CHARTER REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

OVERVIEW

On May 10, 2007, Charter Realty Holdings Ltd. (the "Company") completed its conversion to a trust structure under a Plan of Arrangement (the "Arrangement"). The Arrangement resulted in shareholders of the Company transferring their shares to Charter Real Estate Investment Trust ("Charter" or the "REIT"), in consideration for units of the REIT. Each 10 issued shares of the Company were transferred to the REIT in exchange for 1 unit of the REIT. The REIT was formed pursuant to a Declaration of Trust dated March 27, 2007, specifically for the purposes of the Arrangement. After the Arrangement, the Company is a wholly-owned subsidiary of the REIT.

The REIT has acquired the Company on a continuity of business basis, and therefore the REIT directly and indirectly owns all of the assets of the Company. As well, any comparative figures are presented as if the Company had converted to a trust structure upon incorporation.

The REIT is focused on acquiring a portfolio of retail and mixed-use retail real estate, generally in the mid-market deal size range of $10 to $40 million, comprised of stable cash flow and value-add properties from both primary and secondary markets throughout Canada, with the principal goal of generating a reliable and growing yield for investors. The REIT currently owns five commercial retail properties located in Ontario and Quebec.

Charter's units are traded on the TSX Venture Exchange (the "TSXV") under the symbol CRH.UN.

Charter's majority unitholder is C.A. Bancorp Inc., which currently owns approximately 52% of the outstanding units of Charter.

ADVISORY

This *Management's Discussion and Analysis* ("MD&A") presents an analysis of the financial condition of Charter for the quarter ended June 30, 2007. The following information should be read in conjunction with the interim unaudited consolidated financial statements of the REIT as at and for the quarter ended June 30, 2007 as well as the audited financial statements of the Company as at and for the year ended December 31, 2006 and the related MD&A. Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Additional information relating to the REIT, including the REIT's or the Company's (as applicable) interim and annual financial statements and MD&As can be found on SEDAR at www.sedar.com.

This MD&A and other public announcements by the REIT may contain information that is forward-looking and is subject to risks and uncertainties. Forward-looking information includes information concerning the REIT's future financial performance, business strategy, plans, goals, and objectives.

These statements involve known and unknown risks, uncertainties and other factors that could cause actual results or events to differ materially from those anticipated in such forward-looking statements, including, among other things: the ability of the REIT to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits; competitive conditions in the businesses in which the REIT participates; the outcome of pending legal proceedings, if any exist; general economic conditions and normal business uncertainty; interest rate fluctuations and other changes in borrowing costs; and changes to the laws, rules, and regulations applicable to the REIT or the markets in which the REIT operates. The REIT intends the forward-looking information to speak only as of the first time made and does not undertake to update or revise it whether as a result of new information, future events or otherwise, except as required by law.

This MD&A is dated August 7, 2007 and presents material information up to this date.

CHARTER'S BUSINESS

Charter is focused on acquiring retail and mixed-use retail real estate assets in the mid-market deal size range of $10 to $40 million from both primary and secondary markets throughout Canada. Management is of the view that retail and mixed-use retail real estate are attractive investments because they offer stable cash flow. Additionally, management believes that retail centres that are well-located in their respective markets present an attractive long-term investment opportunity given their characteristics, which include multi-year leases and the stable cash flow provided by such arrangements. Such retail centres typically provide growth opportunities through the lease-up of vacant space, the upward trend in rental rates through contractual escalations and through management's active re-merchandising and re-development of the properties. The REIT's external growth strategy will consist of acquiring retail and mixed-use retail properties. The REIT may also acquire portfolios of properties consisting primarily of retail properties. The REIT will look to create a base of retail assets that provide both a reliable, stable cash flow and an opportunity for yield growth through re-leasing, re-development and/or development of assets.

Management will also focus on acquiring assets with a community centre focus. Management believes that it can obtain high quality, retail properties with the potential for value-add opportunities by focusing on both enclosed and open-air community shopping centres. These centres would typically be anchored by department stores, discount retailers and/or supermarkets. In particular, management believes that enclosed centres frequently present undervalued opportunities in terms of the risk/reward ratio that they offer. These centres will always have a place in a cold weather climate such as Canada. Furthermore, management believes that the cost of building these centres today is high and the ability to obtain municipal approval for these centres continues to be difficult. Charter intends to maximize the value of both enclosed and open-air centres by executing the appropriate re-merchandising and re-development strategy wherever possible.

By focusing on secondary markets, management believes that there are opportunities to obtain well-tenanted retail properties at attractive capitalization rates. By combining assets in the secondary market with high-yielding primary market real estate assets, management believes that the REIT will generate higher returns at lower risk than if the REIT was to focus exclusively in primary markets.

The REIT will also focus on acquiring retail properties with strong national and regional retail tenants, increasing the likelihood of those tenants fulfilling their lease terms and thereby providing the REIT with stable cash flows.

Finally, by focusing on acquiring retail assets in the $10 to $40 million range, it will allow the REIT to differentiate itself from small public and private real estate investors, who management believes, generally look for smaller investments, while acquiring properties that are small enough to minimize competition from large real estate investment trusts, corporations and institutions. The REIT will also look at larger acquisitions that do not fall into the investment parameters of larger entities but still provide good investment opportunities.

CHARTER'S CAPITAL HISTORY

The Company was incorporated on March 29, 2005 pursuant to the *Business Corporations Act* (Alberta). The Company initially issued 2,000,000 shares at $0.10 per share for total gross proceeds of $200,000. The Company was formed as a Capital Pool Corporation.

On August 8, 2005, the Company filed a prospectus for an Initial Public Offering of 1,500,000 common shares at $0.20 per share. This Initial Public Offering was successfully completed on August 22, 2005, raising additional capital of $300,000.

On September 2, 2005, the Company began trading on the TSXV.

On September 14, 2006 the Company completed a private placement financing transaction with C.A. Bancorp Inc. – a publicly traded company and Charter's majority shareholder – raising $500,000 in gross proceeds by issuing 2,500,000 common shares from treasury at a price of $0.20 per share.

Prior to the first quarter of 2007, the Company did not carry on any business other than the identification and evaluation of real estate assets with a view to completing a potential Qualifying Transaction pursuant to Policy 2.4 of the TSXV. On February 23, 2007, the Company completed its Qualifying Transaction, which consisted of a private placement of 15,000,000 common shares at a price of $0.20 per share, as well as the purchase of three free-standing commercial retail properties. As a result of the Qualifying Transaction, the Company met the TSXV's tier 2 minimum listing requirements.

On May 10, 2007, the Company completed its conversion to a trust structure under the Arrangement. The Arrangement resulted in shareholders of the Company transferring their shares to the REIT, in consideration for units of the REIT. Each 10 issued shares of the Company were transferred to the REIT in exchange for 1 unit of the REIT. The REIT was formed pursuant to a Declaration of Trust dated March 27, 2007, specifically for the purposes of the Arrangement. After the Arrangement, the Company is a wholly-owned subsidiary of the REIT. In addition, REIT unit options have been issued with similar terms to replace the stock options issued by the Company, except that each 10 stock options of the Company were exchanged for 1 unit option at 10 times the applicable exercise price. The REIT has acquired the Company on a continuity of business basis, and therefore the REIT directly and indirectly owns all of the assets of the Company.

REAL ESTATE PORTFOLIO AND ACQUISITIONS

Qualifying Transaction

On February 7, 2007, the Company filed a Filing Statement with the TSXV and on SEDAR for the purpose of completing its Qualifying Transaction. The Qualifying Transaction consisted of a private placement of 15,000,000 common shares at a price of $0.20 per share for gross proceeds of $3,000,000, as well as the purchase (the “QT Acquisition”) of three free-standing commercial retail properties pursuant to an offer to purchase between the Company and Hensall District Co-operative, Inc. (“Hensall”). Pursuant to the QT Acquisition, the Company acquired the properties, which are located in Exeter, Seaforth and Zurich, Ontario, from Hensall for an aggregate cash purchase price of $2,065,000 (before closing costs). The estimated going-in yield for the acquisitions on an unlevered basis was expected to be approximately 10.4% before closing costs.

Each of the properties purchased as part of the QT Acquisition are currently leased to Rona Ontario Inc. (“Rona”). Collectively the properties comprise more than 34,000 square feet of finished retail space, with an additional 52,000 square feet of enclosed warehouse space. The properties are leased on a net lease basis to Rona for an initial term of 15 years, expiring on March 12, 2015. Pursuant to the terms of the lease, the rent payable will increase by as much as 10% as of March 13, 2010 – based on a formula linked to the Consumer Price Index. Rona has one 5-year renewal option on each property at fair market rents, with 6 months written notice required to exercise the option. Under the lease, Rona pays all area charges associated with the properties and is obligated to maintain and repair the premises. The landlord is not responsible for any costs, charges, expenses or outlays of any nature, except for repairs and replacements resulting from reasonable wear and tear. Realty taxes are paid by the landlord and recovered from the tenant. Property management services are currently provided by the REIT as a result of the relatively simple nature of the lease obligations.

The net proceeds from the private placement were used to complete the QT Acquisition.

The Qualifying Transaction closed on February 23, 2007.

Méga Centre Acquisition

On March 30, 2007, Charter completed the acquisition of the Méga Centre shopping centre (the "Méga Centre") from RRVP Côte -Vertu Inc. for an aggregate cash purchase price of $36.7 million (before closing costs). The Méga Centre is located at the intersection of Côte -Vertu Boulevard and Rue Begin in St. Laurent (Montreal), Quebec. The vendor has guaranteed 41/2 months of rent of a tenant that leases 6.5% of the retail area in the shopping centre. The estimated going-in yield for this acquisition on an unlevered basis before closing costs was expected to be approximately 8.12%.

The total size of the Méga Centre property is approximately 19.0 acres, including 313,558 square feet of rentable retail space, warehouse space and surrounding lands. Méga Centre was built in 1973 and was substantially renovated in 1993, 1999, 2000 and 2004. Currently, the retail space in the Méga Centre is 100% leased to a total of 16 tenants. Approximately 85% of the current rent is received from national and regional tenants, including Brault & Martineau (77,000 square-feet), Winners (34,000 square-feet), Business Depot (25,000 square-feet), Future Shop (30,000 square-feet), L'Oreal (23,500 square-feet) and L'Aubainerie (30,000 square-feet). Approximately 36,000 square-feet of basement warehouse space remains vacant. A 110,000 square-foot Rona-owned home improvement store is located adjacent to the property and acts as a shadow anchor, drawing customers to Méga Centre.

The average term to maturity of existing leases is 6.2 years. In the next five years leases representing the percentage of leased retail square-feet set out below will expire:

Year	**Leased sq. ft. expiring**	**% of square-feet**
2007	0	0.00%
2008	0	0.00%
2009	34,093	12.29%
2010	5,500	1.98%
2011	6,128	2.21%

Despite the high occupancy level, management believes that there are value-add opportunities at Méga Centre through the repositioning of certain retailers and the lease-up of the vacant basement space.

Pursuant to a property management agreement between Charter and Crofton Moore Management Inc. ("Crofton"), Crofton provides property management services for Méga Centre. Such services are provided for a management fee of 3% of gross revenues, leasing fees ranging from $1.00 to $3.00 per square foot and other customary property management fees on market terms. The property management agreement has a term of three years expiring on March 31, 2010 and is terminable by either party on 60 days notice.

A standard first mortgage loan in the amount of $27.525 million with a Canadian chartered bank was obtained, secured by the property. The remainder of the purchase price was financed through advances under two credit facilities – one with KingSett Capital and one with C.A. Bancorp Inc. (the "Bridge Facilities") (the Bridge Facilities are further described in the "Financial Review" section of this MD&A).

Cornwall Square Acquisition

On June 29, 2007, the REIT announced that it had agreed to acquire the Cornwall Square Shopping Centre ("Cornwall Square") for an aggregate purchase price before closing costs of $41.7 million. The acquisition is expected to close on August 9, 2007.

The property comprises 250,503 square feet of commercial retail space and 1,470 square feet of rentable storage space and administration offices. The estimated going-in yield for the acquisiton on an unlevered basis is approximately 8.07% before closing costs.

Cornwall Square is a two-level enclosed shopping centre strategically located next to the Cornwall waterfront in the heart of the city's downtown retail sector. Adjacent land uses include a number of government offices including Parks Canada, the Cornwall Civic complex and the Department of Justice building. The site encompasses an area of approximately 9.16 acres.

Management believes that the property is the dominant fashion shopping centre in the region and draws from a broad trade area encompassing approximately 109,000 people (the United Counties of Stormont, Dundas and Glengarry).

Cornwall was originally built in 1979 and was expanded in 1989 with the addition of a food court. Management believes that it has been maintained to a high standard given the institutional nature of the previous owners. The centre is anchored by a 96,909 square foot Sears store and a 41,058 square foot Loblaws grocery store operating under the "No Frills" banner. There are approximately 65 additional retail tenants, including eight food court users. Key non-anchor tenants include Shoppers Drug Mart, Le Chateau, Stitches, Cleo, Garage Clothing Company, La Senza, TD Canada Trust, Foot Locker, Athletes World, Tip Top Tailors, Urban Trade and Ardene. The centre is 98.33% leased including anchor tenants or 96.29% excluding anchor tenants. Reported sales for 2006 for in-line retail tenants (which excludes anchor and food court tenants) were $419 per square foot. Minimum rents for 2006 for in-line retail tenants were $21.44 per square foot, while overall gross rent per square foot was $40.97. For 2006, the ratio of annual gross rents to annual sales, a common industry metric, was approximately 9.96% for in-line retail tenants.

In the next five years leases representing the percentage of leased retail square-feet set out below will expire:

Year	**Leased sq. ft. expiring**	**% of square-feet**
2007	1,280	0.52%
2008	12,104	4.91%
2009	16,763	6.81%
2010	33,039	13.41%
2011	7,381	3.00%

Cornwall Square faces competition from other local shopping complexes; however, the greatest source of competition is from fashion shopping centres located in Montréal and Ottawa, each of which is less than a one hour drive from Cornwall. Locally, Brookdale Centre is an approximately 216,000 square foot power centre located approximately two kilometres from Cornwall Square. Major tenants at Brookdale Centre include Wal-Mart, Food Basics, LCBO and The Beer Store. In addition, Eastcourt Mall, an enclosed mall approximately three kilometres from Cornwall Square, is anchored by a Zellers store but has fewer national tenants.

The REIT will enter into a property management agreement with Redcliff Realty Management Inc. to provide property management and leasing services for Cornwall Square. Such services will be provided for a management fee of 3% of gross revenues, leasing fees ranging from $0.45 to $3.25 per square foot and other customary property management fees on market terms. The property management agreement will be for a term of one year and will be terminable by either party on 90 days notice.

Deposits in the amount of $2.25 million have already been put down for the purchase of the property. The balance of the purchase price (subject to customary closing adjustments), is expected to be financed with cash from the equity offering (see "Other 2007 Events – Equity Offering below), expected to also be completed on August 9, 2007. Concurrent with the closing of the Cornwall Square acquisition, the REIT will obtain a $32.3 million revolving operating and acquisition facility (the "Acquisition Facility") from a Canadian chartered bank for a term of 364 days. The Acquisition Facility will be secured by Cornwall Square (the Acquisition Facility is further described in the "Financial Review" section of this MD&A).

OTHER 2007 EVENTS

Asset Management Agreement

On March 27, 2007, the Company (now assigned to the REIT) formalized management arrangements with C.A. Realty Management Inc. (the "Manager"), a wholly-owned subsidiary of C.A. Bancorp Inc. Pursuant to a management agreement, the Manager will provide the REIT with strategic, advisory, asset management and administrative services in exchange for an annual management fee equal to 0.30% of the "adjusted book value" of the REIT's assets, paid quarterly in arrears, and an acquisition fee equal to 0.50% of the "property cost" of each property acquired by the REIT.

The initial term of the management agreement is five years. Upon expiry of the initial term, the management agreement will renew automatically for successive three year terms. The management agreement provides each party with termination rights, the exercise of which may, in certain situations, require the REIT to pay a termination fee equal to three times the annual management fee paid in respect of the last full calendar year prior to the date of termination.

The Manager has agreed to pay all expenses of the employees providing services under the management agreement and the Manager's overhead incurred in connection with the performance of its duties under the management agreement, excluding any expenses related to securities compensation options granted by the REIT. The Manager must pay for 8 full-time executives for service to Charter, as well as accounting and administrative personnel.

In connection with entering into the management agreement, the Manager and C.A. Bancorp Inc. (collectively referred to as the "Restricted Parties") entered into a non-competition agreement with Charter. Pursuant to the non-competition agreement, each of the Restricted Parties agreed that it will not, and will cause its affiliates not to, directly or indirectly, (i) create, manage or provide strategic, advisory and asset management services to another person who carries on the primary business of the acquisition, development and/or management of "retail properties" or "mixed-use retail properties" (the retail properties and mixed-use retail properties collectively are referred to as the "Restricted Real Estate Assets"); (ii) purchase any Restricted Real Estate Assets or develop any property that, on completion of development, will be a Restricted Real Estate Asset; or (iii) provide strategic, advisory and asset management services for any Restricted Real Estate Asset. Exceptions from the foregoing include the purchase of properties or the making of investments that have been first offered to Charter and which Charter notified the Restricted Party that it was not interested in pursuing such property.

The non-competition agreement remains in effect until the earlier of (i) one year after the termination of the management agreement; and (ii) the date of termination of the management agreement by Charter or the Manager under specific situations.

Private Placement

On June 21, 2007, the REIT completed the private placement of 741,000 units for $4.05 per unit for gross proceeds of $3,001,050. The proceeds of the offering have been used by the REIT to finance deposits on the Cornwall Square acquisition and for general working capital purposes. The units are subject to a four-month hold period, which ends October 21, 2007. On October 22, 2007, these units will be freely tradeable.

Equity Offering

On July 3, 2007, the REIT filed a preliminary prospectus in each of the provinces and territories of Canada in connection with a marketed offering of trust units (the "Offering") to raise proceeds of between $55 million and $60 million. The Offering price was initially $4.50 per unit.

The REIT engaged TD Securities Inc. as bookrunner and co-lead underwriter and RBC Dominion Securities Inc. as co-lead underwriter, together with a syndicate of underwriters, including CIBC World Markets Inc., BMO Nesbitt Burns Inc., Blackmount Capital Inc., National Bank Financial Inc., Scotia Capital Inc. and HSBC Securities (Canada) Inc.

The final prospectus was filed on August 3, 2007 for a public offering of 13,375,000 units at a price of $3.45 per unit for gross proceeds of $46,143,750. The Offering is expected to close on August 9, 2007. The underwriters have been granted an over-allotment option to acquire up to an additional 2,006,250 units at a price of $3.45 per unit for a period of 30 days from closing. In connection with the Offering, the underwriters will receive a fee of $1,868,625 (assuming no exercise of the over-allotment option). The REIT intends to commence monthly cash distributions to unitholders following completion of the Offering with the first cash distribution for the month of August 2007 in an amount of $0.02587 per unit expected to be paid on or about September 17, 2007 to unitholders of record on August 31, 2007, representing an annualized distribution of $0.3104 per unit. Distributions will be paid on or about the 15th day following the end of each monthly distribution period.

The proceeds of the Offering are intended to be used to acquire Cornwall Square, to reduce outstanding indebtedness on the REIT's Bridge Facilities (following to a 30-day notice period) and for general working capital purposes. The REIT will use any proceeds from the exercise of the over-allotment option to further reduce outstanding indebtedness under the Bridge Facilities, to acquire additional properties that meet its acquisition criteria and/or for general working capital purposes.

C.A. Bancorp Inc. has subscribed for 4,347,826 units under the Offering pursuant to their pre-emptive right.

Potential Western Portfolio Acquisition

On July 9, 2007, the REIT entered into an agreement to purchase a portfolio of triple net leased properties and development properties located primarily in Western Canada. The purchase price for the portfolio is approximately $80 million before closing costs and is subject to customary closing adjustments.

The triple net properties comprise approximately 632,000 square feet of gross leaseable area, and are 100% leased. There are also five development properties in the portfolio, of which four, comprising approximately 60,000 square feet of gross leasable area, are subject to a lease or an offer to lease. Of these four, one is currently under construction, while construction is expected to begin shortly on the other three. The fifth development property (approximately 10,000 square feet of potential gross leasable area) is land held for future development. Once the four initial development properties are completed, which is expected to be the second quarter of 2008, approximately 64% of the portfolio, based on net operating income, will be retail uses while the balance of the portfolio would be classified as industrial properties. On an unlevered basis after completion of the contemplated development, the portfolio is expected to yield between 7.75% and 8.00% before closing costs.

If the REIT proceeds forward with this acquisition, the REIT would look to finance it by drawing down on its Acquisition Facility, by the assumption of existing mortgages and by entering into new debt arrangements. The closing of the acquisition is subject to significant conditions, including the completion of due diligence and environmental investigations with respect to the properties that must be satisfactory to Charter in its sole discretion, and there can be no assurance that the acquisition will be completed. If the conditions under the purchase agreement are fulfilled and the REIT proceeds forward with this acquisition, the acquisition is scheduled to close on or about October 8, 2007.

FINANCIAL REVIEW

Financial Results

The following is a summary of selected financial information.

	For the three months ended June 30,		**For the six months ended June 30,**	
	2007	2006	**2007**	2006
Revenues from rental properties	**$1,142,657**	$ -	**$1,194,111**	$ -
Interest income	**$ 10,781**	$ 3,829	**$ 20,533**	$ 7,215
Rental property operating costs	**$ 320,655**	$ -	**$ 347,209**	$ -
Interest expense	**$ 746,140**	$ -	**$ 765,397**	$ -
Incentive unit option compensation	**$ 11,957**	$ -	**$ 42,689**	$ -
General and administrative expenses	**$ 293,211**	$ 24,912	**$ 503,058**	$ 55,070
Depreciation and amortization	**$ 522,650**	$ -	**$ 532,464**	$ -
Corporate transaction costs	**$ 404,232**	$ -	**$ 754,067**	$ -
Net loss	**$1,145,407**	$ 21,083	**$1,730,240**	$ 47,855
Net loss per unit-basic & diluted	**$ 0.52**	$ 0.06	**$ 1.01**	$ 0.14

The quarter ended June 30, 2007 reflects the REIT’s first full quarter of revenues, operating costs and depreciation and amortization from the Rona properties and Méga Centre.

Interest expense relates to the debt that was obtained to finance the Méga Centre acquisition and includes amortization of financing fees of $58,264 for the six months ended June 30, 2007.

General and administrative expenses were higher for the six months ended June 30, 2007 compared to the prior year reflecting the fact that the REIT commenced conducting active business in the first quarter of 2007. General and administrative expenses consist of legal and consulting fees ($127,000), audit fees ($100,000), directors fees ($70,000), asset management fee ($67,000), capital tax ($42,000), corporate filing and transfer fees ($25,000) and other expenses ($72,000). The asset management fee is payable to C.A. Bancorp Inc. and is further described under "Asset Management Agreement". During the quarter, capital tax was reclassified from rental property operating costs since the costs are not recoverable from the tenants. The capital tax represents capital taxes of the Company, which after the conversion to the REIT is now a wholly-owned subsidiary of the REIT.

Corporate transaction costs of $754,027 for the six months ended June 30, 2007, reflect legal, audit, printing and other costs incurred for the Company's May 10, 2007 conversion to a real estate investment trust.

The REIT realized a net loss of approximately $1.7 million for the six months ended June 30, 2007 or $1.01 per unit basic and diluted, compared with a net loss of $47,855 or $0.14 per unit basic and diluted for the six months ended June 30, 2006.

Net Operating Income

Net operating income ("NOI") is defined as revenues from rental properties less rental property operating costs. NOI is a non-GAAP ("GAAP" referring to Canadian generally accepted accounting principals) financial measure widely used in the real estate industry. Management considers NOI a meaningful additional measure of the results of the property portfolio and is useful in analyzing the operating performance of the property portfolio.

NOI should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP. Management's method of calculating NOI may differ from other issuers' methods of calculating NOI and accordingly, may not be comparable to NOI reported by other issuers.

NOI has only been prepared for the three months ended June 30, 2007 since all of REIT's real estate assets were purchased late in the first quarter 2007.

	For the three months ended June 30, 2007
Revenues from rental properties	**$1,142,657**
Adjusted for:	
Rent revenue recognized on a straight-line basis	**(26,393)**
Amortization of below-market rate leases	**(2,889)**
Rental revenues contractually due from tenants	**$1,113,375**
Rental property operating costs	**320,655**
Net operating income	**$ 792,720**

Funds From Operations

Funds from operations ("FFO") is a non-GAAP financial measure of operating performance widely used by the real estate industry. Charter calculates FFO in accordance with the recommendations of the Real Property Association of Canada ("RealPac"). The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, and is modeled on the definition adopted by the National Association of Real Estate Investment Trusts ("NAREIT") in the United States.

Management considers FFO a meaningful additional measure of operating performance for financial analysts, investors and unitholders, as it primarily rejects the assumption that the value of real estate investments diminishes predictably over time and it adjusts for items included in GAAP net income that may not necessarily be the best determinants of operating performance.

FFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP. Management's method of calculating FFO may differ from other issuers' methods of calculating FFO and accordingly, may not be comparable to FFO reported by other issuers.

FFO has only been prepared for the three months ended June 30, 2007 since all of Charter's real estate assets were purchased late in the first quarter 2007.

A reconciliation of GAAP net income to FFO was as follows:

	For the three months ended June 30, 2007
Net (loss) for the period	**$(1,145,407)**
Add amortization of:	
Income producing properties	**142,927**
Deferred costs	**44,467**
Intangible assets	**335,256**
Funds from operations (FF0)	**$ (622,757)**
Weighted average units – basic and diluted	**2,192,429**
FFO per unit – basic and diluted	**$(0.28)**

Funds from operations are negative for the three months ended June 30, 2007 due to the small size of the property portfolio, significant general and administrative expenses incurred as a result of the REIT commencing the conducting of active business in the first quarter of 2007 and the one-time corporate transactions costs of $404,232 incurred during the quarter for the Company's conversion to a real estate investment trust.

Liquidity and Capital Resources

	As at June 30, 2007	As at December 31, 2006
Income producing properties	**$28,725,488**	$ -
Intangible assets	**9,161,889**	-
Deferred costs	**1,536,025**	-
Cash	**3,218,548**	805,127
Restricted cash	**525,000**	-
Other assets	**1,468,141**	47,867
Total assets	**$44,635,091**	$852,994
Secured debt	**$27,353,573**	$ -
Bridge financing	**10,268,826**	-
Other liabilities	**2,025,922**	83,858
Total liabilities	**39,648,321**	83,858
Unitholders' equity	**4,986,770**	769,136
Total liabilities and unitholders' equity	**$44,635,091**	$852,994

At June 30, 2007, the REIT had total assets of $44,635,091, a significant increase from $852,994 as at December 31, 2006, reflecting the acquisitions of the Rona properties and the Méga Centre during the first quarter of 2007. Included in the total purchase price allocated for the acquisitions to income producing properties, intangible assets, deferred costs and other liabilities is the acquisition fee of $183,500 paid to C.A. Bancorp Inc. for the Méga Centre pursuant to the terms of the management agreement further described under "Asset Management Agreement".

Cash of $3,218,548 reflects the private placement of 741,000 units for gross proceeds of $3,001,050 completed on June 21, 2007. Restricted cash of $525,000 represents the reserve fund the REIT was required to set up with its first mortgage lender in order to fund future capital expenditures at the Méga Centre.

Other assets of $1,468,141 at June 30, 2007 include costs incurred on the equity offering of REIT units expected to be completed on August 9, 2007, as well as deposits and costs on properties under option and prepaid expenses which primarily consist of prepaid property taxes.

Unitholders' equity has increased by $4.2 million during the six months ended June 30, 2007. The increase is due to the gross proceeds from the private placements which were completed in February and June 2007 and the gross proceeds from the exercise of 150,000 agent's options in March and April 2007 ($6,001,050 and $30,000, respectively). These increases were partially offset by the net loss recorded for the six months ended June 30, 2007.

Mortgages and Other Financing

Secured Debt

The REIT has a standard first mortgage loan in the amount of $27.525 million with a Canadian chartered bank, secured by the Méga Centre. The loan is for a 10-year term and is interest-only for the first two years. Thereafter, the loan will be amortized over a 30-year term. The loan bears interest at a rate of 5.32%. The terms of the first mortgage financing required the set up of an initial $525,000 reserve fund with the first mortgage lender to cover future capital expenditures on the property. Originally, the lender also required future amounts of $9,167 per month to be made into the reserve fund. However, upon submission of a new physical report on the building, the monthly reserve is no longer required.

Future principal repayments on the first mortgage financing are as follow:

Year	Principal Instalment Payments	Balance Maturing	Total	Interest Rate on Debt Maturing
2007	$ -	$ -	$ -	
2008	-		-	
2009	**276,007**		**276,007**	
2010	**385,549**		**385,549**	
2011	**406,596**		**406,596**	
Thereafter	**2,528,228**	**23,928,620**	**26,456,848**	**5.32%**
Total	**$3,596,380**	**$23,928,620**	**$27,525,000**	

Bridge Financing

KingSett Capital and C.A. Bancorp Inc. have each provided the REIT with credit facilities, for total facilities available of $24 million. Of the $24 million available, $10.5 million was used to fund the acquisition of the Méga Centre with $6 million being drawn on the KingSett Capital facility and $4.5 million being drawn on the C.A. Bancorp Inc. facility. Both facilities can be used to fund future acquisitions subject to lender approval of the particular acquisition and other restrictions.

The KingSett Capital facility (the “KingSett Facility”) bears interest at an annual rate of 12% and has a 12-month term. Any principal amount drawn on the KingSett Facility is repayable without penalty, subject to a minimum four month interest payment. The KingSett Facility has been secured by a second mortgage on the Méga Centre, a first mortgage on the Company's QT Acquisition properties, and a general security agreement with the REIT.

The C.A. Bancorp Inc. facility (the “C.A. Bancorp Facility”) was initially a $10 million facility and was increased by $4 million during June 2007 in connection with the waiving of conditions on the purchase of Cornwall Square. The C.A. Bancorp Facility bears interest at an annual rate of 12% and has a 2 year term. Any principal amount drawn on the C.A. Bancorp Facility is repayable at any time without penalty. The C.A. Bancorp Facility has been secured by a general security agreement with the REIT, which is subordinate to the security held by other lenders.

Acquisition Facility

In connection with the acquisition of Cornwall Square, the REIT will obtain the Acquisition Facility. The facility is in the amount of $32.25 million and is for a term of 364 days. The Acquisition Facility may be used to fund future acquisitions and for general working capital purposes. Pursuant to the terms of the Acquisition Facility, from time to time, the amount permitted to be drawn under the Acquisition Facility may be adjusted based on certain financial tests. As of the date of this MD&A, management anticipates that the permitted draw down will be approximately $30 million. Amounts drawn down under the Acquisition Facility will bear interest at a rate equal to the Bank's prime rate plus 0.75% per annum and Banker's Acceptances will bear interest at a rate equal to the Bank's Acceptance stamping fee plus 1.75% per annum. The Acquisition Facility contains financial covenants with respect to maintaining agreed upon debt-to-gross book value ratios and other tests customary for this type of facility.

Financing Costs

Financing costs of $460,859 have been netted against the secured debt and bridge financing. These costs represent commitment fees and other fees paid in connection with securing these loans. Amortization of these financing costs of $58,264 has been recorded and included in interest expense for the three and six months ended June 30, 2007.

Cash Flow

	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	**2007**	2006
Net cash used in operating activities	**$ (932,764)**	$(42,919)	**$ (891,435)**	$(40,822)
Net cash provided by (used in) financing activities	**$ 2,783,907**	$ (425)	**$ 43,527,896**	$ (425)
Net cash used in investing activities	**$ (840,699)**	$ -	**$(40,223,040)**	$ -

Cash used in operating activities for the six months ended June 30, 2007 of approximately $0.9 million represents the net loss for the period of $1.7 million partly offset by depreciation and amortization ($532,464) and an increase in working capital balances ($237,168).

Cash generated from financing activities for the three months ended June 30, 2007 relates primarily to the proceeds from the private placement of 741,000 units. Cash generated from financing activities for the six months ended June 30, 2007 also includes financing obtained for the Méga Centre property as well as the private placement of 15,000,000 shares which occurred during the first quarter of 2007.

Cash used in investing activities for the three months ended June 30, 2007 relates to the decrease in working capital balances (accrued liabilities) relating to the properties acquired during the year. Cash used in investing activities for the six months ended June 30, 2007 reflects the acquisition of the Rona properties and the Méga Centre which took place during the first quarter.

Management believes that Méga Centre will require between $500,000 and $750,000 in capital expenditures over the next five years. These expenditures are primarily for roof replacement and parking lot maintenance. Capital expenditures on the Méga Centre are expected to be approximately $150,000 in 2007.

Over the past four years there has been ongoing parking deck maintenance at Cornwall Square. Capital expenditures for this maintenance have been approximately $150,000 per year. The REIT expects to continue parking deck maintenance and to spend approximately $150,000 per year, which amount will be recoverable from the tenants. Additionally, between 1996 and 2001 extensive roof repairs were completed. Capital expenditures during this period amounted to an aggregate of approximately $800,000. The REIT does not expect to make significant non-recoverable capital expenditures on the property in the next five years.

Quarterly Performance

The following is a summary of the interim results for each of the last eight quarterly periods (except for the first period which is from March 29, 2005 to September 30, 2005).

	Q3-2005	**Q4-2005**	**Q1-2006**	**Q2-2006**	**Q3-2006**	**Q4-2006**	**Q1-2007**	**Q2-2007**
Total revenues	$2,282	$3,047	$3,386	$3,829	$4,789	$8,558	$61,206	$1,153,438
Expenses	$15,747	$14,944	$30,158	$24,912	$36,488	$67,405	$646,039	$2,298,845
Net loss	$13,465	$11,897	$26,772	$21,083	$31,699	$58,847	$584,833	$1,145,407
Net loss per unit – basic & diluted	$0.05	$0.03	$0.08	$0.06	$0.08	$0.10	$0.48	$0.52

Changes in Accounting Policies

Effective January 1, 2007, the Company adopted several new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”), including comprehensive income, financial instruments and hedges. The new standards are described in more detail in Note 3 to the interim financial statements for the quarter ended June 30, 2007. There were no transitional adjustments required for the application of these standards.

Critical Accounting Estimates

The preparation of financial statements requires the REIT to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The REIT’s significant accounting policies are described in Note 2 to the interim financial statements for the quarter ended June 30, 2007 and Note 2 to the financial statements for the year ended December 31, 2006. Management believes that the policies which are most subject to estimation and management’s judgment relate to the following:

Property Acquisitions

In accordance with the CICA Handbook, management is required to allocate the purchase price to land, buildings, tenant improvements, above and below market in-place leases, lease origination costs and tenant relationship values. Management uses estimates and judgments with respect to such things as market rates and discount rates to derive the fair values of these various components. Future depreciation and amortization is impacted by the derived allocations, due to the varying rates of amortization for these different assets.

Impairment of Income Producing Properties

Management must evaluate the recoverability of the net carrying amount of income producing properties. An impairment in the value of income producing properties is recognized when the carrying value exceeds the total undiscounted future cash flows expected from the use and eventual disposal of the asset. In making this evaluation, estimates are made regarding the future cash flows of the property, which involve assumptions on future occupancy, rental rates and residual value.

Depreciation and Amortization

Depreciation and amortization requires estimates of useful lives.

Incentive Unit Options

Incentive unit compensation expense represents the amortization of the fair value of options granted. The derivation of the fair value of options granted uses the Black-Scholes option pricing model and requires assumptions regarding the REIT’s underlying units, such as expected volatility, the risk-free rate of return and dividend yield.

Fair Value Disclosures

Management is required to disclose the fair value of financial instruments in the financial statements. In determining the fair value of financial instruments, management must make estimates and assumptions with respect to current market interest rates and terms to maturity.

CORPORATE STRATEGY AND OUTLOOK

On May 10, 2007, the Company converted to a REIT. Management and the Board of Directors of the Company concluded that the Company's conversion to the REIT was an optimal strategy to maximize value for shareholders. The resulting trust structure creates a favourable platform for growth and development of the business of Charter, and provides a vehicle to deliver cash flow from the business to unitholders in a tax-efficient manner. In furtherance of these objectives of growing and developing the business of Charter, on July 3, 2007 Charter filed a preliminary prospectus in connection with a marketed offering of units to raise proceeds of between $55 million and $60 million. The REIT raised $46.1 million with closing expected on August 9, 2007. This was Charter's first significant equity raise. The REIT set out several objectives for the Offering as follows: (1) to create liquidity and a market for the units; (2) to set a distribution yield for investors; (3) to raise sufficient funds to de-lever the balance sheet by repaying debt; and (4) to raise sufficient funds to create acquisition capacity that will allow the REIT to grow before having to come back and raise further equity and dilute unitholders' interests. Given the weak state of the North American equity markets in July, partly driven by sub-prime lending concerns in the U.S., the REIT's marketing efforts vis-à-vis the Offering were hampered. In spite of this, the REIT is pleased to have been able to complete the Offering and thereby achieve the objectives originally set out for the Offering. However, the REIT did have to make some adjustments to the Offering as a result of the poor equity market conditions. First, the REIT amended the offering price from $4.50 to $3.45. Second, the distribution to unitholders has been set at 31.04 cents per unit per annum, or the equivalent of 9% on the issue price – at the high end of the marketing range. Finally, the REIT was only able to raise $46.1 million instead of $55 million to $60 million as originally contemplated, which would have given the REIT more acquisition capacity and an ability to further de-lever the balance sheet. Notwithstanding, the REIT believes that it has a viable business model and a platform on which to grow and further achieve its objectives for unitholders.

The REIT will use the net proceeds from the Offering to pay for the Cornwall Square acquisition and to partially repay indebtedness on its Bridge Facilities (subject to a 30-day notice period). Any amounts remaining outstanding on the Bridge Facilities following the application of the proceeds of the Offering and the over-allotment option will be repaid with amounts drawn down on the Acquisition Facility. This will leave the REIT with a debt-to-gross book value ratio of approximately 40% (with debt-to-gross book value defined as the gross principal amount of debt divided by total assets plus accumulated depreciation and amortization) and a large portion of the Acquisition Facility available to the REIT. Assuming the REIT can finance acquisitions with first mortgages representing between 65% and 75% of the purchase price, the REIT is left with acquisition capacity of approximately $65 million to $90 million while still keeping its debt-to-gross book value ratio under 75%. It is anticipated that the REIT will operate with a debt-to-gross book value ratio of between 65% and 75%. Over time, as the REIT's asset base grows, its debt-to-gross book value is expected to decrease to approximately 65% or lower. Initially the REIT intends to pay distributions in excess of FFO and will fund the excess using its Acquisition Facility. However, over time with additional acquisitions, it is expected that the REIT's cash distributions as a percentage of FFO will decline.

The REIT will continue to seek additional acquisitions that fit within its acquisition strategy and is currently considering a number of possible acquisitions. No assurances can be given that any of these acquisitions will come to fruition. The REIT also remains cognizant when making acquisitions and financing those acquisitions, of the debt markets and the fact that both credit spreads and bond rates have increased since March 31, 2007.

The REIT anticipates that substantially all of the distributions made or to be made during the current taxation year will not be included in the income of a unitholder for tax purposes but will reduce the adjusted cost base of that unitholder's units. Also, as currently structured, management believes that the REIT qualifies as a "real estate investment trust" under the recently passed SIFT tax legislation. Under the SIFT legislation, certain distributions to investors from certain publicly listed or traded trusts and partnerships (or "SIFTs") other than real estate investment trusts, will be subject to tax at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations and will be taxed in the hands of unitholders as though they were a dividend from a taxable Canadian corporation. The result is that SIFTs (other than real estate investment trusts) will be taxed in a similar manner to corporations and their investors will be taxed in a manner similar to investors in a corporation. The SIFT Proposals apply commencing in the 2007 taxation year. The SIFT Proposals do not apply to certain trusts that qualify as real estate investment trusts. Should it be found that the REIT fails to qualify as a real estate investment trust or the REIT undertakes subsequent activities that cause it to fail to qualify as a real estate investment trust, the SIFT legislation would allow the failure to be cured within the taxation year so that the REIT could qualify as a real estate investment trust for the next taxation year.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Future financial performance will be influenced by successful acquisitions of retail real estate properties. The REIT will also be subject to certain risks relating to the business of acquiring and owning real property including but not limited to: government regulation and environmental matters; illiquidity; uninsured losses; investment concentration; competition; acquisition strategy; occupancy rates; reliance on key personnel; integration of additional properties; debt financing and interest rates; litigation; restrictive covenants; joint venture investments; potential undisclosed liabilities associated with acquisitions; and reliance on external sources of capital.

The significant risk factors and any corresponding plan to mitigate these risks, where possible, can be found in the Final Short Form Prospectus dated August 3, 2007, which is available on www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer and Chief Financial Officer evaluated the design of the REIT's disclosure controls and procedures (as defined in *Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings)* as at June 30, 2007 and have concluded that such disclosure controls and procedures were appropriately designed.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer assessed the design of the REIT's internal controls over financial reporting (as defined in *Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings)* as at June 30, 2007 and, based on that assessment, determined that the REIT's internal controls over financial reporting were appropriately designed.

There has been no change in internal controls over financial reporting in the second quarter of 2007 that has materially affected, or is reasonably likely to materially affect the REIT's internal controls over financial reporting. In acquiring the Méga Centre, the REIT has engaged the services of a third-party property manager whose internal controls form part of the the REIT's system of internal controls. The REIT has documented those internal controls and reviews reports and other documentation provided by the property manager as part of its internal control activities.