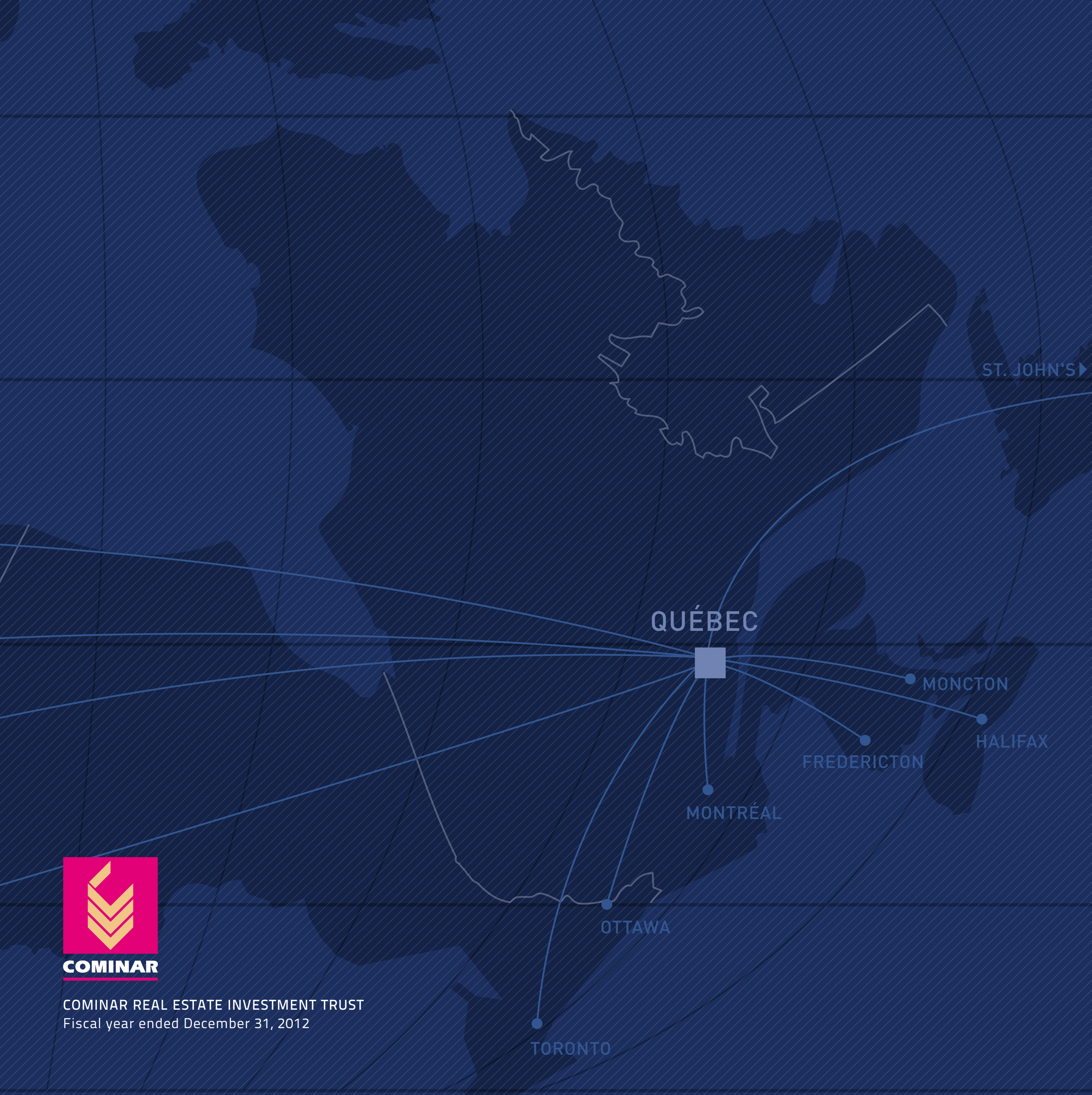
ON TRACK FROM COAST TO COAST

2012 Annual Report



COMINAR

COMINAR REAL ESTATE INVESTMENT TRUST
Fiscal year ended December 31, 2012

REACHING ACROSS THE CANADIAN MARKET


QUÉBEC
ST. JOHN'S
MONCTON
HALIFAX
FREDERICTON
MONTRÉAL
OTTAWA
TORONTO

INCREASED OPERATING REVENUES BY

77.7%

INCREASED NET INCOME BY

92.8%

INCREASED TOTAL ASSETS BY

103.1%

REDUCED DEBT RATIO TO

50.0%

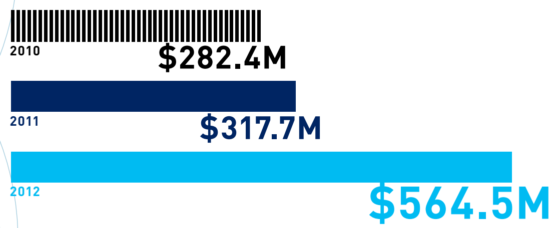
2012 FINANCIAL HIGHLIGHTS

(In thousands of dollars, except per unit amounts)	2012	2011	2010
Operating revenues	**564,537**	317,741	282,385
Net operating income [(1)]	**317,815**	184,709	164,758
Net income	**342,171**	177,461	109,140
Recurring distributable income [(1)]	**169,905**	100,885	90,336
Recurring funds from operations [(1)]	**200,450**	111,927	103,073
Recurring adjusted funds from operations [(1)]	**166,412**	99,090	91,685
Distributions	**164,021**	95,567	87,027
Total assets	**5,617,049**	2,765,317	2,405,805
PER UNIT			
Distributable income (basic) [(1)]	**3.13**	2.74	1.82
Recurring distributable income (FD) [(1) (2)]	**1.53**	1.52	1.51
Recurring funds from operations (FD) [(1) (2)]	**1.78**	1.65	1.64
Recurring adjusted funds from operations (FD) [(1) (2)]	**1.50**	1.50	1.49
Distributions	**1.44**	1.44	1.44

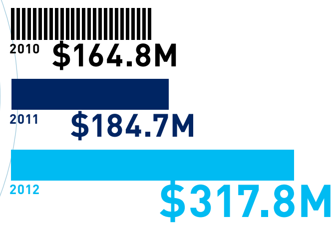
(1) Non-IFRS financial measure. Refer to Management's Discussion and Analysis.
(2) Fully diluted.

2012 FINANCIAL HIGHLIGHTS

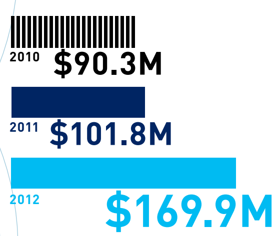
OPERATING REVENUES



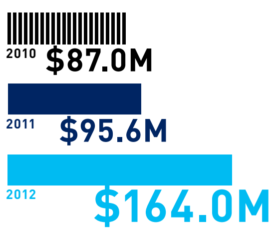
NET OPERATING INCOME



DISTRIBUTABLE INCOME



DISTRIBUTIONS



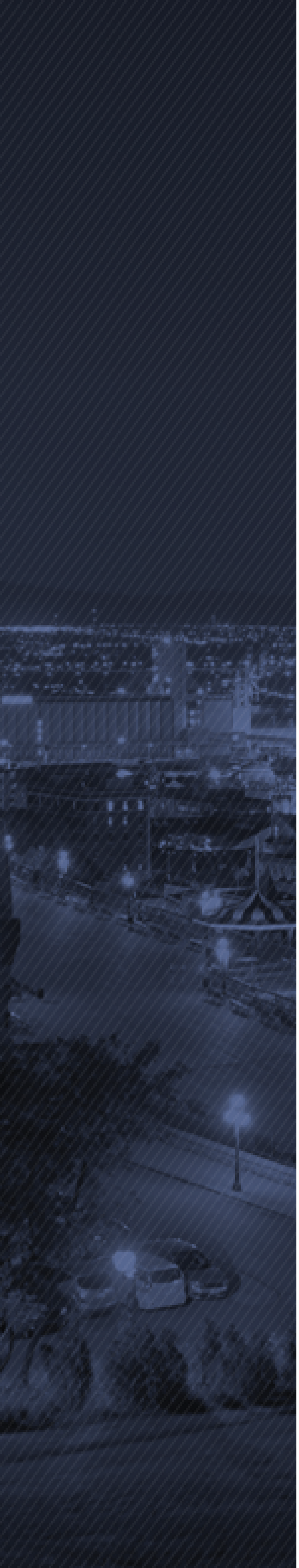
OCCUPANCY RATE
93.9%

RETENTION RATE
74.2%

DEBT RATIO
50.0%

INTEREST COVERAGE RATIO
2.74:1

LEASABLE AREA GROWTH
65.4%



MESSAGE TO UNITHOLDERS

Fiscal 2012 will always go down in Cominar's history as a year of phenomenal asset growth and the successful execution of our strategic plan. Our challenge was daunting: prioritize the reduction of our debt ratio while remaining focused on a strong acquisition strategy that would allow us to expand the geographic and segment diversification of our portfolio. The results are in and they are conclusive. We completed $2.6 billion worth of strategic acquisitions this year, increasing overall leasable area by 65.4% (44.8% in Québec, 153.4% in the Atlantic provinces, 359.9% in Ontario and 100% in Western Canada), while net operating income per market segment stood at 49.0% for our office building portfolio; 22.4% for our industrial and mixed-use portfolio; and 27.5% for retail properties, thus constituting a better balance.

MICHEL DALLAIRE, Eng.

President and
Chief Executive Officer

WE PRIORITIZED THE REDUCTION OF OUR DEBT RATIO

When we updated our strategic plan in October 2011, it was decided, among other things, that we would take the necessary steps to gradually reduce Cominar's debt ratio to approximately 50% of the gross carrying value while maintaining a slight increase in per-unit results, and we made this our top priority. Thanks to our BBB (low) DBRS credit rating obtained last spring, we made no less than six major financing transactions totalling $1.1 billion, that is, the issue of 28,088,750 units, for gross proceeds of over $661 million, and three issues of unsecured debentures totalling $450 million. This enabled us to meet our objective ahead of time, as we were able to bring down our debt ratio to 50.0% by the end of 2012, instead of at the 24-month mark, as initially planned. **It should be remembered that when we began these efforts in the fall of 2011, our debt ratio was 54.6%.** Our interest coverage ratio was 2.74:1 at the end of the year, testimony to our strength and ability to meet our obligations.

In fiscal 2012, operating revenues and net operating income increased by 77.7% and 72.1%, respectively. Recurring distributable income rose 68.4% and recurring funds from operations were up 79.1%.

ROBERT DESPRÉS, O.C., G.O.Q.

Chairman of the Board
of Trustees

Distributions to unitholders totalled $164.0 million in 2012, up 71.6% from 2011. The distribution ratio of recurring distributable income was 92.9% in 2012. Distributions per unit were maintained at $1.44, for an average yield of 6.14%.

THE ACQUISITIONS MADE IN 2012 HAVE PUT US ON TRACK, FROM COAST TO COAST

Our journey in 2012 was marked by the closing of transactions that significantly changed the company's profile and positioning on the Canadian market. Cominar almost doubled in size, both in terms of personnel and real estate assets, which stood at $5.6 billion at the end of fiscal 2012. Now better positioned to support current and future growth in its various geographical markets, the future is bright for Cominar. The acquisitions made in 2012 have put us on track from coast to coast and will keep us abreast of any opportunities that may arise in this dynamic and competitive market.

In 2012, our overall occupancy rate reached 93.9%, which is similar to last year. The efforts deployed by our leasing teams have paid off, as 74.2% of the leases maturing in 2012 were renewed, and new leases representing 1.2 million square feet were also signed. It is satisfying to see that our lease renewal rates for 2012 increased 4.2% overall. We are confident that market conditions should help maintain satisfactory rates in the coming periods.

COMINAR BROKE GROUND ON THREE DEVELOPMENT PROJECTS THIS YEAR, THE LARGEST OF WHICH WILL BE OCCUPIED MAINLY BY THE GOVERNMENT OF QUÉBEC (80%)

Cominar broke ground on three development projects this year. The largest of these projects is estimated at $46 million and consists of a new 14-floor office building located next to *Complexe Place Laval;* nearly 80% of this 284,000 sq. ft. property will be occupied by the Government of Québec. The other two projects, which are not as sizable, are both located in Québec City and consist in developing an industrial and mixed-use property, as well as a retail building, whose construction costs are evaluated at $3.9 million and $1.4 million, respectively. These future buildings are currently leased at 61% and at 100%.

OUR VITALITY DEPENDS ON THE QUALITY, EFFICIENCY AND EXCELLENCE OF THE SERVICES WE PROVIDE TO OUR 5,000+ CLIENTS

We are fully aware that our vitality depends on the quality, efficiency and excellence of the services we provide to our 5,000+ clients, so we have made **continuous improvement** one of the five intrinsic values essential to our success. This, along with our other values, form the foundation of our company. The other core values are **transparency,** reflected in the consistent pursuit of integrity and honesty towards our partners, **entrepreneurial spirit,** which encourages initiative, willingness to change, innovation and dynamic resources, **respect** and **social commitment.**

Regarding Cominar's social commitment, the Board of Trustees wishes to continue to promote and value the philanthropic involvement of Cominar and its employees in charitable organizations and it fosters sustainable contribution to the economic and social development of the communities in which the company operates.

As always, our employees are the key to our success. Through their loyalty and commitment, both long-standing employees and the new employees who have joined us through acquisitions are an integral part of our current positioning on the market, and we would like to thank them for their contribution in 2012. We are taking on 2013 with enthusiasm and vigour, and we are better positioned today than ever before. We have considerably expanded our reach and created a critical mass to serve our customers at the local and national level.

We are determined to stay focused and manage operations with the utmost integrity, caution and rigour. We consistently aim to enhance efficiency, further deploy our continuous improvement culture, stay attuned to our clients' needs and value the investments of those who have placed their trust in us.

President, Chief Executive Officer and Trustee

Michel Dallaire, Eng.

Chairman of the Board of Trustees

Robert Després, O.C., G.O.Q.

CORPORATE HIGHLIGHTS FOR 2012

$2.6 BILLION WORTH OF STRATEGIC ACQUISITIONS

MARCH 2012

Acquired Canmarc Real Estate Investment Trust for $1.9 billion, increasing leasable area by 44% and allowing Cominar to penetrate the Western Canada market, namely in Calgary, to support future growth.

JUNE 2012

Acquired three income properties in Manitoba, Nova Scotia and Québec at a cost of $11.6 million, which added 0.1 million sq. ft. to Cominar's industrial property portfolio.

SEPTEMBER 2012

Acquired a portfolio of 67 income properties from GE Capital Real Estate for $697 million, increasing leasable area by 14.1% and adding a platform in Ottawa.

NOVEMBER 2012

Acquired an industrial income property located in Brockville, Ontario, at a cost of $4.4 million.

$1.1 BILLION IN NEW CAPITAL

IMPROVED

Cominar's position and obtained a BBB (low) credit rating from DBRS.

COMPLETED

three issues of unsecured debentures for a total of $450 million, whose net proceeds were allocated to the repayment existing debt, replacing short-term debt with long-term debt.

REDEEMED

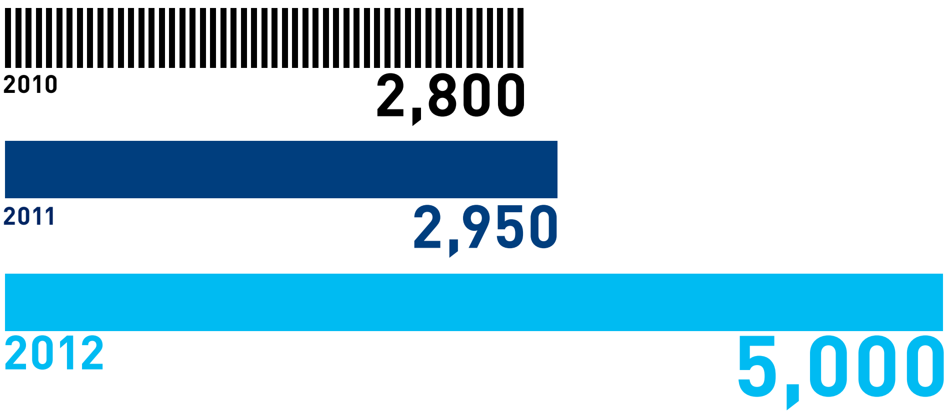
two convertible debentures (Series A and B) for $86 million.

ISSUED

28,088,750 units for gross proceeds of over $661 million.

COMINAR HAS CONSIDERABLY EXPANDED ITS REACH AND CREATED A CRITICAL MASS TO SERVE ITS CUSTOMERS AT THE LOCAL AND NATIONAL LEVEL

INCREASE IN NUMBER OF CUSTOMERS



REACHING ACROSS THE CANADIAN MARKET

On track, from coast to coast, Cominar is the third largest diversified real estate investment trust in Canada and currently remains the largest commercial property owner in the Province of Québec.

As at March 14, 2013, Cominar's assets consist of a real estate portfolio of 499 properties in three different market segments, that is, office buildings, retail buildings and industrial and mixed-use buildings.

Complexe Jules-Dallaire, Québec, QC

122

OFFICE BUILDINGS

157

RETAIL BUILDINGS

220

INDUSTRIAL AND MIXED-USE BUILDINGS

36.8M

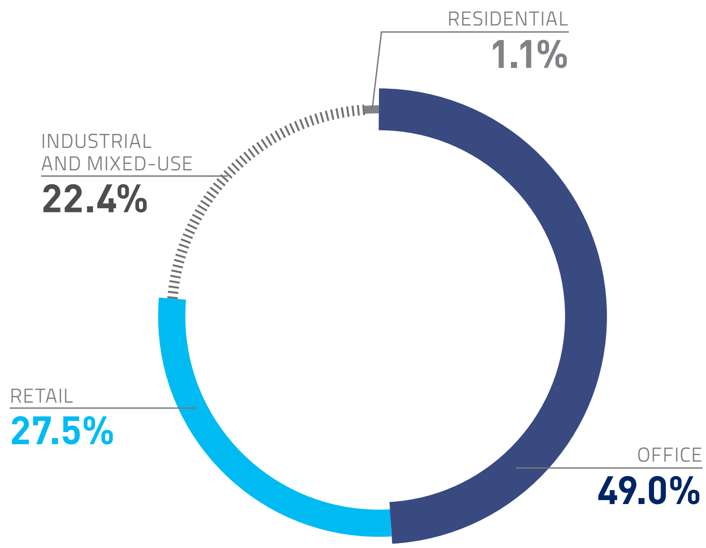
LEASABLE AREA (SQ. FT.)

$5.8B

ASSETS

As at March 14, 2013

BREAKDOWN OF NET OPERATING INCOME BY SECTOR[1]



(1) Fiscal 2012


Québec, QC


Montréal, QC


Ottawa, ON


Fredericton, NB


Calgary, AB

133
PROPERTIES
IN THE GREATER QUÉBEC CITY AREA

252
PROPERTIES
IN THE GREATER MONTRÉAL AREA

32
PROPERTIES
IN ONTARIO

62
PROPERTIES
IN THE ATLANTIC PROVINCES

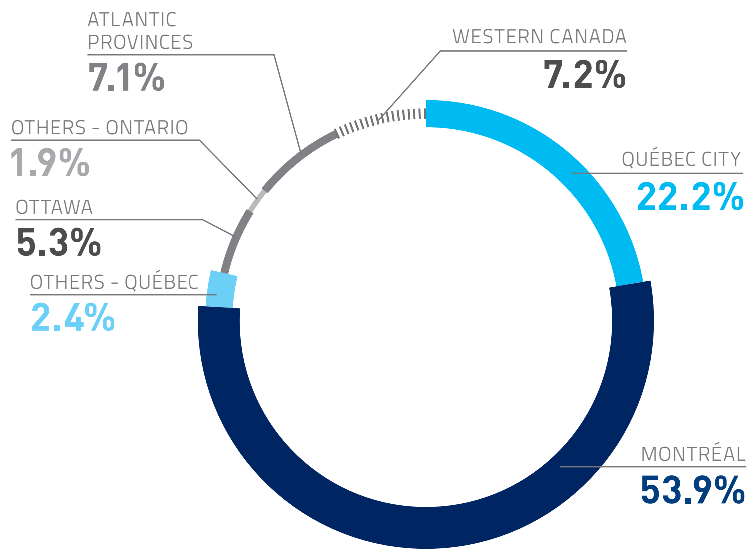
20
PROPERTIES
IN WESTERN CANADA

499 PROPERTIES

AS AT MARCH 14, 2013

Thanks to Cominar's strong acquisition strategy, which allows for the ever-increasing geographical and segment diversification of its portfolio, the company enjoys an attractive position that enables it to minimize potential risks related to one specific regional economy or market segment. Cominar's portfolio represents a total of 36.8 million square feet of leasable area, spread out across Québec, Ontario, the Atlantic provinces and Western Canada.

BREAKDOWN OF NET OPERATING INCOME BY GEOGRAPHIC MARKET[1]



(1) Fiscal 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the year ended December 31, 2012, in comparison with the year ended December 31, 2011, as well as its financial position at that date and its outlook. Dated March 11, 2013, this MD&A reflects all significant information available as of that date and should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.

Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square-foot amounts, and are based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Additional information about us, including our 2012 Annual Information Form, is available on our website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

The Board of Trustees, under the recommendation of the Audit Committee, has approved the contents of this MD&A.

TABLE OF CONTENTS

HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2012

INCREASES OF

77.7% IN OPERATING REVENUES
72.1% IN NET OPERATING INCOME
92.8% IN NET INCOME
68.4% IN RECURRING DISTRIBUTABLE INCOME
79.1% IN RECURRING FUNDS FROM OPERATIONS
67.9% IN RECURRING ADJUSTED FUNDS FROM OPERATIONS
71.6% IN DISTRIBUTIONS
103.1% OF TOTAL ASSETS

OCCUPANCY RATE
93.9%

RETENTION RATE
74.2%

DEBT RATIO
50.0%

INTEREST COVERAGE RATIO
2.74: 1

INCREASE IN LEASABLE AREA
65.4%

ACQUISITION ACTIVITIES

- **Cominar made $2.6 billion worth of acquisitions in 2012**

March 2012: Acquired Canmarc Real Estate Investment Trust for $1.9 billion
- Increased leasable area by 44%
- Penetrated Western Canada market
- Added a platform in Calgary to support future growth
- Increased presence in the Montréal area and in the Atlantic provinces
- Optimized segment diversification

June 2012: Acquired 3 income properties at a cost of $11.6 million
- Added 0.1 million sq. ft. to the industrial property portfolio
- Capitalization rate of 8.6% and occupancy rate of 100%
- Improved geographical diversification

September 2012: Acquired a portfolio of 67 income properties from GE Capital Real Estate for $697 million
- Increased leasable area by 14.1%
- Enhanced presence on the Ontario real estate market
- Added platform in Ottawa
- Optimized segment diversification

November 2012: Acquired an industrial income property located in Brockville, Ontario, at a cost of $4.4 million
- Capitalization rate of 9.1% and occupancy rate of 100%

DEPLOYMENT OF ACQUISITION STRATEGY AND GEOGRAPHICAL EXPANSION

As at December 31, 2012, Cominar assets constitute a unique and strategically diverse portfolio of high-quality properties, which include several prestigious buildings. Taken together, these assets are evaluated at over $5.6 billion, making Cominar the third largest real estate investment trust in Canada and the leader in Québec's commercial real estate sector.

FINANCING ACTIVITIES

- **Improved Cominar's position and obtained a BBB (low) credit rating from DBRS**

- **Completed 6 financial transactions totalling $1.1 billion**
  - Issued 28,088,750 units for gross proceeds of over $661 million
  - Three issues of unsecured debentures for a total of $450 million

  These amounts were used to finance acquisition and investment activities as well as fund the company's general needs.

- **Redeemed two convertible debentures (Series A and B) for $86 million, which led to a non-recurring charge of $981,000 due to the write-off of capitalized financing costs.**

SUBSEQUENT EVENTS

On January 31, 2013, Cominar acquired a portfolio of 18 industrial properties primarily located on the South Shore of Montréal and one office property located in Montréal, for a purchase price of $149.8 million, subject to certain closing adjustments. The portfolio represents a total of approximately 1.8 million square feet of leasable area, consisting of approximately 1.7 million square feet of industrial space and approximately 0.1 million square feet of office space. As part of this transaction, Cominar also acquired a vacant lot of 173,569 square feet located in Saint-Bruno-de-Montarville, for $1.4 million. The portfolio has an occupancy rate of 97.2%.

On February 5, 2013, Cominar re-opened its Series 2, issuing $100.0 million worth of unsecured debentures bearing an interest rate of 4.23% and expiring on December 4, 2019. Cominar allocated the net proceeds to repaying its credit facility and to its general needs, thereby replacing a short-term debt with a long-term debt at a lower interest rate, without increasing overall debt.

Potential obligations and recoveries with respect to the Holman Grand Hotel and other Canmarc liabilities

Cominar, through the acquisition of Canmarc, is the ultimate shareholder of Dyne Holdings Limited (“**Dyne**”). Dyne is the owner of the land on which the Holman Grand Hotel (the “**Hotel**”) located in Charlottetown, Prince Edward Island was built (the “**Land**”). The Hotel was acquired by Homburg Investissement Inc. (“**HII”**) from Dyne pursuant to an agreement dated April 2010, and HII acquired a leasehold interest in respect of the Land under a ground lease entered into between Dyne and HII in May 2010 (the “**Ground Lease**”).

Dyne is indebted to the Prince Edward Island Century 2000 Fund Inc. (the “**Century Fund**”) under a secured loan contracted by Dyne in November 2008 to finance the construction of the Hotel (the “**Loan**”). The Loan is secured by a collateral mortgage in favour of the Century Fund over the Land. The Loan was guaranteed by HII in September 2009 and assumed by HII in April 2010 as part of the conveyance of the Hotel to HII by Dyne in connection with Canmarc's subsequent initial public offering. At such time an amount of approximately $3.7 million was drawn down under the Loan. Dyne however remained liable under the Loan and was indemnified by HII in respect thereof. HII also agreed to use its best efforts to assist Dyne to obtain a release of the obligations of Dyne from the Century Fund.

HII filed for protection under the Companies’ Creditors Arrangement Act (“CCAA”) on September 9, 2011. In late November 2011, Dyne received written notice from the Century Fund to the effect that Dyne was in default under the Loan. No formal enforcement proceedings have commenced under the Loan. As part of the restructuring of HII, the ground lease was effectively disclaimed and terminated on November 30, 2012 and the Grand Holman Hotel reverted to Dyne as part thereof. The Holman Grand Hotel is presently closed.

In addition to the Loan, liens with respect to HII’s construction of the Hotel have been filed against Dyne’s freehold interest in the Land. Construction-related trade payables of HII alleged to be secured by a lien on Dyne’s freehold interest in the Land currently total approximately $4.1 million.

As a result of the events described above, Dyne has accounted for the amount payable on the mortgage of $14.7 million, as well as $4.1 million of outstanding liens and $200,000 of unpaid interest in the accounts payable and accrued liabilities, as well as a corresponding receivable amount from HII of $19.50 million, in its balance sheet, as at January 27, 2012.

Management has analyzed the possible outcomes of the events and obligations described above and has determined that there is a partial impairment of the receivable from HII due to its current financial position. The company has recorded an impairment of $9.2 million in allocation of the acquisition price for Canmarc.

In connection with HII’s CCAA restructuring, Cominar filed a number of proofs of claim against HII. As of February 5, 2013, Cominar and HII entered into a memorandum of understanding related to, among other things, the settlement of these proofs of claim (except for the transfer duties indemnification claim referred to in Note 30 to the consolidated financial statements, which shall be withdrawn upon confirmation that the City’s claim is prescribed). Under this settlement, Cominar received, among other things, a cash payment of approximately $6.26 million in settlement of various secured claims against HII. HII also agreed to sell to Cominar approximately 508,780 square feet of vacant land in Calgary, which includes a parkade structure with approximately 347 parking spaces and that is adjacent to the Centron Park complex owned by Cominar, for $20.5 million. The sale of the vacant land in Calgary remains subject to customary closing conditions for transactions of this nature. There is no assurance that the sale will be completed.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among other things, statements with respect to our medium-term and 2013 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast" and "objective" and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general economic conditions in Canada and elsewhere in the world, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate acquisitions successfully, our ability to attract and retain key employees and executives, the financial position of clients, our ability to refinance our debts upon maturity and to lease vacant space, our ability to complete developments according to our plans and to raise capital to finance our growth, as well as changes in interest rates.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Cominar, investors and others should carefully consider the foregoing factors, as well as other factors and uncertainties.

Additional information about these factors can be found in the “Risks and Uncertainties” section of this MD&A.

FINANCIAL MEASURES FOR WHICH IFRS DO NOT PROVIDE A STANDARDIZED MEANING

In this MD&A, we issue guidance on and report on certain non-IFRS measures, including "net operating income," “adjusted net income,” "recurring distributable income," "recurring funds from operations" and "recurring adjusted funds from operations," which we use to evaluate our performance. Because non-IFRS measures do not have a standardized meaning and may differ from similar measures presented by other entities, securities regulations require that non-IFRS measures be clearly defined and qualified, reconciled with their nearest IFRS measure and given no more prominence than the closest IFRS measure. You may find such information in the sections dealing with each of these measures.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

[in thousands of Canadian dollars and as a percentage]

For the years ended December 31	2012	2011	Δ%
FINANCIAL DATA			
Operating revenues	**564,537**	317,741	77.7
Net operating income[1]	**317,815**	184,709	72.1
Same property net operating income growth[1]	**0.0%**	1.0%	
Net income	**342,171**	177,461	92.8
Recurring distributable income[1]	**169,905**	100,885	68.4
Recurring funds from operations[1]	**200,450**	111,927	79.1
Recurring adjusted funds from operations[1]	**166,412**	99,090	67.9
Distributions	**164,021**	95,567	71.6
Debt ratio	**50.0%**	44.7%	
Average debt ratio for the year	**50.1%**	52.7%	
Average weighted interest rate on long-term debt	**4.93%**	5.54%	
Total assets	**5,617,049**	2,765,317	—
Market capitalization	**2,806,571**	1,697,439	65.3
PER UNIT FINANCIAL DATA			
Net income (basic)	**3.13**	2.74	14.2
Recurring distributable income (basic)[1]	**1.55**	1.56	(0.6)
Recurring distributable income (FD)[1][2]	**1.53**	1.52	0.7
Recurring funds from operations (FD)[1][2]	**1.78**	1.65	7.9
Recurring adjusted funds from operations (FD)[1][2]	**1.50**	1.50	—
Distributions	**1.44**	1.44	—
Weighted average number of units outstanding (basic)	**109,453,548**	64,870,808	
Weighted average number of units outstanding (FD)[2]	**124,984,132**	82,337,164	
OPERATIONAL DATA			
Number of properties	**481**	270	
Leasable area (in thousands of sq. ft.)	**35,097**	21,219	
Occupancy rate	**93.9%**	93.6%	
Retention rate	**74.2%**	74.4%	
ACQUISITIONS			
Number of properties	**213**	9	
Leasable area (in thousands of sq. ft.)	**13,976**	693	
Total investment	**2,525,289**	100,927	
Weighted average capitalization rate	**6.8%**	8.4%	

(1) Non-IFRS financial measure. See relevant sections for definition and reconciliation to closest IFRS measure.
(2) Fully diluted.

SELECTED QUARTERLY INFORMATION

The following table presents, in summary form, Cominar's financial information for the last eight quarters:

For the quarters ended	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	March 31, 2012	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	March 31, 2011
Operating revenues	**157,312**	140,518	140,419	126,288	77,983	78,002	82,103	79,653
Net operating income	**90,334**	81,566	79,035	66,880	47,202	47,270	47,054	43,183
Net income	**231,859**	31,824	45,762	32,726	95,703	27,918	28,221	25,619
Net income per unit (basic)	**1.87**	0.27	0.43	0.36	1.38	0.44	0.44	0.41
Net income per unit (diluted)	**1.73**	0.27	0.42	0.36	1.18	0.42	0.42	0.39
Distributable income	**48,717**	44,126	41,816	35,246	26,738	25,931	26,332	22,784
Recurring DI per unit (FD)	**0.39**	0.37	0.39	0.38	0.38	0.39	0.39	0.36
Recurring FFO from operations	**57,071**	51,508	49,363	42,508	29,666	28,624	27,886	25,751
Recurring FFO per unit (FD)	**0.45**	0.43	0.45	0.45	0.41	0.43	0.42	0.40
Recurring AFFO	**47,025**	43,375	40,990	35,022	26,216	25,438	25,170	22,266
Recurring AFFO per unit (FD)	**0.38**	0.37	0.38	0.38	0.37	0.39	0.39	0.35
Distributions	**45,287**	43,598	39,505	35,630	26,429	23,272	23,069	22,797
Distributions per unit	**0.36**	0.36	0.36	0.36	0.36	0.36	0.36	0.36

DI: Distributable income
FD: Fully diluted
FFO: Funds from operations
AFFO: Adjusted funds from operations

GENERAL BUSINESS OVERVIEW

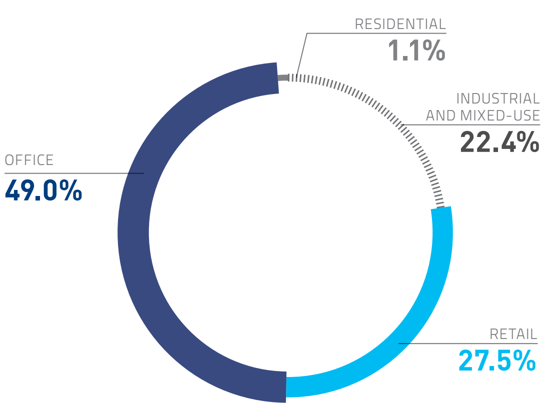
Cominar Real Estate Investment Trust is the third-largest diversified REIT in Canada and the largest commercial property owner in the Province of Québec. As at December 31, 2012, we owned and managed a high-quality portfolio of 481 properties including 121 office buildings, 158 retail buildings and 202 industrial and mixed-use buildings located in Québec, Ontario, the Atlantic Provinces and Western Canada.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects, increasing the carrying amount of its assets to over $5.6 billion as at December 31, 2012.

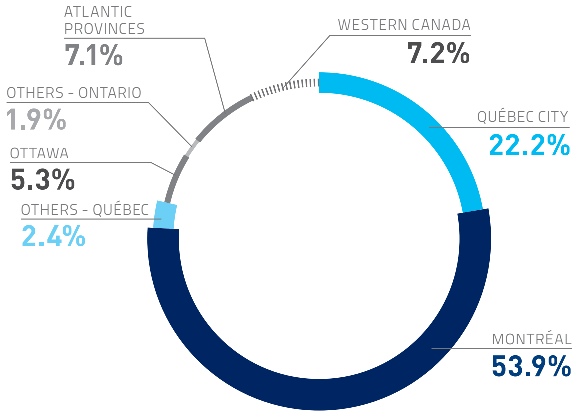
As a self-managed and fully integrated real estate investment trust, asset and property management is entirely internalized. Except for some recently acquired properties whose management currently does not match Cominar's business model, the Trust is not bound to any third party by management contracts or property management fees. This mode of operation reduces the potential for conflict between the interests of management and the Trust, while ensuring that the interests of management and employees are aligned with those of unitholders. The result is improved financial performance for Cominar.

PROPERTIES SUMMARY AS AT DECEMBER 31, 2012			
Segment	Number of Buildings	Leasable Space (sq. ft.)	Occupancy Rate (%)
Office	121	13,011,000	94.3
Retail	158	7,758,000	94.6
Industrial and Mixed-Use	202	14,328,000	93.1
TOTAL	**481**	**35,097,000**	**93.9**

BREAKDOWN OF NET OPERATING INCOME BY OPERATING SEGMENT[1]



BREAKDOWN OF NET OPERATING INCOME BY GEOGRAPHICAL MARKET[1]



(1) Fiscal 2012

OBJECTIVES AND STRATEGY

Cominar's primary objectives are to provide its unitholders with growing cash distributions, sustainable over the long-term and payable monthly, as well as to increase and maximize unit value through proactive management and the sustained growth of its property portfolio.

To reach its objectives, Cominar continues to manage growth, operational risk and debt in a flexible and prudent manner.

In this context, the Board of Trustees, in November 2011, made some modifications to the strategic plan, namely regarding the debt ratio, the distribution ratio and the development strategy of the Trust.

In accordance with Cominar's financial management policies for maintaining a sound and strong financial position over the long-term and providing unitholders with consistent and stable distributions, the Board of Trustees revised the debt ratio, which should be generally maintained at approximately 50% of the gross carrying amount, even though the Contract of Trust provides for a ratio of up to 65%. In addition, the Board of Trustees resolved that the distribution ratio should gradually attain approximately 90% of distributable income.

The Board of Trustees also updated Cominar's development strategy which focuses on a two-fold approach: acquiring properties and property portfolios and carrying out development projects.

To sustain and eventually increase its growth pace, Cominar now explores new markets outside Québec, as demonstrated by the acquisition of a portfolio of properties in the Atlantic Provinces in March 2010, and the acquisition of Canmarc as well as 67 properties from GE Capital Real Estate's portfolio in 2012. Thanks to this strategy, Cominar has now an established presence across Canada.

The Board of Trustees believes that development projects contribute only a small portion to the Trust's targeted growth and that the impact of major speculative development projects on results is too diluted due to the long periods needed for their construction. Going forward, Cominar will therefore mainly grow through acquisitions and will limit the scale of development projects to execute only those that meet demand and the needs of its clients.

PERFORMANCE INDICATORS

Cominar measures the success of its strategy using a number of performance indicators:

- **Same property net operating income**, which provides an indication of the operating profitability of the existing portfolio, i.e. Cominar's ability to increase revenues and reduce costs, and thereby generate added value for its unitholders;
- **(Recurring) distributable income ("DI") per unit**, which represents a benchmark that investors can use to judge the stability of distributions;
- **(Recurring) funds from operations ("FFO") per unit**, which represent a standard real estate benchmark used to measure an entity's performance;
- **(Recurring) adjusted funds from operations ("AFFO") per unit**, which, excluding the items not affecting cash flows and the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations, represents a meaningful measure of Cominar's ability to generate stable cash flows;
- **Debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization;
- **Interest coverage ratio**, which is used to assess Cominar's ability to pay interest on its debt from operating revenues;
- **Occupancy rate**, which gives an indication of the economic health of the geographical regions and sectors in which Cominar owns properties;
- **Retention rate**, which helps assess client satisfaction and loyalty;
- **Leasable area growth**, a decisive factor of Cominar's strategy for reaching its main objectives of providing unitholders with growing cash distributions and increasing and maximizing unit value;
- **Geographic and segment diversification**, which contributes to revenue stability by spreading real estate risk.

The following table summarizes our key performance indicators for the periods ending December 31, 2012, and 2011.

PERFORMANCE INDICATORS

		Quarter			Cumulative		
Periods ended December 31	**Page**	**2012**	**2011**	**Δ%**	**2012**	**2011**	**Δ%**
Same property net operating income	31	**42,941**	43,159	(0.5)	**170,058**	170,090	—
Recurring DI per unit (FD)(1)	39	**0.39**	0.38	2.6	**1.53**	1.52	0.7
Recurring FFO per unit (FD)(1)	43	**0.45**	0.41	9.8	**1.78**	1.65	7.9
Recurring AFFO per unit (FD)(1)	45	**0.38**	0.37	2.7	**1.50**	1.50	—
Debt ratio (including convertible debentures)	48				**50.0%**	44.7%	
Interest coverage ratio	49				**2.74**	2.72	
Occupancy rate	54				**93.9%**	93.6%	
Retention rate	54				**74.2%**	74.4%	
Increase in leasable area	50				**65.4%**	4.8%	

(1) Fully diluted.

Definitions and other relevant information regarding these performance indicators are provided in the appropriate sections.

GROWTH OUTLOOK

Cominar ensures that its growth is achieved in an orderly and disciplined manner, and never losing sight of its main criterion — the long-term profitability of acquired assets. This strategy has been supported by the acquisition of Canmarc Real Estate Investment Trust and, more recently, the acquisition of a 67 income-property portfolio from GE Capital Real Estate, which increased Cominar's assets by 102% and optimized the portfolio's segment and geographical diversification. Enriched by the experience it has acquired, Cominar's management is confident that it can successfully integrate these acquisitions in fiscal 2013 while fully benefiting from the resulting synergies. Cominar's management also plans to remain on the lookout for any opportunities that may arise.

Thanks to its sound and strong financial position, Cominar is able to focus on a sustainable expansion of its property portfolio for the benefit of unitholders.

PERFORMANCE ANALYSIS

OPERATIONAL RESULTS

The following tables summarize our main operational results for the periods ended December 31, 2012 and 2011.

CONSOLIDATED STATEMENT OF NET INCOME

	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Operating revenues	**157,312**	77,983	—	**564,537**	317,741	77.7
Operating expenses	**66,978**	30,781	—	**246,722**	133,032	85.5
Net operating income	**90,334**	47,202	91.4	**317,815**	184,709	72.1
Other revenues	**544**	—	—	**2,964**	—	—
Investment property fair value adjustment	**177,706**	51,349	—	**177,706**	51,349	—
Finance charges	**(30,422)**	(17,792)	71.0	**(115,963)**	(67,950)	70.7
Trust administrative expenses	**(3,409)**	(1,534)	—	**(11,065)**	(5,800)	90.8
Restructuring charges	**(2,030)**	—	—	**(6,929)**	—	—
Transaction costs – business combination	**(341)**	(3,616)	(90.6)	**(27,689)**	(4,262)	—
Gain on an investment in a public entity	**—**	20,020	—	**6,222**	20,020	(68.9)
Income taxes	**(523)**	74	—	**(890)**	(605)	47.1
Net income	**231,859**	95.703	—	**342,171**	177,461	92.8

NON-IFRS FINANCIAL MEASURES

	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Recurring DI	**48,717**	26,738	82.2	**169,905**	100,885	68.4
Distributions	**45,287**	26,429	71.4	**164,021**	95,567	71.6
Recurring FFO	**57,071**	29,666	92.4	**200,450**	111,927	79.1
Recurring AFFO	**47,025**	26,216	79.4	**166,412**	99,090	67.9

FINANCIAL POSITION

The following table summarizes assets and liabilities as well as unitholders' equity as at December 31, 2012 and 2011.

As at December 31	2012	2011	Δ$	Δ%
ASSETS				
Investment property				
Income properties	**5,294,984**	2,515,965	2,779,019	—
Properties under development and land held for future development	**53,234**	37,444	15,790	42.2
Investments	**21,509**	134,284	(112,775)	(84.0)
Goodwill	**166,971**	9,380	157,591	—
Other assets	**80,351**	68,244	12,107	17.7
Total	**5,617,049**	2,765,317	2,851,732	103.1
LIABILITIES				
Mortgages payable	**1,695,222**	842,619	852,603	—
Debentures	**448,530**	—	448,530	—
Convertible debentures	**289,134**	382,060	(92,926)	(24.3)
Bridge loan	**84,000**	—	84,000	—
Bank borrowings	**300,368**	16,540	283,828	—
Other liabilities	**102,900**	52,876	50,024	94.6
Total	**2,920,154**	1,294,095	1,626,059	—
UNITHOLDERS' EQUITY	**2,696,895**	1,471,222	1,225,673	83.3
Total	**5,617,049**	2,765,317	2,851,732	103.1

RESULTS OF OPERATIONS

OPERATING REVENUES

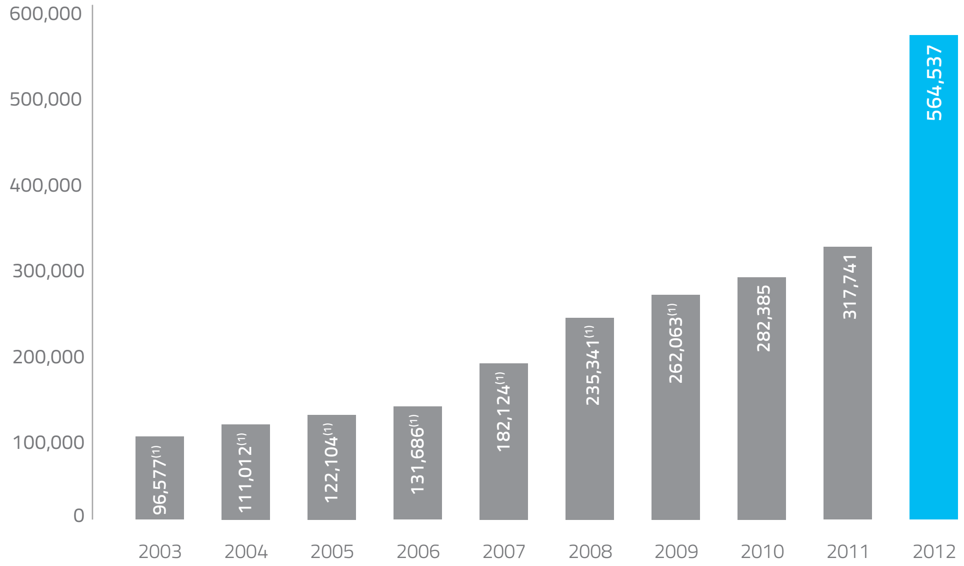
	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Same property portfolio(1)	**71,918**	71,319	0.8	**298,832**	295,392	1.2
Acquisitions and development	**85,394**	6,664	—	**265,705**	22,349	—
Total operating revenues	**157,312**	77,983	—	**564,537**	317,741	77.7

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2010, except for the property sold in 2012, but does not include the benefits of acquisitions and developments completed and integrated in the subsequent periods.

During fiscal 2012, operating revenues rose 77.7% from the corresponding period in 2011. This increase resulted primarily from the contribution of acquisitions completed in 2011 and 2012.

Same property portfolio operating revenues increased 1.2% in fiscal 2012, compared to fiscal 2011.

The chart below shows that Cominar's operating revenues have increased more than fivefold over the past 10 years.



(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

NET OPERATING INCOME

	Quarter			Cumulative		
For the periods ended December 31	**2012**	**2011**	**Δ%**	**2012**	**2011**	**Δ%**
Same property portfolio[1]	**42,941**	43,159	(0.5)	**170,058**	170,090	—
Acquisitions and developments	**47,393**	4,043	—	**147,757**	14,619	—
Total NOI	**90,334**	47,202	91.4	**317,815**	184,709	72.1

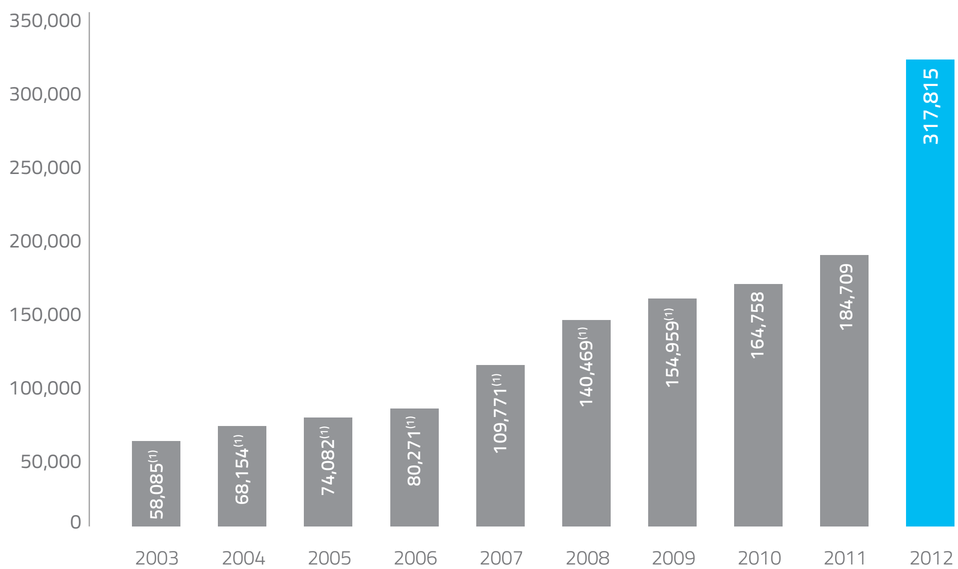
(1) See "Operating revenues."

Although net operating income ("NOI") is not a financial measure defined by IFRS, it is widely used in the real estate industry to assess operating performance. We define it as operating income before other revenues, financial expense, Trust administrative expenses, restructuring charges, gains from an investment in a public entity, transaction costs – business combinations, investment property fair value adjustment and income taxes. This definition may differ from that of other entities and, therefore, Cominar's NOI may not be comparable to similar measures presented by such other entities.

Overall NOI rose 72.1% in fiscal 2012, compared to the same period in 2011, due mainly to the acquisitions completed in 2011 and 2012.

For fiscal 2012, the NOI of our same property portfolio remained at the same level as in 2011.

The following chart shows that Cominar's revenues and net operating income have increased more than fivefold over the past 10 years.



(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

SEGMENT NET OPERATING INCOME

BY OPERATING SEGMENT

	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Operating segment						
Office	**47,336**	22,975	—	**155,730**	89,368	74.3
Retail	**22,268**	9,417	—	**87,270**	35,314	—
Industrial and mixed-use	**19,658**	14,810	32.7	**71,126**	60,027	18.5
Residential	**1,072**	—	—	**3,689**	—	—
Total NOI	**90,334**	47,202	91.4	**317,815**	184,709	72.1

	Quarter		Cumulative	
For the periods ended December 31	2012	2011	2012	2011
Operating segment				
Office	**52.4%**	48.7%	**49.0%**	48.4%
Retail	**24.6%**	20.0%	**27.5%**	19.1%
Industrial and mixed-use	**21.8%**	31.3%	**22.4%**	32.5%
Residential	**1.2%**	—	**1.1%**	—
	100.0%	100.0%	**100.0%**	100.0%

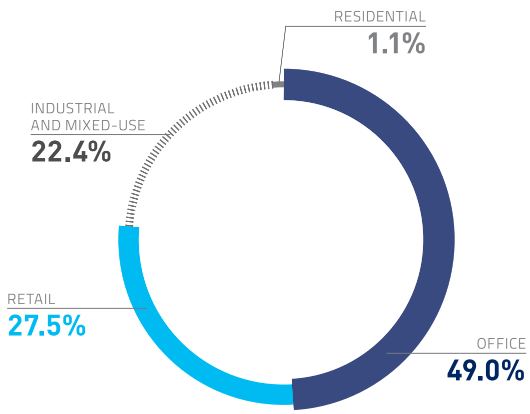
BY GEOGRAPHIC MARKET

	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Geographic market						
Québec City	**18,772**	17,108	9.7	**70,644**	65,902	7.2
Montréal	**48,061**	25,053	91.8	**171,231**	99,683	71.8
Other – Québec	**1,943**	124	—	**7,779**	542	—
Ottawa(1)	**8,749**	2,124	—	**16,741**	8,696	92.5
Other – Ontario	**1,765**	—	—	**6,127**	—	—
Atlantic provinces	**5,830**	2,793	—	**22,597**	9,886	—
Western Canada	**5,214**	—	—	**22,696**	—	—
Total NOI	**90,334**	47,202	91.4	**317,815**	184,709	72.1

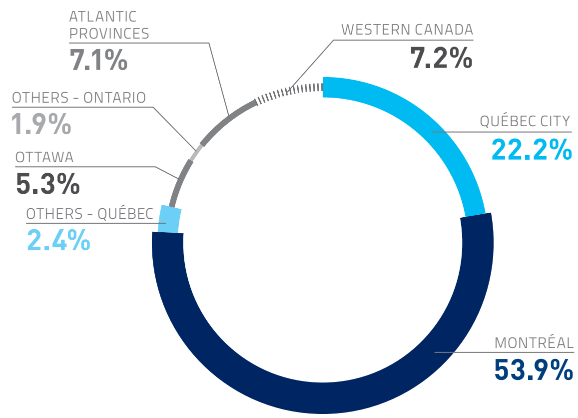
	Quarter		Cumulative	
For the periods ended December 31	2012	2011	2012	2011
Geographic market				
Québec City	**20.8%**	36.2%	**22.2%**	35.7%
Montréal	**53.2%**	53.1%	**53.9%**	54.0%
Other – Québec	**2.2%**	0.3%	**2.4%**	0.3%
Ottawa(1)	**9.7%**	4.5%	**5.3%**	4.7%
Other – Ontario	**2.0%**	—	**1.9%**	—
Atlantic provinces	**6.5%**	5.9%	**7.1%**	5.3%
Western Canada	**5.6%**	—	**7.2%**	—
	100.0%	100.0%	**100.0%**	100.0%

(1) The Gatineau area is included in the Ottawa geographic market.

NET OPERATING INCOME BY OPERATING SEGMENT[1]



NET OPERATING INCOME BY GEOGRAPHIC MARKET[1]



(1) Fiscal 2012

FINANCE CHARGES

{in thousands of Canadian dollars and as a percentage}

	Quarter			Cumulative		
For the periods ended December 31	**2012**	**2011**	**Δ%**	**2012**	**2011**	**Δ%**
Interest on mortgages payable	**21,447**	11,663	83.9	**84,018**	45,158	86.1
Interest on debentures	**3,270**	—	—	**5,051**	—	—
Interest on convertible debentures	**4,466**	5,886	(24.1)	**21,615**	24,227	(10.8)
Interest on bank borrowings and bridge loan	**4,507**	1,170	—	**13,914**	4,243	—
Amortization of premium on debenture issue	**(70)**	—	—	**(70)**	—	—
Amortization of capitalized financing costs	**1,388**	759	82.9	**8,184**	3,308	—
Amortization of fair value adjustments on assumed indebtedness	**(4,163)**	(394)	—	**(15,193)**	(1,362)	—
Less: Capitalized interest	**(423)**	(1,292)	(67.3)	**(1,556)**	(7,624)	(79.6)
Total finance charges	**30,422**	17,792	71.0	**115,963**	67,950	70.7
Percentage of operating revenues				**20.5%**	21.4%	

The increase in finance charges was mostly due to higher mortgages payable following the acquisition of income property as part of the business combinations completed in 2012, and from lower capitalized interest in development projects, the main one being Complexe Jules-Dallaire. Finance charges for 2012 includes a non-recurring expense of $2.1 million recognized in the first quarter. This expense is related to financing costs paid on the unused acquisition credit facility and which were fully expensed upon closing of such facility. This also includes the write-off of $981,000 in unamortized capitalized financing costs following the redemption of convertible Series A and B debentures.

Although finance charges increased 70.7% in 2012, they decreased slightly as a percentage of operating revenues, from 21.4% in 2011 to 20.5% in 2012. This decline was mainly due to a gradual decrease in the average debt ratio, from 52.7% in 2011 to 50.1% in 2012; it was also attributable to a decrease in weighted average interest rate on total debt, which was 4.93% at the end of fiscal 2012 compared to 5.54% one year earlier.

TRUST ADMINISTRATIVE EXPENSES

Trust administrative expenses amounted to $11.1 million for the year ended December 31, 2012, compared to $5.8 million in 2011. Trust administrative expenses represented 2.0% of operating income in 2012 [1.8% in 2011].

RESTRUCTURING CHARGES

During the year, Cominar incurred charges related to the integration of Canmarc's activities, namely for changes to organizational structure. These charges were mainly direct salaries of employees retained through the transition period, severance benefits paid during the period, as well as consulting and legal fees.

TRANSACTION COSTS – BUSINESS COMBINATIONS

During fiscal 2012, Cominar incurred transaction costs resulting from the acquisition of Canmarc as well as 67 income properties from GE Capital Real Estate. Under IFRS, transaction costs related to business combinations must be expensed as incurred.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTY

Cominar has elected to present its investment property in the financial statements based on the fair value model. The fair value of investment property is determined using management's valuations, corroborated by valuations from independent appraisers, when available.

As per Cominar's policy on valuing investment properties, at the end of 2012, management revalued the real estate portfolio and determined that an increase of $177.7 million was necessary to adjust the carrying value of assets to their fair value.

The investment properties appraised internally were valued using the following method and key assumptions:

Capitalized net operating income method **–** According to this method, capitalization rates are applied to net operating income, standardized to comply with current valuation standards. The key assumption is the capitalization rate for each property. Cominar regularly receives publications from national firms dealing with real estate activity and trends. Such market data reports include capitalization rate variances by property type and geographical area.

To the extent that the capitalization rate ranges change from one reporting period to the next, or if another rate within the provided ranges is more appropriate than the rate previously used, the fair value of investment property increases or decreases accordingly.

Cominar has determined that an increase or decrease of 0.10% in the applied capitalization rate for the entire real estate portfolio would result in an estimated decrease or increase of approximately $67 million in the fair value of its investment property.

AVERAGE CAPITALIZATION RATE – DECEMBER 31, 2012

	Québec City	Montréal	Other – Québec	Ottawa	Other – Ontario	Atlantic Provinces	Western Canada	Average Rate
	%	%	%	%	%	%	%	%
Office	6.3	6.5	—	6.1	—	7.3	6.2	6.4
Retail	7.0	6.5	7.3	7.7	6.7	7.8	—	6.8
Industrial and mixed-use	7.2	7.5	9.2	—	—	7.5	6.8	7.4
	6.6	6.7	7.5	6.2	6.7	7.5	6.2	6.6

GAINS ON AN INVESTMENT IN A PUBLIC ENTITY

	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Gains on an investment in a public entity						
Distributions received	**—**	1,788	—	**3,640**	1,788	—
Fair value adjustment	**—**	18,232	—	**2,582**	18,232	(85.8)
	—	20,020	—	**6,222**	20,020	(68.9)

These proceeds are attributable to Cominar's investment in Canmarc prior to the closing of its acquisition.

NET INCOME

	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Net income	**231,859**	95,703	—	**342,171**	177,461	92.8
Net income per unit (basic)(1)	**1.87**	1.38	35.5	**3.13**	2.74	14.2
Net income per unit (diluted)(1)	**1.73**	1.18	46.6	**2.91**	2.45	18.8

(1) See "Per unit calculations" in this MD&A.

Cominar reported $342.2 million in net income for fiscal year 2012, up 92.8% from 2011. Net income per unit stood at $3.13, up 14.2% from 2011.

ADJUSTED NET INCOME

	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Net income (GAAP)	**231,859**	95,703	—	**342,171**	177,461	92.8
Change in fair value of investment property	**(177,706)**	(51,349)	—	**(177,706)**	(51,349)	—
Transaction costs – business combinations	**341**	3,616	(90.6)	**27,689**	4,262	—
Restructuring charges	**2,030**	—	—	**6,929**	—	—
Write-off of capitalized financing costs	**—**	—	—	**3,072**	—	—
Change in fair value of an investment in a public entity	**—**	(18,232)	—	**(2,582)**	(18,232)	(85.8)
Adjusted net income	**56,524**	29,738	90.1	**199,573**	112,142	78.0
Adjusted net income per unit (basic)	**0.46**	0.43	7.0	**1.82**	1.73	5.2

Net income for the fourth quarter of 2012 includes $2.0 million in restructuring charges [$0 in 2011], $0.3 million in transaction costs – business combinations [$3.6 million in 2011], and a $177.7 million change in fair value of investment property [$51.3 million in 2011]. Consequently, adjusted net income to account for these unusual items stood at $56.5 million, or $0.46 per unit (basic), which is higher than the 2011 result.

Cumulative net income for 2012 includes $6.9 million in restructuring charges [$0 in 2011], $27.7 million in transaction costs – business combinations [$4.3 million in 2011], a $3.1 million charge [$0 in 2011] related to the write-off of capitalized financing costs, a $2.6 million change in fair value of an investment in a public entity [$18.2 million in 2011] and a $177.7 million change in the fair value of investment properties [$51.3 million in 2011]. Consequently, net income adjusted to account for these unusual items stood at $199.6 million, i.e., $1.82 per unit (basic) [$1.73 in 2011], which is 5.2% higher than the adjusted cumulative result for 2011.

IMPACT OF DEBT REDUCTION ON PER UNIT RESULTS

In November 2011, the Board of Trustees made a few changes to Cominar's strategic plan; one of these changes was that the debt ratio should be approximately 50% of the gross carrying value. This decision was aligned with Cominar's management principles, which aim to maintain a sound and strong balance sheet. Consequently, while Cominar experienced exceptional growth in 2012, it also succeeded in reducing its average debt ratio to 50.1%, compared to 52.7% in 2011.

This 2.6% reduction in average debt ratio affected the per unit results of its key performance indicators, and did not allow unitholders to fully appreciate the contribution of the major acquisitions made in 2012. The following table presents the impact of debt reduction on per unit results.

ANALYSIS OF DEBT REDUCTION ON PER UNIT RESULTS

	Adjusted 2012[(1)]	2012		Adjusted 2012[(1)]	2011	
	$	$	Δ$	$	$	Δ$
Recurring DI (basic)	**1.62**	**1.55**	**0.07**	**1.62**	1.56	0.06
Recurring FFO (FD) [(2)]	**1.84**	**1.78**	**0.06**	**1.84**	1.65	0.19
Recurring AFFO (FD) [(2)]	**1.56**	**1.50**	**0.06**	**1.56**	1.50	0.06

(1) The adjusted amounts represent results that would have been obtained assuming that the average debt ratio had remained at 52.7%, the rate for 2011.
(2) Fully diluted.

As shown in the analysis, if the average debt ratio in 2012 would have been 52.7%, both recurring distributable income (basic) and recurring adjusted funds from operations (fully diluted) would have been $0.06 per unit higher compared to 2011, and recurring funds from operations (fully diluted) per unit would have grown $0.19 for the same period.

These adjusted results show that the acquisitions made in 2012 greatly contributed to the growth of Cominar's per unit results while reducing the average debt ratio to approximately 50%, which ultimately generated a slight increase in per unit results, compared to those of 2011.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Although the concept of distributable income (DI) is not a financial measure defined under IFRS, it is a measure widely used by investors in the field of income trusts. We consider DI an excellent tool for assessing the Trust's performance. Given its historical nature, DI per unit is also a useful benchmark enabling investors to evaluate the stability of distributions.

We define distributable income as net income determined under IFRS, before unrealized fair value adjustments, transaction costs incurred upon business combinations, rental income arising from the recognition of leases on a straight-line basis, the provision for leasing costs and certain other items not affecting cash, if applicable.

In 2012, Cominar modified its calculation of DI to include the amortization of financing costs related to debt instruments, which are non-cash items. Comparative figures have been restated further to this adjustment.

The following table presents the calculation of DI as well as its reconciliation to net income calculated in accordance with IFRS:

DISTRIBUTABLE INCOME

For the periods ended December 31	Quarter 2012	Quarter 2011	Quarter Δ%	Cumulative 2012	Cumulative 2011	Cumulative Δ%
Net income (IFRS)	**231,859**	95,703	—	**342,171**	177,461	92.8
- Change in fair value of investment property	**(177,706)**	(51,349)	—	**(177,706)**	(51,349)	—
- Amortization of premium on debenture issue	**(70)**	—	—	**(70)**	—	—
- Amortization of fair value adjustments on assumed indebtedness	**(4,163)**	(395)	—	**(15,193)**	(1,363)	—
+ Amortization of fair value adjustments on bond investments	**79**	—	—	**282**	—	—
+ Amortization of capitalized financing costs	**1,388**	759	82.9	**8,184**	3,308	—
+ Compensation expense related to unit options	**522**	249	—	**1,268**	986	28.6
+ Accretion of liability component of convertible debentures	**60**	61	(1.6)	**232**	240	(3.3)
+ Restructuring charges	**2,030**	—	—	**6,929**	—	—
+ Transaction costs – business combinations	**341**	3,616	(90.6)	**27,689**	4,262	—
+ Deferred taxes	**547**	(72)	—	**877**	685	28.0
- Provision for leasing costs	**(3,974)**	(2,980)	33.4	**(15,144)**	(11,616)	30.4
- Change in fair value of an investment in a public entity	**—**	(18,232)	—	**(2,582)**	(18,232)	(85.8)
- Change in accounts receivable – recognition of leases on a straight-line basis	**(2,196)**	(622)	—	**(7,032)**	(2,597)	—
Distributable income	**48,717**	26,738	82.2	**169,905**	101,785	66.9
Unusual item – lease termination penalty	**—**	—	—	**—**	(900)	—
Recurring DI	**48,717**	26,738	82.2	**169,905**	100,885	68.4
DISTRIBUTIONS TO UNITHOLDERS	**45,287**	26,429	71.4	**164,021**	95,567	71.6
Distributions reinvested under the distribution reinvestment plan[1]	**8,978**	7,892	13.8	**37,717**	19,221	96.2
Cash distributions	**36,309**	18,537	95.9	**126,304**	76,346	65.4
Percentage of distributions reinvested	**19.8%**	29.9%		**23.0%**	20.1%	
Per unit information:						
Recurring DI (basic)	**0.39**	0.39	—	**1.55**	1.56	(0.6)
Recurring DI (FD)[2]	**0.39**	0.38	2.6	**1.53**	1.52	0.7
DISTRIBUTIONS PER UNIT	**0.36**	0.36	—	**1.44**	1.44	—
Payout ratio[3]	**92.3%**	92.3%		**92.9%**	92.3%	
Cash payout ratio[4]	**75.1%**	68.6%		**74.4%**	75.4%	

(1) This amount includes units to be issued under the plan upon payment of distributions.
(2) Fully diluted.
(3) The payout ratio corresponds to distribution per unit, divided by the recurring DI per unit.
(4) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring DI per unit.

Recurring DI for the year ended December 31, 2012, amounted to $169.9 million, up 68.4% from fiscal 2011. This increase was primarily due to the contribution of the acquisitions completed in 2011 and 2012. Recurring DI per fully diluted unit totalled $1.53, which is 0.7% higher than the comparative period last year.

Distributions to unitholders in 2012 totalled $164.0 million, up 71.6% from 2011. This increase is mainly attributable to the units issued at the end of 2011 and in fiscal 2012 in connection with initial public offerings and the issuance of 16 million units upon the acquisition of Canmarc. Per unit distributions were $1.44 for both 2011 and 2012.

Cominar’s recurring distributable income per unit is a significant parameter when judging the operational performance of the Trust, as it highlights per unit cash flows that are distributable to unitholders. In addition, because of its historical nature, it is a useful reference for determining the stability of distributions.

Basic income per unit decreased slightly in 2012 due to the significant increase in new units issued to finance the acquisitions made in 2012, and Cominar has not yet benefitted from their full contribution. For example, the synergies associated with the acquisition of Canmarc will not be fully realized until 2013.

Finally, the synchronization of the issuance and use of proceeds generated from unit issues also created a negative effect on per unit results. In fact, under its cautious management approach, Cominar’s management always ensures that financing is fully obtained prior to making acquisitions or transactions that entail cash flows, such as the redemption of a large amount of convertible debentures.

Recurring distributed income per unit (basic), adjusted to take into account the impact of Cominar’s debt reduction in 2012, amounted to $1.62, up $0.06 or 3.8% compared to 2011. Please refer to the “Impact of Debt Reduction” section, presented above in this MD&A.

The recurring DI ratio for the year ended December 31, 2012 was 92.9%, a slight increase over fiscal 2011.

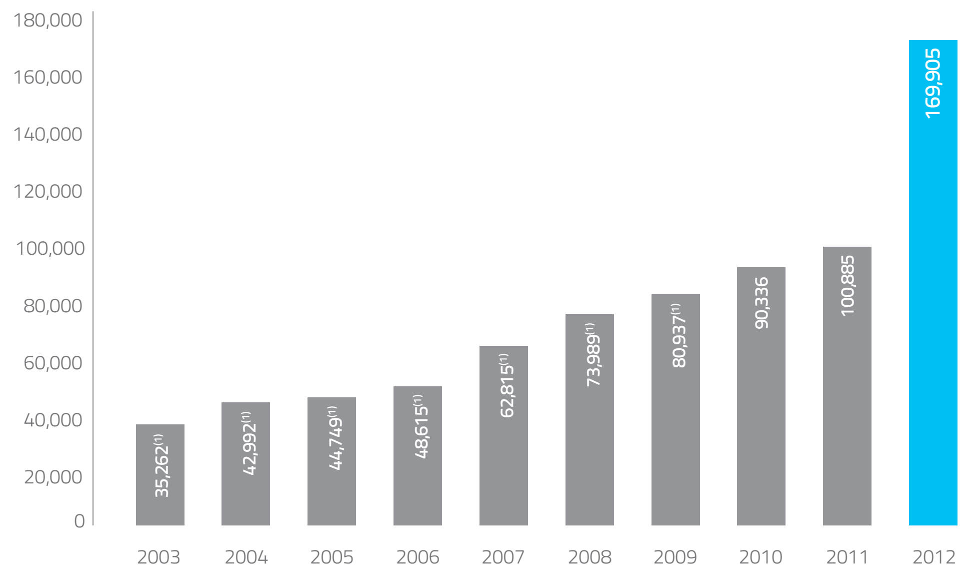
The cash payout ratio of recurring DI for the year ended December 31, 2012 fell from 75.4% in 2011 to 74.4% in 2012.

TRACK RECORD OF RECURRING DI PER UNIT

For years ended December 31	2012	2011	2010	2009(2)	2008(2)
Recurring DI per unit (basic)	**1.55**	1.56	1.55	1.58	1.63
Recurring DI per unit (FD)(1)	**1.53**	1.52	1.51	1.55	1.59

(1) Fully diluted.
(2) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

The following chart shows growth in recurring distributable income over the past 10 years:



(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

The Canadian Securities Administrators (CSA) requires Cominar to reconcile distributable income (a non-IFRS measure) with cash flows provided by operating activities as shown in the financial statements.

The following table presents this reconciliation:

	Quarter		Cumulative	
For the periods ended December 31	**2012**	**2011**	**2012**	**2011**
Cash flows provided by operating activities (IFRS)	**87,080**	(65,952)	**148,109**	1,934
+ Acquisition of an investment in a public entity	**—**	111,822	**—**	111,822
- Amortization of other assets	**(231)**	(72)	**(666)**	(383)
+ Restructuring charges	**2,030**	—	**6,929**	—
+ Transaction costs – business combinations	**341**	3,616	**27,689**	4,262
- Provision for leasing costs	**(3,974)**	(2,980)	**(15,144)**	(11,616)
+ Change in non-cash working capital items	**(36,529)**	(19,696)	**2,988**	(4,234)
Distributable income	**48,717**	26,738	**169,905**	101,785

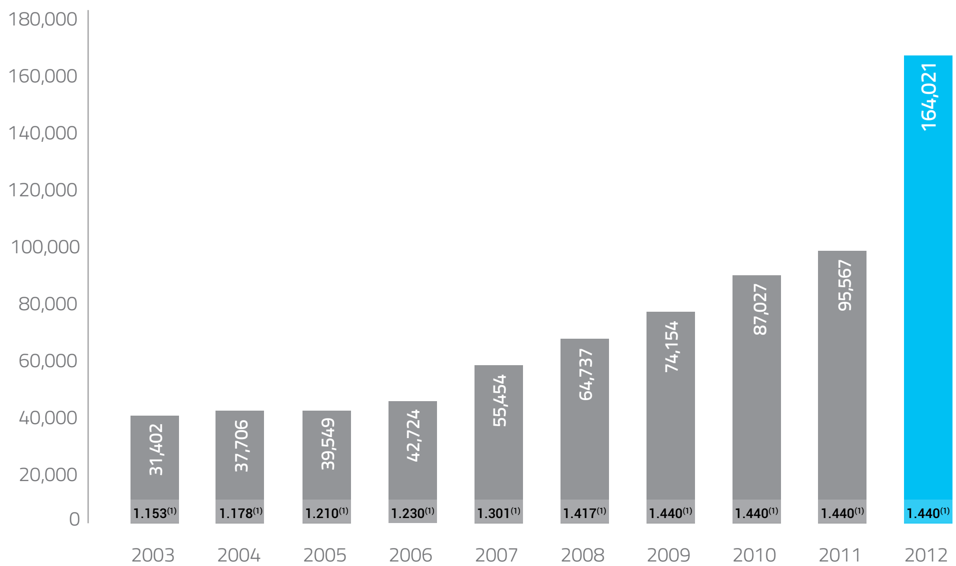
In accordance with CSA guidelines, Cominar also provides the following table to allow readers to assess the source of cash distributions and how they relate to net income:

For the years ended December 31	2012	2011	2010
Net income (IFRS)	**342,171**	177,461	109,140
Cash flows provided by operating activities	**148,109**	1,934	105,827
Distributions to unitholders	**164,021**	95,567	87,027
Cash distributions	**126,304**	76,346	82,518
Cash flows from operating activities in excess (deficit) of cash distributions payable to unitholders	**21,805**	(74,412)	23,309
Adjustments:			
+ Transaction costs – business combinations	**27,689**	4,262	685
+ Restructuring charges	**6,929**	—	—
+ Investments in a public entity	**—**	111,822	—
Excess (deficit) of adjusted cash flows provided by operating activities over cash distributions to unitholders	**56,423**	41,672	23,994

For the year ended December 31, 2012, Cominar's adjusted cash flows provided by operating activities were sufficient to fund cash distributions to unitholders.

Under IFRS, real estate investment trusts must consider transaction and restructuring costs related to business combinations as part of their operating activities. In 2012, Cominar made over $2.6 billion in acquisitions, generating $34.6 million in transaction costs ─ an amount which clearly constitutes an unusual item.

The chart below presents Cominar's distributions over the past 10 years.



(1) Amount of distribution per unit

Over the past ten years, Cominar has distributed over $692.3 million to unitholders.

FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not a financial measure defined under IFRS, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with IFRS), adjusted for fair value adjustments of investment property, deferred taxes, transaction costs incurred upon a business combination and extraordinary items. REALpac specifies that fair value adjustments of financial instruments must not be adjusted when calculating FFO.

FFO should not be substituted for net income or cash flows from operating activities established in accordance with IFRS when measuring Cominar's performance. While our method of calculating FFO complies with REALpac recommendations, it may differ from methods applied by other entities. Therefore, it may not be useful for comparisons with other entities.

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and FFO for the periods ended December 31, 2012 and 2011:

FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31	2012	2011	Δ%	2012	2011	Δ%
Net income (IFRS)	**231,859**	95.703	—	**342,171**	177,461	92.8
- Change in fair value of investment properties	**(177,706)**	(51,349)	—	**(177,706)**	(51,349)	—
+ Deferred taxes	**547**	(72)	—	**877**	685	28.0
+ Transaction costs – completed business combination	**341**	3,616	(90.6)	**27,689**	3,616	—
Funds from operations	**55,041**	47,898	14.9	**193,031**	130,413	48.0
+ Amortization of capitalized financing costs(1)	**—**	—	—	**3,072**	—	—
+ Restructuring charges	**2,030**	—	—	**6,929**	—	—
- Change in fair value of an investment in a public entity	**—**	(18,232)	—	**(2,582)**	(18,232)	(85.8)
- Lease termination penalty	**—**	—	—	**—**	(900)	—
+ Transaction costs – unrealized business combination	**—**	—	—	**—**	646	—
Recurring FFO	**57,071**	29,666	92.4	**200,450**	111,927	79.1
Per unit information:						
FFO (basic)	**0.44**	0.69	(36.2)	**1.76**	2.01	(12.4)
Recurring FFO (basic)	**0.46**	0.43	7.0	**1.83**	1.73	5.8
Recurring FFO (FD)(2)	**0.45**	0.41	9.8	**1.78**	1.65	7.9

(1) *The amortization of capitalized financing costs includes a non-recurring expense of $2.1 million related to financing costs incurred on the unused acquisition credit facility and fully expensed during the first quarter upon the closing of such facility, as well as $981,000 resulting from the write-off of capitalized financing costs following the repurchase of Series A and B convertible debentures.*
(2) *Fully diluted.*

For fiscal 2012, recurring FFO rose 79.1% from fiscal 2011, due mainly to the acquisitions completed in 2011 and 2012. Recurring FFO per unit on a fully diluted basis stood at $1.78 in fiscal 2012, up 7.9% compared to fiscal 2011.

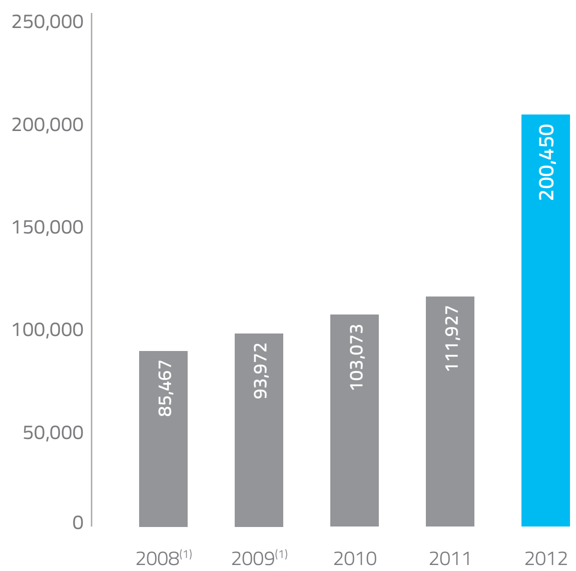
Recurring funds from operations, fully diluted and adjusted to take into account the impact of Cominar's debt reduction in 2012, amounted to $1.84, up $0.19 or 11.5% compared to 2011. Please refer to the "Impact of Debt Reduction" section, presented above in this MD&A.

TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	2012	2011	2010	2009(2)	2008(2)
Recurring FFO per unit (basic)	**1.83**	1.73	1.72	1.84	1.88
Recurring FFO per unit (FD)(1)	**1.78**	1.65	1.64	1.77	1.80

(1) Fully diluted.
(2) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

The following graph presents Cominar's recurring funds from operations over the past five years.



(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

ADJUSTED FUNDS FROM OPERATIONS

The concept of adjusted funds from operations ("AFFO") is a key financial measure in the field of real estate investment trusts. Cominar defines this measure as FFO adjusted for certain non-cash items such as the amortization of capitalized financing costs, the amortization of fair value adjustments on assumed indebtedness, the compensation expense related to unit options, rental income arising from the recognition of leases on a straight-line basis and fair value adjustments of investments, net of investments required to maintain Cominar's ability to generate rental income from its property portfolio. AFFO is an additional indicator used to assess Cominar's financial performance and its ability to maintain and increase distributions over the long term. AFFO is not a measure defined under IFRS and should not be substituted for net income or cash flows from operating activities established in accordance with IFRS when measuring our performance. Our method of calculating AFFO may differ from the methods used by other entities, and therefore might not be appropriate for comparative analysis purposes.

In calculating AFFO, the Trust deducts a provision for leasing costs incurred on an ongoing basis to maintain its capacity to generate rental income. These leasing costs include, among other things, leasehold improvements and initial direct costs, which are added to the carrying amount of investment properties in accordance with IFRS. Cominar also deducts capital expenditures incurred under its program to maintain its capacity to generate rental income from its property portfolio. These expenditures, which primarily include non-recoverable major expenditures for maintenance and repairs, are typically incurred unevenly during a fiscal year. Therefore, AFFO could vary from quarter to quarter, and such variances could be material.

The following table presents a reconciliation of FFO and AFFO for the periods ended December 31, 2012 and 2011:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31	**2012**	**2011**	**Δ%**	**2012**	**2011**	**Δ%**
Funds from operations	**55,041**	47,898	14.9	**193,031**	130,413	48.0
- Amortization of premium on debenture issue	**(70)**	—	—	**(70)**	—	—
+ Amortization of fair value adjustment on bond investments	**79**	—	—	**282**	—	—
+ Amortization of capitalized financing costs	**1,388**	759	82.9	**8,184**	3,308	—
- Amortization of fair value adjustments on assumed indebtedness	**(4,163)**	(395)	—	**(15,193)**	(1,363)	—
+ Compensation expense related to unit options	**522**	249	—	**1,268**	986	28.6
- Capital expenditures – maintenance of rental income generating capacity	**(1,692)**	(522)	—	**(3,493)**	(1,795)	94.6
+ Accretion of liability component of convertible debentures	**60**	61	(1.6)	**232**	240	(3.3)
+ Restructuring charges	**2,030**	—	—	**6,929**	—	—
- Provision for leasing costs	**(3,974)**	(2,980)	33.4	**(15,144)**	(11,616)	30.4
- Change in fair value of an investment in a public entity	**—**	(18,232)	—	**(2,582)**	(18,232)	(85.8)
- Change in accounts receivable – recognition of leases on a straight-line basis	**(2,196)**	(622)	—	**(7,032)**	(2,597)	—
AFFO	**47,025**	26,216	79.4	**166,412**	99,344	67.5
Lease termination penalty	**—**	—	—	**—**	(900)	—
Transaction costs – unrealized business combinations	**—**	—	—	**—**	646	—
Recurring AFFO	**47,025**	26,216	79.4	**166,412**	99,090	67.9
Per unit information:						
AFFO (basic)	**0.38**	0.38	—	**1.52**	1.53	(0.7)
Recurring AFFO (basic)	**0.38**	0.38	—	**1.52**	1.53	(0.7)
Recurring AFFO (FD)(1)	**0.38**	0.37	2.7	**1.50**	1.50	—
Distributions per unit						
Payout ratio(2)	**94.7%**	94.7%		**94.7%**	94.1%	
Cash payout ratio(3)	**77.1%**	70.4%		**75.9%**	76.9%	

(1) Fully diluted.
(2) The payout ratio corresponds to distribution per unit, divided by basic recurring AFFO per unit.
(3) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring AFFO per unit.

Recurring AFFO attained $166.4 million for fiscal 2012, up 67.9% from fiscal 2011; this was due mostly to the acquisitions completed in 2011 and 2012. Recurring AFFO per unit on a fully diluted basis stood at $1.50 in 2012 as well as in 2011.

Recurring adjusted funds from operations, fully diluted and adjusted to take into account the impact of Cominar's debt reduction in 2012, amounted to $1.56, up $0.06 or 4.0% compared to 2011. Please refer to the "Impact of Debt Reduction" section, presented above in this MD&A.

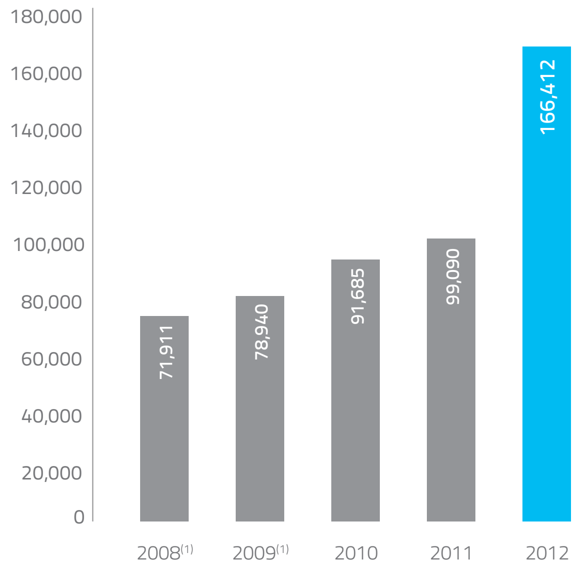
The cash payout ratio of recurring AFFO for the fiscal year ended December 31, 2012 was 75.9%, compared to 76.9% in 2011.

TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	2012	2011	2010	2009[2]	2008
Recurring AFFO per unit (basic)	**1.52**	1.53	1.53	1.60	1.61
Recurring AFFO per unit (FD)[1]	**1.50**	1.50	1.49	1.57	1.57

(1) Fully diluted.
(2) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

The following graph presents Cominar's recurring adjusted funds from operations over the past five years.



(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP before changeover.

LIQUIDITY AND CAPITAL RESOURCES

MORTGAGES PAYABLE

As at December 31, 2012, the balance of mortgages payable amounted to $1,695.2 million, up $852.6 million from $842.6 million as at December 31, 2011, arising primarily from the assumption of Canmarc's mortgages payable. At the end of the period, the weighted average contractual interest rate was 5.23%, down 15 basis points from 5.38% as at December 31, 2011.

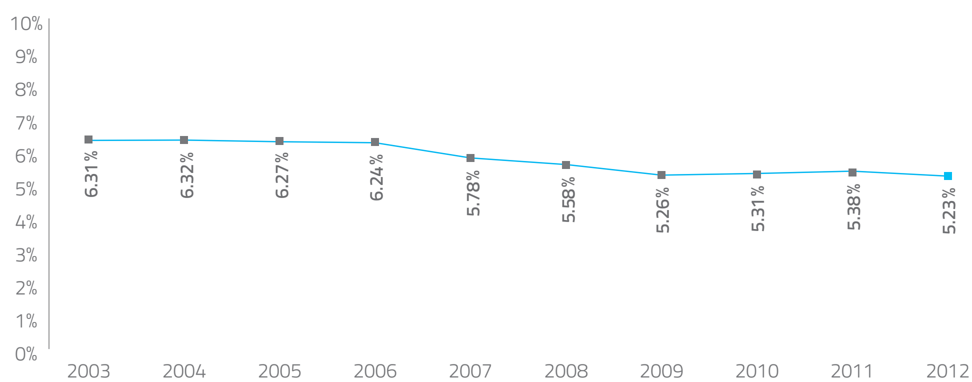
Cominar's mortgage maturity dates are staggered over a number of years to reduce the risks related to renewal. As at December 31, 2012, the residual average term of mortgages payable was 3.6 years.

The following table shows mortgage repayments for the coming fiscal years:

REPAYMENTS OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal	Repayment of balances at maturity	Total	Average contractual interest rate (%)
2013	44,034	348,326	392,360	4.95
2014	36,747	164,273	201,020	5.85
2015	30,135	252,770	282,905	5.01
2016	25,562	60,303	85,865	4.78
2017	23,220	147,605	170,825	4.99
2018 and thereafter	43,372	474,855	518,227	5.44
Total	203,070	1,448,132	1,651,202	5.23

The following graph presents the weighted average contractual interest rate of mortgages payable over the past 10 years.



DEBENTURES

On June 12, 2012, Cominar issued $125 million in Series 1 senior unsecured debentures bearing an interest rate of 4.27% and expiring in 2017.

On September 11, 2012, Cominar re-opened its Series 1 offering by issuing $125 million in senior unsecured debentures bearing an interest rate of 4.27% and expiring in 2017.

On December 4, 2012, Cominar issued $200 million in Series 2 senior unsecured debentures bearing an interest rate of 4.23% and expiring on December 4, 2019.

DEBENTURES

	Series 1	Series 2	Total
Contractual interest rate	4.274%	4.23%	
Effective interest rate	4.32%	4.32%	
Date of issuance	June 15, 2012	December 4, 2012	
Date of interest payment	June 15 and December 15	June 4 and December 4	
Maturity date	June 15, 2017	December 4, 2019	
	$	$	$
Balance as at December 31, 2012	250,000	200,000	450,000

CONVERTIBLE DEBENTURES

On June 29, 2012, Cominar redeemed all Series A convertible debentures still outstanding for an amount of $5.5 million.

On September 19, 2012, Cominar redeemed all Series B convertible debentures still outstanding for an amount of $80.5 million.

The following table shows the characteristics of Cominar's unsecured subordinated convertible debentures and balances by series, as at December 31, 2012.

CONVERTIBLE DEBENTURES

	Series C	Series D	Series E	Total
Contractual interest rate	5.80%	6.50%	5.75%	
Effective interest rate	6.60%	7.50%	6.43%	
Date of issuance	October 2007	September 2009	January 2010	
Amount issued	$110,000	$115,000	$86,250	
Unit conversion price	$25.25	$20.50	$25.00	
Date of interest payment	March 31 & September 30	March 31 & September 30	June 30 & December 31	
Date of redemption at Cominar's option – conditional	September 2010	September 2012	June 2013	
Date of redemption at Cominar's option – unconditional	September 2012	September 2014	June 2015	
Maturity date	September 2014	September 2016	June 2017	
	$	$	$	$
Balance as at December 31, 2012	110,000	99,806	86,250	296,056

As at December 31, 2012, the weighted average contractual interest rate on these convertible debentures was 6.02%.

As at December 31, 2012, only series C met all the conditions necessary for an authorized redemption of convertible debentures.

BRIDGE LOAN

During the first quarter of 2012, Cominar assumed an acquisition bridge loan of $84.0 million further to the Canmarc business combination. This one-year, non-renewable credit facility bears interest at prime rate plus 1.0%, or at the bankers' acceptance rate plus 2.5%, and is secured by a first-rank lien on investment property. In addition, on September 14, 2012, Cominar signed a new acquisition bridge loan agreement for a maximum amount of $89.0 million. This non-renewable, one-year credit facility bore interest at prime rate plus 0.5%, or the bankers' acceptance rate plus 1.5% and was secured by a first-rank lien on the income properties acquired from GE Capital Real Estate. On December 14, 2012, Cominar reimbursed this $89.0 million bridge loan.

BANK BORROWINGS

As at December 31, 2012, Cominar had operating and acquisition credit facilities of up to $550.0 million. These facilities are reimbursable in two parts over two and three years and bear interest at prime rate plus 1.0% or at the bankers' acceptance rate plus 2.0%. These credit facilities are secured by movable and immovable hypothecs on specific assets. As at December 31, 2012, bank borrowings totalled $300.4 million.

DEBT RATIO

The following table presents debt ratios as at December 31, 2012 and 2011:

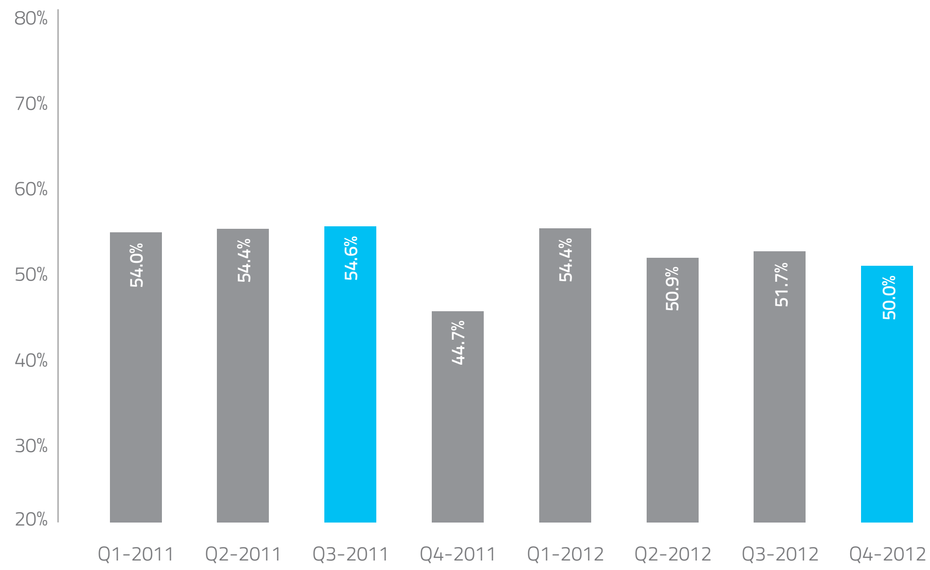
DEBT RATIO

As at December 31	2012	2011
Cash and cash equivalents[1]	**(10,664)**	(5,389)
Mortgages payable	**1,695,222**	842,619
Debentures	**448,530**	—
Convertible debentures	**289,134**	382,060
Bridge loan	**84,000**	—
Bank borrowings	**300,368**	16,540
Total debt	**2,806,590**	1,235,830
Total assets	**5,617,049**	2,765,317
Overall debt ratio[2][3]	**50.0%**	44.7%
Debt ratio (excluding convertible debentures)	**44.8%**	30.9%
Weighted average interest rate on long-term debt	**4.93%**	5.54%
Additional borrowing capacity – 65% of carrying amount[4]	**2,413,000**	1,605,000

(1) Cash and cash equivalents do not include restricted cash since it cannot be used to reduce borrowings.
(2) The overall debt ratio is equal to total cash and cash equivalents, bank borrowings, mortgages payable, bridge loan, debentures and convertible debentures divided by total assets.
(3) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.
(4) Pursuant to its Contract of Trust, Cominar's maximum debt ratio is 60% of the carrying amount (65% if convertible debentures are outstanding).

In 2011, Cominar's management revised the target debt ratio, which, going forward, should generally be maintained at 50%. Cominar therefore gradually brought its average debt ratio down to 50.1% in 2012, compared to 52.7% in 2011.

The following chart shows how Cominar's debt ratio has evolved over the past eight quarters:



INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income by the finance charges. The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt from operating revenues. As at December 31, 2012, Cominar's annualized interest coverage ratio stood at 2.74:1, proving its capacity to meet its obligations in this respect.

Management considers Cominar's current financial situation to be sound and strong, and does not foresee any difficulty in renewing the mortgages maturing in the coming quarters.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

Cominar has no off-balance sheet arrangements that have or are likely to have an impact on its operating results or its financial position, including its cash position and sources of financing.

Cominar has agreed to pay an amount of $47.3 million for work to be performed on a property under development and land held for future development.

On January 17, 2013, Cominar entered into a commitment letter with a Canadian financial institution regarding a loan in the amount of approximately $41.4 million. The hypothecary loan will have a term of ten years and bear interest at an annual rate to be confirmed three days prior to the disbursement of the loan and to be guaranteed by hypothecs granted on 12 properties located in Montréal and in the greater Québec City area. Cominar intends to use the amounts borrowed under the loan to repay amounts outstanding under its credit facility.

On January 24, 2013, Cominar entered into a commitment letter with a Canadian financial institution regarding the renewal of an existing hypothecary loan in the amount of approximately $21.0 million (including an increase of approximately $12.2 million in the amount borrowed) for a property located in Shawinigan, Québec. The hypothecary loan will have a term of ten years and bear interest at an annual rate to be confirmed three days prior to the disbursement of the loan. Cominar intends to use the additional amounts borrowed under the loan to repay amounts outstanding under its credit facility.

Cominar has no significant contractual commitments other than the one mentioned above, as well as those arising from its long-term debt and the payments due under emphyteutic leases for land held for income properties.

PROPERTY PORTFOLIO

The following table presents information on the property portfolio:

As at December 31	2012	2011
Income properties	**5,294,984**	2,515,965
Properties under development and land held for future development	**53,234**	37,444
Number of properties	**481**	270
Leasable area (sq. ft.)	**35,097,000**	21,219,000

SUMMARY BY OPERATING SEGMENT

As at December 31	2012		2011	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**121**	**13,011,000**	54	6,997,000
Retail	**158**	**7,758,000**	55	3,150,000
Industrial and mixed-use	**202**	**14,328,000**	161	11,072,000
Residential(1)	**—**	**—**	—	—
Total	**481**	**35,097,000**	270	21,219,000

(1) The residential segment consists of 485 residential units in three properties recorded in our three main operating segments.

SUMMARY BY GEOGRAPHIC MARKET

As at December 31	2012		2011	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Québec City	**106**	**7,641,000**	96	7,159,000
Montréal	**234**	**19,723,000**	136	12,304,000
Other – Québec	**27**	**814,000**	—	—
Ottawa(1)	**19**	**2,212,000**	4	609,000
Other – Ontario	**13**	**589,000**	—	—
Atlantic provinces	**62**	**2,907,000**	34	1,147,000
Western Canada	**20**	**1,211,000**	—	—
Total	**481**	**35,097,000**	270	21,219,000

(1) The Gatineau area is included in the Ottawa geographic market.

PROPERTY ACQUISITION AND DEVELOPMENT PROGRAM

Over the years, Cominar has achieved much of its growth through high-quality property acquisitions based on strict selection criteria, while maintaining an appropriate allocation among its three activity segments, i.e. office buildings, retail buildings and industrial and mixed-use properties, and geographic diversification of its property portfolio.

ACQUISITION OF CANMARC

On March 1, 2012, Cominar completed the acquisition of all of the issued and outstanding units of Canmarc Real Estate Investment Trust ("Canmarc"), whose immovable property amounts to $1.9 billion. Canmarc owned a portfolio of Canadian income-producing commercial properties, consisting of retail and office properties with certain industrial properties. In total, the 142 acquired properties comprise approximately 9.4 million square feet of commercial gross leasable area and 464 residential units. These properties are located in Québec, the Atlantic Provinces, Western Canada and Ontario.

The acquisition of Canmarc increased Cominar's lease area by approximately 44% to slightly over 30.6 million square feet at the time of acquisition; this enhanced Cominar's footprint in the Province of Québec and established a meaningful presence in the Atlantic Provinces, Western Canada and Ontario. Furthermore, as a result of this acquisition, Cominar's portfolio benefits from enhanced diversification among the office, retail and industrial asset classes.

OVERVIEW OF CANMARC'S PROPERTY PORTFOLIO

SUMMARY BY OPERATING SEGMENT

As at December 31, 2012	Number of properties	Leasable area (sq. ft.)
Office	27	3,017,000
Retail	104	4,698,000
Industrial and mixed-use	11	1,637,000
Residential[1]	—	—
Total	142	9,352,000

(1) The residential segment consists of 464 residential units in two properties recorded in our three main operating segments.

SUMMARY BY GEOGRAPHIC MARKET

As at December 31, 2012	Number of properties	Leasable area (sq. ft.)
Québec City	6	369,000
Montréal	52	4,926,000
Other – Québec	23	609,000
Ottawa[1]	1	43,000
Other – Ontario	12	495,000
Atlantic provinces	29	1,730,000
Western Canada	19	1,180,000
Total	142	9,352,000

(1) The Gatineau area is included in the Ottawa geographic market.

Cominar's management reviewed the number and classification by operating segment of the properties acquired from Canmarc in order to make their presentation consistent with the presentation used in the context of its operating activities.

ACQUISITION OF 67 BUILDINGS FROM GE CAPITAL REAL ESTATE

On September 14, 2012, Cominar acquired a portfolio of 67 office and industrial buildings located in the Montréal and Ottawa areas from GE Capital Real Estate for a purchase price of $697 million; these properties represent a total leasable area of approximately 4.3 million square feet.

This acquisition increased Cominar's assets by approximately 14%, bringing the REIT's leasable area to 35 million square feet at the time of the acquisition and providing significant geographical diversification, as the Ontario market now accounts for 11% (compared to 5%) of net operating income.

OVERVIEW OF THE PORTFOLIO PURCHASED FROM GE CAPITAL REAL ESTATE

SUMMARY BY OPERATING SEGMENT

As at December 31, 2012	Number of properties	Leasable area (sq. ft.)
Office	41	2,995,000
Industrial and mixed-use	26	1,335,000
Total	67	4,330,000

SUMMARY BY GEOGRAPHIC MARKET

As at December 31, 2012	Number of properties	Leasable area (sq. ft.)
Québec City	6	250,000
Montréal	46	2,516,000
Other – Québec	1	4,000
Ottawa(1)(2)	14	1,560,000
Total	67	4,330,000

(1) The Gatineau area is included in the Ottawa geographic market.
(2) The Ottawa area includes a vacant land parcel of approximately 149,400 square feet.

ACQUISITIONS OF INCOME PROPERTIES

During the fiscal year, Cominar acquired four income properties from *Société immobilière Investus inc.* further to the exercise of a right to initial offer.

This acquisition includes:

- One industrial and mixed-use property (31,000 square feet) located in Winnipeg, Manitoba; this property was acquired at a cost of $4.7 million, of which $2.4 million was an assumption of mortgage payable, $2.2 million was debt, and $91,000 was paid in cash.
- One industrial and mixed-use property (46,000 square feet) located in Longueuil, Québec; this property was acquired at a cost of $3.7 million, of which $2.4 million was an assumption of mortgage payable, and $1.3 million was paid in cash.
- One industrial and mixed-use property (29,000 square feet) located in Halifax, Nova Scotia; this property was acquired at a cost $3.2 million, of which $2.1 million was an assumption of mortgage payable, and $1.1 million was paid in cash.
- One industrial and mixed-use property (94,000 square feet) located in Brockville, Ontario; this property was acquired at a cost of $4.4 million, of which $2.8 million was an assumption of mortgage payable, and $1.6 million was paid in cash.

DISPOSAL OF PROPERTIES

On March 8, 2012, Cominar, through Canmarc, sold a property located in British Columbia for an amount of $3.5 million. This property is not included in the 142 properties acquired from Canmarc, as mentioned in this MD&A.

On May 31, 2012, Cominar sold an industrial and mixed-use property in the Québec City area for $1.5 million. This property is no longer included in our same property portfolio results.

INVESTMENTS IN INCOME PROPERTIES

Cominar continues to develop its income properties in the normal course of business. Investments made included additions, expansions, modernizations, modifications and upgrades to existing properties with a view to increasing or maintaining their rental income generating capacity.

During fiscal 2012, Cominar incurred $30.7 million ($11.9 million in 2011) of capital expenditures to increase the rental income generating capacity of its properties or to reduce the related operating expenses. Cominar also incurred $3.5 million ($1.8 million in 2011) of capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements, which will garner benefits for Cominar over the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invests in leasehold improvements that increase the value of its properties through higher lease rates, as well as in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required may vary from quarter to quarter since it closely depends on lease renewal and the signing of new leases. It also depends on the increase in rental space due to newly acquired, expanded or upgraded properties, or rental space transferred from properties under development. During fiscal 2012, Cominar made investments of $38.3 million in this respect ($20.9 million in 2011), of which $19.3 million ($4.5 million in 2011) was in newly acquired, expanded or upgraded properties, or those recently transferred from properties under development.

PROPERTY DEVELOPMENT PROGRAM

As at December 31, 2012, Cominar was working on three projects relating to properties under development.

The first project concerns an office building. This project, which was initially planned at 240,000 square feet distributed over 12 floors, has now grown to 284,000 square feet distributed over 14 floors and its construction cost is now estimated at $46 million. Adjacent to the Place Laval 1, 2, 3 and 4 complex, this building will be mainly occupied by the Government of Québec, under a long-term lease, for an area representing 79.0% of the building, being the current pre-rental rate. This project is expected to be completed in the second quarter of 2014. The expected capitalization rate for this project is 8.1%.

The second project consists of an industrial and mixed-use building located at 125 Fortin Street, in Québec City. With an area of 49,000 square feet and representing an investment estimated at $3.9 million, this project is 61% pre-leased, and its expected capitalization rate is 8.9%.

The third project is a retail building with approximately 5,500 square feet; this building will be located on the Promenades Beauport shopping center lot, in Québec City. The cost of construction for this building is estimated at $1.4 million. Already 100% leased to two tenants, this project should be delivered during the first quarter of 2013, and begin operations during the second quarter of 2013. The expected capitalization rate for this project is 9.3%.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at December 31, 2012, the average occupancy rate of our properties stood at 93.9%. During the year ended December 31, 2012, Cominar renewed 74.2% of leases maturing in 2012, and also signed new leases representing an area of 1.2 million square feet.

OCCUPANCY RATE TRACK RECORD

	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Operating segment (%)					
Office	**94.3**	95.2	95.2	94.1	94.5
Retail	**94.6**	96.9	96.1	96.3	97.1
Industrial and mixed-use	**93.1**	91.8	92.3	92.5	94.0
Portfolio total	**93.9**	93.6	93.8	93.5	94.6
Residential(1)	**97.9**	—	—	—	—

(1) The residential segment consists of 485 residential units located in three retail properties. This segment mainly results from the acquisition of Canmarc on January 27, 2012.

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity for 2012:

LEASE MATURITIES AND RENEWALS BY OPERATING SEGMENT

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2012				
Number of tenants	362	347	284	993
Leasable area (sq. ft.)	1,688,000	809,000	2,350,000	4,847,000
Average net rent ($/sq. ft.)	12.95	11.92	6.11	9.46
Renewed leases				
Number of tenants	253	255	197	705
Leasable area (sq. ft.)	1,206,000	623,000	1,768,000	3,597,000
Average net rent ($/sq. ft.)	11.51	13.72	6.30	9.31
Renewal (%)	**71.4**	**76.9**	**75.2**	**74.2**
New leases				
Number of tenants	106	72	87	265
Leasable area (sq. ft.)	368,000	131,000	671,000	1,170,000
Average net rent ($/sq. ft.)	13.79	13.08	5.23	8.80

In fiscal 2012, leasing activity reached an acceptable level across our portfolio, with 74.2% of maturing leases renewed. We also signed new leases for a total leasable area of 1.2 million square feet. Lease renewal rates rose 4.2% overall. Our three operating segments posted increases: 4.9% (office), 4.8% (retail) and 2.7% (industrial and mixed-use).

Considering our strong lease renewal track record and the demand for rental space in our seven geographic markets, we remain confident that a significant portion of maturing leases will be renewed at a higher rate per square foot during the next year.

The following table profiles lease maturities over the next five years:

LEASE MATURITIES

	2013	2014	2015	2016	2017
Office					
Leasable area (sq. ft.)	1,565,000	1,894,000	2,016,000	1,676,000	1,329,000
Lease rate ($/sq. ft.)	12.35	13.85	13.12	13.90	13.68
% of portfolio – Office	12.0	14.6	15.5	12.9	10.2
Retail					
Leasable area (sq. ft.)	908,000	737,000	716,000	684,000	817,000
Lease rate ($/sq. ft.)	11.63	13.40	14.19	16.59	13.61
% of portfolio – Retail	11.7	9.5	9.2	8.8	10.5
Industrial and mixed-use					
Leasable area (sq. ft.)	2,203,000	2,119,000	2,540,000	1,829,000	1,868,000
Lease rate ($/sq. ft.)	6.31	5.78	5.66	6.08	6.35
% of portfolio – Industrial and mixed-use	15.4	14.8	17.7	12.8	13.0
Portfolio total					
Leasable area (sq. ft.)	4,676,000	4,750,000	5,273,000	4,190,000	4,014,000
Lease rate ($/sq. ft.)	9.37	10.18	9.67	10.92	10.26
% of portfolio	13.3	13.5	15.0	11.9	11.4

The following table summarizes information on leases as at December 31, 2012:

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent/ sq. ft. ($)
Office	4.1	6,200	13.42
Retail	4.6	7,300	13.12
Industrial and mixed-use	5.1	11,700	5.91
Portfolio average	**4.6**	**6,600**	**10.32**

Cominar has a broad, highly diversified retail client base, consisting of some 5,000 tenants occupying an average of approximately 6,600 square feet each. Our top three tenants, PWGSC (Public Works Canada), Canadian National Railway Company, and *Société immobilière du Québec* account for approximately 7.9%, 4.1% and 3.9% of our revenues, respectively, stemming from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 11.8% come from government agencies.

The following table presents our top ten tenants by percentage of revenues:

Tenant	% of revenues	Leased area (sq. ft.)
Travaux publics Canada (Public Works Canada)	7.9	1,838,000
Canadian National Railway Company	4.1	1,562,000
Société immobilière du Québec	3.9	1,445,000
Ericsson Canada inc.	1.9	402,000
Jean Coutu Group	1.6	343,000
Scotiabank	1.0	159,000
Co-op Atlantic	0.9	523,000
Hudson's Bay Company	0.9	624,000
Entrust Technologies Limited	0.7	146,000
Métro inc.	0.7	364,000
Total	**23.6**	**7,406,000**

ISSUED AND OUTSTANDING UNITS

Years ended December 31	2012	2011
Units issued and outstanding, beginning of year	**77,051,260**	62,688,799
+ Units issued under public offerings	**28,088,750**	11,801,100
+ Units issued on exercise of options	**1,019,050**	863,150
+ Units issued under distribution reinvestment plan	**1,601,096**	874,807
+ Units issued on conversion of convertible debentures	**589,453**	823,404
+ Units issued under a business combination	**15,999,999**	—
Units issued and outstanding, end of year	**124,349,608**	77,051,260

Additional information	As at March 14, 2013
Issued and outstanding units	124,641,285
Exercisable options	5,818,500
Prospective units – conversion of convertible debentures	12,675,021

PER UNIT CALCULATIONS

	Quarter		Cumulative	
For the periods ended December 31	2012	2011	2012	2011
Weighted average number of units outstanding, basic	**123,926,086**	69,332,633	**109,453,548**	64,870,808
Dilutive effect of unit options	**307,597**	327,682	**414,514**	372,491
Dilutive effect of convertible debentures	**12,675,151**	16,573,504	**15,116,070**	17,093,865
Weighted average number of units, diluted and fully diluted	**136,908,834**	86,233,819	**124,984,132**	82,337,164

The calculations of the diluted weighted average number of units outstanding for 2012 do not take into account the current 2,721,300 options since the average price of the units, including the fair value of any goods or service to be rendered to the entity in the future under these option plans, was lower than the exercise price of these options.

The calculations of the diluted weighted average number of units outstanding for 2011 do not include 1,424,700 options outstanding since the average price of the units, including the fair value of any goods or service to be rendered to the entity in the future under these option plans, was lower than the exercise price of these options.

The calculations of diluted net income per unit and other fully diluted results include the cancellation of interest on convertible debentures in an amount of $4.5 million for the quarter ended December 31, 2012 [$5.9 million in 2011], and $21.6 million for fiscal 2012 [$24.2 million in 2011], assuming the conversion of the debentures.

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of the Trust's management team, exercise indirect control over the Dallaire Group Inc., *Société de développement Laurier (SDL) Inc*. and Dalcon Inc. Michel Paquet, also a trustee and a member of Cominar's management team, is a related party of these companies as their Secretary. During fiscal 2012, Cominar recorded $0.2 million in net rental income from Dalcon and the Dallaire Group Inc. Cominar incurred costs of $12.0 million for leasehold improvements performed by Dalcon on its behalf and costs of $20.2 million for the construction and development of investment property.

In June 2012, Cominar acquired four single-tenant industrial properties from *Société immobilière Investus inc*. (indirect property of the Dallaire family). The purchase price of $16.0 million was paid in cash and through the assumption of debt. The Dallaire family had acquired these properties in June 2011 during the privatization of Investus. The purchase price paid by Cominar, through its initial offer, corresponds to the purchase price paid by the Dallaire family at the time, as established by an independent appraisal.

These transactions were entered into in the normal course of business and were measured at the exchange amount. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant cost savings while providing better service to its clients.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of Cominar are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in Canadian Securities Administrators Multilateral Instrument 52-109.

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of Cominar concluded that the DC&P were effective as at the end of the period ended December 31, 2012, and, more specifically, that the current controls and procedures provide reasonable assurance that material information about the Trust, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Trust concluded that ICFR was effective as at the end of the period ended December 31, 2012, and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for financial reporting purposes in accordance with IFRS.

No changes were made to our internal controls over financial reporting during fiscal 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

a) Basis of preparation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the years presented in these consolidated financial statements.

b) Basis of presentation

Consolidation

These consolidated financial statements include the accounts of Cominar and its wholly-owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of the property it co-owns.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results that could differ materially from those estimates are described below:

- ***Investment property***

  Investment property is recorded at fair value at the balance sheet date. Fair value is determined using both management's internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques. The techniques used include the capitalized net operating income method and the discounted cash flow method, including estimates of capitalization rates and future net operating income as well as estimates of discount rates and future cash flows applicable to investment property, respectively.

  Management's internal fair value measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts. However, internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the balance sheet date.

- ***Financial instruments***

  Financial instruments must be initially measured at fair value. Cominar must also estimate and disclose the fair value of certain financial instruments for information purposes in the financial statements presented for subsequent periods. When fair value cannot be derived from active markets, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data related to these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the reported fair value of financial instruments.

- ***Convertible debentures***

  Upon initial recognition, Cominar's management must estimate, if applicable, the fair value of the conversion option included in convertible debentures. Under IFRS, the remaining amount obtained after deducting, from the fair value of the compound financial instrument considered as a whole, the established amount of the Liability component must be allocated to the Unitholders' equity component. Should this estimate be inappropriate, it will have an impact on the interest expense recognized in the financial statements for the periods subsequent to their issuance.

- ***Business combinations***

  Business combinations are accounted for using the acquisition method. The cost of a business combination is the value, at the acquisition date, of the assets transferred, liabilities incurred and Unitholders' equity instruments issued in exchange for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

Cominar accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the acquisition does not correspond to this definition, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination under IFRS 3 or as an asset acquisition.

Generally, when Cominar acquires a property or property portfolio (and not a legal entity) without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an asset acquisition.

- ***Unit options***

  The compensation expense related to unit options is measured at fair value and is amortized based on the graded vesting method using the Black-Scholes model. This model requires management to make many estimates on various data, such as expected life, volatility, the weighted average dividend yield of distributions, the weighted average risk-free interest rate and the expected forfeiture rate. Any changes to certain assumptions could have an impact on the compensation expense related to unit options recognized in the financial statements.

- ***Income taxes***

  Deferred taxes of Cominar's subsidiaries are measured at the tax rates expected to apply in the future as temporary differences between the reported carrying amounts and the tax bases of the assets and liabilities reverse. Changes to deferred taxes related to changes in tax rates are recognized in income in the period during which the rate change is substantively enacted.

  Any changes in future tax rates or in the timing of the reversal of temporary differences could affect the income tax expense.

- ***Impairment of goodwill***

  Goodwill represents the excess of the purchase price of acquired businesses over the fair value of net identifiable assets acquired. It is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. To test assets for impairment, they are combined at the lowest point of the cash-generating unit to which they belong. Should the carrying value of the goodwill of a cash-generating unit exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

Investment property

Investment property is immovable property held by the Trust to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services or for administrative purposes, or for sale in the ordinary course of business. Investment properties include income properties, properties under development and land held for future development.

Cominar presents its investment property based on the fair value model. Fair value is the amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in income for the period in which it arises. The fair value of investment property shall reflect market conditions at the end of the reporting period. Fair value is time-specific as of a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment property is based on measurements derived from management's estimates or from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews appraisals of its investment property between the appraisal dates in order to determine whether the related assumptions, such as net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment property.

The fair value of Cominar's investment property recorded on the balance sheet in accordance with IFRS is the sum of the fair value of each investment property considered individually and does not necessarily reflect the contribution of the following elements that characterize Cominar: (i) the composition of the property portfolio diversified through its client base, geographic markets and activity segments; (ii) synergies among different investment properties; and (iii) a fully integrated management approach. Therefore, the fair value of Cominar's investment property taken as a whole could differ from that appearing on the consolidated balance sheet.

Properties under development in the construction phase are measured at cost until their fair value can be reliably determined, usually when development has been completed. The fair value of land held for future development is based on recent prices derived from comparable market transactions.

Capitalization of costs

Cominar capitalizes into investment property the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. The Trust also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. When Cominar determines that the acquisition of an investment property is an asset acquisition, the Trust capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

Concerning properties under development and land held for future development, the Trust capitalizes all direct costs incurred for their acquisition, layout and construction. Such capitalized costs also include borrowing costs that are directly attributable to the property concerned. Cominar begins capitalizing borrowing costs when it incurs expenditures for the properties in question and it undertakes activities that are necessary to prepare these properties for their intended use. Cominar ceases capitalizing borrowing costs when the asset is ready for management's intended use.

Investment in a limited partnership

The investment is classified as available for sale and is measured at fair value. Any changes in the fair value of the investment in DEGI LP are included in the Consolidated Statement of Comprehensive Income.

Restricted cash

Restricted cash mainly includes amounts which are held in interest-bearing reserve accounts and are expected to be utilized over the coming years to fund certain expenses related to investments, as well as supplementary amounts drawn by financial institutions to cover the payment of realty taxes for certain investment properties.

Bond investments

Bond investments are measured at amortized cost using the effective interest rate method and gains and losses are recognized in profit or loss in the period during which the asset is derecognized or impaired.

Investment in a public entity

The investment in a public entity is classified at fair value through profit or loss and it is measured at fair value. Changes in the fair value of the investment are recorded in the Consolidated Statement of Net Income.

Revenue recognition

Management has determined that all leases concluded between Cominar and its tenants are operating leases. Minimum lease payments are recognized using the straight-line method over the term of the related leases, and the excess of payments recognized over amounts payable is recorded on Cominar's Consolidated Balance Sheet under investment property. Leases generally provide for the tenants' payment of maintenance expenses of common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Percentage leases are recognized when the minimum sales level has been reached pursuant to the related leases. Lease cancellation fees are recognized when they are due. Finally, incidental income is recognized when services are rendered.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments that are readily convertible into a known amount of cash, that are not subject to a significant risk of change in value and that have original maturities of three months or less. Bank borrowings are considered to be a financing activity.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgage loans, debentures and convertible debentures, are applied against the borrowings and are amortized using the effective interest rate method over the term of the related debt.

Financing costs related to operating and acquisition credit facilities are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the respective credit facility.

Leasing costs

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are not amortized.

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are recognized in profit or loss and are subsequently amortized on a straight-line basis over the related lease term.

All these costs are added to the carrying amount of investment property as they are incurred.

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. In exercising their discretionary power regarding distributions under the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required for the Trust.

Cominar's subsidiaries that are incorporated as business corporations are subject to tax on their taxable income under the Income Tax Act (Canada) and the taxation acts of the provinces concerned. These subsidiaries account for their current or recovered taxes at the current enacted tax rates and use the liability method to account for deferred taxes. The net deferred tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities.

Financial instruments

Cominar groups its financial instruments into classes according to their nature and characteristics. Management determines such classification upon initial measurement, which is usually at the date of acquisition.

Cominar has used the following classifications for its financial instruments:

- The investment in a public entity is classified as a "financial asset at fair value through profit or loss." It was initially measured at fair value. Subsequently, it has been measured at fair value, and the adjustment recognized in profit or loss.

- Bond investments are classified as investments held until their maturity dates.

- Cash and cash equivalents, restricted cash and accounts receivable, including loans to certain clients, are classified as "Loans and receivables." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, this value generally represents cost.

- Mortgages payable, debentures, convertible debentures, the bridge loan, bank borrowings, and accounts payable and accrued liabilities are classified as "Other financial liabilities." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method.

Incentive plan based on equity securities

Cominar has an incentive plan based on equity securities in order to attract, retain and motivate those who act as service providers. This plan does not provide for any cash settlements.

Unit purchase options

The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

Restricted units

The Trust recognizes compensation expense on restricted unit options granted, based on their fair value on the date of the grant. The fair value of restricted units represents the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the purchase period.

Deferred units

The Trust recognizes compensation expense on deferred unit options granted, based on their fair value on the date of the grant. The fair value of restricted units represents the market value of Cominar units on the date of the grant. The compensation expense is amortized using the graded vesting method.

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit options and the potential issuance of units under convertible debentures, if dilutive.

Segment Information

Segment information is presented in accordance with IFRS 8, which recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

NEW ACCOUNTING POLICIES

The following paragraphs present accounting standards that apply to Cominar but that have not yet been adopted:

IFRS 9 – "Financial Instruments"

In November 2009, the IASB issued IFRS 9, "Financial Instruments: Classification and Measurement," a new standard on the classification and measurement of financial instruments, which will replace IAS 39, "Financial Instruments: Recognition and Measurement." IFRS 9 presents two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. Debt instruments are measured at amortized cost only if they are held in order to collect contractual cash flows and if the cash flows are solely payments of principal and interest. Otherwise, they are held at fair value through profit or loss.

Requirements for financial liabilities were added in October 2010 and most of them were carried forward unchanged from IAS 39, except for the fair value changes attributable to the credit risk of financial liabilities designated at fair value through profit or loss, which should usually be included in comprehensive income.

This new standard is effective for annual periods beginning on or after January 1, 2015, and early adoption is permitted. Cominar is currently evaluating the impact that this new standard will have on its financial statements.

In May 2011, the IASB issued the following standards: IFRS 10, "Consolidated Financial Statements," IFRS 11, "Joint Arrangements," IFRS 12, "Disclosure of Interests in Other Entities," IAS 27, "Separate Financial Statements," IFRS 13, "Fair Value Measurement," and the amended IAS 28, "Investments in Associates and Joint Ventures." Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The following is a brief summary of the new standards:

IFRS 10 – "Consolidated Financial Statements"

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation—Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements." Cominar does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 11 – "Joint Arrangements"

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities may elect to account for interests in joint ventures using proportionate consolidation or the equity method. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures," and SIC-13, "Jointly Controlled Entities—Non-monetary Contributions by Venturers." Cominar does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 12 – "Disclosure of Interests in Other Entities"

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose entities and off-balance sheet instruments. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. Cominar does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 13 – "Fair Value Measurement"

IFRS 13 is a comprehensive standard on fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. Cominar will add the required information as of the first quarter of 2013.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27, "Consolidated and Separate Financial Statements," and IAS 28, "Investments in Associates and Joint Ventures." IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10, IFRS 11, IFRS 12 and 13. Cominar does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

RISKS AND UNCERTAINTIES

Like all real estate entities, the Cominar REIT is exposed, in the normal course of business, to various risk factors that may have an impact on its capacity to attain its strategic objectives. Accordingly, unitholders should consider the following risks and uncertainties when assessing the Trust's outlook in terms of investment potential.

Cominar has not identified any significant changes to the risks and uncertainties to which it is exposed in its business.

ACCESS TO CAPITAL AND DEBT FINANCING, AND CURRENT GLOBAL FINANCIAL CONDITIONS

The real estate industry is capital-intensive. Cominar will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that Cominar will have access to sufficient capital (including debt financing) on terms favorable to Cominar for future property acquisitions and developments, including for the financing or refinancing of properties, for funding operating expenses or for other purposes. In addition, Cominar may not be able to borrow funds under its credit facilities due to limitations on Cominar's ability to incur debt set forth in the Contract of Trust. Failure by Cominar to access required capital could adversely impact Cominar's financial position and results of operations and reduce the amount of cash available for distributions.

Recent market events and conditions, including disruptions in international and regional credit markets and in other financial systems and deteriorating global economic conditions, could impede Cominar's access to capital (including debt financing) or increase the cost of such capital. Failure to raise capital in a timely manner or under favourable terms could have a material adverse effect on Cominar's financial position and results of operations, including on its acquisition and development program.

DEBT FINANCING

Cominar has and will continue to have substantial outstanding consolidated borrowings comprised primarily of hypothecs, property mortgages, debentures, and borrowings under its acquisition and operating credit facilities. Cominar intends to finance its growth strategy, including acquisitions and developments, through a combination of its working capital and liquidity resources, including cash flows from operations, additional borrowings and public or private sales of equity or debt securities. Cominar may not be able to refinance its existing debt or renegotiate the terms of repayment at favourable rates. In addition, the terms of Cominar's indebtedness in general contain customary provisions that, upon an event of default, result in accelerated repayment of the amounts owed and that restrict the distributions that may be made by Cominar. Therefore, upon an event of default under such borrowings or an inability to renew same at maturity, Cominar's ability to make distributions will be adversely affected.

A portion of Cominar's cash flows is dedictaed to servicing its debt, and there can be no assurance that Cominar will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing. The REIT's current credit facilities, of a stated amount of $550.0 million as at December 31, 2012, are repayable in two tranches over two and three years. Cominar also has a bridge loan of an amount of $84.0 million, renewable in 2013.

Cominar is exposed to debt financing risks, including the risk that the existing hypothecary borrowings secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of the existing loans. In order to minimize this risk, Cominar tries to appropriately structure the timing of the renewal of significant tenant leases on its respective properties in relation to the times at which the hypothecary borrowings on such properties become due for refinancing.

OWNERSHIP OF IMMOVABLE PROPERTY

All immovable property investments are subject to risk exposures. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises, municipal valuations and assessments, and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of tenants and the economic environment in which they operate. Cominar's income and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their lease obligations or if a significant portion of vacant space in the properties in which Cominar has an interest cannot be leased on economically favorable lease terms. In the event of default by a tenant, delays or limitations may be experienced in enforcing Cominar's rights as a lessor and substantial costs may be incurred to protect Cominar's investment. The ability to rent unleased space in the properties in which Cominar has an interest will be affected by many factors, including the level of general economic activity and competition for tenants by other properties. Costs may need to be incurred to make improvements or repairs to property as required by a new tenant. The failure to rent unleased space on a timely basis or at all or at rents that are equivalent to or higher than current rents would likely have an adverse effect on Cominar's financial position and the value of its properties.

Certain significant expenditures, including property taxes, maintenance costs, hypothecary payments, insurance costs and related charges must be made throughout the period of ownership of immovable property regardless of whether the property is producing any income. If Cominar is unable to meet mortgage payments on a property, a loss could be sustained as a result of the mortgage creditor's exercise of its hypothecary remedies.

Immovable property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with the demand for and the perceived desirability of such investments. Such illiquidity may tend to limit Cominar's ability to make changes to its portfolio promptly in response to changing economic or investment conditions. If Cominar were to be required to liquidate its immovable property investments, the proceeds to Cominar might be significantly less than the aggregate carrying value of its properties.

Leases for Cominar's properties, including those of significant tenants, will mature from time to time over the short and long term. There can be no assurance that Cominar will be able to renew any or all of the leases upon maturity or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact Cominar's financial position and results of operations and decrease the amount of cash available for distribution.

COMPETITION

Cominar competes for suitable immovable property investments with individuals, corporations and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future immovable property investments similar to those desired by Cominar. Many of those investors have greater financial resources than Cominar, or operate without the investment or operating restrictions of Cominar or under more flexible conditions. An increase in the availability of investment funds and heightened interest in immovable property investments could increase competition for immovable property investments, thereby increasing the purchase prices of such investments and reducing their yield.

In addition, numerous property developers, managers and owners compete with Cominar in seeking tenants. The existence of competing developers, managers and owners and competition for the Cominar's tenants could have an adverse effect on the Cominar's ability to lease space in its properties and on the rents charged, and could adversely affect the Cominar's revenues and, consequently, its ability to meet its debt obligations.

ACQUISITIONS

Cominar's business plan focuses on growth by identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. If Cominar is unable to manage its growth effectively, this could adversely impact Cominar's financial position and results of operations, and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that Cominar will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to unitholders will increase in the future.

DEVELOPMENT PROGRAM

Information regarding our development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items including, but not limited to, tenant rents, building sizes, leasable areas, and project completion timelines and costs are updated periodically based on revised site plans, our cost tendering process, continuing tenant negotiations, demand for leasable space in our markets, our ability to obtain the required building permits, ongoing discussions with municipalities and successful property re-zonings. There can be no assurance that any assumptions in this regard will materialize as expected and changes could have a material adverse effect on our development program, asset values and financial performance.

RECRUITMENT AND RETENTION OF EMPLOYEES AND EXECUTIVES

Competition for qualified employees and executives is intense. If Cominar is unable to attract and retain qualified and capable employees and executives, the conduct of its activities may be adversely affected.

GOVERNMENT REGULATION

Cominar and its properties are subject to various government statutes and regulations. Any change in such statutes or regulations that is adverse to Cominar and its properties could affect Cominar's operating results and financial performance.

In addition, environmental and ecological legislation and policies have become increasingly important in recent decades. Under various laws, Cominar could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations, or for the costs of other remedial or preventive work. The failure to remove or remediate such substances, or to effect such remedial or preventive work, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs or governmental agencies. Notwithstanding the above, Cominar is not aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is Cominar aware of any environmental condition with respect to any of its properties that it believes would involve material expenditure by Cominar.

LIMIT ON ACTIVITIES

In order to maintain its status as a "mutual fund trust" under the Income Tax Act, Cominar cannot carry on most active business activities and is limited in the types of investments it may make. The Contract of Trust contains restrictions to this effect.

STATUS FOR TAX PURPOSES

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and designations for income tax purposes.

Certain Cominar subsidiaries are subject to tax on their taxable income under the Income Tax Act and the Taxation Act.

Taxation of distributions of specified investment flow-through (SIFT) entities

A special tax regime applies to trusts and partnerships that are considered SIFT entities as well as those individuals who invest in SIFT entities. Under this regime, SIFT entities must generally pay taxes on their income at rates that are close to those of companies. In short, a SIFT entity is an entity (including a trust) that resides in Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

Exception for real estate investment trusts (REITs)

For a given taxation year, Cominar is not considered a SIFT entity and is therefore not subject to SIFT rules if, during that year, it constitutes a REIT. On October 24, 2012, Canada's Minister of Finance tabled a notice of ways and means motion suggesting modifications aimed at SIFT entities, which received first reading by the House of Commons on November 21, 2012. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: [i] at each time in the taxation year the total fair market value of all "non-portfolio properties" that are "qualified REIT properties" held by the trust is at least 90% of the total fair market value at that time of all the "non-portfolio assets" held by the trust, [ii] not less than 90% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest, capital gains from dispositions of real or immovable properties, dividends and royalties, and gains from dispositions of "eligible resale properties"; [iii] not less than 75% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest from mortgages, or hypothecs, on "real or immovable properties," and capital gains from dispositions of "real or immovable properties" that are capital property, [iv] at each time in the taxation year, that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is "real or immovable property," which is a capital property, an "eligible resale property," indebtedness to a Canadian corporation represented by a banker's acceptance, cash or, generally, an amount receivable from the Government of Canada or from certain other public agencies; and v) the investments made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at December 31, 2012, considering the evaluation of Cominar's assets and the results of its normal business activities, Cominar's management believes that Cominar currently meets all the criteria required to qualify for the REIT exception, as per the REIT exception currently in effect and in compliance with the changes that are being proposed for SIFT entities. As a result, Cominar's management believes that the SIFT trust tax rules do not apply to Cominar. Cominar's management intends to take all the necessary steps to meet these conditions on an on-going basis in the future. Nonetheless, there is no guarantee that Cominar will continue to meet all the required conditions to be eligible for the REIT exception for 2013 or any other subsequent year.

Were the REIT exception not applicable to Cominar at any time in a year (including the current taxation year), the proposed amendments to SIFT and the SIFT regime (under which amounts deductible will no longer be deductible in computing the income of Cominar and additional taxes will be payable by Cominar) will, commencing in such year, impact materially the level of cash distributions which would otherwise be made by Cominar.

RISK FACTORS RELATED TO THE GE ACQUISITION

The acquisition of 67 properties from GE Capital Real Estate took place on September 14, 2012. Although Cominar performed its due diligence regarding the GE acquisition, there are still a few risks related to any undeclared or unknown obligations or problems with the acquired properties. Cominar may discover that it inherited significant undeclared obligations. In most cases, Cominar would not be able to claim any compensation from GE Capital Real Estate, as the properties that are part of the GE acquisition were acquired as is. The existence of undeclared obligations and Cominar's inability to claim any compensation from GE Capital Real Estate could have a negative effect on Cominar.

The benefits and synergies expected from the acquisition of GE partially depend on Cominar's ability to reduce the vacancy rate in the industrial buildings located in the Montréal area, which were acquired as part of the GE acquisition.

CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
December 31, 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Cominar Real Estate Investment Trust ("Cominar") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP "). Financial information appearing throughout our MD&A is consistent with these consolidated financial statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2012, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and procedures used for the preparation of filings, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls and procedures were effective.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of Trustees who are not members of Cominar's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the trustees on auditing matters and financial reporting issues.

PricewaterhouseCoopers LLP, Independent Chartered Accountants appointed by the unitholders of Cominar upon the recommendation of the Board, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2012 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

MICHEL DALLAIRE, Eng.
President and Chief Executive Officer

MICHEL BERTHELOT, CPA, CA
Executive Vice President
and Chief Financial Officer

Québec City, March 14, 2013

INDEPENDENT AUDITOR'S REPORT

**TO THE UNITHOLDERS OF
COMINAR REAL ESTATE INVESTMENT TRUST**

We have audited the accompanying consolidated financial statements of Cominar Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011 and the consolidated statements of unitholders' equity, comprehensive income and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cominar Real Estate Investment Trust and its subsidiaries as at December 31, 2012 and December 31, 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
March 12, 2013
Place de la Cité, Tour Cominar
2640 Laurier Boulevard, Suite 1700
Québec, Quebec, Canada G1V 5C2

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

[1] CPA auditor, CA, public accountancy permit No. A106882

CONSOLIDATED BALANCE SHEETS

[in thousands of Canadian dollars]

	Note	December 31, 2012	December 31, 2011
		$	$
ASSETS			
Investment property			
Income properties	4, 5	**5,294,984**	2,515,965
Properties under development	6	**21,537**	5,713
Land held for future development	6	**31,697**	31,731
		5,348,218	2,553,409
Investments	7	**21,509**	134,284
Goodwill	4, 8	**166,971**	9,380
Prepaid expenses and other assets		**11,571**	7,084
Accounts receivable	9	**42,904**	55,715
Income taxes recoverable		**—**	56
Restricted cash		**15,212**	—
Cash and cash equivalents		**10,664**	5,389
Total assets		**5,617,049**	2,765,317
LIABILITIES			
Mortgages payable	10	**1,695,222**	842,619
Debentures	11	**448,530**	—
Convertible debentures	12	**289,134**	382,060
Bridge loan	13	**84,000**	—
Bank borrowings	14	**300,368**	16,540
Accounts payable and accrued liabilities	15	**94,083**	45,083
Income taxes payable		**12**	—
Deferred tax liability	21	**8,805**	7,793
Total liabilities		**2,920,154**	1,294,095
UNITHOLDERS' EQUITY			
Unitholders' equity		**2,696,895**	1,471,222
Total liabilities and unitholders' equity		**5,617,049**	**2,765,317**

See accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees.

ROBERT DESPRÉS
Chairman of the Board of Trustees

MICHEL DALLAIRE
Trustee

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

For the years ended December 31
[in thousands of Canadian dollars]

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2012		1,150,735	936,121	(619,565)	2,186	1,745	1,471,222
Net income and comprehensive income		—	342,171	—	—	—	342,171
Distributions to unitholders	16	—	—	(164,021)	—	—	(164,021)
Unit issues	16	1,075,766	—	—	—	(9)	1,075,757
Unit issue expenses		(28,675)	—	—	—	—	(28,675)
Unit option plan		—	—	—	441	—	441
Balance as at December 31, 2012		2,197,826	1,278,292	(783,586)	2,627	1,736	2,696,895

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2011		855,182	758,660	(523,998)	1,879	1,889	1,093,612
Net income and comprehensive income		—	177,461	—	—	—	177,461
Distributions to unitholders	16	—	—	(95,567)	—	—	(95,567)
Unit issues	16	307,312	—	—	—	(144)	307,168
Unit issue expenses		(11,759)	—	—	—	—	(11,759)
Unit option plan		—	—	—	307	—	307
Balance as at December 31, 2011		1,150,735	936,121	(619,565)	2,186	1,745	1,471,222

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31
[in thousands of Canadian dollars, except per unit amounts]

	Note	2012	2011
		$	$
Operating revenues			
Rental revenue from investment property		**564,537**	317,741
Operating expenses			
Operating costs		**113,466**	57,873
Realty taxes and services		**122,048**	70,360
Property management expenses		**11,208**	4,799
		246,722	133,032
Net operating income		**317,815**	184,709
Other revenues		**2,964**	—
Change in fair value of investment property	5	**177,706**	51,349
Finance charges	18	**(115,963)**	(67,950)
Trust administrative expenses		**(11,065)**	(5,800)
Restructuring charges	19	**(6,929)**	—
Transaction costs – business combinations	4, 20	**(27,689)**	(4,262)
Gains on an investment in a public entity	7	**6,222**	20,020
Income before income taxes		**343,061**	178,066
Income taxes			
Current	21	**(13)**	80
Deferred	21	**(877)**	(685)
		(890)	(605)
Net income and comprehensive income		**342,171**	177,461
Basic net income per unit	22	**3.13**	2.74
Diluted net income per unit	22	**2.91**	2.45

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,
[in thousands of Canadian dollars]

	Note	2012	2011
		$	$
OPERATING ACTIVITIES			
Net income		**342,171**	177,461
Adjustments for:			
Acquisition of an investment in a public entity		**—**	(111,822)
Change in fair value of investment property		**(177,706)**	(51,349)
Amortization of fair value adjustments on assumed indebtedness		**(15,193)**	(1,363)
Amortization of fair value adjustments on bond investments	7	**282**	—
Amortization of capitalized finance charges and other assets		**8,850**	3,691
Amortization of premium on debenture issue		**(70)**	—
Compensation expense related to unit options		**1,268**	986
Accretion of liability component of convertible debentures		**232**	240
Deferred taxes		**877**	685
Change in accounts receivable – recognition of leases on a straight-line basis		**(7,032)**	(2,597)
Change in fair value of an investment in a public entity	7	**(2,582)**	(18,232)
Change in non-cash working capital items	23	**(2,988)**	4,234
Cash flows provided by operating activities		**148,109**	1,934
INVESTING ACTIVITIES			
Acquisition of income property	5	**(72,931)**	(95,183)
Additions to property under development and land held for future development	6	**(18,281)**	(23,394)
Cash consideration paid upon business combinations	4	**(1,088,147)**	—
Net proceeds from the sale of immovable property		**44,519**	—
Net proceeds from the disposal of an investment in a limited partnership		**22,444**	—
Acquisition deposit on income properties		**(1,000)**	—
Change in restricted cash		**3,345**	—
Change in investments		**(89)**	—
Acquisition of other assets		**(971)**	(454)
Cash flows used in investing activities		**(1,111,111)**	(119,031)
FINANCING ACTIVITIES			
Distributions to unitholders		**(126,304)**	(76,346)
Bank borrowings and bridge loans		**168,650**	(43,626)
Mortgages payable		**15,405**	15,858
Net proceeds from issue of debentures		**448,383**	—
Net proceeds from issue of units	16	**651,218**	259,631
Convertible debenture redemption		**(86,007)**	—
Repayments of balances at maturity of mortgage payable		**(57,387)**	(8,623)
Monthly repayment of mortgages payable		**(45,681)**	(24,408)
Cash flows provided by financing activities		**968,277**	122,486
Net change in cash and cash equivalents		**5,275**	5,389
Cash and cash equivalents, beginning of year		**5,389**	—
Cash and cash equivalents, end of year		**10,664**	5,389
Other information			
Interest paid		**128,072**	68,267
Income taxes paid (recovered)		**(55)**	56
Distributions cashed		**4,293**	1,134

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011
[in thousands of Canadian dollars, except per unit amounts]

1) DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Québec. As at December 31, 2012, Cominar owned and managed a real estate portfolio of 481 high-quality properties that cover a total area of 35.1 million square feet in Québec, Ontario, the Atlantic Provinces and Western Canada.

Cominar is listed on the Toronto Stock Exchange and its units trade under the symbol "CUF.UN." The head office is located at 455 du Marais Street, Québec City, Québec, Canada. Additional information about the Trust is available on Cominar's website at www.cominar.com.

The Board of Trustees has approved Cominar's consolidated financial statements on March 11, 2013.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the years presented in these consolidated financial statements.

b) Basis of preparation

Consolidation

These consolidated financial statements include the accounts of Cominar and its wholly-owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of the property it co-owns.

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results that could differ materially from those estimates are described below:

- ***Investment property***

  Investment property is recorded at fair value at the balance sheet date. Fair value is determined using both management's internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques. Techniques used include the capitalized net operating income method and the discounted cash flow method, including notably estimates of capitalization rates and future net operating income as well as estimates of discount rates and future cash flows applicable to investment property, respectively.

  Management's fair value internal measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts. However, internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the balance sheet date.

- ***Financial instruments***

  Financial instruments must be initially measured at fair value. Cominar must also estimate and disclose the fair value of certain financial instruments for information purposes in the financial statements presented for subsequent periods. When fair value cannot be derived from active markets, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data related to these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the reported fair value of financial instruments.

- ***Convertible debentures***

  Upon initial recognition, Cominar's management must estimate, if applicable, the fair value of the conversion option included in the convertible debentures. Under IFRS, the remaining amount obtained after deducting, from the fair value of the compound financial instrument considered as a whole, the established amount of the Liability component must be allocated to the Unitholders' equity component. Should this estimate be inappropriate, it will have an impact on the interest expense recognized in the financial statements for the periods subsequent to their issuance.

- ***Business combinations***

  Business combinations are accounted for using the acquisition method. The cost of a business combination is the value, at the acquisition date, of the assets transferred, liabilities incurred and Unitholders' equity instruments issued in exchange for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

  Cominar accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that could be conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the acquisition does not correspond to this definition, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

  Generally, when Cominar acquires a property or property portfolio (and not a legal entity) without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an asset acquisition.

- ***Unit options***

  The compensation expense related to unit options is measured at fair value and is amortized based on the graded vesting method using the Black-Scholes model. This model requires management to make many estimates on various data, such as expected life, volatility, the weighted average dividend yield of distributions, the weighted average risk-free interest rate and the expected forfeiture rate. Any changes to certain assumptions could have an impact on the compensation expense related to unit options recognized in the financial statements.

- ***Income taxes***

  Deferred taxes of Cominar's subsidiaries are measured at the tax rates expected to apply in the future as temporary differences between the reported carrying amounts and the tax bases of the assets and liabilities reverse. Changes to deferred taxes related to changes in tax rates are recognized in income in the period during which the rate change is substantively enacted.

  Any changes in future tax rates or in the timing of the reversal of temporary differences could affect the income tax expense.

- ***Impairment of goodwill***
  Goodwill represents the excess of the purchase price of acquired businesses over the fair value of the net identifiable assets acquired. It is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. To test assets for impairment, they are combined at the lowest point of the cash-generating unit to which they belong. Should the carrying value of the goodwill of a cash-generating unit exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

Investment property
An investment property is an immovable property held by the Trust to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services or for administrative purposes, or for sale in the ordinary course of business. Investment property include income properties, properties under development and land held for future development.

Cominar presents its investment property based on the fair value model. Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in profit or loss for the period in which it arises. The fair value of investment property shall reflect market conditions at the end of the reporting period. Fair value is time-specific as of a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment property is based on measurements derived from management's estimates or from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews appraisals of its investment property between the appraisal dates in order to determine whether the related assumptions, such as net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment property.

The fair value of Cominar's investment property recorded on the balance sheet in accordance with IFRS is the sum of the fair value of each investment property considered individually and does not necessarily reflect the contribution of the following elements that characterize Cominar: (i) the composition of the property portfolio diversified through its client base, geographic markets and activity segments; (ii) synergies among different investment properties; and (iii) a fully integrated management approach. Therefore, the fair value of Cominar's investment property taken as a whole could differ from that appearing on the consolidated balance sheet.

Properties under development in the construction phase are measured at cost until their fair value can be reliably determined, usually when development has been completed. The fair value of land held for future development is based on recent prices derived from comparable market transactions.

Capitalization of costs
Cominar capitalizes into investment property the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. The Trust also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. When Cominar determines that the acquisition of an investment property is an asset acquisition, the Trust capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

Concerning properties under development and land held for future development, the Trust capitalizes all direct costs incurred for their acquisition, layout and construction. Such capitalized costs also include borrowing costs that are directly attributable to the property concerned. Cominar begins capitalizing borrowing costs when it incurs expenditures for the properties in question and when it undertakes activities that are necessary to prepare these properties for their intended use. Cominar ceases capitalizing borrowing costs when the asset is ready for management's intended use.

Investment in a limited partnership
This investment is classified as available for sale and is measured at fair value. Any changes in the fair value of the investment in DEGI LP are included in the Consolidated Statement of Comprehensive Income.

Restricted cash

Restricted cash mainly includes amounts which are held in interest-bearing reserve accounts and are expected to be utilized over the coming years to fund certain expenses related to investments, as well as supplementary amounts drawn by financial institutions to cover the payment of realty taxes of certain investment properties.

Bond investments

Bond investments are measured at amortized cost using the effective interest rate method and gains and losses are recognized in profit or loss in the period during which the asset is derecognized or impaired.

Investment in a public entity

The investment in a public entity is classified at fair value through profit or loss and it is measured at fair value. Changes in the fair value of the investment are recorded in the consolidated statement of net income.

Revenue recognition

Management has determined that all leases concluded between Cominar and its tenants are operating leases. Minimum lease payments are recognized using the straight-line method over the term of the related leases, and the excess of payments recognized over amounts payable is recorded on Cominar's consolidated balance sheet under investment property. Leases generally provide for the tenants' payment of maintenance expenses of common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Percentage leases are recognized when the minimum sales level has been reached pursuant to the related leases. Lease cancellation fees are recognized when they are due. Finally, incidental income is recognized when services are rendered.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments that are readily convertible into a known amount of cash, that are not subject to a significant risk of change in value and that have original maturities of three months or less. Bank borrowings are considered to be a financing activity.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgage loans, debentures and convertible debentures, are applied against the borrowings and are amortized using the effective interest rate method over the term of the related debt.

Financing costs related to operating and acquisition credit facilities are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the respective credit facility.

Leasing costs

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are not amortized.

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are recognized in profit or loss and are subsequently amortized on a straight-line basis over the related lease term.

All these costs are added to the carrying amount of investment property as they are incurred.

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. In exercising their discretionary power regarding distributions under the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required for the Trust.

Cominar's subsidiaries that are incorporated as business corporations are subject to tax on their taxable income under the *Income Tax Act* (Canada) and taxation acts of the provinces concerned. These subsidiaries account for their current or recovered taxes at the current enacted tax rates and use the liability method to account for deferred taxes. The net deferred tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities.

Financial instruments

Cominar groups its financial instruments into classes according to their nature and characteristics. Management determines such classification upon initial measurement, which is usually at the date of acquisition.

Cominar has used the following classifications for its financial instruments:

- The investment in a public entity is classified as a "financial asset at fair value through profit or loss." It was initially measured at fair value. Subsequently, it has been measured at fair value, and the adjustment recognized in profit or loss.

- Bond investments are classified as investments held until their maturity date.

- Cash and cash equivalents, restricted cash and accounts receivable, including loans to certain clients, are classified as "Loans and receivables." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, this value generally represents cost.

- Mortgages payable, debentures, convertible debentures, the bridge loan, bank borrowings and accounts payable and accrued liabilities are classified as "Other financial liabilities." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method.

Incentive plan based on equity securities

Cominar has an incentive plan based on equity securities in order to attract, retain and motivate those who act as service providers. This plan does not provide for any cash settlements.

Unit purchase options

The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

Restricted units

The Trust recognizes compensation expense on restricted unit options granted, based on their fair value on the date of the grant. The fair value of restricted units represents the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the purchase period.

Deferred units

The Trust recognizes compensation expense on deferred unit options granted, based on their fair value on the date of the grant. The fair value of restricted units represents the market value of Cominar units on the date of the grant. The compensation expense is amortized using the graded vesting method.

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit options and the potential issuance of units under convertible debentures, if dilutive.

Segment Information

Segment information is presented in accordance with IFRS 8, which recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

3) NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) INTERPRETATIONS COMMITTEE (IFRIC)

The following paragraphs present accounting standards that apply to Cominar but that have not yet been adopted.

IFRS 9 – “Financial Instruments”

In November 2009, the IASB issued IFRS 9, “Financial Instruments: Classification and Measurement,” a new standard on the classification and measurement of financial instruments, which will replace IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 presents two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. Debt instruments are measured at amortized cost only if they are held in order to collect contractual cash flows and if the cash flows are solely payments of principal and interest. Otherwise, they are held at fair value through profit or loss.

Requirements for financial liabilities were added in October 2010 and most of them were carried forward unchanged from IAS 39, except for the fair value changes attributable to the credit risk of financial liabilities designated at fair value through profit or loss, which should usually be included in comprehensive income.

This new standard is effective for annual periods beginning on or after January 1, 2015, and early adoption is permitted. Cominar is currently evaluating the impact that this new standard will have on its financial statements.

In May 2011, the IASB issued the following standards: IFRS 10, “Consolidated Financial Statements,” IFRS 11, “Joint Arrangements,” IFRS 12, “Disclosure of Interests in Other Entities,” IAS 27, “Separate Financial Statements,” IFRS 13, “Fair Value Measurement,” and the amended IAS 28, “Investments in Associates and Joint Ventures.” Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The following is a brief summary of the new standards:

IFRS 10 – “Consolidated Financial Statements”

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, “Consolidation—Special Purpose Entities” and parts of IAS 27, “Consolidated and Separate Financial Statements.” Cominar does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 11 – “Joint Arrangements”

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities may elect to account for interests in joint ventures by using proportionate consolidation or the equity method. IFRS 11 supersedes IAS 31, “Interests in Joint Ventures,” and SIC-13, “Jointly Controlled Entities—Non-monetary Contributions by Venturers.” Cominar does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 12 – “Disclosure of Interests in Other Entities”

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose entities and off-balance sheet instruments. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. Cominar does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

IFRS 13 – "Fair Value Measurement"

IFRS 13 is a comprehensive standard on fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. Cominar will add the required information as of the first quarter of 2013.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27, "Consolidated and Separate Financial Statements," and IAS 28, "Investments in Associates and Joint Ventures." IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10, IFRS 11, IFRS 12 and IFRS 13. Cominar does not expect the adoption of this new standard to have any impact on its consolidated financial statements.

4) ACQUISITIONS

BUSINESS COMBINATIONS THAT OCCURRED IN 2012

Acquisition of Canmarc Real Estate Investment Fund – description of the transaction

On November 28, 2011, Cominar announced the purchase, by way of a private agreement, of a total of 3,099,300 units of Canmarc Real Estate Investment Trust ("Canmarc"), representing 5.7% of total Canmarc units issued and outstanding. Cominar had previously acquired 5,164,630 Canmarc units through market transactions. Consequently as of that date, Cominar owned approximately 15.1% of total Canmarc units issued and outstanding.

On January 27, 2012, Cominar announced that 37,692,827 units of Canmarc had been deposited to the offer by Cominar to acquire all Canmarc units issued and outstanding. At that date, Cominar owned approximately 83.8% of the Canmarc units outstanding and acquired control of Canmarc.

On February 7, 2012, Cominar announced that an additional 6,108,608 units of Canmarc had been acquired, following the extension of the offer to purchase all remaining Canmarc units. At that date, Cominar owned approximately 95% of Canmarc units outstanding. Since Cominar had acquired more than 90% of Canmarc units issued and outstanding, it implemented a compulsory acquisition process under the declaration of trust of Canmarc.

On March 1, 2012, Cominar completed the acquisition of all of the remaining 2,756,064 Canmarc units issued and outstanding, thus bringing the total consideration to $904,554, excluding the acquisition-related costs. The total consideration includes the issuance of 16 million units of Cominar at $21.69, representing an amount of $347,049, and the $557,505 balance was paid in cash.

Acquisition of Canmarc Real Estate Investment Fund – recognition of the transaction

Cominar accounted for the acquisition using the acquisition method set out in IFRS 3, "Business Combinations." Canmarc's earnings were consolidated as of January 27, 2012, with liabilities relating to redeemable units up to February 7, 2012. The acquisition of Canmarc was carried out in two steps: (1) deemed disposal of Cominar's interest in Canmarc and calculation of the gain on the disposal, and (2) acquisition of control of Canmarc at fair value and a preliminary purchase price allocation.

(1) Deemed disposal and calculation of corresponding gain as at January 27, 2012

The deemed disposal was calculated at the fair value of the investment held by Cominar in an amount of $136,355.

Cominar has recognized its investment at fair value since the acquisition thereof and recognized a $2,582 adjustment from January 1 to January 27, 2012, bringing the carrying amount of the investment to $136,355.

(2) Acquisition of Canmarc

The fair value of all the units acquired was $904,554 ($16.50 per unit), and this amount was allocated to the net identifiable assets acquired as follows:

	Final purchase price allocation
	$
Investment property	1,856,249
Investments	42,084
Working capital	(14,864)
Restricted cash	18,557
Bank overdraft	(1,015)
Redeemable units held by non-controlling interests (8,864,672 parts at $16.50 per unit)	(146,267)
Mortgages payable (face value of $857,203)	(912,248)
Bank borrowings and bridge loan	(195,000)
Net assets	647,496
Goodwill	110,791
Fair value of consideration paid as at January 27, 2012 to acquire control (83.8%)	758,287
Repayment of redeemable units held by non-controlling interests	146,267
Fair value of consideration paid (100%)	904,554
Less:	
Issue of Cominar units (15,999,999 units at $21.69 per unit)	(347,049)
Value of Canmarc units held at the time of acquisition	(136,355)
Bank overdraft assumed	1,015
Additional consideration paid for units held at the time of acquisition	3,719
Total cash consideration paid for the acquisition	425,884

Acquisition of a portfolio of 67 income properties from GE Capital Real Estate

On September 14, 2012, Cominar acquired 67 income properties from GE Capital Real Estate. This acquisition includes:

- 14 office buildings (1.6 million square feet) and one vacant land parcel (149,400 square feet) located in the Ottawa area, in Ontario.
- 23 office buildings (1.2 million square feet) and 23 industrial and mixed-use properties (1.3 million square feet) located in the Montreal area, in Québec.
- 4 office buildings (201,000 square feet) and 3 industrial and mixed-use properties (54,000 square feet) located in the Québec City area, in Québec.

Cominar accounted for these acquisitions using the acquisition method, in accordance with IFRS 3, “Business Combinations.” The financial results of this property have been included in the consolidated financial statements since the date of acquisition.

The following table summarizes the estimated fair value on the date of purchase of the net assets acquired:

	Preliminary purchase price allocation
Investment property	653,040
Mortgages payable	(31,939)
Working capital adjustments	(5,638)
Identifiable net assets acquired	615,463
Goodwill	46,800
Total cash consideration paid for the acquisition	662,263

The purchase price allocation at fair value of the assets acquired and liabilities assumed has not been finalized and is subject to change.

The amount of operating revenues and net income arising from business combinations, excluding transaction costs and restructuring charges, since their dates of acquisition, were $238,071 and $176,138, respectively, for year ended December 31, 2012.

Assuming that the acquisition occurred on January 1, 2012, Cominar's operating revenues, net income, and comprehensive income would amount to approximately $643,878 and $355,613, respectively, for the year ended December 31, 2012.

ACQUISITION OF INCOME PROPERTIES IN 2012

During the fiscal year, Cominar acquired three income properties from *Société immobilière Investus inc.* further to the exercise of a right to initial offer.

This acquisition includes:

- One industrial and mixed-use property (31,000 square feet) located in Winnipeg, Manitoba; this property was acquired at a cost of $4,700, of which $2,445 was an assumption of mortgage payable, $2,164 was debt, and $91 was paid in cash.
- One industrial and mixed-use property (46,000 square feet) located in Longueuil, Québec; this property was acquired at a cost of $3,700, of which $2,362 was an assumption of mortgage payable, and $1,338 was paid in cash.
- One industrial and mixed-use property (29,000 square feet) located in Halifax, Nova Scotia; this property was acquired at a cost $3,200, of which $2,136 was an assumption of mortgage payable, and $1,064 was paid in cash.
- One industrial and mixed-use property (94,000 square feet) located in Brockville, Ontario; this property was acquired at a cost of $4,400, of which $2,825 was an assumption of mortgage payable, and $1,575 was paid in cash.

These transactions were accounted for using the acquisition method. The results of operations from the acquired income properties are included in the consolidated financial statements as of their dates of acquisition.

The following table summarizes the estimated fair values on the dates the net assets were acquired:

	Estimated fair value
	$
Investment property	16,000
Mortgages payable	(9,768)
Debt	(2,164)
Total cash consideration paid for these acquisitions	4,068

ACQUISITION OF INCOME PROPERTIES IN 2011

- On March 1, 2011, Cominar acquired an office building (78,000 square feet) located in Halifax, Nova Scotia; this property was acquired at a cost of $15,000, which was paid in cash.
- On March 1, 2011, Cominar acquired an office building (65,000 square feet) located in Moncton, New Brunswick; this property was acquired at a cost of $9,725, of which $6,693 was an assumption of mortgage payable and $3,032 was paid in cash.
- On March 1, 2011, Cominar acquired an office building (372,000 square feet) located in Montréal, Québec; this property was acquired at a cost of $54,500, of which $26,809 was an assumption of mortgage payable and $27,691 was paid in cash.
- On April 29, 2011, Cominar acquired an office building (15,000 square feet) and a retail building (27,000 square feet) located in Moncton, New Brunswick; these buildings were acquired at a cost of $5,217, of which $1,449 was an assumption of mortgage payable and $3,768 was paid in cash.
- On July 29, 2011, Cominar acquired an industrial and mixed-use building (11, 000 square feet) located in the greater Moncton area in New Brunswick; this building was acquired at a cost of $1,145, which was paid in cash.
- On July 29, 2011, Cominar acquired an office building (41,000 square feet) located in Saint John, New Brunswick; this property was acquired at a cost of $6,485, of which $5,045 was an assumption of mortgage payable and $1,440 was paid in cash.
- On July 29, 2011, Cominar acquired a retail building (41,000 square feet) located in Halifax, Nova Scotia; this property was acquired at a cost of $5,455, which was paid in cash.
- On September 30, 2011, Cominar acquired an industrial and mixed-use building (43,000 square feet) located in Montréal, Québec; this property was acquired at a cost of $3,400, of which $2,600 was paid in cash and $800 as a balance of sale.

These transactions were accounted for using the acquisition method. The results of operations from the acquired income properties are included in the consolidated financial statements as of their dates of acquisition.

The following table summarizes the estimated fair value of assets and liabilities acquired on the dates of purchase:

	Estimated fair value
	$
Income properties	
Buildings	88,518
Land	12,409
Total acquisition price	100,927
Paid for as follows:	
Cash and cash equivalents	60,131
Assumption of mortgages payable	39,996
Balance of sale	800

5) INCOME PROPERTIES

For the years ended December 31	2012	2011
	$	$
Balance, beginning of year	**2,515,965**	2,220,233
Business combinations	**2,509,289**	—
Acquisitions	**16,000**	100,927
Fair value adjustment	**177,706**	51,349
Capital costs	**58,818**	30,012
Disposals	**(4,996)**	—
Transfer of properties under development	**4,760**	104,494
Change in initial direct costs	**4,865**	2,585
Change in accounts receivable – recognition of leases on a straight-line basis	**8,873**	1,969
Deposit on acquisition	**1,000**	—
Other	**2,704**	4,396
Balance, end of year	**5,294,984**	2,515,965

Fair value

Cominar opted to present its investment properties according to the fair value method in its financial statements. Fair value is determined using management's internal measurements, corroborated by the valuations of independent real estate appraisers, when available.

As per its policy on the valuation of its investment properties, management proceeded to re-evaluate its real estate portfolio at the end of 2012. Cominar determined that an increase of $177,706 [$51,349 as at December 31, 2011] was necessary to adjust the carrying value of its assets to their fair value.

Method and key assumptions

Internally valued investment property has been measured using the following method and key assumptions:

The capitalized net operating income method – Under this method, capitalization rates are applied to standardized net operating income in order to comply with current valuation standards. The key factor is the capitalization rate for each property or property type. Cominar regularly receives publications from national firms dealing with real estate activity and trends. Such market data reports include capitalization rate variances by property type and geographical area.

To the extent that the capitalization rate ranges change from one reporting period to the next, or if another rate within the provided ranges is more appropriate than the rate previously used, the fair value of investment property increases or decreases accordingly. The change in the fair value of investment property is recognized in profit or loss.

Cominar has determined that an increase or a decrease of 0.10% in the applied capitalization rate for the entire real estate portfolio would result in a decrease or increase of about $67,000 in the fair value of its investment property.

OWNERSHIP INTEREST IN A CO-OWNED INVESTMENT PROPERTY

Cominar's share (95%) of the assets, liabilities, revenues, expenses and cash flows of the co-owned investment property was as follows:

	December 31, 2012	December 31, 2011
	$	$
Assets	**96,031**	89,522
Liabilities	**2,291**	1,123

For the years ended December 31	2012	2011
	$	$
Operating revenues	**10,427**	7,826
Operating expenses	**4,943**	2,982
Net operating income	**5,484**	4,844
Cash flows from operating activities	**5,300**	2,408
Cash flows from investing activities	**(2,600)**	(12,718)
Cash flows from financing activities	**591**	10,145

6) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

For the years ended December 31	Note	2012	2011
		$	$
Balance, beginning of year		**37,444**	158,113
Acquisitions		**1,296**	—
Capital costs		**12,570**	16,016
Disposal		**—**	(39,523)
Capitalized interest		**1,556**	7,332
Transfer to income properties		**(4,760)**	(104,494)
Other real estate asset	31	**5,128**	—
Balance, end of year		**53,234**	37,444
Breakdown:			
Properties under development		**21,537**	5,713
Land held for future development		**31,697**	31,731

7) INVESTMENTS

	December 31, 2012	December 31, 2011
	$	$
Bond investments	**21,509**	2,061
Investment in a public entity	**—**	132,223
	21,509	134,284

Investment in a limited partnership

Cominar acquired an investment in DEGI Homburg Harris Limited Partnership ("DEGI LP") further to the acquisition of Canmarc *[Note 4]*. The investment in DEGI LP consists of 10% of the partnership units of DEGI LP, which are not traded in an active market. DEGI LP owns a commercial property (Penn West Plaza in Calgary, Alberta). On October 31, 2012, Cominar completed the sale of its minority interest to Morguard Real Estate Investment Trust for net proceeds of $22,444. No gain or loss resulted from this sale, as the investment was accounted for at fair value in 2012. The change in value that occurred during the fiscal year was recognized in profit or loss following disposal of the investment.

Bond investments

Cominar holds Government of Canada bonds and mortgage bonds with a weighted average interest rate of 3.15% and pledged them as security, held in escrow, against the mortgages. The transactions do not qualify for defeasance accounting; therefore, both the mortgages payable and the related assets pledged as security continue to be recorded in the consolidated balance sheet. The mortgages are payable in monthly instalments and mature at various dates from 2013 to 2016. The assets pledged as security have various maturity dates, which closely correspond to the monthly instalments and maturities of the mortgages. The assets and liabilities related to the mortgages are measured at amortized cost using the effective interest rate method. The carrying amount of the mortgages secured by bonds was $20,508 as at December 31, 2012 ($1,937 as at December 31, 2011).

GAINS ON AN INVESTMENT IN A PUBLIC ENTITY

On January 27, 2012, Cominar acquired control of Canmarc [Note 4]. As at December 31, 2011, Cominar held 8,263,930 units representing approximately 15.1% of the total number of Canmarc units issued and outstanding. The investment was deemed to be disposed at fair value. The fair value of the investment was measured using market value (stock quote).

For the years ended December 31	2012	2011
	$	$
Distributions received	**3,640**	1,788
Change in fair value	**2,582**	18,232
	6,222	20,020

8) GOODWILL

	Note	OVL[1]	Canmarc[2]	GE[3]	Total
Balance as at January 1, 2011		9,380	—	—	9,380
Change for the year		—	—	—	—
Balance as at December 31, 2011		9,380	—	—	9,380
Business combinations	4	—	110,791	46,800	157,591
Balance as at December 31, 2012		9,380	110,791	46,800	166,971

(1) Goodwill resulting from Cominar's acquisition of 100% of Overland Realty Limited's common shares in 2010.
(2) Goodwill resulting from Cominar's acquisition of 100% of Canmarc Real Estate Investment Trust's shares in 2012.
(3) Goodwill resulting from the acquisition of 100% of a portfolio of 67 investment property from GE Canada Real Estate in 2012.

As at the end of the fiscal year, Cominar tested its assets for goodwill impairment by determining recoverable value of net assets stemming from business combinations. Recoverable value is fair value, less the cost of disposal. The key assumptions used were future net operating income, estimated based on management's experience, and on capitalization rates corroborated by market data obtained from the external reports of independent appraisers. Goodwill resulting from business combinations has not yet been allocated to the various activity segments. Goodwill allocation will be completed over the next few months.

9) ACCOUNTS RECEIVABLE

	Note	December 31, 2012	December 31, 2011
		$	$
Trade receivables		**28,265**	9,816
Allowance for doubtful accounts		**(3,774)**	(1,280)
		24,491	8,536
Accounts receivable – related parties	24	**457**	41,134
Interest-bearing accounts receivable[1]		**2,145**	354
Security deposits		**1,393**	2,092
Other accrued receivables and income		**14,418**	3,599
		42,904	55,715
(1) Average effective interest rate		**7.24%**	6.74%

10) MORTGAGES PAYABLE

Mortgages payable are primarily secured by immovable hypothecs on investment property with a carrying value of $3,521,667 [$1,646,502 as at December 31, 2011]. They bear contractual interest rates ranging from 2.68% to 8.35% per annum [3.04% to 9.13% as at December 31, 2011], representing a weighted average contractual rate of 5.23% as at December 31, 2012 [5.38% as at December 31, 2011], and are renewable at various dates from January 2013 to January 2039. As at December 31, 2012, the weighted average effective rate was 4.16% [5.36% as at December 31, 2011]. As at December 31, 2012, most of the mortgages payable were at fixed rates. Some of the mortgages payable include restrictive clauses, which were met as at December 31, 2012.

Some of Cominar's subsidiaries have entered into debt reduction agreements relating to mortgages payables. Bond portfolios were created to replace the security used to guarantee the mortgage. The investments, which are held in trust, will be sufficient to cover principal and interest payments, including the balance at maturity *[Note 7]*

Mortgage repayments are as follows:

	2012			2011
	Repayment of principal	Repayment of balances at maturity	Total	Total
For the years ended December 31	$	$	$	$
2013	44,034	348,326	**392,360**	
2014	36,747	164,273	**201,020**	
2015	30,135	252,770	**282,905**	
2016	25,562	60,303	**85,865**	
2017	23,220	147,605	**170,825**	
2018 and thereafter	43,372	474,855	**518,227**	
	203,070	1,448,132	**1,651,202**	841,082
Plus: Fair value adjustments on assumed mortgages			**45,282**	2,689
Less: Deferred financing costs			**(1,262)**	(1,152)
			1,695,222	842,619

The following table presents changes in mortgages payable for the years indicated:

For the years ended December 31	2012		2011	
		Weighted Average Rate		Weighted Average Rate
	$	%	$	%
Balance, beginning of year	**841,082**	**5.38**	818,253	5.31
Mortgages payable, contracted or assumed	**70,741**	**3.97**	90,500	5.17
Business combinations	**887,303**	**5.40**	—	—
Monthly repayments of principal	**(45,681)**	**—**	(24,526)	—
Repayment of balances at maturity	**(102,243)**	**6.42**	(43,145)	3.82
	1,651,202	**5.23**	841,082	5.38
Plus: Fair value adjustments on assumed mortgages	**45,282**		2,689	
Less: Deferred financing costs	**(1,262)**		(1,152)	
Balance, end of year	**1,695,222**		842,619	

11) DEBENTURES

During fiscal 2012, Cominar issued Series 1 senior unsecured debentures in an amount of $250,000, bearing an interest rate of 4.27% and expiring on June 15, 2017, as well as Series 2 senior unsecured debentures in an amount of $200,000, bearing an interest rate of 4.23% and expiring on December 4, 2019. The re-opening of its Series 1 senior unsecured debentures created an issuance premium that is added onto the nominal value of the debenture. The premium is amortized over the duration of the debenture.

The following table presents changes in debentures for the years indicated:

For the years ended December 31	2012		2011	
		Weighted Average Rate		Rate
	$	%	$	%
Balance, beginning of year	—	—	—	—
Issues	450,000	4.25	—	—
	450,000	4.25	—	—
Less: Deferred financing costs	(2,867)		—	
Plus: Premium on issuance	1,397			
Balance, end of year	448,530		—	

12) CONVERTIBLE DEBENTURES

The following table presents characteristics of the subordinate unsecured convertible debentures outstanding as at December 31, 2012:

Series	Date of issuance	Contractual interest rate	Effective interest rate	Per unit conversion price	Date of redemption at Cominar's option	Maturity date	Par value as at December 31, 2012
		%	%	$			$
C	October 2007	5.80	6.60	25.25	September 2010	September 2014	110,000
D	September 2009	6.50	7.50	20.50	September 2012	September 2016	99,806
E	January 2010	5.75	6.43	25.00	June 2013	June 2017	86,250
							296,056

As of the above-mentioned redemption dates, Cominar may, under certain terms and conditions, elect to satisfy its principal repayment obligations under the debentures by issuing Cominar units. As at December 31, 2012, only Series C met all the required conditions for the redemption of convertible debentures.

The following table presents changes in debentures for the years indicated:

For the years ended December 31	2012		2011	
		Weighted Average Rate		Weighted Average Rate
	$	%	$	%
Balance, beginning of year	**392,471**	**5.97**	408,950	5.99
Holders' option conversion	**(10,408)**	**6.32**	(16,479)	6.47
Redemptions	**(86,007)**	**5.74**	—	—
	296,056	**6.02**	392,471	5.97
Less				
Deferred financing costs	**(6,010)**		(9,258)	
Equity component	**(912)**		(1,153)	
Balance, end of year	**289,134**		382,060	

13) BRIDGE LOAN

During the first quarter of 2012, Cominar obtained an $84,000 acquisition bridge loan following the Canmarc business combination. This one-year, non-renewable credit facility bears interest at prime rate plus 1.0%, or at the bankers' acceptance rate plus 2.5%, and it is secured by a first-rank lien on investment property. This bridge loan contains certain restrictive clauses, which were met as at December 31, 2012.

14) BANK BORROWINGS

As at December 31, 2012, Cominar had operating and acquisition credit facilities of up to $550,000 [$260,836 as at December 31, 2011]. These credit facilities, repayable in two tranches over two and three years, bear interest at prime plus 1.0% [1.0% in 2011] or at the bankers' acceptance rate plus 2.0% [2,0% in 2011]. These credit facilities are secured by movable and immovable hypothecs on specific assets. As at December 31, 2012, the prime rate was 3.0% [3.0% as at December 31, 2011]. These credit facilities contain certain restrictive clauses, which were met as at December 31, 2012.

15) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Note	December 31, 2012	December 31, 2011
		$	$
Trade accounts payable		**4,302**	506
Accounts payable – related parties	24	**1,452**	785
Prepaid rents		**8,700**	468
Accrued expenses		**57,320**	33,617
Commodity taxes and other non-financial liabilities		**22,309**	9,707
		94,083	45,083

16) ISSUED AND OUTSTANDING UNITS

Ownership interests in Cominar are represented by a single class of units, unlimited in number. Units represent a unitholder's undivided and proportionate ownership interest in Cominar. Each unit confers the right to one vote at any unitholders' meeting and to participate equally and rateably in any Cominar distributions. All issued units are fully paid.

The following table presents the various sources of unit issues for the years indicated:

For the years ended December 31	Note	2012		2011	
		Units	$	Units	$
Units issued and outstanding, beginning of period		**77,051,260**	**1,150,735**	62,688,799	855,182
Units issued under public offerings		**28,088,750**	**633,184**	11,801,100	244,539
Units issued under a business combination	4	**15,999,999**	**346,879**	—	—
Units issued on exercise of options		**1,019,050**	**18,298**	863,150	15,164
Units issued under distribution reinvestment plan		**1,601,096**	**37,633**	874,807	19,151
Units issued on conversion of convertible debentures		**589,453**	**10,270**	823,404	16,022
Reversal of contributed surplus on exercise of options		**—**	**827**	—	667
Units issued and outstanding, end of period		**124,349,608**	**2,197,826**	77,051,260	1,150,735

Incentive plan based on equity securities

During fiscal 2012, Cominar modified its incentive plan to include a restricted units category and a deferred units category. This plan was approved by unitholders on May 16, 2012.

Restricted units

Restricted units consist of allocations whose value rises and falls according to the value of Cominar units on the stock market. When the vesting period is over, each restricted unit provides the right to receive one Cominar unit on the settlement date. Vesting periods are determined by the Board of Trustees on the date of the grant. The vesting periods of rights are usually set at three years following the date of the grant, which is the years-of-service period required of employees. The fair value of restricted units represents the market value of Cominar. No restricted units were granted in 2012.

Deferred units

Deferred units consist of allocations whose value rises and falls according to the value of Cominar units on the stock market. Vesting periods are determined by the Board of Trustees on the date of the grant. Vesting periods are usually set at 33 1/3% per anniversary year of the grant date. Each deferred unit provides the right to receive one Cominar unit when the holder ceases to be a Cominar trustee, member of management or employee. The fair value of restricted units represents the market value of Cominar. No deferred units were granted in 2012.

Unit options

Cominar has granted options to management and employees for the purchase of units under a unit option plan. As at December 31, 2012, options to purchase 5,979,500 units were outstanding.

The following table shows characteristics of outstanding options at year-end:

As at December 31, 2012					
Date of grant	Granted vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
May 23, 2006	20%	May 23, 2013	18.90	43,000	43,000
May 15, 2007	50%	May 15, 2014	23.59	30,000	30,000
February 6, 2008	33 1/3%	February 6, 2013	18.68	148,700	148,700
December 19, 2008	33 1/3%	December 19, 2013	15.14	185,200	185,200
December 21, 2009	33 1/3%	December 21, 2014	19.48	628,000	628,000
December 21, 2010	33 1/3%	December 21, 2015	20.93	970,300	601,800
December 15, 2011	33 1/3%	December 15, 2016	21.80	1,283,000	427,200
August 24, 2012	50%	August 24, 2017	24.55	150,000	75,000
August 31, 2012	50%	August 31, 2017	23.93	300,000	150,000
December 19, 2012	33 1/3%	December 19, 2017	22.70	2,241,300	—
				5,979,500	2,288,900

The following table presents changes in option balances for the years indicated:

For the years ended December 31	2012		2011	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**4,481,850**	**20.04**	4,169,900	18.96
Exercised	**(1,019,050)**	**18.12**	(863,150)	17.65
Granted	**2,691,300**	**22.94**	1,394,700	21.80
Forfeited	**(174,600)**	**21.34**	(219,600)	20.16
Outstanding, end of year	**5,979,500**	**21.63**	4,481,850	20.04
Exercisable options, end of year	**2,288,900**	**20.39**	1,966,250	18.53

A maximum of 10,315,583 units may be issued under the plan.

Unit-based compensation

The compensation expense related to the options granted in 2012 was calculated using the Black-Scholes option pricing model based on the following assumptions:

Date of grant	Volatility	Exercise price $(1)	Weighted average return	Weighted average risk-free interest rate	Per unit weighted average fair value $
August 24, 2012	16.10%	24.55	6.03%	1.26%	1.17
August 31, 2012	16.10%	23.93	6.19%	1.26%	1.10
December 19, 2012	15.21%	22.70	6.59%	1.25%	0.86

(1) The exercise price of the options corresponds to the closing price of Cominar units the day before the grant.

The compensation expense of $1,268 [$986 in 2011] is amortized using the graded vesting method.

Unitholder distribution reinvestment plan

Cominar has adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions from Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units equal to 105% of the cash distributions. For the year ended December 31, 2012, 1,601,096 units [874,807 in 2011] were issued for a total net consideration of $37,633 [$19,151 in 2011] under this plan.

DISTRIBUTIONS

Cominar is governed by a Contract of Trust whereby the trustees, under the discretionary power attributed to them, intend to distribute a portion of its distributable income to unitholders. The distributable income generally means net income determined in accordance with IFRS, before adjustments to unrealized fair value, transaction costs – business combinations, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs and certain other items not affecting cash, if applicable.

For the years ended December 31	2012	2011
	$	$
Distributions to unitholders	**164,021**	95,567
Distributions per unit	**1.44**	1.44

17) OPERATING LEASE INCOME

a) The minimum lease payments receivable from tenants under operating leases are as follows:

	As at December 31, 2012
	$
- not later than one year	**350,460**
- later than one year and not later than five years	**995,794**
- later than five years	**975,964**

b) Contingent rents included in revenues for the year are as follows:

For the years ended December 31	2012	2011
	$	$
Contingent rents	**3,230**	2,227

18) FINANCE CHARGES

For the years ended December 31	2012	2011
	$	$
Interest on mortgages payable	**84,018**	45,158
Interest on debentures	**5,051**	—
Interest on convertible debentures	**21,615**	24,227
Interest on bank borrowings and bridge loans	**13,914**	4,243
Amortization of premium on debenture issues	**(70)**	—
Amortization of capitalized financing costs	**8,184**	3,308
Amortization of fair value adjustments on assumed borrowings	**(15,193)**	(1,362)
Less: Capitalized interest	**(1,556)**	(7,624)
Total finance charges	**115,963**	67,950

The amortization of capitalized financing costs includes financing initiation fees in connection with a business combination. This financing was not used and the fees, in the amount of $2,091, were recognized in profit or loss in the first quarter. During the fiscal year ended December 31, 2012, Cominar wrote off $981 in capitalized financing costs following the redemption of convertible Series A and B debentures.

19) RESTRUCTURING CHARGES

For the year ended December 31, 2012, Cominar incurred charges of $6,929 related to the integration of Canmarc's operations, namely for changes to its corporate structure. These charges were mainly direct salaries of employees who were retained through the transition period, severance benefits paid during the period, as well as consulting and legal fees.

20) TRANSACTION COSTS – BUSINESS COMBINATIONS

In 2012, Cominar incurred $27,689 in costs related to the acquisition of Canmarc and 67 income properties from GE Capital Real Estate. In 2011, Cominar incurred costs of $646 related to a transaction that was not completed and costs of $3,616 related to the purchase of Canmarc. Under IFRS, transaction costs related to a business combination must be expensed as incurred.

21) INCOME TAXES

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required.

Taxation of distributions of specified investment flow-through (SIFT) trusts

Since 2007, SIFT trusts are subject to income taxes on the distributions they make. In short, a SIFT trust is a trust that resides in Canada, its investments are listed on a stock exchange or other public market and it holds one or more non-portfolio properties.

Exception for real estate investment trusts ("REITs")

The SIFT trust rules do not apply to SIFT trusts that qualify as REITs for a given taxation year. Cominar has reviewed the conditions to qualify as a REIT. For the fiscal year ended December 31, 2012, Cominar believes it met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not currently apply to Cominar and no deferred tax provision, be it an asset or liability, was recorded in relation to the Trust's activities. Cominar's management intends on taking the necessary steps to meet these conditions on an ongoing basis in the future.

Some of Cominar's subsidiaries are subject to tax on their taxable income under the *Income Tax Act* (Canada) and taxation acts of the provinces concerned.

The income tax provision differs from the amount calculated by applying the combined federal and provincial tax rate to income before income taxes. The following table presents the reasons for such difference:

For the years ended December 31	2012	2011
	$	$
Income before income taxes	**343,061**	178,066
Canadian combined statutory tax rate	**26.14%**	28.05%
Income tax expense at statutory tax rate	**89,676**	49,948
Income not subject to income tax	**(88,819)**	(49,769)
Rate difference	**—**	516
Other	**33**	(90)
	890	605

The reduction in the combined Canadian statutory tax rate, compared to 2011, is mainly due to 2.0% reductions in the federal tax rate and New Brunswick tax rate.

Deferred taxes relating to incorporated subsidiaries are shown in the following table:

	December 31, 2012	December 31, 2011
	$	$
Deferred tax assets to be recovered after more than 12 months		
Interest expense	**63**	89
Mortgages payable	**82**	149
Tax losses	**174**	126
	319	364
Deferred tax liabilities to be settled after more than 12 months		
Income properties	**(9,124)**	(8,157)
Deferred taxes (net)	**(8,805)**	(7,793)

Changes in the deferred income tax account were as follows:

For the years ended December 31	2012	2011
	$	$
Balance as at January 1	**7,793**	7,108
Income tax expense recorded in the statement of income	**877**	685
Deferred tax liability during the acquisition of income properties	**135**	—
Balance as at December 31	**8,805**	7,793

Changes in deferred income tax assets and liabilities during the year, excluding the offsetting of balances within the same tax jurisdiction, were as follows:

	Interest expense	Mortgages payable	Tax losses	Total
	$	$	$	$
Deferred tax assets				
Balance as at January 1, 2011	141	208	—	349
Origination and reversal of timing differences included in profit or loss	(52)	(59)	126	15
Balance as at December 31, 2011	89	149	126	364
Origination and reversal of timing differences included in profit or loss	(26)	(67)	48	(45)
Balance as at December 31, 2012	63	82	174	319

	Income properties
	$
Deferred tax liabilities	
Balance as at January 1, 2011	**(7,457)**
Origination and reversal of timing differences included in profit or loss	**(700)**
Balance as at December 31, 2011	**(8,157)**
Origination and reversal of timing differences included in profit or loss	**(832)**
Origination and reversal of timing differences in the acquisition of income properties	**(135)**
Balance as at December 31, 2012	**(9,124)**

22) PER UNIT CALCULATIONS

The following table provides a reconciliation of the weighted average number of units outstanding used to calculate basic and diluted net income per unit for the years indicated:

For the years ended December 31	2012	2011
Weighted average number of units outstanding – basic	**109,453,548**	64,870,808
Dilutive effect of unit options	**414,514**	372,491
Dilutive effect of convertible debentures	**15,116,070**	17,093,865
Weighted average number of units outstanding – diluted	**124,984,132**	82,337,164

The calculation of the diluted weighted average number of units outstanding in 2012 does not take into account 2,721,300 outstanding options since the average price of the units, including the fair value of any asset or service to be provided to the entity in the future as part of these stock option plans, is lower than the exercise price of those options.

The calculation of the diluted weighted average number of units outstanding in 2011 does not take into account 1,424,700 outstanding options since the average price of the units, including the fair value of any asset or service to be provided to the entity in the future as part of these stock option plans, is lower than the exercise price of those options.

The calculation of the net dilutive effect per unit also includes cancellation of interest on convertible debentures in an amount of $21,615 [$24,227 as at December 31, 2011], assuming the conversion of such debentures.

23) SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items were as follows:

For the years ended December 31	2012	2011
	$	$
Prepaid expenses	**8,249**	(1,879)
Accounts receivable	**3,997**	(2,227)
Income taxes recoverable	**56**	(56)
Accounts payable and accrued liabilities	**(15,302)**	8,476
Current deferred tax liability	**12**	(80)
Income taxes payable	**2,988**	4,234
Other information		
Additions to investment property through assumption of mortgages payable and a debt	**11,932**	39,996
Disposal of income property (uncashed)	**—**	39,523
Properties under development transferred to income properties	**4,760**	104,494
Acquisition of investment in an unpaid public entity (unpaid)	**—**	2,169
Deferred financing costs (unpaid)	**—**	3,461

24) RELATED PARTY TRANSACTIONS

During fiscal 2012 and 2011, Cominar entered into transactions with companies controlled by unitholders who are also officers of the Trust over which they have significant influence.

On June 28, 2012, Cominar acquired three single-tenant industrial properties from *Société immobilière Investus inc*. The purchase price of $11,600 was paid in cash and through the assumption of debt. On November 1, 2012, Cominar acquired an industrial and mixed-use property from this same company, for a cash consideration of $4,400 and the assumption of debt. The Dallaire family had acquired these properties in June 2011 during the privatization of Investus. The purchase price paid by Cominar, through its initial offer, corresponds to the purchase price paid by the Dallaire family at the time of purchase, as established by an independent evaluation.

On November 8, 2011, Cominar and its partner in the Complexe Jules-Dallaire entered into an agreement in principle to form a partnership with a related company for developing Phase 2 of the Complexe Jules-Dallaire. Under this agreement, surface rights were sold at the end of fiscal 2011 to a related company for an aggregate consideration of $20,150, which allowed for the construction of a ten-floor office tower above the three floors already built during the development of Phase 1, as well as approximately 150 condominium units on 15 floors. Cominar's share in the disposal proceeds amounted to $19,142.

On December 31, 2011, Cominar sold land held for future development in Québec City to a related company for a consideration of $20,381, as it could not develop the land according to its development criteria.

These transactions were entered into in the normal course of business and are measured at the exchange amount. They are reflected in the consolidated financial statements as follows:

For the years ended December 31		2012	2011
	Note	$	$
Rental revenue from investment property		**168**	246
Investment property – Capital costs		**32,263**	26,050
Acquisition of investment property	4	**16,000**	—
Disposal of investment property		—	39 523

25) KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation of key management personnel is set out in the following table:

KEY MANAGEMENT PERSONNEL COMPENSATION

For the years ended December 31	2012	2011
	$	$
Short-term benefits	**3,691**	1,829
Profit sharing plan	**103**	65
Granting of options (at fair value)	**344**	214

The incentive program comprises the Registered Retirement Savings Plan and the Unit Option Plan of the REIT.

Options granted to senior executives and other officers during the fiscal year may not be exercised, even if they are free-trading, until the following three conditions have been met: the market price of the security must be at least ten percent (10%) higher than the exercise price of the option; the senior executive or other officer must undertake to hold a number of units corresponding to the multiple determined for his base salary; and when the options are exercised, if the senior executive or other officer does not hold the required minimum number of units, he must keep at least five percent (5%) of the units purchased until he has the multiple corresponding to his base salary.

26) CAPITAL MANAGEMENT

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development, while maximizing returns for unitholders by maintaining the debt-to-equity ratio. Cominar's capital consists of cash and cash equivalents, long-term debt, bank borrowings, bridge loans and unitholders' equity.

Cominar structures its capital based on expected business growth and changes in the economic environment. It is not subject to any capital requirements imposed by regulatory authorities.

Cominar's capital structure was as follows:

As at December 31,	2012	2011
	$	$
Cash and cash equivalents(1)	**(10,664)**	(5,389)
Mortgages payable	**1,695,222**	842,619
Debentures	**448,530**	—
Convertible debentures	**289,134**	382,060
Bridge loans	**84,000**	—
Bank borrowings	**300,368**	16,540
Unitholders' equity	**2,696,895**	1,471,222
Total capital	**5,503,485**	2,707,052
Overall debt ratio(2)	**50.0%**	44.7%
Debt ratio (excluding convertible debentures)	**44.8 %**	30.9%
Interest coverage ratio(3)	**2.74: 1**	2.72: 1

(1) Cash and cash equivalents does not include restricted cash since it cannot be used to reduce borrowings.
(2) The overall debt ratio is equal to total cash and cash equivalents, bank borrowings, mortgages payable, the bridge loan, debentures and convertible debentures divided by the carrying amount of the asset.
(3) The interest coverage ratio calculated by Cominar is equal to net operating income (operating revenues less operating expenses) divided by finance charges.

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, its total debt exceeds 60% of the carrying amount of its assets (65% if convertible debentures are outstanding). As at December 31, 2012, Cominar had maintained an overall debt ratio of 50.0%.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt from operating revenues. As such, as at December 31, 2012, the interest coverage ratio was 2.74: 1, reflecting the Trust's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous period.

27) FINANCIAL INSTRUMENTS

Fair value

The fair value of the investment in a public entity is based on the bid price of the financial instrument at year-end. The fair value of convertible debentures is based on the year-end quoted market price. The fair values of the other financial instruments are estimated using valuation techniques and assumptions. Such fair value amounts represent Cominar's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

The fair value of cash and cash equivalents, restricted cash, the bridge loan and bank borrowings approximates the carrying amount since they are short-term in nature or bear interest at current market rates.

The fair value of bond investments has been estimated based on current market rates for bonds with similar terms and maturities.

The fair value of mortgages payable has been estimated based on current market rates for mortgage loans with similar terms and maturities.

The fair value of debentures has been estimated based on current market rates for debentures with similar terms and maturities.

Fair value hierarchy

The hierarchy reflects the significance of the inputs used in measuring financial assets and liabilities at fair value. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

Classification

The classification of financial instruments and their respective carrying amounts and fair values are as follows:

		December 31, 2012		December 31, 2011	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
FINANCIAL ASSETS					
At fair value through profit or loss					
Investment in a public entity	1	—	—	132,223	132,223
Loans and receivables					
Cash and cash equivalents	1	**10,664**	**10,664**	5,389	5,389
Restricted cash	1	**15,212**	**15,212**	—	—
Held until their maturity dates					
Bond investments held until their maturity dates	2	**21,509**	**21,431**	2,061	2,131
FINANCIAL LIABILITIES					
Other financial liabilities					
Mortgages payable(1)	2	**1,695,222**	**1,743,079**	842,619	898,340
Debentures(1)	2	**448,530**	**446,648**	—	—
Convertible debentures(1)	1	**289,134**	**316,740**	382,060	414,883
Bridge loan	2	**84,000**	**84,000**	—	—
Bank borrowings	2	**300,368**	**300,368**	16,540	16,540

Risk management

The main risks arising from Cominar's financial instruments are credit risk, interest rate risk and liquidity risk. Cominar's risk management strategy is summarized below.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments.

Cominar mitigates credit risk via geographic and segment portfolio diversification *[Note 28]*, staggered lease maturities, and diversification of revenue sources through a varied tenant mix as well as by avoiding dependence on any single tenant by ensuring that no individual tenant contributes a significant portion of Cominar's operating revenues and by conducting credit assessments on all new tenants.

Cominar has a broad, highly diversified client base, consisting of approximately 5,000 tenants occupying an average area of 6,600 square feet each. The three largest tenants account for approximately 7.9%, 4.1% and 3.9% of operating revenues, respectively, stemming from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 11.8% of operating revenues stem from government agencies.

Cominar regularly assesses its accounts receivable and records a provision for doubtful accounts when there is a risk of non-collection.

The maximum credit risk to which Cominar is exposed corresponds to the carrying amount of its accounts receivable, bond investments and cash position.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cominar's objective in managing this risk is to minimize the net impact on future cash flows. Cominar reduces its exposure to interest rate risk by staggering the maturities of its loans over several years and by generally using long-term debt bearing interest at fixed rates.

Accounts receivable, except for the receivables bearing interest mentioned in Note 9, and accounts payable and accrued liabilities do not bear interest.

Mortgages payable, debentures and convertible debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank borrowings and the bridge loan, which bear interest at variable rates.

A 25-basis-point increase or decrease in the average interest rate during the period, assuming that all other variables held constant, would have resulted in a $943 increase or decrease in Cominar's net income for the year ended December 31, 2012.

Liquidity risk

Liquidity risk is the risk that Cominar will be unable to meet its financial obligations as they come due.

Cominar manages this risk through the management of its capital structure, continuous monitoring of current and projected cash flows and adherence to its capital management policy *[Note 26]*.

Undiscounted contractual cash flows (interest and principal) of financial liabilities as at December 31, 2012 are as follows:

		Cash flows		
	Note	Under one year	One to five years	Over five years
Mortgages payable	10	470,773	927,756	503,755
Debentures	11	19,145	321,238	216,920
Convertible debentures	12	17,827	339,256	—
Bridge loan	13	84,000	—	—
Bank borrowings	14	300,368	—	—
Accounts payable and accrued liabilities[1]	15	71,246	528	—

(1) Excludes commodity taxes and other non-financial liabilities

28) SEGMENT INFORMATION

Cominar's activities include four property types located in Québec, Ontario, the Atlantic Provinces and Western Canada. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies. Cominar uses net operating income as its main criterion to measure operating performance, i.e. operating revenues less operating expenses related to its investment property. Management of expenses, such as interest and administrative expenses, is centralized and, consequently, these expenses have not been allocated to Cominar's various segments.

The following table provides financial information on these four property types:

For the year ended December 31, 2012	Office properties	Retail properties	Industrial and mixed-use properties	Residential[1]	Total
	$	$	$	$	$
Rental revenue from investment property	**277,681**	**159,992**	**120,796**	**6,068**	**564,537**
Net operating income	**155,730**	**87,270**	**71,126**	**3,689**	**317,815**
Income properties	**2,830,592**	**1,362,246**	**1,049,513**	**52,633**	**5,294,984**

For the year ended December 31, 2011	Office properties	Retail properties	Industrial and mixed-use properties	Residential[1]	Total
	$	$	$	$	$
Rental revenue from investment property	159,321	60,492	97,928	—	317,741
Net operating income	89,368	35,314	60,027	—	184,709
Income properties	1,261,489	479,266	775,210	—	2,515,965

(1) The residential segment consists of 485 residential units located in three retail properties. This segment results from the acquisition of Canmarc on January 27, 2012 [Note 4].

29) COMMITMENTS

a) The annual future payments required under emphyteutic leases expiring between 2046 and 2065, on land for three income properties having a total net carrying value of $71,849, are as follows:

For the years ending December 31	Total
	$
2013	544
2014	544
2015	556
2016	562
2017	601
2018 and thereafter	23,699

b) Cominar has undertaken to pay $47,273 in exchange for work to be performed on a property currently under development and and on land held for future development activities.

c) On January 17, 2013, Cominar entered into a commitment letter with a Canadian financial institution regarding a loan in the amount of approximately $41,400. The hypothecary loan will have a term of ten years, with borrowings bearing interest at an annual rate to be confirmed three days prior to the disbursement of the loan and to be guaranteed by hypothecs granted on 12 properties located in Montréal and in the greater Québec City area. The REIT intends to use the amounts borrowed under the loan to repay amounts outstanding under its credit facility.

d) On January 24, 2013, Cominar entered into a commitment letter with a Canadian financial institution regarding the renewal of an existing hypothecary loan in the amount of approximately $21,000 (including an increase of approximately $12,200 in the amount borrowed) regarding a property located in Shawinigan, Québec. The hypothecary loan will have a term of ten years and bear interest at an annual rate to be confirmed three days prior to the disbursement of the loan. The REIT intends to use the additional amounts borrowed under the loan to repay amounts outstanding under its credit facility.

Cominar does not have any other major contractual commitments other than those related to its long-term debt and payments required under emphyteutic leases for land reserved for income properties.

30) CONTINGENCIES

On July 18, 2012, Cominar received from the City of Laval a notice of assessment for transfer duties for an aggregate amount of approximately $1,300 relating to the transfer of Centre Laval in January 2010, prior to the Canmarc's initial public offering. Cominar's preliminary assessment is that no transfer duties apply to this transaction and it intends to contest the notices of assessment received. Furthermore, Cominar's assessment of the situation is that the City's claim is prescribed. In the event that transfer duties are payable as a result of the above transaction, Homburg Invest Inc. ("**HII**") undertook to completely discharge and indemnify Cominar from any and all land transfer taxes, interest and penalties related to the transaction referred to above. HII filed for protection under the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**") on September 9, 2011. In connection therewith, Cominar filed contingent proofs of claims against HII. These claims are secured by a pledge granted HII.

In management's opinion, settlement of the above-mentioned contingency will not have a significant impact on Cominar's financial statements.

31) SUBSEQUENT EVENTS TO BALANCE SHEET DATE

On January 31, 2013, Cominar acquired a portfolio of 18 industrial properties primarily located on the South Shore of Montréal and one office property located in Montréal, for a purchase price of $149,800, subject to certain closing adjustments. The portfolio represents a total of approximately 1.8 million square feet of leasable area, consisting of approximately 1.7 million square feet of industrial space and approximately 0.1 million square feet of office space. As part of this transaction, Cominar also acquired a vacant lot of 173,569 square feet located in Saint-Bruno-de-Montarville, for $1,400. The portfolio has an occupancy rate of 97.2%.

On February 5, 2013, Cominar proceeded to price a re-opening of $100,000 Series 2 unsecured debentures bearing an interest rate of 4.23% and expiring on December 4, 2019.

Potential obligations and recoveries associated with the Holman Grand Hotel and other Canmarc liabilities

Cominar, through the acquisition of Canmarc, is the ultimate shareholder of Dyne Holdings Limited ("**Dyne**"). Dyne is the owner of the land on which the Holman Grand Hotel (the "**Hotel**") located in Charlottetown, Prince Edward Island was built (the "**Land**"). The Hotel was acquired by HII from Dyne pursuant to an agreement dated April 2010, and HII acquired a leasehold interest in respect of the Land under a ground lease entered into between Dyne and HII in May 2010 (the "**Ground Lease**").

Dyne is indebted to the Prince Edward Island Century 2000 Fund Inc. (the "**Century Fund**") under a secured loan contracted by Dyne in November 2008 to finance the construction of the Hotel (the "**Loan**"). The Loan is secured by a collateral mortgage in favour of the Century Fund over the Land. The Loan was guaranteed by HII in September 2009 and assumed by HII in April 2010 as part of the conveyance of the Hotel to HII by Dyne in connection with Canmarc's subsequent initial public offering. At such time an amount of approximately $3,700 was drawn down under the Loan. Dyne however remained liable under the Loan and was indemnified by HII in respect thereof. HII also agreed to use its best efforts to assist Dyne to obtain a release of the obligations of Dyne from the Century Fund.

HII filed for protection under the CCAA on September 9, 2011. In late November 2011, Dyne received written notice from the Century Fund to the effect that Dyne was in default under the Loan. No formal enforcement proceedings have commenced under the Loan. As part of the restructuring of HII, the ground lease was effectively disclaimed and terminated on November 30, 2012 and the Grand Holman Hotel reverted to Dyne as part thereof. The Holman Grand Hotel is presently closed.

In addition to the Loan, liens with respect to HII's construction of the Hotel have been filed against Dyne's freehold interest in the Land. Construction-related trade payables of HII alleged to be secured by a lien on Dyne's freehold interest in the Land currently total approximately $4,100.

As a result of the events described above, Dyne has accounted for the amount payable on the mortgage of $14,700, as well as $4,100 of outstanding liens and $200 of unpaid interest in the accounts payable and accrued liabilities, as well as a corresponding receivable amount from HII of $19,000, in its balance sheet, as at January 27, 2012.

Management has analyzed the possible outcomes of the events and obligations described above and has determined that there is a partial impairment of the receivable from HII due to its current financial position. Cominar has recorded an impairment of $9,200 in the breakdown of the acquisition price for Canmarc.

In connection with HII's CCAA restructuring, Cominar filed a number of proofs of claim against HII. As of February 5, 2013, Cominar and HII entered into a memorandum of understanding related to, among other things, the settlement of these proofs of claim (except for the transfer duties indemnification claim referred to in Note 30, which shall be withdrawn upon confirmation that the City's claim is prescribed). Under this settlement, Cominar received, among other things, a cash payment of approximately $6,260 in settlement of various secured claims against HII. HII also agreed to sell to Cominar approximately 508,780 square feet of vacant land in Calgary, which includes a parkade structure with approximately 347 parking spaces and that is adjacent to the Centron Park complex owned by Cominar, for $20,500. The sale of the vacant land in Calgary remains subject to customary closing conditions for transactions of this nature. There is no assurance that the sale will be completed.

CORPORATE INFORMATION

BOARD OF TRUSTEES

Robert Després, O.C., G.O.Q. [1][3]
Chairman of the Board of Trustees
Cominar Real Estate Investment Trust
Corporate Director

Michel Dallaire, Eng.
President and Chief Executive Officer
Cominar Real Estate Investment Trust

Mary-Ann Bell, Eng., M.Sc., ASC [1]
Senior Vice-President, Québec and Ontario
Bell Aliant Regional Communications.

Me Gérard Coulombe, c.r. [2][3]
Senior Partner
Lavery, de Billy

Alain Dallaire
Executive Vice-President, Operations — Office and Industrial
Cominar Real Estate Investment Trust

Alban D'Amours [1][2]
Corporate Director

Pierre Gingras [4]
President, Placements Moras Inc.

Ghislaine Laberge [2][3][4]
Corporate Director

Me Michel Paquet, LL .L.
Senior Executive Vice-President and Secretary
Cominar Real Estate Investment Trust

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Governance and Nominating Committee
(4) Member of the Investments Committee

OFFICERS

Michel Dallaire, Eng.
President and Chief Executive Officer

Sylvain Cossette, B.C.L.
Executive Vice-President and Chief Operating Officer

Michel Berthelot, CPA, CA
Executive Vice-President and Chief Financial Officer

Me Michel Paquet, LL .L.
Senior Executive Vice-President and Secretary

Michel Ouellette, É.A.
Executive Vice-President, Acquisitions and Development

Alain Dallaire
Executive Vice-President, Operations — Office and Industrial

Todd Bechard, CMA, CFA
Executive Vice-President, Atlantic Provinces

Guy Charron, CPA, CA
Executive Vice-President, Operations – Retail

UNITHOLDER INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

455 du Marais St.
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Toll-free: 1 866 COMINAR
Email: info@cominar.com

LISTING

The units and convertible debentures of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbols CUF.UN, CUF.DB.C, CUF.DB.D and CUF.DB.E.

TRANSFER AGENT

Computershare Trust Company of Canada
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Montréal, Québec, Canada H3A 3S8

Tel.: 514 982-7555
Fax: 514 982-7850
Toll-free: 1 800 564-6253
Email: service@computershare.com

TAXABILITY OF DISTRIBUTIONS

In 2012, 90.34% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

PricewaterhouseCoopers LLP

ANNUAL MEETING OF UNITHOLDERS

May 15, 2013
11:00 a.m. (EDT)
Hôtel Palace Royal
775 Honoré-Mercier Ave.
Québec City (QC)

UNITHOLDER DISTRIBUTION REINVESTMENT PLAN

Cominar Real Estate Investment Trust offers unitholders the opportunity to participate in its Unitholder Distribution Reinvestment Plan (the “DRIP”). The DRIP allows participants to have their monthly distributions reinvested in additional units of Cominar. In addition, participants will be entitled to receive an additional distribution equal to 5% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.

For further information about the DRIP, please refer to the DRIP section of our website at www.cominar.com or contact us by email at info@cominar.com or contact the Plan agent: Computershare Trust Company of Canada, 1500 University St., Suite 700, Montréal, Québec, Canada, H3A 3S8

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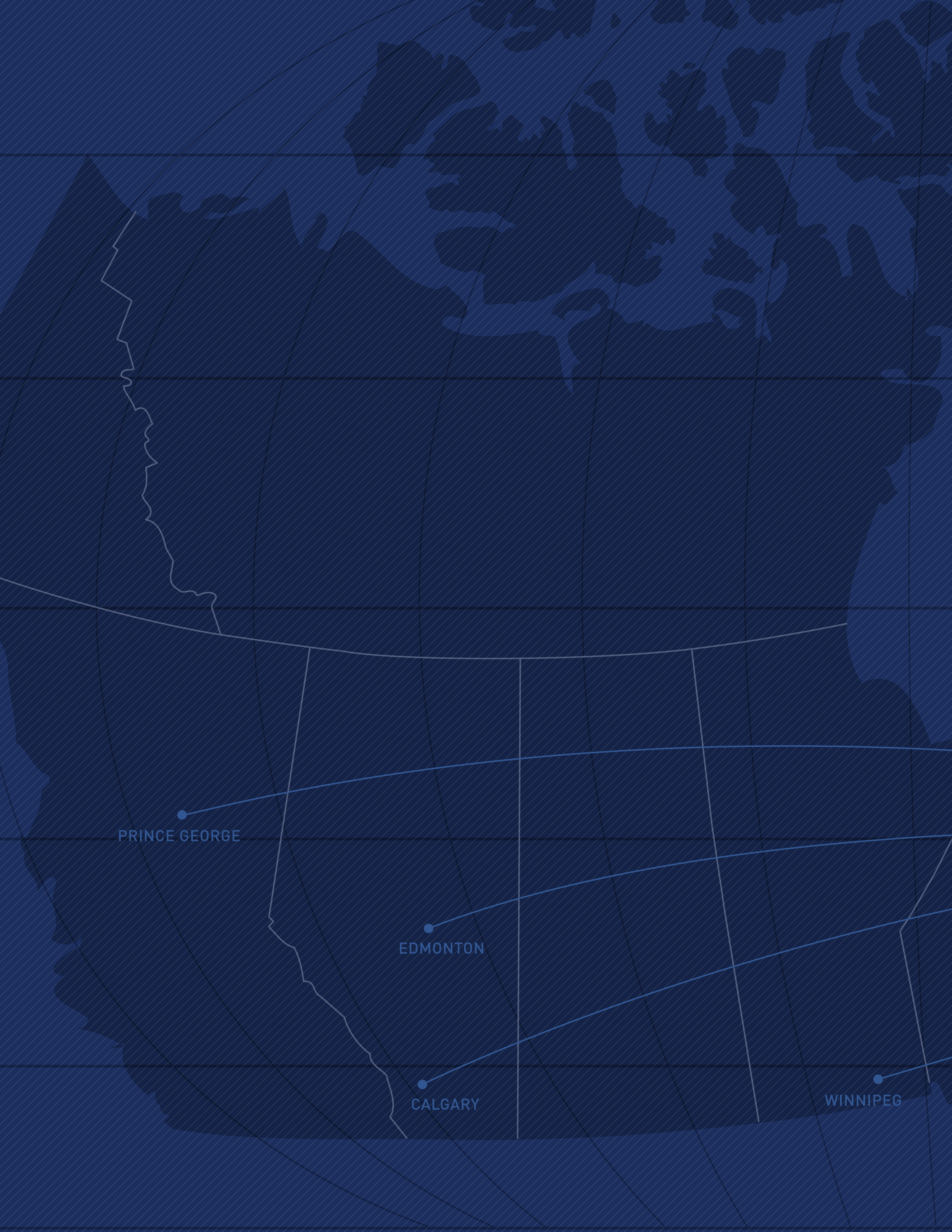
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