Interim Consolidated Financial Statements of

CHARTER REAL ESTATE INVESTMENT TRUST

March 31, 2008

(unaudited)

CHARTER REAL ESTATE INVESTMENT TRUST
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March 31, 2008 (unaudited)

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets
(unaudited)

		As at March 31, 2008		As at December 31, 2007
ASSETS				
Cash	$	**1,358,066**	$	1,423,523
Restricted cash (Note 4)		**481,475**		481,475
Income producing properties (Note 5)		**98,879,100**		85,718,514
Deferred costs (Note 6)		**635,847**		759,250
Intangible assets (Note 7)		**10,694,503**		9,935,606
Accounts receivable (Note 8)		**560,314**		223,927
Other assets (Note 9)		**697,083**		1,034,138
	$	**113,306,388**	$	99,576,433
LIABILITIES				
Mortgages payable (Note 10)	$	**44,330,140**	$	36,316,387
Credit facilities (Notes 11 and 18)		**19,000,000**		11,500,000
Intangible liabilities (Note 7)		**423,207**		438,016
Accounts payable and other liabilities		**2,377,872**		2,424,214
		66,131,219		50,678,617
UNITHOLDERS' EQUITY		**47,175,169**		48,897,816
	$	**113,306,388**	$	99,576,433

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES

"John F. Driscoll"
…………………………………… Trustee

"Janet Graham"
…………………………………… Trustee

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Operations and Comprehensive Loss
(unaudited)

	Three months ended March 31, **2008**	Three months ended March 31, 2007
REVENUE		
Revenues from rental properties	**$ 3,610,932**	$ 51,454
Interest income	**14,841**	9,752
	3,625,773	61,206
EXPENSES		
Rental property operating costs	**1,575,961**	9,354
Interest expense on mortgages payable and long-term credit facilities	**560,150**	19,212
Interest expense on short-term credit facilities	**265,360**	45
Incentive unit option compensation	**54,069**	30,732
General and administrative expenses	**317,600**	227,047
Depreciation and amortization of income producing properties	**724,581**	3,744
Amortization of deferred costs	**158,110**	-
Amortization of intangible assets	**438,919**	6,070
Corporate transaction costs and other (Note 15)	**-**	349,835
	4,094,750	646,039
NET LOSS AND COMPREHENSIVE LOSS	**$ (468,977)**	$ (584,833)
LOSS PER UNIT (Note 14)		
Basic	**$ (0.03)**	$ (0.48)
Diluted	**$ (0.03)**	$ (0.48)

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity
(unaudited)

	Three months ended March 31,	
	2008	2007
Trust Units (Note 12)		
BALANCE, BEGINNING OF PERIOD	**$ 54,069,575**	$ 902,869
Issuance of units, net of costs	**(30,688)**	2,899,135
Issuance of units under distribution reinvestment plan	**93,090**	-
Proceeds from exercise of options	**-**	2,000
Value associated with exercise of options	-	400
BALANCE, END OF PERIOD	**54,131,977**	3,804,404
Contributed Surplus		
BALANCE, BEGINNING OF PERIOD	**275,432**	30,030
Incentive unit option compensation	**54,069**	30,732
Value associated with exercise of options	-	(400)
BALANCE, END OF PERIOD	**329,501**	60,362
Deficit and Accumulated Other Comprehensive Loss		
BALANCE, BEGINNING OF PERIOD	**(5,447,191)**	(163,763)
Net loss	**(468,977)**	(584,833)
Distributions to unitholders	**(1,370,141)**	-
BALANCE, END OF PERIOD	**(7,286,309)**	(748,596)
TOTAL UNITHOLDERS' EQUITY	**$ 47,175,169**	$ 3,116,170
Units issued and outstanding (Note 12)	**17,648,511**	2,101,000

The accompanying notes are an integral part of these consolidated financial statements.

CHARTER REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended March 31, 2008	2007
OPERATING ACTIVITIES		
Net loss	**$ (468,977)**	$ (584,833)
Adjusted for non-cash items:		
Depreciation and amortization	**1,321,610**	9,814
Amortization of below-market rate leases	**(25,686)**	(2,498)
Non cash portion of interest expense	**6,604**	-
Incentive unit option compensation	**54,069**	30,732
Leasing costs	**(2,250)**	-
Deferred recoverable expenditures	**(31,007)**	-
Net change in non-cash working capital	**278,159**	588,114
Net cash provided by operating activities	**1,132,522**	41,329
FINANCING ACTIVITIES		
Proceeds net of financing costs from new mortgage financing	**(30,563)**	27,449,917
Principal repayments on mortgage financing	**(74,869)**	-
Drawdowns on credit facilities (Note 11)	**7,500,000**	10,500,000
Standby fees on credit facilities	**-**	(189,438)
Proceeds from issuance of units (Note 12)	**-**	3,000,000
Proceeds from exercise of unit options (Note 12)	**-**	2,000
Cost of issuance of units	**(51,438)**	(18,490)
Distributions to unitholders	**(1,275,845)**	-
Net cash provided by financing activities	**6,067,285**	40,743,989
INVESTING ACTIVITIES		
Income producing properties acquired (Note 5)	**(7,170,814)**	(38,857,341)
Additions to building and building improvements	**(17,890)**	-
Additions to tenant improvements	**(76,560)**	-
Net change in restricted cash	**-**	(525,000)
Net cash used in investing activities	**(7,265,264)**	(39,382,341)
NET (DECREASE) INCREASE IN CASH DURING THE PERIOD	**(65,457)**	1,402,977
CASH, BEGINNING OF PERIOD	**1,423,523**	805,127
CASH, END OF PERIOD	**$ 1,358,066**	$ 2,208,104

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Income taxes paid	**$ -**	$ -
Interest paid	**$ 577,162**	$ 8,034

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION

Charter Real Estate Investment Trust ("Charter" or the "REIT") is an unincorporated open-ended real estate investment trust and was formed pursuant to a Declaration of Trust dated March 27, 2007.

On May 10, 2007, under a Plan of Arrangement (the "Arrangement"), Charter Realty Holdings Ltd. (the "Company") completed its conversion to a trust structure. The Arrangement resulted in the 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. Pursuant to the Arrangement, the Company is a wholly-owned subsidiary of the REIT.

The conversion of the Company to the REIT has been accounted for on a continuity of interest basis. Accordingly, the comparative figures and note disclosures are presented as if the Company had converted to a trust structure from the inception of the Company's formation.

The units of the REIT trade under the symbol "CRH.UN".

The REIT's major unitholder is C.A. Bancorp Inc., which currently owns 33.1% of the outstanding units of the REIT.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The accounting principles used in these interim consolidated financial statements are consistent with those used in the REIT's December 31, 2007 annual consolidated financial statements except as described in Note 3. These interim consolidated financial statements do not include all the information and disclosure required by Canadian GAAP for annual financial statements, and should be read in conjunction with the December 31, 2007 annual consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008, the REIT adopted three new accounting presentation and disclosure standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). The policies are applied on a retroactive basis with restatement of prior periods and include the following:

(a) Capital disclosures – CICA Section 1535

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

3. CHANGES IN ACCOUNTING POLICIES (continued)

(b) Financial instruments – disclosures and presentation – CICA Sections 3862 and 3863

Sections 3862 and 3863 replace Section 3861, Financial Instruments – Disclosure and Presentation. These new sections revise and enhance disclosure requirements, and carry forward unchanged existing presentation requirements with respect to financial instruments. These new standards require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

4. RESTRICTED CASH

The restricted cash balance relates to a deposit with the first mortgage lender on the REIT's Méga Centre property to cover future capital expenditures on that property. The terms of the first mortgage financing required this deposit and as amounts are spent by the REIT for the related projects, the restricted cash will be released and reimbursed back to the REIT, subject to lender approval.

5. INCOME PRODUCING PROPERTIES

	March 31, 2008			December 31, 2007
	Gross Book Value	**Accumulated Depreciation/ Amortization**	**Net Book Value**	Net Book Value
Land	**$ 16,488,207**	**$ -**	**$ 16,488,207**	$ 12,987,047
Buildings	**79,155,260**	**1,304,237**	**77,851,023**	68,126,035
Building improvements	**72,586**	**2,427**	**70,159**	70,865
Tenant improvements acquired in a rental property acquisition	**5,187,266**	**717,555**	**4,469,711**	4,534,567
	$ 100,903,319	**$ 2,024,219**	**$ 98,879,100**	$ 85,718,514

Three months ended March 31, 2008 acquisition

(a) Place Val Est

On January 31, 2008, the REIT completed the acquisition of Place Val Est located in Sudbury, Ontario, for an aggregate purchase price of $14,720,000 (before closing costs). One of the centre's tenants, SAAN Stores Ltd., is currently under *Companies' Creditors Arrangement Act* ("CCAA") protection. In connection therewith, the REIT has received a rental guarantee from the vendor if the lease is altered or terminated through the CCAA proceedings. The REIT funded the acquisition by assuming an $8,099,224 existing first mortgage loan secured by the property and the remainder of the acquisition has been funded by the REIT drawing down on its acquisition facility (see Notes 10 and 11 (b)).

5. INCOME PRODUCING PROPERTIES (continued)

Three months ended March 31, 2007 acquisitions

(a) Rona properties

On February 23, 2007, the REIT completed the acquisition of three free-standing, single-use retail facilities leased to Rona Ontario Inc. for an aggregate cash purchase price of $2,065,000 (before closing costs). The properties are located in Exeter, Seaforth and Zurich, Ontario.

(b) Méga Centre

On March 30, 2007, the REIT completed the acquisition of the Méga Centre, a shopping centre located in St. Laurent (Montreal), Quebec for $36,700,000 (before closing costs). The Méga Centre acquisition was financed with a $27,525,000 first mortgage loan secured by the property and the remainder through advances under two credit facilities that were subsequently repaid in 2007 (see Note11 (a)).

The allocation of the total cost of the acquisitions and consideration given are as follows:

	Three Months Ended March 31,	
	2008	2007
Land	**$ 3,501,160**	$ 9,152,446
Building	**10,203,876**	17,482,816
Tenant improvements	**178,740**	3,265,240
Intangible assets		
Lease origination costs	**748,471**	8,208,922
Tenant relationships	**449,345**	1,882,718
Intangible liabilities		
Below market in-place leases	**(10,877)**	(182,369)
	15,070,715	39,809,773
Working capital acquired, net	**279,249**	(61,523)
Total purchase price including closing costs	**$ 15,349,964**	$ 39,748,250
Assumption of first mortgage on acquisition	**8,099,224**	-
Purchase price net of liablities assumed	**$ 7,250,740**	$ 39,748,250

The acquisitions were funded as follows:		
Proceeds from first mortgage, net of reserve fund in restricted cash	**$ -**	$ 27,000,000
Credit facilities	**7,170,814**	10,500,000
Cash	**-**	1,357,341
	7,170,814	38,857,341
Closing costs included in accounts payable	**79,926**	890,909
Total outlay for acquisitions	**$ 7,250,740**	$ 39,748,250

6. DEFERRED COSTS

	March 31, 2008						December 31, 2007	
	Gross Book Value		Accumulated Amortization		Net Book Value		Net Book Value	
Leasing costs	$	60,641	$	3,464	$	57,177	$	46,074
Tenant improvements		247,295		13,476		233,819		240,788
Deferred recoverable expenditures		192,020		18,271		173,749		158,999
Deferred financing costs		639,583		468,481		171,102		313,389
	$	1,139,539	$	503,692	$	635,847	$	759,250

7. INTANGIBLE ASSETS AND LIABILITIES

	March 31, 2008						December 31, 2007	
	Gross Book Value		Accumulated Amortization		Net Book Value		Net Book Value	
Intangible assets								
Lease origination costs	$	6,900,995	$	909,785	$	5,991,210	$	5,555,086
Tenant relationships		5,053,313		350,020		4,703,293		4,380,520
	$	11,954,308	$	1,259,805	$	10,694,503	$	9,935,606
Intangible liabilities								
Below market in-place leases	$	476,471	$	53,264	$	423,207	$	438,016

8. ACCOUNTS RECEIVABLE

	March 31, 2008		December 31, 2007	
Tenant receivables	$	336,675	$	221,086
Rental revenue recognized on a straight-line basis		132,964		88,057
Corporate and other amounts receivable		179,391		3,500
		649,030		312,643
Allowance for doubtful accounts		(88,716)		(88,716)
	$	560,314	$	223,927

The REIT records a provision for doubtful accounts on tenant rent receivables and straight-line rent receivables on a tenant-by–tenant basis, using specific, known facts and circumstances that exist at the time of the analysis.

9. OTHER ASSETS

		March 31, 2008		December 31, 2007
Deposits and costs on properties under option	**$**	**-**	$	919,266
Prepaid expenses and other assets		**697,083**		114,872
	$	**697,083**	$	1,034,138

10. MORTGAGES PAYABLE

At March 31, 2008 mortgages payable are secured by the income-producing properties to which they relate and some of the mortgages also have recourse to the REIT. The mortgages bear interest at effective rates ranging between 5.166% and 5.39% (contractual rates between 5.166% and 5.39%) per annum with a weighted average effective interest rate of 5.31% (contractual rate of 5.29%) per annum, and mature at various dates between 2012 and 2017.

Scheduled repayments of mortgages payable are as follows:

2008 (remainder of the year)	**$**	**278,823**
2009		**644,707**
2010		**810,496**
2011		**854,029**
2012		**8,914,035**
Thereafter		**33,047,265**
Contractual obligations		**44,549,355**
Unamortized debt financing costs		**(219,215)**
	$	**44,330,140**

On the acquisition of Place Val Est, the REIT assumed a first mortgage loan in the amount of $8,099,224 secured by the property. The loan matures in 2015 and bears interest at a rate of 5.166% per annum. The loan was originally obtained by the vendor in 2005 and amortized over a 25-year period. The amortization period for the loan from the date of acquisition (January 31, 2008) is 273 months or 22.75 years.

Commitment and other fees of $237,651 were incurred on the mortgages payable. At March 31, 2008, the unamortized balance of these fees is $219,215.

Interest expense on the mortgages payable is considered an operating item in the statement of cash flows.

11. CREDIT FACILITIES

(a) Bridge financing

In 2007, KingSett Capital and C.A. Bancorp Inc. (the REIT's major unitholder) (see Note 18) had each provided the REIT with acquisition facilities, for total facilities available of $24,000,000. Of the $24,000,000 available, a total of $10,500,000 had been drawn in order to finance the Méga Centre acquisition, with $6,000,000 being drawn under the KingSett Capital facility and $4,500,000 being drawn under the C.A. Bancorp Inc. facility. Both facilities were repaid during 2007.

The KingSett Capital facility was a $10,000,000 facility, bore interest at an annual rate of 12% and expired on April 1, 2008. The facility was not renewed by the REIT.

The C.A. Bancorp Inc. facility is a $14,000,000 facility. The facility bears interest at an annual rate of 12% and expires on April 1, 2009. Any principal drawn is repayable without penalty. The facility is secured by a general security agreement with the REIT, which is subordinate to the security held by other lenders. The facility can be used to fund future acquisitions subject to lender approval of the particular acquisition and other restrictions.

Commitment and other fees of $346,644 were incurred on these facilities. At March 31, 2008, the unamortized balance of these fees is $67,569 and has been classified as deferred costs.

(b) *Acquisition facility*

In 2007, the REIT obtained a $32,250,000 revolving operating and acquisition facility (the "Acquisition Facility") from a Canadian chartered bank for a term of 364 days expiring on August 8, 2008. The Acquisition Facility is secured by the REIT's Cornwall Square shopping centre. Pursuant to the terms of the Acquisition Facility, the REIT will not be permitted to draw down more than the $32,250,000 and from time to time, the amount permitted to be drawn under the Acquisition Facility may be adjusted based on certain financial tests.

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.

For the quarter ended March 31, 2008, a total of $7,500,000 was drawn under the Acquisition Facility for a total amount drawn at March 31, 2008 of $19,000,000.

Financing fees of $292,939 were incurred on the Acquisition Facility. At March 31, 2008 the unamortized balance of these financing fees is $103,533 and has been classified as deferred costs.

Interest expense on the credit facilities is considered an operating item in the statement of cash flows.

12. UNITHOLDERS' EQUITY

The REIT is authorized to issue an unlimited number of units and special voting units. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions. Units are redeemable at any time on demand for a price per unit (the "Redemption Price") as determined by a market formula. The Redemption Price will be paid in accordance with the conditions provided for in the Declaration of Trust.

Special voting units may only be issued in connection with or in relation to securities exchangeable, directly or indirectly, for units, in each case for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Each special voting unit will entitle the holder thereof to that number of votes at any meeting of unitholders that is equal to the number of units that may be obtained upon the exchange of the exchangeable security to which it is attached. No special voting units are currently issued and outstanding.

Provided that C.A. Bancorp Inc. and its affiliates beneficially own at least 10% of the issued and outstanding units, the Trustees shall not issue or offer or agree to issue, any units to any person, unless they first make an offer to C.A. Bancorp Inc. to sell to them that number of units as would be required to ensure that C.A. Bancorp Inc. would maintain their pro rata ownership level.

In August 2007, the REIT commenced monthly cash distributions to unitholders in an amount of $0.02587 per unit, representing an annualized distribution of $0.3104 per unit.

The amount of the REIT's cash distributions is determined by, or in accordance with, the guidelines established from time to time by the Trustees. The REIT's Trustees have discretion in declaring distributions. Pursuant to the REIT's Declaration of Trust, the aggregate amount of cash distributions made in respect of a calendar year shall not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for such year.

In January 2008, the REIT established a Distribution Reinvestment and Optional Unit Purchase Plan ("the Plan") to enable Canadian resident unitholders to acquire additional units of the REIT:

(a) through the reinvestment of regular monthly distributions on all or any part of their units; and

(b) once enrolled in the Plan, through optional cash payments subject to a minimum of $1,000 per month and a maximum of $12,000 per calendar year.

Units issued in connection with the Plan are issued directly from the treasury of the REIT at a price based on the volume- weighted average of the closing price for the 20 trading days immediately preceding the relevant distribution date. Participants receive "bonus units" in an amount equal in value to 3% of each cash distribution.

The REIT has reserved for issuance with the TSX Venture Exchange 500,000 additional units to accommodate the issuance of units under the Plan.

12. UNITHOLDERS' EQUITY (continued)

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. In the following table, the units issued prior to the Arrangement have been restated to reflect the 10-for-1 consolidation associated with the Arrangement.

Issued:

	Three Months Ended March 31,					
	2008			2007		
	Units		**$**	Units		$
Units Outstanding, Beginning of Period	**17,601,912**	**$**	**54,069,575**	600,000	$	902,869
Units issued:						
Distribution reinvestment plan	**46,599**		**93,090**	-		-
Private placements	**-**		**-**	1,500,000		3,000,000
Proceeds from exercise of options	**-**		**-**	1,000		2,000
Value associated with exercise of options	**-**		**-**	-		400
Unit issue costs	**-**		**(30,688)**	-		(100,865)
Units Outstanding, End of Period	**17,648,511**	**$**	**54,131,977**	2,101,000	$	3,804,404

13. INCENTIVE UNIT OPTIONS

The REIT's incentive unit option plan provides that the maximum number of units which may be reserved and set aside for issue under the incentive unit option plan shall not exceed 10% of the issued and outstanding units at the time of the option grant (on a non-diluted basis).

On May 10, 2007 as part of the Arrangement, REIT unit options were 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. In the table below, the options issued prior to the Arrangement have been restated to reflect the 10-for-1 consolidation associated with the Arrangement.

13. INCENTIVE UNIT OPTIONS (continued)

A summary of the unit options granted at March 31, 2008 and 2007 is as follows:

Employees incentive unit options

	Three Months Ended March 31, 2008 Units	2008 Weighted Average Exercise Price	2007 Units	2007 Weighted Average Exercise Price
Options Outstanding, Beginning of Period	**1,370,000**	**$ 3.28**	55,000	$ 2.24
Options granted	**-**	**-**	115,000	2.00
Options Outstanding, End of Period	**1,370,000**	**$ 3.28**	170,000	$ 2.08
Options Exercisable at End of Period	**520,500**	**$ 3.13**	71,000	$ 2.06
Weighted Average Fair Value Per Unit of Options Granted During the Period		**$ -**		$ 0.64

Non-employees incentive unit options

	Three Months Ended March 31, 2008 Units	2008 Weighted Average Exercise Price	2007 Units	2007 Weighted Average Exercise Price
Options Outstanding, Beginning of Period	**-**	**$ -**	15,000	$ 2.00
Options exercised	**-**	**-**	(1,000)	2.00
Options Outstanding, End of Period	**-**	**$ -**	14,000	$ 2.00
Options Exercisable at End of Period	**-**	**$ -**	14,000	$ 2.00
Weighted Average Fair Value Per Unit of Options Granted During the Period		**$ -**		$ -

13. INCENTIVE UNIT OPTIONS (continued)

The following table summarizes the information about the unit options outstanding as of March 31, 2008.

Outstanding Number of Units	Expiry Date	Exercisable Number of Units	Exercise Price
21,500	September 15, 2010	21,500	$ 2.00
33,500	October 19, 2011	22,333	$ 2.40
100,000	February 26, 2012	66,667	$ 2.00
15,000	February 28, 2012	10,000	$ 2.00
1,200,000	September 5, 2012	400,000	$ 3.45

The weighted average remaining contractual life at March 31, 2008 for the exercisable unit options is 4.2 years (March 31, 2007 – 4.4 years).

14. PER UNIT CALCULATIONS

The weighted average numbers of units outstanding and loss per unit were as follows:

	Three Months Ended March 31, 2008		Three Months Ended March 31, 2007	
	Weighted Average Number of Units	**Loss per Unit**	Weighted Average Number of Units	Loss per Unit
Basic	**17,612,784**	**$(0.03)**	1,216,778	$(0.48)
Diluted*	**17,612,784**	**$(0.03)**	1,216,778	$(0.48)

* The incentive unit options were excluded from the calculations of diluted loss per unit because they were anti-dilutive.

15. CORPORATE TRANSACTION COSTS AND OTHER

Corporate transaction costs in 2007 represent legal, audit, printing and other costs associated with the conversion to a real estate investment trust.

16. CAPITAL MANAGEMENT

The REIT actively manages both its debt capital and its equity capital with the objectives of ensuring that the REIT can continue to grow and operate its business. This ultimately allows the REIT to generate appropriate returns for its unitholders commensurate with the level of risk.

The real estate industry is one that is capital intensive by nature. As a result, debt capital is a very important aspect to managing the business. In addition, financial leverage is used to enhance returns from purchased real estate. Part of the REIT's objectives in securing mortgages for its properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. As well, given the importance of debt capital to real estate entities, the REIT monitors its debt-to-gross book value ratio, a ratio that has become a common industry metric reviewed by analysts, unitholders and others within the industry. Although the REIT does not have a specific debt-to-gross book value threshold imposed on it in its Declaration of Trust, the REIT may operate (especially in the short-term depending on acquisition levels) at a debt-to-gross book value ratio in the 70% range. In the long-term, as the REIT grows, it is anticipated that the REIT will maintain a debt-to-gross book value ratio of 65% or less. The REIT's Acquisition Facility imposes a restriction on the REIT's debt-to-gross book value ratio, being a maximum of 75%. As the name implies, the debt-to-gross book value ratio is measured as the REIT's debt divided by the gross book value of its assets. It is calculated as follows:

	As at March 31, 2008
Debt:	
Gross value of mortgages payable *	**$ 44,549,355**
Amounts drawn on available credit facilities	**19,000,000**
	$ 63,549,355
Gross Book Value of Assets:	
Total assets	**$113,306,388**
Accumulated depreciation and amortization	**3,787,716**
	$117,094,104
Debt-to-Gross Book Value	**54.3%**

* represents actual balance of mortgages without netting the unamortized balance of the financing fees

In terms of the REIT's equity capital, the REIT issues equity when it is appropriate and when it believes that it can deploy that capital accretively. The REIT has its Acquisition Facility, which it uses to fund the equity portion of acquisitions as well as to fund general working capital requirements. This allows the REIT to grow and manage its business before having to go back to the equity markets and dilute unitholders' interests.

16. CAPITAL MANAGEMENT (continued)

The REIT makes monthly cash distributions to unitholders in an amount of $0.02587 per unit, representing an annualized distribution of $0.3104 per unit. In accordance with the REIT's Declaration of Trust, the REIT's Trustees have discretion in declaring distributions, provided that the aggregate amount of distributions made in respect of a calendar year shall not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for such year. As a result of the REIT recording a loss under Part I of the Tax Act, all of the distributions paid in 2007 were considered discretionary.

17. FINANCIAL INSTRUMENTS

(a) Fair value

The REIT's cash, restricted cash, accounts receivable, accounts payable, credit facilities and other liabilities are carried at cost which approximates fair value due to their short-term nature. The fair value of the REIT's mortgages payable are based on discounted future cash flows, using interest rates ranging between 4.9% and 5.7% that reflect current market conditions for instruments of similar term and risk. The fair value of the REIT's mortgages payable is approximately $44.1 million at March 31, 2008 ($34.7 million at December 31, 2007).

(b) Risk management

In the normal course of business, the REIT is exposed to a number of risks that can affect its operating performance.

Interest rate risk

Currently the REIT's only floating rate debt is the Acquisition Facility. Increase in interest rates would increase the interest cost of the REIT's Acquisition Facility and have an adverse effect on the REIT's net loss and loss per share. Based on the outstanding balance of the Acquisition Facility at March 31, 2008, a 1% increase or decrease in the Bank's prime rate could impact the REIT's annual interest expense by approximately $190,000.

The REIT structures its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations and liquidity risk.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant.

18. RELATED PARTY TRANSACTIONS

(a) C.A. Bancorp Inc. credit facility

In connection with the C.A. Bancorp Inc. credit facility as described in Note 11, during the quarter ended March 31, 2007, total standby fees of $50,000 were payable to C.A. Bancorp Inc. and are classified as deferred costs on the consolidated balance sheets. Interest payable to C.A. Bancorp Inc. for the quarter ended March 31, 2008 amounted to nil (quarter ended March 31, 2007 - $11,178).

(b) Management agreement

On March 27, 2007, 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.

In accordance with the management agreement, the Manager covers all expenses of the employees providing services under the agreement, including the Manager’s overhead incurred in connection with the performance of its duties thereunder.

Under the terms of the management agreement, the REIT has incurred, for the three months ended March 31, 2008, acquisition fees in the amount of $73,600 for the acquisition of Place Val Est. (three months ended March 31, 2007 - $183,500 for the acquisition of the Méga Centre).

Management fees of $87,821 were incurred for the three months ended March 31, 2008 (three months ended March 31, 2007 - $32,236) and were charged to general and administrative expenses on the consolidated statement of operations.

18. RELATED PARTY TRANSACTIONS (continued)

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 the REIT. 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 Asset 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 the REIT and which the REIT notified the Restricted Party that it was not interested in pursuing.

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.

(c) Related party balances

Amounts owing to related parties at March 31, 2008 is $161,421 (December 31, 2007 – $148,267).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

19. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to reflect the presentation adopted in the current period.