MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008

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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. Pursuant to the Arrangement, the Company is a wholly-owned subsidiary of the REIT.

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

The REIT is focused on acquiring a portfolio of retail and mixed-use retail community and neighbourhood centres, 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. Charter's principal goal is to generate a reliable and growing yield for its investors. The REIT currently owns ten 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 major unitholder is C.A. Bancorp Inc., which currently owns approximately 33% 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 three and twelve months ended December 31, 2008. The MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes of the REIT for the years ended December 31, 2008 and 2007. 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 to the extent that they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information involves significant known and unknown risks, uncertainties and assumptions. Important assumptions relating to the forward-looking information contained in this MD&A include expansion, capital expenditures, competitive conditions, gross economic conditions and current levels of distributions. Forward-looking information includes information concerning the REIT's future financial performance, business strategy, plans, goals, and objectives. Forward-looking information generally can be identified by the use of forward-looking terminology such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook", "aim" and other similar expressions suggesting future outcomes or events. Such

forward-looking statements reflect management's current beliefs and are based on information currently available to management.

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, and accordingly, no undue reliance should be placed on any such forward-looking statements. Those risks and uncertainties include, among other things: the ability of the REIT to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits; risks associated with real property ownership, including occupancy rates; competitive conditions in the business 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 and borrowing costs; environmental matters; reliance on external sources of capital; and changes to the laws, rules, and regulations applicable to the REIT or the markets in which the REIT operates. Additional information about these risks and uncertainties and any corresponding plan to mitigate these risks, where possible, is contained in the REIT's filings with securities regulators, including the REIT's Annual Information Form dated February 22, 2008 which is available on www.sedar.com.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking information. 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 February 26, 2009 and presents material information up to this date, unless otherwise noted.

HIGHLIGHTS

For the fourth quarter and twelve months of 2008 Charter:

- acquired four properties; during the third quarter acquired a portfolio of three Canadian Tire properties in Brockville, Strathroy and Wasaga Beach, Ontario for an aggregate purchase price of $27,250,000 which total 192,295 square feet of rentable area; and during the first quarter acquired Place Val Est in Sudbury, a 110,313 square foot grocery-anchored retail strip centre for an aggregate purchase price of $14,720,000, bringing total assets acquired to approximately $139,000,000 since January 1, 2007;
- in conjunction with the Canadian Tire portfolio acquisition, raised $10,000,000 by way of corporate secured debt;
- as a prudent action given current difficult market conditions, reduced annual distributions to $0.16 per unit from $0.3104 per unit in order to provide unitholders with a more stable distribution yield going forward, while at the same time putting Charter in a stronger financial position that should enable it to pursue its business plans in the future, subject to market conditions; the new distribution level of $0.16 per unit annually represents a payout ratio of approximately 76% based on the REIT's FFO(1) of $0.21 per unit for the year ended December 31, 2008;
- has a balance sheet that remains strong, with a debt-to-gross book value ratio of 63.5%;
- instituted a normal course issuer bid as a result of the fact that the REIT's units are trading in a price range which does not adequately reflect the value of its units;
- established a Distribution Reinvestment and Optional Unit Purchase Plan, which currently has approximately 28% participation by existing unitholders, saving Charter significant cash in terms of its monthly distributions;
- had an average occupancy rate for the portfolio of 95.9% - slightly lower than at the end of the third quarter of 96.0%;
- recorded NOI(1) from its properties of $3,002,190 for the quarter ended December 31, 2008, representing a 25% increase from the quarter ended September 30, 2008 of $2,405,877 and a 77% increase from the quarter ended December 31, 2007 of $1,693,610;
- recorded same-property NOI(1) for the quarter ended December 31, 2008 of $3,002,190, a 7% increase from the $2,793,672 recorded for the quarter ended September 30, 2008;
- recorded a 13% increase in same-property NOI(1) for the quarter ended December 31, 2008 compared to the quarter ended December 31, 2007;
- recorded a 3% increase in same-property NOI(1) for the year ended December 31, 2008 compared to the year ended December 31, 2007;
- had a net loss of $261,351 or $0.01 per unit basic and diluted for the quarter ended December 31, 2008 (for the quarter ended September 30, 2008 – net loss of $340,859 or $0.02 per unit basic and diluted and for the quarter ended December 31, 2007 – net loss of $290,031 or $0.02 per unit basic and diluted);
- recorded FFO(1) of $1,135,227 or $0.06 per unit basic and diluted for the quarter ended December 31, 2008, an increase of 20% from the quarter ended September 30, 2008 of $948,769 or $0.05 per unit basic and diluted and an increase of 68% from the quarter ended December 31, 2007 of $676,304 or $0.04 per unit basic and diluted; and

- recorded FFO[1] of $3,776,197 or $0.21 per unit basic and diluted for the year ended December 31, 2008, compared to an FFO[1] loss of $(913,588) or $(0.11) per unit basic and diluted for the year ended December 31, 2007.

The following is a summary chart of selected financial information:

	Q4 2008	Q4 2007	Q3 2008
NOI[1]	**$ 3,002,190**	$ 1,693,610	$ 2,405,877
FFO[1]	**$ 1,135,227**	$ 676,304	$ 948,769
FFO per unit - diluted[1]	**$ 0.06**	$ 0.04	$ 0.05
Net loss	**$ 261,351**	$ 290,031	$ 340,859
Net loss per unit - diluted	**$ 0.01**	$ 0.02	$ 0.02
Distributions	**$ 726,470**	$ 1,366,085	$ 1,177,648
Distributions per unit[2]	**$ 0.040**	$ 0.078	$ 0.065
Cash distributions	**$ 519,600**	$ 1,366,085	$ 1,015,667
Cash distributions per unit	**$ 0.029**	$ 0.078	$ 0.057
Gross book value of real estate[3]	**$ 141,187,553**	$ 97,309,050	$141,165,558
Secured debt and credit facilities	**$ 92,345,108**	$ 47,816,387	$ 92,487,955
Debt-to-gross book value	**63.5%**	47.1%	63.5%

	Year ended December 31,	
	2008	2007
NOI[1]	**$ 9,705,210**	$ 3,828,525
FFO[1]	**$ 3,776,197**	$ (913,588)
FFO per unit - diluted[1]	**$ 0.21**	$ (0.11)
Net loss	**$ 1,301,427**	$ 3,042,085
Net loss per unit - diluted	**$ 0.07**	$ 0.38
Distributions	**$ 4,663,275**	$ 2,241,343 [4]
Distributions per unit[2]	**$ 0.260**	$ 0.129 [4]
Cash distributions	**$ 3,842,402**	$ 1,785,981 [4]
Cash distributions per unit	**$ 0.216**	$ 0.129 [4]
Gross book value of real estate[3]	**$141,187,553**	$ 97,309,050
Secured debt and credit facilities	**$ 92,345,108**	$ 47,816,387
Debt-to-gross book value	**63.5%**	47.1%

(1) NOI and FFO are non-GAAP financial measures widely used in the real estate industry. See “Financial Review” section for further details and advisories.
(2) Excluding the 3% bonus units given to participants in the Distribution Reinvestment and Optional Unit Purchase Plan.
(3) Includes income producing properties, intangible assets and intangible liabilities.
(4) Distributions commenced in August 2007, therefore the distributions and distributions per unit represent 5 months’ worth in 2007 and the cash distributions and cash distributions per unit represent 4 months’ worth in 2007.

CHARTER’S BUSINESS

Charter is focused on acquiring retail and mixed-use retail community and neighbourhood centres 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 centres are attractive investments

because they offer stable cash flow where the majority of rents are derived from national and regional retailers with multi-year leases, as is the case with Charter's portfolio. These 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 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 believes that it can obtain high quality, stable retail properties with the potential for value-add opportunities by focusing on both enclosed and open-air community and neighbourhood shopping centres in primary and secondary markets. Management also believes that Charter has a differentiated position within the broader retail REIT universe by focusing on these community and neighbourhood shopping centres because there are only a small number of key public players focusing on these types of centres, and even fewer focusing on these types of centres in secondary markets. These centres would typically be between 100,000 and 500,000 square feet and anchored by department stores, discount retailers and/or supermarkets. Charter intends to maximize the value of its centres by executing the appropriate re-merchandising and re-development strategy wherever possible. Charter's goal is to own "institutional-grade" properties or properties with the potential to become "institutional-grade" through this re-merchandising and re-development.

By focusing on secondary markets, management believes that there are opportunities to obtain well-tenanted centres with strong national and regional retailers at attractive capitalization rates. Charter is building a portfolio of high quality secondary market real estate assets as well as high-yielding, opportunistic primary market real estate assets, allowing the REIT to generate higher returns at lower risk than if the REIT was to focus exclusively in primary markets.

The cost of the centres that Charter focuses on are generally in the $10 to $40 million range, which allows 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.

REAL ESTATE PORTFOLIO AND ACQUISITIONS

Canadian Tire Acquisition

On September 5, 2008, the REIT completed the acquisition of a portfolio of three properties leased on a triple-net basis for a 15-year term to Canadian Tire (the vendor). The properties are located in Brockville, Strathroy and Wasaga Beach, Ontario and were acquired for an aggregate purchase price of $27,250,000 before closing costs.

The properties, which total 192,295 square feet of rentable area, are all strategically located in their respective communities and feature Canadian Tire's successful new retail format. Rents will grow consistently through contractual rent escalations over the 15-year lease term.

The REIT obtained a first mortgage loan in the amount of $19,050,000, secured and cross-collateralized by the properties. The mortgage is for a five-year term and bears interest at 5.65%. The remainder of the acquisition was funded by two corporate secured debt facilities totaling $10,000,000 at an 8.75% interest rate.

Place Val Est Acquisition

On January 31, 2008, the REIT completed the acquisition of Place Val Est, a grocery-anchored retail strip centre located in Sudbury, Ontario, for an aggregate purchase price before closing costs of $14,720,000.

The property is a 110,313 square foot strip centre located in the north section of Sudbury (Valley East). It has the dominant grocery store in that area. The property was originally developed in 1983 and has seen many additions to it over the last 20 years. The estimated going-in yield for the acquisition on an unlevered basis was approximately 8.06% before closing costs [(1)].

It should be noted that SAAN Stores Ltd. was a tenant in the centre, occupying approximately 23,000 square feet. SAAN entered into *Companies' Creditors Arrangement Act* (CCAA) protection in late 2007 just prior to the REIT acquiring the property. In connection therewith, the REIT received a rental guarantee from the vendor if the lease was altered or terminated through the CCAA proceedings. During the third quarter of 2008, SAAN officially gave the REIT notice of termination of its lease. As such, the REIT continues to receive rent on this space through the rental guarantee which will expire at the end of July 2009.

Redcliff Realty Management Inc. provides property management services for Place Val Est. There is a property 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 is terminable by either party on 90 days' notice.

On acquisition, the REIT assumed an existing first mortgage loan in the amount of $8,099,224. The loan matures in 2015 and bears interest at a rate of 5.166% per annum. The remainder of the acquisition was financed by the REIT's operating and acquisition facility.

Notes:

(1) Based on in-place leases at the time of acquisition.

Real Estate Portfolio

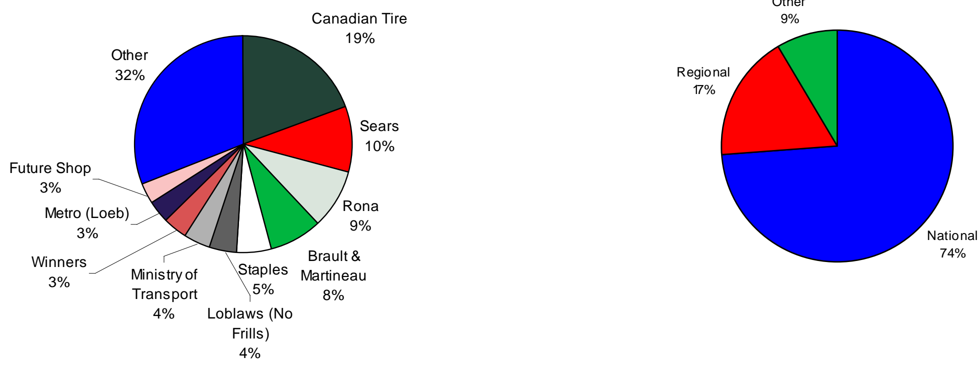
The REIT currently owns ten retail and mixed-use retail properties in Ontario and Quebec as follows:

Property and location	Property type	Date built /redeveloped	Anchor tenants	Gross Leaseable Area (sq.ft.) Retail[1]	Storage space	Occupancy[2] [3]	% of annualized base rental revenue[3]	Weighted average rent[3]
Ontario:								
Cornwall Square Cornwall, Ontario	Enclosed Mall	1979/1989	Sears Loblaws (No Frills)	250,100	1,258	98.7%	28.4%	$12.04
Place Val Est Sudbury, Ontario	Grocery-anchored Strip Centre	1983/1987, 1990, 1998	Metro (Loeb)	110,313	-	76.4%	10.5%	$12.96
Canadian Tire Property Brockville, Ontario	Free Standing	1995/2006	Canadian Tire	70,380	-	100%	7.4%	$11.00
Canadian Tire Property Strathroy, Ontario	Free Standing	2005	Canadian Tire	67,834	-	100%	7.1%	$11.00
Canadian Tire Property Wasaga Beach, Ontario	Free Standing	2007	Canadian Tire	54,081	-	100%	5.7%	$11.00
Rona Property Exeter, Ontario	Free Standing	1996/2000	Rona	42,780	-	100%	1.3%	$3.21
Rona Property Seaforth, Ontario	Free Standing	1962/2000	Rona	19,622	-	100%	0.4%	$2.24
Rona Property Zurich, Ontario	Free Standing	1961/2000	Rona	24,400	-	100%	0.3%	$1.35
Quebec:								
Méga Centre Montreal, Quebec	Community Power Centre	1973/1993, 1999, 2000, 2004	Brault & Martineau Staples Future Shop	277,477	36,081	95.3%	27.0%	$10.65
Châteauguay Montreal, Quebec	Mixed-use Strip Centre	1970/1994	Staples	115,758	-	100%	11.9%	$10.71
Total				**1,032,745**	**37,339**	**95.9%** [4]	**100%**	**$10.55** [4]

Notes:

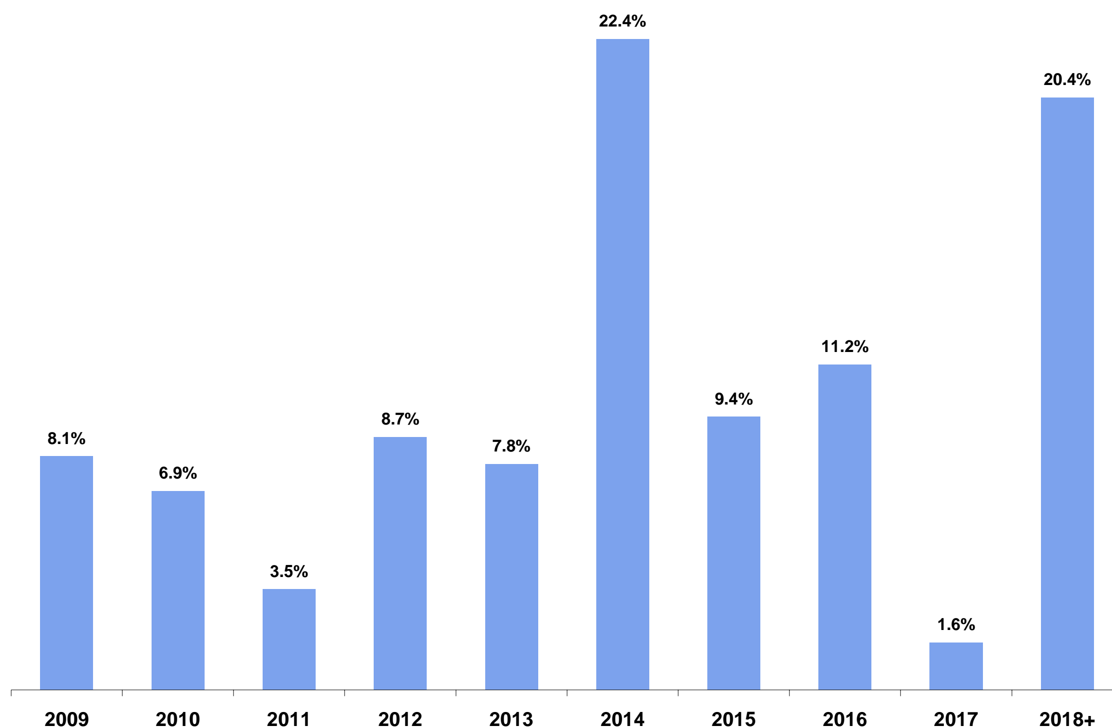
(1) Includes office space in mixed-use retail properties.
(2) Excluding storage space.
(3) Calculated at December 31, 2008 and include any new/renewal leasing done by December 31, 2008.
(4) Represents weighted average for the portfolio.

The REIT has a strong mix of national and regional tenants. The tenant mix for the properties at December 31, 2008 is as follows:



Note: Based on total leased sq. ft. excluding storage

The weighted average term to maturity of existing leases is approximately 7 years. The chart below shows the lease expiration schedule of the properties as a percentage of leased square feet for 2009 and beyond:



Note: Based on total leased sq. ft. excluding storage

Leasing Activity and Occupancy

For 2008, the portfolio had lease expiries of 37,996 square feet at an average base rent of $16.69 per square foot. Of these, new or renewal leases of 40,289 square feet were entered into at an average base rent of $17.03 per square foot. The average occupancy rate for the portfolio decreased slightly to 95.9%, compared to September 30, 2008 at 96.0%.

At our Méga Centre mall in Montreal, a tenant who occupies approximately 34,000 square feet, vacated the premises in August. The lease expires at the end of September 2009 and the tenant is obligated to pay rent until the end of its term. Management did not expect the tenant to renew the lease at expiry and continues to actively seek a replacement tenant for the space.

As previously mentioned, during the third quarter at Place Val Est in Sudbury, SAAN Stores Ltd., which had entered into *Companies' Creditors Arrangement Act* (CCAA) protection, officially gave the REIT notice of termination of its lease. SAAN occupied approximately 23,000 square feet in the shopping centre. As part of the purchase of the property from the vendor, the REIT had obtained a rental guarantee from the vendor if the lease was altered or terminated through the CCAA proceedings. As such, the REIT continues to receive rent on this space through the rental guarantee. Approximately 5 months remain on this guarantee from the date of this MD&A. Management is actively looking to re-lease this space.

OTHER 2008 EVENTS

Distribution Reduction

In September 2008, the REIT announced that it would be reducing its annual distributions to $0.16 per unit from $0.3104 per unit. The change was effective for the September 2008 distribution which was paid out on October 15, 2008. This decision was deemed necessary given existing market conditions. The REIT believes that the distribution reduction will give the REIT unitholders a more stable distribution yield on a go-forward basis by establishing the payout ratio at a more sustainable percentage of FFO and allowing for retention of capital that can be redeployed in the business. The reduction puts the REIT in a stronger financial position that should enable it to pursue its business plans and future growth, subject to market conditions.

Normal Course Issuer Bid

In August 2008, the REIT announced that it commenced a normal course issuer bid ("NCIB"), which would allow it to purchase up to 894,262 units for cancellation through the TSXV. The NCIB terminates on August 19, 2009. Any purchases under the NCIB are made at the prevailing market price at the time of such purchases in accordance with the requirements of the TSXV.

The REIT implemented this NCIB because it believes that the units have been trading in a price range which does not adequately reflect the value of its units in relation to the business of the REIT and its future prospects. As a result, depending on future price movements and other factors, the REIT believes that its outstanding units may represent an attractive investment for itself. Furthermore, the purchases are expected to benefit all persons who continue to hold units by increasing their equity interest in the REIT.

The REIT cannot purchase more than 357,704 units in any 30 day period.

To the date of this MD&A, 275,900 units have been repurchased at an average price of $1.04 per unit.

Distribution Reinvestment Plan (DRIP)

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

1. through the reinvestment of regular monthly distributions on all or any part of their units; and
2. once enrolled in the DRIP, through optional cash payments subject to a minimum of $1,000 per month and a maximum of $12,000 per calendar year.

DRIP units will be 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 will receive "bonus units" in an amount equal in value to 3% of each cash distribution.

The REIT has reserved for issuance with the TSXV 2,000,000 additional units (increased from 500,000 in February 2009) to accommodate the issuance of units under the DRIP. Currently, holders of approximately 28% of the total issued and outstanding units have enrolled in the DRIP.

FINANCIAL REVIEW

Financial Results

The following is a summary of selected financial information.

	Three months ended		
	December 31,		September 30,
	2008	**2007**	**2008**
Revenues from income producing properties	**$4,591,023**	$2,990,496	$3,921,684
Interest income	**$ 17,856**	$ 22,966	$ 16,523
Operating costs from income producing properties	**$1,588,833**	$1,296,886	$1,515,807
Interest expense	**$1,345,138**	$ 566,304	$ 1,011,353
General and administrative expenses	**$ 340,835**	$ 246,030	$ 330,599
Depreciation and amortization	**$1,576,354**	$1,126,841	$1,378,836
Incentive unit option compensation	**$ 19,070**	$ 57,958	$ 42,471
Corporate transaction costs and other	**$ -**	$ 9,474	$ -
Net loss	**$ 261,351**	$ 290,031	$ 340,859
Net loss per unit-basic & diluted	**$ 0.01**	$ 0.02	$ 0.02

	Year ended	
	December 31,	
	2008	**2007**
Revenues from income producing properties	**$15,822,563**	$6,218,855
Interest income	**$ 64,515**	$ 57,365
Operating costs from income producing properties	**$ 6,117,353**	$2,390,330
Interest expense	**$ 4,038,269**	$1,893,628
General and administrative expenses	**$ 1,246,958**	$1,088,565
Depreciation and amortization	**$ 5,619,478**	$2,466,106
Incentive unit option compensation	**$ 166,447**	$ 251,402
Corporate transaction costs and other	**$ -**	$ 1,228,274
Net loss	**$ 1,301,427**	$ 3,042,085
Net loss per unit-basic & diluted	**$ 0.07**	$ 0.38

The net loss improved in the fourth quarter of 2008 compared to the third quarter of 2008 predominantly due to the full quarter impact of the operating results from the Canadian Tire portfolio, net of financing expense, which was acquired during the latter part of the third quarter.

The fourth quarter 2008 net loss improved marginally compared to the fourth quarter of 2007 mainly as a result of the property acquisitions which occurred during 2008, partly offset by an increase in general and administrative expenses in the fourth quarter of 2008.

For the year ended December 31, 2008 the net loss was $1,301,427 or $0.07 per unit basic and diluted compared to a net loss of $3,042,085 or $0.38 per unit basic and diluted for the year ended December 31, 2007. The improvement in the net loss was mainly due to operating income being derived from the property acquisitions completed in 2008, the full year operating impact of the 2007 property acquisitions completed and $1,228,274 of corporate transaction costs incurred during 2007.

For a discussion of revenues from income producing properties and operating costs from income producing properties, see below under the heading “Net Operating Income”.

Interest expense for the fourth quarter of 2008 was $1,345,138 compared to $566,304 for the fourth quarter of 2007 and $1,011,353 for the third quarter of 2008. The increase in interest expense between the fourth quarter of 2008 and the fourth quarter of 2007 is mainly a result of financings obtained for all the acquisitions completed since then. The increase between the fourth quarter of 2008 and the third quarter of 2008 is due to the full quarter impact of mortgage and corporate financing obtained in connection with the acquisition of the Canadian Tire properties which occurred during the latter part of the third quarter of 2008.

Interest expense was $4,038,269 for the year ended December 31, 2008 compared to $1,893,628 for the year ended December 31, 2007. The increase was mainly as a result of financings obtained on the property acquisitions completed in the past twelve months as well as the full year impact of financings obtained on the 2007 property acquisitions.

Interest expense for the year ended December 31, 2008 includes amortization of financing fees on secured debt of $54,968, of which $29,463 was recorded in the fourth quarter ($11,832 for the year ended December 31, 2007 and $4,490 for the three months ended December 31, 2007).

General and administrative expenses increased marginally by $10,236 for the quarter ended December 31, 2008 compared to the quarter ended September 30, 2008. General and administrative expenses increased by $94,805 for the quarter ended December 31, 2008 compared to the quarter ended December 31, 2007, predominantly due to higher legal and consulting fees.

For the year ended December 31, 2008, general and administrative expenses were $1,246,958 compared to $1,088,565 for the year ended December 31, 2007. The increase is mainly a result of increased asset management fees relating to all of the acquisitions which occurred during the last twelve months and increased legal and consulting fees incurred during 2008. General and administrative expenses for the year ended December 31, 2008 consist of legal and consulting fees of $203,725, audit and tax compliance fees of $254,480, trustee fees of $122,963, asset management fees of $396,029, corporate filing, shareholder reports, news releases and transfer fees of $142,132 and other expenses of $127,629.

Depreciation and amortization for the quarter ended December 31, 2008 increased by $197,518 compared to the quarter ended September 30, 2008. The increase was mainly due to the full

quarter impact of the acquisition of the Canadian Tire properties which occurred in the latter part of the third quarter. Depreciation and amortization increased by $449,513 for the quarter ended December 31, 2008 compared to the quarter ended December 31, 2007. The increase was mainly due to depreciation and amortization being taken on the 2008 property acquisitions.

Depreciation and amortization increased by $3,153,372 for the year ended December 31, 2008 compared to the year ended December 31, 2007. The increase was mainly due to the full year impact of depreciation and amortization on the 2007 property acquisitions, as well as depreciation and amortization being taken on the 2008 property acquisitions.

Net Operating Income

Net operating income ("NOI") is defined as revenues from income producing properties less operating costs from income producing properties. NOI is a non-GAAP ("GAAP" refers 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.

Net Operating Income – All Properties

	Three months ended December 31, 2008	**Three months ended December 31, 2007**	**Favourable/ (unfavourable) variance**
Revenues from income producing properties	**$ 4,591,023**	$ 2,990,496	**$ 1,600,527**
Operating costs from income producing properties	**1,588,833**	1,296,886	**(291,947)**
Net operating income	**$ 3,002,190**	$ 1,693,610	**$ 1,308,580**

	Year ended December 31, 2008	**Year ended December 31, 2007**	**Favourable/ (unfavourable) variance**
Revenues from income producing properties	**$ 15,822,563**	$ 6,218,855	**$ 9,603,708**
Operating costs from income producing properties	**6,117,353**	2,390,330	**(3,727,023)**
Net operating income	**$ 9,705,210**	$ 3,828,525	**$ 5,876,685**

The increase in NOI for the quarter ended December 31, 2008 compared to the same period in 2007 is primarily due to approximately $43 million of property acquisitions completed since December 31, 2007 as well as a one-time adjustment to tenant recoveries of approximately

$110,000 made at Cornwall Square relating to deferred repair and maintenance expenditures recoverable from tenants.

The increase in NOI for the year ended December 31, 2008 compared to the year ended December 31, 2007 is primarily due to: approximately $43 million of property acquisitions completed since December 31, 2007; the full year impact of the 2007 property acquisitions; and one-time adjustments to tenant recoveries made at Cornwall Square of approximately $197,000 relating to deferred repair and maintenance expenditures recoverable from tenants.

It should be noted that 4,871 square feet in the Place Val Est property is subject to a 'head lease' with the vendor for a 2 year term. NOI from the head lease is not included in the statement of operations but rather reduced the purchase price of that property.

	Three months ended December 31, 2008	**Three months ended September 30, 2008**	**Favourable/ (unfavourable) variance**
Revenues from income producing properties	**$ 4,591,023**	$ 3,921,684	**$ 669,339**
Operating costs from income producing properties	**1,588,833**	1,515,807	**(73,026)**
Net operating income	**$ 3,002,190**	$ 2,405,877	**$ 596,313**

The increase in NOI for the quarter ended December 31, 2008 compared to the quarter ended September 30, 2008 is primarily due to the full quarter impact from the Canadian Tire properties acquired during the latter part of the third quarter of 2008, amounting to approximately $429,000, as well as the one-time adjustment to tenant recoveries at Cornwall Square of approximately $110,000 recorded in the fourth quarter of 2008.

Net Operating Income – Same Properties

The same-property NOI included in the following table, includes the operating results for the properties that were owned throughout the current and comparative periods. Any properties that were acquired during the comparative period have been "grossed-up" for a full period.

In the following two tables, same-property NOI reflects the Rona properties, Méga Centre, Cornwall Square and Châteauguay.

	Three months ended December 31, 2008	Three months ended December 31, 2007 (1)	Favourable/ (unfavourable) variance
Revenues from income producing properties	$ 3,464,424	$ 3,297,846	$ 166,578
Operating costs from income producing properties	1,325,250	1,405,146	79,896
Net operating income	$ 2,139,174	$ 1,892,700	$ 246,474

	Year ended December 31, 2008	Year ended December 31, 2007 (1)	Favourable/ (unfavourable) variance
Revenues from income producing properties	$ 13,218,564	$ 13,023,062	$ 195,502
Operating costs from income producing properties	5,295,368	5,300,824	5,456
Net operating income	$ 7,923,196	$ 7,722,238	$ 200,958

(1) These do not represent actual results. The results for properties acquired during this period have been "grossed-up" for a full period.

The increase in same-property NOI for the three months ended December 31, 2008 compared to the three months ended December 31, 2007 was primarily due to the one-time increase of approximately $110,000 in tenant recoveries recorded at Cornwall Square as well as an increase in NOI from the Méga Centre of approximately $80,000. The increase in NOI from the Méga Centre is due to a temporary tenant occupying one of the vacant units in the fourth quarter of 2008, as well as a positive change in bad debt expense.

The increase in same-property NOI for the year ended December 31, 2008 compared to the year ended December 31, 2007 was primarily due to the one-time increase of approximately $197,000 in tenant recoveries recorded at Cornwall Square.

In the following table, same-property NOI reflects all ten of the REIT's properties.

	Three months ended December 31, 2008	Three months ended September 30, 2008 (1)	Favourable/ (unfavourable) variance
Revenues from income producing properties	$ 4,591,023	$ 4,309,479	$ 281,544
Operating costs from income producing properties	1,588,833	1,515,807	(73,026)
Net operating income	$ 3,002,190	$ 2,793,672	$ 208,518

(1) These do not represent actual results. The results for properties acquired during this period have been "grossed-up" for a full period.

NOI on a same-property basis, has increased by $208,518, predominantly due to an increase in NOI recorded in the fourth quarter of 2008 by Cornwall Square for increased percentage rent, cart revenue and the one-time increase in tenant recoveries mentioned previously.

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.

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

	Three months ended December 31, 2008	**Three months ended December 31, 2007**	**Three months ended September 30, 2008**
Net (loss) for the period	**$ (261,351)**	$ (290,031)	$ (340,859)
Add depreciation & amortization of:			
Income producing properties	**904,075**	600,425	811,571
Deferred costs	**11,836**	7,211	10,880
Intangible assets	**480,667**	358,699	467,177
FFO	**$ 1,135,227**	$ 676,304	$ 948,769
Weighted average units			
Basic	**18,010,444**	17,601,912	17,919,616
Diluted	**18,010,444**	17,648,776	17,919,616
FFO per unit			
Basic	**$ 0.06**	$ 0.04	$ 0.05
Diluted	**$ 0.06**	$ 0.04	$ 0.05

FFO increased significantly during the three months ended December 31, 2008, compared to the same period in 2007 as a result of the significant acquisitions made over that time, partly offset by an increase in general and administrative expenses in the fourth quarter of 2008.

FFO for the quarter ended December 31, 2008 increased by $186,458 compared to the quarter ended September 30, 2008. The increase is predominantly due to the full quarter impact from the Canadian Tire properties (net of financing costs) in the amount of approximately $75,000 since these properties were acquired during the latter part of the third quarter of 2008, as well as the

one-time increase in tenant recoveries recorded in the fourth quarter of 2008 by Cornwall Square in the amount of $110,000.

	Year ended December 31, 2008	**Year ended December 31, 2007**
Net (loss) for the period	**$ (1,301,427)**	$ (3,042,085)
Add depreciation & amortization of:		
Income producing properties	**3,192,250**	1,299,638
Deferred costs	**42,627**	7,973
Intangible assets	**1,842,747**	820,886
FFO	**$ 3,776,197**	$(913,588)
Weighted average units		
Basic	**17,821,282**	8,035,413
Diluted	**17,821,282**	8,035,413
FFO per unit		
Basic	**$ 0.21**	$ (0.11)
Diluted	**$ 0.21**	$ (0.11)

FFO increased by $4,689,785 during the year ended December 31, 2008, compared to the same period in the prior year, as a result of the significant acquisitions made over that time period as well as non-recurring corporate transaction costs of $1,228,274 incurred during 2007.

Balance Sheet Analysis and Liquidity and Capital Resources

	As at December 31, 2008	**As at December 31, 2007**
Income producing properties	**$ 122,556,262**	$ 85,718,514
Intangible assets	**11,952,241**	9,935,606
Deferred costs	**627,274**	759,250
Cash	**1,404,271**	1,423,523
Restricted cash	**422,830**	481,475
Other assets	**1,295,679**	1,258,065
Total assets	**$ 138,258,557**	$ 99,576,433
Secured debt	**$ 72,645,108**	$ 36,316,387
Credit facilities	**19,700,000**	11,500,000
Other liabilities	**2,012,193**	2,862,230
Total liabilities	**94,357,301**	50,678,617
Unitholders' equity	**43,901,256**	48,897,816
Total liabilities and unitholders' equity	**$ 138,258,557**	$ 99,576,433

The REIT allocates the purchase price of properties acquired largely to income producing properties (land, building and tenant improvements) and intangible assets (which represent above-market leases, lease origination costs and tenant relationship values that are acquired in a property purchase). At December 31, 2008, the REIT had income producing properties and intangible

assets of $134,508,503, a $38,854,383 increase from December 31, 2007, reflecting the acquisition of Place Val Est which occurred during the first quarter and the acquisition of the Canadian Tire properties which occurred during the third quarter.

Deferred costs of $627,274 represent leasing costs, tenant improvements and deferred recoverable expenditures mainly incurred on Cornwall Square net of amortization, as well as deferred financing costs on the acquisition facility and the bridge facility, also net of amortization.

Restricted cash represents the remaining balance of the reserve fund the REIT was required to set up with its first mortgage lender on Méga Centre in order to fund capital expenditures at the centre. For the year ended December 31, 2008, $72,539 was released and reimbursed back to the REIT as a result of the REIT completing some of the required capital expenditures. It is expected that the remaining balance of the reserve fund will be released and reimbursed back to the REIT in 2009.

Other assets of $1,295,679 at December 31, 2008 include accounts receivable of $847,632 and prepaid expenses of $448,047 (which primarily consist of prepaid property taxes, prepaid insurance and prepaid interest on Bankers' Acceptances entered into under the operating and acquisition facility). Within accounts receivable, $327,791 relates to accumulated rental revenue recognized on a straight-line basis and approximately $185,000 of insurance proceeds due for an insurance claim filed for the Méga Centre property relating to damages done by the greater than normal snowfall which occurred during the earlier part of 2008 and damages caused by a contractor while completing the roof replacement expenditures.

For a discussion about the REIT's secured debt and credit facilities, see below under the heading "Mortgage and Other Financing".

Unitholders' equity was impacted by the net loss recorded and the $4,663,275 in distributions to unitholders recorded during the year ended 2008. The REIT commenced monthly cash distributions to unitholders in August 2007 in an amount of $0.02587 per unit or the equivalent of $0.3104 per unit per annum. In September 2008, the REIT reduced the monthly cash distribution to $0.01333 per unit, representing an annualized distribution of $0.16 per unit. The reduction was effective for the September 2008 distribution. The REIT's trustees have discretion in declaring distributions and review those distributions on a regular basis.

For further discussion about the REIT's distributions, see below under the heading "Cash Flow". The REIT issues equity when it is appropriate and when it believes that it can deploy that capital accretively. The REIT generally uses its operating and acquisition facility to fund the equity portion of acquisitions between capital raises.

Mortgages and Other Financing

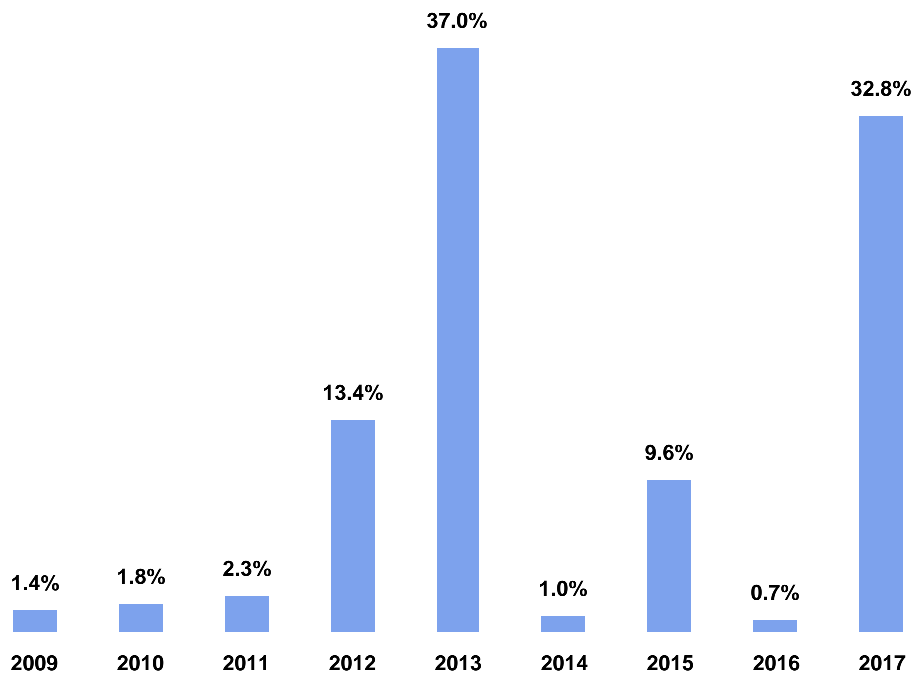
Secured Debt

The REIT's current average term to maturity on its secured debt (including mortgages payable and corporate secured debt both discussed below in more detail) is approximately 6 years, and the weighted average contractual interest rate is 5.87%.

Future principal repayments on the secured debt (including mortgages payable and corporate secured debt) are as follows:

Year	Principal instalment payments	Balance maturing	Total	Contractual interest rate on debt maturing
2009	**$ 1,008,719**	**$ -**	**$ 1,008,719**	
2010	**1,298,790**	**-**	**1,298,790**	
2011	**1,697,518**	**-**	**1,697,518**	
2012	**1,805,741**	**8,014,133**	**9,819,874**	**5.39%**
2013	**1,479,292**	**25,627,933**	**27,107,225**	**6.69%**
Thereafter	**2,244,032**	**30,085,651**	**32,329,683**	**5.29%**
Total	**$ 9,534,092**	**$63,727,717**	**$73,261,809**	

The following is a debt maturity table starting with 2009:



Mortgages Payable

The REIT's objective in securing mortgages for its properties and managing its long-term debt is to stagger the maturities in order to mitigate against short-term volatilities in the debt markets. The REIT has conventional first mortgages on all of its properties except for the Rona properties and Cornwall Square. The Rona properties are being used as security for the $8,600,000 corporate secured debt obtained in conjunction with the acquisition of the Canadian Tire properties (see below under "Corporate Secured Debt"). Cornwall Square is being used as security for the operating and acquisition facility discussed in more detail under "Acquisition Facility" below.

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.

On the acquisition of the Canadian Tire properties, the REIT obtained a first mortgage loan in the amount of $19,050,000, secured and cross-collateralized by the properties. The mortgage is for a five-year term and amortizes over a 25-year period. The mortgage bears interest at 5.65% per annum.

Under the terms of the Méga Centre mortgage, $525,000 was required to be set up as a reserve fund in order to fund capital expenditures at the centre. At December 31, 2008, $422,830 remains outstanding in restricted cash and represents the remaining balance of the reserve fund. During the year, $72,539 was released and reimbursed back to the REIT as a result of the REIT completing some of the required capital expenditures. It is expected that the remaining balance of the reserve fund will be released and reimbursed back to the REIT in 2009.

Corporate Secured Debt

Concurrent with the closing of the Canadian Tire properties, the REIT obtained corporate financing in the total amount of $10,000,000, made up of two facilities (the "Facilities"). The Facilities were primarily used to finance the equity portion of the Canadian Tire properties, as well as for working capital purposes.

The first facility is an $8,600,000 five-year facility that bears interest at 8.75% per annum on an interest-only basis. The facility can be prepaid without penalty at any time and is secured by (a) a first charge on the REIT's three Rona properties located in Exeter, Seaforth and Zurich, Ontario; (b) second charges on the Méga Centre property, the Châteauguay property and the Canadian Tire properties; and (c) a general security agreement relating to the above properties.

The second facility is a $1,400,000 five-year facility that bears interest at 8.75% per annum on an interest-only basis for the first two years and is then self-amortizing over the final three years. The facility can be prepaid without penalty at any time and is secured by a second charge on the Cornwall Square shopping centre.

The Facilities require that the REIT maintain an overall debt-to-gross book value ratio of no more than 75%.

Bridge Financing

The REIT currently has one bridge credit facility (the "Bridge Facility") with C.A. Bancorp Inc. for $14,000,000. The C.A. Bancorp Inc. facility (the "C.A. Bancorp Facility") bears interest at an annual rate of 12% and expires April 1, 2009. 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. The C.A. Bancorp Facility can be used to fund future acquisitions subject to lender approval of the particular acquisition and other restrictions. As at December 31, 2008, there were no amounts drawn against the C.A. Bancorp Facility.

Previously, the REIT had another $10,000,000 bridge credit facility with KingSett Capital. That facility expired April 1, 2008 and the REIT decided not to renew it.

Acquisition Facility

In connection with the acquisition of Cornwall Square on August 9, 2007, the REIT obtained a 364 day revolving operating and acquisition facility in the amount of $32,250,000 (the "Acquisition Facility"). The Acquisition Facility is secured by Cornwall Square. The Acquisition Facility may be used to fund the equity portion of future acquisitions (without lender approval of the particular acquisition) and for general working capital purposes. The Acquisition Facility was renewed by the lender in August 2008 in the amount of $31,275,000 for another 364 days. 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, the permitted draw down is $31,275,000. Under the renewed terms, any amounts drawn in excess of $29,190,000 must be repaid within 120 days. Prior to the renewal, amounts drawn down under the Acquisition Facility bore interest at a rate equal to the Bank's prime rate plus 0.75% per annum and Banker's Acceptances bore interest at a rate equal to the Bank's Acceptance stamping fee plus 1.75% per annum. Under the renewed terms, amounts drawn down bear interest at a rate equal to the Bank's prime rate plus 1% per annum and Banker's Acceptances bear interest at a rate equal to the Bank's Acceptance stamping fee plus 2% per annum. However, once the REIT's drawdowns exceed $29,190,000, interest will be at a rate equal to the Bank's prime rate plus 1.50% per annum or the Bank's Acceptance stamping fee plus 2.50% per annum. The Acquisition Facility contains financial covenants with respect to maintaining agreed upon debt-to-gross book value ratios (being a maximum of 75%) and other tests customary for this type of facility. The terms (including, but not limited to, the maximum amount of the facility and the interest rate on the facility) are reviewed each renewal period by the lender and therefore there can be no assurances that the Acquisition Facility will be renewed or on the same terms as currently exist. It must be noted however, that discussions have already occurred with the lender regarding the renewal of the Acquisition Facility.

During the year ended December 31, 2008, $10,000,000 was drawn down under the Acquisition Facility to fund property acquisitions and for general working capital purposes and $1,800,000 was repaid, for a total balance outstanding under the Acquisition Facility of $19,700,000 at December 31, 2008.

Financing Costs

The unamortized balance of financing costs of $616,701 at December 31, 2008 relating to secured debt (including mortgages payable and corporate secured debt), has been netted against the secured debt caption on the balance sheet. The unamortized balance of financing costs of $90,798 at December 31, 2008 relating to the Acquisition Facility and the Bridge Facility, has been capitalized to deferred costs on the balance sheet.

These financing costs represent commitment fees, standby fees and other fees paid in connection with securing these loans and facilities.

Debt-to-Gross Book Value

Real estate is a capital intensive industry. As a result, debt capital[(1)] is a very important aspect to managing the business. In addition, financial leverage is used to enhance returns from purchased real estate. 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. The REIT does not have a specific debt-gross book value threshold imposed on it in its Declaration of Trust, however the REIT's Acquisition Facility and corporate secured debt actually impose a restriction on the REIT's debt-to-gross book value ratio, being a maximum of 75%. At December 31, 2008, the REIT has a debt-to-gross book value ratio of 63.5%, calculated as follows:

	As at December 31, 2008	**As at December 31, 2007**
Debt:		
Gross value of secured debt[(2)]	**$ 73,261,809**	$ 36,525,000
Amounts drawn on available credit facilities	**19,700,000**	11,500,000
	$ 92,961,809	$ 48,025,000
Gross Book Value of Assets:		
Total assets	**$ 138,258,557**	$ 99,576,433
Accumulated depreciation and amortization	**8,085,584**	2,466,106
	$ 146,344,141	$ 102,042,539
Debt-to-Gross Book Value	**63.5%**	47.1%

(1) debt capital refers to secured debt and credit facilities.
(2) represents actual balance of mortgages and corporate secured debt without netting the unamortized balance of the financing fees.

Cash Flow

Previously the REIT was paying distributions in excess of operating cash flow and FFO and has funded the excess using its Acquisition Facility. However, as a result of the distribution

reduction implemented in September 2008, management believes that operating cash flow and FFO will continue to cover distributions.

To the extent operating cash flow is insufficient, the REIT may also use its Acquisition Facility to fund capital expenditures and leasing costs required on the properties as well as principal repayments on the secured debt.

The following table summarizes the net cash provided by or (used in) the REIT's activities:

	Three months ended December 31,		**Three months ended September 30,**
	2008	**2007**	**2008**
Net cash provided by operating activities	**$ 1,696,139**	$ 442,479	$ 1,017,504
Net cash provided by (used in) financing activities	**$ (1,012,268)**	$ 13,860,976	$ 27,198,456
Net cash (used in) investing activities	**$ (481,315)**	$(14,574,265)	$ (28,387,934)

The increase in cash provided by operating activities for the three months ended December 31, 2008 compared to the same period in 2007, is predominantly due to an increase in the change in non-cash working capital of approximately $977,000 which mainly pertained to the payment of corporate transaction costs during the quarter ended December 31, 2007 and due to the increase in FFO of $458,923 in the fourth quarter of 2008 as a result of the property acquisitions which have taken place during 2008.

Cash provided by operating activities increased by $678,635 for the three months ended December 31, 2008 compared to the three months ended September 30, 2008. The increase was predominantly due to: an increase in the change in non-cash working capital of approximately $521,000 due to the decrease in prepaid expenses and deposits and costs on properties under option, partially offset by an increase in accounts receivable which occurred during the fourth quarter of 2008; and the full quarter impact from the Canadian Tire properties (net of financing costs) acquired during the latter part of the third quarter of 2008.

For the three months ended December 31, 2008, cash used in financing activities mainly relates to $519,600 in cash distributions paid to unitholders, $168,176 on the buyback of REIT units under the normal course issuer bid and financing fees of $162,699 paid for the secured corporate financing obtained on the Canadian Tire properties. Cash generated from financing activities decreased by $14,873,244 during the current quarter compared to the quarter ended December 31, 2007 due to $8,964,333 of net mortgage proceeds and $7,500,000 drawdowns on the Acquisition Facility obtained in November 2007 for the acquisition of Châteauguay. These items were partially offset by a decrease in cash distributions of $846,485 paid to unitholders (due to the reduction in the annual distribution which took place in September 2008 and the DRIP which was established in January 2008) and a net decrease in cash costs of $1,045,947 paid in the fourth quarter of 2007 mainly pertaining to the REIT's public offering which occurred during the third quarter of 2007.

Cash generated from financing activities decreased by $28,210,724 during the current quarter compared to the quarter ended September 30, 2008, predominantly due to the mortgage financing and secured corporate financing obtained in the third quarter on the Canadian Tire properties of

$19,050,000 and $10,000,000, respectively. This was partially offset by a decrease in cash distributions of $496,067 paid to unitholders and a net repayment of credit facilities of $300,000 in the third quarter of 2008.

Cash used in investing activities for the three months ended December 31, 2008 decreased by $14,092,950 compared to the three months ended December 31, 2007 and is predominantly due to the Châteauguay acquisition which occurred during the fourth quarter of 2007.

Cash used in investing activities for the three months ended December 31, 2008 decreased by $27,906,619 compared to the three months ended September 30, 2008, predominantly due to the Canadian Tire properties acquired during the third quarter of 2008.

	Year ended December 31,	
	2008	**2007**
Net cash provided by (used in) operating activities	**$ 4,123,815**	$ (478,039)
Net cash provided by financing activities	**$ 32,117,351**	$ 98,586,900
Net cash (used in) investing activities	**$ (36,260,418)**	$ (97,490,465)

The increase in cash provided by operating activities for the year ended December 31, 2008 compared to the same period in 2007, is predominantly due to the cash impact relating to the property acquisitions which have taken place during 2008, the full year cash impact of the 2007 property acquisitions, as well as the decrease in corporate transaction costs when compared to those recorded in 2007.

The $66,469,549 decrease in cash generated from financing activities during the year ended December 31, 2008 compared to the year ended December 31, 2007 is due to the following: proceeds net of issuance costs of $53,164,552 received on the public offering and private placements which occurred during 2007; the net decrease of $7,744,325 on proceeds obtained on secured debt; a net decrease in credit facility drawdowns of $3,300,000 during 2008; and additional distributions of $2,056,421 paid to unitholders during 2008 (mainly due to the fact that distributions commenced in August 2007).

The $61,230,047 decrease in cash used in investing activities during the year ended December 31, 2008 compared to the year ended December 31, 2007 is due to a higher dollar value of acquisitions which occurred during 2007.

Capital Expenditures

Capital expenditure requirements at the Méga Centre over the next five years consist of roof replacement and parking lot maintenance. During the year ended December 31, 2008, approximately $800,000 of roof replacement expenditures were incurred. Management believes

that there will be no other significant costs to be incurred on the roof over the next five years. As a result of these expenditures, and as per the terms of the first mortgage loan on the Méga Centre, the REIT will be applying to have the balance of the restricted cash released by the lender. Management believes that over the next five years, the Méga Centre will require capital expenditures of between $150,000 and $250,000 for parking lot maintenance. As well, the REIT may choose to undertake certain cosmetic renovations that would cost approximately $500,000. The extent of these renovations will depend on leasing activity in the centre.

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. Accordingly, the REIT does not expect to make significant non-recoverable capital expenditures on the property in the next five years.

With respect to the Châteauguay property, in conjunction with the finalization of new anticipated leasing activity, management believes that over the next five years, approximately $100,000 to $200,000 will be required for renovations to enhance the appearance of the centre.

On Place Val Est management expects to spend between $375,000 and $550,000 in capital expenditures over the next five years. These expenditures are primarily for roof and HVAC replacement, as well as parking lot maintenance and sidewalk renovations. Management believes that approximately 50% of these amounts will be recoverable from tenants.

Related Party Transactions

Pursuant to the REIT's management agreement with C.A. Realty Management Inc. (the "Manager") (a wholly-owned subsidiary of C.A. Bancorp Inc.), management fees of $109,758 for the quarter ended December 31, 2008 were payable to the Manager ($396,029 for the year ended December 31, 2008).

Quarterly Performance

The following is a summary of the interim results for each of the last eight quarterly periods.

	Q1-2007	**Q2-2007**	**Q3-2007**	**Q4-2007**	**Q1-2008**	**Q2-2008**	**Q3-2008**	**Q4-2008**
Total revenues	$ 61,206	$1,153,438	$2,048,114	$3,013,462	$3,625,773	$3,714,219	$3,938,207	$4,608,879
Expenses	$646,039	$2,298,845	$3,069,928	$3,303,493	$4,094,750	$3,944,459	$4,279,066	$4,870,230
Net loss	$584,833	$1,145,407	$1,021,814	$ 290,031	$468,977	$230,240	$340,859	$261,351
Net loss per unit – basic & diluted	$ 0.48	$ 0.52	$ 0.09	$ 0.02	$0.03	$0.01	$0.02	$0.01

Changes in Accounting Policies

Effective January 1, 2008, the REIT adopted several new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"), including: capital disclosures (CICA Section 1535); financial instruments – disclosures (CICA Section 3862); and financial instruments - presentation (CICA Section 3863). The new standards are described in more detail

in Note 3 to the consolidated financial statements for the year ended December 31, 2008. The impact of these standards has increased certain disclosures within the financial statements.

With respect to future changes in accounting pronouncements, management monitors the CICA recently issued accounting pronouncements to assess the applicability and impact, if any, of those pronouncements on the REIT's consolidated financial statements and note disclosures.

Goodwill and Intangible Assets

The CICA released Section 3064, Goodwill and Intangible Assets, a new accounting standard that is effective for the REIT's fiscal year commencing January 1, 2009.

Section 3064 replaces the existing Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset.

The impact of this change on the REIT's financial statements is that certain expenditures incurred on income producing properties that are recoverable from tenants and that have been capitalized as deferred costs will no longer meet the definition of an asset and will need to be derecognized. Deferred recoverable expenditures which represent betterments or replacement of capital items will be reclassified as building improvements and included in income producing properties. These adjustments will be adopted on a retrospective basis and reflected on January 1, 2009 with the restatement of certain financial statement comparative amounts.

As at December 31, 2008, the net book value of deferred recoverable expenditures included in deferred costs which no longer meet the definition of an asset, amounts to $115,168, of which $106,698 will be restated as operating costs for the year ended December 31, 2008 and the balance will be restated to opening deficit on January 1, 2008.

At December 31, 2008, the net book value of deferred recoverable expenditures included in deferred costs which represent betterments and will be reclassified as building improvements and included in income producing properties amount to $110,443.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") confirmed that the adoption of IFRS would be effective for interim and annual periods beginning on or after January 1, 2011 for Canadian publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for these enterprises. Comparative IFRS information for the previous fiscal year will also have to be provided.

Management has an implementation strategy and is currently in the process of evaluating the potential impact of IFRS on the REIT's financial statements. The implementation strategy has been communicated to the REIT's trustees and the REIT is currently on track with respect to relevant timelines. Management believes that it has enough internal resources to deal with the conversion. At the current time, it is anticipated that no significant system changes will be required, although appropriate training will need to be undertaken with the REIT's property

managers to ensure that they understand the IFRS changes relevant to the REIT. Any relevant system changes and training is slated to occur in 2009 and 2010. The REIT's trustees will be making certain preliminary decisions regarding accounting policy choices under IFRS within the next three to six months. The process of evaluating the potential impact of IFRS on the REIT's financial statements will be an on-going process as new standards and recommendations are issued by the International Accounting Standards Board and the AcSB. The REIT's financial statements as currently disclosed under GAAP may be significantly different when presented in accordance with IFRS. As well, certain key agreements that the REIT has in place, such as its Acquisition Facility, may need to be revised in order to deal with the changes to the REIT's financial statements that will occur. Any such changes are proposed to occur by the end of 2009.

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 consolidated financial statements for the year ended December 31, 2008. 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 all identifiable tangible and intangible assets and liabilities, which may include 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 items 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 of the underlying assets.

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

Since mid-September 2008, global market conditions have significantly deteriorated. Stock markets have plummeted as investors have lost confidence in the public markets for several reasons, including: the continuing financial liquidity crisis; risky lending and derivatives practices that have led to large-scale bankruptcies and large government bailouts worldwide; and recessionary pressures impacting many economies. In terms of Charter, we have been affected like many other REITs in Canada in that: our unit price has traded at all-time lows; equity markets have all but dried up for many real estate entities, making it difficult to raise equity capital; and financing for acquired real estate continues to be difficult to obtain.

The REIT continues to seek additional property acquisitions; however, no assurances can be given that any acquisitions will come to fruition. The REIT also understands the importance of having cash through its Acquisition Facility available to it given the current economic circumstances and as a result, there may be fewer acquisitions that the REIT will enter into than it has previously. The REIT also remains cognizant of the state of the debt markets when considering future acquisitions, as debt has become harder to obtain by many real estate entities as a result of global liquidity and other issues. When available, lenders have imposed stricter lending criteria, have reduced their loan-to-value ratios on individual loans and have increased their credit spreads from historically low levels at the beginning of 2007.

Previously the REIT was paying distributions in excess of operating cash flow and FFO and has funded the excess using its Acquisition Facility; however, as a result of the distribution reduction implemented in September 2008, management believes that operating cash flow and FFO will continue to cover distributions. The new distribution level of $0.16 per unit annually represents a payout ratio of approximately 76% based on the REIT's FFO of $0.21 per unit for the year ended December 31, 2008. To the extent operating cash flow is insufficient, the REIT uses its Acquisition Facility to fund capital expenditures and leasing costs required on the properties as well as principal repayments on the secured debt.

In terms of the REIT's existing properties, Charter works very closely with its property managers to ensure that the properties are maintained and leased appropriately and in accordance with management's long-term visions for those properties. Lease expiries and new leasing/renewals to the date of this MD&A for 2009 are as follows:

	Q1	Q2	Q3	Q4	Total	
Lease expiries	6,006	19,283	40,346	14,174	79,809	
Base rent per square foot	$19.83	$10.97	$9.72	$22.31	$13.02	(1)
New leasing/renewals	1,800	-	3,500	820	6,120	
Base rent per square foot	$13.50	N/A	$22.00	$54.98	$23.92	(1)

(1) weighted average

There are three large tenancies expiring in 2009 that the REIT is currently looking to re-lease – one in the Méga Centre, one in Place Val Est and one in Châteauguay. As previously mentioned, at Méga Centre a tenant who occupies approximately 34,000 square feet vacated the premises in August. Their lease expires at the end of September 2009 and the tenant is obligated and continues to pay rent until the end of its lease term. Management did not expect the tenant to renew the lease at expiry and continues to actively seek a replacement tenant for the space. Also at Place Val Est the SAAN space will need to be backfilled. They occupied approximately 23,000 square feet in the shopping centre. The rental guarantee from the vendor is in place until the end of July 2009 and as such the REIT will continue to receive rent on the SAAN space until then. In terms of Châteauguay, a 15,000 square foot lease expires at the end of May 2009. The tenant has indicated that they do not want to renew. Management is currently working on a lease deal to replace this tenant. As well at Châteauguay, a second floor government tenant that leases approximately 11,000 square feet has renewed their lease from 2010 to 2011. In terms of Cornwall Square, approximately 21,000 square feet is coming due in 2009. All are in-line small tenants and approximately 4,300 square feet have already renewed.

With respect to tax treatment, the distributions made during 2008 are tax deferred and will therefore 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 legislation applied commencing in the 2007 taxation year. The SIFT legislation does 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.

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. This includes 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. Management believes that the REIT's disclosure controls and procedures and internal controls over financial reporting as at December 31, 2008 were appropriately designed, however management is not required to certify the design and evaluation of the REIT's disclosure controls and procedures or internal controls over financial reporting and have not completed such an evaluation. As well, inherent limitations on the ability of management to design and implement on a cost-effective basis, disclosure controls and procedures or internal controls over financial reporting for the REIT, may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

There has been no change in internal controls over financial reporting in the fourth quarter of 2008 that has materially affected, or is reasonably likely to materially affect the REIT's internal controls over financial reporting. In acquiring many of its properties, the REIT has engaged the services of third-party property managers whose internal controls form part of the REIT's system of internal controls. The REIT has documented and continues to review those internal controls, reports and other documentation provided by the property managers as part of its internal control activities.