CHARTER REAL ESTATE INVESTMENT TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

OVERVIEW

On May 10, 2007, Charter Realty Holdings Ltd. (the "Company") completed its conversion to a trust structure under a Plan of Arrangement (the "Arrangement"). The Arrangement resulted in shareholders of the Company transferring their shares to Charter Real Estate Investment Trust ("Charter" or the "REIT"), in consideration for units of the REIT. Each 10 issued shares of the Company were transferred to the REIT in exchange for 1 unit of the REIT.

The REIT has acquired the Company on a continuity of interest basis, and therefore the REIT directly and indirectly owns all of the assets of the Company. As well, any comparative figures are presented as if the Company had converted to a trust structure on January 1, 2006.

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

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

Charter's major unitholder is C.A. Bancorp Inc., which currently owns approximately 33.2% of the outstanding units of Charter.

ADVISORY

This *Management's Discussion and Analysis* ("MD&A") presents an analysis of the financial condition of Charter for the quarter and year ended December 31, 2007. The MD&A should be read in conjunction with the audited consolidated financial statements and the accompanying notes of the REIT for the years ended December 31, 2007 and 2006. 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 is contained in the REIT’s filings with securities regulators, including the latest annual information form of the REIT.

Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with this forward-looking information. The REIT intends the forward-looking information to speak only as of the first time made and does not undertake to update or revise it whether as a result of new information, future events or otherwise, except as required by law.

This MD&A is dated February 22, 2008 and presents material information up to this date, unless otherwise noted.

HIGHLIGHTS

2007 was the first year of operations for Charter and in that time, many milestones were achieved. Charter completed its Qualifying Transaction in February 2007 pursuant to the TSXV policies, through the purchase of three free-standing retail properties. This allowed Charter to meet the TSXV’s tier 2 minimum listing requirements. In May 2007, Charter converted to a real estate investment trust and completed a prospectus offering in August 2007. In total, to the date of this MD&A, Charter has achieved the following: acquired approximately $112 million in real estate assets; raised $57 million in equity, despite some of the most difficult market conditions experienced in many years; and negotiated a $32 million operating/acquisition facility, thereby allowing it to maintain a conservative balance sheet and grow before needing to raise additional capital. Finally, Charter has assembled an experienced and aligned management team and board of trustees. In January 2008, the REIT implemented a distribution reinvestment and optional unit purchase plan, which management believes will help conserve cash and will decrease the amount of over-distributions on a cash basis as a percentage of operating cash flow.

The following is a summary chart of selected financial information:

	Q4 2007	Q3 2007(1)	Q2 2007(1)	Q1 2007(1)
NOI(2)	**$ 1,693,610**	**$1,288,013**	**$ 804,802**	**$ 42,100**
FFO(2)	**$ 676,304**	**$ (392,116)**	**$ (622,757)**	**$ (575,019)**
FFO per unit - diluted(2)	**$ 0.04**	**$ (0.04)**	**$ (0.28)**	**$ (0.47)**
Net loss	**$ 290,031**	**$1,021,814**	**$1,145,407**	**$ 584,833**
Net loss per unit - diluted	**$ 0.02**	**$ 0.09**	**$ 0.52**	**$ 0.48**
Distributions	**$ 1,366,085**	**$ 875,258**	**$ -**	**$ -**
Distributions per unit	**$ 0.078**	**$ 0.052**	**$ -**	**$ -**
Gross book value of real estate	**$ 97,257,173**	**$82,648,871**	**$39,771,635**	**$39,748,250**
Mortgages payable and credit facilities	**$47,816,387**	**$31,360,921**	**$37,853,573**	**$37,853,579**
Debt-to-gross book value	**47.1%**	**36.5%**	**84.2%**	**88.5%**

(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.

CHARTER'S BUSINESS

Charter is focused on acquiring retail and mixed-use retail real estate assets in the mid-market deal size range of $10 to $40 million from both primary and secondary markets throughout Canada. Management is of the view that retail and mixed-use retail real estate are attractive investments because they offer stable cash flow 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. In addition to acquiring retail properties, the REIT may also acquire portfolios of properties consisting primarily of retail properties. The REIT will look to create a base of retail assets that provide both a reliable, stable cash flow and an opportunity for yield growth through re-leasing, re-development and/or development of assets.

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

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

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

CHARTER'S CAPITAL HISTORY

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

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

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

On September 14, 2006 the Company completed a private placement financing transaction with C.A. Bancorp Inc. raising $500,000 in gross proceeds by issuing 2,500,000 common shares from treasury at a price of $0.20 per share.

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

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

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

On July 3, 2007, the REIT filed a preliminary prospectus in each of the provinces and territories of Canada in connection with a marketed offering of trust units (the "Offering") to raise proceeds of between $55,000,000 and $60,000,000. The Offering price was initially $4.50 per unit.

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

The final prospectus was filed on August 3, 2007 for a public offering of 13,375,000 units at a price of $3.45 per unit for gross proceeds of $46,143,750. The Offering closed on August 9, 2007. The underwriters were granted an over-allotment option to acquire up to an additional 2,006,250 units at a price of $3.45 per unit for a period of 30 days from closing. The underwriters exercised their over-allotment option on September 5, 2007 to purchase an additional 1,370,912 units, for additional gross proceeds of $4,729,646. Including the over-allotment, the total gross proceeds of the Offering were $50,873,396. In connection with the Offering, the underwriters received a fee of $2,152,404 (including the exercise of the over-allotment option).

The proceeds of the Offering were used to acquire Cornwall Square, to reduce outstanding indebtedness on the REIT's bridge facilities and for general working capital purposes. The REIT used the proceeds from the exercise of the over-allotment option to further reduce outstanding indebtedness under the bridge facilities and for general working capital purposes.

C.A. Bancorp Inc. subscribed for 4,347,826 units under the Offering pursuant to its pre-emptive right contained in the REIT's declaration of trust.

The REIT commenced monthly cash distributions to unitholders following completion of the Offering with the first cash distribution for the month of August 2007 in an amount of $0.02587 per unit which was paid on September 17, 2007 to unitholders of record on August 31, 2007, representing an annualized distribution of $0.3104 per unit. Distributions are paid on or about the 15th day following the end of each monthly distribution period.

Effective November 1, 2007, the REIT achieved Tier 1 issuer status on the TSXV.

REAL ESTATE PORTFOLIO AND ACQUISITIONS

The REIT currently owns seven 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
Ontario:							
Cornwall Square Cornwall, Ontario	Enclosed Mall	1979/1989	Sears Loblaws (No Frills)	250,100	1,258	97.6%	35.2%
Place Val Est Sudbury, Ontario[3]	Food-anchored Strip Centre	1983/1987, 1990, 1998	Metro (Loeb)	110,313	-	98.4%	14.2%
Rona Property Exeter, Ontario	Free Standing	1996/2000	Rona	42,780	-	100%	1.6%
Rona Property Seaforth, Ontario	Free Standing	1962/2000	Rona	19,622	-	100%	0.5%
Rona Property Zurich, Ontario	Free Standing	1961/2000	Rona	24,400	-	100%	0.4%
Quebec:							
Méga Centre Montreal, Quebec	Power Centre	1973/1993, 1999, 2000, 2004	Brault & Martineau Staples Future Shop	277,477	36,081	95.3%	33.5%
Châteauguay Montreal, Quebec	Mixed-use Strip Centre	1970/1994	Staples	115,758	-	100%	14.6%
Total				**840,450**	**37,339**	**97.5%** [4]	**100%**

Notes:

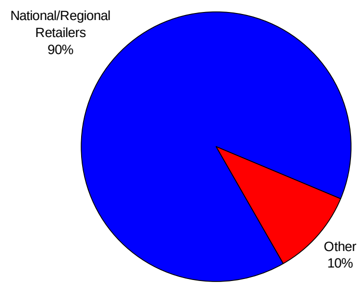
(1) Includes office space in mixed-use retail properties.

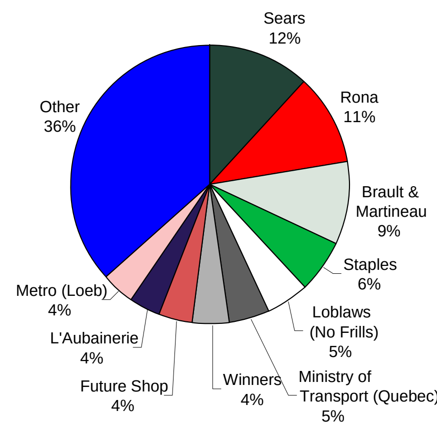
(2) Retail/office portion only.

(3) Purchased on January 31, 2008. See “Subsequent Events” section of this MD&A.

(4) Represents weighted average occupancy.

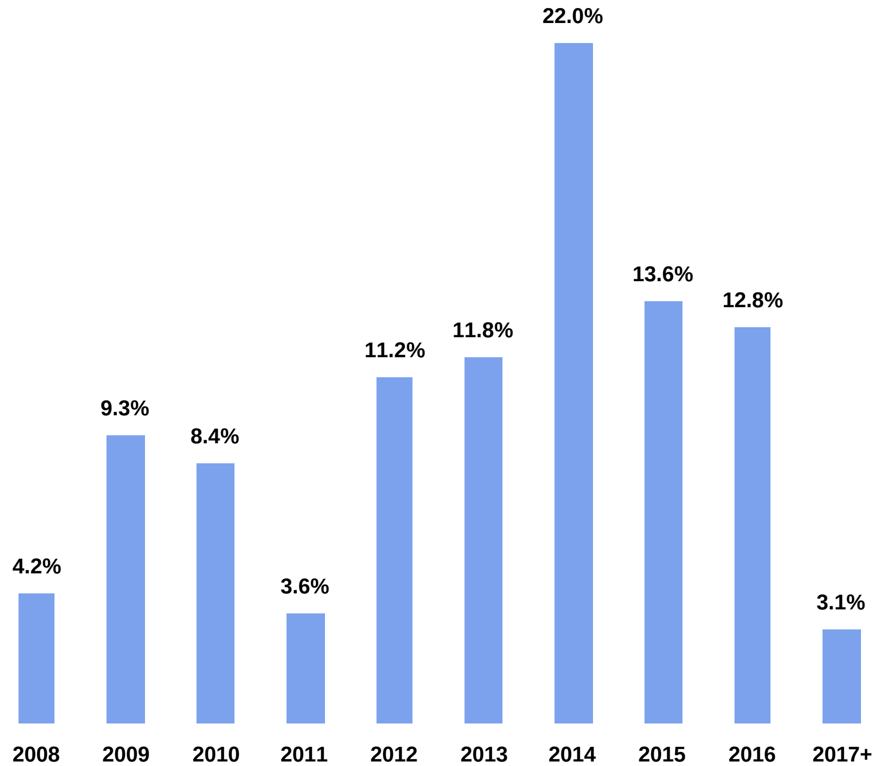
The current tenant mix for the properties is as follows:





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

The weighted average term to maturity of existing leases is 6 years. The chart below shows the lease expiration schedule of the properties as a percentage of leased square feet:



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

Qualifying Transaction

On February 7, 2007, the Company filed a Filing Statement with the TSXV and on SEDAR for the purpose of completing its Qualifying Transaction. The Qualifying Transaction consisted of a private placement of 15,000,000 common shares at a price of $0.20 per share for gross proceeds of $3,000,000, as well as the purchase (the "QT Acquisition") of three free-standing commercial retail properties pursuant to an offer to purchase between the Company and Hensall District Co-operative, Inc. ("Hensall"). Pursuant to the QT Acquisition, the Company acquired the properties, which are located in Exeter, Seaforth and Zurich, Ontario, from Hensall for an aggregate cash purchase price of $2,065,000 (before closing costs). The estimated going-in yield for the acquisitions on an unlevered basis was expected to be approximately 10.4% before closing costs[(1)].

Notes:

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

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

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

The Qualifying Transaction closed on February 23, 2007.

Méga Centre Acquisition

On March 30, 2007, Charter completed the acquisition of the Méga Centre shopping centre (the “Méga Centre”) from RRVP Côte -Vertu Inc. for an aggregate cash purchase price of $36,700,000 (before closing costs). Méga Centre is located at the intersection of Côte -Vertu Boulevard and Rue Begin in St. Laurent (Montreal), Quebec. The estimated going-in yield for this acquisition on an unlevered basis before closing costs was expected to be approximately 8.12%(1).

The total size of the Méga Centre property is approximately 19.0 acres, including 313,558 square feet of rentable retail space, warehouse space and surrounding lands. Méga Centre was built in 1973 and was substantially renovated in 1993, 1999, 2000 and 2004. Currently, the retail space in Méga Centre is 95.3% leased to a total of 15 tenants. When the property was acquired, the retail space was 100% leased, however, one of the weaker local tenants with 12,992 square feet of space vacated the premises in the third quarter. Approximately 92% of the total current leased retail space in the centre is leased to national and regional tenants, including Brault & Martineau (77,318 square feet), Winners (34,093 square feet), Staples (24,860 square feet), Future Shop (30,332 square feet), L'Oreal (23,550 square feet) and L'Aubainerie (29,960 square feet). Approximately 33,000 square feet of basement warehouse space remains vacant, with an additional 3,000 square feet of main floor warehouse space also vacant. A 110,000 square foot Rona home improvement store is located adjacent to the property and acts as a shadow anchor, drawing customers to Méga Centre.

Notes:

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

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

Year	Leased sq. ft. expiring	% of square feet
2008	-	-
2009	34,093	12.9%
2010	5,500	2.1%
2011	6,128	2.3%
2012	57,847	21.9%

The weighted average rent for the centre is $10.73 per square foot.

Despite the current high occupancy level and the high occupancy level at the time of acquisition, management was always of the view that value-add opportunities at Méga Centre existed through the repositioning of certain weaker retailers, including the tenant that left during the third quarter, as well as through the lease-up of the vacant basement space. In the short-term, any repositioning may entail some negative impact to net operating income from the property.

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

A standard first mortgage loan in the amount of $27,525,000 with a Canadian chartered bank was obtained, secured by the property. The remainder of the purchase price was originally financed through advances under two credit facilities – one with KingSett Capital and one with C.A. Bancorp Inc. (the "Bridge Facilities") (the Bridge Facilities are further described in the "Financial Review" section of this MD&A), and cash on hand. The Bridge Facilities were fully repaid during the third quarter.

Cornwall Square Acquisition

On August 9, 2007, the REIT acquired the Cornwall Square shopping centre ("Cornwall Square") for an aggregate purchase price before closing costs of $41,700,000.

The property comprises 250,100 square feet of commercial retail space and 1,258 square feet of storage space and administration offices. The estimated going-in yield for the acquisition on an unlevered basis was expected to be approximately 8.07%[(1)] before closing costs.

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

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

Cornwall was originally built in 1979 and was expanded in 1989 with the addition of a food court. Management believes that it has been maintained to a high standard given the institutional nature of the previous owners. The centre is anchored by a 96,909 square foot Sears store and a 41,058 square foot Loblaws grocery store operating under the "No Frills" banner. There are approximately 55 additional retail tenants, including 6 food court users. Key non-anchor tenants include Shoppers Drug Mart, Le Chateau, Stitches, Cleo, Garage Clothing Company, La Senza, TD Canada Trust, Foot Locker, Athletes World, Tip Top Tailors, Urban Trade and Ardene. The centre is 97.6% leased including anchor tenants or 94.6% excluding anchor tenants.

Notes:

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

The average term to maturity of existing leases is 5.9 years. In the next five years, leases representing the percentage of leased retail square feet set out below will expire:

Year	Leased sq. ft. expiring	% of square feet
2008	8,906	3.6%
2009	17,776	7.3%
2010	34,837	14.3%
2011	7,381	3.0%
2012	9,654	4.0%

The weighted average rent for the centre is $12.25 per square foot.

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

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

The purchase price was financed with cash from the Offering (see "Charter's Capital History"), the June private placement (see "Charter's Capital History") and existing cash on hand. Concurrent with the closing of the Cornwall Square acquisition, the REIT obtained a $32,250,000 revolving operating and acquisition facility (the "Acquisition Facility") from a Canadian chartered bank for a term of 364 days. The Acquisition Facility is secured by Cornwall Square (the Acquisition Facility is further described in the "Financial Review" section of this MD&A).

Châteauguay Acquisition

On November 30, 2007, the REIT acquired the Châteauguay shopping centre ("Châteauguay") for an aggregate purchase price before closing costs of $14,200,000.

The property is a two-storey, 115,758 square foot mixed-use retail property. The property is currently 100% leased with a total of 69,137 square feet of ground level space leased to retail tenants, while the remaining 46,621 square feet is leased to primarily government tenants on the second floor. The estimated going-in yield for the acquisition on an unlevered basis was expected to be approximately 8.05% before closing costs [1].

Notes:

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

The property is strategically located in the heart of Châteauguay's commercial district on the south shore of Montreal, and is surrounded by Centre Regional Châteauguay to the east (an enclosed shopping centre owned and managed by RioCan REIT) and a free-standing Canadian Tire store to the west. The Property is anchored by Staples (25,885 square feet), Cineplex Odeon (15,000 square feet) and Yellow Group (10,240 square feet), as well as Société Immobilière du Québec (39,484 square feet) on the second floor.

The average term to maturity of existing leases is 5.0 years. In the next five years, leases representing the percentage of leased retail/office square feet set out below will expire:

Year	Leased sq. ft. expiring	% of square feet
2008	10,240	8.8%
2009	22,137	19.1%
2010	23,146	20.0%
2011	6,000	5.2%
2012	-	-

The weighted average rent for the centre is $10.67 per square foot.

Crofton also provides property management services for Châteauguay under similar terms as those provided for Méga Centre.

A standard first mortgage loan in the amount of $9,000,000 with a Canadian chartered bank was obtained, secured by the property. The remainder of the purchase price was financed through the Acquisition Facility. The mortgage and Acquisition Facility are further described in the "Financial Review" section of this MD&A.

OTHER 2007 EVENTS

Asset Management Agreement

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

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

In accordance with the management agreement, the Manager covers all expenses of the employees providing services under the management agreement, including the Manager's overhead incurred in connection with the performance of its duties thereunder. It is expected that over time as the REIT grows, the Manager will provide 8 full-time executives for service to Charter, as well as accounting and administrative personnel.

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

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

Western Portfolio

On July 9, 2007, the REIT entered into an agreement to purchase a portfolio of triple net leased properties and development properties located primarily in Western Canada. The purchase price for the portfolio was approximately $80,000,000 before closing costs.

On September 26, 2007, the REIT announced that it decided not to move forward with the acquisition. The REIT was not satisfied with certain aspects of the deal and could not come to agreeable revised terms with the vendor. As a result, the REIT decided it would be in the best interest of unitholders not to complete the acquisition.

SUBSEQUENT EVENTS

Distribution Reinvestment Plan (DRIP)

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

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

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

The REIT has reserved for issuance with the TSXV 500,000 additional units to accommodate the purchase of units under the Plan. Currently, holders of approximately 16% of the total issued and outstanding units have enrolled in the Plan.

Place Val Est Acquisition

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

The property is a 110,313 square foot strip centre located in the north section of Sudbury (Valley East). It has the dominant grocery store in that area and is currently 98.4% leased, with 81% of the tenants being national/regional retailers. The estimated going-in yield for the acquisition on an unlevered basis is approximately 8.06% before closing costs [(1)].

The property was originally developed in 1983 and has seen many additions to it over the last 20 years. Tenants include a Metro grocery store operating under the “Loeb” banner (33,063 square feet), SAAN Stores Ltd. (22,742 square feet), PharmaSave (6,500 square feet), Pro Hardware (5,358 square feet), RBC (4,900 square feet), LCBO (2,746 square feet), Harvey’s (3,350 square feet) and Tim Horton’s (2,450 square feet). It should be noted that SAAN Stores Ltd. recently announced that it has entered into *Companies’ Creditors Arrangement Act* (CCAA) protection. Although SAAN has not indicated that lease termination is imminent, the REIT has received a rental guarantee from the vendor if the lease is altered or terminated through the CCAA proceedings.

The average term to maturity of existing leases is 5.4 years. In the next five years, leases representing the percentage of leased retail square feet set out below will expire:

Year	Leased sq. ft. expiring	% of square feet
2008	15,054	13.9%
2009	2,283	2.1%
2010	5,473	5.0%
2011	9,699	8.9%
2012	24,305	22.4%

The weighted average rent for the centre is $11.12 per square foot.

Notes:

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

With the Valley East population of approximately 20,000, the property has become the main shopping destination in the community. Valley East is the fastest growing area of Sudbury, with 27.9% of all Sudbury new home construction taking place there over the first 10 months of 2007. Furthermore, this number has grown by 20% on a year-over-year basis. The area's growth should allow the REIT to raise rents as leases expire, and lead to significant organic growth at the property.

Redcliff also provides property management services for Place Val Est under similar terms as those provided for Cornwall Square.

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

FINANCIAL REVIEW

Financial Results

The following is a summary of selected financial information.

	Three months ended December 31,		**Year ended December 31,**	
	2007	2006	**2007**	2006
Revenues from rental properties	**$ 2,990,496**	$ -	**$ 6,218,855**	$ -
Interest income	**$ 22,966**	$ 8,558	**$ 57,365**	$ 20,562
Rental property operating costs	**$ 1,296,886**	$ -	**$ 2,390,330**	$ -
Interest expense	**$ 566,304**	$ -	**$ 1,893,628**	$ -
Incentive unit option compensation	**$ 57,958**	$ 9,625	**$ 251,402**	$ 9,625
General and administrative expenses	**$ 246,030**	$ 57,780	**$ 1,088,565**	$149,338
Depreciation and amortization	**$ 1,126,841**	$ -	**$ 2,466,106**	$ -
Corporate transaction costs and other	**$ 9,474**	$ -	**$ 1,228,274**	$ -
Net loss	**$ 290,031**	$ 58,847	**$ 3,042,085**	$138,401
Net loss per unit-basic & diluted	**$ 0.02**	$ 0.10	**$ 0.38**	$ 0.33

The quarter ended December 31, 2007 reflects the REIT's third full quarter of operations from the Rona properties and Méga Centre, the first full quarter of operations from Cornwall Square and one month of operations from Châteauguay.

Interest expense relates to the debt that was obtained to finance the Méga Centre and Châteauguay acquisitions, as well as drawdowns on the Acquisition Facility and previously outstanding Bridge Facilities and includes amortization of financing fees of $11,832 for the year ended December 31, 2007 ($4,490 for the three months ended December 31, 2007).

Incentive unit option compensation expense includes the amortization of the fair value of the September 5, 2007 grant of 1,200,000 options to certain trustees, officers and consultants, as well as the amortization of the fair value of previous grants.

General and administrative expenses decreased by approximately $93,000 for the quarter ended December 31, 2007 compared to the third quarter, predominantly due to a decrease in legal fees. General and administrative expenses were higher for the year ended December 31, 2007 compared to the prior year, reflecting the fact that the REIT commenced conducting active business in the first quarter of 2007. General and administrative expenses for the year consist of legal and consulting fees of $264,259, audit fees of $189,910, trustee fees of $147,333, asset management fee of $210,096, capital tax of $49,565, corporate filing, shareholder reports, news releases and transfer fees of $106,796 and other expenses of $120,606. The asset management fee is payable to the Manager and is further described under “Asset Management Agreement”. The capital tax represents capital taxes of the Company, which after the conversion to the REIT is now a wholly-owned subsidiary of the REIT. Approximately $42,000 of the capital taxes relate to the period prior to the conversion of the Company into the REIT. For the third quarter 2007 and onward, capital taxes of the Company are minimal.

For the year ended December 31, 2007, corporate transaction costs and other consist of: (a) $793,616, reflecting legal, audit, printing and other costs incurred for the Company’s May 10, 2007 conversion to a real estate investment trust; and (b) $434,658, reflecting due diligence costs incurred on the Western portfolio deal that was terminated.

The REIT realized a net loss of $3,042,085 for the year ended December 31, 2007 or $0.38 per unit basic and diluted, compared with a net loss of $138,401 or $0.33 per unit basic and diluted for the year ended December 31, 2006. Impacting the per unit amounts is the Offering completed in August 2007.

Net Operating Income

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

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

NOI has not been prepared for the twelve months ended December 31, 2007 with comparatives since all of the REIT’s real estate assets were purchased late in the first quarter 2007.

Net Operating Income – All Properties

	Three months ended December 31, 2007	**Three months ended September 30, 2007**	**Favourable/ (unfavourable) variance**
Revenues from rental properties	**$ 2,990,496**	**$2,034,248**	**$956,248**
Rental property operating costs	**1,296,886**	**746,235**	**(550,651)**
Net operating income	**$ 1,693,610**	**$1,288,013**	**$405,597**

The increase in NOI is primarily due to a full quarter of operations from Cornwall Square which was acquired during the latter part of the third quarter, as well as one month of operations from Châteauguay.

Net Operating Income – Same Properties

	Three months ended December 31, 2007	Three months ended September 30, 2007	Favourable/ (unfavourable) variance
Revenues from rental properties	**$ 2,836,821**	**$ 2,689,498**	**$ 147,323**
Rental property operating costs	**1,242,756**	**1,051,967**	**(190,789)**
Net operating income	**$ 1,594,065**	**$ 1,637,531**	**$ (43,466)**

The same-property NOI includes the operating results for the properties that were owned throughout the current and comparative three month periods (namely the Rona properties and Méga Centre). In addition, Cornwall Square's NOI for the three months ended September 30, 2007 has been grossed-up for a full period as the property was purchased on August 9, 2007.

NOI on a same-property basis, decreased from the prior quarter. Cornwall Square positively impacted same-property NOI by approximately $49,000 due to the full quarter impact of the new leasing activity which occurred during the months of September and October 2007. Méga Centre negatively impacted same-property NOI by approximately $93,000 predominantly due to the tenant which vacated from Méga Centre at the end of the third quarter, as well as an allowance for doubtful accounts taken relating to back-rent owing from one of the other local tenants in the centre.

Funds From Operations

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

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

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

FFO has not been prepared for the twelve months ended December 31, 2007 with comparatives since all of the REIT's real estate assets were purchased late in the first quarter 2007.

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

	Three months ended December 31, 2007	**Three months ended September 30, 2007**
Net (loss) for the period	**$(290,031)**	**$(1,021,814)**
Add amortization of:		
Income producing properties	**600,425**	**510,039**
Deferred costs	**7,211**	**762**
Intangible assets	**358,699**	**118,897**
FFO	**$ 676,304**	**$ (392,116)**
Weighted average units		
Basic	**17,601,912**	**10,918,792**
Diluted	**18,971,912**	**10,918,792**
FFO per unit		
Basic	**$ 0.04**	**$ (0.04)**
Diluted	**$ 0.04**	**$ (0.04)**

FFO increased significantly during the three months ended December 31, 2007 due to the following: (1) the $406,000 increase in NOI as a result of the full quarter impact of the operating results from Cornwall Square and one month of operations for Châteauguay; (2) the $93,000 decrease in general and administrative expenses; (3) the decrease of $455,000 in corporate transaction costs and other which predominantly related to due diligence costs incurred during the third quarter on the Western portfolio deal that was terminated; and (4) higher incentive unit option compensation recorded in the third quarter as a result of the 1,200,000 options granted during that quarter. Impacting the per unit amounts is the Offering completed in August 2007.

Liquidity and Capital Resources

	As at December 31, 2007	As at December 31, 2006
Income producing properties	**$85,718,514**	$ -
Intangible assets	**9,935,606**	-
Deferred costs	**759,250**	-
Cash	**1,423,523**	805,127
Restricted cash	**481,475**	-
Other assets	**1,258,065**	47,867
Total assets	**$99,576,433**	$ 852,994
Mortgage payable	**$36,316,387**	$ -
Credit facilities	**11,500,000**	-
Other liabilities	**2,862,230**	83,858
Total liabilities	**50,678,617**	83,858
Unitholders' equity	**48,897,816**	769,136
Total liabilities and unitholders' equity	**$99,576,433**	$ 852,994

At December 31, 2007, the REIT had total assets of $99,576,433, a significant increase from $852,994 at December 31, 2006, reflecting the acquisitions which occurred during 2007 (Rona properties and Méga Centre in the first quarter, Cornwall Square in the third quarter and Châteauguay in the fourth quarter). Included in the total purchase price allocated for the acquisitions to income producing properties, intangible assets and other liabilities, is total acquisition fees of $463,000 paid to the Manager for Méga Centre, Cornwall Square and Châteauguay pursuant to the terms of the management agreement further described under “Asset Management Agreement”.

Deferred costs of $759,250 represent leasing costs, tenant improvements and deferred recoverable expenditures incurred on Cornwall Square, net of amortization as well as deferred financing costs on the Acquisition Facility and the Bridge Facilities, net of amortization.

Restricted cash of $481,475 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. During the current quarter, $55,995 was released from restricted cash and reimbursed back to the REIT as a result of the REIT completing some of the required capital expenditures. As well, interest income of $12,470 has been earned on these funds.

Other assets of $1,258,065 at December 31, 2007 include deposits and costs on properties under option of $919,266, prepaid expenses of $114,872 which primarily consist of prepaid property taxes and insurance and accounts receivable of $223,927. Within accounts receivable, $88,058 relates to rental revenue recognized on a straight-line basis.

Unitholders’ equity has increased by $48,128,680 during the year ended December 31, 2007. The increase is mainly due to the net proceeds from the two private placements which were completed in February and June 2007, as well as the net proceeds from the Offering and related exercise of the over-allotment option which were completed in August and September 2007. These increases were partially offset by the net loss recorded for the year ended December 31, 2007, as well as $2,241,343 in distributions to unitholders. The REIT commenced monthly cash distributions to unitholders following completion of the Offering with the first cash distribution for the month of August 2007 in an amount of $0.02587 per unit being paid on September 17, 2007 to unitholders of record on August 31, 2007.

Mortgages and Other Financing

Mortgages Payable

The REIT’s objectives in securing mortgages for its properties and managing its long-term debt is to stagger the maturities in order to mitigate against short-term volatilities in the debt markets. The REIT has the following standard first mortgage loans at December 31, 2007:

1. A mortgage in the amount of $27,525,000 which is secured by Méga Centre. The loan is for a 10-year term and is interest-only for the first two years. Thereafter, the loan will be amortized over a 30-year term. The loan bears interest at a rate of 5.32%. The terms of the first mortgage financing required the set up of an initial $525,000 reserve fund with the first mortgage lender to cover future capital expenditures on the property. During the quarter, $55,995 was released from the reserve fund and reimbursed back to the REIT as a result of the REIT completing some of the required capital expenditures.

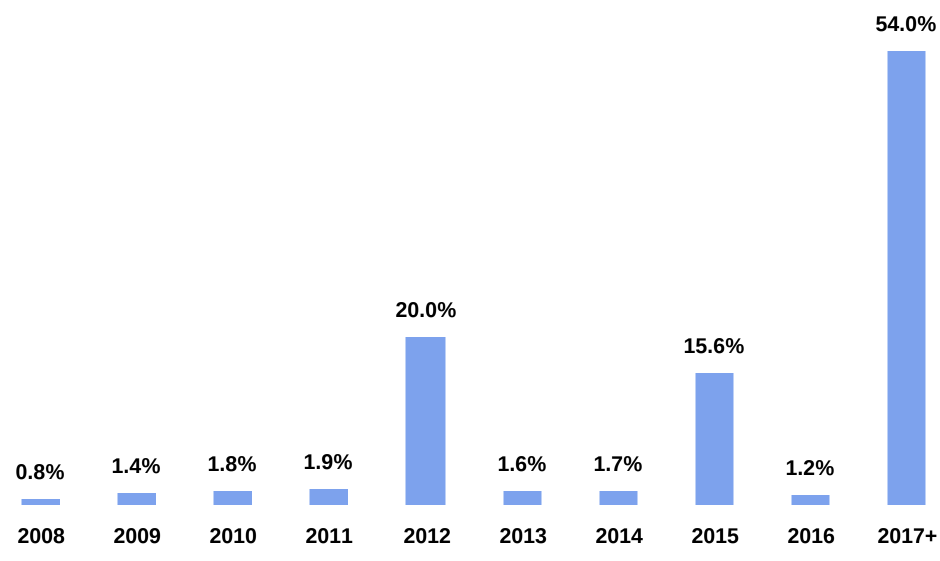
2. A mortgage in the amount of $9,000,000 which is secured by Châteauguay. The loan is for a 5-year term, bears interest at a rate of 5.39% and will be amortized over a 25-year term.

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

Year	**Principal instalment payments**	**Balance maturing**	**Total**	**Contractual interest rate on debt maturing**
2008	**$ 171,306**	**$ -**	**$ 171,306**	
2009	**425,572**	**-**	**425,572**	
2010	**574,619**	**-**	**574,619**	
2011	**606,122**	**-**	**606,122**	
2012	**639,351**	**8,043,365**	**8,682,716**	**5.39%**
Thereafter	**2,136,046**	**23,928,619**	**26,064,665**	**5.32%**
Total	**$4,553,016**	**$31,971,984**	**$36,525,000**	**5.34%**

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

After considering the Place Val Est loan, the REIT's current average term to maturity on its mortgages payable is 8.1 years, and the weighted average contractual interest rate is 5.31%. The following is a 10-year debt maturity table after considering the Place Val Est loan:



Bridge Financing

KingSett Capital and C.A. Bancorp Inc. have each provided the REIT with credit facilities (collectively referred to as the "Bridge Facilities"), for total facilities available of $24,000,000. Of the $24,000,000 available, $10,500,000 was used to fund the acquisition of Méga Centre, with $6,000,000 being drawn on the KingSett Capital facility and $4,500,000 being drawn on the C.A. Bancorp Inc. facility. Both facilities were repaid during the quarter ended September 30, 2007, partly from the proceeds of the Offering and related over-allotment option and partly from drawing down on the REIT's new Acquisition Facility.

Both the KingSett Capital facility and the C.A. Bancorp Inc. facility can be used to fund future acquisitions subject to lender approval of the particular acquisition and other restrictions.

The KingSett Capital facility (the "KingSett Facility") bears interest at an annual rate of 12% and has a 12-month term expiring April 1, 2008. Any principal amount drawn on the KingSett Facility is repayable without penalty, subject to a minimum four month interest payment. The KingSett Facility has been secured by a first mortgage on the Rona properties, a second mortgage on Méga Centre and a general security agreement with the REIT.

The C.A. Bancorp Inc. facility (the "C.A. Bancorp Facility") was initially a $10,000,000 facility and was increased by $4,000,000 in June 2007 in connection with the waiving of conditions on the purchase of Cornwall Square. The C.A. Bancorp Facility bears interest at an annual rate of 12% and has a 2-year term expiring 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.

Acquisition Facility

In connection with the acquisition of Cornwall Square, the REIT obtained the Acquisition Facility. The Acquisition Facility is in the amount of $32,250,000, is for a term of 364 days and 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. 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 . Amounts drawn down under the Acquisition Facility will bear interest at a rate equal to the Bank's prime rate plus 0.75% per annum and Banker's Acceptances will bear interest at a rate equal to the Bank's Acceptance stamping fee plus 1.75% per annum. The Acquisition Facility contains financial covenants with respect to maintaining agreed upon debt-to-gross book value ratios and other tests customary for this type of facility.

During the quarter ended December 31, 2007, $7,500,000 was drawn down under the Acquisition Facility to fund a portion of the Châteauguay acquisition, to pay for deposits on potential acquisitions and for general working capital purposes (year ended December 31, 2007, a net of $11,500,000 was drawn down to fund acquisitions, to pay for deposits on potential acquisitions, for general working capital purposes and to repay the Bridge Facilities). Subsequent to year end, up to the date of this MD&A, a further $7,000,000 has been drawn to fund the Sudbury acquisition and for general working capital purposes.

Financing Costs

The unamortized balance of financing costs of $208,613 at December 31, 2007 relating to mortgages payable, has been netted against the mortgages payable on the balance sheet. The unamortized balance of financing costs of $313,389 at December 31, 2007 relating to the Acquisition Facility and the Bridge Facilities, 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 is a very important aspect to managing the business. In addition, financial leverage is used to enhance returns from purchased real estate. Notwithstanding, it is very important for the REIT to manage its debt profile carefully and maintain a conservative debt-to-gross book value ratio in order to keep a strong balance sheet and allow room for future growth. At the end of the fourth quarter, the REIT has a debt-to-gross book value ratio of approximately 47.1%, calculated as follows:

	As at December 31, 2007
Debt:	
Gross value of mortgages payable	**$ 36,525,000**
Amounts drawn on available credit facilities	**11,500,000**
	$ 48,025,000
Gross Book Value of Assets:	
Total assets	**$ 99,576,433**
Accumulated depreciation and amortization	**2,466,106**
	$102,042,539
Debt-to-Gross Book Value	**47.1%**

After taking into account the Place Val Est acquisition, the REIT's debt-to-gross book value ratio is approximately 53.7%

Cash Flow

Currently the REIT is paying distributions in excess of operating cash flow and FFO and has funded and will fund the excess using its Acquisition Facility. However, over time with additional acquisitions, it is expected that the REIT's cash distributions as a percentage of operating cash flow will decline. The REIT also uses its Acquisition Facility to fund any non-recoverable capital expenditures and leasing costs required on its properties.

	Three months ended December 31,		**Year ended December 31,**	
	2007	2006	**2007**	2006
Net cash provided by (used in) operating activities	**$ 442,479**	$ (24,850)	**$ (478,039)**	$ (95,606)
Net cash provided by (used in) financing activities	**$ 13,860,976**	$ (6,000)	**$ 98,586,900**	$ 488,210
Net cash used in investing activities	**$ (14,574,265)**	$ -	**$ (97,490,465)**	$ -

Cash provided by operating activities was positive for the three months ended December 31, 2007. The net loss for the current quarter was more than offset by the adjustments for depreciation and amortization and other non-cash items. Also impacting the cash provided by operating activities was a negative change in non-cash working capital of $471,000 for the quarter, relating to a net increase in deposits and costs on properties under option of $819,000 and a net decrease in accounts payable and other liabilities of $235,000, partly offset by a decrease in prepaid expenses of $583,000. For the year ended December 31, 2007, cash provided by operating activities was negative mainly as a result of the large net loss recorded and deferred recoverable expenditures, partly offset by adjustments for depreciation and amortization and other non-cash items.

Included in cash provided by operating activities for the year ended December 31, 2007 are deferred recoverable expenditures of $149,558 incurred on Cornwall Square, mainly relating to ongoing maintenance of the parking deck, which is recoverable from the tenants.

For the three months ended December 31, 2007, cash generated from financing activities mainly relates to the new mortgage financing on Châteauguay of $9,000,000 as well as $7,500,000 of drawdowns on the Acquisition Facility. This was partly offset by $1,048,948 in additional cash costs on the Offering incurred in the fourth quarter, as well as $1,366,085 in distributions to unitholders. For the year ended December 31, 2007, cash generated from financing activities relates primarily to the net proceeds from the Offering, $36,525,000 in new mortgage financing on the Méga Centre and Châteauguay properties as well as $11,500,000 in net drawdowns on the Acquisition Facility. This was partly offset by $3,709,894 in cash costs incurred on the Offering and $1,785,981 in distributions to unitholders. Cash generated from financing activities for the year ended December 31, 2007 also includes the net proceeds from the two private placements that took place in the first and second quarter.

Cash used in investing activities for the three months ended December 31, 2007 mainly relates to the acquisition of Châteauguay. Cash used in investing activities for the year ended December 31, 2007 reflects all of the REIT's acquisitions to date – namely the Rona properties, Méga Centre, Cornwall Square and Châteauguay. During the year ended December 31, 2007, a total of $247,294 of cash and accrued tenant improvements were incurred at Cornwall Square relating to

8,337 square feet of new leasing that has occurred since acquisition, as well as from some leasing that took place prior to acquisition but after the REIT had entered into a purchase and sale agreement with the vendor on Cornwall Square. As well, $72,586 of cash and accrued additions to building improvements were incurred at Méga Centre.

Management believes that Méga Centre will require between $500,000 and $750,000 in capital expenditures over the next five years. These expenditures are primarily for roof replacement and parking lot maintenance. The majority of these capital expenditures will be funded out of restricted cash being held by the first mortgage lender on Méga Centre.

Over the past four years there has been ongoing parking deck maintenance at Cornwall Square. Capital expenditures for this maintenance have been approximately $150,000 per year. The REIT expects to continue parking deck maintenance and to spend approximately $150,000 per year, which amount will be recoverable from the tenants. Additionally, between 1996 and 2001 extensive roof repairs were completed. Capital expenditures during this period amounted to an aggregate of approximately $800,000. 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 expenditure 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

In connection with the C.A. Bancorp Facility, interest payable to C.A. Bancorp Inc. for the year ended December 31, 2007 amounted to $204,986. As well, in connection with that facility, total standby fees of $70,000 were paid to C.A. Bancorp Inc.

Pursuant to the management agreement, management fees of $79,138 for the quarter ended December 31, 2007 and $210,096 for the year ended December 31, 2007 were paid and payable to the Manager. Also pursuant to the management agreement, total acquisition fees of $463,000 were paid to the Manager in connection with the acquisitions of Méga Centre, Cornwall Square and Châteauguay.

Quarterly Performance

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

	Q1-2006	**Q2-2006**	**Q3-2006**	**Q4-2006**	**Q1-2007**	**Q2-2007**	**Q3-2007**	**Q4-2007**
Total revenues	$ 3,386	$ 3,829	$ 4,789	$ 8,558	$ 61,206	$1,153,438	$2,048,114	$3,013,462
Expenses	$30,158	$24,912	$36,488	$67,405	$646,039	$2,298,845	$3,069,928	$3,303,493
Net loss	$26,772	$21,083	$31,699	$58,847	$584,833	$1,145,407	$1,021,814	$ 290,031
Net loss per unit – basic & diluted	$ 0.08	$ 0.06	$ 0.08	$ 0.10	$ 0.48	$ 0.52	$ 0.09	$ 0.02

Changes in Accounting Policies

Effective January 1, 2007, the REIT adopted several new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"), including comprehensive income (CICA Section 1530), financial instruments (CICA Section 3855), hedges (CICA Section 3865), accounting changes (CICA Section 1506) and equity (CICA Section 3251). The new standards are described in more detail in Note 3 to the audited consolidated financial statements for the year ended December 31, 2007. There were no transitional adjustments required for the application of these standards.

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.

The CICA released three new accounting standards that are effective for the REIT's fiscal year commencing January 1, 2008. They are: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation. As well, the CICA released one new accounting standard that is effective for the REIT's fiscal year commencing January 1, 2009: Section 3064, Goodwill and Intangible Assets.

Section 1535 includes required disclosures of an entity's objectives, policies and processes for managing capital, and quantitative data about what the entity regards as capital.

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

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 the above-noted new accounting standards on the REIT's future financial statements.

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 audited financial statements for the years ended December 31, 2007 and 2006. Management believes that the policies which are most subject to estimation and management's judgment relate to the following:

Property Acquisitions

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

Impairment of Income Producing Properties

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

Depreciation and Amortization

Depreciation and amortization requires estimates of useful lives 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

It is management's belief that 2008 will be a challenging year for real estate entities. Equity capital markets have nearly dried up for the real estate sector as a result of sub-prime lending concerns and concerns with the asset-backed securities market, which have created a financial liquidity crisis. As well, the general economic state in North America (partly brought on by sub-prime lending activities and asset-backed securities activities) is negatively affecting equity capital markets. These very market conditions which began in mid-2007 affected Charter's Offering as the REIT was not able to raise as much as planned, was required to lower the per unit Offering price, and had to set its distribution at the higher end of the marketing range. Notwithstanding this, the REIT believes that it has a viable business model and a platform on which to grow and further achieve its objectives for unitholders.

Management believes that the REIT is conservatively leveraged. At the end of the fourth quarter, the REIT has a debt-to-gross book value ratio of approximately 47.1% and at the date of this MD&A, approximately $12,700,000 of the Acquisition Facility is available to the REIT (after accounting for the Place Val Est acquisition previously mentioned). 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 $32,000,000 to $36,000,000 while still keeping its debt-to-gross book value ratio at or below 65%. Currently the REIT is paying distributions in excess of operating cash flow and FFO and has funded and will fund the excess using its Acquisition Facility. However, over time with additional acquisitions, it is expected that the REIT's distributions as a percentage of both operating cash flow and FFO will decline. As well, the REIT has initiated a distribution reinvestment plan which has a current subscription of approximately 16% of the issued and outstanding units. Assuming that (i) this level of participation in the distribution reinvestment plan continues and (ii) the REIT continues to pay a monthly distribution equal to $0.02587 per unit, management believes the distribution reinvestment plan will result in savings of approximately $874,000 per year in cash distributions (without taking into account costs associated with the distribution reinvestment plan). As a result, distributions on a cash basis as a percentage of both operating cash flow and FFO would decline.

The REIT will continue to seek additional property acquisitions, like Place Val Est, and currently has an active pipeline of other properties under consideration; however, no assurances can be given that any of these acquisitions will come to fruition as the REIT will be selective in its approach to acquisitions given the state of the capital markets and the importance of preserving capital. The REIT also remains cognizant of the state of the debt markets when considering future acquisitions as debt has become harder to obtain as a result of global liquidity issues. Lenders are reluctant to take on riskier transactions, 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; however, some of the credit spread increase has been offset by lower bond rates and, as a result, overall interest rates (including the credit spread) being obtained on purchased properties are still not far off historical lows.

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.

With respect to tax treatment, the distributions made during 2007 will not be included in the income of a unitholder for tax purposes but will reduce the adjusted cost base of that unitholder's units. Also, as currently structured, management believes that the REIT qualifies as a "real estate investment trust" under the recently passed SIFT tax legislation. Under the SIFT legislation, certain distributions to investors from certain publicly listed or traded trusts and partnerships (or "SIFTs") other than real estate investment trusts, will be subject to tax at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations and will be taxed in the hands of unitholders as though they were a dividend from a taxable Canadian corporation. The result is that SIFTs (other than real estate investment trusts) will be taxed in a similar manner to corporations and their investors will be taxed in a manner similar to investors in a corporation. The SIFT legislation applies 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.

FACTORS THAT MAY AFFECT FUTURE RESULTS

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

The significant risk factors and any corresponding plan to mitigate these risks, where possible, can be found in the REIT's Annual Information Form dated February 22, 2008, which is available on www.sedar.com.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. The Chief Executive Officer and Chief Financial Officer evaluated the design and effectiveness 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 December 31, 2007 and have concluded that such disclosure controls and procedures were appropriately designed and are operating effectively.

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 December 31, 2007 and, based on that assessment, determined that the REIT's internal controls over financial reporting were appropriately designed.

There has been no change in internal controls over financial reporting in the fourth quarter of 2007 that has materially affected, or is reasonably likely to materially affect the REIT's internal controls over financial reporting. In acquiring its properties, the REIT has engaged the services of third-party property managers whose internal controls form part of the 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.