, geo-thermal therapeutic waters.

Ownership of the Temple Gardens Hotel is held by Temple Gardens Mineral Spa Inc. (TGMS). All of the common shares of TGMS were acquired by Temple REIT at the inception of the Trust for cash consideration of $12,248,408 and by issuing 276,771 trust units at a deemed value of $1,383,855, representing a total acquisition cost of $13,632,263.

The operations of TGMS also encompass a co-ownership agreement in regard to a 23,400 square foot casino complex which is located directly across from the Temple Gardens Hotel. The casino complex, which is known as "Casino Moose Jaw", is subject to a 25-year lease under which the tenant is responsible for all costs associated with the leased premises, including structural or foundation repairs or replacement. TGMS has a 50% equity interest in the co-ownership agreement.

Chateau Nova

The Chateau Nova hotel property was acquired by Temple REIT on March 23, 2007. The property is located in Yellowknife, Northwest Territories and consists of a four-storey, 60-room hotel complex known as Chateau Nova, and a three-storey, 20-room annex, known as Chateau Nova Suites. The property offers a full range of services, including a full service restaurant, lounge, room service, meeting and conference rooms, business centre, fitness centre and spa services. Chateau Nova and Chateau Nova Suites are located across from each other on Franklin Avenue, the main street of downtown Yellowknife.

The purchase price of $13 Million was funded by a cash payment of $6.7 million, with the balance of $6.3 million remaining payable as of March 31, 2007. The amount payable will be funded by an interim first mortgage loan.

Clearwater Suites

The Clearwater Suites hotel complex was acquired by Temple REIT on March 30, 2007. Clearwater Suites is a four-storey, 150-room extended stay hotel complex, located in Fort McMurray, Alberta, comprised of 117 one-bedroom units and 22 studio units. The property is operated as an extended stay lodging complex to accommodate oil field and major project workers who stay in Fort McMurray for periods of one week to several months. The property also includes a 75-stall parkade.

The purchase price of $56.5 Million was funded by a 6.83% first mortgage loan of $36 Million, a 6% interest only second mortgage of $10 Million, with the balance paid in cash.

Property Acquisitions Subsequent to March 31, 2007

On April 30, 2007, Temple REIT completed the acquisition of four hotel properties in downtown Fort McMurray, Alberta, at a total purchase price of $68.5 Million. The purchase price was funded by a $44.5 Million "wrap-around" first mortgage, with the balance paid in cash. The mortgage bears interest at 7.5% and is due on June 29, 2007. A commitment for long-term financing has been obtained to replace the interim wrap-around mortgage.

The four hotel properties consist of a total of 333 rooms, as follows:

- Merit Inn & Suites - The five-storey hotel opened in April 2006 and contains 75 rooms. The hotel contains a business centre, two meeting rooms totalling approximately 850 square feet and fitness facilities. The hotel also contains provision for a restaurant/coffee shop, which is not fully developed and is currently used to serve complimentary continental breakfast. The acquisition price for Merit Inn & Suites is $18.8 Million.

- Merit Hotel - The four-storey, full service hotel opened in 2003 and contains 92 rooms. The hotel offers a restaurant and lounge and also includes a business centre, two meeting rooms totalling approximately 2,500 square feet, indoor pool and whirlpool and fitness facilities. The acquisition price for Merit Hotel is $16 Million.

- Nomad Hotel - The seven-storey, full-service hotel opened in 1988 and contains 139 rooms. The hotel offers a Keg Restaurant, cafe and pub and also includes approximately 1,200 square feet of meeting space, business centre, indoor pool and fitness facilities. The acquisition price for Nomad Hotel is $23.7 Million. TREIT intends to expand the Nomad Hotel with an addition of up to 80 new rooms in 2008.

- Nomad Suites - The four-storey, extended stay hotel opened in 2000 and contains 27 rooms. The hotel also includes a small area for serving complimentary breakfast. The hotel's front desk and management operations are handled through the Nomad Hotel. The acquisition price for Nomad Suites is $10 Million.

RESULTS OF OPERATIONS

Analysis of Net Earnings

	Three Months Ended March 31, 2007	Three Months Ended December 31, 2006
Hotel revenue		
Room	$ 1,849,723	$ 1,702,826
Other	1,097,233	1,083,183
Total hotel revenue	2,946,956	2,786,009
Interest and other income	331,753	157,511
Total revenue	3,278,709	2,943,520
Operating expenses	2,211,842	2,162,108
Operating income	1,066,867	781,412
Finance expense	501,455	291,033
Trust expense	121,435	113,393
Amortization	174,746	264,298
Provision for taxes	62,687	11,764
Net income	$ 206,544	$ 100,924

Comparative Results

As disclosed in the audited financial statements of Temple REIT for the 2006 fiscal year, the Consolidated Statement of Operations for 2006 is for a 349 day period. The 349 day period commenced on January 17, 2006, representing the date on with HPVC Inc. became an active company. During the period from January 17, 2006 to September 30, 2006, HPVC Inc. did not have any revenue or expenses, aside from interest income of $41,762 and professional and other fees of $33,309. On October 1, 2006, upon the completion of the Plan of Arrangement, which encompassed the transfer of all of the assets and liabilities of HPVC. Inc. to Temple REIT and the acquisition of the shares of TGMS, the Trust assumed control of the operations of the Temple Gardens Hotel. Accordingly, all hotel revenues and expenses in the Consolidated Statement of Operations for 2006 pertain to the operations of the Temple Gardens Hotel for the three month period ended December 31, 2006.

The results for the fourth quarter of 2006 are, therefore, used for comparative purposes in the analysis of the first quarter results for 2007.

During the first quarter of 2007, hotel operations pertain entirely to the operations of the Temple Gardens Hotel, aside from $53,863 of income which is attributable to the operation of Chateau Nova and Clearwater Suites, commencing on the acquisition date of the properties on March 23, 2007 and March 30, 2007, respectively.

A summary of operating results by quarter, commencing on the first quarter of 2006, is provided below.

Summary of Quarterly Results

Quarterly Analysis for the 349 day period ended December 31 and the 3 months ended March 31, 2007

	2007	2006 (1) (2)			
	Q1	Q4	Q3	Q2	Q1
Total revenue	$ 3,278,709	$ 2,943,520	$ 17,558	$ 17,660	$ 6,544
Operating income	$ 1,066,867	$ 781,142	$ -	$ -	$ -
Net income (loss)	$ 206,544	$ 100,924	$ (1,321)	$ 15,458	$ (5,684)
PER UNIT					
Operating income					
- Basic	$ 0.201	$ 0.695	$ -	$ -	$ -
- Diluted	$ 0.201	$ 0.686	$ -	$ -	$ -
Net income (loss)					
- Basic	$ 0.039	$ 0.090	$ (0.002)	$ 0.020	$ (0.012)
- Diluted	$ 0.038	$ 0.089	$ (0.002)	$ 0.019	$ (0.012)

Notes:

1. HPVC Inc. was incorporated on August 5, 2005 and commenced active operations on January 17, 2006. The inception date of Temple REIT as a publicly-listed company on the TSX Venture Exchange occurred on October 1, 2006, pursuant to a Plan of Arrangement between Temple REIT and HPVC Inc., whereby Temple REIT acquired all of the common shares of HPVC Inc. in exchange for Temple REIT trust units, on a ten to one basis.

2. The operating results for Temple REIT, prior to October 1, 2006, reflect the operations of HPVC Inc. The operating results for the first quarter of 2006 reflect the operations of HPVC Inc. for the period from January 17, 2007 to March 31, 2007. For comparative purposes, the Per Unit amounts prior to October 1, 2006 have been adjusted to reflect the exchange of ten common shares of HPVC Inc. for one unit.

Net Income

During the first quarter of 2007, Temple REIT generated net income of $206,544, compared to $100,924 during the fourth quarter of 2006. The increase in net income mainly reflects an increase in operating income of $252,146, partially offset by an increase in financing expense.

Operating Income

During the first quarter of 2007, the operating income of Temple REIT increased by $285,455 or 36.5%, compared to the last quarter of 2006. The increase reflects an improvement in the operating profit margin for hotel operations, as well as an increase in "Interest and Other" income. Interest and other income consists of interest income on the excess cash reserves of the Trust of $157,922, as well as miscellaneous income from hotel operations of $173,831.

Interest and other income increased by $174,242 during the first quarter of 2007, mainly due to an increase in interest income on the excess cash reserves of the Trust. During the first quarter of 2007, there was a significant increase in the excess cash reserves of the Trust following the closing of a $48 Million trust unit and convertible debenture offering in February 2007.

Revenue

Total Revenues

For the three months ended March 31, 2007, Temple REIT generated total revenues of $3,278,709 consisting of $2,946,956 in hotel revenues and $331,753 in interest and other income.

The hotel revenue is comprised of $ 1,849,723 in room revenue and $1,097,233 in other hotel revenue. Other hotel revenue includes food and beverage revenue of $573,121, spa revenue of $433,285 and parking, gift shop and miscellaneous revenue of $90,827.

In comparison to the fourth quarter of 2006, total revenues increased by $335,189 or by $202,429, after excluding the 11 day revenue amount from Chateau Nova and Clearwater Suites. The increase in revenue, excluding the Chateau Nova and Clearwater amounts, is mainly due to an increase in interest income related to the issue of trust units and convertible debentures during the quarter.

Room Revenues

For comparative purposes, the following analysis of room revenues only includes revenues from the Temple Gardens Hotel.

Room Revenue Analysis

	Period Ended March 31, 2007	Period Ended December 31, 2006
Occupancy level	73.50 %	74.04 %
Average daily room rate	$ 147.53	$ 139.66
RevPar	$ 108.39	$ 103.40

RevPar is a non-GAAP measurement which is commonly used within the hotel industry to evaluate hotel operations and is generally considered to be the leading indicator of operating performance. RevPAR is calculated by multiplying the average daily room rate ("ADR") by the occupancy level. RevPAR does not include revenues from food and beverage operations or from other hotel service.

The occupancy level is calculated by dividing the number of rooms available during the reporting period into the number of rooms actually rented. ADR is calculated by dividing total room revenue by the number of rooms rented.

For the three months ended March 31, 2007, the Temple Gardens Hotel achieved an occupancy level of 73.5% and an average daily room rate of $147.53. The revenue per occupied room ("RevPar") was $108.39

In comparison to the fourth quarter of 2006, the RevPar of the Temple Gardens Hotel for the first quarter of 2007 increased by $4.99 or 4.8%. The increase reflects an increase in the average daily room rate, partially offset by a modest decrease in the occupancy level.

Operating Expenses

For the first quarter of 2007, the total operating costs of Temple REIT amounted to $2,211,842. Aside from $37,923 of costs in regard to Chateau Nova and Clearwater Suites, the operating costs pertain entirely to the operations of the Temple Gardens Hotel.

In comparison to the fourth quarter of 2006, operating costs increased by $49,734 or 2.3%.

Operating Profit Margin

The operating profit margin for the first quarter of 2007 was 32.5%, compared to 26.5% for the fourth quarter of 2006. The profit margin is calculated by dividing operating income by total revenues.

The increase in the operating profit margin reflects the improvement in Revpar at Temple Gardens and the inclusion of $94,837 in operating profit for Chateau Nova and Clearwater Suites during the period.

Financing Expense

The total financing expense of $501,455 consists of interest expense of $317,830 in regard to the loans which are pledged against the assets or revenues of the hotel properties and financing expense of $183,625 in regard to the Series A convertible debenture offering which was completed during the first quarter of 2007.

In comparison to the fourth quarter of 2006, financing expense increased by $210,422. The increase is almost entirely attributable to the financing expenses associated with the convertible debenture offering.

Trust Expense

The trust expense of Temple REIT consists of asset management fees, professional and legal fees as well as fees charged by the TSX Venture Exchange.

Trust expense increased by $8,042 or 7.1%, compared to the fourth quarter of 2006, due to a slight increase in professional fees.

ANALYSIS OF CASH FLOWS

Operating Activities

Cash from Operating Activities

During the first quarter of 2007, Temple REIT generated cash from operating activities of $180,100. After excluding the change in non-cash operating items of $265,510, the cash flow for the first quarter of 2007 was $445,610.

In comparison to the fourth quarter of 2006, the cash flow of the Trust, prior to changes in non-cash operating items, increased by $104,717 or 30.7%. The increase mainly reflects the increase in operating income.

Distributable Income

Distributable income is a non-GAAP measurement of cash flows which is commonly used by real estate investment trusts to facilitate the determination of distributions to the Unitholders. Distributable income is equal to the income or loss of Temple REIT adjusted for certain non-cash transactions, such as adding back amortization expense and future income taxes. For Temple REIT, distributable income is equal to the cash provided by operating activities, excluding the changes in non-cash operating items, as disclosed on the Consolidated Statement of Cash Flows.

For the three months ended March 31, 2007, the distributable income of Temple REIT is $445,610 or $0.084 per unit. Please refer to the following chart.

Distributable Income

		Three Months Ended March 31, 2007		Three Months Ended December 31, 2006
Cash provided from operating activities	$	180,100	$	1,258,020
Add (deduct): Changes in non-cash operating activities		265,510		(917,127)
Distributable income	$	445,610	$	340,893
Per unit				
- basic		$0.084		$0.303
- diluted		$0.083		$0.300

Financing Activities

Summary

During the first quarter of 2007, the net cash flow provided by financing activities amounted to $90,147,370. Financing activities consisted primarily of mortgage loan repayments, distributions and transactions related to the unit and debenture offering.

Unit and Debenture Offering

In February 2007, Temple REIT completed a public offering of trust units and 5 Year 7.5% Series A Convertible Redeemable Debentures. Pursuant to the offering, Temple REIT sold 5,800,000 trust units at a price of $5.00 per unit and debentures in the aggregate principal amount of $14,000,000 for aggregate gross proceeds of $43,000,000. In March 2007, pursuant to the over-allotment option, Temple REIT sold an additional 696,000 trust units at a price of $5.00 per unit and additional debentures in the amount of $1,680,000. In total, the gross proceeds from the offering amounted to $48,160,000.

Distributions

The current policy of Temple REIT is to issue distributions which are in excess of its distributable income until the proceeds from unit and debenture offerings are invested in new hotel properties. Thereafter, the distributions of Temple REIT will be a minimum of 85% of distributable income.

Effective January 1, 2007, Temple REIT changed its distribution policy from quarterly distributions to monthly distributions and increased the amount of the distribution from $0.047 per unit to $0.05 per unit or, from $0.56 per unit to $0.60 per unit on an annual basis. The total distribution declared for the first quarter of 2007 was $966,676. The March 2007 distribution of $442,092 was paid on April 15, 2007.

The first quarter distribution is equal to 217% of distributable income.

Investment Activities

Summary

During the first quarter of 2007, the net cash outflow in regard to investment activities amounted to approximately $64,796,579. The investment activities consisted primarily of transactions related to the acquisition of hotel properties.

Property Acquisitions

During the first quarter of 2007, TREIT acquired two hotel properties. As disclosed in note 3 to the financial statements, the net acquisition cost of the two properties, in the amount of $70,645,807, was funded by mortgage financing of $46,000,000 and a cash payment of $18,343,214, with $6,302,593 remaining payable as of March 31, 2007.

Cash Flow Summary

During the three months ended March 31, 2007, the net cash provided by financing activities exceeded the net cash used in investment activities by $25,350,791. After providing for the net cash inflow from operating activities, Temple REIT completed the first quarter of 2007 with a cash balance of $29,593,628.

CAPITAL RESOURCES AND LIQUIDITY

Capital Structure

Capital Structure

	Authorized	March 31, 2007
Long-term debt		$64,881,697
Convertible debentures (net of transaction costs)		12,223,582
Equity component of convertible debentures		2,624,387
Equity raised - trust units (net of issue costs)	unlimited (8,841,837 units)	38,710,141
Total capitalization		$118,439,807

Long-Term Debt

March 31, 2007 - $64,881,697
December 31, 2006 - $18,995,485

The balance of mortgage loans payable, as of March 31, 2007, excluding transaction costs, increased by $45,886,212, compared to the balance as of December 31, 2006. The increase is comprised of the following amounts:

First mortgage loans assumed on new property acquisitions	$ 36,000,000
Second mortgage loans assumed on new property acquisitions	10,000,000
Principal repayments	(113,788)
	$ 45,886,212

In total, mortgage loans represent virtually 100% of the total long-term debt. The remaining portion of the long-term debt consists of a $39,940 loan which was obtained in 2002 in order to fund the development of the casino complex. The ratio of mortgage loans payable, compared to the appraised value of the property portfolio, is 73.5%, as of March 31, 2007.

Convertible Debentures

As of March 31, 2007, the face value of the 7.5% Series A convertible debentures is $15,680,000. Based on the current face value, interest payments amount to $1,176,000, payable in semi-annual instalments of $588,000 on March 31st and September 30th.

The debentures are convertible at the option of the holder, at any time prior to the maturity date or, if applicable, the redemption date, at a per unit price of $5.75, subject to adjustment for certain conditions. The debentures are redeemable by Temple REIT, in year four and five only, at a price equal to the principal amount plus accrued and unpaid interest, subject to certain conditions. The debentures mature March 31, 2012.

In accordance with generally accepted accounting principles, the total amount of convertible debentures, as disclosed in the financial statements, is divided into debt and equity components based on the present value of future interest and principal payments. The amount by which the total present value exceeds the face value of the convertible debentures is referred to as "accretion". The accretion of the debt component, which serves to increase the carrying value of the debt component, is included in financing expense. As accretion is a "non-cash" transaction, the accretion of the debt component is added back for purposes of calculating operating cash flows and distributable income.

As of March 31, 2007, the total present value of the convertible debentures is $15,716,625, representing an increase of $36,625, compared to the face value, due to accretion. The debt and equity component for the debentures is $13,092,238 and $2,624,387, respectively.

Trust Units

The following is a summary of the units which have been issued by TREIT as of March 31, 2007, since its inception (other than the initial unit issued on the inception, which was redeemed.).

Issue Date	Description	Units Issued	Equity Raised
Units outstanding January 1, 2007		2,345,837	$ 8,620,218
February 15, 2007	Public offering	5,800,000	29,000,000
March 14, 2007	Over allotment option	696,000	3,480,000
	Issue costs		(2,390,077)
Units outstanding, March 31, 2007		8,841,837	$ 38,710,141

Unit Options

Pursuant to the Unit Option Plan, the Trust may grant unit purchase options to the Trustees, Directors and Senior Officers of TREIT and to other individuals who are employed or retained by the Trust to perform specific duties, provided that the number of units reserved for issuance will not exceed 10% of the issued and outstanding units. The unit options are exercisable for a maximum period of five years from the date on which the unit options are granted.

During 2006, options to Trustees and Officers to acquire an aggregate of 181,331 units were granted. The exercise price is $3.00 for 61,331 options and $5.00 for the balance of the 120,000 options. The options expire in 2011. Also during 2006, the Agents of the Trust were granted warrants for 78,144 units at $5.00 per unit, which expire September 29, 2007 and options for 56,666 units or $3.00 per unit which expire February 22, 2008.

On May 1, 2007, Temple REIT issued a total of 98,000 options to the four independent Trustees, the Chief Financial Officer and a management employee of Shelter Canadian to purchase units at a price of $5.00 per unit. The options are exercisable immediately.

The accounting policy of Temple REIT provides for the estimated fair value of options which are issued under the unit option plan to be expensed over the vesting period of the options and for expense to be recorded as "unit-based compensation". Unit-based compensation expense is included in trust expense in the Consolidated Statement of Operations. As unit-based compensation is a "non-cash" expense, it does not impact the operating cash flows of the Trust. Options which are issued to agents in conjunction with private placements or private offerings of trust units are recorded as unit issue costs and charged to equity.

The estimated cost of all of the options and warrants which were issued in 2006 was charged to the equity of the Trust as a cost of issuing units.

Capital Requirements

General

Aside from the working capital which is required for the day-to-day operations of hotel properties and the administration of the Trust, Temple REIT requires capital to fund long-term debt and operating lease obligations, property acquisitions and capital improvements. As Temple REIT intends to issue cash distributions which are in excess of its distributable income, until the proceeds from the unit and debenture offering are fully invested and distributable income increases sufficiently, capital will also be required to fund a portion of the monthly cash distributions.

Hotel Operations

The acquisition of additional hotels is expected to result in a significant increase in cash flow from operating activities in 2007 and increase the extent to which the capital reserves of the Trust are supplemented from operational activities.

Contractual Debt and Lease Obligations

A summary of the long-term debt and operating lease obligations of Temple REIT for the remainder of 2007 and for each of the next five years and thereafter, is provided in the following chart.

Summary of Contractual Obligations-cash

Payments Due By Period	Total	< 1 year	1 - 3 years	4 - 5 years	> 5 years
Long-term debt	$ 64,881,697	$ 19,267,638	$ 35,703,410	$ 6,405,080	$ 3,505,569
Operating leases	2,062,528	318,828	747,698	703,060	292,942
Total	$ 66,944,225	$ 19,586,466	$ 36,451,108	$ 7,108,140	$ 3,798,511

Management intends to refinance the balloon payments on the first mortgage loans, under similar terms and conditions, effective on the due date of the payments.

Capital Commitments - Property Acquisitions

The following chart provides a summary of the capital commitments of Temple REIT as of March 31, 2007 in regard to completed and contracted property acquisitions.

Property	Approximate Amount (1)	Description
Chateau Nova	$6.3 Million	Balance of purchase price payable.
Merit/Nomad Portfolio (closed April 30, 2007)	$23.5 Million	Represents the $68.5 Million purchase price, net of the mortgage loans of $44.5 Million and deposits of $520,000.
	$29.8 Million	

(1) Purchase prices are subject to closing adjustments which may result in a corresponding adjustment to the capital commitment of Temple REIT.

Sources of Capital

Cash/Working Capital - March 31, 2007

As of March 31, 2007, the cash balance of Temple REIT was $29.6 million, while the working capital balance was $28.3 Million, excluding the current portion of long-term debt and acquisition payable of $25.3 Million .

Summary

The acquisition payable of $6.3 million will be funded by a first mortgage loan secured by the Chateau Nova property. As a result, the payment of the acquisition payable will not affect the available cash of the Trust. After deducting the cash which was required for the acquisition of the four hotel properties in Fort McMurray in April 2007, the remaining cash balance is approximately $6.0 Million.

In addition to the cash flow which is generated from the portfolio of hotel properties, it is anticipated that the cash balance will serve as the primary source of capital for the remainder of 2007.

RELATED PARTY TRANSACTIONS

Shelter Canadian Properties Limited ("Shelter Canadian")

Asset management services are provided to Temple REIT by Shelter Canadian, pursuant to the terms of an Asset Management Agreement. The Asset Management Agreement also requires Shelter to act as administrator of the Trust by providing accounting and human resource services, office space and equipment and the necessary clerical and secretarial personnel for the administration of the day-to-day activities of Temple REIT.

The Asset Management Agreement provides for Shelter Canadian to receive an asset management fee equal to 1.5% of the gross revenues of the hotel properties and assets of the Trust and to be reimbursed for all expenses incurred in connection with fulfilling the role of Administrator, including third party costs.

During the first quarter of 2007, Shelter Canadian received asset management fees of $46,812.

Mr. Arni Thorsteinson, the President and Chief Executive Office of Temple REIT and a Trustee, is a Director and President of Shelter Canadian and the President of the parent corporation of Shelter Canadian, 2668921 Manitoba Ltd.

OPERATING RISKS AND UNCERTAINTIES

An investment in units of Temple REIT encompasses the risks which are inherent in the ownership and operation of a portfolio of hotel properties, as well as the normal risks which are associated with an investment in a real estate investment trust.

The key risks include the following:

Hotel Industry

Specific risks associated with hotel ownership and operations include:

- cyclical downturns arising from changes in general and local economic conditions;
- changes in the level of business and commercial travel and tourism;
- increases in the supply of accommodations in local markets which may adversely affect the results of operations;
- competition from other hotels;
- the recurring need for renovation, refurbishment and improvement of hotel properties;
- changes in wages, prices, energy costs and construction and maintenance costs that may result from inflation, government regulations, changes in interest rates or currency fluctuations;
- availability of financing for operating or capital requirements;

- seasonal fluctuations in hotel operating income produced throughout the year;
- increases in operating costs due to inflation which may not necessarily be offset by increase room rates;
- increases in expenses of travel, particularly automotive travel; and
- other factors, including medical concerns related to travelling to Canada, acts of terrorism, natural disasters, extreme weather conditions and labour shortages, work stoppages or disputes.

Fluctuations in Cash Distributions

A return on an investment in Units is not comparable to the return on an investment in a fixed-income security. The recovery of the initial investment in Units is at risk, and the return on an investment in Units is based on many performance assumptions. Although Temple REIT intends to distribute its Distributable Income, the actual amount of Distributable Income distributed in respect of Units will depend on numerous factors, including the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and other factors that may be beyond the control of Temple REIT. Cash distributions may be reduced or suspended at any time. In addition, the market value of the Units may decline if Temple REIT is unable to provide a satisfactory return to Unitholders.

Public Market Risk

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

Concentration of Temple REIT's Portfolio in One Market

The property portfolio of Temple REIT has significant exposure to the Fort McMurray, Alberta market. As of the date of this report, Temple REIT has seven hotel properties in its real estate portfolio, five of which are located in Fort McMurray, Alberta. The five properties represent approximately 82% of the total acquisition cost of the portfolio and approximately 65% of the total hotel rooms.

Proposed Changes to Tax Treatment of Trusts

Temple REIT currently qualifies as a Mutual Fund Trust for income tax purposes. As required by its Declaration of Trust, Temple REIT intends to distribute all taxable income to its Unitholders and to deduct these distributions for income tax purposes. Except for corporate subsidiaries of Temple REIT, no provision for income taxes is required under the current Canadian income tax legislation.

On March 29, 2007, the Minister of Finance Canada tabled in the House of Commons a Bill that contained legislation to implement a previously announced proposal for the federal income taxation of publicly traded trusts, including income trusts (the "Bill"). The Bill would apply to publicly traded trusts which existed prior to November 1, 2006 starting with taxation years ending in or after 2011, except for those existing trusts that qualify for the real estate investment trust ("Qualifying REIT") exception included in the legislation. There are certain circumstances where an existing trust may lose its relief in the interim periods prior to 2011 where it undergoes "undue expansion".

The Bill contemplates that a REIT which carries on Canadian hotel operations (including through subsidiaries) will not be a Qualifying REIT. Accordingly, the Bill, if passed in its current form, could adversely affect the level of cash distribution to Unitholders commencing in 2011 if Temple REIT does not become a Qualifying REIT by 2011. Unless the Bill is amended prior to being enacted in a manner that will accommodate the holding of REIT-related hotel operations, Temple REIT will become subject to tax under the proposals.

Management will be reviewing whether it is feasible to reorganize Temple REIT so that Temple REIT can become a Qualifying REIT, however, it is not possible at this preliminary juncture to provide any assurances that any reorganization can or will be implemented before 2011, or that any such reorganization, if implemented, would not result in material costs or other adverse consequences to Temple REIT and its Unitholders.

Relationship with Shelter Canadian

The financial performance of Temple REIT will depend in part on the performance of Shelter Canadian in providing administrative and asset management services to the Trust, pursuant to the Services Agreement.

Reliance on Key Personnel

The success of Temple REIT is highly dependent on the services of certain management personnel, including Arni Thorsteinson. The loss of the services of such personnel could have an adverse effect on Temple REIT.

Other Risks

Other risks, uncertainties and items of relevance include liquidity, financing, environmental and diversification risks; the risks associated with franchised hotels, land leases, interest rate fluctuations and the operation of the Temple Gardens Hotel; the risk of general uninsured losses and the failure to maintain mutual fund trust status, as well as restrictions on redemptions, the potential the lack of available growth opportunities, potential Unitholder liability, potential conflicts of interest, uncertainties regarding the market price of Units, the legal rights attaching to Units, other tax related risk factors and the potential dilution arising from the issue of additional Units.

These topics are more fully explained in the other regulatory filings of Temple REIT, including the December 2006 prospectus for the public offering of trust units and convertible debentures.

CRITICAL ACCOUNTING ESTIMATES

The significant accounting policies of Temple REIT are disclosed in note 2 of the consolidated financial statements. As disclosed in note 2, the application of the significant accounting policies for purposes of preparing the consolidated financial statements, in accordance with Canadian generally accepted accounting principles (GAAP), requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. Under different assumptions or conditions, the actual results may differ, potentially materially, from the estimated amounts. Many of the conditions impacting the assumptions and estimates are beyond the control of management. The estimates and assumptions are evaluated on a periodic basis.

Financial statement items which encompass estimates include the following:

- amortization of property and equipment - amortization expense is based on the estimated useful life of the property and equipment;
- carrying amount of goodwill - the carrying amount of goodwill is periodically compared to its estimated fair value in order to determine if there has been any impairment in value; and
- unit-based compensation expense - unit-based compensation expense is based on the estimated fair value of the applicable units and warrants using the Black-Scholes option pricing method.

The estimates which were used for financial statement reporting purposes, for the above noted items, are not expected to change from period to period.

CHANGES IN ACCOUNTING POLICY

Effective January 1, 2007, Temple REIT adopted the new GAAP accounting policies for "Financial Instruments, Recognition and Measurement" (Handbook Section 3855), for "Comprehensive Income and Equity" (Handbook Sections 1530 and 3251) and for "Hedges" (Handbook Section 3865).

This new policy for Financial Instruments, Recognition and Measurement establishes standards for the recognition and measurement of all financial instruments, provides a character-based definition of a derivative financial instrument and provides criteria to be used to determine when a financial instrument should be recognized and when a financial instrument is to be extinguished.

The new policy for Comprehensive Income and Equity establishes standards for the presentation of equity and changes in equity during the reporting period.

The new accounting policies are described, at length, in note 2 of the first quarter financial statements. The main impact of the new accounting policies, in regard to the first quarter of 2007, is the accounting treatment of transaction costs for mortgage loans and convertible debentures.

Prior to January 1, 2007, transaction costs related to mortgage loans and convertible debentures were recorded as a deferred charge and amortized over the term of the mortgage/debenture. In accordance with the new accounting policy, transaction costs related to mortgage loans and convertible debentures are recorded as a reduction to the carrying value of the debt and amortized over the term of the debt. As a result of the change in accounting policy, the balance of deferred charges as of January 1, 2007 was reclassified as a reduction of mortgage loans payable. Transaction costs related to the convertible debenture offering in February 2007 serve to reduce the carrying value of debenture debt.

FINANCIAL INSTRUMENTS

The financial instruments of Temple REIT consist of basic financial instruments which are typically used in the operation and ownership of hotel properties and in the operation of a real estate investment trust, including cash, term deposits, accounts receivable, accounts payable and accrued liabilities, gift certificate liabilities, mortgage loans and other long-term debt secured by the revenues or assets of hotel properties.

The fair value of the mortgage loans and other long-term debt approximates the carrying value due to the nature of the debt and the relatively short terms to maturity. The fair value of the current assets and liabilities approximates the carrying value due to the immediate or short-term nature of the instruments.

For the current assets and liabilities, the main risk is the credit risk associated with accounts receivable. The credit risk is reduced due to a diversified customer base. The risks associated with mortgage loans and long-term debt include the risk of interest rate increases for maturing loans and the risk of potential defaults in debt payments due to insufficient cash flows. In order to minimize the risk associated with potential interest rate increases, Temple REIT will stagger debt maturity dates, to the extent possible. Temple REIT attempts to minimize the risk of any defaults in debt payments through its investment and operating policies which include focusing on hotel acquisitions with a history of stable cash flows and restricting the amount of mortgage loan financing to 75% of the appraised value of the hotel properties.

TAXATION

Taxation of Temple REIT

Temple REIT is generally subject to tax in Canada under the Income Tax (the "Tax Act") in respect to its taxable income each year, except to the extent such taxable income is paid or deemed to be payable to Unitholders and deducted by Temple REIT for tax purposes.

Pursuant to the Declaration of Trust of Temple REIT, the Trustees intend to distribute or designate all taxable income directly earned by Temple REIT to the Unitholders of the Trust in order to ensure that Temple REIT will not be subject to income tax under Part I of the Tax Act.

Taxation of Unitholders

A Unitholder is required to include, in computing for tax purposes each year, the portion of the amount of net income and net taxable capital gains of Temple REIT paid or payable to the Unitholder in the year. The Declaration of Trust generally requires Temple REIT to claim the maximum amount of capital cost allowance for purposes of computing its income for tax purposes. The cash distributions which have been paid to the Unitholders, since the inception of Temple REIT as a real estate investment trust in 2006, have exceeded the income of Temple REIT, as calculated for income tax purposes. Distributions in excess of the taxable income of Temple REIT are allocated to the Unitholder for the year and will not be included in computing the taxable income of the Unitholder. The adjusted cost base of the units which are held by the Unitholder will, however, be reduced by the amount of distributions not included in income.

Upon the disposition or deemed disposition by a Unitholder of a unit, a capital gain (or a capital loss) will generally be realized to the extent that the net proceeds of disposition of the unit exceed (or are exceeded by) the adjusted cost base of the unit. Currently, only 50% of a capital gain ("taxable capital gain") must be included in computing a Unitholders' income and 50% of a capital loss (an "allowable capital loss") may be deducted against taxable capital gains.

All of the cash distributions which have been paid by Temple REIT from December 2006 to March 31, 2007 have represented a reduction in the cost base of the units.

CONTROLS AND PROCEDURES

Internal Controls Over Financial Reporting

No changes were made to the design of the internal controls over financial reporting during the three months ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the effectiveness of the internal control system.

Readers are cautioned, however, that a control system can only provide reasonable, not absolute, assurance that the objectives of the control system are achieved. Due to the inherent limitations in all control systems, an evaluation of controls cannot provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. Inherent limitations include the possibility that the assumptions and judgments of management could ultimately prove to be incorrect under varying conditions and circumstances, or that isolated errors could prove to have a significant impact on the reliability of information.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and it is not possible to provide complete assurance that a control system will succeed in achieving its stated goals under all potential future conditions.

ADDITIONAL INFORMATION

Additional information relating to Temple REIT is available on the SEDAR website at www.sedar.com. SEDAR acts as a facilitator for the electronic filing of securities information, as required by the securities regulatory agencies in Canada.

APPROVAL BY TRUSTEES

The content of the 2007 First Quarter Report of Temple REIT and the delivery of the report to the Unitholders have been approved by the Trustees.

TEMPLE REAL ESTATE INVESTMENT TRUST
May 29, 2007