



BUILDING ON A **PROVEN** PLATFORM



THIRD QUARTER REPORT NINE MONTHS ENDED SEPTEMBER 30, 2008.

Quarterly Report to Unitholders

Crombie Real Estate Investment Trust ("Crombie") is an open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. The trust invests in income-producing retail, office and mixed-use properties in Canada, with a future growth strategy focused primarily on the acquisition of retail properties. Crombie currently owns a portfolio of 113 commercial properties in seven provinces, comprising approximately 11.1 million square feet of rentable space.

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Copies of this report are available on the REIT's website www.crombiereit.com or by contacting the Investor Relations at (902) 755- 8100. A copy has also been filed on SEDAR.

The REIT provided additional details concerning its third quarter results on a conference call held Thursday, November 6, 2008. Replay of the call is available on Crombie's website www.crombiereit.com.

Forward-looking Statements

This quarterly report contains forward looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward looking statements necessarily involve known and unknown risks and uncertainties. A number of factors, including those discussed in the annual Management Discussion and Analysis under "Risk Management" in the 2007 Annual Report, could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward looking statements. There can be no assurance that the expectations of management of Crombie will prove to be correct.

Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

Letter to Unitholders

On November 6, 2008, Crombie reported its third quarter results for the quarter ending September 30, 2008. Funds from Operations (FFO) for the third quarter increased by 56.5% to \$19.0 million (\$0.36 per unit) from \$12.1 million (\$0.29 per unit) in the third quarter of 2007. Year-to-date FFO increased by 35.5% to \$51.2 million (\$1.06 per unit) from \$37.8 million (\$0.91 per unit) for the same period of 2007. The improvement for both the quarter and year-to-date periods was due to the portfolio acquisition of 61 retail properties from subsidiaries of Empire Company Limited (the "Portfolio Acquisition") on April 22, 2008, the impact of the individual property acquisitions and improved same-asset net operating income (NOI).

Net income for the third quarter of 2008 was \$2.6 million (\$0.09 per unit) compared to \$2.0 million (\$0.10 per unit) for the third quarter of 2007. Net income for the nine months ended September 30, 2008 was \$9.2 million (\$0.37 per unit) compared to \$6.6 million (\$0.31 per unit) for the same period of 2007.

2008 Third Quarter Highlights

- Crombie completed leasing activity on 101.8% of its 2008 expiring leases as at September 30, 2008, increasing average net rent per square foot to \$12.73 from the expiring rent per square foot of \$12.05, an increase of 5.6%.
- Occupancy for the properties (excluding the Portfolio Acquisition) remained steady at 93.2% compared with June 30, 2008 at 93.3%. Overall occupancy at September 30, 2008 was 94.8%.
- Property revenue for the quarter ended September 30, 2008 increased by \$15.9 million, or 45.6%, to \$51.0 million compared to \$35.1 million for the quarter ended September 30, 2007. The improvement was due to the Portfolio Acquisition, increased same-asset property results and the four individual property acquisitions.
- Same-asset NOI of \$20.7 million increased by \$0.8 million or 4.1%, compared to \$19.9 million for the quarter ended September 30, 2007 due primarily to an increased average rent per square foot (\$12.57 in 2008 versus \$12.18 in 2007).
- The FFO payout ratio for the nine months ended September 30, 2008 was 61.5% which was below the target annual payout ratio of 70.0% and below the payout ratio of 68.7% for the same period of 2007.
- The AFFO payout ratio for the nine months ended September 30, 2008 was 99.0% which was above the target annual AFFO payout ratio of 95.0% and above the payout ratio for 2007 of 95.1%. Crombie anticipates that the annual AFFO payout ratio will approximate the target payout ratio by the end of fiscal 2008.
- Debt to gross book value remained steady at 55.1% at September 30, 2008 compared to 55.1% at June 30, 2008.
- Crombie's debt service coverage ratio for the first nine months of 2008 was 2.00 times EBITDA and interest service coverage ratio was 2.78 times EBITDA, compared to 2.04 times EBITDA and 3.03 times EBITDA, respectively, for the same period in 2007.

Financial Overview

As previously disclosed, on September 30, 2008, Crombie completed fixed rate mortgage financings to refinance \$100 million of the bridge loan used to partially finance the Portfolio Acquisition. The fixed rate mortgages have a weighted average 7.7 year term and a weighted average interest rate of 5.91%.

Same-asset property revenue of \$35.8 million in the third quarter of 2008 and \$105.7 million for year-to-date 2008 was 3.2% higher than the third quarter in 2007 and 3.5% higher than the same period results for 2007 due primarily to increased average rent per square foot results and increased recoverable common area expenses.

Same-asset property expenses of \$15.1 million in the third quarter of 2008 and \$43.7 million for year-to-date 2008 were 2.0% higher than the \$14.8 million for the third quarter of 2007 and 2.5% higher than the \$42.7 million for the year-to-date results for 2007. The increased property expenses were due to increased recoverable common area expenses primarily from increased utility and non-recoverable maintenance costs.

Same-asset NOI for the third quarter of 2008 grew by 4.1% over the same period in 2007 while 2008 year-to-date same-asset NOI grew by 4.3% over the year-to-date results for 2007.

Closing Remarks

Commenting on the year-to-date results, J. Stuart Blair, President and Chief Executive Officer stated: "Crombie's portfolio of primarily grocery anchored retail plazas and freestanding food stores remains defensively positioned to maintain our improved same asset growth in this increasingly difficult economy. We have successfully integrated the 61 properties purchased in April into our operations and are pleased with the results from these properties thus far. We continue to pursue alternatives in order to complete the replacement of the remaining \$180 million of the bridge loan with suitable long-term fixed rate financing and, notwithstanding the current credit market environment, we are still confident we will successfully refinance the remaining balance prior to October 2009."



J. Stuart Blair
President & Chief Executive Officer

November 6, 2008

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MANAGEMENT DISCUSSION AND ANALYSIS

(In thousands of dollars, except per unit amounts)

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Crombie Real Estate Investment Trust ("Crombie") for the quarter and year-to-date ended September 30, 2008, with a comparison to the financial condition and results of operations for the comparable period in 2007.

This discussion and analysis should be read in conjunction with Crombie's consolidated financial statements and accompanying notes for the period ended September 30, 2008, and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2007 and the related MD&A. Information about Crombie can be found on SEDAR at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements that reflect the current expectations of management of Crombie about Crombie's future results, performance, achievements, prospects and opportunities. Wherever possible, words such as "may", "will", "estimate", "anticipate", "believe", "expect", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect current beliefs and are based on information currently available to management of Crombie. Forward-looking statements necessarily involve known and unknown risks and uncertainties. A number of factors, including those discussed under "Risk Management" of the 2007 Annual Report, could cause actual results, performance, achievements, prospects or opportunities to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and a reader should not place undue reliance on the forward-looking statements. There can be no assurance that the expectations of management of Crombie will prove to be correct.

In particular, certain statements in this document discuss Crombie's anticipated outlook of future events. These statements include, but are not limited to:

- (i) the development of new properties under a development agreement, which development activities are undertaken by a related party and thus are not under the direct control of Crombie and whose activities could be impacted by real estate market cycles, the availability of labour and general economic conditions;
- (ii) the acquisition of accretive properties and the anticipated extent of the accretion of any acquisitions, which could be impacted by demand for properties and the effect that demand has on acquisition capitalization rates and changes in interest rates;
- (iii) making improvements to the properties, which could be impacted by the availability of labour and capital resource allocation decisions;
- (iv) generating improved rental income and occupancy levels, which could be impacted by changes in demand for Crombie's properties, tenant bankruptcies, the effects of general economic conditions and competitive supply of retail or office locations in proximity to Crombie locations;
- (v) overall indebtedness levels, which could be impacted by the level of acquisition activity Crombie is able to achieve and future financing opportunities;
- (vi) tax exempt status, which can be impacted by regulatory changes enacted by governmental authorities;
- (vii) anticipated subsidy payments from ECL Developments Limited ("ECL"), which are dependent on tenant leasing and construction activity;
- (viii) anticipated distributions and payout ratios, which could be impacted by seasonality of capital expenditures, results of operations and capital resource allocation decisions;
- (ix) anticipated accretion levels relating to Portfolio acquisitions, which are dependent on financing risks. The accretion levels as stated in the MD&A are based on the anticipated fixed rates of permanent financing rather than the lower current floating interest rates being paid on in-place term financing; and
- (x) anticipated permanent placement of debt financing relating to a Portfolio acquisition which is dependent on financing risks.

Readers are cautioned that such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from these statements. Crombie can give no assurance that actual results will be consistent with these forward-looking statements.

NON-GAAP FINANCIAL MEASURES

There are financial measures included in this MD&A that do not have a standardized meaning under Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants. These measures are property net operating income ("NOI"), adjusted funds from operations ("AFFO"), debt to gross book value, funds from operations ("FFO") and earnings before interest, taxes, depreciation and amortization ("EBITDA"). Management includes these measures because it believes certain investors use these measures as a means of assessing relative financial performance.

INTRODUCTION

Financial and Operational Summary

<i>(in thousands of dollars, except per unit amounts and as otherwise noted)</i>	Quarter Ended September 30, 2008	Quarter Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Month Ended September 30, 2007
Property revenue	\$ 51,044	\$ 35,068	\$ 135,620	\$ 104,780
Net income	\$ 2,563	\$ 2,046	\$ 9,185	\$ 6,601
Basic and diluted net income per Unit	\$ 0.09	\$ 0.10	\$ 0.37	\$ 0.31
FFO	\$ 18,967	\$ 12,117	\$ 51,156	\$ 37,752
FFO per unit ⁽¹⁾	\$ 0.36	\$ 0.29	\$ 1.06	\$ 0.91
FFO payout ratio (%)	61.4%	73.2%	61.5%	68.7%
AFFO	\$ 12,224	\$ 6,080	\$ 31,774	\$ 27,281
AFFO per unit ⁽¹⁾	\$ 0.23	\$ 0.15	\$ 0.66	\$ 0.65
AFFO payout ratio (%)	95.3%	145.8%	99.0%	95.1%
	September 30, 2008	September 30, 2007		
Debt to gross book value ⁽²⁾	55.1%	48.0%		
Total assets	\$ 1,501,214	\$ 1,007,337		
Total commercial property debt and convertible debentures	\$ 849,541	\$ 493,232		

⁽¹⁾ FFO and AFFO per unit are calculated by FFO or AFFO, as the case may be, divided by the diluted weighted average of the total Units and Special Voting Units outstanding of 52,351,464 for the quarter ended September 30, 2008 and 41,728,561 for the quarter ended September 30, 2007, 48,105,571 for the nine months ended September 30, 2008 and 41,724,751 for the nine months ended September 30, 2007.

⁽²⁾ See "Borrowing Capacity and Debt Covenants" for detailed calculation.

Overview of the Business

Crombie is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated January 1, 2006, as amended and restated (the "Declaration of Trust") under, and governed by, the laws of the Province of Ontario. The units of Crombie trade on the Toronto Stock Exchange under the symbol CRR.UN.

Crombie completed its IPO of 20,485,224 units ("Units") on March 23, 2006 for gross proceeds of \$204,852. Concurrent with the initial public offering ("IPO"), Crombie acquired 44 commercial properties in six provinces, totalling approximately 7.2 million square feet (the "Business Acquisition") from certain affiliates of Empire Company Limited ("Empire Subsidiaries"). On April 22, 2008, Crombie purchased a portfolio of 61 retail properties in six provinces, totalling approximately 3.3 million square feet from Empire Subsidiaries.

Crombie invests in income-producing retail, office and mixed-use properties in Canada, with a future growth strategy focused primarily on the acquisition of retail properties. At September 30, 2008, Crombie owned a portfolio of 113 commercial properties in seven provinces, comprising approximately 11.1 million square feet of gross leaseable area ("GLA").

Business Strategy and Outlook

The objectives of Crombie are threefold:

1. Generate reliable and growing cash distributions;
2. Enhance the value of Crombie's assets and maximize long-term unit value through active management; and
3. Expand the asset base of Crombie and increase its cash available for distribution through accretive acquisitions.

Generate reliable and growing cash distributions: Management focuses on improving both the same-asset results while expanding the asset base with accretive acquisitions to grow the cash distributions to unitholders. As at September 30, 2008, after two and a half years of operations, Crombie has been able to increase its distributions three times for a total increase of 11.25%. Crombie has achieved these distribution increases while achieving its annual AFFO payout ratio targets.

Enhance value of Crombie's assets: Crombie anticipates reinvesting approximately 3% to 5% of its property revenue each year into its properties to maintain their productive capacity and thus overall value.

Crombie's internal growth strategy focuses on generating greater rental income from its existing properties. Crombie plans to achieve this by strengthening its asset base through judicious expansion and improvement of existing properties, leasing vacant space at competitive market rates with the lowest possible transaction costs, and maintaining good relations with tenants. Management will continue to conduct regular reviews of properties and, based on its experience and market knowledge, will assess ongoing opportunities within the portfolio.

Expand asset base with accretive acquisitions: Crombie's external growth strategy focuses primarily on accretive acquisitions of income-producing retail properties. Crombie pursues two sources of accretive acquisitions which are third party acquisitions and the relationship with ECL. All acquisitions completed to date have been purchased at costs which ensure they will be immediately accretive to cash available for distribution. The relationship with ECL includes currently owned and future development properties, as well as opportunities through the rights of first refusal ("ROFRs") that one of Empire's subsidiaries has negotiated in many of their leases. Crombie will seek to identify future property acquisitions using investment criteria that focus on the strength of anchor tenancies, market demographics, terms of tenancies, proportion of revenue from national tenants, opportunities for expansion, security of cash flow, potential for capital appreciation and potential for increasing value through more efficient management of the assets being acquired, including expansion and repositioning.

Crombie plans to work closely with ECL to identify development opportunities that further Crombie's external growth strategy. The relationship is governed by a development agreement described in the Material Contracts section of Crombie's Annual Information Form for the year ended December 31, 2007. Through this relationship, Crombie expects to have the benefits associated with development while limiting its exposure to the inherent risks, such as real estate market cycles, cost overruns, labour disputes, construction delays and unpredictable general economic conditions. The development agreement will also enable Crombie to avoid the uncertainties associated with property development, including paying the carrying costs of land, securing construction financing, obtaining development approvals, managing construction projects, marketing in advance of and during construction and earning no return during the construction period.

The development agreement provides Crombie with a preferential right to acquire retail properties developed by ECL, subject to approval by the independent trustees. The history of the relationship between Crombie and ECL continues to provide promising opportunities for growth through future development opportunities on both new and existing sites in Crombie's portfolio.

ECL currently owns approximately 1.3 million square feet in sixteen development properties that can be offered to Crombie on a preferential right through the development agreement when the properties are sufficiently developed to meet Crombie's acquisition criteria. The properties are primarily retail plazas and approximately 60% of the GLA of the sixteen properties is located outside of Atlantic Canada. These properties are anticipated to be made available to Crombie over the next one to four years.

On April 22, 2008, Crombie closed an acquisition of a 61 retail property portfolio representing approximately 3.3 million square feet of GLA (the "Portfolio Acquisition") from Empire Subsidiaries. The cost of the Acquisition to Crombie was \$428,500, excluding closing and transaction costs. The portfolio consists of 40 single-use freestanding Sobeys grocery stores of various Sobeys banners, 20 Sobeys anchored retail strip centres and one Sobeys anchored partially enclosed centre. The GLA of the portfolio is as follows: Atlantic Canada – 78%; Quebec – 7%; and Ontario – 15%.

Crombie received approval by a majority of its unitholders (excluding Empire Subsidiaries and certain of its affiliates and insiders) to proceed with the Acquisition at a meeting held on April 14, 2008.

In order to partially finance the Acquisition, on March 20, 2008, Crombie completed a public offering of 5,727,750 subscription receipts, including the over-allotment option, at a price of \$11.00 per subscription receipt (each subscription receipt converted into one Unit of Crombie upon closing) and \$30,000 of convertible extendible unsecured subordinated debentures (the "Debentures") to a syndicate of underwriters led by CIBC World Markets Inc. and TD Securities Inc. for aggregate gross proceeds of \$93,005.

Empire Subsidiaries took \$55,000 of the purchase price in Class B LP Units of Crombie Limited Partnership at the \$11.00 offering price. Empire holds a 47.9% economic and voting interest in Crombie as of September 30, 2008.

The remainder of the purchase price was satisfied with a \$280,000, 18 month floating rate term financing ("Term Facility") from the Bank of Nova Scotia and a draw on Crombie's revolving credit facility. On September 30, 2008, Crombie completed a refinancing of \$100,000 of the Term Facility with fixed rate mortgages (see "Commercial Property Debt"). It is Crombie's intention to replace the remaining Term Facility by suitable long-term fixed-rate financing.

Crombie expects that the Acquisition will have a positive impact to AFFO per unit and FFO per unit will remain at a consistent level. Debt to gross book value increased from 48.1% at December 31, 2007 to 53.2 % excluding Debentures, which is within Crombie's target ratio of 50% to 55%, and 55.1% including Debentures at September 30, 2008. Both ratios remain under the maximum allowable ratio as per Crombie's Declaration of Trust.

The following table summarizes the key performance measures and balance sheet changes as a result of the Acquisition:

	Crombie for the year ended December 31, 2007	Annualized Pro Forma Effect of Acquisition	Crombie Pro Forma Annualized for Acquisition
Commercial properties	\$ 909,095	\$ 411,262	\$ 1,320,357
Commercial property debt	\$ 500,578	\$ 291,775	\$ 792,353
Property revenue	\$ 143,606	\$ 51,274	\$ 194,880
Property NOI	\$ 84,261	\$ 34,848	\$ 119,109
Units outstanding	21,648,985	5,727,750	27,376,735
Class B LP units outstanding	20,079,576	5,000,000	25,079,576
FFO	\$ 50,809	\$ 13,413	\$ 64,222
FFO/unit	\$ 1.22	\$ 1.25	\$ 1.22
AFFO	\$ 34,842	\$ 12,329	\$ 47,171
AFFO/unit	\$ 0.84	\$ 1.15	\$ 0.90

During the second and third quarters, the actual results of the Portfolio Acquisition were aligned with management's expectations and no events transpired that would give reason to believe that the results will differ materially from the pro forma estimates on an annual basis.

During the second quarter of 2008, Crombie and a purchaser signed a purchase and sale agreement for West End Mall in Halifax, Nova Scotia. The sale closed on October 24, 2008 (see Subsequent Events). Under GAAP, the financial position and operating results have been reclassified on the financial statements for Crombie as Assets Held for Sale and Discontinued Operations on a retroactive basis. The leasing and operating results tables in this MD&A reflect Crombie's results and leasing status as though the sale of the property has already occurred.

Crombie completed its first property acquisition west of Ontario by purchasing River City Centre in Saskatoon, Saskatchewan on June 12, 2008 for \$27,200 excluding closing and transaction costs. The 160,000 square foot site was 100% leased to 13 tenants at the time of purchase.

Business Environment

During the first nine months of 2008, reducing credit availability continued to be a major risk to the interest-rate sensitive Real Estate Investment Trust ("REIT") business environment. As the credit crisis evolved during the months of September and October, the ability of financial institutions to lend money, on any terms, became increasingly difficult and all financial institutions became increasingly risk adverse. Widening credit spreads due to higher risk premiums resulting from lenders' apprehension, largely resulting from the issues faced in the residential sub-prime mortgage market in the United States, have more than offset the decline in Canadian bond yields. This risk aversion has resulted in significantly reduced credit availability and this trend has negatively impacted the unit prices of most REIT's as well as begun to reduce the acquisition prices the real estate market is willing to pay for assets due to the higher cost of capital.

The real estate investment market has begun to see yield increases in light of the widening credit spread and limited liquidity credit environment. In addition, investor interest in real estate has moderated from early 2007, which has resulted in an expansion in capitalization rates. Crombie intends to continue to pursue acquisitions that can be made at values which are accretive and provide an acceptable return. It is anticipated that a number of these acquisitions may result from the relationship between Crombie and ECL.

In terms of occupancy rates, while both the retail and office markets where Crombie has a prominent presence remain relatively stable, the business environment outlook remains uncertain, partially influenced by the pronounced slowdown in the U.S. economy. One offsetting factor to the economic slowdown is that many of Crombie's retail locations are anchored by food stores, which typically are less affected by swings in consumer spending.

2008 THIRD QUARTER HIGHLIGHTS

- Crombie completed leasing activity on 101.8% of its 2008 expiring leases as at September 30, 2008, increasing average net rent per square foot to \$12.73 from the expiring rent per square foot of \$12.05, an increase of 5.6%.
- Occupancy for the properties (excluding the Portfolio Acquisition) remained steady at 93.2% compared with June 30, 2008 at 93.3%. Overall occupancy at September 30, 2008 was 94.8%.
- Property revenue for the quarter ended September 30, 2008 increased by \$15,976, or 45.6%, to \$51,044 compared to \$35,068 for the quarter ended September 30, 2007. The improvement was due to the Portfolio Acquisition, increased same-asset property results and the four individual property acquisitions.
- Same-asset NOI of \$20,681 increased by \$818 or 4.1%, compared to \$19,863 for the quarter ended September 30, 2007 due primarily to an increased average rent per square foot (\$12.57 in 2008 versus \$12.18 in 2007).
- The FFO payout ratio for the nine months ended September 30, 2008 was 61.5% which was below the target annual payout ratio of 70.0% and below the payout ratio of 68.7% for the same period of 2007.
- The AFFO payout ratio for the nine months ended September 30, 2008 was 99.0% which was above the target annual AFFO payout ratio of 95.0% and above the payout ratio for the same period of 2007 of 95.1%. Crombie anticipates that the annual AFFO payout ratio will approximate the target payout ratio by the end of fiscal 2008.
- Debt to gross book value remained steady at 55.1% at September 30, 2008 compared to 55.1% at June 30, 2008.
- Crombie's debt service coverage ratio for the first nine months of 2008 was 2.00 times EBITDA and interest service coverage ratio was 2.78 times EBITDA, compared to 2.04 times EBITDA and 3.03 times EBITDA, respectively, for the same period in 2007.
- On September 30, 2008, Crombie completed a refinancing of \$100,000 of the Term facility with fixed rate mortgages carrying a weighted average interest rate of 5.91% with a weighted average term of 7.7 years (see "Commercial Property Debt").

OVERVIEW OF THE PROPERTY PORTFOLIO

Property Profile

At September 30, 2008, after the reclassification of the property held for sale, the property portfolio consisted of 113 commercial properties that contain approximately 11.1 million square feet of GLA. The properties are located in seven provinces: Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Ontario, Quebec and Saskatchewan.

As at September 30, 2008, the portfolio distribution of the GLA by province was as follows:

Province	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Occupancy ⁽¹⁾
Nova Scotia	41	5,046,000	45.3%	41.1%	94.7%
Ontario	22	1,639,000	14.7%	16.9%	95.3%
New Brunswick	20	1,646,000	14.8%	12.7%	91.8%
Newfoundland and Labrador	13	1,448,000	13.0%	16.6%	94.3%
Quebec	13	817,000	7.3%	7.9%	99.5%
Prince Edward Island	3	385,000	3.5%	3.2%	96.9%
Saskatchewan	1	160,000	1.4%	1.6%	100.0%
Total	113	11,141,000	100.0%	100.0%	94.8%

(1) For purposes of calculating occupancy percentage, Crombie considers GLA covered by the head lease agreement in favour of ECL as occupied as there is head lease revenue being earned on the GLA.

Crombie continues to diversify its geographic composition through growth opportunities, as indicated by the seven acquisitions in Ontario, one acquisition in Quebec and one acquisition in Saskatchewan, plus the Portfolio Acquisition since the IPO. As well, the properties are located in rural and urban locations, which Crombie believes adds stability and future growth potential, while reducing vulnerability to economic fluctuations that may affect any particular region.

Largest Tenants

The following table illustrates the ten largest tenants in Crombie's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum base rent as at September 30, 2008.

Tenant	% of Annual Minimum Rent	Average Remaining Lease Term
Sobeys ⁽¹⁾	32.9%	17.2 years
Empire Theatres	2.2%	9.3 years
Zellers	2.2%	9.2 years
Shoppers Drug Mart	2.0%	7.6 years
Nova Scotia Power/Emera	1.9%	2.5 years
CIBC	1.6%	18.1 years
Province of Nova Scotia	1.5%	6.7 years
Bell (Aliant)	1.4%	9.9 years
Public Works Canada	1.3%	2.6 years
Sears Canada Inc.	1.2%	16.1 years
Total	48.2%	

(1) Excludes Lawtons and Fast Fuel locations.

Crombie's portfolio is leased to a wide variety of tenants. Other than Sobeys, that accounts for 32.9% of the annual minimum rent, no other tenant accounts for more than 2.2% of Crombie's minimum rent.

Crombie has five locations leased to SAAN Stores Ltd. totalling 135,948 square feet of GLA, representing 1.2% of Crombie's total GLA as at June 30, 2008. During the second quarter SAAN ceased operations and came under bankruptcy protection. Total annual rental revenue from the locations was approximately \$293, representing less than 0.1% of Crombie's total property revenue (\$2.16 net rent per square foot). As at September 30, 2008, two of the leases had been taken over by the Bargain Shop and one had been taken over by Hart Stores. The remaining two locations had been disclaimed by the trustee as at September 30, 2008.

Lease Maturities

The following table sets out as of September 30, 2008 the number of leases relating to the properties subject to lease maturities during the periods indicated (assuming tenants do not holdover on a month-to-month basis or exercise renewal options or termination rights), the renewal area, the percentage of the total GLA of the properties represented by such maturities and the estimated average net rent per square foot at the time of expiry. The weighted average remaining term of all leases is approximately 10.4 years.

Year	Number of Leases	Renewal Area (sq. ft.)	% of Total GLA	Average Net Rent per Sq. Ft. at Expiry (\$)
2008	76	230,000	2.1%	\$ 10.59
2009	207	660,000	5.9%	\$ 14.03
2010	199	754,000	6.8%	\$ 12.38
2011	211	1,122,000	10.1%	\$ 13.76
2012	154	778,000	7.0%	\$ 12.18
Thereafter	486	7,017,000	62.9%	\$ 12.80
Total	1,333	10,561,000	94.8%	\$ 12.86

2008 Portfolio Lease Expiries and Leasing Activity

As at September 30, 2008, portfolio lease expiries and leasing activity, excluding the impact of the 2008 acquisitions, for the year ending December 31, 2008 were as follows:

	Retail - Freestanding	Retail - Plazas	Retail - Enclosed	Office	Mixed-use	Total
Expiries (sq. ft.)	--	79,000	247,000	136,000	219,000	681,000
Average net rent per sq. ft.	\$ --	\$ 13.96	\$ 13.32	\$ 10.92	\$ 10.63	\$ 12.05
Committed renewals (sq. ft.)	--	28,000	168,000	80,000	147,000	423,000
Average net rent per sq. ft.	\$ --	\$ 16.65	\$ 12.62	\$ 10.92	\$ 12.45	\$ 12.50
New leasing (sq. ft.)	--	76,000	107,000	63,000	24,000	270,000
Average net rent per sq. ft.	\$ --	\$ 15.38	\$ 10.69	\$ 14.49	\$ 12.83	\$ 13.09
Total renewals and new leasing (sq. ft.)	--	104,000	275,000	143,000	171,000	693,000
Total average net rent per sq. ft.	\$ --	\$ 15.72	\$ 11.87	\$ 12.49	\$ 12.50	\$ 12.73

During the nine months ended September 30, 2008, Crombie had renewals or entered into new leases in respect of approximately 693,000 square feet at an average net rent of \$12.73 per square foot, compared with expiries for 2008 of approximately 681,000 square feet at an average net rent of \$12.05 per square foot. Of the 681,000 square feet of expiries, approximately 133,000 square feet involve tenants that are still paying property revenues on a holdover basis. Rent per square foot for the completed new leasing activity in the retail enclosed properties is below the average net rent per square foot of total expiries in 2008 due primarily to four relatively larger leases in three smaller rural locations that averaged \$6.50 per square foot. Rent per square foot for the renewals in the retail enclosed properties was lower than the average expiry rate due to the renewal of a long term tenant at previously negotiated terms favourable to the tenant.

Sector Information

As at September 30, 2008, the portfolio distribution of the GLA by asset type was as follows:

Asset Type	Number of Properties	GLA (sq. ft.)	% of GLA	% of Annual Minimum Rent	Occupancy ⁽¹⁾
Retail - Freestanding	42	1,675,000	15.0%	15.5%	100.0%
Retail - Plazas	44	3,954,000	35.5%	37.0%	96.1%
Retail - Enclosed	14	2,755,000	24.7%	24.6%	90.4%
Office	5	1,049,000	9.4%	9.1%	89.7%
Mixed-Use	8	1,708,000	15.4%	13.8%	96.8%
Total	113	11,141,000	100.0%	100.0%	94.8%

(1) For purposes of calculating occupancy percentage, Crombie considers GLA covered by the head lease agreement in favour of ECL as occupied.

During the third quarter, approximately 21,000 square feet of space at Halifax Developments properties (as defined in Crombie's Annual Information Form) in Halifax, Nova Scotia was reclassified between office and mixed-use as a result of the relocation of a tenant within the complex.

The following table sets out as of September 30, 2008, the square feet under lease subject to lease maturities during the periods indicated.

Year	Retail - Freestanding		Retail - Plazas		Retail - Enclosed	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2008	--	--	110,000	2.8%	46,000	1.7%
2009	--	--	184,000	4.7%	208,000	7.5%
2010	--	--	261,000	6.6%	102,000	3.7%
2011	1,000	0.1%	323,000	8.2%	122,000	4.4%
2012	5,000	0.3%	268,000	6.7%	143,000	5.2%
Thereafter	1,669,000	99.6%	2,655,000	67.1%	1,871,000	67.9%
Total	1,675,000	100.0%	3,801,000	96.1%	2,492,000	90.4%
Year	Office		Mixed-Use		Total	
	(sq. ft.)	(%)	(sq. ft.)	(%)	(sq. ft.)	(%)
2008	18,000	1.7%	56,000	3.3%	230,000	2.1%
2009	87,000	8.3%	181,000	10.6%	660,000	5.9%
2010	75,000	7.1%	316,000	18.5%	754,000	6.8%
2011	367,000	35.0%	309,000	18.1%	1,122,000	10.1%
2012	110,000	10.5%	252,000	14.8%	778,000	7.0%
Thereafter	284,000	27.1%	538,000	31.5%	7,017,000	62.9%
Total	941,000	89.7%	1,652,000	96.8%	10,561,000	94.8%

The following table sets out the average net rent per square foot expiring during the periods indicated.

Year	Retail - Freestanding	Retail - Plazas	Retail - Enclosed	Office	Mixed-Use
2008	--	\$ 9.67	\$ 14.85	\$ 13.59	\$ 7.94
2009	--	\$ 14.95	\$ 15.32	\$ 12.16	\$ 12.53
2010	--	\$ 14.01	\$ 19.37	\$ 11.54	\$ 8.98
2011	\$ 37.50	\$ 14.44	\$ 21.66	\$ 14.14	\$ 9.38
2012	\$ 25.00	\$ 12.82	\$ 19.23	\$ 9.70	\$ 8.32
Thereafter	\$ 13.20	\$ 13.23	\$ 11.65	\$ 11.85	\$ 13.88
Total	\$ 13.25	\$ 13.34	\$ 13.28	\$ 12.53	\$ 10.91

2008 RESULTS OF OPERATIONS

Acquisitions

The following table outlines the acquisitions made which affected the results of operations when compared to the previous year's results. The following acquisitions took place between January 2007 and September 2008.

Property	Date Acquired	Property Type	GLA (sq. ft.)	Acquisition Cost ⁽¹⁾	Ownership Interest
The Mews of Carleton Place, Carleton Place, Ontario	January 17, 2007	Retail - Plaza	80,000	\$ 11,800	100%
Perth Mews Shopping Mall, Perth, Ontario	March 7, 2007	Retail - Plaza	103,000	\$ 17,900	100%
International Gateway Centre, Fort Erie, Ontario	July 26, 2007	Retail - Plaza	93,000	\$ 19,200	100%
Brossard-Lonqueuil, Brossard, Quebec	August 4, 2007	Retail - Freestanding	39,000	\$ 7,300	100%
Town Centre, LaSalle, Ontario	October 15, 2007	Retail - Plaza	88,000	\$ 12,700	100%
Portfolio Acquisition	April 22, 2008	Retail - Freestanding	1,589,000	\$ 428,500	100%
		Retail - Plaza	1,571,000		100%
		Retail - Enclosed	128,000		100%
River City Centre, Saskatoon, Saskatchewan	June 12, 2008	Retail - Plaza	160,000	\$ 27,200	100%
Total			3,851,000	\$ 524,600	

(1) Excluding closing and transaction costs.

Comparison to Previous Year

<i>(In thousands of dollars, except where otherwise noted)</i>	Nine Months Ended		Variance
	September 30, 2008	September 30, 2007	
Property revenue	\$ 135,620	\$ 104,780	\$ 30,840
Property expenses	51,416	43,480	(7,936)
Property NOI	84,204	61,300	22,904
NOI margin percentage	62.1%	58.5%	3.6%
Expenses:			
General and administrative	5,935	5,685	(250)
Interest	27,914	18,336	(9,578)
Depreciation and amortization	30,592	20,791	(9,801)
	64,441	44,812	(19,629)
Income from continuing operations before other items, income taxes and non-controlling interest	19,763	16,488	3,275
Other items	124	--	124
Income from continuing operations before income taxes and non-controlling interest	19,887	16,488	3,399
Income taxes expense - Future	1,960	4,024	2,064
Income from continuing operations before non-controlling interest	17,927	12,464	5,463
Write down of asset held for sale	(895)	--	(895)
Income from discontinued operations	625	262	363
Income before non-controlling interest	17,657	12,726	4,931
Non-controlling interest	8,472	6,125	(2,347)
Net income	\$ 9,185	\$ 6,601	\$ 2,584
Basic and diluted net income per Unit	\$ 0.37	\$ 0.31	
Basic weighted average Units outstanding (in 000's)	24,917	21,532	
Diluted weighted average Units outstanding (in 000's)	25,033	21,645	

Net income for the nine months ended September 30, 2008 of \$9,185 increased by \$2,584 from \$6,601 for the nine months ended September 30, 2007. The increase was primarily due to:

- higher property NOI from the increased average rent per square foot of the same-asset properties as well as the impact from the individual property acquisitions after January 1, 2007 and the Portfolio Acquisition; offset in part by
- higher interest and depreciation charges, due primarily to the individual property acquisitions after January 1, 2007 and the Portfolio Acquisition.

Property Revenue and Property Expenses

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset property revenue	\$ 105,700	\$ 102,079	\$ 3,621
Acquisition property revenue	29,920	2,701	27,219
Property revenue	\$ 135,620	\$ 104,780	\$ 30,840

Same-asset property revenue of \$105,700 for the nine months ended September 30, 2008 was 3.5% higher than the nine months ended September 30, 2007 due primarily to the increased average rent per square foot (\$12.26 in 2008 and \$12.10 in 2007) and increased revenue from higher recoverable common area expenses.

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset property expenses	\$ 43,738	\$ 42,692	\$ 1,046
Acquisition property expenses	7,678	788	6,890
Property expenses	\$ 51,416	\$ 43,480	\$ 7,936

Same-asset property expenses of \$43,738 for the nine months ended September 30, 2008 were 2.5% higher than the nine months ended September 30, 2007 due to increased recoverable common area expenses primarily from increased utility and snow removal costs, and increased non-recoverable maintenance costs.

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset property NOI	\$ 61,962	\$ 59,387	\$ 2,575
Acquisition property NOI	22,242	1,913	20,329
Property NOI	\$ 84,204	\$ 61,300	\$ 22,904

Same-asset NOI for the nine months ended September 30, 2008 grew by 4.3% over the nine months ended September 30, 2007.

Property NOI for the nine months ended September 30, 2008 by region was as follows:

<i>(In thousands of dollars)</i>	2008			2007		Variance
	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue	
Nova Scotia	\$ 63,748	\$ 26,876	\$ 36,872	57.8%	53.7%	4.1%
Newfoundland and Labrador	20,341	6,525	13,816	67.9%	64.3%	3.6%
New Brunswick	16,816	7,427	9,389	55.8%	50.4%	5.4%
Ontario	22,650	7,500	15,150	66.9%	66.9%	-- %
Prince Edward Island	3,642	1,031	2,611	71.7%	73.1%	(1.4)%
Quebec	7,554	1,844	5,710	75.6%	74.2%	1.4%
Saskatchewan	869	213	656	75.5%	-- %	-- %
Total	\$ 135,620	\$ 51,416	\$ 84,204	62.1%	58.5%	3.6%

The overall increase in NOI % of revenue, as well as specific provincial increases in Nova Scotia, Quebec and Newfoundland and Labrador, was primarily due to the Portfolio Acquisition, as well as the growth in same-asset NOI. Prince Edwards Island's decrease in NOI % of revenue is attributable to the increased non-recoverable paving repairs incurred in 2008 as compared to 2007, partially offset by the acquisition activity in that province. New Brunswick's growth in NOI % of revenue includes the effect of the Portfolio Acquisition, the completion of the redevelopment of Uptown Centre in Fredericton, and the collection of previously allowed-for receivables for SAAN stores that had undergone bankruptcy protection during the first quarter of 2008.

General and Administrative Expenses

The following table outlines the major categories of general and administrative expenses.

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Salaries and benefits	\$ 2,891	\$ 2,843	\$ 48
Professional fees	1,181	859	322
Public company costs	795	642	153
Rent and occupancy	512	752	(240)
Other	556	589	(33)
General and administrative costs	\$ 5,935	\$ 5,685	\$ 250
As a percentage of revenue	4.4%	5.4%	(1.0)%

General and administrative expenses increased by 4.4% for the nine months ended September 30, 2008 to \$5,935 compared to \$5,685 for the nine months ended September 30, 2007. The increase in expenses was primarily due to additional staff hired for ongoing acquisition activity and head office support functions, increased information technology consulting costs, increased travel costs related to potential acquisition properties and leasing activity and the Portfolio Acquisition. Rent and occupancy costs have decreased as a result of the negotiation of more favourable lease terms at the head office.

Interest Expense

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset interest expense	\$ 16,974	\$ 17,426	\$ (452)
Acquisition interest expense	10,940	910	10,030
Interest expense	\$ 27,914	\$ 18,336	\$ 9,578

Same-asset interest expense of \$16,974 for the nine months ended September 30, 2008 decreased by 2.6% when compared to the nine months ended September 30, 2007 due to the declining interest portion of debt repayments for the same-assets combined with effects of reduced interest rates on some fixed rate mortgages that have been renegotiated since September 30, 2007 and a decrease in the effective interest rate on the revolving credit facility.

There is an agreement between ECL and Crombie whereby ECL provides a monthly interest rate subsidy to Crombie to reduce the effective interest rates to 5.54% on certain mortgages that were assumed on closing of the Business Acquisition for their remaining term. Over the term of this agreement, management expects this subsidy to aggregate to the amount of approximately \$20,564. The amount of the interest rate subsidy recorded during the nine months ended September 30, 2008 was \$2,536 (nine months ended September 30, 2007 - \$2,692). The interest rate subsidy is received by Crombie through monthly repayments by ECL of amounts due under one of the demand notes issued by ECL to Crombie Developments Limited ("CDL") prior to the Business Acquisition.

Depreciation and Amortization

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset depreciation and amortization	\$ 20,484	\$ 19,721	\$ 763
Acquisition depreciation and amortization	10,108	1,070	9,038
Depreciation and amortization	\$ 30,592	\$ 20,791	\$ 9,801

Same-asset depreciation and amortization of \$20,484 for the nine months ended September 30, 2008 was 3.9% higher than the nine months ended September 30, 2007 due primarily to depreciation on fixed asset additions incurred since September 30, 2007. Depreciation and amortization consists of:

<i>(In thousands of dollars)</i>	Nine Months Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Depreciation of commercial properties	\$ 11,903	\$ 9,052	\$ 2,851
Amortization of tenant improvements/lease costs	2,457	1,819	638
Amortization of intangible assets	16,232	9,920	6,312
Depreciation and amortization	\$ 30,592	\$ 20,791	\$ 9,801

Future Income Taxes

A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders or be subject to the restrictions on its growth that would apply to trusts classified as specified investment flow-through entities ("SIFTs").

Crombie believes it has organized its assets and operations to permit Crombie to satisfy the criteria contained in the Income Tax Act (Canada) in regard to the definition of a REIT. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

During 2007 Crombie's management and their advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that it meets the REIT criteria at January 1, 2008.

In addition, the issuance of proposed technical amendments on December 20, 2007 provided further clarity to the tax rules and criteria that were part of Bill C-52 and applicable to Crombie. While Crombie did not rely on these proposed technical amendments, they do provide more certainty that Crombie qualifies as a REIT.

The future income tax expenses represent the future tax provision of the wholly-owned corporate subsidiary which is subject to income taxes.

During 2007, Crombie recorded a future income tax expense of \$1,850 as a result of proposed tax legislation. As a result of the review of Crombie's operations, this expense was reversed at year end and is the primary cause for the favourable difference in 2008 of \$2,064.

Sector Information

Retail Freestanding Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine months ended Sep. 30, 2008			Nine months ended Sep. 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 600	\$ 11,878	\$ 12,478	\$ 513	\$ 58	\$ 571
Property expenses	75	2,809	2,884	42	6	48
Property NOI	\$ 525	\$ 9,069	\$ 9,594	\$ 471	\$ 52	\$ 523
NOI Margin %	87.5%	76.4%	76.9%	91.8%	89.8%	91.6%
Occupancy %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The improvement in the retail freestanding property NOI was caused by the Portfolio Acquisition.

Retail Plaza Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine months ended Sep. 30, 2008			Nine months ended Sep. 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 26,051	\$ 17,355	\$ 43,406	\$ 25,787	\$ 2,643	\$ 28,430
Property expenses	8,141	4,720	12,861	9,028	782	9,810
Property NOI	\$ 17,910	\$ 12,635	\$ 30,545	\$ 16,759	\$ 1,861	\$ 18,620
NOI Margin %	68.7%	72.8%	70.4%	65.0%	70.4%	65.5%
Occupancy %	94.7%	97.4%	96.1%	95.2%	95.3%	95.2%

The improvement in the retail plaza property NOI was primarily caused by the Portfolio Acquisition, as well as higher NOI in the same-asset properties due to the improved average net rent per square foot figures achieved in the prior year renewal and new leasing activity.

Retail Enclosed Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine months ended Sep. 30, 2008			Nine months ended Sep. 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 34,994	\$ 687	\$ 35,681	\$ 33,978	\$ --	\$ 33,978
Property expenses	13,046	149	13,195	12,804	--	12,804
Property NOI	\$ 21,948	\$ 538	\$ 22,486	\$ 21,174	\$ --	\$ 21,174
NOI Margin %	62.7%	78.3%	63.0%	62.3%	--%	62.3%
Occupancy %	90.4%	92.1%	90.4%	92.4%	--%	92.4%

The improvement in NOI was primarily caused by the Portfolio Acquisition.

Office Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine months ended Sep. 30, 2008			Nine months ended Sep. 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 17,504	\$ --	\$ 17,504	\$ 16,340	\$ --	\$ 16,340
Property expenses	9,416	--	9,416	9,109	--	9,109
Property NOI	\$ 8,088	\$ --	\$ 8,088	\$ 7,231	\$ --	\$ 7,231
NOI Margin %	46.2%	--%	46.2%	44.3%	--%	44.3%
Occupancy %	89.7%	--%	89.7%	91.0%	--%	91.0%

The improved occupancy levels at the Halifax Developments Properties were offset by decreased occupancy in Terminal Centres in Moncton, New Brunswick. Higher net rents per square foot at the Halifax Developments Properties resulted in the higher property NOI and NOI margin % for the office properties in the first nine months of 2008 compared to the first nine months of 2007.

Mixed-use Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Nine months ended Sep. 30, 2008			Nine months ended Sep. 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 26,551	\$ --	\$ 26,551	\$ 25,461	\$ --	\$ 25,461
Property expenses	13,060	--	13,060	11,709	--	11,709
Property NOI	\$ 13,491	\$ --	\$ 13,491	\$ 13,752	\$ --	\$ 13,752
NOI Margin %	50.8%	--%	50.8%	54.0%	--%	54.0%
Occupancy %	96.8%	--%	96.8%	95.5%	--%	95.5%

The slight increase in mixed-use occupancy levels from 95.5% in 2007 to 96.8% in 2008 and improved average net rent per square foot from leasing activity were offset by higher operating expenses, resulting in the lower NOI results for the nine months ended September 30, 2008 when compared to the nine months ended September 30, 2007. The NOI margin has decreased as a result of increased common area expenses which are partially recovered from tenants and an increase in non-recoverable maintenance expenses in 2008 compared to 2007.

OTHER 2008 PERFORMANCE MEASURES

FFO and AFFO are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. As such, these non-GAAP financial measures should not be considered as an alternative to net income, cash flow from operations or any other measure prescribed under GAAP. FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. AFFO is presented in this MD&A because management believes this non-GAAP measure is relevant to the ability of Crombie to earn and distribute returns to unitholders. FFO and AFFO as computed by Crombie may differ from similar computations as reported by other REIT's and, accordingly, may not be comparable to other such issuers.

Funds from Operations

FFO represents a supplemental non-GAAP industry-wide financial measure of a real estate organization's operating performance. Crombie has calculated FFO in accordance with the recommendations of the Real Property Association of Canada ("RealPAC") which defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable real estate and extraordinary items, plus depreciation and amortization expense, plus future income taxes, and after adjustments for equity-accounted entities and non-controlling interests. Crombie's method of calculating FFO may differ from other issuers' methods and accordingly may not be directly comparable to FFO reported by other issuers. A calculation of FFO for the nine months ended September 30, 2008 and 2007 is as follows:

<i>(In thousands of dollars)</i>	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007	Variance
Net income	\$ 9,185	\$ 6,601	\$ 2,584
Add:			
Non-controlling interest	8,472	6,125	2,347
Depreciation and amortization	30,592	20,791	9,801
Depreciation and amortization on discontinued operations	129	211	(82)
Future income taxes	1,960	4,024	(2,064)
Write down of asset held for sale	895	--	895
Less:			
Gain on disposition of land	(77)	--	(77)
FFO	\$ 51,156	\$ 37,752	\$ 13,404

The improvement in FFO for the nine months ended September 30, 2008 was primarily due to higher property NOI as a result of the individual acquisitions, the Portfolio Acquisition and the improved same-asset results, offset in part by the increased interest expense related to the acquisitions.

Adjusted Funds from Operations

Crombie considers AFFO to be a measure of its distribution-generating ability. AFFO reflects cash available for distribution after the provision for non-cash adjustments to revenue, maintenance capital expenditures, tenant improvements ("TI") and lease costs. The calculation of AFFO for the nine months ended September 30, 2008 and 2007 is as follows:

<i>(In thousands of dollars)</i>	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007	Variance
FFO	\$ 51,156	\$ 37,752	\$ 13,404
Add:			
Above market lease amortization	2,286	2,148	138
Non-cash revenue impacts on discontinued operations	14	61	(47)
Less:			
Below market lease amortization	(5,145)	(3,219)	(1,926)
Straight-line rent adjustment	(1,759)	(1,074)	(685)
Maintenance capital expenditures (net of amounts recoverable from ECL)	(7,066)	(2,683)	(4,383)
Additions to TI and lease costs (net of amounts recoverable from ECL)	(7,712)	(5,704)	(2,008)
AFFO	\$ 31,774	\$ 27,281	\$ 4,493

The AFFO result for the nine months ended September 30, 2008 was affected by the increase in FFO for the period, partially offset by higher maintenance TI and capital expenditures. Details of the maintenance TI and capital expenditures are outlined in the "Tenant Improvement and Capital Expenditures" section of the MD&A.

Pursuant to CSA Staff Notice 52-306 "(Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable GAAP measure, which is interpreted to be the cash flow from operating activities rather than net income. The reconciliation is as follows:

<i>(In thousands of dollars)</i>	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007	Variance
Cash provided by operating activities	\$ 35,286	\$ 14,746	\$ 20,540
Add back (deduct):			
Recoverable/productive capacity enhancing TIs	1,946	3,309	(1,363)
Change in non-cash operating items	2,465	12,242	(9,777)
Unit-based compensation expense	(31)	(28)	(3)
Amortization of deferred financing charges	(826)	(305)	(521)
Maintenance capital expenditures (net of amounts recoverable from ECL)	(7,066)	(2,683)	(4,383)
AFFO	\$ 31,774	\$ 27,281	\$ 4,493

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest into the portfolio through capital expenditures, as well as fund TI costs and distributions. In addition, Crombie has the following sources of financing available to finance future growth: secured short-term financing through an authorized \$150,000 revolving credit facility (available for drawdown at September 30, 2008 - \$148,426), of which \$121,585 was drawn at September 30, 2008, and the issue of new equity and mortgage debt, pursuant to the Declaration of Trust.

<i>(In thousands of dollars)</i>	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007	Variance
Cash provided by (used in):			
- Operating activities	\$ 35,286	\$ 14,746	\$ 20,540
- Financing activities	\$ 367,838	\$ 37,494	\$ 330,344
- Investing activities	\$ (405,832)	\$ (53,420)	\$ (352,412)

Operating Activities

<i>(In thousands of dollars)</i>	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007	Variance
Cash provided by (used in):			
Net income and non-cash items	\$ 47,409	\$ 36,001	\$ 11,408
Tenant improvements and leasing costs	(9,658)	(9,013)	(645)
Non-cash working capital	(2,465)	(12,242)	9,777
Cash provided by operating activities	\$ 35,286	\$ 14,746	\$ 20,540

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments. The \$12,242 decrease in non-cash working capital in 2007 was primarily due to payables and accruals associated with construction projects undertaken in 2006 that were substantially complete by 2007. Of the TI and leasing costs in 2008, \$1,495 was covered by the non-interest bearing demand notes from ECL (\$3,309 in 2007). The increase in the TI and leasing costs in the first nine months of 2008 is outlined in the "Tenant Improvements and Capital Expenditures" section of the MD&A.

Financing Activities

<i>(In thousands of dollars)</i>	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007	Variance
Cash provided by (used in):			
Net issue of commercial property debt	\$ 467,232	\$ 77,226	\$ 390,006
Net issue of convertible debentures	28,786	--	28,786
Net issue of public units	60,997	--	60,997
Redemption of public units	(1,375)	--	(1,375)
Repayment of commercial property debt	(157,519)	(30,525)	(126,994)
Collection of ECL notes receivable	5,234	16,350	(11,116)
Payment of distributions	(31,468)	(25,941)	(5,527)
Other items (net)	(4,049)	384	(4,433)
Cash provided by (used in) financing activities	\$ 367,838	\$ 37,494	\$ 330,344

Cash provided by financing activities for the nine months ended September 30, 2008 was \$330,344 higher than the nine months ended September 30, 2007 primarily due to the issue of gross proceeds related to the financing of the Portfolio Acquisition: \$280,000 of term financing; \$30,000 of convertible debentures and the issuance of \$63,005 of Units of Crombie.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2008 was \$405,832. Of this, \$389,405 was used for the Portfolio Acquisition and the purchase of River City Centre in Saskatoon, Saskatchewan while \$16,614 was used for additions to commercial properties. Of the cash used in additions to commercial properties, \$3,941 was for the eight commercial properties covered by non-interest bearing demand notes from ECL. Of cash used in investing activities for the nine months ended September 30, 2007 \$42,155 was used for acquisition of four properties, net of assumed mortgages, and \$11,265 was due to additions to commercial properties. Included in the 2007 additions to commercial properties is approximately \$5,198 for the eight commercial properties covered by non-interest bearing demand notes from ECL.

Tenant Improvement and Capital Expenditures

There are two types of TI and capital expenditures:

- maintenance TI and capital expenditures that maintain existing productive capacity and;
- productive capacity enhancement expenditures.

Maintenance TI and capital expenditures are reinvestments in the portfolio to maintain the productive capacity of the existing assets. These costs are capitalized and depreciated over their useful lives and deducted when calculating AFFO.

Productive capacity enhancement expenditures are costs incurred that increase the property level NOI, or expand the GLA of a property, by a minimum threshold and thus enhance the property's overall value. These costs are then evaluated to ensure they are fully financeable. Productive capacity enhancement expenditures are capitalized and depreciated over their useful lives, but not deducted when calculating AFFO as they are considered financeable rather than having to be funded from operations.

Expenditures for TI's occur when renewing existing tenant leases or for new tenants occupying a new space. Typically, leasing costs for existing tenants are lower on a per square foot basis than for new tenants. However, new tenants may provide more overall cash flow to Crombie through higher rents or improved traffic to a property. The timing of such expenditures fluctuates depending on the satisfaction of contractual terms contained in the leases.

<i>(In thousands of dollars)</i>	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Total additions to commercial properties	\$ 16,614	\$ 11,265
Less: amounts recoverable from ECL	(3,941)	(5,198)
Net additions to commercial properties	12,673	6,067
Less: productive capacity enhancements	(5,607)	(3,384)
Maintenance capital expenditures	\$ 7,066	\$ 2,683

<i>(In thousands of dollars)</i>	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Total additions to TI and leasing costs	\$ 9,658	\$ 9,013
Less: amounts recoverable from ECL	(1,495)	(3,309)
Net additions to TI and leasing costs	8,163	5,704
Less: productive capacity enhancements	(451)	--
Maintenance TI and leasing costs	\$ 7,712	\$ 5,704

The higher maintenance TI expenditures during the first nine months was primarily due to early renegotiation of lease renewals that were scheduled to expire in 2009 which will have higher average net rents per square foot on an ongoing basis. At our Halifax Developments Properties offices in Halifax, Nova Scotia, a total of 195,000 square feet of GLA set to expire in 2009 was renewed with several tenants resulting in an overall increase to minimum per square foot rent of 12.9% at a cost of \$2,823.

Maintenance capital expenditures increased during the first nine months of 2008 compared to 2007 due to parking deck and structural repairs at Scotia Parkade, scheduled roof repairs at Perth Mews and common area renovations at Brunswick Place. As well, the portion of expenditures undertaken in the productive capacity enhancement category that Crombie deems to be non-financeable is included in the maintenance capital expenditure costs.

Productive capacity enhancements during the first nine months consisted of new pad sites for Royal Bank at St. Romuald, Quebec, TD Bank at Brampton, Ontario, and retail expansion at Mill Cove Plaza in Bedford, Nova Scotia, as well as three liquor store expansions at Sobey stores at Conception Bay and Ropewalk Lane, both in Newfoundland and Labrador and in Spryfield, Nova Scotia.

Capital Structure

<i>(In thousands of dollars)</i>	Sep. 30, 2008	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sep. 30, 2007
Commercial property debt	\$ 820,634	\$ 811,845	\$ 466,779	\$ 493,729	\$ 486,563
Convertible debentures	\$ 28,907	\$ 28,847	\$ 28,624	\$ --	\$ --
Non-controlling interest	\$ 218,205	\$ 224,871	\$ 172,249	\$ 177,919	\$ 179,457
Unitholders' equity	\$ 236,241	\$ 243,472	\$ 184,740	\$ 190,834	\$ 192,477

Commercial Property Debt

As of September 30, 2008, Crombie had fixed rate mortgages outstanding of \$512,590 (\$524,307 after including the marked-to-market adjustment of \$11,717), carrying a weighted average interest rate of 5.55% (after giving effect to a monthly interest rate subsidy from ECL under an omnibus subsidy agreement) and an average term to maturity of 7.2 years.

On April 22, 2008, Crombie entered into an 18 month floating rate Term Facility of \$280,000 to partially finance the Portfolio Acquisition. The floating interest rate is based on a margin over prime on the Banker Acceptance Rate, which margin increases over time. As security for the Term Facility, Crombie provided an unconditional guarantee and shall at any time on or after the 90th day following the closing of the acquisition, if requested by the lender, grant a charge on all or certain of the acquired properties together with an assignment of leases. On September 30, 2008, Crombie completed the mortgage financing to refinance \$100,000 of the Term Facility. The fixed rate mortgages have a weighted average interest 7.7 year term, with a 25 year amortization, and a weighted average interest rate of 5.91%. Factoring in the deferred financing costs and cost of delayed interest rate swap hedges placed upon assumption of the Term Facility, the overall weighted average interest rate is 6.21%. This overall weighted average interest rate is 14 basis points lower than the 6.35% rate used to model the pro forma accretion of the Portfolio Acquisition. On October 14, 2008, the lender did request to securitize the remaining \$180,000 of the Term Facility. The terms of that facility have otherwise not changed. The Term Facility contains financial and non-financial covenants that are customary for a credit facility of this nature and which mirror the covenants set forth in the revolving credit facility.

Crombie has in place an authorized floating rate revolving credit facility of \$150,000 (available for drawdown at September 30, 2008 - \$148,426), \$121,585 of which was drawn upon as at September 30, 2008. The revolving credit facility is secured by a pool of first and second mortgages and negative pledges on certain assets. During the second quarter of 2008, the maturity date of the floating rate revolving credit facility was extended to June 30, 2011.

On August 7, 2008, Crombie signed a commitment letter to refinance a prior mortgage on the Port Colborne property in Ontario. The commitment was for \$6,175 with a five year term and an interest rate based on a 250 basis point spread over the Government of Canada five year bond rate or 6.0%, which ever is higher. The closing of the financing is anticipated to occur in the fourth quarter of 2008. Proceeds from the financing will be used to reduce the revolving credit facility.

On August 28, 2008, Crombie completed the refinancing of an existing mortgage on the freestanding store at 318 Ontario Street in Ontario. The new fixed rate mortgage of \$4,600 provided funds of \$4,584 (net of fees). The interest rate on the new mortgage is 5.73% with a maturity date of September 2013. The funds provided were used to reduce the revolving credit facility.

On September 10, 2008, Crombie completed the refinancing of an existing mortgage on the South Pelham Market Plaza in Ontario. The new fixed rate mortgage of \$5,610 provided funds of \$5,576 (net of fees). The interest rate on the new mortgage is 5.64% with a maturity date of October 2013. The funds provided were used to reduce the revolving credit facility.

On September 24, 2008, Crombie signed a commitment letter to refinance a prior mortgage on the Amherst Plaza in Nova Scotia. The commitment was for \$6,000 with a five year term and an interest rate based on a 260 basis point spread over the Government of Canada five year bond rate. The closing of the financing is anticipated to occur in the fourth quarter of 2008. Proceeds from the financing will be used to reduce the revolving credit facility.

From time to time, Crombie may enter into interest rate swap transactions to modify the interest rate profile of its current or future debts without an exchange of the underlying principal amount (see "Risk Management").

Principal repayments of the debt are scheduled as follows:

Year	Payments of Principal	Fixed Rate Debt Maturing during Year	Floating Rate Debt	Total Maturity	% of Total
Twelve months ending September 30, 2009	\$ 16,132	\$ --	\$ --	\$ 16,132	2.0%
Twelve months ending September 30, 2010	14,206	106,079	180,000	300,285	36.9%
Twelve months ending September 30, 2011	13,038	26,786	121,585	161,409	19.8%
Twelve months ending September 30, 2012	13,216	--	--	13,216	1.6%
Twelve months ending September 30, 2013	14,103	8,643	--	22,746	2.8%
Thereafter	56,226	244,161	--	300,387	36.9%
Total⁽¹⁾	\$ 126,921	\$ 385,669	\$ 301,585	\$ 814,175	100.0%

(1) Excludes marked-to-market adjustment due to interest rate subsidy and fair value debt adjustment of \$11,717 and the deferred financing costs of \$5,258.

Convertible debentures

On March 20, 2008, Crombie issued \$30,000 in unsecured convertible debentures related to the Portfolio Acquisition.

Each convertible debenture will be convertible into units of Crombie at the option of the debenture holder up to the maturity date of March 20, 2013 at a conversion price of \$13 per unit.

The convertible debentures bear interest at an annual fixed rate of 7%, payable semi-annually on June 30, and December 31 in each year commencing on June 30, 2008. The convertible debentures are not redeemable prior to March 20, 2011. From March 20, 2011 to March 20, 2012, the convertible debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date one which notice on redemption is given exceeds 125% of the conversion price. After March 20, 2012, and prior to March 20, 2013, the convertible debentures may be redeemed, in whole or in part, at anytime at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the convertible debentures at maturity or upon redemption, in whole or in part, by issuing the number of units equal to the principal amount of the convertible debentures then outstanding divided by 95% of the volume-weighted average trading price of the units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, debenture holders have the right to put the convertible debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

Crombie will also have an option to pay interest on any interest payment date by selling units and applying the proceeds to satisfy its interest obligation.

Transaction costs related to the convertible debentures have been deferred and are being amortized into interest expense over the term of the convertible debentures using the effective interest rate method.

Unitholders' Equity

In April 2008 there were 34,053 Units awarded as part of the Employee Unit Purchase Plan (March 2007 - 15,760). Also, as a result of the successful completion of the Portfolio Acquisition on April 22, 2008, 5,727,750 subscription receipts issued in March 2008 were converted into Crombie Units (including the over-allotment), as well as 5,000,000 Special Voting Units were issued to Empire Subsidiaries. On April 29, 2008, 138,900 Units

were redeemed under provisions in the Declaration of Trust at an average price of \$9.90. Total units outstanding at October 31, 2008 were as follows:

Units	27,271,888
Special Voting Units ⁽¹⁾	25,079,576

(1) Crombie Limited Partnership, a subsidiary of Crombie, has also issued 25,079,576 Class B LP Units. These Class B LP units accompany the Special Voting Units, are the economic equivalent of a Unit, and are convertible into Units on a one-for-one basis.

Borrowing Capacity and Debt Covenants

Crombie has in place an authorized revolving credit facility of \$150,000, of which \$148,426 is available for drawdown at September 30, 2008. The revolving credit facility is secured by a pool of first and second mortgages and negative pledges on certain assets.

Under the amended terms governing the revolving credit facility Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the fair market value of assets subject to a second security position or a negative pledge, subject to the limitations on the ability of Crombie to incur indebtedness contained in the Declaration of Trust. The revolving credit facility provides Crombie with flexibility to add or remove properties from the security pool, subject to compliance with certain conditions. As part of the amended debt covenants attached to the revolving credit facility, in addition to the maximum borrowing above, Crombie must maintain certain debt ratios above prescribed levels:

- Annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements; and
- Annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements.

The revolving credit facility also contains a covenant of Crombie that ECL must maintain a minimum 40% voting interest in Crombie. If ECL reduces its voting interest below this level, Crombie will be required to renegotiate the revolving credit facility or obtain alternative financing. Pursuant to an exchange agreement and while such covenant remains in place, ECL will be required to give Crombie at least six months' prior written notice of its intention to reduce its voting interest below 40%. Crombie remains in compliance with all debt covenant measures.

The following is the remaining availability of the revolving credit facility:

<i>(In thousands of dollars)</i>	Sep. 30, 2008	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sep. 30, 2007
Available for drawdown	\$ 148,426	\$ 147,755	\$ 116,433	\$ 118,923	\$ 138,148
Amount utilized	121,585	111,475	48,038	70,900	114,504
Remaining availability	\$ 26,841	\$ 36,280	\$ 68,395	\$ 48,023	\$ 23,644

When calculating debt to gross book value, debt is defined as bank loans plus commercial property debt. Gross book value means, at any time, the book value of the assets of Crombie and its consolidated subsidiaries plus deferred financing charges, accumulated depreciation and amortization in respect of Crombie's properties (and related intangible assets) less (i) the amount of any receivable reflecting interest rate subsidies on any debt assumed by Crombie and (ii) the amount of future income tax liability arising out of the fair value adjustment in respect of the indirect acquisitions of certain properties. If approved by a majority of the independent trustees, the appraised value of the assets of Crombie and its consolidated subsidiaries may be used instead of book value.

The debt to gross book value ratio was 55.1% at September 30, 2008 compared to 55.1% at June 30, 2008. This leverage ratio is still below the maximum 60%, or 65% including convertible debentures, as outlined by Crombie's Declaration of Trust. On a long-term basis, Crombie intends to maintain overall indebtedness in the range of 50% to 55% of gross book value, depending upon Crombie's future acquisitions and financing opportunities.

<i>(In thousands of dollars, except as otherwise noted)</i>	As at Sep. 30, 2008	As at Jun. 30, 2008	As at Mar. 31, 2008	As at Dec. 31, 2007	As at Sep. 30, 2007
Mortgages payable	\$ 524,307	\$ 425,945	\$ 421,013	\$ 425,273	\$ 373,751
Convertible debentures	30,000	30,000	30,000	--	--
Term financing	180,000	280,000	--	--	--
Revolving credit facility payable	121,585	111,475	48,038	70,900	114,504
Total debt outstanding	855,892	847,420	499,051	496,173	488,255
Less: Fair value debt adjustment	(11,717)	(12,537)	(13,578)	(14,456)	(15,025)
Debt	\$ 844,175	\$ 834,883	\$ 485,473	\$ 481,717	\$ 473,230
Total assets	\$ 1,501,214	\$ 1,501,507	\$ 1,006,625	\$ 1,013,766	\$ 1,007,337
Add:					
Deferred financing charges	6,351	6,728	3,648	2,444	1,692
Accumulated depreciation of commercial properties	38,383	32,850	27,966	24,023	19,820
Accumulated amortization of intangible assets	45,995	38,454	32,053	27,476	22,763
Less:					
Assets held for sale	(9,673)	(10,951)	(10,983)	(11,109)	(11,188)
Fair value debt adjustment	(11,717)	(12,537)	(13,578)	(14,456)	(15,025)
Fair value adjustment to future taxes	(39,519)	(39,519)	(39,519)	(39,519)	(39,519)
Gross book value	\$ 1,531,034	\$ 1,516,532	\$ 1,006,212	\$ 1,002,625	\$ 985,880
Debt to gross book value	55.1%	55.1%	48.2%	48.0%	48.0%
Maximum borrowing capacity ⁽¹⁾	65%	65%	65%	60%	60%

(1) Maximum permitted by the Declaration of Trust

Debt and Interest Service Coverage Ratios

Crombie's interest and debt service coverage ratios for the nine months ended September 30, 2008 were 2.78 times EBITDA and 2.00 times EBITDA. This compares to 3.03 times EBITDA and 2.04 times EBITDA respectively for the nine months ended September 30, 2007. EBITDA should not be considered an alternative to net income, cash flow from operations or any other measure of operations or liquidity as prescribed by Canadian GAAP. EBITDA is not a GAAP financial measure; however Crombie believes it is an indicative measure of its ability to service debt requirements, fund capital projects and acquire properties. EBITDA may not be calculated in a comparable measure reported by other entities.

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Property revenue	\$ 135,620	\$ 104,780
Amortization of above-market leases	2,286	2,148
Amortization of below-market leases	(5,145)	(3,219)
Adjusted property revenue	132,761	103,709
Property expenses	(51,416)	(43,480)
General and administrative expenses	(5,935)	(5,685)
EBITDA (1)	\$ 75,410	\$ 54,544
Interest expense	\$ 27,914	\$ 18,336
Amortization of deferred financing charges	(826)	(305)
Adjusted interest expense (2)	\$ 27,088	\$ 18,031
Debt repayments	\$ 157,519	\$ 30,525
Amortization of fair value debt premium	(30)	--
Payments relating to Term Facility	(100,000)	--
Payments relating to revolving credit facility	(32,429)	(10,256)
Balloon payments on mortgages	(14,447)	(11,516)
Adjusted debt repayments (3)	\$ 10,613	\$ 8,753
Interest service coverage ratio {(1)/(2)}	2.78	3.03
Debt service coverage ratio {(1)/(2)+(3)}	2.00	2.04

Distributions and Distribution Payout Ratios

Distribution Policy

Pursuant to Crombie's Declaration of Trust, it is required, at a minimum, to make distributions to Unitholders equal to the amount of net income, net realizable capital gains and net recapture income of Crombie as is necessary to ensure that Crombie will not be liable for income taxes. Within these guidelines, Crombie has reduced its annual target payout ratios and intends to make monthly cash distributions to Unitholders equal to approximately 70% of its FFO and 95% of its AFFO on an annual basis. This reduction from a 100% AFFO target payout ratio is to provide increased stability to Crombie's distributions.

Details of distributions to Unitholders are as follows:

<i>(In thousands of dollars, except per unit amounts and as otherwise noted)</i>	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Distributions to Unitholders	\$ 16,562	\$ 13,456
Distributions to Special Voting Unitholders	14,906	12,485
Total distributions	\$ 31,468	\$ 25,941
Number of diluted Units	25,033,294	21,645,175
Number of diluted Special Voting Units	23,072,277	20,079,576
Total diluted weighted average Units	48,105,571	41,724,751
Distributions per unit	\$ 0.66	\$ 0.62
FFO payment ratio (target ratio = 70%)	61.5%	68.7%
AFFO payout ratio (target ratio = 95%)	99.0%	95.1%

The FFO payout ratio of 61.5% was below the target ratio as the improved FFO reflected the stronger same-asset results as well as the individual property acquisitions and the Portfolio Acquisition. The AFFO payout ratio of 99.0% exceeded the target ratio as a result of the higher TI and maintenance capital expenditures as previously discussed, combined with one month of distributions made on the subscription receipts prior to the closing of the Portfolio Acquisition. Crombie anticipates that the annual AFFO payout ratio will approximate the target payout ratio by the end of fiscal 2008.

THIRD QUARTER RESULTS

Comparison to Previous Year

<i>(In thousands of dollars, except where otherwise noted)</i>	Quarter Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Property revenue	\$ 51,044	\$ 35,068	\$ 15,976
Property expenses	18,867	14,875	(3,992)
Property NOI	32,177	20,193	11,984
NOI margin percentage	63.0%	57.6%	5.4%
Expenses:			
General and administrative	2,004	1,843	(161)
Interest	11,449	6,413	(5,036)
Depreciation and amortization	12,302	7,382	(4,920)
	25,755	15,638	(10,117)
Income from continuing operations before other items, income taxes and non-controlling interest	6,422	4,555	1,867
Other items	27	--	27
Income from continuing operations before income taxes and non-controlling interest	6,449	4,555	1,894
Income taxes expense - Future	859	718	(141)
Income from continuing operations before non-controlling interest	5,590	3,837	1,753
Write down of asset held for sale	(895)	--	(895)
Income from discontinued operations	226	108	118
Income before non-controlling interest	4,921	3,945	976
Non-controlling interest	2,358	1,899	(459)
Net income	\$ 2,563	\$ 2,046	\$ 517
Basic and diluted net income per Unit	\$ 0.09	\$ 0.10	
Basic weighted average Units outstanding (in 000's)	27,147	21,544	
Diluted weighted average Units outstanding (in 000's)	27,272	21,649	

Net income for the quarter ended September 30, 2008 of \$2,563 increased by \$517 from \$2,046 for the quarter ended September 30, 2007. The increase was primarily due to:

- higher property NOI from the increased average rent per square foot of the same-asset properties as well as the impact from the individual property acquisitions since September 30, 2007 and the Portfolio Acquisition; offset in part by
- higher interest and depreciation charges, due primarily to the individual property acquisitions since September 30, 2007 and the Portfolio Acquisition.

Property Revenue and Property Expenses

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset property revenue	\$ 35,764	\$ 34,654	\$ 1,110
Acquisition property revenue	15,280	414	14,866
Property revenue	\$ 51,044	\$ 35,068	\$ 15,976

Same-asset property revenue of \$35,764 for the quarter ended September 30, 2008 was 3.2% higher than the quarter ended September 30, 2007 due primarily to the increased average rent per square foot (\$12.57 in 2008 and \$12.18 in 2007) and increased revenue from higher recoverable common area expenses.

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset property expenses	\$ 15,083	\$ 14,791	\$ 292
Acquisition property expenses	3,784	84	3,700
Property expenses	\$ 18,867	\$ 14,875	\$ 3,992

Same-asset property expenses of \$15,083 for the quarter ended September 30, 2008 were 2.0% higher than quarter ended September 30, 2007 due to increased recoverable common area expenses primarily from increased utility costs.

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset property NOI	\$ 20,681	\$ 19,863	\$ 818
Acquisition property NOI	11,496	330	11,166
Property NOI	\$ 32,177	\$ 20,193	\$ 11,984

Same-asset NOI for the quarter ended September 30, 2008 grew by 4.1% over the quarter ended September 30, 2007. Property NOI for the quarter ended September 30, 2008 by region was as follows:

<i>(In thousands of dollars)</i>	2008				2007		Variance
	Property Revenue	Property Expenses	Property NOI	NOI % of revenue	NOI % of revenue		
Nova Scotia	\$ 23,014	\$ 10,251	\$ 12,763	55.5%	51.3%		4.2%
Newfoundland and Labrador	7,558	2,277	5,281	69.9%	64.9%		5.0%
New Brunswick	6,510	2,415	4,095	62.9%	51.7%		11.2%
Ontario	8,205	2,403	5,802	70.7%	69.0%		1.7%
Prince Edward Island	1,375	416	959	69.7%	76.1%		(6.4)%
Quebec	3,670	919	2,751	75.0%	75.2%		(0.2)%
Saskatchewan	712	186	526	73.9%	--%		--%
Total	\$ 51,044	\$ 18,867	\$ 32,177	63.0%	57.6%		5.4%

The overall increase in NOI % of revenue, as well as the specific provincial increases, is due to the Portfolio Acquisition as well as the growth in the same-asset NOI. The decrease in Prince Edward Island is primarily a result of the increased non-recoverable paving repairs in 2008 as compared to 2007. New Brunswick's growth in NOI % of revenue includes the effect of the Portfolio Acquisition, the completion of the redevelopment of Uptown Centre in Fredericton, and the collection of previously allowed-for receivables for SAAN stores that had undergone bankruptcy protection during the first quarter of 2008.

General and Administrative Expenses

The following table outlines the major categories of expenses.

	Quarter Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Salaries and benefits	\$ 1,031	\$ 979	\$ 52
Professional fees	388	201	187
Public company costs	275	195	80
Rent and occupancy	163	243	(80)
Other	147	225	(78)
General and administrative costs	\$ 2,004	\$ 1,843	\$ 161
As a percentage of revenue	3.9%	5.3%	(1.4)%

General and administrative expenses increased by 8.7% for the quarter ended September 30, 2008 to \$2,004 compared to \$1,843 for the quarter ended September 30, 2007. The increase in expenses was primarily due to higher professional fees due to expenses related to information technology consulting costs. Rent and occupancy costs have decreased as a result of the negotiation of more favourable lease terms at the head office.

Interest Expense

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset interest expense	\$ 6,051	\$ 6,143	\$ (92)
Acquisition interest expense	5,398	270	5,128
Interest expense	\$ 11,449	\$ 6,413	\$ 5,036

Same-asset interest expense of \$6,051 for the quarter ended September 30, 2008 decreased by 1.5% when compared to the quarter ended September 30, 2007 due to the declining interest portion of debt repayments for the same-assets combined with effects of reduced interest rates on some fixed rate mortgages that have been renegotiated since September 30, 2007 and a decrease in the effective interest rate on the revolving credit facility.

The amount of the interest rate subsidy paid by ECL to reduce the effective interest rates on certain mortgages to 5.54% for the quarter ended September 30, 2008 was \$818 (quarter ended September 30, 2007 - \$888).

Depreciation and Amortization

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Same-asset depreciation and amortization	\$ 7,500	\$ 7,256	\$ 244
Acquisition depreciation and amortization	4,802	126	4,676
Depreciation and amortization	\$ 12,302	\$ 7,382	\$ 4,920

Same-asset depreciation and amortization of \$7,500 for the quarter ended September 30, 2008 was 3.4% higher than the quarter ended September 30, 2007 due primarily to depreciation on fixed asset additions incurred since September 30, 2007. Depreciation and amortization consists of:

<i>(In thousands of dollars)</i>	Quarter Ended		Variance
	Sep. 30, 2008	Sep. 30, 2007	
Depreciation of commercial properties	\$ 4,544	\$ 3,081	\$ 1,463
Amortization of tenant improvements/lease costs	989	813	176
Amortization of intangible assets	6,769	3,488	3,281
Depreciation and amortization	\$ 12,302	\$ 7,382	\$ 4,920

Future Income Taxes

During the third quarter of 2007, Crombie recorded a future income tax expense of \$350 as a result of proposed tax legislation. As a result of the review of Crombie's operations, this expense was reversed at year end.

Sector Information

Retail Freestanding Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2008			Quarter ended September 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 225	\$ 6,793	\$ 7,018	\$ 166	\$ 58	\$ 224
Property expenses	46	1,645	1,691	14	6	20
Property NOI	\$ 179	\$ 5,148	\$ 5,327	\$ 152	\$ 52	\$ 204
NOI Margin %	79.6%	75.8%	75.9%	91.6%	89.7%	91.1%
Occupancy %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The improvement in the retail freestanding property NOI was caused by the portfolio Acquisition.

Retail Plaza Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2008			Quarter ended September 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 9,234	\$ 8,083	\$ 17,317	\$ 9,452	\$ 356	\$ 9,808
Property expenses	2,979	2,047	5,026	3,305	78	3,383
Property NOI	\$ 6,255	\$ 6,036	\$ 12,291	\$ 6,147	\$ 278	\$ 6,425
NOI Margin %	67.7%	74.7%	71.0%	65.0%	78.1%	65.5%
Occupancy %	94.6%	97.7%	96.1%	95.2%	94.9%	95.2%

The improvement in the retail freestanding property NOI was caused by the Portfolio Acquisition, as well as by the higher NOI in the same-asset properties due to the improved average net rent per square foot figures achieved in the prior year renewal and new leasing.

Retail Enclosed Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2008			Quarter ended September 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 11,513	\$ 404	\$ 11,917	\$ 10,871	\$ --	\$ 10,871
Property expenses	4,223	92	4,315	4,031	--	4,031
Property NOI	\$ 7,290	\$ 312	\$ 7,602	\$ 6,840	\$ --	\$ 6,840
NOI Margin %	63.3%	77.2%	63.8%	62.9%	--%	62.9%
Occupancy %	90.4%	92.1%	90.4%	92.4%	--%	92.4%

The NOI has increased for retail enclosed properties due primarily to the timing of non-recoverable maintenance in 2008 compared to the same period in 2007 and the Portfolio Acquisition.

Office Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2008			Quarter ended September 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 5,893	\$ --	\$ 5,893	\$ 5,381	\$ --	\$ 5,381
Property expenses	3,228	--	3,228	3,381	--	3,381
Property NOI	\$ 2,665	\$ --	\$ 2,665	\$ 2,000	\$ --	\$ 2,000
NOI Margin %	45.2%	--%	45.2%	37.2%	--%	37.2%
Occupancy %	89.7%	--%	89.7%	91.0%	--%	91.0%

The improved occupancy levels and net rent per square foot at the Halifax Developments properties in Halifax exceeded the decreased occupancy in Terminal Centres in Moncton, New Brunswick. These factors resulted in the higher property NOI and NOI margin percent for the office properties in the third quarter 2008 compared to the third quarter of 2007.

Mixed-Use Properties

<i>(In thousands of dollars, except as otherwise noted)</i>	Quarter ended September 30, 2008			Quarter ended September 30, 2007		
	Same-Asset	Acquisitions	Total	Same-Asset	Acquisitions	Total
Property revenue	\$ 8,899	\$ --	\$ 8,899	\$ 8,784	\$ --	\$ 8,784
Property expenses	4,607	--	4,607	4,060	--	4,060
Property NOI	\$ 4,292	\$ --	\$ 4,292	\$ 4,724	\$ --	\$ 4,724
NOI Margin %	48.2%	--%	48.2%	53.8%	--%	53.8%
Occupancy %	96.8%	--%	96.8%	95.5%	--%	95.5%

The increase in mixed-use occupancy levels from 95.5% in 2007 to 96.8% in 2008 and improved average net rent per square foot from leasing activity was offset by higher non-recoverable repair and maintenance expenses, resulting in the lower NOI results for the third quarter of 2008 when compared to the third quarter of 2007.

OTHER THIRD QUARTER PERFORMANCE MEASURES

Funds from Operations

A calculation of FFO for the quarters ended September 30, 2008 and 2007 is as follows:

<i>(In thousands of dollars)</i>	Quarter Ended Sep. 30, 2008	Quarter Ended Sep. 30, 2007	Variance
Net income	\$ 2,563	\$ 2,046	\$ 517
Add back:			
Non-controlling interest	2,358	1,899	459
Depreciation and amortization	12,302	7,382	4,920
Depreciation and amortization on discontinued operations	(10)	72	(82)
Future income taxes	859	718	141
Write down of asset held for sale	895	--	895
FFO	\$ 18,967	\$ 12,117	\$ 6,850

The improvement in FFO for the third quarter of 2008 was primarily due to higher property NOI as a result of the individual acquisitions, the Portfolio Acquisition and the improvement in same-asset results, offset in part by the increased interest expense related to the acquisitions.

Adjusted Funds from Operations

The calculation of AFFO for the quarters ended September 30, 2008 and 2007 is as follows:

<i>(In thousands of dollars)</i>	Quarter Ended Sep. 30, 2008	Quarter Ended Sep. 30, 2007	Variance
FFO	\$ 18,967	\$ 12,117	\$ 6,850
Add back:			
Above market lease amortization	771	734	37
Non-cash revenue impacts on discontinued operations	(8)	35	(43)
Less:			
Below market lease amortization	(2,145)	(1,129)	(1,016)
Straight-line rent adjustment	(741)	(368)	(373)
Maintenance capital expenditures (net of amounts recoverable from ECL)	(3,401)	(1,624)	(1,777)
Additions to TI and lease costs (net of amounts recoverable from ECL)	(1,219)	(3,685)	2,466
AFFO	\$ 12,224	\$ 6,080	\$ 6,144

The improved AFFO result for the third quarter of 2008 when compared to the same period in 2007 was due to the improved FFO. As maintenance capital expenditures and TI costs are not incurred evenly throughout the fiscal year, there can be volatility in AFFO on a quarterly basis.

Pursuant to CSA Staff Notice 52-306 "Revised) Non-GAAP Financial Measures", non-GAAP measures such as AFFO should be reconciled to the most directly comparable GAAP measure, which is interpreted to be the cash flow from operating activities rather than net income. The reconciliation is as follows:

<i>(In thousands of dollars)</i>	Quarter Ended Sep. 30, 2008	Quarter Ended Sep. 30, 2007	Variance
Cash provided by operating activities	\$ 13,941	\$ 10,158	\$ 3,783
Add back (deduct):			
Recoverable/productive capacity enhancing TIs	111	2,419	(2,308)
Change in non-cash operating items	1,933	(4,758)	6,691
Unit-based compensation expense	(11)	(10)	(1)
Amortization of deferred financing charges	(349)	(105)	(244)
Maintenance capital expenditures (net of amounts recoverable from ECL)	(3,401)	(1,624)	(1,777)
AFFO	\$ 12,224	\$ 6,080	\$ 6,144

Cash Flow

<i>(In thousands of dollars)</i>	Quarter Ended Sep. 30, 2008	Quarter Ended Sep. 30, 2007	Variance
Cash provided by (used in):			
Operating activities	\$ 13,941	\$ 10,158	\$ 3,783
Financing activities	\$ (4,842)	\$ 6,903	\$ (11,745)
Investing activities	\$ (9,099)	\$ (17,702)	\$ 8,603

Operating Activities

Fluctuations in cash provided by operating activities are largely influenced by the change in non-cash working capital which can be affected by the timing of receipts and payments. The \$4,758 increase in non-cash working capital in 2007 was primarily due to increased payables and accruals. Of the TI and leasing costs in 2008 of \$1,330, \$111 was covered by the non-interest bearing demand notes from ECL (\$5,764 in 2007, \$1,903 covered by ECL notes).

Financing Activities

Cash used in financing activities during the quarter of \$4,842 was primarily due to the payment of distributions and the repayment of \$100,000 on the outstanding Term Facility that was offset by the issuance of long-term mortgages for \$100,000 as described in the section titled "Commercial Property Debt". In 2007, \$6,903 of cash was provided from financing activities, primarily as a result of proceeds from commercial property debt issued, offset in part by payments on commercial property debt and distributions.

Investing Activities

Cash used in investing activities of \$9,099 during the quarter was due primarily to the liquor store expansions onto three Sobeys locations in Spryfield, Nova Scotia and Conception Bay and Ropewalk Lane, both in Newfoundland and Labrador as well as maintenance capital expenditures during the quarter. During the third quarter of 2007, cash of \$5,764 was used for additions to commercial properties and \$11,938 was used for the acquisition of the properties in Fort Erie, Ontario and Brossard, Quebec, net of assumed mortgages of \$14,841.

Tenant Improvement and Capital Expenditures

<i>(In thousands of dollars)</i>	Quarter Ended Sep. 30, 2008	Quarter Ended Sep. 30, 2007
Total additions to commercial properties	\$ 9,099	\$ 5,764
Less: amounts recoverable from ECL	(1,177)	(1,903)
Net additions to commercial properties	7,922	3,861
Less: productive capacity enhancements	(4,521)	(2,237)
Maintenance capital expenditures	\$ 3,401	\$ 1,624

<i>(In thousands of dollars)</i>	Quarter Ended Sep. 30, 2008	Quarter Ended Sep. 30, 2007
Total additions to TI and leasing costs	\$ 1,330	\$ 6,104
Less: amounts recoverable from ECL	(111)	(2,419)
Net additions to TI and leasing costs	1,219	3,685
Less: productive capacity enhancements	--	--
Maintenance TI and leasing costs	\$ 1,219	\$ 3,685

As maintenance TI and capital expenditures are not incurred evenly throughout the fiscal year, there can be volatility on a quarterly basis. See the "Sources and Uses of Funds" section for a discussion on the TI and capital expenditures incurred.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008 Crombie adopted two new accounting standards that were issued by the CICA in 2006. These accounting policy changes were adopted on a retroactive basis with no restatement of prior period financial statements.

The new standards and accounting policy changes are as follows:

Capital Disclosures

Effective January 1, 2008, the CICA's new accounting standard "Handbook Section 1535, Capital Disclosures" was adopted, which requires the disclosure of both qualitative and quantitative information to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new standard did not have any impact on the financial position or earnings of Crombie.

Financial Instruments Disclosures and Presentation

Effective January 1, 2008, the accounting and disclosure requirements of the CICA's two new accounting standards were adopted: "Handbook Section 3862, Financial Instruments – Disclosures" and "Handbook Section 3863, Financial Instruments – Presentation." The new standards did not have any impact on the financial position or earnings of Crombie.

EFFECT OF NEW ACCOUNTING POLICIES NOT YET IMPLEMENTED

Goodwill and Intangible Assets

In February 2008, the CICA issued a new Section 3064 "Goodwill and Intangible Assets" replacing Section 3062 "Goodwill and Other Intangible Assets" as well as Section 3450 "Research and Development Costs". The new Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets (including research and development costs). As for subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of the old Section 3062. The new Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Crombie is currently evaluating the effect of these new standards on its results and financial position.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed the date of changeover from GAAP to International Financial Reporting Standards ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Crombie is currently developing its IFRS conversion plan and evaluating the effect of the new standards on its consolidated financial statements.

RELATED PARTY TRANSACTIONS

As at September 30, 2008, Empire Company Limited, through its wholly-owned subsidiary ECL, holds a 47.9% indirect interest in Crombie.

For a period of five years commencing March 23, 2006, certain executive management individuals and other employees of Crombie will provide general management, financial, leasing, administrative, and other administration support services to certain real estate subsidiaries of Empire Company Limited on a cost recovery basis. The expense recoveries during the three months ended and nine months ended September 30, 2008 were \$285 and \$1,126 respectively (three months ended and nine months ended September 30, 2007 - \$609 and \$774 respectively) and were netted against general and administrative expenses.

For a period of five years commencing on March 23, 2006, certain on-site maintenance and management employees of Crombie will provide property management services to certain real estate subsidiaries of Empire on a cost recovery basis. In addition, for various periods, ECL has an obligation to provide rental income and interest rate subsidies. The cost recoveries during the three months ended and nine months ended September 30, 2008 were \$343 and \$1,516 respectively (three months ended and nine months ended September 30, 2007 - \$576 and \$1,774 respectively) and was netted against property expenses. The rental income subsidy during the three months ended and nine months ended September 30, 2008 were \$Nil and \$Nil respectively (three months ended and nine months ended September 30, 2007 - \$9 and \$25 respectively) and the head lease subsidy during three months ended and nine months ended September 30, 2008 were \$105 and \$734 respectively (three months ended and nine months ended September 30, 2007 - \$295 and \$810 respectively).

Crombie also earned property revenue of \$13,578 for the three months ended September 30, 2008 and \$33,075 for the nine months ended September 30, 2008 (three months ended and nine months ended September 30, 2007 - \$4,783 and \$10,614 respectively) from Sobeys Inc., Empire Theatres Limited and ASC Commercial Leasing Limited ("ASC"). These companies were all subsidiaries of Empire Company Limited until September 8, 2008, when ASC was sold. Property revenue from ASC is included until the sale date.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates are discussed under the section "Critical Accounting Estimates" in the 2007 Annual Report.

CONTINGENCIES

There are various claims and litigation, involving Crombie, arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such known claims and litigation would not have a significant adverse effect on the consolidated financial statements.

Crombie has agreed to indemnify, in certain circumstances, the Trustees and officers of Crombie.

RISK MANAGEMENT

Risks and uncertainties related to economic and industry factors and Crombie's management of these risks are discussed in detail under "Risk Management" of the MD&A for the year ended December 31, 2007.

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks, and the action taken to manage them, are as follows:

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. An allowance for doubtful accounts is taken for all anticipated problem accounts.

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities and diversifying both the tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at September 30, 2008;

- Excluding Sobeys (which accounts for 32.9% of Crombie's minimum rent), no other tenant accounts for more than 2.2% of Crombie's minimum rent, and
- Over the next five years, no more than 10.6% of the gross leaseable area of Crombie will expire in any one year.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities, limiting the use of permanent floating rate debt and utilizing interest rate swap agreements. As at September 30, 2008:

- Crombie's average term to maturity of the fixed rate mortgages was 7.2 years, and
- Crombie's exposure to floating rate debt, including the impact of the fixed rate swap agreements discussed below, was 24.6% of the total commercial property debt. Excluding the floating rate term facility, which is to be replaced with permanent fixed rate financing during the next twelve months, the exposure to floating rate debt is 11.2%.

From time to time, Crombie may enter into interest rate swap transactions to modify the interest rate profile of its current or future debts without an exchange of the underlying principal amount.

As part of this interest rate management program, Crombie has entered into a fixed interest rate swap to fix the amount of interest to be paid on \$50,000 of the revolving credit facility. The fair value of the fixed interest rate swap at September 30, 2008, had an unfavourable difference of \$1,608 (September 30, 2007 – favourable \$236) compared to its face value. The change in this amount has been recognized in other comprehensive income (loss).

In addition to the fixed interest rate swap, Crombie has entered into a number of delayed interest rate swap agreements of a notional amount of \$110,431 with an effective date between August 1, 2008 and September 1, 2011, maturing between August 1, 2018 and July 2, 2021 to mitigate the exposure to interest rate increases for mortgages maturing between 2008 and 2011. The fair value of these delayed interest rate swap agreements had an unfavourable difference of \$8,037 compared to the face value on September 30, 2008 (September 30, 2007 – unfavourable \$3,865). The change in these amounts has been recognized in other comprehensive income (loss).

In relation to the acquisition of a portfolio of 61 retail properties from subsidiaries of Empire Company Limited, Crombie has entered into a number of delayed interest rate swap agreements of a notional amount of \$180,000 to mitigate the exposure to interest rate increases prior to replacing the 18 month floating rate term facility with long-term financing. In addition, Crombie has entered into a fixed interest rate swap agreement of a notional amount of \$50,000 to fix a portion of the interest on the floating rate term facility. The fair value of these agreements had an unfavourable difference of \$6,168 compared to their face value on September 30, 2008 (September 30, 2007 – \$Nil). The change in these amounts has been recognized in other comprehensive income (loss).

During the quarter ended September 30, 2008, Crombie settled three interest rate swap agreements that had an unfavourable difference of \$2,438. This amount has been recognized in other comprehensive income (loss). This loss will be reclassified to interest expense using the effective interest rate method.

A fluctuation in interest rates would have an impact on Crombie's net earnings and other comprehensive income (loss) items. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

	Three months ended Sep. 30, 2008		Three months ended Sep. 30, 2007	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net income of interest rate changes the floating rate revolving credit facility	\$ (501)	\$ 501	\$ (141)	\$ 141
	Nine months ended Sep. 30, 2008		Nine months ended Sep. 30, 2007	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net income of interest rate changes the floating rate revolving credit facility	\$ (866)	\$ 866	\$ (280)	\$ 280
	September 30, 2008		September 30, 2007	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on other comprehensive income and non-controlling interest items due to changes in fair value of derivatives designated as cash flow hedge	\$ 9,486	\$ (9,903)	\$ 4,478	\$ (4,702)

Crombie does not enter into these interest rate swap transactions on a speculative basis. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

Liquidity risk

Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund the growth program and/or refinance the debt obligations as they mature.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest into the portfolio through capital expenditures, as well as fund tenant improvement costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations or by financing unencumbered properties. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

There is a risk that the debt capital markets may not refinance maturing debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering the debt maturity dates. There is also a risk that the equity capital markets may not be receptive to an equity issue from Crombie with financial terms acceptable to Crombie.

In fiscal 2009, Crombie has no mortgages maturing. During 2008, Crombie was also able to extend its revolving credit facility until June 30, 2011. In regard to the Term Facility that expires in October, 2009, Crombie has successfully refinanced \$100,000 during the third quarter of 2008 and continues to have positive discussions with a number of lenders to refinance the remaining \$180,000. While management can provide no assurances of refinancing, and while the current credit market remains very challenging, management remains confident it will refinance the remaining Term Facility prior to October, 2009.

SUBSEQUENT EVENTS

On September 19, 2008, Crombie declared distributions of 7.417 cents per unit for the period from September 1, 2008 to, and including, September 30, 2008. The distribution was paid on October 15, 2008 to Unitholders of record as at September 30, 2008.

On October 21, 2008, Crombie declared distributions of 7.417 cents per unit for the period from October 1, 2008 to, and including, October 31, 2008. The distribution will be payable on November 17, 2008 to Unitholders of record as at October 31, 2008.

On October 24, 2008, the sale of West End Mall was completed.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control 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 the Chief Financial Officer have evaluated whether there were changes to internal control over financial reporting for the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

QUARTERLY INFORMATION

The following table shows information for revenues, net income, AFFO, FFO, distributions and per unit amounts for the eight most recently completed quarters.

<i>(In thousands of dollars, except per unit amounts)</i>	Quarter Ended							
	Sep. 30, 2008	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sep. 30, 2007	Jun. 30, 2007	Mar. 31, 2007	Dec. 31, 2006
Property revenue	\$51,044	\$47,315	\$37,261	\$36,492	\$35,068	\$34,636	\$35,076	\$33,717
Property expenses	18,867	17,009	15,540	14,536	14,875	13,958	14,647	15,091
Property net operating income	32,177	30,306	21,721	21,956	20,193	20,678	20,429	18,626
Expenses:								
General and administrative	2,004	1,979	1,952	2,492	1,843	2,224	1,618	2,293
Interest	11,449	9,965	6,500	6,577	6,413	6,080	5,841	5,523
Depreciation and amortization	12,302	10,524	7,766	8,152	7,382	7,085	6,322	6,270
	25,755	22,468	16,218	17,221	15,638	15,389	13,781	14,086
Income from continuing operations before other items, income taxes and non-controlling interest	6,422	7,838	5,503	4,735	4,555	5,289	6,648	4,540
Other items	27	97	--	--	--	--	--	--
Income from continuing operations before income taxes and non-controlling interest	6,449	7,935	5,503	4,735	4,555	5,289	6,648	4,540
Income taxes expense - Future	859	701	400	(2,994)	718	2,978	328	(1,663)
Income from continuing operations before non-controlling interest	5,590	7,234	5,103	7,729	3,837	2,311	6,320	6,203
Write down of asset held for sale	(895)	--	--	--	--	--	--	--
Income from discontinued operations	226	136	263	95	108	108	42	--
Income before non-controlling interest	4,921	7,370	5,366	7,824	3,945	2,419	6,362	6,203
Non-controlling interest	2,358	3,531	2,583	3,766	1,899	1,164	3,062	2,986
Net income	\$ 2,563	\$ 3,839	\$ 2,783	\$ 4,058	\$ 2,046	\$ 1,255	\$ 3,300	\$ 3,217
Basic and diluted net income per unit	\$ 0.09	\$ 0.15	\$ 0.13	\$ 0.19	\$ 0.10	\$ 0.06	\$ 0.15	\$ 0.15

<i>(In thousands of dollars, except per unit amounts)</i>	Quarter Ended							
	Sep. 30, 2008	Jun. 30, 2008	Mar. 31, 2008	Dec. 31, 2007	Sep. 30, 2007	Jun. 30, 2007	Mar. 31, 2007	Dec. 31, 2006
AFFO	\$12,224	\$11,683	\$ 7,867	\$ 7,561	\$ 6,080	\$10,330	\$10,871	\$ 8,263
FFO	\$18,967	\$18,579	\$13,610	\$13,057	\$12,117	\$12,553	\$13,082	\$10,699
Distributions	\$11,649	\$10,952	\$ 8,867	\$ 8,867	\$ 8,867	\$ 8,727	\$ 8,347	\$ 8,346
AFFO per unit ⁽¹⁾	\$ 0.23	\$ 0.23	\$ 0.19	\$ 0.18	\$ 0.15	\$ 0.25	\$ 0.26	\$ 0.20
FFO per unit ⁽¹⁾	\$ 0.36	\$ 0.37	\$ 0.33	\$ 0.31	\$ 0.29	\$ 0.30	\$ 0.31	\$ 0.26
Distributions per unit ⁽¹⁾	\$ 0.22	\$ 0.22	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.21	\$ 0.20	\$ 0.20

(1) Distributable income, FFO, AFFO and distributions per unit are calculated by FFO, AFFO or distributions, as the case may be, divided by the diluted weighted average of the total Units and Special Voting Units outstanding of 52,351,464 for the quarter ended September 30, 2008, 49,954,256 for the quarter ended June 30, 2008, 41,728,561 for the quarter ended March 31, 2008, 41,728,561 for the quarter ended December 31, 2007, 41,728,561 for the quarter ended September 30, 2007, 41,728,561 for the quarter ended June 30, 2007, 41,717,004 for the quarter ended March 31, 2007, 41,589,061 and for the quarter ended December 31, 2006.

Additional information relating to Crombie, including its latest Annual Information Form, can be found on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

Dated: November 6, 2008

Stellarton, Nova Scotia, Canada

CROMBIE REAL ESTATE INVESTMENT TRUST
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)
(Unaudited)

	September 30, 2008	December 31, 2007
Assets		
Commercial properties (Note 4)	\$ 1,305,602	\$ 898,938
Intangible assets (Note 5)	138,913	59,823
Notes receivable (Note 6)	15,734	20,968
Other assets (Note 7)	31,292	20,220
Cash and cash equivalents	-	2,708
Assets held for sale (Note 20)	9,673	11,109
	\$ 1,501,214	\$ 1,013,766
Liabilities and Unitholders' Equity		
Commercial property debt (Note 8)	\$ 820,634	\$ 493,729
Convertible debentures (Note 9)	28,907	-
Payables and accruals (Note 10)	55,381	38,555
Intangible liabilities (Note 11)	43,206	16,503
Employee future benefits obligation	4,745	4,458
Distributions payable	3,883	2,956
Future income tax liability (Note 15)	83,000	81,501
Liabilities related to assets held for sale (Note 20)	7,012	7,311
	1,046,768	645,013
Non-controlling interest (Note 12)	218,205	177,919
Unitholders' equity	236,241	190,834
	\$ 1,501,214	\$ 1,013,766

Commitments and contingencies (Note 17)

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF INCOME
(In thousands of dollars, except per unit amounts)
(Unaudited)

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Revenues				
Property revenue (Note 14)	\$ 51,044	\$ 35,068	\$ 135,620	\$ 104,780
Lease terminations	27	-	47	-
	<u>51,071</u>	<u>35,068</u>	<u>135,667</u>	<u>104,780</u>
Expenses				
Property expenses	18,867	14,875	51,416	43,480
General and administrative expenses	2,004	1,843	5,935	5,685
Interest expense	11,449	6,413	27,914	18,336
Depreciation of commercial properties	4,544	3,081	11,903	9,052
Amortization of tenant improvements/lease costs	989	813	2,457	1,819
Amortization of intangible assets	6,769	3,488	16,232	9,920
	<u>44,622</u>	<u>30,513</u>	<u>115,857</u>	<u>88,292</u>
Income from continuing operations before other items	6,449	4,555	19,810	16,488
Gain on disposition of land (Note 4)	-	-	77	-
Income from continuing operations before income taxes and non-controlling interest	6,449	4,555	19,887	16,488
Income tax expense - Future (Note 15)	859	718	1,960	4,024
Income from continuing operations before non-controlling interest	5,590	3,837	17,927	12,464
Write down of asset held for sale (Note 20)	(895)	-	(895)	-
Income from discontinued operation (Note 20)	226	108	625	262
Income before non-controlling interest	4,921	3,945	17,657	12,726
Non-controlling interest	2,358	1,899	8,472	6,125
Net income	\$ 2,563	\$ 2,046	\$ 9,185	\$ 6,601
Basic and diluted net income per unit				
Continuing operations	\$ 0.10	\$ 0.10	\$ 0.38	\$ 0.30
Discontinued operations	\$ (0.01)	\$ 0.00	\$ (0.01)	\$ 0.01
Net income	\$ 0.09	\$ 0.10	\$ 0.37	\$ 0.31
Weighted average number of units outstanding				
Basic	27,147,380	21,543,940	24,917,168	21,532,299
Diluted	27,271,888	21,648,985	25,033,294	21,645,175

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of dollars)
(Unaudited)

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Net income	\$ 2,563	\$ 2,046	\$ 9,185	\$ 6,601
Net change in derivatives designated as cash flow hedges	(3,744)	(1,321)	(6,551)	(1,722)
Other comprehensive income (loss)	(3,744)	(1,321)	(6,551)	(1,722)
Comprehensive income (loss)	\$ (1,181)	\$ 725	\$ 2,634	\$ 4,879

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY
(In thousands of dollars)
(Unaudited)

	REIT Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
	(Note 13)					
Unitholders' equity, January 1, 2008	\$ 205,273	\$ 20,064	\$ 12	\$ (3,000)	\$ (31,515)	\$ 190,834
Units released under EUPP	20	-	(20)	-	-	-
Units issued under EUPP	386	-	-	-	-	386
Loans receivable under EUPP	(386)	-	-	-	-	(386)
EUPP compensation	-	-	31	-	-	31
Repayment of EUPP loans receivable	171	-	-	-	-	171
Net income	-	9,185	-	-	-	9,185
Distributions	-	-	-	-	(17,051)	(17,051)
Other comprehensive loss	-	-	-	(6,551)	-	(6,551)
Unit issue proceeds, net of costs of \$2,008	60,997	-	-	-	-	60,997
Unit redemption	(1,375)	-	-	-	-	(1,375)
Unitholders' equity, Sep. 30, 2008	\$ 265,086	\$ 29,249	\$ 23	\$ (9,551)	\$ (48,566)	\$ 236,241
Unitholders' equity, January 1, 2007	\$ 204,831	\$ 9,405	\$ 27	\$ Nil	\$ (13,369)	\$ 200,894
Transition adjustment	-	-	-	(162)	-	(162)
Units released under EUPP	52	-	(52)	-	-	-
Units issued under EUPP	215	-	-	-	-	215
Loans receivable under EUPP	(215)	-	-	-	-	(215)
EUPP compensation	-	-	28	-	-	28
Repayment of EUPP loans receivable	384	-	-	-	-	384
Net income	-	6,601	-	-	-	6,601
Distributions	-	-	-	-	(13,546)	(13,546)
Other comprehensive loss	-	-	-	(1,722)	-	(1,722)
Unitholders' equity, Sep. 30, 2007	\$ 205,267	\$ 16,006	\$ 3	\$ (1,884)	\$ (26,915)	\$ 192,477

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of dollars)
(Unaudited)

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Cash flows provided by (used in)				
Operating Activities				
Net income	\$ 2,563	\$ 2,046	\$ 9,185	\$ 6,601
Items not affecting cash				
Non-controlling interest	2,358	1,899	8,472	6,125
Depreciation of commercial properties	4,544	3,115	11,961	9,153
Amortization of tenant improvements/lease costs	989	822	2,480	1,843
Amortization of deferred financing costs	349	105	826	305
Amortization of intangible assets	6,759	3,517	16,280	10,006
Amortization of above market leases	766	751	2,315	2,200
Amortization of below market leases	(2,144)	(1,134)	(5,153)	(3,233)
Gain on disposal of land	-	-	(77)	-
Accrued rental revenue	(745)	(345)	(1,766)	(1,051)
Unit based compensation	11	10	31	28
Write down of asset held for sale (Note 20)	895	-	895	-
Future income taxes	859	718	1,960	4,024
	<u>17,204</u>	<u>11,504</u>	<u>47,409</u>	<u>36,001</u>
Additions to tenant improvements and lease costs	(1,330)	(6,104)	(9,658)	(9,013)
Change in other non-cash operating items (Note 16)	(1,933)	4,758	(2,465)	(12,242)
Cash provided by operating activities	13,941	10,158	35,286	14,746
Financing Activities				
Issue of commercial property debt	120,320	21,704	470,895	77,645
Increase in deferred financing charges	(116)	(34)	(3,663)	(419)
Settlement of interest rate swap agreements	(2,438)	-	(2,438)	-
Issue of convertible debentures	-	-	30,000	-
Issue costs of convertible debentures	-	-	(1,214)	-
Units issued	-	-	63,005	-
Units and Class B LP Units issue costs	-	-	(3,790)	-
Repayment of commercial property debt	(111,784)	(9,252)	(157,519)	(30,525)
Collection of notes receivable	818	3,344	5,234	16,350
Repayment of EUPP loan receivable	7	8	171	384
Unit redemption	-	-	(1,375)	-
Payment of distributions	(11,649)	(8,867)	(31,468)	(25,941)
Cash provided by financing activities	(4,842)	6,903	367,838	37,494
Investing Activities				
Additions to commercial properties	(9,099)	(5,764)	(16,614)	(11,265)
Proceeds of disposal of land, net of closing costs (Note 4)	-	-	187	-
Acquisition of commercial properties (Note 4)	-	(11,938)	(389,405)	(42,155)
Cash used in investing activities	(9,099)	(17,702)	(405,832)	(53,420)
Increase (decrease) in cash and cash equivalents during the period	Nil	(641)	(2,708)	(1,180)
Cash and cash equivalents, beginning of period	Nil	641	2,708	1,180
Cash and cash equivalents, end of period	\$ Nil	\$ Nil	\$ Nil	\$ Nil

See accompanying notes to the interim consolidated financial statements.

CROMBIE REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts)

(Unaudited)

September 30, 2008

1) CROMBIE REAL ESTATE INVESTMENT TRUST

Crombie Real Estate Investment Trust ("Crombie") is an unincorporated "open-ended" real estate investment trust created pursuant to the Declaration of Trust dated January 1, 2006, as amended. The units of Crombie are traded on the Toronto Stock Exchange ("TSX") under the symbol "CRR.UN".

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as prescribed by the Canadian Institute of Chartered Accountants ("CICA"). These interim consolidated financial statements do not include all of the disclosures contained in Crombie's annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2007 as set out in the 2007 Annual Report.

The accounting policies used in preparation of these interim consolidated financial statements conform with those used in the 2007 annual consolidated financial statements, except as described in Note 3.

(b) Property Acquisitions

Upon acquisition of commercial properties, Crombie performs an assessment of the fair value of the properties' related tangible and intangible assets and liabilities (including land, buildings, origination costs, in-place leases, above and below-market leases, and any other assumed assets and liabilities), and allocates the purchase price to the acquired assets and liabilities. Crombie assesses and considers fair value based on cash flow projections that take into account relevant discount and capitalization rates and any other relevant sources of market information available. Estimates of future cash flow are based on factors that include historical operating results, if available, and anticipated trends, local markets and underlying economic conditions.

Crombie allocates the purchase price based on the following:

Land - The amount allocated to land is based on an appraisal estimate of its fair value.

Buildings - Buildings are recorded at the fair value of the building on an "as-if-vacant" basis, which is based on the present value of the anticipated net cash flow of the building from vacant start up to full occupancy.

Origination costs for existing leases - Origination costs are determined based on estimates of the costs that would be incurred to put the existing leases in place under the same terms and conditions. These costs include leasing commissions as well as foregone rent and operating cost recoveries during an assumed lease-up period.

In-place leases - In-place lease values are determined based on estimated costs required for each lease that represents the net operating income lost during an estimated lease-up period that would be required to replace the existing leases at the time of purchase.

Tenant relationships - Tenant relationship values are determined based on costs avoided if the respective tenants were to renew their leases at the end of the existing term, adjusted for the estimated probability that the tenants will renew.

Above and below market existing leases - Values ascribed to above and below market existing leases are determined based on the present value of the difference between the rents payable under the terms of the respective leases and estimated future market rents.

Fair value of debt - Values ascribed to fair value of debt is determined based on the differential between contractual and market interest rates on long term liabilities assumed at acquisition.

(c) Revenue recognition

Property revenue includes rents earned from tenants under lease agreements, percentage rent, realty tax and operating cost recoveries, and other incidental income. Certain leases have rental payments that change over their term due to changes in rates. Crombie records the rental revenue from these leases on a straight-line basis over the term of the lease. Accordingly, an accrued rent receivable/payable is recorded for the difference between the straight-line rent recorded as property revenue and the rent that is contractually due from the tenants. Percentage rents are recognized when tenants are obligated to pay such rent under the terms of the related lease agreements. The value of the differential between original and market rents for existing leases is amortized using the straight-line method over the terms of the tenant lease agreements. Realty tax and other operating cost recoveries, and other incidental income, are recognized on an accrual basis.

(d) Income taxes

Crombie is taxed as a "mutual fund trust" for income tax purposes. Pursuant to the terms of the Declaration of Trust, Crombie must make distributions not less than the amount necessary to ensure that Crombie will not be liable to pay income tax, except for the amounts incurred in its incorporated subsidiaries.

CROMBIE REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts)

(Unaudited)

September 30, 2008

Future income tax liabilities of Crombie relate to tax and accounting basis differences of all incorporated subsidiaries of Crombie. Income taxes are accounted for using the liability method. Under this method, future income taxes are recognized for the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income taxes are computed using substantively enacted corporate income tax rates for the years in which tax and accounting basis differences are expected to reverse.

(e) Employee future benefits obligation

The cost of pension benefits for defined contribution plans are expensed as contributions are paid. The cost of defined benefit pension plans and other benefit plans is accrued based on actuarial valuations, which are determined using the projected benefit method pro-rated on service and management's best estimate of the expected long-term rate of return on plan assets, salary escalation, retirement ages and expected growth rate of health care costs. The defined benefit plans are unfunded.

The impact of changes in plan amendments is amortized on a straight-line basis over the expected average remaining service life ("EARSL") of active members. For the supplementary executive retirement plan, the impacts of changes in the plan provisions are amortized over five years.

During the third quarter and year to date fiscal 2008, the net defined benefit pension plans and other benefit plans expense was \$96 and \$287 (2007 - \$115 and \$346).

(f) Use of estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The significant areas of estimation and assumption include:

- Impairment of assets;
- Depreciation and amortization;
- Allocation of purchase price on property acquisitions; and
- Fair value of mortgages.

(g) Cash flow statements

The determination to declare and make payable distributions from Crombie are at the discretion of the Board of Trustees of Crombie and, until declared payable by the Board of Trustees of Crombie, Crombie has no contractual requirement to pay cash distributions to Unitholders' of Crombie. During the nine month period ended September 30, 2008, \$32,395 (nine month period ended September 30, 2007 - \$25,941) in cash distributions were declared payable by the Board of Trustees to Crombie Unitholders and Crombie Limited Partnership Unitholders (the "Class B LP Units").

(h) Convertible debentures

Debentures with conversion features are assessed at inception as to the value of both their equity component and their debt component. Based on the assessment, Crombie has determined no amount should be attributed to equity and thus its convertible debentures have been classified as liabilities. Distributions to debenture holders are presented as interest expense. Issue costs on convertible debentures are netted against the convertible debentures and amortized over the original life of the convertible debentures using the effective interest rate method.

(i) Discontinued operations

Crombie classifies properties that meet certain criteria as held for sale and separately discloses any net income (loss) and gain (loss) on disposal for current and prior periods as discontinued operations. A property is classified as held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the property and is actively locating a purchaser for the property at a sales price that is reasonable in relation to the current estimated fair market value of the property, and the sale is expected to be completed within a one year period. Properties held for sale are carried at the lower of their carrying values and estimated fair value less costs to sell. In addition, assets held for sale are no longer depreciated. A property that is subsequently reclassified as held in use is measured at the lower of its carrying value amount before it was classed as held for sale, adjusted for an amortization expense that would have been recognized had it been continuously classified as held and in use, and its estimated fair value at the date of the subsequent decision not to sell.

3) CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2008 Crombie has adopted three new accounting standards that were issued by the CICA in 2006. These accounting policy changes have been adopted on a prospective basis.

CROMBIE REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except per unit amounts)
(Unaudited)
September 30, 2008

The new standards and accounting policy changes are as follows:

Capital Disclosures

Effective January 1, 2008, the CICA's new accounting standard "Handbook Section 1535, Capital Disclosures" was adopted, which requires the disclosure of both qualitative and quantitative information to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new standard did not have any impact on the financial position or earnings of Crombie. Refer to Note 21.

Financial Instruments Disclosures and Presentation

Effective January 1, 2008, the accounting and disclosure requirements of the CICA's two new accounting standards were adopted: "Handbook Section 3862, Financial Instruments – Disclosures" and "Handbook Section 3863, Financial Instruments – Presentation." The new standards did not have any impact on the financial position or earnings of Crombie. Refer to Note 19.

Effect of New Accounting Standards not yet Implemented

Goodwill and Intangible Assets

In February 2008, the CICA issued a new Section 3064 "Goodwill and Intangible Assets" replacing Section 3062 "Goodwill and Other Intangible Assets" as well as Section 3450 "Research and Development Costs". The new Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets (including research and development costs). As for subsequent measurement of intangible assets, goodwill, and disclosure, Section 3064 carries forward the requirements of the old Section 3062. The new Section applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Crombie is currently evaluating the effect of these new standards on its results and financial position.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board confirmed the date of changeover from GAAP to International Financial Reporting Standards ("IFRS"). Canadian publicly accountable enterprises must adopt IFRS for their interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Crombie is currently developing its IFRS conversion plan and evaluating the effect of the new standards on its consolidated financial statements.

4) COMMERCIAL PROPERTIES

	September 30, 2008		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 288,551	\$ Nil	\$ 288,551
Buildings	1,027,441	32,781	994,660
Tenant improvements and leasing costs	27,993	5,602	22,391
	\$ 1,343,985	\$ 38,383	\$ 1,305,602

	December 31, 2007		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 180,938	\$ Nil	\$ 180,938
Buildings	723,673	20,878	702,795
Tenant improvements and leasing costs	18,350	3,145	15,205
	\$ 922,961	\$ 24,023	\$ 898,938

Property Acquisitions and Disposals

2008

On April 22, 2008, Crombie acquired 61 properties in Atlantic Canada, Quebec and Ontario from subsidiaries of Empire Company Limited, representing a 3,288,000 square foot increase to the portfolio, for \$428,500 plus additional closing costs. The acquisition was financed through a \$280,000 term facility, the issuance of \$30,000 convertible debentures, the issuance of \$55,000 of Class B LP units of Crombie Limited Partnership to affiliates of Empire, the issuance of \$63,005 of REIT units (5,727,750 units at a price of \$11.00 per unit), and a draw on Crombie's revolving credit facility.

CROMBIE REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts)

(Unaudited)

September 30, 2008

On June 12, 2008, Crombie acquired a property in Saskatoon, Saskatchewan, representing a 160,000 square foot increase to the portfolio, for \$27,200 plus additional closing costs, from an unrelated third party. The acquisition was financed through an assumption of an existing mortgage of \$16,517 at a fixed rate of 5.35% and a term of three years with the balance of the purchase price paid using funds from the revolving credit facility.

On May 21, 2008, land attached to a commercial property was sold to an unrelated third party for cash proceeds of \$187, net of closing costs, resulting in a gain of \$77.

2007

On January 17, 2007, Crombie acquired a property in Carleton Place, Ontario, representing a 79,700 square foot increase to the portfolio, for \$11,800 plus additional closing costs, from an unrelated third party. The acquisition was initially financed through Crombie's revolving credit facility. On April 27, 2007, a mortgage of \$7,850 at a fixed rate of 5.18% and a term of twelve years was established for the property.

On March 7, 2007, Crombie acquired a property in Perth, Ontario representing a 102,500 square foot increase to the portfolio, for \$17,900 plus additional closing costs, from an unrelated third party. The acquisition was initially financed through Crombie's revolving credit facility. On April 20, 2007, a mortgage of \$12,600 at a fixed rate of 5.43% and a term of fifteen years was established for the property.

On July 26, 2007, Crombie acquired a property in Fort Erie, Ontario representing a 92,500 square foot increase to the portfolio, for \$19,200 plus additional closing costs, from an unrelated third party. The acquisition was financed through an assumption of an existing mortgage of \$11,400 at a fixed rate of 5.36% and a term of eight years with the balance of the purchase price paid in cash using funds from the revolving credit facility.

On August 24, 2007, Crombie acquired a property in Brossard, Quebec representing a 38,800 square foot increase to the portfolio, for \$7,300 plus additional closing costs, from an unrelated third party. The acquisition was financed through an assumption of an existing mortgage of \$3,400 at a fixed rate of 6.44% and a term of seventeen years with the balance of the purchase price paid in cash using funds from the revolving credit facility.

The allocation of the total cost of the acquisitions is as follows:

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Commercial property acquired, net:				
Land	\$ -	\$ 5,994	\$ 107,826	\$ 11,175
Buildings	-	18,575	287,154	38,905
Intangible assets:				
Lease origination costs	-	1,133	40,233	2,118
Tenant relationships	-	1,174	21,622	3,418
Above market leases	-	-	370	855
In-place leases	-	1,589	35,384	3,771
Intangible liabilities:				
Below market leases	-	(1,686)	(31,848)	(3,246)
Net purchase price	-	26,779	460,741	56,996
Assumed mortgages	-	(14,841)	(16,517)	(14,841)
Fair value debt adjustment on assumed mortgages	-	-	181	-
	\$ -	\$ 11,938	\$ 444,405	\$ 42,155
Consideration funded by:				
Revolving credit facility	\$ -	\$ 8,938	\$ 16,000	\$ 17,955
Mortgage financing	-	-	-	20,450
Term facility	-	-	280,000	-
Units	-	-	63,005	-
Convertible debentures	-	-	30,000	-
Application of deposit	-	3,000	400	3,750
Cash paid	-	11,938	389,405	42,155
Class B LP Units (non-controlling interest) paid	-	-	55,000	-
Total consideration paid	\$ -	\$ 11,938	\$ 444,405	\$ 42,155

CROMBIE REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts)

(Unaudited)

September 30, 2008

5) INTANGIBLE ASSETS

	September 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Origination costs for existing leases	\$ 54,419	\$ 9,804	\$ 44,615
In-place leases	57,376	16,320	41,056
Tenant relationships	57,098	12,636	44,462
Above market existing leases	16,015	7,235	8,780
	\$ 184,908	\$ 45,995	\$ 138,913

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Origination costs for existing leases	\$ 14,186	\$ 5,468	\$ 8,718
In-place leases	21,992	9,628	12,364
Tenant relationships	35,476	7,431	28,045
Above market existing leases	15,645	4,949	10,696
	\$ 87,299	\$ 27,476	\$ 59,823

6) NOTES RECEIVABLE

On March 23, 2006, Crombie acquired 44 properties from Empire Company Limited's subsidiary, ECL Properties Limited ("ECL") and certain affiliates, resulting in ECL issuing two demand non-interest bearing promissory notes in the amounts of \$39,600 and \$20,564. Payments on the first note of \$39,600 are being received as funding is required for a capital expenditure program relating to eight commercial properties over the period from 2006 to 2010. Payments on the second note of \$20,564 are being received on a monthly basis to reduce the effective interest rate to 5.54% on certain assumed mortgages with an average term to maturity of approximately 3.5 years.

The balance of each note is as follows:

	September 30, 2008	December 31, 2007
Capital expenditure program	\$ 4,119	\$ 6,817
Interest rate subsidy	11,615	14,151
	\$ 15,734	\$ 20,968

7) OTHER ASSETS

	September 30, 2008	December 31, 2007
Gross accounts receivable	\$ 7,027	\$ 5,943
Provision for doubtful accounts	(515)	(504)
Net accounts receivable	6,512	5,439
Accrued straight-line rent receivable	7,488	5,728
Prepaid expenses	16,568	8,263
Restricted cash	724	790
	\$ 31,292	\$ 20,220

8) COMMERCIAL PROPERTY DEBT

	Range	Weighted average interest rate	Weighted average term to maturity	September 30, 2008
Fixed rate mortgages	5.15-6.44%	5.55%	7.2 years	\$ 524,307
Floating rate term facility		5.00%	1.1 years	180,000
Floating rate revolving credit facility		5.19%	2.8 years	121,585
Deferred financing charges				(5,258)
				\$ 820,634

	Range	Weighted average interest rate	Weighted average term to maturity	December 31, 2007
Fixed rate mortgages	5.15-6.44%	5.46%	7.4 years	\$ 425,273
Floating rate revolving credit facility		5.50%	2.6 years	70,900
Deferred financing charges				(2,444)
				\$ 493,729

CROMBIE REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per unit amounts)

(Unaudited)

September 30, 2008

As of September 30, 2008, debt retirements for the next 5 years are:

	Fixed Rate	Floating Rate	Financing Costs	Total
Twelve months ended September 30, 2009	\$ 16,132	\$ Nil	\$ Nil	\$ 16,132
Twelve months ended September 30, 2010	120,285	180,000	-	300,285
Twelve months ended September 30, 2011	39,824	121,585	-	161,409
Twelve months ended September 30, 2012	13,216	-	-	13,216
Twelve months ended September 30, 2013	22,746	-	-	22,746
Thereafter	300,387	-	-	300,387
	512,590	301,585	-	814,175
Deferred financing charges	-	-	(5,258)	(5,258)
Fair value debt adjustment	11,717	-	-	11,717
	<u>\$ 524,307</u>	<u>\$ 301,585</u>	<u>\$ (5,258)</u>	<u>\$ 820,634</u>

The floating rate revolving credit facility has a maximum principal amount of \$150,000 and is used by Crombie for working capital purposes and to provide financing for future acquisitions. It is secured by a pool of first and second mortgages and negative pledges on certain properties. As at September 30, 2008, based on the security granted by Crombie, approximately \$148,426 is available for draw down, of which \$121,585 is drawn down on the facility. During the second quarter of 2008, the maturity date of the floating rate credit facility was extended to June 30, 2011.

On April 22, 2008, Crombie entered into an 18 month floating rate term facility of \$280,000 to partially finance the acquisition of 61 properties from subsidiaries of Empire Company Limited. The floating interest rate is based on a margin over prime on the Banker Acceptance Rate, which margin increases over time. As security for the term facility, Crombie provided an unconditional guarantee and shall at any time on or after the 90th day following the closing of the acquisition, if requested by the lender, grant a charge on all or certain of the acquired properties together with an assignment of leases. On October 14, 2008, the lender did request to securitize the remaining \$180,000 of the term facility. The term facility contains financial and non-financial covenants that are customary for a credit facility of this nature and which mirror the covenants set forth in the revolving credit facility.

On September 30, 2008, Crombie completed mortgage financing to refinance \$100 million of the floating rate term facility. The fixed rate mortgages have a weighted average 7.7 year term, with a 25 year amortization, and a weighted average interest rate of 5.91%.

On August 7, 2008, Crombie signed a commitment letter to refinance a prior mortgage on the Port Colborne property in Ontario. The commitment was for \$6,175 with a five year term and an interest rate based on a 250 basis point spread over the Government of Canada five year bond rate or 6.0%, which ever is higher. The closing of the financing is anticipated to occur in the forth quarter of 2008. Proceeds from the financing will be used to reduce the revolving credit facility.

On August 28, 2008, Crombie completed the refinancing of an existing mortgage on the freestanding store at 318 Ontario Street in Ontario. The new fixed rate mortgage of \$4,600 provided funds of \$4,584 (net of fees). The interest rate on the new mortgage is 5.73% with a maturity date of September 2013.

On September 10, 2008, Crombie completed the refinancing of an existing mortgage on the South Pelham Market Plaza in Ontario. The new fixed rate mortgage of \$5,610 provided funds of \$5,576 (net of fees). The interest rate on the new mortgage is 5.64% with a maturity date of October 2013.

On September 24, 2008, Crombie signed a commitment letter to refinance a prior mortgage on the Amherst Plaza in Nova Scotia. The commitment was for \$6,000 with a five year term and an interest rate based on a 260 basis point spread over the Government of Canada five year bond rate. The closing of the financing is anticipated to occur in the forth quarter of 2008. Proceeds from the financing will be used to reduce the revolving credit facility.

9) CONVERTIBLE DEBENTURES

Convertible debenture	Maturity date	Interest rate	Principal	Transaction costs	Sep. 30, 2008
Series A	March 20, 2013	7%	\$30,000	\$(1,093)	\$28,907

Series A convertible debentures

On March 20, 2008, Crombie issued \$30,000 in unsecured convertible debentures related to the agreements to acquire a portfolio of 61 retail properties from subsidiaries of Empire Company Limited.

Each convertible debenture will be convertible into units of Crombie at the option of the debenture holder up to the maturity date of March 20, 2013 at a conversion price of \$13 per unit.

The convertible debentures bear interest at an annual fixed rate of 7%, payable semi-annually on June 30, and December 31 in each year commencing on June 30, 2008. The convertible debentures are not redeemable prior to March 20, 2011. From March 20, 2011 to March 20, 2012,

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the convertible debentures may be redeemed, in whole or in part, on not more than 60 days' and not less than 30 days' prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date on which notice on redemption is given exceeds 125% of the conversion price. After March 20, 2012, and prior to March 20, 2013, the convertible debentures may be redeemed, in whole or in part, at anytime at the redemption price equal to the principal amount thereof plus accrued and unpaid interest. Provided that there is not a current event of default, Crombie will have the option to satisfy its obligation to pay the principal amount of the convertible debentures at maturity or upon redemption, in whole or in part, by issuing the number of units equal to the principal amount of the convertible debentures then outstanding divided by 95% of the volume-weighted average trading price of the units for a stipulated period prior to the date of redemption or maturity, as applicable. Upon change of control of Crombie, debenture holders have the right to put the convertible debentures to Crombie at a price equal to 101% of the principal amount plus accrued and unpaid interest.

Crombie will also have an option to pay interest on any interest payment date by selling units and applying the proceeds to satisfy its interest obligation.

Transaction costs related to the convertible debentures have been deferred and are being amortized into interest expense over the term of the convertible debentures using the effective interest rate method.

10) PAYABLES AND ACCRUALS

	September 30, 2008	December 31, 2007
Tenant improvements and capital expenditures	\$ 17,803	\$ 9,828
Property operating costs	19,099	21,212
Interest on commercial property debt and debentures	2,666	1,731
Fair value of interest rate swap agreements	15,813	5,784
	\$ 55,381	\$ 38,555

11) INTANGIBLE LIABILITIES

	September 30, 2008		
	Cost	Accumulated Amortization	Net Book Value
Below-market existing leases	\$ 55,703	\$ 12,497	\$ 43,206

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Below-market existing leases	\$ 23,855	\$ 7,352	\$ 16,503

12) NON-CONTROLLING INTEREST

	Class B LP Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
Balance, January 1, 2008	\$ 191,302	\$ 18,678	\$ Nil	\$ (2,784)	\$ (29,277)	\$ 177,919
Net income	-	8,472	-	-	-	8,472
Distributions	-	-	-	-	(15,344)	(15,344)
Other comprehensive income (loss)	-	-	-	(6,060)	-	(6,060)
Unit issue proceeds, net of costs of \$1,782	53,218	-	-	-	-	53,218
Balance, September 30, 2008	\$ 244,520	\$ 27,150	\$ Nil	\$ (8,844)	\$ (44,621)	\$ 218,205

	Class B LP Units	Net Income	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Distributions	Total
Balance, January 1, 2007	\$ 191,302	\$ 8,787	\$ Nil	\$ Nil	\$ (12,440)	\$ 187,649
Transition adjustment	-	-	-	(148)	-	(148)
Net income	-	6,125	-	-	-	6,125
Distributions	-	-	-	-	(12,570)	(12,570)
Other comprehensive income (loss)	-	-	-	(1,599)	-	(1,599)
Balance, September 30, 2007	\$ 191,302	\$ 14,912	\$ Nil	\$ (1,747)	\$ (25,010)	\$ 179,457

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13) UNITS OUTSTANDING

	Crombie REIT Units		Crombie REIT Special Voting Units and Class B LP Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
	Balance, January 1, 2008	21,648,985	\$ 205,273	20,079,576	\$ 191,302	41,728,561
Capital contribution	5,727,750	63,005	5,000,000	55,000	10,727,750	118,005
Cost of issuance	-	(2,008)	-	(1,782)	-	(3,790)
Net Unit issue proceeds	27,376,735	266,270	25,079,576	244,520	52,456,311	510,790
Units issued under EUPP	34,053	386	-	-	34,053	386
Units released under EUPP	-	20	-	-	-	20
Net change in EUPP loans receivable	-	(215)	-	-	-	(215)
Unit redemption	(138,900)	(1,375)	-	-	(138,900)	(1,375)
Balance, September 30, 2008	27,271,888	\$ 265,086	25,079,576	\$ 244,520	52,351,464	\$ 509,606

	Crombie REIT Units		Crombie REIT Special Voting Units and Class B LP Units		Total	
	Number of Units	Amount	Number of Units	Amount	Number of Units	Amount
	Balance, January 1, 2007	21,633,225	\$ 204,831	20,079,576	\$ 191,302	41,712,801
Units issued under EUPP	15,760	215	-	-	15,760	215
Units released under EUPP	-	52	-	-	-	52
Net change in EUPP loans receivable	-	169	-	-	-	169
Balance, September 30, 2007	21,648,985	\$ 205,267	20,079,576	\$ 191,302	41,728,561	\$ 396,569

Crombie REIT Units

Crombie is authorized to issue an unlimited number of units ("Units") and an unlimited number of Special Voting Units. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without the approval of the Unitholders. Units are redeemable at any time on demand by the holders at a price per Unit equal to the lesser of: (i) 90% of the weighted average price per Crombie Unit during the period of the last ten days during which Crombie's Units traded; and (ii) an amount equal to the price of Crombie's Units on the date of redemption, as defined in the Declaration of Trust. During the second quarter of 2008, Crombie redeemed 138,900 Units at a value of \$1,375.

The aggregate redemption price payable by Crombie in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitation that:

- i. the total amount payable by Crombie in respect of such Units and all other Units tendered for redemption, in the same calendar month must not exceed \$50 (provided that such limitation may be waived at the discretion of the Trustees);
- ii. at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units;
- iii. the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately after the Redemption Date.

Crombie REIT Special Voting Units and Class B LP Units

The Declaration of Trust and the Exchange Agreement provide for the issuance of voting non-participating Units (the "Special Voting Units") to the holders of Class B LP Units used solely for providing voting rights proportionate to the votes of Crombie's Units. The Special Voting Units are not transferable separately from the Class B LP Units to which they are attached and will be automatically transferred upon the transfer of such Class B LP Unit. If the Class B LP Units are purchased in accordance with the Exchange Agreement, a like number of Special Voting Units will be redeemed and cancelled for no consideration by Crombie.

The Class B LP Units issued by a subsidiary of Crombie to ECL have economic and voting rights equivalent, in all material aspects, to Crombie's Units. They are indirectly exchangeable on a one-for-one basis for Crombie's Units at the option of the holder, under the terms of the Exchange Agreement.

Each Class B LP Unit entitles the holder to receive distributions from Crombie, pro rata with distributions made by Crombie on Units.

The Class B LP Units are accounted for as non-controlling interest.

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Employee Unit Purchase Plan ("EUPP")

Crombie provides for unit purchase entitlements under the EUPP for certain senior executives. Awards made under the EUPP will allow executives to purchase units from treasury at the average daily high and low board lot trading prices per unit on the Toronto Stock Exchange for the five trading days preceding the issuance. Executives are provided non-recourse loans at 3% annual interest by Crombie for the purpose of acquiring Units from treasury and the Units purchased are held as collateral for the loan. The loan is repaid through the application of the after-tax amounts of all distributions received on the Units, as well as the after-tax portion of any Long-Term Incentive Plan ("LTIP") cash awards received, as payments on interest and principal. As at September 30, 2008, there are loans receivable from executives of \$1,300 under Crombie's EUPP, representing 124,508 Units, which are classified as a reduction of Unitholders' Equity. Loan repayments will result in a corresponding increase in Unit Capital. Market value of the Units at September 30, 2008 was \$1,289.

The compensation expense related to the EUPP during the three months ended and nine months ended September 30, 2008 was \$11 and \$31 respectively (three months ended and nine months ended September 30, 2007 - \$10 and \$28 respectively).

Earnings per Unit Computations

Basic net earnings per Unit is computed by dividing net earnings by the weighted average number of Units outstanding during the period. Diluted earnings per Unit is calculated on the assumption that all EUPP loans were repaid at the beginning of the period. For all periods, the assumed exchange of all Class B LP Units would not be dilutive. The convertible debentures are anti-dilutive and have not been included in diluted net earnings per unit or diluted weighted average number of units outstanding. As at September 30, 2008, there are no other dilutive items.

14) PROPERTY REVENUE

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Rental revenue contractually due from tenants	\$ 48,929	\$ 34,305	\$ 131,002	\$ 102,635
Straight-line rent recognition	741	368	1,759	1,074
Below market lease amortization	2,145	1,129	5,145	3,219
Above market lease amortization	(771)	(734)	(2,286)	(2,148)
	\$ 51,044	\$ 35,068	\$ 135,620	\$ 104,780

15) FUTURE INCOME TAXES

On September 22, 2007, tax legislation Bill C-52, the Budget Implementation Act, 2007 (the "Act") was passed into law. The Act related to the federal income taxation of publicly traded income trusts and partnerships. The Act subjects all existing income trusts, or specified investment flow-through entities ("SIFTs"), to corporate tax rates beginning in 2011, subject to an exemption for real estate investment trusts ("REITs"). A trust that satisfies the criteria of a REIT throughout its taxation year will not be subject to income tax in respect of distributions to its unitholders or be subject to the restrictions on its growth that would apply to SIFTs.

During 2007, Crombie's management and their advisors underwent an extensive review of Crombie's organizational structure and operations to support Crombie's assertion that, at January 1, 2008, it meets the REIT technical tests contained in the Act. The relevant tests apply throughout the taxation year of Crombie and, as such, the actual status of Crombie for any particular taxation year can only be ascertained at the end of the year.

On December 20, 2007, the Department of Finance (Canada) issued a press release outlining the intended proposed amendments to provide further clarity to these technical tests, and these proposed amendments were issued on July 14, 2008. While Crombie did not rely on these proposed amendments, they do provide further certainty that Crombie qualifies as a REIT.

The future income tax liability of the wholly-owned corporate subsidiary which is subject to income taxes consists of the following:

	September 30, 2008	December 31, 2007
Tax liabilities relating to difference in tax and book value	\$ 90,414	\$ 86,655
Tax asset relating to non-capital loss carry-forward	(7,414)	(5,154)
Future income tax liability	\$ 83,000	\$ 81,501

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The future income tax expense consists of the following:

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Provision for income taxes at the expected rate	\$ 2,193	\$ 1,632	\$ 6,762	\$ 5,863
Tax effect of income attribution to Crombie's unitholders	(1,334)	(1,264)	(4,802)	(3,689)
Tax effect from change in tax exempt status beginning in 2011	-	350	-	1,850
Income tax expense	\$ 859	\$ 718	\$ 1,960	\$ 4,024

16) SUPPLEMENTAL CASH FLOW INFORMATION

(a) Change in other non-cash operating items

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Cash provided by (used in):				
Receivables	\$ (159)	\$ (1,681)	\$ (1,079)	\$ 413
Prepaid expenses and other assets	(3,708)	(468)	(8,288)	(4,553)
Payables and other liabilities	1,934	6,907	6,902	(8,102)
	\$ (1,933)	\$ 4,758	\$ (2,465)	\$ (12,242)

(b) Interest

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Interest paid	\$ 11,235	\$ 7,231	\$ 28,957	\$ 20,742

17) COMMITMENTS AND CONTINGENCIES

There are various claims and litigation, which Crombie is involved with, arising out of the ordinary course of business operations. In the opinion of management, any liability that would arise from such contingencies would not have a significant adverse effect on these financial statements.

Crombie has agreed to indemnify, in certain circumstances, the trustees and officers of Crombie.

Crombie has entered into a management cost sharing agreement with a subsidiary of Empire Company Limited. Details of this agreement are described in Note 18.

Crombie has land leases on certain properties. These leases have annual payments of \$864 per year over the next five years.

18) RELATED PARTY TRANSACTIONS

As at September 30, 2008, Empire Company Limited, through its wholly-owned subsidiary ECL, holds a 47.9% indirect interest in Crombie.

For a period of five years commencing March 23, 2006, certain executive management individuals and other employees of Crombie will provide general management, financial, leasing, administrative, and other administration support services to certain real estate subsidiaries of Empire Company Limited on a cost recovery basis. The expense recoveries during the three months ended and nine months ended September 30, 2008 were \$285 and \$1,126 respectively (three months ended and nine months ended September 30, 2007 - \$609 and \$774 respectively) and were netted against general and administrative expenses.

For a period of five years, certain on-site maintenance and management employees of Crombie will provide property management services to certain real estate subsidiaries of Empire on a cost recovery basis. In addition, for various periods, ECL has an obligation to provide rental income and interest rate subsidies. The cost recoveries during the three months ended and nine months ended September 30, 2008 were \$343 and \$1,516 respectively (three months ended and nine months ended September 30, 2007 - \$576 and \$1,774 respectively) and was netted against property expenses. The rental income subsidy during the three months ended and nine months ended September 30, 2008 were \$Nil and \$Nil respectively (three months ended and nine months ended September 30, 2007 - \$9 and \$25 respectively) and the head lease subsidy during three months ended and nine months ended September 30, 2008 were \$105 and \$734 respectively (three months ended and nine months ended September 30, 2007 - \$295 and \$810 respectively).

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Crombie also earned property revenue of \$13,578 for the three months ended September 30, 2008 and \$33,075 for the nine months ended September 30, 2008 (three months ended and nine months ended September 30, 2007 - \$4,783 and \$10,614 respectively) from Sobeyes Inc., Empire Theatres and ASC Commercial Leasing Limited ("ASC"). These companies were all subsidiaries of Empire Company Limited until September 8, 2008 when ASC was sold. Property revenue from ASC is included in this note disclosure until the sale date.

On April 22, 2008, Crombie acquired 61 properties from a related party (see Note 4).

19) FINANCIAL INSTRUMENTS

a) Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that Crombie would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

Crombie has classified its financial instruments in the following categories:

- i. Held for trading - Restricted cash and cash and cash equivalents
- ii. Loans and receivables - Notes receivable and accounts receivable
- iii. Other financial liabilities - Commercial property debt, convertible debentures, tenant improvements and capital expenditures payable, property operating costs payable and interest payable

The book value of cash and cash equivalents, restricted cash, receivables, payables and accruals approximate fair values at the balance sheet date. The fair value of other financial instruments is based upon discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks. Such fair value estimates are not necessarily indicative of the amounts Crombie might pay or receive in actual market transactions.

The following table summarizes the carrying value and fair value of those financial instruments which have a fair value different from their book value at the balance sheet date.

	September 30, 2008		December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Commercial property debt	\$ 820,634	\$ 840,483	\$ 493,945	\$ 496,333
Convertible debentures	\$ 28,907	\$ 32,565	\$ -	\$ -

b) Risk management

In the normal course of business, Crombie is exposed to a number of financial risks that can affect its operating performance. These risks, and the action taken to manage them, are as follows:

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Crombie's credit risk is limited to the recorded amount of tenant receivables. An allowance for doubtful accounts is taken for all anticipated problem accounts (see Note 7).

Crombie mitigates credit risk by geographical diversification, utilizing staggered lease maturities and diversifying both the tenant mix and asset mix and conducting credit assessments for new and renewing tenants. As at September 30, 2008;

- Excluding Sobeyes (which accounts for 32.9% of Crombie's minimum rent), no other tenant accounts for more than 2.2% of Crombie's minimum rent, and
- Over the next five years, no more than 10.6% of the gross leaseable area of Crombie will expire in any one year.

Interest rate risk

Interest rate risk is the potential for financial loss arising from changes in interest rates. Crombie mitigates interest rate risk by utilizing staggered debt maturities, limiting the use of permanent floating rate debt and utilizing interest rate swap agreements. As at September 30, 2008:

- Crombie's average term to maturity of the fixed rate mortgages was 7.2 years, and
- Crombie's exposure to floating rate debt, including the impact of the fixed rate swap agreements discussed below, was 24.6% of the total commercial property debt. Excluding the floating rate term facility, which is to be replaced with permanent fixed rate financing during the next twelve months, the exposure to floating rate debt is 11.2%.

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From time to time, Crombie may enter into interest rate swap transactions to modify the interest rate profile of its current or future debts without an exchange of the underlying principal amount.

As part of this interest rate management program, Crombie has entered into a fixed interest rate swap to fix the amount of interest to be paid on \$50,000 of the revolving credit facility. The fair value of the fixed interest rate swap at September 30, 2008, had an unfavourable difference of \$1,608 (September 30, 2007 – favourable \$236) compared to its face value. The change in this amount has been recognized in other comprehensive income (loss).

In addition to the fixed interest rate swap, Crombie has entered into a number of delayed interest rate swap agreements of a notional amount of \$110,431 with an effective date between August 1, 2008 and September 1, 2011, maturing between August 1, 2018 and July 2, 2021 to mitigate the exposure to interest rate increases for mortgages maturing between 2008 and 2011. The fair value of these delayed interest rate swap agreements had an unfavourable difference of \$8,037 compared to the face value on September 30, 2008 (September 30, 2007 – unfavourable \$3,865). The change in these amounts has been recognized in other comprehensive income (loss).

In relation to the acquisition of a portfolio of 61 retail properties from subsidiaries of Empire Company Limited, Crombie has entered into a number of delayed interest rate swap agreements of a notional amount of \$180,000 to mitigate the exposure to interest rate increases prior to replacing the 18 month floating rate term facility with long-term financing. In addition, Crombie has entered into a fixed interest rate swap agreement of a notional amount of \$50,000 to fix a portion of the interest on the floating rate term facility. The fair value of these agreements had an unfavourable difference of \$6,168 compared to their face value on September 30, 2008 (September 30, 2007 – \$Nil). The change in these amounts has been recognized in other comprehensive income (loss).

During the quarter ended September 30, 2008, Crombie settled three interest rate swap agreements that had an unfavourable difference of \$2,438. This amount has been recognized in other comprehensive income (loss). This loss will be reclassified to interest expense using the effective interest rate method.

A fluctuation in interest rates would have an impact on Crombie's net earnings and other comprehensive income (loss) items. Based on the previous year's rate changes, a 0.5% interest rate change would reasonably be considered possible. The changes would have had the following impact:

	Three months ended Sep. 30, 2008		Three months ended Sep. 30, 2007	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net income of interest rate changes the floating rate revolving credit facility	\$ (501)	\$ 501	\$ (141)	\$ 141

	Six months ended Sep. 30, 2008		Six months ended Sep. 30, 2007	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on net income of interest rate changes the floating rate revolving credit facility	\$ (866)	\$ 866	\$ (280)	\$ 280

	September 30, 2008		September 30, 2007	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on other comprehensive income and non-controlling interest items due to changes in fair value of derivatives designated as a cash flow hedge	\$ 9,486	\$ (9,903)	\$ 4,478	\$ (4,702)

Crombie does not enter into these interest rate swap transactions on a speculative basis. Crombie is prohibited by its Declaration of Trust in purchasing, selling or trading in interest rate future contracts other than for hedging purposes.

Liquidity risk

Liquidity risk is the risk that Crombie may not have access to sufficient debt and equity capital to fund the growth program and/or refinance the debt obligations as they mature.

Cash flow generated from operating the property portfolio represents the primary source of liquidity used to service the interest on debt, fund general and administrative expenses, reinvest into the portfolio through capital expenditures, as well as fund tenant improvement costs and make distributions to Unitholders. Debt repayment requirements are primarily funded from refinancing Crombie's maturing debt obligations or by financing unencumbered properties. Property acquisition funding requirements are funded through a combination of accessing the debt and equity capital markets.

There is a risk that the debt capital markets may not refinance maturing debt on terms and conditions acceptable to Crombie or at any terms at all. Crombie seeks to mitigate this risk by staggering the debt maturity dates (see Note 8). There is also a risk that the equity capital markets may not be receptive to an equity issue from Crombie with financial terms acceptable to Crombie. As discussed in Note 21, Crombie mitigates its exposure to liquidity risk utilizing a conservative approach to capital management.

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20) ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

During the second quarter of 2008, Crombie and a potential purchaser signed a purchase and sale agreement for a commercial property. The purchase and sale agreement closed on October 24, 2008 (see Subsequent Events). The asset held for sale was written down to estimate the property's fair value at September 30, 2008, resulting in a charge of \$895 (net of taxes \$461).

The following tables set forth the balance sheets associated with the income property classified as held for sale as at September 30, 2008 and December 31, 2007 and the statements of income for the property held for sale for the three and nine months ended September 30, 2008 and September 30, 2007.

Balance Sheets

	September 30, 2008	December 31, 2007
Assets		
Commercial property	\$ 9,968	\$ 10,025
Deferred leasing costs	125	132
Amounts receivable, prepaid expenses	356	295
Intangible assets	580	657
Write down of asset held for sale	(1,356)	-
	<u>9,673</u>	<u>11,109</u>
Liabilities		
Term mortgages	6,525	6,634
Accounts payable and accrued liabilities	435	618
Intangible liabilities	52	59
	<u>7,012</u>	<u>7,311</u>
Net investment in property held for sale	<u>\$ 2,661</u>	<u>\$ 3,798</u>

Statements of Income

	Three Months Ended Sep. 30, 2008	Three Months Ended Sep. 30, 2007	Nine Months Ended Sep. 30, 2008	Nine Months Ended Sep. 30, 2007
Property revenue				
Rental revenue contractually due from tenants	\$ 593	\$ 586	\$ 2,010	\$ 1,828
Straight-line rent recognition	4	(23)	7	(23)
Below market lease amortization	(1)	5	8	14
Above market lease amortization	5	(17)	(29)	(52)
	<u>601</u>	<u>551</u>	<u>1,996</u>	<u>1,767</u>
Expenses				
Property expenses	297	281	976	1,022
Interest	88	90	266	272
Depreciation of commercial properties	-	34	58	101
Amortization of tenant improvements/lease costs	-	9	23	24
Amortization of intangible assets	(10)	29	48	86
	<u>375</u>	<u>443</u>	<u>1,371</u>	<u>1,505</u>
Income from discontinued operations	<u>\$ 226</u>	<u>\$ 108</u>	<u>\$ 625</u>	<u>\$ 262</u>

21) CAPITAL MANAGEMENT

Crombie's objective when managing capital on a long-term basis is to maintain overall indebtedness in the range of 50% to 55% of gross book value, utilize staggered debt maturities, minimize exposure to floating rate debt, maintain conservative payout ratios and maximize long-term unit value. Crombie's capital structure consists of the following:

	September 30, 2008	December 31, 2007
Commercial property debt	\$ 820,634	\$ 493,729
Convertible debentures	28,907	-
Non-controlling interest	218,205	177,919
Unitholders' equity	236,241	190,834
	<u>\$ 1,303,987</u>	<u>\$ 862,482</u>

CROMBIE REAL ESTATE INVESTMENT TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except per unit amounts)
(Unaudited)
September 30, 2008

At a minimum, Crombie's capital structure is managed to ensure that it complies with the limitation pursuant to Crombie's Declaration of Trust, the criteria contained in the Income Tax Act (Canada) in regard to the definition of a Real Estate Investment Trust and existing debt covenants. Some of the restrictions pursuant to Crombie's Declaration of Trust would include, among other items:

- A limitation that Crombie shall not incur indebtedness (other than by the assumption of existing indebtedness) where the indebtedness would exceed 75% of the market value of the individual property; and
- A limitation that Crombie shall not incur indebtedness of more than 60% of Gross Book Value (65% including any convertible debentures)

Crombie's debt to gross book ratio is as follows:

	September 30, 2008	December 31, 2007
Mortgages payable	\$ 524,307	\$ 425,273
Convertible debentures	30,000	-
Term facility	180,000	-
Revolving credit facility	121,585	70,900
Total debt outstanding	855,892	496,173
Less: Fair value debt adjustment	(11,717)	(14,456)
Debt	<u>\$ 844,175</u>	<u>\$ 481,717</u>
Total assets	\$ 1,501,214	\$ 1,013,766
Add:		
Deferred financing charges	6,351	2,444
Accumulated depreciation of commercial properties	38,383	24,023
Accumulated amortization of intangible assets	45,995	27,476
Less:		
Assets held for sale	(9,673)	(11,109)
Fair value debt adjustment	(11,717)	(14,456)
Fair value adjustment to future taxes	(39,519)	(39,519)
Gross book value	<u>\$ 1,531,034</u>	<u>\$ 1,002,625</u>
Debt to gross book value	<u>55.1%</u>	<u>48.0%</u>

Under the amended terms governing the revolving credit facility Crombie is entitled to borrow a maximum of 70% of the fair market value of assets subject to a first security position and 60% of the fair market value of assets subject to a second security position or a negative pledge, subject to the limitations on the ability of Crombie to incur indebtedness contained in the Declaration of Trust. As part of the amended debt covenants attached to the revolving credit facility, in addition to the maximum borrowing above, Crombie must maintain certain debt ratios above prescribed levels:

- Annualized NOI for the prescribed properties must be a minimum of 1.4 times the coverage of the related annualized debt service requirements; and
- Annualized NOI on all properties must be a minimum of 1.4 times the coverage of all annualized debt service requirements,

The revolving credit facility also contains a covenant of Crombie that ECL must maintain a minimum 40% voting interest in Crombie. If ECL reduces its voting interest below this level, Crombie will be required to renegotiate the revolving credit facility or obtain alternative financing. Pursuant to an exchange agreement and while such covenant remains in place, ECL will be required to give Crombie at least nine months' prior written notice of its intention to reduce its voting interest below 40%.

As at September 30, 2008, Crombie is in compliance with all externally imposed capital requirements and all covenants relating to its debt facilities.

22) SUBSEQUENT EVENTS

- a) On September 19, 2008, Crombie declared distributions of 7.417 cents per unit for the period from September 1, 2008 to, and including, September 30, 2008. The distribution was paid on October 15, 2008 to Unitholders of record as at September 30, 2008.
- b) On October 21, 2008, Crombie declared distributions of 7.417 cents per unit for the period from October 1, 2008 to, and including, October 31, 2008. The distribution will be payable on November 17, 2008 to Unitholders of record as at October 31, 2008.
- c) On October 24, 2008, the sale of West End Mall was completed.

23) COMPARATIVE FIGURES

Comparative figures have been reclassified, where necessary, to reflect the current period's presentation.

Corporate and Unitholder Information

BOARD OF TRUSTEES

J. Stuart Blair

Trustee, President and Chief Executive Officer

Frank C. Sobey

Trustee and Chairman

Paul D. Sobey

Trustee

David G. Graham

Independent Trustee

David J. Hennigar

Independent Trustee and Lead Trustee

John E. Latimer

Independent Trustee

John Eby

Independent Trustee

Elisabeth Strobback

Independent Trustee

David Leslie

Independent Trustee

CROMBIE REIT

Head Office:

115 King St.

Stellarton, Nova Scotia, B0K 1S0

Telephone: (902) 755-8100

Fax: (902) 755-6477

Internet: www.crombiereit.com

INVESTOR RELATIONS AND INQUIRIES

Unitholders, analysts, and investors should direct their financial inquiries or requests to:

Scott M. Ball, CA

Vice President, Chief Financial Officer and

Secretary

Email: investing@crombie.ca

Communication regarding investor records including changes of address or ownership, lost certificates or tax forms, should be directed to the Company's transfer agent and registrar, CIBC Mellon Trust Company.

STOCK EXCHANGE LISTING

Toronto Stock Exchange

UNIT SYMBOL

REIT Trust Units - CRR.UN

DISTRIBUTION RECORD AND PAYMENT DATES FOR FISCAL 2008

Record Date	Payment Date
Jan. 31, 2008	Feb. 15, 2008
Feb. 28, 2008	Mar. 17, 2008
Mar. 31, 2008	Apr. 15, 2008
Apr. 30, 2008	May 15, 2008
May 30, 2008	Jun. 16, 2008
Jun. 30, 2008	Jul. 15, 2008
Jul. 31, 2008	Aug. 15, 2008
Aug. 31, 2008	Sep. 15, 2008
Sep. 30, 2008	Oct. 15, 2008
Oct. 31, 2008	Nov. 17, 2008

TRANSFER AGENT

CIBC Mellon Trust Company

Investor Correspondence

P.O. Box 7010

Adelaide Street Postal Station

Toronto, Ontario, M5C 2W9

Telephone: (800) 387-0825

Email: enquires@cibcmellon.com

OFFICERS

J. Stuart Blair

President and Chief Executive Officer

Scott M. Ball

Vice President, Chief Financial Officer and Secretary

Scott R. MacLean

Vice President Operations

Patrick G. Martin

Vice President Leasing

COUNSEL

Stewart McKelvey

Halifax, Nova Scotia

AUDITORS

Grant Thornton, LLP

New Glasgow, Nova Scotia

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate mailing for each. If this occurs, please contact CIBC Mellon Trust Company at (800) 387-0825 to eliminate the multiple mailings.

