MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

TABLE OF CONTENTS

Overview……………………………………………………………………………………..3
Advisory……………………………………………………………………………………...3
Highlights…………………………………………………………………………………….5
Charter's Business…………………………………………………………………………..6
Real Estate Portfolio and Acquisitions……………………………………………………7
    Canadian Tire Acquisition………………………………………………………….....7
    Real Estate Portfolio…………………………………………………………………..7
    Leasing Activity and Occupancy……………………………………………………10
Other Q3 2008 Events……………………………………………………………………...11
    Distribution Reduction………………………………………………………………11
    Normal Course Issuer Bid…………………………………………………………..11
Financial Review…………………………………………………………………………...12
    Financial Results……………………………………………………………………..12
    Net Operating Income………………………………………………………………14
    Funds From Operations……………………………………………………………..16
    Balance Sheet Analysis and Liquidity and Capital Resources………………………17
        Mortgages and Other Financing……………………………………………...18
        Cash Flow……………………………………………………………………22
    Related Party Transactions…………………………………………………………25
    Quarterly Performance……………………………………………………………...25
    Changes in Accounting Policies……………………………………………………..25
    Critical Accounting Estimates………………………………………………………26
Corporate Strategy and Outlook…………………………………………………………27
Disclosure Controls and Internal Controls………………………………………………28

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 nine months ended September 30, 2008. The MD&A should be read in conjunction with the unaudited interim consolidated financial statements and the accompanying notes of the REIT for the three and nine months ended September 30, 2008 and with the audited consolidated financial statements and the accompanying notes of the REIT for the year ended December 31, 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 November 5, 2008 and presents material information up to this date, unless otherwise noted.

HIGHLIGHTS

For the third quarter and first nine 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 will enable it to pursue its business plans in the future; the new distribution level of $0.16 per unit annually represents a payout ratio of approximately 80% based on the REIT's FFO[(2)] of $0.15 per unit for the first nine months of 2008;
- has a balance sheet that remains strong, with a debt-to-gross book value ratio of 63.5%;
- has $11,575,000 available under its acquisition facility at the date of this MD&A, for remaining acquisition capacity of between $29,000,000 and $33,000,000, while a further $14,000,000 bridge facility from C.A. Bancorp Inc. remains undrawn;
- 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 27% participation by existing unitholders, saving Charter significant cash in terms of its monthly distributions;
- had an average occupancy rate for the portfolio of 96% - slightly lower than at the end of the second quarter of 97.8% - mainly due to a 23,000 square foot tenant at Place Val Est terminating its lease; the REIT will continue to receive rent for this space for approximately another nine months;
- recorded NOI[(2)] from its properties of $2,405,877 for the quarter ended September 30, 2008, representing a 6% increase from the quarter ended June 30, 2008 of $2,262,172 and an 87% increase from the quarter ended September 30, 2007 of $1,288,013;
- recorded same property NOI[(2)] for the quarter ended September 30, 2008 of $2,253,109, a 0.4% decrease from the $2,262,172 recorded for the quarter ended June 30, 2008; excluding a one-time insurance item at our Méga Centre property recorded in the second quarter, same property NOI[(2)] increased by 1.8%;
- recorded a 1.0% increase in same property NOI[(2)] for the quarter ended September 30, 2008 compared to the quarter ended September 30, 2007;
- had a net loss of $340,859 or $0.02 per unit basic and diluted for the quarter ended September 30, 2008 (for the quarter ended June 30, 2008 – net loss of $230,240 or $0.01 per unit basic and diluted and for the quarter ended September 30, 2007 – net loss of $1,021,814 or $0.09 per unit basic and diluted); the net loss compared to the second quarter of 2008 was impacted by higher NOI[(2)] from the newly acquired Canadian Tire portfolio (net of financing expense), but was more than offset by higher general and administrative expenses, higher depreciation and amortization from the acquisition of the Canadian Tire properties and a one-time insurance item of $50,000 received in the second quarter at the Méga Centre property; the net loss improved compared to the third quarter of 2007 mainly as a result of approximately $58 million in property acquisitions since

then, as well as non-recurring corporate transaction costs of $464,733 recorded in the third quarter of 2007;

- recorded FFO[2] of $948,769 or $0.05 per unit basic and diluted for the quarter ended September 30, 2008, a decrease of 4.0% from the quarter ended June 30, 2008 of $988,711 or $0.06 per unit basic and diluted; although NOI[2] increased by $143,705 predominantly due to the acquisition of the Canadian Tire properties, this was more than offset by (a) an increase in interest expense from the loans obtained for the acquisition of the Canadian Tire properties, (b) higher general and administrative expenses and (c) a one-time insurance item of $50,000 received in the second quarter at the Méga Centre property; and
- recorded FFO[2] of $948,769 or $0.05 per unit basic and diluted for the quarter ended September 30, 2008, an increase of 342.0% from the quarter ended September 30, 2007 of ($392,116) or ($0.04) per unit basic and diluted; the increase in FFO[2] is mainly due to the significant amount of acquisitions made over that time period as well as corporate transaction costs of $464,733 incurred during the three months ended September 30, 2007.

The following is a summary chart of selected financial information:

	Q3 2008	Q3 2007[1]	Q2 2008	Q1 2008
NOI[2]	$ 2,405,877	$ 1,288,013	$ 2,262,172	$ 2,034,971
FFO[2]	$ 948,769	$ (392,116)	$ 988,711	$ 703,490
FFO per unit - diluted[2]	$ 0.05	$ (0.04)	$ 0.06	$ 0.04
Net loss	$ 340,859	$ 1,021,814	$ 230,240	$ 468,977
Net loss per unit - diluted	$ 0.02	$ 0.09	$ 0.01	$ 0.03
Distributions	$ 1,177,648	$ 875,258	$ 1,389,016	$ 1,370,141
Distributions per unit[3]	$ 0.065	$ 0.052	$ 0.078	$ 0.078
Cash distributions	$ 1,015,667	$ 419,896	$ 1,031,290	$ 1,275,845
Cash distributions per unit[4]	$ 0.057	$ 0.026	$ 0.058	$ 0.073
Gross book value of real estate	$141,165,558	$ 82,678,748	$112,740,169	$112,381,156
Secured debt and credit facilities	$ 92,487,955	$ 31,360,921	$ 64,245,222	$ 63,330,140
Debt-to-gross book value	63.5%	36.0%	54.6%	54.3%

(1) Certain amounts have been reclassified to conform to the current quarter's presentation.
(2) NOI and FFO are non-GAAP financial measures widely used in the real estate industry. See "Financial Review" section for further details and advisories.
(3) Excluding the 3% bonus units given to participants in the Distribution Reinvestment and Optional Unit Purchase Plan.
(4) Distributions commenced in August 2007, therefore the cash distributions and cash distributions per unit represent August's distribution only, as the September distribution was paid in October 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.

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)]	% of annualized base rental revenue	Weighted average rent
Ontario:								
Cornwall Square Cornwall, Ontario	Enclosed Mall	1979/1989	Sears Loblaws (No Frills)	250,100	1,258	98.7%	28.7%	$12.09
Place Val Est Sudbury, Ontario	Grocery-anchored Strip Centre	1983/1987, 1990, 1998	Metro (Loeb)	110,313	-	77.5%	10.4%	$12.66
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%	7.2%	$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%	26.7%	$10.52
Châteauguay Montreal, Quebec	Mixed-use Strip Centre	1970/1994	Staples	115,758	-	100%	11.9%	$10.71
Total				**1,032,745**	**37,339**	**96.0%** [(3)]	**100%**	**$10.51** [(3)]

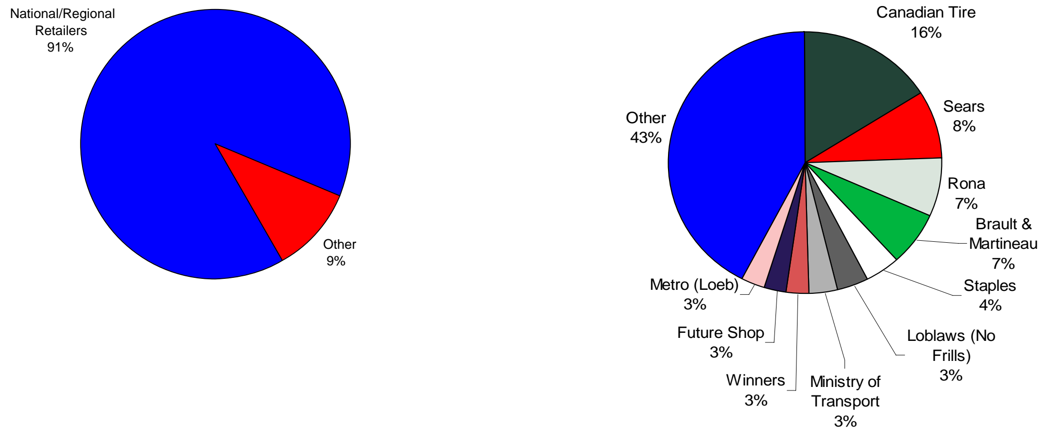
Notes:

(1) Includes office space in mixed-use retail properties.

(2) Excluding storage space.

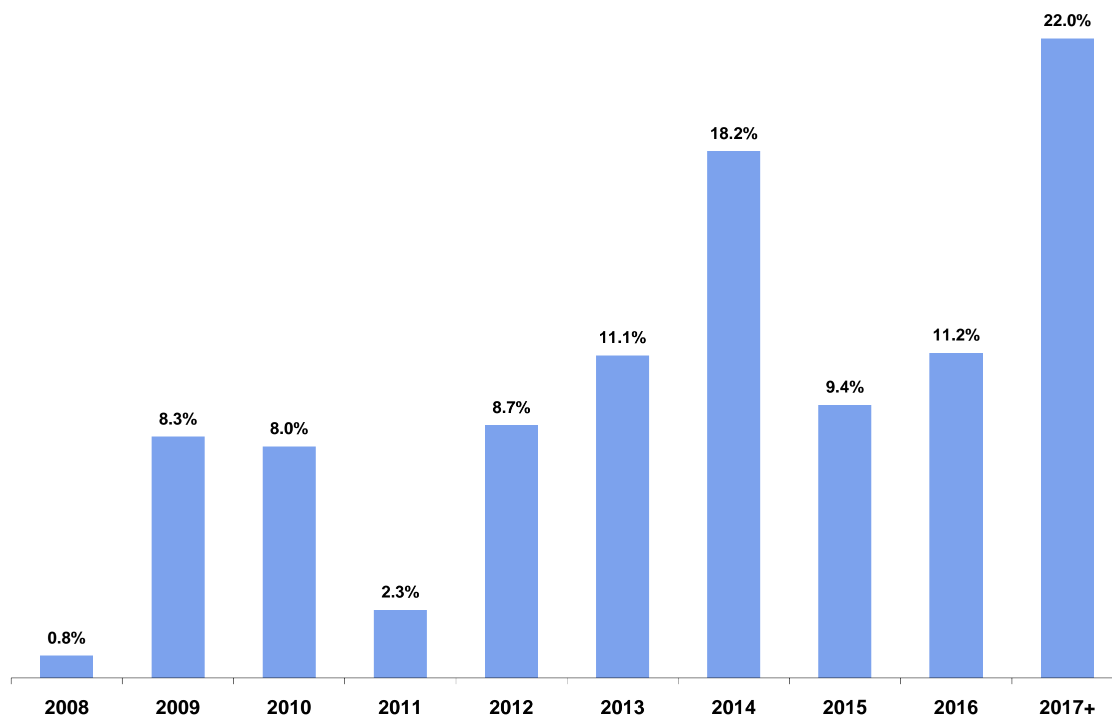
(3) Represents weighted average for the portfolio.

The current tenant mix for the properties 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 the remainder of 2008 and beyond:



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

Leasing Activity and Occupancy

For 2008, the portfolio has 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 33,825 square feet have been entered into at an average base rent of $18.47 per square foot. The average occupancy rate for the portfolio decreased slightly to 96.0%, compared to June 30, 2008 at 97.8%.

At our Méga Centre mall in Montreal, a tenant who occupies approximately 34,000 square feet, has 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.

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 nine months remain on this guarantee. Management is actively looking to re-lease this space.

OTHER Q3 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 significant retention of capital that can be redeployed in the business. The reduction puts the REIT in a stronger financial position that will enable it to pursue its business plans and future growth.

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, 40,100 units have been repurchased at an average price of $1.55 per unit.

FINANCIAL REVIEW

Financial Results

The following is a summary of selected financial information.

	Three months ended		
	September 30,		June 30,
	2008	**2007**	**2008**
Revenues from rental properties	**$3,921,684**	$2,034,248	**$3,698,924**
Interest income	**$ 16,523**	$ 13,866	**$ 15,295**
Rental property operating costs	**$1,515,807**	$ 746,235	**$1,436,752**
Interest expense	**$ 1,011,353**	$ 620,191	**$ 856,268**
Incentive unit option compensation	**$ 42,471**	$ 150,755	**$ 50,837**
General and administrative expenses	**$ 330,599**	$ 339,477	**$ 257,924**
Depreciation and amortization	**$1,378,836**	$ 748,537	**$1,342,678**
Corporate transaction costs and other	**$ -**	$ 464,733	**$ -**
Net loss	**$ 340,859**	$1,021,814	**$ 230,240**
Net loss per unit-basic & diluted	**$ 0.02**	$ 0.09	**$ 0.01**

	Nine months ended	
	September 30,	
	2008	**2007**
Revenues from rental properties	**$11,231,540**	$3,228,359
Interest income	**$ 46,659**	$ 34,399
Rental property operating costs	**$ 4,528,520**	$1,093,444
Interest expense	**$ 2,693,131**	$1,327,324
Incentive unit option compensation	**$ 147,377**	$ 193,444
General and administrative expenses	**$ 906,123**	$ 842,535
Depreciation and amortization	**$ 4,043,124**	$1,339,265
Corporate transaction costs and other	**$ -**	$ 1,218,800
Net loss	**$ 1,040,076**	$ 2,752,054
Net loss per unit-basic & diluted	**$ 0.06**	$ 0.57

The net loss for the third quarter of 2008 compared to the second quarter of 2008 was impacted by higher net operating income from the newly acquired Canadian Tire portfolio (net of financing expense) but was more than offset by higher general and administrative expenses (which is discussed below), higher depreciation and amortization from the newly acquired Canadian Tire portfolio and a one-time insurance item of $50,000 received in the second quarter of 2008 at the Méga Centre property.

The third quarter 2008 net loss improved compared to the third quarter of 2007 mainly as a result of approximately $58 million in property acquisitions since then, as well as the non-recurring $464,733 of corporate transaction costs incurred during the third quarter of 2007.

For the nine months ended September 30, 2008 the net loss was $1,040,076 or $0.06 per unit basic and diluted compared to a net loss of $2,752,054 or $0.57 per unit basic and diluted for the nine months ended September 30, 2007. The improvement in the net loss was mainly due to the approximately $58 million in property acquisitions and $1,218,800 of corporate transaction costs incurred during 2007.

For a discussion of revenues from rental properties and rental property operating costs, see below under the heading "Net Operating Income".

Interest expense for the third quarter of 2008 was $1,011,353 compared to $620,191 for the third quarter of 2007 and $856,268 for the second quarter of 2008. The increase in interest expense between the third quarter of 2008 and the third quarter of 2007 is mainly a result of financings obtained for all the acquisitions completed since then. The increase between the third quarter of 2008 and the second quarter of 2008 is due to the mortgage and corporate financing obtained in connection with the acquisition of the Canadian Tire properties which occurred during the third quarter of 2008.

Interest expense was $2,693,131 for the nine months ended September 30, 2008 compared to $1,327,324 for the nine months ended September 30, 2007. The increase was mainly as a result of financings obtained on the property acquisitions completed in the past twelve months.

Interest expense for the nine months ended September 30, 2008 includes amortization of financing fees on secured debt of $25,505, of which $12,084 was recorded in the third quarter ($7,342 for the nine and three months ended September 30, 2007).

General and administrative expenses increased by $72,675 for the quarter ended September 30, 2008 compared to the quarter ended June 30, 2008 mainly due to higher legal fees as well as increased asset management fees as a result of the Canadian Tire portfolio acquisition which occurred during the third quarter of 2008.

General and administrative expenses decreased only slightly by $8,878 for the quarter ended September 30, 2008 compared to the quarter ended September 30, 2007. A decrease in legal fees during the current quarter was offset by increased asset management fees as a result of acquisitions completed in the last twelve months.

For the nine months ended September 30, 2008, general and administrative expenses were $906,123 compared to $842,535 for the nine months ended September 30, 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, partially offset by a decrease in consulting fees. General and administrative expenses for the nine months ended September 30, 2008 consist of legal and consulting fees of $92,256, audit and tax compliance fees of $216,346, trustee fees of $91,463, asset management fees of $286,271, corporate filing, shareholder reports, news releases and transfer fees of $114,222 and other expenses of $105,565.

Net Operating Income

Net operating income ("NOI") is defined as revenues from rental properties less rental property operating costs. NOI is a non-GAAP ("GAAP" 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 September 30, 2008	**Three months ended September 30, 2007**	**Favourable/ (unfavourable) variance**
Revenues from rental properties	**$ 3,921,684**	$ 2,034,248	**$ 1,887,436**
Rental property operating costs	**1,515,807**	746,235	**(769,572)**
Net operating income	**$ 2,405,877**	$ 1,288,013	**$ 1,117,864**

	Nine months ended September 30, 2008	**Nine months ended September 30, 2007**	**Favourable/ (unfavourable) variance**
Revenues from rental properties	**$ 11,231,540**	$ 3,228,359	**$ 8,003,181**
Rental property operating costs	**4,528,520**	1,093,444	**(3,435,076)**
Net operating income	**$ 6,703,020**	$ 2,134,915	**$ 4,568,105**

The increase in NOI for the quarter and nine months ended September 30, 2008 compared to the same periods in 2007 is primarily due to approximately $58 million of property acquisitions completed since September 30, 2007. Also, 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 September 30, 2008	**Three months ended June 30, 2008**	**Favourable/ (unfavourable) variance**
Revenues from rental properties	**$ 3,921,684**	$ 3,698,924	**$ 222,760**
Rental property operating costs	**1,515,807**	1,436,752	**(79,055)**
Net operating income	**$ 2,405,877**	$ 2,262,172	**$ 143,705**

The increase in NOI for the quarter ended September 30, 2008 compared to the quarter ended June 30, 2008 is primarily due to the Canadian Tire properties acquired during the third 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 period. Any properties that were acquired during the comparative period have been "grossed-up" for a full period.

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

	Three months ended September 30, 2008	Three months ended September 30, 2007	Favourable/ (unfavourable) variance
Revenues from rental properties	$ 2,769,486	$ 2,689,498	$ 79,988
Rental property operating costs	1,115,052	1,051,967	(63,085)
Net operating income	$ 1,654,434	$ 1,637,531	$ 16,903

	Nine months ended September 30, 2008	Nine months ended September 30, 2007	Favourable/ (unfavourable) variance
Revenues from rental properties	$ 8,370,916	$ 8,038,190	$ 332,726
Rental property operating costs	3,514,109	3,145,120	(368,989)
Net operating income	$ 4,856,807	$ 4,893,070	$ (36,263)

The decrease in same-property NOI for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007 was primarily due to a tenant vacating from the Méga Centre in 2007, partially offset by new leasing in Cornwall Square.

	Three months ended September 30, 2008	Three months ended June 30, 2008	Favourable/ (unfavourable) variance
Revenues from rental properties	$ 3,768,916	$ 3,698,924	$ 69,992
Rental property operating costs	1,515,807	1,436,752	(79,055)
Net operating income	$ 2,253,109	$ 2,262,172	$ (9,063)

NOI on a same-property basis, is down approximately $9,000 from the second quarter of 2008, mainly as a result of a $50,000 insurance settlement for snow removal costs received in the second quarter at the Méga Centre property. Excluding this positive one-time item in the second quarter, same-property NOI increased approximately $41,000 or 1.8%.

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 September 30, 2008	**Three months ended September 30, 2007**	**Three months ended June 30, 2008**
Net (loss) for the period	**$ (340,859)**	$ (1,021,814)	$ (230,240)
Add depreciation & amortization of:			
Income producing properties	**811,571**	510,039	752,023
Deferred costs	**10,880**	762	10,944
Intangible assets	**467,177**	118,897	455,984
FFO	**$ 948,769**	$ (392,116)	$ 988,711
Weighted average units			
Basic	**17,919,616**	10,918,792	17,739,123
Diluted	**17,919,616**	10,918,792	17,741,140
FFO per unit			
Basic	**$ 0.05**	$ (0.04)	$ 0.06
Diluted	**$ 0.05**	$ (0.04)	$ 0.06

FFO increased significantly during the three months ended September 30, 2008, compared to the same period in 2007 as a result of the significant acquisitions made over that time and the corporate transaction costs of $464,733 incurred during the three months ended September 30, 2007.

FFO for the quarter ended September 30, 2008 decreased by $39,942 compared to the quarter ended June 30, 2008. Although NOI increased by $143,705 predominantly due to the acquisition of the Canadian Tire properties which occurred during the third quarter of 2008, this was more than offset by: (a) an increase in interest expense which was predominantly due to the first mortgage financing as well as the corporate secured debt obtained for the acquisition; (b) higher general and administrative expenses; and (c) a one-time insurance item of $50,000 received in the second quarter at the Méga Centre property.

	Nine months ended September 30, 2008	**Nine months ended September 30, 2007**
Net (loss) for the period	**$ (1,040,076)**	$ (2,752,054)
Add depreciation & amortization of:		
Income producing properties	**2,288,175**	699,213
Deferred costs	**30,791**	762
Intangible assets	**1,362,080**	1,218,800
FFO	**$ 2,640,970**	$(833,279)
Weighted average units		
Basic	**17,757,767**	4,811,538
Diluted	**17,761,096**	4,811,538
FFO per unit		
Basic	**$ 0.15**	$ (0.17)
Diluted	**$ 0.15**	$ (0.17)

FFO increased by $3,474,249 during the nine months ended September 30, 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 $1,218,800 incurred during the first nine months of 2007.

Balance Sheet Analysis and Liquidity and Capital Resources

	As at September 30, 2008	As at December 31, 2007
Income producing properties	**$ 123,438,342**	$ 85,718,514
Intangible assets	**12,432,908**	9,935,606
Deferred costs	**609,511**	759,250
Cash	**1,201,715**	1,423,523
Restricted cash	**408,936**	481,475
Other assets	**1,925,318**	1,258,065
Total assets	**$ 140,016,730**	$ 99,576,433
Secured debt	**$ 72,787,955**	$ 36,316,387
Credit facilities	**19,700,000**	11,500,000
Other liabilities	**2,693,635**	2,862,230
Total liabilities	**95,181,590**	50,678,617
Unitholders' equity	**44,835,140**	48,897,816
Total liabilities and unitholders' equity	**$ 140,016,730**	$ 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 September 30, 2008, the REIT had income producing properties and intangible assets of $135,871,250, a $40,217,130 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 $609,511 represent leasing costs, tenant improvements and deferred recoverable expenditures mainly incurred on Cornwall Square and 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 future capital expenditures at the centre. For the nine months ended September 30, 2008, $72,539 was released and reimbursed back to the REIT as a result of the REIT completing some of the required capital expenditures.

Other assets of $1,925,318 at September 30, 2008 include deposits and costs on properties under option to acquire of $433,329, prepaid expenses of $990,023 (which primarily consist of prepaid property taxes and insurance) and accounts receivable of $501,966. Within accounts receivable, $236,337 relates to accumulated rental revenue recognized on a straight-line basis.

Unitholders' equity was impacted by the net loss recorded and the $3,936,805 in distributions to unitholders during the first nine months of the year. 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 acquisition facility to fund the equity portion of acquisitions.

Mortgages and Other Financing

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 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.

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.

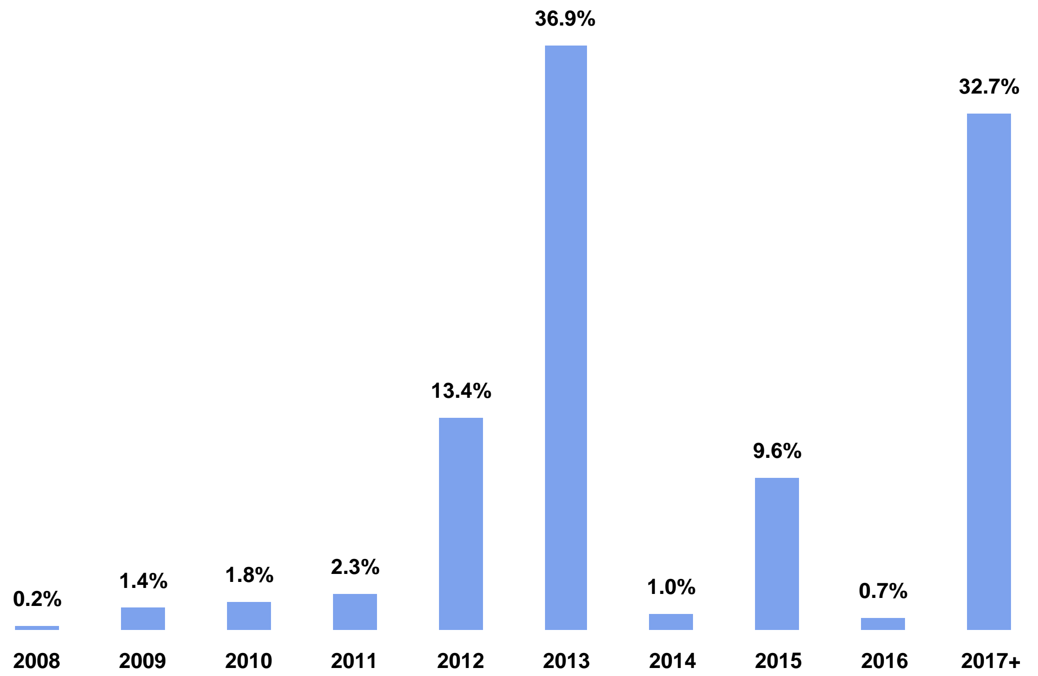
The Facilities require that the REIT maintain an overall debt-to-gross book value ratio of no more than 75%.

The REIT's current average term to maturity on its secured debt (including mortgages payable and corporate secured debt) is approximately 7 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**
2008 (remainder)	**$152,875**	**$ -**	**$152,875**	
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%**
Thereafter	**3,723,324**	**55,713,584**	**59,436,908**	**5.94%**
Total	**$9,686,967**	**$63,727,717**	**$73,414,684**	

The following is a 10-year debt maturity table starting with the remainder of 2008:



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 September 30, 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 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.

During the quarter ended September 30, 2008, $1,500,000 was drawn down under the Acquisition Facility to fund deposits for properties under contract and for general working capital purposes and $1,800,000 was repaid during the quarter (nine months ended September 30, 2008 - $10,000,000 was drawn down and $1,800,000 was repaid).

Financing Costs

The unamortized balance of financing costs of $626,729 at September 30, 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 $133,538 at September 30, 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. Although the REIT does not have a specific debt-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 and corporate secured debt actually impose a restriction on the REIT's debt-to-gross book value ratio, being a maximum of 75%. At the end of the second quarter 2008, the REIT has a debt-to-gross book value ratio of 63.5%, calculated as follows:

	As at September 30, 2008	As at December 31, 2007
Debt:		
Gross value of secured debt[2]	**$ 73,414,684**	$ 36,525,000
Amounts drawn on available credit facilities	**19,700,000**	11,500,000
	$ 93,114,684	$ 48,025,000
Gross Book Value of Assets:		
Total assets	**$ 140,016,730**	$ 99,576,433
Accumulated depreciation and amortization	**6,509,230**	2,466,106
	$ 146,525,960	$ 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, it is expected that distributions will not be in excess of operating cash flow and FFO. As well, additional cash flow will be preserved as a result of the high participation in the REIT's distribution reinvestment plan (currently approximately 27% of the issued and outstanding units).

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 September 30,		**Three months ended June 30,**	**Nine months ended September 30,**	
	2008	**2007**	**2008**	**2008**	**2007**
Net cash provided by (used in) operating activities	**$ 1,017,504**	$ (29,083)	$ 277,650	**$ 2,427,676**	$ (920,518)
Net cash provided by (used in) financing activities	**$ 27,198,456**	$ 41,198,028	$ (136,122)	**$ 33,129,619**	$ 84,725,924
Net cash (used in) investing activities	**$ (28,387,934)**	$(42,693,160)	$ (125,905)	**$ (35,779,103)**	$(82,916,200)

The increase in cash provided by operating activities for the three and nine months ended September 30, 2008 compared to the same periods in 2007, is predominantly due to the significant decrease in net loss as a result of the approximately $58 million of property acquisitions which have taken place since the third quarter of 2007 as well as the decrease in corporate transaction costs recorded in 2007.

Cash provided by operating activities increased by $739,854 for the three months ended September 30, 2008 compared to the three months ended June 30, 2008. The increase was predominantly due to the change in prepaid realty taxes.

For the three months ended September 30, 2008, cash provided by financing activities mainly relates to the new mortgage financing and secured corporate financing on the Canadian Tire properties of $19,050,000 and $10,000,000, respectively. This was partially offset by a net repayment on the Acquisition Facility of $300,000 and by $1,015,667 in cash distributions paid to unitholders. Cash generated from financing activities decreased by $13,999,572 during the current quarter compared to the quarter ended September 30, 2007 due to proceeds net of issuance costs of $48,329,745 received on the public offering which occurred during the third quarter of 2007 and increased distributions of $595,771 paid to unitholders (mainly due to the fact that distributions commenced in August 2007). These items were partially offset by the $29,050,000 obtained on the financings for the Canadian Tire properties during the current quarter and the net repayment of credit facilities of $6,500,000 which occurred during the third quarter of 2007, compared to a net repayment of only $300,000 in the third quarter of 2008.

Cash generated from financing activities increased by $27,334,578 during the current quarter compared to the quarter ended June 30, 2008, predominantly due to the financing obtained on the Canadian Tire properties partially offset by a net repayment of credit facilities of $300,000 in the third quarter of 2008, compared to a net drawdown on credit facilities of $1,000,000 in the second quarter of 2008.

The $51,596,305 decrease in cash generated from financing activities during the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007 is due to the following: additional distributions of $2,902,906 paid to unitholders during 2008 (mainly due to the fact that distributions commenced in August 2007); and the proceeds net of issuance costs of $54,213,500 received on the public offering and private placements which occurred during 2007. These items are partially offset by the net increase in credit facility drawdowns of $4,200,000 during 2008.

Cash used in investing activities for the three months ended September 30, 2008 decreased by $14,305,226 compared to the three months ended September 30, 2007 and is predominantly due to a decrease in acquisitions which occurred during the third quarter of 2008.

Cash used in investing activities for the three months ended September 30, 2008 increased by $28,262,029 compared to the three months ended June 30, 2008, predominantly due to the acquisition of the Canadian Tire properties which occurred during the third quarter of 2008.

The $47,137,097 decrease in cash used in investing activities during the nine months ended September 30, 2008 compared to the nine months ended September 30, 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 first nine months of 2008, approximately $800,000 of roof replacement expenditures have been 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. In terms of parking lot maintenance, management believes that the Méga Centre will require between $150,000 and $250,000 in capital expenditures over the next five years.

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, management believes that non-recoverable capital expenditures will be limited to minimal asphalt repairs and roof maintenance costing no more than $20,000 over the next five years.

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. Management believes that between 60% and 70% 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 $109,921 for the quarter ended September 30, 2008 were payable to the Manager ($286,271 for the nine months ended September 30, 2008).

Quarterly Performance

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

	Q4-2006	**Q1-2007**	**Q2-2007**	**Q3-2007**	**Q4-2007**	**Q1-2008**	**Q2-2008**	**Q3-2008**
Total revenues	$ 8,558	$ 61,206	$1,153,438	$2,048,114	$3,013,462	$3,625,773	$3,714,219	$3,938,207
Expenses	$67,405	$646,039	$2,298,845	$3,069,928	$3,303,493	$4,094,750	$3,944,459	$4,279,066
Net loss	$58,847	$584,833	$1,145,407	$1,021,814	$ 290,031	$468,977	$230,240	$340,859
Net loss per unit – basic & diluted	$ 0.10	$ 0.48	$ 0.52	$ 0.09	$ 0.02	$0.03	$0.01	$0.02

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 interim consolidated financial statements for the quarter ended September 30, 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. Management has not assessed the implications, if any, of this change to the REIT's future financial statements.

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. This 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.

Critical Accounting Estimates

The preparation of financial statements requires the REIT to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The REIT's significant accounting policies are described in Note 2 to the interim consolidated financial statements for the quarter ended September 30, 2008 and Note 2 to the consolidated financial statements for the year ended December 31, 2007. Management believes that the policies which are most subject to estimation and management's judgment relate to the following:

Property Acquisitions

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

Impairment of Income Producing Properties

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

Depreciation and Amortization

Depreciation and amortization requires estimates of useful lives 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

Over the last 60 days, 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 real estate entities, making it difficult to raise equity capital; and financing for acquired real estate has become increasingly difficult to obtain.

Having said the foregoing, management believes that the REIT is conservatively leveraged. At the end of the third quarter, the REIT has a debt-to-gross book value ratio of 63.5% and at the date of this MD&A, approximately $11,575,000 of the Acquisition Facility is available to the REIT. Assuming the REIT can finance acquisitions with first mortgages representing between 60% and 65% of the purchase price, the REIT is left with acquisition capacity of approximately $29,000,000 to $33,000,000 while still keeping its debt-to-gross book value ratio at or below 70%. 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, it is expected that distributions will not be in excess of operating cash flow and FFO. The new distribution level of $0.16 per unit annually represents a payout ratio of approximately 80% based on the REIT's FFO of $0.15 per unit for the first nine months of 2008. As well, this ratio is even better on a cash basis as a result of the high participation in the REIT's distribution reinvestment plan (currently approximately 27% of the issued and outstanding units).

The REIT continues to seek additional property acquisitions; however, no assurances can be given that any acquisitions will come to fruition. The REIT remains cognizant of the state of the debt markets as previously mentioned when considering future acquisitions as debt has become harder to obtain by all 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.

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 and for the remainder of 2008 are as follows:

	Q1	Q2	Q3	Q4	Total	
Lease expiries	8,236	3,378	16,956[2]	9,426	37,996	
Base rent per square foot	$20.45	$19.85	$17.87	$10.16	$16.69	(1)
New leasing/renewals	8,745	6,248	14,764	4,068	33,825	
Base rent per square foot	$20.50	$21.94	$17.16	$13.50	$18.47	(1)

(1) weighted average
(2) excludes SAAN termination at Place Val Est

The REIT is actively pursuing tenants for its 2009 expiries including at Méga Centre and Place Val Est (as mentioned in “Real Estate Portfolio and Acquisitions – Leasing Activity and Occupancy”).

With respect to tax treatment, the distributions made during 2008 are expected to be substantially 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. The Chief Executive Officer and Chief Financial Officer evaluated the design of the REIT’s disclosure controls and procedures (as defined in *Multilateral Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings)* as at September 30, 2008 and have concluded that such disclosure controls and procedures were appropriately designed.

Management is responsible for establishing adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Chief Executive Officer and Chief Financial Officer assessed the design of the REIT’s internal controls over financial reporting (as defined in *Multilateral Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings)* as at September 30, 2008 and, based on that assessment, determined that the REIT’s internal controls over financial reporting were appropriately designed.

There has been no change in internal controls over financial reporting in the third 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 document those internal controls and reviews reports and other documentation provided by the property managers as part of its internal control activities.