CHARTER

REAL ESTATE INVESTMENT TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

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OVERVIEW

Charter Real Estate Investment Trust ("Charter" or the "REIT") is focused on acquiring and managing 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 six months ended June 30, 2009. The MD&A should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes of the REIT for the three and six months ended June 30, 2009 and with the audited consolidated financial statements and accompanying notes of the REIT for the year ended December 31, 2008. 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 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 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 the current economic conditions; 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 27, 2009 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 August 5, 2009 and presents material information up to this date, unless otherwise noted.

Effective January 1, 2009, the REIT adopted Section 3064, Goodwill and Intangible Assets, which was issued by the Canadian Institute of Chartered Accountants ("CICA"). The new standard and its impact on the 2008 comparative figures in the financial statements is described in more detail in Note 3 to the interim consolidated financial statements for the three and six months ended June 30, 2009. Many of the prior year comparatives have been restated as a result of the implementation of this new accounting standard.

HIGHLIGHTS

In the first six months of 2009, Charter:

- early renewed and extended its operating and acquisition facility for a two-year term;
- has a balance sheet that remains strong, with a debt-to-gross book value ratio of 63.3% and no mortgage debt maturities until November 2012;
- finalized leases representing 78,838 square feet, equating to 88% of its total 2009 lease expiries, at rates approximately 10% higher than the rates on the expiring leases, including the replacement of a 15,000 square foot cinema tenant with a Pharmaprix store (Shoppers Drug Mart Corporation) in its Châteauguay property and the replacement of a 34,000 square foot tenant in its Méga Centre property for a one-year term;
- maintained strong portfolio occupancy at 95.9%, with approximately 74% of the portfolio leased to national tenants and an additional 17% to regional tenants;
- had an FFO[(1),(2)] payout ratio of approximately 62% based on the current distribution level of $0.04 per quarter;
- recorded an 18.1% increase in NOI[(1),(2)] for the quarter ended June 30, 2009 compared to the quarter ended June 30, 2008, and a 27.2% increase in NOI[(1),(2)] for the six months ended June 30, 2009 compared to the six months ended June 30, 2008, both mainly relating to acquisitions that have taken place since then;
- recorded NOI[(1),(2)] and same-property NOI[(1),(2)] of $2,671,111 for the quarter ended June 30, 2009, compared to $2,794,806 recorded for the quarter ended March 31, 2009, with the decrease mainly relating to a one-time accounting adjustment recorded in the first quarter of 2009;
- recorded same-property NOI[(1),(2)] of $2,088,489 and $4,299,994 for the quarter ended and six months ended June 30, 2009, respectively, compared to $2,262,172 and $4,393,081 for the quarter ended and six months ended June 30, 2008, respectively;
- recorded FFO[(1),(2)] of $1,082,186 or $0.06 per unit basic and diluted for the quarter ended June 30, 2009 and $2,296,605 or $0.13 per unit basic and diluted for the six months ended June 30, 2009, an increase of 5.8% and 32.5% from the quarter ended and six months ended June 30, 2008, respectively, with the increase mainly due to the acquisitions that have taken place since then (net of financing costs on those acquisitions);
- recorded a decrease in FFO[(1),(2)] of 10.9% for the quarter ended June 30, 2009 compared to the quarter ended March 31, 2009 of $1,214,419 or $0.07 per unit basic and diluted, mainly relating to the decrease in NOI[(1),(2)] from the one-time accounting adjustment highlighted above;
- had a net loss[(2)] of $664,561 or $0.04 per unit basic and diluted for the quarter ended June 30, 2009 and a net loss[(2)] of $859,276 or $0.05 per unit basic and diluted for the six months ended June 30, 2009 (for the quarter ended March 31, 2009 – net loss[(2)] of $194,715 or $0.01 per unit basic and diluted, for the quarter ended June 30, 2008 – net loss[(2)] of $196,440 or $0.01 per unit basic and diluted and for the six months ended June 30, 2008 – net loss[(2)] of $658,561 or $0.04 per unit basic and diluted).

The following is a summary chart of selected financial information:

	Q2 2009	Q2 2008	Q1 2009
NOI[(1),(2)]	**$ 2,671,111**	$ 2,262,172	$ 2,794,806
FFO[(1),(2)]	**$ 1,082,186**	$ 1,022,511	$ 1,214,419
FFO per unit - diluted[(1),(2)]	**$ 0.06**	$ 0.06	$ 0.07
Net loss[(2)]	**$ 664,561**	$ 196,440	$ 194,715
Net loss per unit - diluted[(2)]	**$ 0.04**	$ 0.01	$ 0.01
Distributions	**$ 737,450**	$ 1,389,016	$ 727,737
Distributions per unit[(3)]	**$ 0.040**	$ 0.078	$ 0.040
Cash distributions	**$ 525,804**	$ 1,031,290	$ 558,291
Cash distributions per unit	**$ 0.029**	$ 0.058	$ 0.031
Gross book value of assets[(2)]	**$145,745,536**	$ 117,868,207	$ 146,475,345
Secured debt and credit facilities	**$ 91,734,304**	$ 64,245,222	$ 92,190,962
Debt-to-gross book value	**63.3%**	54.7%	63.3%

	Six months ended June 30, 2009	2008
NOI[(1),(2)]	**$ 5,465,917**	$ 4,297,143
FFO[(1),(2)]	**$ 2,296,605**	$ 1,732,857
FFO per unit - diluted[(1),(2)]	**$ 0.13**	$ 0.10
Net loss[(2)]	**$ 859,276**	$ 658,561
Net loss per unit - diluted[(2)]	**$ 0.05**	$ 0.04
Distributions	**$ 1,465,187**	$ 2,759,157
Distributions per unit[(3)]	**$ 0.080**	$ 0.156
Cash distributions	**$ 1,084,095**	$ 2,307,135
Cash distributions per unit	**$ 0.060**	$ 0.131
Gross book value of assets[(2)]	**$145,745,536**	$117,868,207
Secured debt and credit facilities	**$ 91,734,304**	$ 64,245,222
Debt-to-gross book value	**63.3%**	54.7%

(1) Net operating income or "NOI" and funds from operations or "FFO" are non-GAAP financial measures widely used in the real estate industry. See "Financial Review" section for further details and advisories.
(2) As a result of new accounting standards implemented on January 1, 2009, prior year comparatives have been restated. Please see "Advisories" section for further details.
(3) Excluding the 3% bonus units given to participants in the Distribution Reinvestment and Optional Unit Purchase Plan.

CHARTER'S BUSINESS

Charter is focused on acquiring and managing 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. 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

Real Estate Portfolio

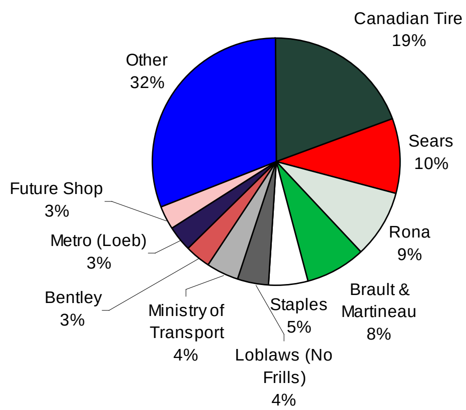
The REIT currently owns ten retail and mixed-use retail properties in Ontario and Quebec as follows:

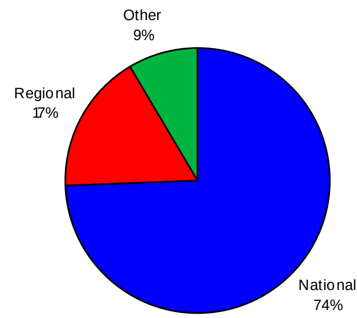
Property and location	Property type	Date built /redeveloped	Anchor tenants	Gross Leaseable Area (sq.ft.) Retail[1]	Storage space	Occupancy[2] [3]	% of annualized base rental revenue[3]	Weighted average rent[3]
Ontario:								
Cornwall Square Cornwall, Ontario	Enclosed Mall	1979/1989	Sears Loblaws (No Frills)	250,100	1,258	97.8%	27.7%	$11.92
Place Val Est Sudbury, Ontario	Grocery-anchored Strip Centre	1983/1987, 1990, 1998	Metro (Loeb)	110,313	-	78.4%	10.5%	$12.76
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%	5.6%	$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%	26.2%	$10.42
Châteauguay Montreal, Quebec	Mixed-use Strip Centre	1970/1994	Shoppers Drug Mart Staples	115,758	-	100%	13.5%	$12.37
Total				**1,032,745**	**37,339**	**95.9%** [4]	**100%**	**$10.64** [4]

Notes:

(1) Includes office space in mixed-use retail properties.
(2) Excluding storage space.
(3) Calculated at June 30, 2009 and include any new/renewal leasing done by June 30, 2009.
(4) Represents weighted average for the portfolio.

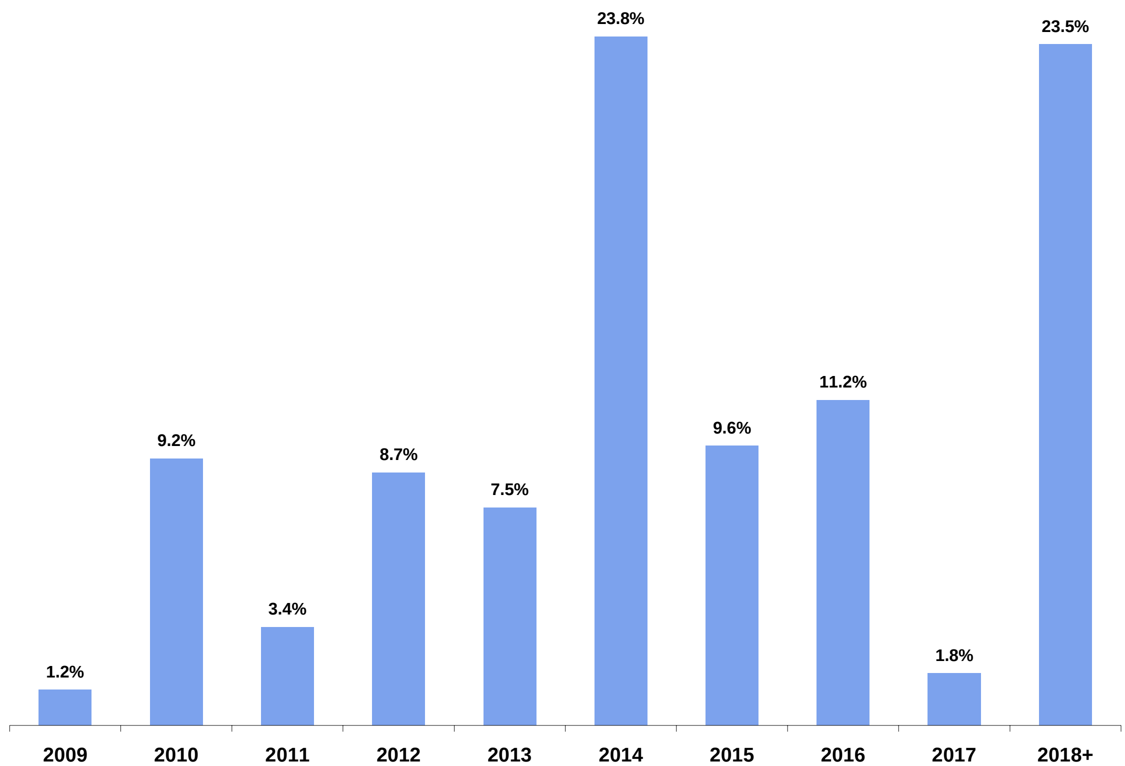
The REIT has a strong mix of national and regional tenants. The tenant mix for the properties at June 30, 2009 is as follows:





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

The weighted average term to maturity of existing leases is almost 8 years. The chart below shows the lease expiration schedule of the properties as a percentage of leased square feet for the remainder of 2009 and beyond:



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

Leasing Activity and Occupancy

For 2009, the portfolio has lease expiries of 90,049 square feet at an average base rent of $13.42 per square foot. Of these, new or renewal leases of 78,838 square feet have been entered into at an average base rent of $14.80 per square foot. The average occupancy rate for the portfolio increased slightly to 95.9%, compared to March 31, 2009 at 95.8% and was slightly below the average occupancy rate at June 30, 2008 of 97.8%.

At the Châteauguay mall in Montreal, the REIT replaced a 15,000 square foot cinema tenant with a Pharmaprix (Shoppers Drug Mart) store.

At the Méga Centre mall in Montreal, the REIT replaced a tenant who occupies approximately 34,000 square feet, with Bentley Leathers Inc. for a one-year term. As well, the REIT early renewed a 1,500 square foot tenant that was set to expire in 2011 until 2021.

During the third quarter of 2008 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 in 2008, 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 has continued to receive rent on this space through the rental guarantee. The rental guarantee ended at the end of July 2009. Management is actively looking to re-lease this space.

At Cornwall Square, approximately 21,000 square feet expires in 2009. All are in-line small tenants, and approximately 18,000 square feet of new or renewal leases has already taken place, at an average rate approximately 2% higher than the average rate on expiring leases.

OTHER 2009 EVENTS

Acquisition Facility

In May 2009, the REIT early renewed its revolving operating and acquisition facility (the "Acquisition Facility") that it has with a Canadian chartered bank. The Acquisition Facility is now for a two-year term expiring in May 2011 (previously a one-year term) for a maximum amount of $26,000,000. Amounts drawn down will bear interest at a rate equal to the Bank's prime rate plus 3.50% per annum or Banker's Acceptances plus 4.50% per annum.

For further details, see the "Financial Review" section of this MD&A.

FINANCIAL REVIEW

Financial Results

The following is a summary of selected financial information.

	Three months ended		
	June 30,		**March 31,**
	2009	**2008**	**2009**
Revenues from income producing properties	**$ 4,216,397**	$ 3,698,924	$ 4,524,116
Interest income	**1,368**	15,295	11,077
Operating costs from income producing properties	**1,545,286**	1,436,752	1,729,310
Interest expense	**1,248,341**	856,268	1,267,937
General and administrative expenses	**281,455**	257,924	259,060
Depreciation and amortization	**1,805,871**	1,308,878	1,456,260
Incentive unit option compensation	**1,373**	50,837	17,341
Net loss	**664,561**	196,440	194,715
Net loss per unit-basic & diluted	**$ 0.04**	$ 0 .01	$ 0 .01

	Six months ended	
	June 30, 2009	**June 30, 2008**
Revenues from income producing properties	**$ 8,740,513**	$ 7,309,856
Interest income	**12,445**	30,136
Operating costs from income producing properties	**3,274,596**	3,012,713
Interest expense	**2,516,278**	1,681,778
General and administrative expenses	**540,515**	575,524
Depreciation and amortization	**3,262,131**	2,623,632
Incentive unit option compensation	**18,714**	104,906
Net loss	**859,276**	658,561
Net loss per unit-basic & diluted	**$ 0.05**	$ 0.04

Net Loss

The net loss increased in the second quarter of 2009 compared to the second quarter of 2008 primarily due to increased depreciation and amortization expense partly offset by the impact of the net results from the Canadian Tire portfolio (net of financing expense) that was acquired in September 2008.

The net loss increased in the second quarter of 2009 compared to the first quarter of 2009 primarily due to lower net operating income resulting from a one-time accounting adjustment recorded in the first quarter and increased depreciation and amortization expense.

The net loss for the six months ended June 30, 2009 increased over the prior year comparable primarily due to increased depreciation and amortization expense. This was partly offset by the impact of the net results from the Canadian Tire portfolio (net of financing expense), which was acquired in September 2008, and the full six month impact of Place Val Est, which was acquired on January 31, 2008 as well as decreased interest expense on the Acquisition Facility because of lower prevailing interest rates.

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

Interest expense was $1,248,341 for the quarter ended June 30, 2009 compared to $856,268 for the quarter ended June 30, 2008 and was $2,516,278 for the six months ended June 30, 2009 compared to $1,681,778 for the six months ended June 30, 2008. The increase was mainly as a result of financings obtained on the Canadian Tire property acquisitions completed in the third quarter of 2008, partially offset by reduced interest paid on the Acquisition Facility as a result of lower interest rates.

Interest expense for the second quarter of 2009 of $1,248,341 was relatively consistent compared to $1,267,937 for the first quarter of 2009.

General and Administrative Expenses

General and administrative expenses for the quarter ended June 30, 2009 increased in comparison to the comparable prior year quarter primarily due to increased asset management fees arising from a higher asset base. Expenses for the current quarter also increased compared to the first quarter of 2009 due to increased professional services expenses.

General and administrative expenses for the six months ended June 30, 2009 decreased in comparison to the comparable prior year period mainly due to decreased professional services expenses and decreased costs relating to shareholder reports and corporate filings, partly offset by increased asset management fees arising from a higher asset base.

General and administrative expenses for the six months ended June 30, 2009 consist of legal and consulting fees of $81,959, audit and tax compliance fees of $88,000, trustee fees of $76,165, asset management fees of $219,166, transfer agent fees, shareholder reports and other statutory filings of $26,427 and other miscellaneous expenses of $48,798.

Depreciation and Amortization

Depreciation and amortization for the quarter ended June 30, 2009 increased by $496,993 compared to the quarter ended June 30, 2008 and for the six months ended June 30, 2009 increased by $638,499 compared to the six months ended June 30, 2008. The increase was mainly due to the impact of the Canadian Tire properties which were acquired in September 2008 as well as the acceleration of amortization of certain intangible assets relating to square footage not renewed by existing tenants. Depreciation and amortization increased in the quarter ended June 30, 2009 compared to the quarter ended March 31, 2009 due to the accelerated amortization of intangible assets as discussed above.

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 June 30, 2009	Three months ended June 30, 2008	Favourable/ (unfavourable) variance
Revenues from income producing properties	**$ 4,216,397**	$ 3,698,924	$517,473
Operating costs from income producing properties	**1,545,286**	1,436,752	(108,534)
Net operating income	**$ 2,671,111**	$ 2,262,172	$ 408,939

The increase in NOI for the quarter ended June 30, 2009 compared to the same period in 2008 is primarily due to the acquisition of the Canadian Tire properties in September 2008 amounting to approximately $583,000, partly offset by: a one-time gain of approximately $50,000 in the prior year arising from the receipt of property insurance proceeds at the Méga Centre for excessive snow removal costs incurred in the first quarter of 2008; a rent adjustment in the current quarter for a tenant at the REIT’s Châteauguay property amounting to approximately $47,000; and a decrease in NOI at Cornwall Square of approximately $73,000 mainly relating to some small vacancies occurring in the centre as well as higher recovery revenues recorded in the second quarter of 2008.

	Three months ended June 30, 2009	Three months ended March 31, 2009	Favourable/ (unfavourable) variance
Revenues from income producing properties	**$ 4,216,397**	$ 4,524,116	$ (307,719)
Operating costs from income producing properties	**1,545,286**	1,729,310	184,024
Net operating income	**$ 2,671,111**	$ 2,794,806	$ (123,695)

As a result of new accounting standards that took effect on January 1, 2009, certain expenditures incurred on the REIT’s properties that are recoverable from tenants will no longer be capitalized and amortized over the period of recoverability from the tenants. NOI from the REIT’s properties decreased by approximately $111,000 in the second quarter of 2009 as compared to the first quarter of 2009 solely as a result of this accounting change and the related one-time adjustment to recoveries management recorded in the first quarter of 2009.

In general, NOI from the properties may show more volatility from period to period depending on when the recoverable expenditures are incurred and when they can be recovered from tenants.

	Six months ended June 30, 2009	Six months ended June 30, 2008	Favourable/ (unfavourable) variance
Revenues from income producing properties	**$ 8,740,513**	$ 7,309,856	$ 1,430,657
Operating costs from income producing properties	**3,274,596**	3,012,713	(261,883)
Net operating income	**$ 5,465,917**	$ 4,297,143	$ 1,168,774

The increase in NOI for the six months ended June 30, 2009 compared to the prior year period is primarily due to the acquisition of the Canadian Tire properties which occurred in September 2008 and the full impact of the Place Val Est acquisition which occurred on January 31, 2008. Both of these items had an impact on NOI of approximately $1,263,000. The increase in NOI from these acquisitions was partly offset by: the tenant rent adjustment at the Châteauguay property in the second quarter of 2009 as discussed previously, amounting to approximately $47,000; and an increase in provision for doubtful accounts of approximately $68,000.

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 table, same-property NOI reflects the Rona properties, Méga Centre, Cornwall Square, Châteauguay and Place Val Est. All properties listed were owned throughout both quarters being compared.

	Three months ended June 30, 2009	Three months ended June 30, 2008	Favourable/ (unfavourable) variance
Revenues from income producing properties	**$ 3,632,941**	$ 3,698,924	$ (65,983)
Operating costs from income producing properties	**1,544,452**	1,436,752	(107,700)
Net operating income	**$ 2,088,489**	$ 2,262,172	$ (173,683)

The decrease in same-property NOI for the three months ended June 30, 2009 compared to the three months ended June 30, 2008 is primarily due to a decrease in NOI of approximately $58,000 at the Méga Centre, a decrease in NOI of approximately $61,000 at the Châteauguay property and a decrease in NOI of approximately $73,000 at Cornwall Square. The decrease in NOI at the Méga Centre mainly relates to the recording of property insurance proceeds in the prior year as mentioned previously. The decrease in NOI at the Châteauguay property mainly relates to the tenant rent adjustment of approximately $47,000 as previously mentioned. The decrease in NOI at Cornwall Square mainly relates to the small vacancies occurring in the centre as well as the higher recovery revenues recorded in the second quarter of 2008 as previously mentioned.

All ten of the REIT's properties were owned during the entire quarters ended June 30, 2009 and March 31, 2009. As such, a same-property NOI comparison between these two quarters has not been prepared since the analysis of these two quarters prepared under the heading "Net Operating Income – All Properties" above, also serves as a same-property NOI analysis.

In the following table, same-property NOI reflects the Rona properties, Méga Centre, Cornwall Square, Châteauguay and Place Val Est.

	Six months ended June 30, 2009	**Six months ended June 30, 2008**	**Favourable/ (unfavourable) variance**
Revenues from income producing properties	**$ 7,573,603**	$ 7,489,401	$ 84,202
Operating costs from income producing properties	**3,273,609**	3,096,320	(177,289)
Net operating income	**$ 4,299,994**	$ 4,393,081	$ (93,087)

The decrease in same-property NOI for the six months ended June 30, 2009 compared to the six months ended June 30, 2008 is primarily due to the tenant rent adjustment at the Châteauguay property in the second quarter of 2009 as discussed previously, amounting to approximately $47,000 and an increase in provision for doubtful accounts of approximately $68,000.

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 June 30, 2009	Three months ended June 30, 2008	Three months ended March 31, 2009
Net (loss) for the period	**$ (664,561)**	$ (196,440)	$ (194,715)
Add depreciation & amortization of:			
Income producing properties	**938,167**	760,308	925,792
Deferred costs	**5,759**	2,659	5,459
Intangible assets	**802,821**	455,984	477,883
FFO	**$ 1,082,186**	$ 1,022,511	$ 1,214,419
Weighted average units			
Basic	**18,246,319**	17,739,123	18,056,628
Diluted	**18,246,319**	17,741,140	18,056,628
FFO per unit			
Basic	**$ 0.06**	$ 0.06	$ 0.07
Diluted	**$ 0.06**	$ 0.06	$ 0.07

FFO increased during the three months ended June 30, 2009 compared to the same period in 2008 primarily due to: increased NOI of approximately $409,000 mainly relating to the acquisition of the Canadian Tire properties in September 2008; approximately $68,000 in reduced interest expense on the Acquisition Facility due to lower interest rates; and a decrease of approximately $49,000 in incentive unit option compensation expense as some of the previous grants of options have been fully amortized. These were partly offset by the impact of interest expense on the financing put in place in connection with the acquisition of the Canadian Tire properties, amounting to approximately $482,000.

FFO for the quarter ended June 30, 2009 decreased compared to the quarter ended March 31, 2009. The decrease is primarily due to the decrease in NOI of approximately $124,000 mainly relating to the one-time accounting adjustment to recovery revenues recorded in the first quarter of 2009.

	Six months ended June 30, 2009	Six months ended June 30, 2008
Net (loss) for the period	**$ (859,276)**	$ (658,561)
Add depreciation & amortization of:		
Income producing properties	**1,863,959**	1,491,858
Deferred costs	**11,218**	4,657
Intangible assets	**1,280,704**	894,903
FFO	**$ 2,296,605**	$1,732,857
Weighted average units		
Basic	**18,151,997**	17,675,953
Diluted	**18,151,997**	17,682,453
FFO per unit		
Basic	**$0.13**	$0.10
Diluted	**$0.13**	$0.10

FFO increased for the six months ended June 30, 2009 compared to the prior year primarily due to: increased NOI of $1,168,774 mainly arising from the purchase of the Canadian Tire properties in September 2008 as well as the full impact of the Place Val Est acquisition which occurred on January 31, 2008; approximately $158,000 in interest savings on the Acquisition Facility due to lower prevailing interest rates; a decrease of approximately $126,000 in amortization of deferred financing costs (which are not added back to net income in order to arrive at FFO), mainly because of the longer two-year amortization period on fees incurred on the extension of the Acquisition Facility to a two-year term versus one year in the past; and a decrease of approximately $86,000 in incentive unit option compensation expense, as some of the previous grants of options have been fully amortized. These were partly offset by an increase in interest expense of approximately $993,000 mainly relating to the financing put in place for the Canadian Tire properties acquired in September 2008.

Balance Sheet Analysis and Liquidity and Capital Resources

	As at June 30, 2009	**As at December 31, 2008**
Income producing properties	**$ 121,568,442**	$ 122,907,634
Intangible assets	**10,671,537**	11,952,241
Deferred costs	**367,992**	160,734
Cash	**1,063,047**	1,404,271
Restricted cash	**-**	422,830
Other assets	**1,695,313**	1,295,679
Total assets	**$ 135,366,331**	$ 138,143,389
Secured debt	**72,234,304**	$ 72,645,108
Credit facilities	**19,500,000**	19,700,000
Other liabilities	**1,876,987**	2,012,193
Total liabilities	**93,611,291**	94,357,301
Unitholders' equity	**41,755,040**	43,786,088
Total liabilities and unitholders' equity	**$ 135,366,331**	$ 138,143,389

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). No acquisitions were made in the six months ended June 30, 2009. The change in the balances of income producing properties and intangible assets is primarily due to depreciation and amortization on these previously acquired assets, offset by approximately $525,000 of capital expenditures and tenant improvements on income producing properties.

Deferred costs represent leasing costs, net of amortization, as well as deferred financing costs on the Acquisition Facility, also net of amortization. The increase mainly relates to financing costs incurred on the early renewal and extension of the Acquisition Facility.

Restricted cash represented the remaining balance of the reserve fund the REIT was required to set up with its first mortgage lender on the Méga Centre in order to fund capital expenditures at the centre. As all of the required capital expenditures were completed, the balance of the reserve fund was released and reimbursed back to the REIT in the second quarter of 2009.

Other assets of $1,695,313 at June 30, 2009 include accounts receivable of $741,144 and prepaid expenses of $954,169 (which primarily consist of prepaid property taxes, prepaid insurance and prepaid interest on Bankers' Acceptances entered into under the Acquisition Facility). Within accounts receivable, $495,626 relates to accumulated rental revenue recognized on a straight-line basis and the remainder is mainly comprised of amounts owing from tenants in the normal course of business.

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

Unitholders' equity was impacted by the net loss recorded, the cancellation of units under the normal course issuer bid and $1,465,187 in distributions to unitholders recorded during the six months ended June 30, 2009. The REIT currently makes monthly cash distributions of $0.01333 per unit, representing an annualized distribution of $0.16 per unit. 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 to replenish cash, for acquisitions or other uses. The REIT generally uses its Acquisition Facility to fund the equity portion of acquisitions as well as to fund general working capital requirements between capital raises.

Mortgages and Other Financing

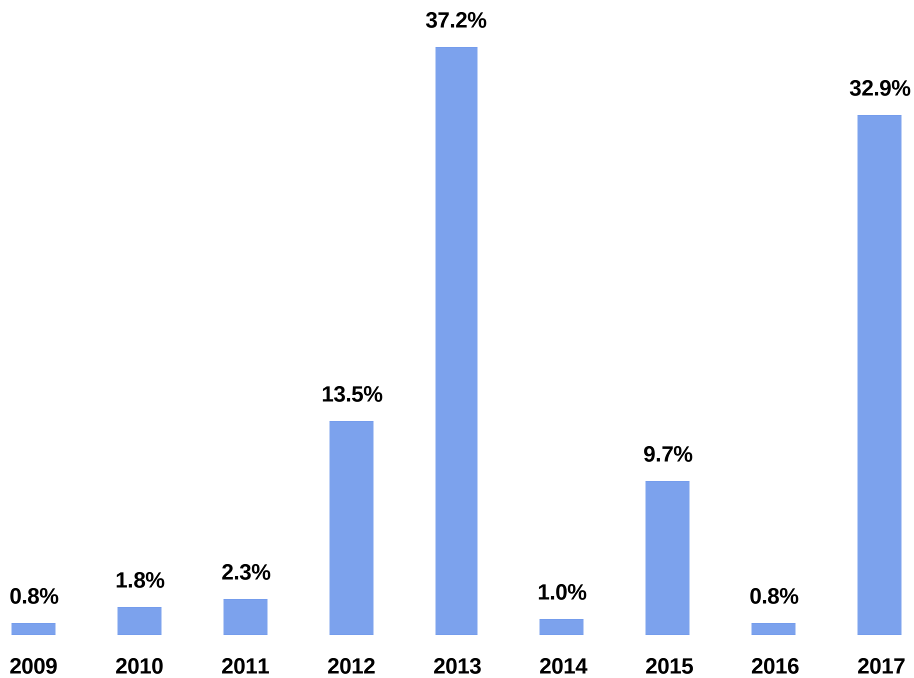
Secured Debt

The REIT's current average term to maturity on its secured debt (including mortgages payable and corporate secured debt but excluding the Acquisition Facility all 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 but excluding the Acquisition Facility) are as follows:

Year	**Principal instalment payments**	**Balance maturing**	**Total**	**Contractual interest rate on debt maturing**
2009 (remaining six months)	**$ 574,164**	**$ -**	**$ 574,164**	
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	**$ 9,099,537**	**$63,727,717**	**$72,827,254**	

The following is a debt maturity table starting with the remainder of 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 the risk of 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 (see below under "Corporate Secured Debt"). Cornwall Square is being used as security for the Acquisition Facility discussed in more detail under "Acquisition Facility" below.

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. During the quarter ended June 30, 2009, the remaining balance of $422,830 was released and reimbursed to the REIT as a result of the remaining required capital expenditures being completed.

Corporate Secured Debt

Concurrent with the closing of the Canadian Tire properties in 2008, 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%.

Acquisition Facility

The REIT has the Acquisition Facility available to it from a Canadian chartered bank. 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 facility was set to expire on August 6, 2009 but in May 2009 this facility was early renewed and extended. The Acquisition Facility is now for a two-year term expiring on May 19, 2011 (previously a one-year term) for a maximum amount of $26,000,000. 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. At June 30, 2009, the permitted draw down is $23,750,000. Under the renewed terms, amounts drawn down under the Acquisition Facility bear interest at a rate equal to the Bank's prime rate plus 3.50% per annum (up from prime plus 1% per annum) and Banker's Acceptances bear interest at a rate equal to the Bank's Acceptance stamping fee plus 4.50% per annum (up from Banker’s Acceptances plus 2% 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 second quarter of 2009, $200,000 of the total balance outstanding under the Acquisition Facility was repaid resulting in a closing balance of $19,500,000 at June 30, 2009.

Financing Costs

The unamortized balance of financing costs of $592,950 at June 30, 2009 relating to secured debt (including mortgages payable and corporate secured debt), has been netted against the secured debt on the balance sheet. The unamortized balance of financing costs of $259,693 at June 30, 2009 relating to the renewal of the Acquisition Facility has been capitalized to deferred costs on the balance sheet.

These financing costs represent commitment 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 impose a restriction on the REIT's debt-to-gross book value ratio, being a maximum of 75%. At June 30, 2009, the REIT has a debt-to-gross book value ratio of 63.3%, calculated as follows:

	As at June 30, 2009	As at December 31, 2008
Debt:		
Gross value of secured debt(2)	**$ 72,827,254**	$ 73,261,809
Amounts drawn on available credit facilities	**19,500,000**	19,700,000
	$ 92,327,254	$ 92,961,809
Gross Book Value of Assets:		
Total assets	**$ 135,366,331**	$ 138,143,389
Accumulated depreciation and amortization	**10,379,205**	7,889,942
	$ 145,745,536	$ 146,033,331
Debt-to-Gross Book Value	**63.3%**	63.7%

(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

Prior to its distribution reduction in September 2008, the REIT was paying distributions in excess of operating cash flow and FFO and had funded the excess using its Acquisition Facility. However, as a result of the distribution reduction, 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 other expenditures including 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		Six months ended	
	June 30, 2009	June 30, 2008	March 31, 2009	June 30, 2009	June 30, 2008
Net cash provided by operating activities	**$ 777,258**	$ 283,139	$ 1,153,333	**$ 1,930,591**	$ 1,437,267
Net cash provided by (used in) financing activities	**$ (1,252,638)**	$ (136,122)	$ (842,878)	**$ (2,095,516)**	$ 5,931,163
Net cash provided by (used in) investing activities	**$ 172,290**	$ (131,394)	$ (348,589)	**$ (176,299)**	$ (7,418,264)

Cash provided by operating activities for the three months ended June 30, 2009 compared to the same period in 2008 increased primarily due to an increase in FFO of approximately $59,000 and the increase in change in non-cash working capital mainly relating to deposits put on properties under option in 2008 relating to particular properties that the REIT was considering acquiring.

Cash provided by operating activities for the quarter ended June 30, 2009 decreased compared to the quarter ended March 31, 2009 mainly due to a decrease in FFO of approximately $132,000 and a decrease in change in non-cash working capital relating primarily to the timing of the payment of realty taxes.

For the six months ended June 30, 2009, cash provided by operating activities increased over the prior year comparable period due to an increase in FFO of approximately $564,000 and an increase in change in non-cash working capital mainly relating to a higher receipt of accounts receivable balances. These were partly offset by a decrease in amortization of deferred financing costs (which negatively impact FFO but are added back to arrive at cash provided by operating activities) mainly as a result of the longer two-year amortization period on fees incurred on the Acquisition Facility (versus one year in the past) because of the extension of the Acquisition Facility to a two-year term.

For the three months ended June 30, 2009, cash used in financing activities mainly relates to the $525,804 in cash distributions paid to unitholders, the $200,000 repayment of the Acquisition Facility, deferred financing costs incurred in connection with the renewal of the Acquisition Facility of $275,145, and principal repayments on secured debt amounting to $250,059.

Cash used in financing activities increased during the current quarter compared to the quarter ended June 30, 2008 mainly due to $1,000,000 in drawdowns on the Acquisition Facility obtained in the second quarter of 2008 as opposed to a repayment of $200,000 in the current quarter, and financing costs of $275,145 incurred in the current quarter in connection with the renewal of the Acquisition Facility in May 2009. These were partially offset by a decrease in cash distributions of $505,486 paid to unitholders as a result of a reduction in distributions from $0.3104 per unit annually to $0.16 per unit annually, which occurred in September 2008.

Cash used in financing activities increased in the quarter ended June 30, 2009 as compared to the quarter ended March 31, 2009 due to a $200,000 repayment of the Acquisition Facility and $275,145 of financing costs incurred in connection with the renewal of this same facility. These were partially offset by the fact that no units were cancelled under the REIT's normal course issuer bid in the second quarter.

Cash used in financing activities increased in the six months ended June 30, 2009 compared to the same period in the prior year primarily due to: an $8.5 million drawdown of the Acquisition Facility in the prior year, compared to a repayment of $200,000 of the Acquisition Facility in 2009; $275,145 of financing costs incurred in the current year in connection with the renewal of the Acquisition Facility; and an increase of approximately $268,000 in principal repayments mainly as a result of the interest-only period expiring on the Méga Centre first mortgage. These were partly offset by a decrease in cash distributions to unitholders in the amount of $1,223,040 as a result of the reduction in distributions from $0.3104 per unit annually to $0.16 per unit annually, which occurred in September 2008.

Cash provided by investing activities was $172,290 for the quarter ended June 30, 2009 compared to cash used in investing activities of $131,394 for the quarter ended June 30, 2008 and cash used in investing activities of $348,589 for the quarter ended March 31, 2009. The improvement was mainly due to the receipt of $422,830 previously held in reserve for the Méga Centre property by the first mortgage lender, partly offset by additions to building, building improvements and tenant improvements.

Cash used in investing activities improved for the six months ended June 30, 2009 compared to the six months ended June 30, 2008 mainly as a result of the acquisition of Place Val Est, which occurred in the first quarter of 2008.

Capital Expenditures

Management believes that over the next five years, the Méga Centre will require capital expenditures of between $150,000 and $250,000 mainly 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.

At Cornwall Square, 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. In the first six months of 2009, approximately $102,000 was incurred on the washrooms and pylon signage at Cornwall Square.

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 $175,000 and $350,000 in capital expenditures over the next five years. These expenditures are primarily for HVAC replacement, parking lot maintenance and sidewalk renovations. Management believes that approximately 50% of these amounts will be recoverable from tenants. During the first six months of 2009, approximately $200,000 was incurred on roof replacement at Place Val Est.

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 $109,309 for the quarter ended June 30, 2009 and $219,166 for the six months ended June 30, 2009 were payable to the Manager ($88,529 for the quarter ended June 30, 2008 and $176,350 for the six months ended June 30, 2008).

Quarterly Performance

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

	Q3-2007	Q4-2007	Q1-2008	Q2-2008	Q3-2008	Q4-2008	Q1-2009	Q2-2009
Total revenues	$2,048,114	$3,013,462	$3,625,773	$3,714,219	$3,938,207	$4,608,879	$4,535,193	$4,217,765
Expenses	$3,231,181	$3,301,239	$4,087,894	$3,910,659	$4,308,872	$4,837,249	$4,729,908	4,882,326
Net loss	$1,183,067	$ 287,777	$462,121	$196,440	$370,665	$228,370	$194,715	$664,561
Net loss per unit – basic & diluted	$ 0.11	$ 0.02	$0.03	$0.01	$0.02	$0.01	$0.01	$0.04

Changes in Accounting Policies

Effective January 1, 2009, the REIT adopted Section 3064, Goodwill and Intangible Assets, which was issued by the Canadian Institute of Chartered Accountants ("CICA"). The new standard and its impact on the 2008 comparative figures in the financial statements are described in more detail in Note 3 to the interim unaudited consolidated financial statements for the quarter ended June 30, 2009.

In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which requires entities to consider their own credit risk as well as the credit risk of their counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard did not have an impact on the valuation of the REIT's financial assets or financial liabilities.

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.

Business Combinations

The CICA has issued a new accounting standard, CICA Handbook Section 1582, Business Combinations which will apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Sections 1601, Consolidations and 1602, Non-controlling Interests will be effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these Sections is permitted as of the beginning of a fiscal year. All three Sections must be adopted concurrently. These Sections replace the former CICA Handbook Sections 1581, Business Combinations and 1600, Consolidated Financial Statements.

CICA Handbook Section 1582 establishes standards for the accounting for a business combination. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The REIT is currently considering the effect on the financial statements of the new standards.

International Financial Reporting Standards ("IFRS")

The 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 evaluating the potential impact of IFRS on the REIT's financial statements. Based on the analysis performed to date, management believes the largest impacts will pertain to the valuation of the REIT's income producing properties and the treatment of amortization of tenant improvements as a reduction to revenues rather than as a depreciation and amortization expense. Based on management's recommendations, the REIT's trustees have approved certain preliminary decisions regarding accounting policy choices under IFRS, namely to move to fair value reporting of income producing properties. As such, the REIT has engaged external appraisers to determine the fair value of its properties, and it is expected that they will commence their work in the third quarter of 2009.

The implementation strategy has been communicated to the REIT's trustees and updated quarterly 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 are planned for the latter half of 2009 and 2010.

The process of evaluating the potential impact of IFRS on the REIT's financial statements is 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 arrangements 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 in the latter half of 2009 and 2010.

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 June 30, 2009 and 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, credit spreads and terms to maturity.

CORPORATE STRATEGY AND OUTLOOK

Global market conditions continue to be tenuous. Although the Canadian equity markets have rebounded somewhat during the first six months of the year, many investors have still not regained their confidence yet. In terms of Charter, although it has experienced a 74% increase in its unit price since the beginning of the year, it continues to be affected by the general market conditions, in that: the unit price continues to trade at levels that are below book value or net asset value; equity market conditions remain fragile, making it difficult to raise equity capital; financing for acquired real estate continues to be difficult to obtain; and leasing activity remains less robust than in previous years.

On a positive note, the REIT continues to maintain a strong balance sheet with a debt-to-gross book value ratio of 63.3% at June 30, 2009. The REIT has also been proactive in managing its liquidity by securing the early renewal and extension of its Acquisition Facility for a two-year term. This early renewal will allow the REIT to continue with its business plan and leasing initiatives. As well, the REIT currently generates sufficient operating cash flow and FFO to cover distributions. The REIT's payout ratio for the six months ended June 30, 2009 is 61.5% of FFO based on the current distribution level of $0.04 per quarter.

In terms of the REIT's existing properties, Charter has made significant initial steps in improving rental levels in the portfolio and further improving the quality of tenants. Lease expiries and new leasing/renewals at June 30, 2009 and for the remainder of 2009 are as follows:

	Q1	Q2	Q3	Q4	Total	
Lease expiries	6,006	19,283	50,586	14,174	90,049	
Base rent per square foot	$19.83	$10.97	$11.10	$22.31	$13.42	(1)
New leasing/renewals	6,216	22,905	43,693	6,024	78,838	
Base rent per square foot	$12.54	$19.99	$9.74	$34.07	$14.80	(1)

(1) weighted average

With respect to tax treatment, the distributions made during 2009 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. 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 June 30, 2009 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 first quarter of 2009 that has materially affected, or is reasonably likely to materially affect the REIT’s internal controls over financial reporting. On 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.