COMINAR

CONTINUING GROWTH

2014 ANNUAL REPORT

COMINAR REAL ESTATE INVESTMENT TRUST
Fiscal year ended December 31, 2014

TABLE OF CONTENTS

ROCKLAND
MONTRÉAL QC

SCOTIA CENTRE
CALGARY AB

55 UNIVERSITY AVENUE
TORONTO ON

2001 McGILL COLLEGE
MONTRÉAL QC

COMPLEXE JULES-DALLAIRE
QUÉBEC CITY QC

REAL ESTATE PORTFOLIO

As at December 31, 2014

563
PROPERTIES

$8.1B
ASSETS

45.3M SQ FT
LEASABLE AREA

PROPERTIES

133	GREATER QUÉBEC CITY AREA
301	GREATER MONTRÉAL AREA
60	ATLANTIC PROVINCES
55	ONTARIO
14	WESTERN CANADA

PROPERTIES

136	OFFICE
196	RETAIL
231	INDUSTRIAL AND MIXED-USE

MESSAGE TO UNITHOLDERS

It is with a great sense of pride, achievement and recognition that is driving the whole group, that we are taking stock of a busy year.

In 2014, we conducted important strategic acquisitions worth over two billion dollars, which enhanced our segment diversification while pursuing our geographic diversification.

At the end of fiscal 2014, it is gratifying to see that the efforts of our leasing teams favoured organic growth in each of our markets. These efforts resulted in surpassing our objective of 90.0% distribution payout ratio that reached 87.5%, allowing us to increase, as of August 2014, the monthly distribution by 2.1%, to $ 0.1225 per unit.

We are proud of the excellent reputation that Cominar has earned over the years on the Canadian real estate investment market. More than ever this year, our financial partners acknowledged Cominar as a visionary, solid and value creating organization. Their trust is very stimulating and allows us to pursue our business plan with enthusiasm.

MICHEL DALLAIRE, Eng.
President and Chief Executive Officer
and Trustee

MARKET LEADER IN OUR THREE OPERATING SEGMENTS IN QUÉBEC

The acquisition of a unique portfolio of leading commercial properties from Ivanhoé Cambridge definitely marks a turning point as it enabled us to strengthen our competitive position as the largest retail space provider in Québec while further diversifying the distribution of our assets by operating segment.

Thus, in addition to achieving a better balance of our portfolio by asset class, we are now market leaders in our three operating segments in Québec. We believe in this diversification strategy which is at the core of our careful and dynamic risk management.

Consumer habits and the world of shopping centers are constantly changing. Although this market is currently experiencing some turbulence, we are confident that our centers, which benefit from prime location in their respective communities and the expertise of our management teams, will remain stimulating and attractive environment for our customers and our customers' customers.

A SIXTH MARKET ADDED: TORONTO

Always guided by our risk diversification strategy, we have made in 2014 more than $639.0 million in acquisitions at attractive capitalization rates in the province of Ontario. These have enabled us to increase our leasable area by 2.9 million square feet to 5.8 million square feet, including a first office property in the heart of Toronto's business centre. Ontario now represents 17.1% of our net operating income, of which more than half comes from our real estate activities in Greater Toronto. The Toronto market development is part of the geographical diversification objectives that we had set for 2014.

OUR DEVELOPMENT PROJECTS

During fiscal 2014, we completed the construction Place Laval 5, an office building with an area of 310,000 square feet, part of the Place Laval complex, located in Laval, Québec. This real estate project was carried out with an excellent capitalization rate of 8.1% and is 100% occupied by a Quebec Government agency.

In Laval, we also acquired as part of the acquisition of the property portfolio from Ivanhoé Cambridge, an office building under development with a leasable area of approximately 118,000 square feet, part of the Centropolis complex. The occupancy of this building began in late 2014 and will continue in 2015.

We have also initiated Phase 1 of a real estate development that will be deployed in several phases on land located along Highway 40, a major thoroughfare in Québec City. We envision that this project, which is held in joint venture, will mainly be composed of commercial spaces, with the first phase consisting of an office building of approximately 76,000 square feet on six floors.

OUR RESULTS ARE ALIGNED WITH THE OBJECTIVES THAT WE HAD SET

Our results for fiscal 2014 reflect the dynamism and enthusiasm of our various teams to meet and exceed their objectives. Our recurring funds from operations per unit on a fully diluted basis increased from $1.77 to $1.86, up 5.1% compared to 2013, while our recurring distributable income increased by 13.4%.

We are also pleased to present, for the third consecutive quarter in 2014, a positive organic growth of our net operating income for the same property portfolio, which reached 1.8% in the fourth quarter of the year.

WE ARE THE SECOND LARGEST ISSUER OF UNSECURED DEBENTURES IN THE CANADIAN REAL ESTATE SECTOR

In 2014, building on investors' confidence, we successfully continued our strategic debt management plan. This strategy aims to diversify our sources of financing and increase our financial flexibility. Indeed, we were able to focus on senior unsecured debentures issues totaling $950.0 million, an important portion for the refinancing of our existing debts and for the payment of a portion of our acquisitions.

These actions allowed us to achieve our objective of increasing the senior unsecured portion of total debt to over 50.0%, 52.8% as at December 31, 2014 and to bring our unencumbered assets to $3.7 billion. This prudent management of Cominar's debt should ensure stable access to capital markets at a particularly interesting cost while increasing our financial flexibility.

In September 2014, we issued $537.5 million in units which allowed us to fund a portion of the acquisition of a properties portfolio from Ivanhoé Cambridge.

Our distribution reinvestment plan for fiscal 2014 helped reduce the debt ratio by releasing cash of $60.9 million.

Fiscal 2015 began with a public offering of units of $155.3 million, which allowed us to reduce our debt ratio (excluding convertible debentures) to 52.0% after the end of fiscal 2014.

A STRONGER GROUP SERVING ITS CLIENTS AND UNITHOLDERS

In 2014, we were pleased to welcome no less than 200 new employees. They joined our ranks, adding their strong and complementary expertise to the management of our properties. Today, over 650 dedicated and skilled employees are deployed across Canada and form the solid foundation on which we rely for continued growth in our markets. We take this opportunity to extend our thanks to all the members of our teams, both old and new, as well as our trustees, for their excellent cooperation and contribution following this major expansion phase. Together, we share a culture and values strongly focused on the client and his satisfaction.

Finally, we would like to thank our unitholders and other financial partners for their loyalty and confidence in Cominar. Together, we contributed to make Cominar an important business in the Canadian real estate market over the years. We reiterate our commitment to grow in this market with the main objective of profitability and value creation.

Robert Després, O.C., G.O.Q.
Chairman of the Board of Trustees

Michel Dallaire, Eng.
President and Chief Executive Officer and Trustee

February 23, 2015

ROBERT DESPRÉS, O.C., G.O.Q.
Chairman of the Board of Trustees

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is provided to enable the 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, 2014, in comparison with fiscal 2013, as well as its financial position as at that date and its outlook. Dated February 23, 2015, 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 the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

BASIS OF PRESENTATION

On January 1, 2013, Cominar adopted IFRS 11, "Joint Arrangements" ("IFRS 11"), and such standard has been applied to joint ventures, as defined by IFRS 11, that should be accounted for in the consolidated financial statements using the equity method.

The adoption of IFRS 11 has had an impact on the presentation of the Trust's consolidated financial statements only in 2014. Certain financial information in this MD&A present the consolidated balance sheets and consolidated statements of comprehensive income including Cominar's proportionate share in the assets, liabilities, revenues and charges of its joint ventures, hereinafter referred to as "Cominar's proportionate share", which are non-IFRS measures. Management believes that presenting the operating and financial results of Cominar, including its proportionate share in the assets, liabilities, revenues and charges, provides more useful information to current and prospective investors to assist them in understanding Cominar's financial performance. The reader is invited to refer to the section *Reconciliations to Cominar's proportionate share* for a complete reconciliation of the Trust's consolidated financial statements prepared in accordance with IFRS to the financial information including its proportionate share in the assets, liabilities, revenues and charges of its joint ventures presented in this MD&A.

Additional information on Cominar, including its 2014 Annual Information Form, is available on Cominar's 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 OF FISCAL 2014

INCREASES

IN OPERATING REVENUES OF	**11.8%**
IN NET OPERATING INCOME OF	**11.7%**
IN RECURRING FUNDS FROM OPERATIONS OF	**13.0%**
IN RECURRING ADJUSTED FUNDS FROM OPERATIONS OF	**13.1%**
IN THE AVERAGE NET RENT OF RENEWED LEASES OF	**2.4%**
IN THE OCCUPANCY RATE TO	**94.4%**
IN THE RETENTION RATE TO	**74.3%**

IMPROVEMENT IN THE PAYOUT RATIO OF RECURRING DISTRIBUTABLE INCOME

87.5%

IMPROVEMENT IN THE SENIOR UNSECURED DEBTS-TO-TOTAL-DEBT RATIO

52.8%

INTEREST COVERAGE RATIO

2.67:1

DEBT RATIO

53.9%

(excluding convertible debentures)

INCREASE IN THE UNENCUMBERED INCOME PROPERTIES

$3.7 billion

IMPROVEMENT IN THE UNENCUMBERED ASSETS TO UNSECURED DEBT RATIO

1.54:1

PROPERTY PORTFOLIO

ACQUISITIONS TOTALLING MORE THAN $2 BILLION AND MORE THAN 8 MILLION SQUARE FEET

PURSUIT OF OUR GEOGRAPHIC AND SEGMENT DIVERSIFICATION OBJECTIVE

FEBRUARY 2014

ACQUISITION OF A PORTFOLIO OF 11 OFFICE PROPERTIES

- $229.3 million
- 1.2 million square feet
- Greater Toronto Area (70% of Net Operating Income) / Montréal (30% of Net Operating Income)
- Weighted average capitalization rate of 7.0%

FEBRUARY 2014

ACQUISITION OF A PORTFOLIO OF FIVE RETAIL PROPERTIES

- $26.1 million
- 121,000 square feet
- Greater Montréal Area
- Vacant lot – $2.1 million
- Weighted average capitalization rate of 7.0%

MAY 2014

ACQUISITION OF A PORTFOLIO OF 14 MAINLY INDUSTRIAL AND MIXED-USE PROPERTIES

- $100.7 million
- 1.2 million square feet
- Greater Toronto Area
- Weighted average capitalization rate of 7.1%

SEPTEMBER / OCTOBER 2014

ACQUISITION OF A COMMERCIAL REAL ESTATE PORTFOLIO FROM IVANHOÉ CAMBRIDGE INC. (« IVANHOÉ CAMBRIDGE »)

- 31 retail properties / 3 office properties / 1 industrial property
- 1 office building in development
- $1.63 billion
- More than 5 million square feet
- Québec – Montréal – Toronto
- Weighted average capitalization rate of 6.5%

FINANCING

ACHIEVEMENT OF OUR OBJECTIVE TO INCREASE THE SENIOR UNSECURED PORTION OF OUR TOTAL DEBT TO MORE THAN 50%, BEING 52.8% AS AT DECEMBER 31, 2014

WEIGHTED AVERAGE INTEREST RATE
ON TOTAL DEBT: 4.29%

UNITS

- Public offering of $287.5 million
- Private placement of $250.0 million

SENIOR UNSECURED DEBENTURES

- Reopening of 2 series
- 3 new series
- $950 million
- The 2nd largest issuer of senior unsecured debentures in the Canadian real estate market

CREDIT FACILITY

- Replacement of the secured revolving credit facility by an unsecured revolving credit facility
- Diminution of the interest rate

SUBSEQUENT EVENTS

On January 19 and February 18, 2015, Cominar declared a distribution of $0.1225 per unit for each of these two months.

On January 30, 2015, Cominar closed a public offering of 7,901,650 units including a full exercise of the over-allotment option at a price of $19.65 per unit. The total net proceeds received by Cominar amounted to $148.8 million, after deducting the underwriters' fee and costs relating to the offering. The net proceeds from this offering were used to repay the revolving unsecured credit facility.

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 reports filed 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 2015 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," and "intend," 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 plans and to raise capital to finance 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. Unless otherwise stated, all forward-looking statements are valid only as at the date of this MD&A. We do not assume any obligation to update the aforementioned forward-looking statements, except as required by applicable laws.

Additional information about these factors can be found in the “Risks and Uncertainties” section of this MD&A, as well as in the “Risk Factors” section of Cominar's 2014 Annual Information Form.

NON-IFRS FINANCIAL MEASURES

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,” “recurring adjusted funds from operations” and “proportionate share in joint ventures adjustments,” which management uses to evaluate Cominar's performance. Because non-IFRS measures do not have standardized meanings 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.

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 same property portfolio, that is, Cominar's ability to increase revenues, reduce costs, and generate organic growth;
- **Recurring distributable income ("DI") per unit**, which represents a benchmark that investors can use to evaluate the stability of distributions;
- **Recurring funds from operations ("FFO") per unit**, which represents a standard real estate benchmark used to measure an entity's performance;
- **Recurring adjusted funds from operations ("AFFO") per unit**, which, by 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, provides a meaningful measure of Cominar's ability to generate stable cash flows;
- **Payout ratio of recurring distributable income**, which allows investors to assess the stability of distributions;
- **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;
- **Growth in the average net rent of renewed leases**, which is a measure of organic growth and gives an indication of our capacity to increase our rental revenue;
- **Leasable area growth**, a decisive factor in Cominar's strategy for reaching its main objectives of providing unitholders with growing cash distributions and increasing and maximizing unit value;
- **Segment and geographic diversification**, which contributes to revenue stability by spreading real estate risk (refer to the *Results of Operations* section).

The above-mentioned performance indicators are not IFRS financial measures. Definitions and other relevant information regarding these performance indicators are provided in the appropriate sections.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the years ended December 31	2014	2013	Δ%	Page
FINANCIAL PERFORMANCE				
Operating revenues – Financial statements	**739,884**	662,053	11.8	21
Operating revenues – Cominar's proportionate share(1)	**748,682**	662,053	13.1	23
Net operating income(1) – Financial statements	**411,279**	368,210	11.7	21
Net operating income(1) – Cominar's proportionate share	**416,202**	368,210	13.0	24
Same property net operating income(1)	**343,657**	342,718	0.3	24
Net income	**199,453**	254,969	(21.8)	29
Adjusted net income(1)(7)	**253,148**	224,114	13.0	30
Recurring distributable income(1)	**225,156**	198,479	13.4	31
Recurring funds from operations(1)	**255,150**	225,855	13.0	35
Recurring adjusted funds from operations(1)	**220,363**	194,776	13.1	37
Distributions	**203,375**	182,977	11.1	31
Total assets	**8,109,419**	5,997,330	35.2	20
PER UNIT FINANCIAL PERFORMANCE				
Net income (basic)	**1.47**	2.03	(27.6)	29
Adjusted net income (basic)(1)	**1.86**	1.79	3.9	30
Recurring distributable income (basic)(1)	**1.66**	1.58	5.1	31
Recurring funds from operations (FD)(1)(2)	**1.86**	1.77	5.1	35
Recurring adjusted funds from operations (FD)(1)(2)	**1.61**	1.54	4.5	37
Distributions	**1.453**	1.440	0.9	31
Payout ratio of recurring DI	**87.5%**	91.1%		31
Payout ratio of recurring adjusted funds from operations	**89.7%**	92.9%		37
Cash payout ratio of recurring adjusted funds from operations	**62.9%**	69.9%		37
FINANCING				
Overall debt ratio(3)	**56.1%**	51.2%		42
Debt ratio (excluding convertible debentures)	**53.9%**	48.2%		42
Interest coverage ratio(4)	**2.67:1**	2.70:1		42
Weighted average interest rate on total debt	**4.29%**	4.76%		42
Residual weighted average term of total debt (years)	**4.2**	4.6		42
Senior unsecured debts-to-total-debt ratio(5)	**52.8%**	32.4%		41
Unencumbered income properties	**3,692,149**	1,181,573		41
Unencumbered assets ratio(6)	**1.54:1**	1.19:1		41
OPERATIONAL DATA				
Number of investment properties	**563**	497		43
Leasable area (in thousands of sq. ft.)	**45,252**	37,123	21.9	43
Occupancy rate	**94.4%**	93.1%		47
Retention rate	**74.3%**	68.6%		48
Growth in the average net rent of renewed leases	**2.4%**	5.9%		48
ACQUISITIONS				
Number of income properties	**66**	24		44
Leasable area (in thousands of sq. ft.)	**8,065**	2,317		44
Total investment (including land held for future development)	**2,008,774**	249,400		
Weighted average capitalization rate	**6.6%**	7.1%		
DEVELOPMENT ACTIVITIES				
Value of properties under development	**53,150**	53,414		20

(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(2) Fully diluted.
(3) Total of cash and cash equivalents, bank borrowings, mortgages payable, debentures and convertible debentures divided by total assets less cash and cash equivalents.
(4) Net operating income less Trust administrative expenses divided by finance charges.
(5) Senior unsecured debts divided by total debt.
(6) Fair value of unencumbered income properties divided by the unsecured debt (excluding convertible debentures).
(7) The adjusted net income takes into account non-recurring transaction costs of $26.7 million resulting from the acquisition of an investment property portfolio from Ivanhoé Cambridge for a purchase price of $1.63 billion and the change in fair value of investment properties.

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, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	March 31, 2013
Operating revenues – Financial statements	**217,492**	171,262	177,459	173,671	163,150	161,470	167,840	169,593
Operating revenues – Cominar's proportionate share(5)	**219,734**	173,497	179,625	175,826	163,150	161,470	167,840	169,593
Net operating income(5) – Financial statements	**125,435**	97,792	97,274	90,778	93,217	93,338	91,733	89,922
Net operating income(5) – Cominar's proportionate share	**126,539**	99,131	98,539	91,993	93,217	93,338	91,733	89,922
Net income	**45,827(1)(4)**	38,997(3)	59,559	55,070	74,568(1)	58,348	62,356	59,697
Adjusted net income(5)	**77,497**	61,022	59,559	55,070	57,418	56,620	54,741	55,335
Recurring DI(5)	**70,517**	53,579	52,051	49,009	50,768	51,369	48,473	47,869
Recurring FFO(5)	**77,429**	61,713	60,308	55,700	58,475	57,193	54,797	55,390
Recurring AFFO(5)	**68,541**	52,331	51,172	48,319	49,044	50,593	47,765	47,374
Distributions	**59,199**	51,211	46,688	46,277	46,338	45,886	45,598	45,155
PER UNIT								
Net income (basic)	**0.29(1)(4)**	0.30(3)	0.47	0.43	0.59(1)	0.46	0.50	0.48
Net income (diluted)	**0.29(1)(4)**	0.30(3)	0.45	0.42	0.58(1)	0.46	0.48	0.47
Adjusted net income (basic)(5)	**0.49**	0.47	0.47	0.43	0.46	0.45	0.44	0.45
Recurring DI (basic)(5)	**0.45**	0.41	0.41	0.39	0.40	0.41	0.39	0.38
Recurring FFO (FD)(2)(5)	**0.49**	0.47	0.47	0.44	0.46	0.45	0.43	0.44
Recurring AFFO (FD)(2)(5)	**0.43**	0.40	0.40	0.38	0.39	0.40	0.38	0.38
Distributions	**0.368**	0.365	0.360	0.360	0.360	0.360	0.360	0.360

(1) Includes the change in fair value of investment properties.
(2) Fully diluted
(3) Includes non-recurring transaction costs of $21.5 million resulting from the acquisition of an investment property portfolio for a purchase price of $1.63 billion.
(4) Includes non-recurring transaction costs of $5.2 million resulting from the acquisition of an investment property portfolio for a purchase price of $1.63 billion.
(5) Non-IFRS financial measure.

SELECTED ANNUAL INFORMATION

The following table presents a summary of Cominar's financial information for the last 3 fiscal years:

For the years ended December 31	2014	2013	2012
Operating revenues – Financial statements	**739,884**	662,053	564,537
Operating revenues – Cominar's proportionate share[3]	**748,682**	662,053	564,537
Net operating income[3] – Financial statements	**411,279**	368,210	317,815
Net operating income[3] – Cominar's proportionate share	**416,202**	368,210	317,815
Net income	**199,453**[2]	254,969	342,171
Adjusted net income[3]	**253,148**	224,114	199,573
Recurring DI[3]	**225,156**	198,479	169,905
Recurring FFO[3]	**255,150**	225,855	200,450
Recurring AFFO[3]	**220,363**	194,776	166,412
Distributions	**203,375**	182,977	164,021
Total assets	**8,109,419**	5,997,330	5,617,049
PER UNIT			
Net income (basic)	**1.47**[2]	2.03	3.13
Net income (diluted)	**1.45**	1.98	2.91
Adjusted net income (basic)[3]	**1.86**	1.79	1.82
Recurring DI (basic) [3]	**1.66**	1.58	1.55
Recurring FFO (FD)[1][3]	**1.86**	1.77	1.78
Recurring AFFO (FD)[1][3]	**1.61**	1.54	1.50
Distributions	**1.453**	1.440	1.440

(1) Fully diluted
(2) Includes non-recurring transaction costs of $26.7 million resulting from the acquisition of an investment property portfolio for a purchase price of $1.63 billion.
(3) Non-IFRS financial measure.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is one of the largest diversified REITs in Canada and remains the largest commercial property owner and manager in the province of Québec. As at December 31, 2014, Cominar owned and managed a high-quality portfolio of 563 properties including 136 office buildings, 196 retail buildings and 231 industrial and mixed-use buildings located in Québec, Ontario, the Atlantic Provinces and Western Canada, representing a total leasable area of 45.3 million square feet. Cominar's properties are mostly situated in prime locations and benefit from high visibility and easy access by both tenants and tenants' customers.

Since its inception in 1998, Cominar has made a series of acquisitions and completed numerous construction and property development projects, increasing the value of its assets to $8.1 billion as at December 31, 2014.

Cominar's asset and property management is internalized. Cominar is an integrated and self-managed real estate investment operation. This property management structure enables to rapidly and efficiently respond to our clients' needs, while minimizing our operating cost.

PROPERTIES SUMMARY AS AT DECEMBER 31, 2014			
Segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	136	14,994,000	93.5
Retail	196	12,845,000	94.7
Industrial and mixed-use	231	17,413,000	94.9
TOTAL	**563**	**45,252,000**	**94.4**

OBJECTIVES AND STRATEGY

Cominar's primary objectives are to provide unitholders with stable and growing monthly cash distributions which are tax deferred, from investments in a diversified portfolio of properties and to increase and maximize unit value through the proactive management of properties and the ongoing expansion of its real estate portfolio.

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

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term and providing unitholders with consistent and stable distributions, Cominar generally aims to maintain a debt ratio of approximately 50% of the gross carrying amount, even though the Contract of Trust provides for a ratio of up to 60% (65% if convertible debentures are outstanding). In addition, Cominar is targeting a payout ratio that should annually be under 90% of distributable income.

Cominar seeks to pursue acquisition and development opportunities that allow for economies of scale benefiting both tenants and Cominar in terms of operating cost savings and efficient property management operations.

To sustain and eventually increase the pace of its growth, Cominar is developing new markets outside the province of Québec, as demonstrated by certain large acquisitions realized over the past three years. Through this strategy, Cominar has enhanced its geographical diversification. Cominar also intends to keep investing in Québec in order to benefit from the competitive advantage it has in this market. Cominar will mainly grow through acquisitions and development projects.

RECONCILIATIONS TO COMINAR'S PROPORTIONATE SHARE

According to IFRS 11, joint ventures are accounted for under the equity method in Cominar's consolidated financial statements. Management considers that presenting operating and financial results including Cominar's proportionate share of assets, liabilities, revenues and charges provides more complete information on Cominar's financial performance.

The following tables present the reconciliations between Cominar's consolidated financial statements and consolidated balance sheet and consolidated statement of comprehensive income including its proportionate share in each component of the consolidated financial statements.

As at December 31, 2014	Consolidated financial statements	Joint ventures	Cominar's proportionate share
	$	$	$
ASSETS			
Investment properties			
Income properties	7,697,823	86,719	7,784,542
Properties under development	53,150	2,806	55,956
Land held for future development	68,788	6,013	74,801
	7,819,761	95,538	7,915,299
Investments in joint ventures	41,633	(41,633)	—
Goodwill	166,971	—	166,971
Mortgage receivable	8,250	—	8,250
Accounts receivable	52,044	496	52,540
Prepaid expenses and other assets	10,025	40	10,065
Bond investments	4,826	—	4,826
Cash and cash equivalents	5,909	204	6,113
Total assets	8,109,419	54,645	8,164,064
LIABILITIES			
Mortgages payable	1,968,919	52,327	2,021,246
Debentures	1,945,627	—	1,945,627
Convertible debentures	183,081	—	183,081
Bank borrowings	457,323	—	457,323
Accounts payable and accrued liabilities	133,728	2,318	136,046
Deferred tax liability	10,310	—	10,310
Total liabilities	4,698,988	54,645	4,753,633
UNITHOLDERS' EQUITY			
Unitholders' equity	3,410,431	—	3,410,431
Total liabilities and unitholders' equity	8,109,419	54,645	8,164,064

	Quarter			Cumulative		
	Consolidated financial statements	Joint ventures	Cominar's proportionate share	Consolidated financial statements	Joint ventures	Cominar's proportionate share
For the periods ended December 31, 2014	$	$	$	$	$	$
Operating revenues						
Rental revenue from investment properties	217,492	2,242	219,734	739,884	8,798	748,682
Operating expenses						
Operating costs	43,229	326	43,555	151,199	1,242	152,441
Realty taxes and services	44,785	753	45,538	163,270	2,433	165,703
Property management expenses	4,043	59	4,102	14,136	200	14,336
	92,057	1,138	93,195	328,605	3,875	332,480
Net operating income	125,435	1,104	126,539	411,279	4,923	416,202
Finance charges	(46,402)	(626)	(47,028)	(149,385)	(2,450)	(151,835)
Trust administrative expenses	(3,723)	—	(3,723)	(12,977)	—	(12,977)
Share of net income from investment in joint ventures	8,923	(8,923)	—	10,918	(10,918)	—
Change in fair value of investment properties	(33,951)	8,445	(25,506)	(33,951)	8,445	(25,506)
Transaction costs – business combination	(5,143)	—	(5,143)	(26,667)	—	(26,667)
Income before income taxes	45,139	—	45,139	199,217	—	199,217
Income taxes	688	—	688	236	—	236
Net income and comprehensive income	45,827		45,827	199,453	—	199,453

PERFORMANCE ANALYSIS

OPERATIONAL RESULTS – COMINAR'S PROPORTIONATE SHARE

The following table summarizes our main operating results according to Cominar's proportionate share for the periods ended December 31, 2014 and 2013.

	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Operating revenues	**219,734**	163,150	34.7	**748,682**	662,053	13.1
Operating expenses	**93,195**	69,933	33.3	**332,480**	293,843	13.1
Net operating income	**126,539**	93,217	35.7	**416,202**	368,210	13.0
Change in fair value of investment properties	**(25,506)**	17,150	(248.7)	**(25,506)**	17,150	(248.7)
Finance charges	**(47,028)**	(32,429)	45.0	**(151,835)**	(131,811)	15.2
Trust administrative expenses	**(3,723)**	(2,313)	61.0	**(12,977)**	(12,063)	7.6
Restructuring charges	**—**	—	—	**—**	(1,062)	(100.0)
Transaction costs – business combination	**(5,143)**	—	100.0	**(26,667)**	—	100.0
Other revenues	**—**	—	—	**—**	4,906	(100.0)
Gain on disposal of a subsidiary	**—**	—	—	**—**	8,010	(100.0)
Gains on disposal of investment properties	**—**	—	—	**—**	3,370	(100.0)
Income taxes	**688**	(1,057)	(165.1)	**236**	(1,741)	(113.6)
Net income	**45,827**	74,568	(38.5)	**199,453**	254,969	(21.8)

Lower 2014 net income is mainly due to transaction costs – business combination of $26.7 million resulting from the acquisition of an investment property portfolio from Ivanhoé Cambridge for a purchase price of $1.63 billion as well as a decrease in the fair value of investment properties of $25.5 million (taking into account an upward adjustment of $ 8.4 million in the joint ventures), compared to an increase in the fair value of investment properties of $17.2 million and non-recurring income of $16.3 million recorded in 2013. Not taking into account these elements, adjusted net income would have been $77.5 million for the quarter ended December 31, 2014 [$57.4 million in 2013] and $253.1 million for the year ended December 31, 2014 [$224.1 million in 2013].

NON-IFRS FINANCIAL MEASURES

	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Adjusted net income	**77,497**	57,418	35.0	**253,148**	224,114	13.0
Recurring distributable income	**70,517**	50,768	38.9	**225,156**	198,479	13.4
Distributions	**59,199**	46,338	27.8	**203,375**	182,977	11.1
Recurring funds from operations	**77,429**	58,475	32.4	**255,150**	225,855	13.0
Recurring adjusted funds from operations	**68,541**	49,044	39.8	**220,363**	194,776	13.1

FINANCIAL POSITION – COMINAR'S PROPORTIONATE SHARE

The following table summarizes assets and liabilities as well as unitholders' equity according to Cominar's proportionate share as at December 31, 2014 and 2013:

As at December 31	2014	2013	Δ$	Δ%
ASSETS				
Investment properties				
Income properties	**7,784,542**	5,654,825	2,129,717	37.7
Properties under development and land held for future development	**130,757**	107,961	22,796	21.1
Goodwill	**166,971**	166,971	—	—
Other assets	**81,794**	67,573	14,221	21.0
Total	**8,164,064**	5,997,330	2,166,734	36.1
LIABILITIES				
Mortgages payable	**2,021,246**	1,794,830	226,416	12.6
Debentures	**1,945,627**	994,824	950,803	95.6
Convertible debentures	**183,081**	181,768	1,313	0.7
Bank borrowings	**457,323**	105,697	351,626	332.7
Other liabilities	**146,356**	94,831	51,525	54.3
Total	**4,753,633**	3,171,950	1,581,683	49.9
UNITHOLDERS' EQUITY	**3,410,431**	2,825,380	585,051	20.7
Total	**8,164,064**	5,997,330	2,166,734	36.1

RESULTS OF OPERATIONS

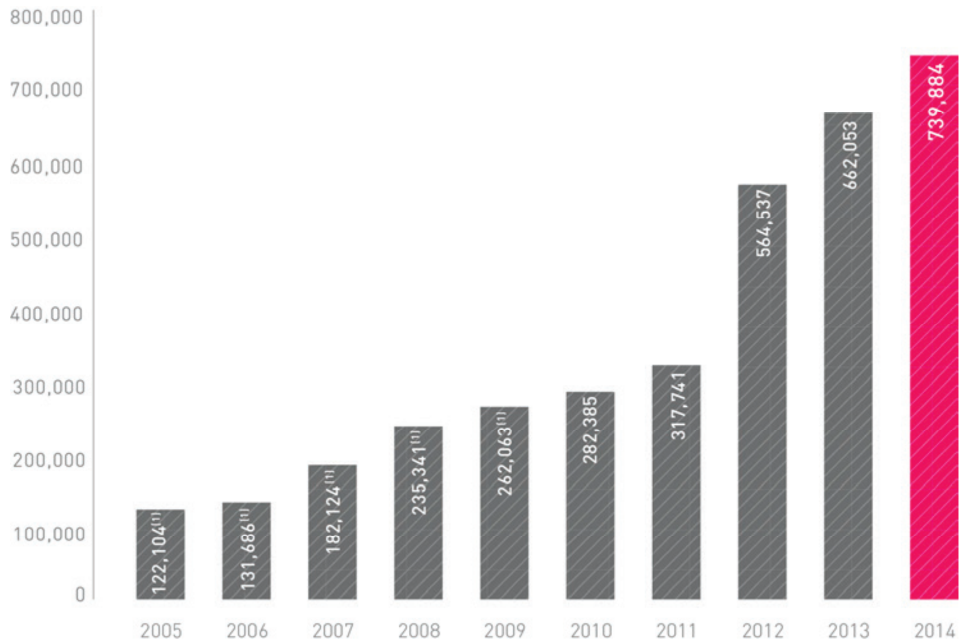
OPERATING REVENUES

	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Same property portfolio(1)	**152,894**	152,903	—	**626,796**	621,631	0.8
Acquisitions and developments – Financial statements	**64,598**	10,247	530.4	**113,088**	40,422	179.8
Acquisitions and developments – Joint ventures	**2,242**	—	100.0	**8,798**	—	100.0
Acquisitions and developments – Cominar's proportionate share	**66,840**	10,247	552.3	**121,886**	40,422	201.5
Total operating revenues – Cominar's proportionate share	**219,734**	163,150	34.7	**748,682**	662,053	13.1

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2012, except for properties sold in 2013 and 2014, but does not include the results of properties acquired and those under development in 2013 and 2014.

During fiscal 2014, operating revenues rose 13.1% from fiscal 2013. This increase resulted primarily from the contribution of acquisitions completed in 2013 and 2014.

The chart below shows growth in Cominar's operating revenues over the past 10 years.



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

NET OPERATING INCOME

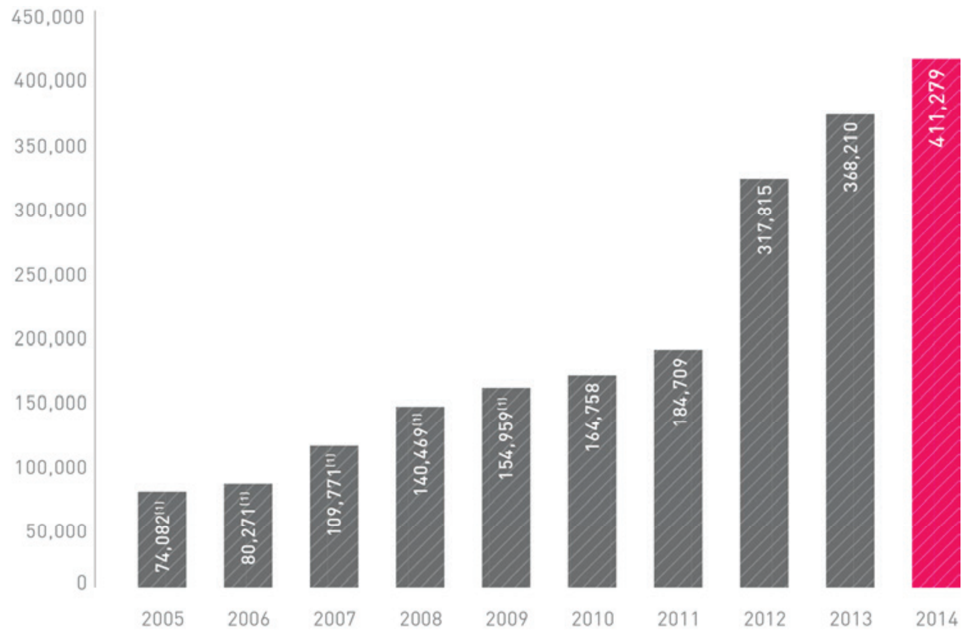
	Quarter			Cumulative		
For the periods ended December 31	**2014**	**2013**	**Δ%**	**2014**	**2013**	**Δ%**
Same property portfolio[1]	**87,257**	85,715	1.8	**343,657**	342,718	0.3
Acquisitions and developments – Financial statements	**38,178**	7,502	408.9	**67,622**	25,492	165.3
Acquisitions and developments – Joint ventures	**1,104**	—	100.0	**4,923**	—	100.0
Acquisitions and developments – Cominar's proportionate share	**39,282**	7,502	423.6	**72,545**	25,492	184.6
Total net operating income – Cominar's proportionate share	**126,539**	93,217	35.7	**416,202**	368,210	13.0

(1) See "Operating Revenues."

Although net operating income ("NOI") is not an IFRS financial measure, it is widely used in the real estate industry to assess operating performance. We define it as operating income before the change in fair value of investment properties, finance charges, Trust administrative expenses, restructuring charges, transaction costs – business combination, gains on disposal of subsidiaries, gains on disposal of investment properties, other revenues 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 13.0% during fiscal 2014, from fiscal 2013, due mainly to the acquisitions completed in 2013 and 2014. During the fourth quarter of 2014, net operating income of our same property portfolio increased 1.8% compared to the same period of 2013.

The chart below shows growth in Cominar's net operating income 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	2014	2013	Δ%	2014	2013	Δ%
Operating segment						
Office	**55,350**	48,540	14.0	**207,084**	190,611	8.6
Retail	**47,659**	23,369	103.9	**118,590**	91,342	29.8
Industrial and mixed-use	**23,530**	21,308	10.4	**90,528**	86,257	5.0
Total net operating income – Cominar's proportionate share	**126,539**	93,217	35.7	**416,202**	368,210	13.0

	Quarter		Cumulative	
For the periods ended December 31	2014	2013	2014	2013
Operating segment				
Office	**43.7%**	52.1%	**49.8%**	51.8%
Retail	**37.7%**	25.1%	**28.5%**	24.8%
Industrial and mixed-use	**18.6%**	22.8%	**21.7%**	23.4%
	100.0%	100.0%	**100.0%**	100.0%

Net operating income increased in all operating segments during fiscal 2014 compared to fiscal 2013.

BY GEOGRAPHIC MARKET

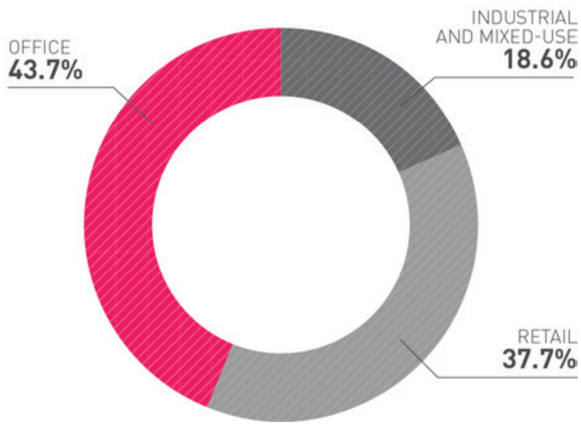
	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Geographic market						
Québec City	**28,691**	19,391	48.0	**87,895**	78,634	11.8
Montréal	**65,151**	52,216	24.8	**217,101**	199,480	8.8
Ontario[(1)]	**21,589**	9,356	130.8	**62,667**	40,481	54.8
Atlantic Provinces	**5,734**	5,899	(2.8)	**23,221**	23,133	0.4
Western Canada	**5,374**	6,355	(15.4)	**25,318**	26,482	(4.4)
Total net operating income – Cominar's proportionate share	**126,539**	93,217	35.7	**416,202**	368,210	13.0

(1) For presentation purposes, the Gatineau area is included in the Ontario geographic market.

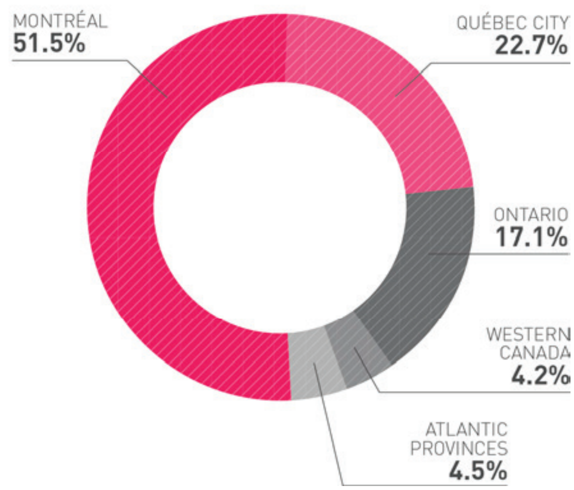
	Quarter		Cumulative	
For the periods ended December 31	2014	2013	2014	2013
Geographic market				
Québec City	**22.7%**	20.8%	**21.1%**	21.3%
Montréal	**51.5%**	56.0%	**52.2%**	54.2%
Ontario[(1)]	**17.1%**	10.0%	**15.0%**	11.0%
Atlantic Provinces	**4.5%**	6.4%	**5.6%**	6.3%
Western Canada	**4.2%**	6.8%	**6.1%**	7.2%
	100.0%	100.0%	**100.0%**	100.0%

(1) For presentation purposes, the Gatineau area is included in the Ontario geographic market.

4th QUARTER
NET OPERATING INCOME
BY SECTOR



4th QUARTER
NET OPERATING INCOME
BY GEOGRAPHIC MARKET



The net operating income of the Ontario geographic market increased by 54.8% during fiscal 2014 compared to fiscal 2013. The Ontario geographic market now represents 17.1% of total net operating income. These results are driven by our focus on geographic diversification and the recent acquisitions made in the Ontario area.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

Cominar opted to present its investment properties in the financial statements according to the fair value model. Fair value is determined based on evaluations performed using management's internal estimates and by independent real estate appraisers, plus capital expenditures made since the most recent appraisal, if applicable.

As per Cominar's policy on valuing investment properties, at the end of 2014, management revalued the real estate portfolio and determined that a decrease of $25.5 million (taking into account an upward adjustment of $ 8.4 million in the joint ventures) was necessary to adjust the carrying value of investment properties to their fair value [increase of $17.2 million in 2013].

Internally valued investment properties have been measured using the following method and key assumptions:

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 standardized net operating income represents adjusted net operating income for items such as administrative expenses, occupancy rates, the recognition of leases on a straight-line basis and other non-recurring items. 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 different capitalization rates 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 properties increases or decreases accordingly.

Cominar has determined that an increase or decrease in 2014 of 0.10% in the applied capitalization rate for the entire real estate portfolio would result in a decrease or increase of approximately $118.0 million [$85.0 million in 2013] in the fair value of its investment properties.

WEIGHTED AVERAGE CAPITALIZATION RATE

As at December 31						2014	2013
	Québec City	Montréal	Ontario	Atlantic Provinces	Western Canada	Weighted average rate	Weighted average rate
	%	%	%	%	%	%	%
Office	**6.1**	**6.4**	**6.3**	**7.4**	**6.0**	**6.3**	6.4
Retail	**6.5**	**6.5**	**6.8**	**7.9**	**6.3**	**6.6**	6.7
Industrial and mixed-use	**7.3**	**7.1**	**7.1**	**8.0**	**6.8**	**7.2**	7.3
	6.6	**6.6**	**6.5**	**7.6**	**6.0**	**6.6**	6.7

The slight decrease in the weighted average capitalization rate is explained mainly by the new segmented repartition of our properties resulting from the increased retail segment and the acquisitions in the Greater Toronto Area.

FINANCE CHARGES

	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Interest on mortgages payable	**24,719**	22,659	9.1	**94,123**	88,670	6.1
Interest on debentures	**17,436**	9,890	76.3	**54,512**	29,492	84.8
Interest on convertible debentures	**2,861**	2,873	(0.4)	**11,445**	14,804	(22.7)
Interest on bank borrowings	**3,630**	483	651.6	**5,379**	10,113	(46.8)
Net amortization of premium and discount on debenture issues	**(183)**	(48)	281.3	**(575)**	(183)	214.2
Amortization of deferred financing costs and others	**2,552**	1,373	85.9	**6,253**	6,861	(8.9)
Amortization of fair value adjustments on assumed indebtedness	**(2,793)**	(3,062)	(8.8)	**(11,946)**	(13,680)	(12.7)
Less: Capitalized interests(1)	**(1,194)**	(1,739)	(31.3)	**(7,356)**	(4,266)	72.4
Total finance charges – Cominar's proportionate share	**47,028**	32,429	45.0	**151,835**	131,811	15.2
Percentage of operating revenues	**21.4%**	19.9%		**20.3%**	19.9%	
Weighted average interest rate on total debt(2)				**4.29%**	4.76%	

(1) Includes capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time.
(2) At the end of the period.

The increase in finance charges was mostly due to increased financing related to the acquisition of income properties completed in 2014. The weighted average interest rate on total debt decreased by 47 basis points since December 31, 2013.

During the fiscal year ended December 31, 2014, Cominar wrote off $0.5 million in deferred financing costs attributable to the secured revolving operating and acquisition credit facility that has been replaced by an unsecured revolving operating and acquisition credit facility. Cominar also wrote off $1.0 million in deferred financing costs paid for the unsecured bridge loan used for the acquisition of an investment property portfolio from Ivanhoé Cambridge, which has been repaid on December 18, 2014, then cancelled.

During the fiscal year ended December 31, 2013, Cominar wrote off $1.0 million in deferred financing costs following the redemption of convertible Series C debentures.

TRUST ADMINISTRATIVE EXPENSES

During fiscal 2014, trust administrative expenses stood at $13.0 million, accounting for 1.7% of operating revenues, compared to 1.8% in 2013.

TRANSACTION COSTS – BUSINESS COMBINATION

During fiscal 2014, Cominar incurred non-recurring transaction costs of $26.7 million resulting from the acquisition of an investment property portfolio from Ivanhoé Cambridge for a purchase price of $1.63 billion. Under IFRS, transaction costs related to business combinations must be expensed when incurred.

OTHER REVENUES IN 2013

In connection with the restructuring of Homburg Invest Inc. ("HII") under the Companies' Creditors Arrangement Act (Canada), Cominar filed a number of proofs of claim against HII. On February 5, 2013, Cominar and HII entered into a memorandum of understanding related to, among other things, the settlement of these proofs of claim. Under this arrangement, Cominar received a cash payment of $6.3 million in settlement of various claims. A portion of the payment was recognized against the accounts receivable recorded in the consolidated balance sheet, and the excess was recorded as revenue in the results for 2013.

GAIN ON DISPOSAL OF A SUBSIDIARY IN 2013

On May 22, 2013, Cominar sold its interest in Hardegane Investments Limited, which held 100% of the shares of Dyne Holdings Limited ("Dyne"), to Homburg International Limited, for a nominal consideration and the reimbursement of certain Cominar advances. Dyne owned three income properties, two of which were classified as office properties and one as retail property, as well as an unexploited hotel. This transaction allowed Cominar to remove Dyne's liabilities from its consolidated balance sheet and to record a gain of $8.0 million on this disposal.

GAINS ON DISPOSAL OF INVESTMENT PROPERTIES IN 2013

On June 28, 2013, Cominar disposed of an office building in Lévis, Québec, following the exercise of a purchase option included in the sole tenant's lease, for $1.5 million. Cominar recorded a gain of $0.5 million on disposal.

On July 11, 2013, the *Tribunal administratif du Québec* rendered its final decision regarding the expropriation process initiated by the *Centre hospitalier de l'Université de Montréal* ("CHUM") in June 2006 in relation to the property located at 300 Viger Avenue in Montréal, Québec. The *Tribunal administratif du Québec* set the definitive expropriation indemnity at $33.5 million. The CHUM paid Cominar a sum of $3.5 million, which represents the difference between the amount of the provisional indemnity of $30.0 million that was already paid to Cominar in 2007 and the total definitive indemnity. Cominar recorded a gain of $2.9 million in connection with this event.

NET INCOME

	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Net income	**45,827**	74,568	(38.5)	**199,453**	254,969	(21.8)
Net income per unit (basic)	**0.29**	0.59		**1.47**	2.03	
Net income per unit (diluted)	**0.29**	0.58		**1.45**	1.98	
Weighted average number of units (basic)	**157,737**	126,290		**136,025**	125,370	
Weighted average number of units (diluted)	**168,590**	134,650		**146,876**	136,016	

Lower 2014 net income is mainly due to transaction costs – business combination of $26.7 million resulting from the acquisition of an investment property portfolio from Ivanhoé Cambridge for a purchase price of $1.63 billion as well as a decrease in the fair value of investment properties of $25.5 million (taking into account an upward adjustment of $ 8.4 million in the joint ventures), compared to an increase in fair the value of investment properties of $17.2 million and non-recurring income of $16.3 million recorded in 2013. Not taking into account these elements, adjusted net income would have been $77.5 million for the quarter ended December 31, 2014 [$57.4 million in 2013] and $253.1 million for the year ended December 31, 2014 [$224.1 million in 2013].

The calculation of diluted net income per unit includes the elimination of interest at the effective rate on the convertible debentures of $3.3 million for the quarter ended December 31, 2014 [$2.9 million in 2013] and of $13.2 million for fiscal 2014 [$14.8 million in 2013].

ADJUSTED NET INCOME

The following table presents net income adjusted in order to eliminate unusual gains and losses:

	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Net income	**45,827**	74,568	(38.5)	**199,453**	254,969	(21.8)
Change in fair value of investment properties – Cominar's proportionate share	**25,506**	(17,150)	(248.7)	**25,506**	(17,150)	(248.7)
Write-off of deferred financing costs(1)	**1,021**	—	100.0	**1,522**	984	54.7
Restructuring charges	**—**	—	—	**—**	1,062	(100.0)
Transaction costs – business combination	**5,143**	—	100.0	**26,667**	—	100.0
Gain on disposal of a subsidiary	**—**	—	—	**—**	(8,010)	(100.0)
Gains on disposal of investment properties	**—**	—	—	**—**	(3,370)	(100.0)
Unusual item – other revenues	**—**	—	—	**—**	(4,906)	(100.0)
Unusual item – Holman Grand Hotel	**—**	—	—	**—**	535	(100.0)
Adjusted net income	**77,497**	57,418	35.0	**253,148**	224,114	13.0
Adjusted net income per unit (basic)	**0.49**	0.45	8.9	**1.86**	1.79	3.9

(1) During the fiscal year ended December 31, 2014, Cominar wrote off $0.5 million in deferred financing costs attributable to the secured revolving operating and acquisition credit facility that has been replaced by an unsecured revolving operating and acquisition credit facility. Cominar also wrote off $1.0 million in deferred financing costs paid for the unsecured bridge loan used for the acquisition of an investment property portfolio from Ivanhoé Cambridge, which has been repaid on December 18, 2014, then cancelled. In 2013, $1.0 million of deferred financing costs were written off following the redemption of Series C debentures.

The adjusted net income calculated by Cominar is not an IFRS financial measure. The calculation method used by Cominar may differ from the ones used by other entities. The adjusted net income for the year rose 13.0% compared to the previous year and the adjusted net income of the quarter ended December 31, 2014, increased 35.0% compared to the corresponding quarter of the preceding year. These increases result principally from the acquisitions realized in 2013 and 2014.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Although the concept of distributable income ("DI") is not an IFRS financial measure, it is used by many investors in the income trust industry. We consider DI an excellent tool for assessing Cominar'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 fair value adjustments, recognition of leases on a straight-line basis, gains on disposal of subsidiaries, gains on disposal of investment properties, provision for leasing costs, transaction costs incurred upon a business combination and certain other items not affecting cash, if applicable.

During the first quarter of 2014, following the revision by the Real Property Association of Canada ("REALpac") of the definition of funds from operations, Cominar reviewed its definition of distributable income prospectively to include an adjustment for internal initial and re-leasing salary costs that would have been capitalized if incurred externally.

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

DISTRIBUTABLE INCOME

	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Net income	**45,827**	74,568	(38.5)	**199,453**	254,969	(21.8)
+ Change in fair value of investment properties – Cominar's proportionate share	**25,506**	(17,150)	(248.7)	**25,506**	(17,150)	(248.7)
- Net amortization of premium and discount on debenture issues	**(183)**	(48)	281.3	**(575)**	(183)	214.2
+ Amortization of deferred financing costs	**2,497**	1,322	88.9	**6,041**	6,572	(8.1)
- Amortization of fair value adjustments on assumed indebtedness	**(2,793)**	(3,062)	(8.8)	**(11,946)**	(13,680)	(12.7)
+ Amortization of fair value adjustments on bond investments	**19**	78	(75.6)	**76**	314	(75.8)
+ Compensation expense related to long-term incentive plan	**377**	(99)	(480.8)	**1,414**	2,155	(34.4)
+ Accretion of liability component of convertible debentures	**55**	51	7.8	**212**	289	(26.6)
+ Restructuring charges	**—**	—	—	**—**	1,062	(100.0)
+ Transaction costs – business combination	**5,143**	—	100.0	**26,667**	—	100.0
- Gain on disposal of a subsidiary	**—**	—	—	**—**	(8,010)	(100.0)
- Gains on disposal of investment properties	**—**	—	—	**—**	(3,370)	(100.0)
+ Deferred taxes	**(688)**	1,057	(165.1)	**(236)**	1,741	(113.6)
- Provision for leasing costs	**(5,790)**	(5,048)	14.7	**(19,840)**	(17,758)	11.7
+ Initial and re-leasing salary costs	**620**	—	100.0	**2,238**	—	100.0
- Recognition of leases on a straight-line basis	**(73)**	(901)	(91.9)	**(3,854)**	(4,101)	(6.0)
Distributable income	**70,517**	50,768	38.9	**225,156**	202,850	11.0
- Unusual item – other revenues	**—**	—	—	**—**	(4,906)	(100.0)
+ Unusual item – Holman Grand Hotel	**—**	—	—	**—**	535	(100.0)
Recurring distributable income	**70,517**	50,768	38.9	**225,156**	198,479	13.4
DISTRIBUTIONS TO UNITHOLDERS	**59,199**	46,338	27.8	**203,375**	182,977	11.1
Distributions reinvested under the distribution reinvestment plan(1)	**18,158**	13,372	35.8	**60,858**	45,312	34.3
Cash distributions	**41,041**	32,966	24.5	**142,517**	137,665	3.5
Percentage of distributions reinvested	**30.7%**	28.9%		**29.9%**	24.8%	
Per unit information:						
Recurring distributable income (basic)	**0.45**	0.40	12.5	**1.66**	1.58	5.1
Weighted average number of units outstanding for the recurring distributable income (basic)	**157,737**	126,290		**136,025**	125,370	
DISTRIBUTIONS PER UNIT	**0.368**	0.360	2.2	**1.453**	1.440	0.9
Payout ratio(2)	**81.8%**	90.0%		**87.5%**	91.1%	
Cash payout ratio(3)	**56.7%**	64.0%		**61.4%**	68.5%	

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

Recurring DI for fiscal 2014 amounted to $225.2 million, up 13.4% from 2013. This increase was primarily due to the contribution of the acquisitions completed in 2013 and 2014. On a basic per unit basis, it totalled $1.66 for fiscal 2014, up 5.1% compared to fiscal 2013.

Distributions to unitholders in 2014 totalled $203.4 million, up 11.1% from 2013. On August 7, 2014, Cominar announced an increase in monthly distributions per unit to $0.1225 for monthly distributions payable from September 15 and onward. Annual distribution for 2014 was $1.453 per unit compared to $1.440 per unit in 2013.

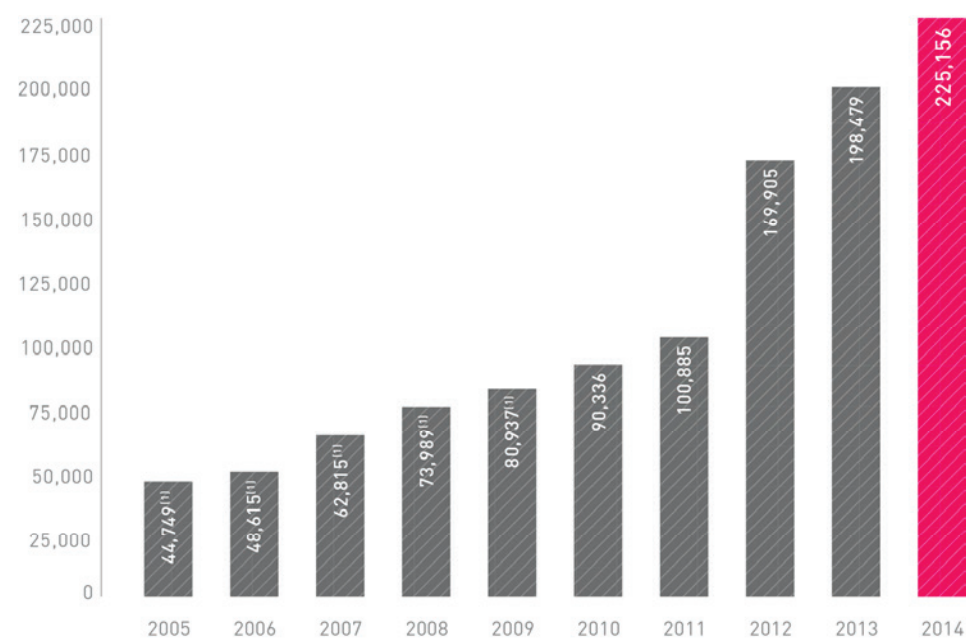
The recurring DI payout ratio for the year ended December 31, 2014 was 87.5%. During fiscal 2014, 29.9% of distributions were reinvested as units under the distribution reinvestment plan [24.8% in 2013]. The recurring DI cash payout ratio per unit (basic) stood at 61.4%, down 7.0% compared to fiscal 2013.

In 2013, Cominar adjusted the distributable income calculation to take into account two unusual items. The first was the gain resulting from the settlement of claims against HII, and the second was an adjustment to exclude the impact of the retrocession of the Holman Grand Hotel to Cominar as part of HII's restructuring.

TRACK RECORD OF RECURRING DI PER UNIT

For the years ended December 31	2014	2013	2012	2011	2010
Recurring distributable income per unit (basic)	**1.66**	1.58	1.55	1.56	1.55

The chart below shows growth in Cominar's 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 cash flows provided by operating activities as shown in the consolidated financial statements to distributable income and adjusted funds from operations (non-IFRS measures).

The following table presents this reconciliation:

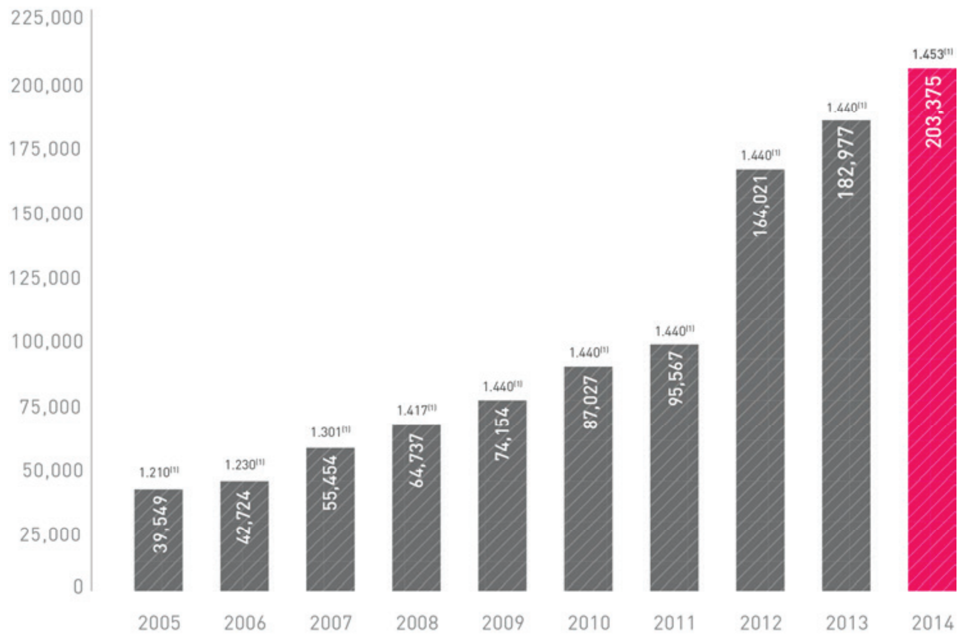
	Quarter		Cumulative	
For the periods ended December 31	2014	2013	2014	2013
Cash flows provided by operating activities as shown in the consolidated financial statements	**110,266**	79,322	**229,030**	202,760
Changes – investments in joint ventures	**(332)**	—	**782**	—
- Amortization of other assets	**(243)**	(200)	**(884)**	(655)
+ Restructuring charges	**—**	—	**—**	1,062
+ Transaction costs – business combination	**5,143**	—	**26,667**	—
- Provision for leasing costs	**(5,790)**	(5,048)	**(19,840)**	(17,758)
+ Initial and re-leasing salary costs	**620**	—	**2 238**	—
+ Change in non-cash working capital items	**(39,147)**	(23,306)	**(12,837)**	17,441
- Unusual item – other revenues	**—**	—	**—**	(4,906)
+ Unusual item – Holman Grand Hotel	**—**	—	**—**	535
Recurring distributable income	**70,517**	50,768	**225,156**	198,479
- Capital expenditures – maintenance of rental income generating capacity	**(1,976)**	(1,724)	**(4,793)**	(3,703)
Recurring adjusted funds from operations	**68,541**	49,044	**220,363**	194,776

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

For the years ended December 31	2014	2013	2012
Net income	**199,453**	254,969	342,171
Cash flows provided by operating activities as shown in the consolidated financial statements	**229,030**	202,760	146,333
Distributions to unitholders	**203,375**	182,977	164,021
Cash distributions	**142,517**	137,665	126,304
Excess of cash flows from operating activities over cash distributions to unitholders	**86,513**	65,095	20,029
Adjustments:			
+ Transaction costs – business combination	**26,667**	—	27,689
+ Restructuring charges	**—**	1,062	6,929
- Unusual item – other revenues	**—**	(4,906)	—
+ Unusual item – Holman Grand Hotel	**—**	535	—
Excess of adjusted cash flows from operating activities over cash distributions to unitholders	**113,180**	61,786	54,647

For the year ended December 31, 2014, and the prior years, cash flows from operating activities were sufficient to fund cash distributions to unitholders, as were adjusted cash flows from operating activities.

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



(1) *Amount of distribution in dollars per unit.*

FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not an IFRS financial measure, it is widely used in the real estate investment trust industry. REALpac defines this measure as net income (calculated in accordance with IFRS), adjusted for, among other things, change in fair value of investment properties, deferred taxes, transaction costs incurred upon a business combination, gains on disposal of subsidiaries and gains on disposal of investment properties.

During the first quarter of 2014, REALpac revised its definition of funds from operations to include an adjustment for internal initial and re-leasing salary costs that would have been capitalized if incurred externally. Cominar therefore prospectively adjusted its calculation method for funds from operations to account for this revision.

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 fully diluted weighted average number of units outstanding for the calculation of FFO is adjusted to take into account the potential issuance of units under the long-term incentive plan and the potential conversion of convertible debentures at their conversion price, if dilutive.

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and FFO for the periods ended December 31, 2014 and 2013:

FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31	2014	2013	Δ%	2014	2013	Δ%
Net income	**45,827**	74,568	(38.5)	**199,453**	254,969	(21.8)
+ Change in fair value of investment properties – Cominar's proportionate share	**25,506**	(17,150)	(248.7)	**25,506**	(17,150)	(248.7)
+ Deferred income taxes	**(688)**	1,057	(165.1)	**(236)**	1,741	(113.6)
+ Transaction costs – business combination	**5,143**	—	100.0	**26,667**	—	100.0
- Gain on disposal of a subsidiary	**—**	—	—	**—**	(8,010)	(100.0)
- Gains on disposal of investment properties	**—**	—	—	**—**	(3,370)	(100.0)
+ Initial and re-leasing salary costs	**620**	—	100.0	**2,238**	—	100.0
Funds from operations	**76,408**	58,475	30.7	**253,628**	228,180	11.2
+ Write-off of deferred financing costs[1]	**1,021**	—	100.0	**1,522**	984	54.7
+ Restructuring charges	**—**	—	—	**—**	1,062	(100.0)
- Unusual item – other revenues	**—**	—	—	**—**	(4,096)	(100.0)
+ Unusual item – Holman Grand Hotel	**—**	—	—	**—**	535	(100.0)
Recurring funds from operations	**77,429**	58,475	32.4	**255,150**	225,855	13.0
Per unit information:						
Funds from operations (basic)	**0.48**	0.46	4.3	**1.86**	1.82	2.2
Recurring funds from operations (basic)	**0.49**	0.46	6.5	**1.88**	1.80	4.4
Recurring funds from operations (FD)[2][3]	**0.49**	0.46	6.5	**1.86**	1.77	5.1
Weighted average number of units outstanding for recurring funds from operations (basic)	**157,737**	126,290		**136,025**	125,370	
Weighted average number of units outstanding for recurring funds from operations (FD)[2]	**166,236**	134,650		**144,522**	136,016	
Payout ratio[4]	**75.1%**	78.3%		**77.3%**	80.0%	
Cash payout ratio[5]	**52.0%**	55.7%		**54.2%**	60.2%	

(1) During the fiscal year ended December 31, 2014, Cominar wrote off $0.5 million in deferred financing costs attributable to the secured revolving operating and acquisition credit facility that has been replaced by an unsecured revolving operating and acquisition credit facility. Cominar also wrote off $1.0 million in deferred financing costs paid for the unsecured bridge loan used for the acquisition of an investment property portfolio from Ivanhoé Cambridge, which has been repaid on December 18, 2014, then cancelled. In 2013, $1.0 million of deferred financing costs were written off following the redemption of Series C debentures.
(2) Fully diluted.
(3) The calculation of fully diluted recurring funds from operations per unit includes the elimination of interest at the effective rate on the dilutive convertible debentures of $3.3 million for the quarter ended December 31, 2014 [$2.9 million in 2013] and of $13.2 million for the year ended December 31, 2014 [$14.8 million in 2013].
(4) The payout ratio corresponds to the distribution per unit, divided by basic recurring FFO per unit.
(5) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring FFO per unit.

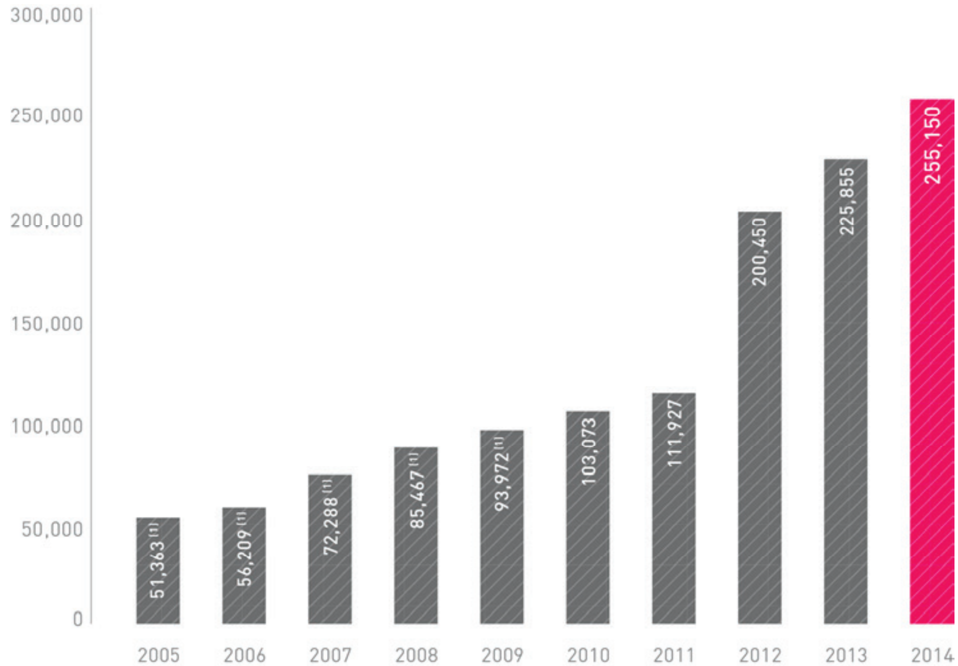
Recurring FFO for fiscal 2014 rose 13.0% from the previous year, due mainly to the acquisitions completed in 2013 and 2014. Recurring FFO per unit on a fully diluted basis stood at $1.86 for fiscal 2014, up 5.1% from fiscal 2013.

TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	2014	2013	2012	2011	2010
Recurring funds from operations per unit (basic)	**1.88**	1.80	1.83	1.73	1.72
Recurring funds from operations per unit (FD)[1]	**1.86**	1.77	1.78	1.65	1.64

(1) Fully diluted.

The chart below shows growth in Cominar's recurring funds from operations over the past 10 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 real estate investment trust industry. Cominar defines this measure as FFO adjusted for certain non-cash items such as the amortization of deferred financing costs, the amortization of fair value adjustments on assumed indebtedness, the compensation expense related to the long-term incentive plan, 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 an IFRS measure and should not be substituted for net income or cash flows from operating activities established in accordance with IFRS when measuring Cominar's performance. Cominar's method of calculating AFFO may differ from the methods used by other entities, and therefore may not be appropriate for comparative analysis purposes.

In calculating AFFO, Cominar deducts a provision for leasing costs incurred on an ongoing basis in order 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 fully diluted weighted average number of units outstanding for the calculation of AFFO is adjusted to take into account the potential issuance of units under the long-term incentive plan and the potential conversion of convertible debentures at their conversion price, if dilutive.

The following table presents a reconciliation of FFO and AFFO for the periods ended December 31, 2014 and 2013:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31	**2014**	**2013**	**Δ%**	**2014**	**2013**	**Δ%**
Funds from operations	**76,408**	58,475	30.7	**253,628**	228,180	11.2
- Net amortization of premium and discount on debenture issues	**(183)**	(48)	281.3	**(575)**	(183)	214.2
+ Amortization of deferred financing costs	**2,497**	1,322	88.9	**6,041**	6,572	(8.1)
+ Amortization of fair value adjustment on bond investments	**19**	78	(75.6)	**76**	314	(75.8)
- Amortization of fair value adjustments on assumed indebtedness	**(2,793)**	(3,062)	(8.8)	**(11,946)**	(13,680)	(12.7)
+ Compensation expense related to long-term incentive plan	**377**	(99)	(480.8)	**1,414**	2,155	(34.4)
- Capital expenditures – maintenance of rental income generating capacity	**(1,976)**	(1,724)	14.6	**(4,793)**	(3,703)	29.4
+ Accretion of liability component of convertible debentures	**55**	51	7.8	**212**	289	(26.6)
+ Restructuring charges	**—**	—	—	**—**	1,062	(100.0)
- Provision for leasing costs	**(5,790)**	(5,048)	14.7	**(19,840)**	(17,758)	11.7
- Recognition of leases on a straight-line basis	**(73)**	(901)	(91.9)	**(3,854)**	(4,101)	(6.0)
Adjusted funds from operations	**68,541**	49,044	39.8	**220,363**	199,147	10.7
- Unusual item – other revenues	**—**	—	—	**—**	(4,906)	(100.0)
+ Unusual item – Holman Grand Hotel	**—**	—	—	**—**	535	(100.0)
Recurring adjusted funds from operations	**68,541**	49,044	39.8	**220,363**	194,776	13.1
Per unit information:						
Adjusted funds from operations (basic)	**0.43**	0.39	10.3	**1.62**	1.59	2.0
Recurring adjusted funds from operations (basic)	**0.43**	0.39	10.3	**1.62**	1.55	4.5
Recurring adjusted funds from operations (FD)(1)(2)	**0.43**	0.39	10.3	**1.61**	1.54	4.5
Weighted average number of units outstanding for recurring adjusted funds from operations (basic)	**157,737**	126,290		**136,025**	125,370	
Weighted average number of units outstanding for recurring adjusted funds from operations (FD)(1)	**166,236**	134,650		**144,522**	136,016	
Payout ratio(3)	**85.6%**	92.3%		**89.7%**	92.9%	
Cash payout ratio(4)	**59.3%**	65.6%		**62.9%**	69.9%	

(1) Fully diluted.
(2) The calculation of fully diluted recurring adjusted funds from operations per unit includes the elimination of interest on the dilutive convertible debentures of $3.0 million for the quarter ended December 31, 2014 [$2.9 million in 2013] and $11.9 million for the year ended December 31, 2014 [$14.8 million in 2013].
(3) The payout ratio corresponds to the distribution per unit, divided by basic recurring AFFO per unit.
(4) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring AFFO per unit.

Recurring AFFO amounted to $220.4 million for fiscal 2014, up 13.1% from 2013, mainly as a result of the acquisitions completed in 2013 and 2014.

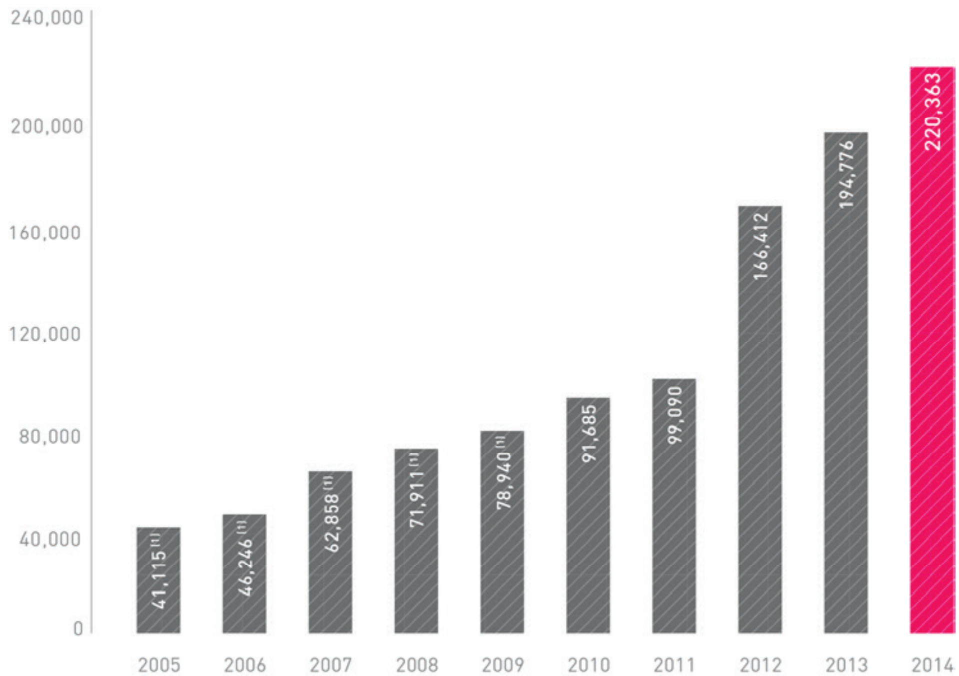
Fully diluted recurring AFFO per unit totalled $1.61 for the year ended December 31, 2014, up 4.5% from fiscal 2013.

TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	2014	2013	2012	2011	2010
Recurring adjusted funds from operations per unit (basic)	**1.62**	1.55	1.52	1.53	1.53
Recurring adjusted funds from operations per unit (FD)(1)	**1.61**	1.54	1.50	1.50	1.49

(1) Fully diluted.

The chart below shows growth in Cominar's recurring adjusted funds from operations over the past 10 years.



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

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2014, Cominar generated $229.0 million in cash flows from operating activities. Of this amount, $142.5 million was used for cash distributions to unitholders. Cominar foresees no difficulty in meeting its short-term obligations and its commitments with funds from operations, refinancing of mortgages payable, debenture or unit issues, amounts available on its credit facility and cash and cash equivalents.

On November 27, 2014, Cominar filed a short form base shelf prospectus allowing it to issue up to $1.5 billion in securities during the 25-month period that this prospectus remains valid. Since then, Cominar has issued $200.0 million in senior unsecured debentures in December 2014 as well as $155.3 million in units in January 2015, leaving an available balance of $1.1 billion for future issuances.

MORTGAGES PAYABLE

As at December 31, 2014, the nominal balance of mortgages payable was $1,984.5 million, up $184.6 million from $1,763.9 million as at December 31, 2013. This increase is explained by mortgages payable contracted or mortgages payable assumed during the year for $388.5 million at a weighted average interest rate of 3.94%, by the repayments of balances at maturity for $150.8 million at a weighted average interest rate of 5.89% and by the monthly repayments of capital for $53.1 million. At the end of the year, the weighted average interest rate was 4.79%, down 27 basis points from 5.06% as at December 31, 2013. As at December 31, 2014, the effective weighted average interest rate was 4.17%, down 14 basis points from 4.31% as at December 31, 2013.

Cominar's mortgages payable maturity dates are staggered over a number of years to reduce risks related to renewal. As at December 31, 2014, the residual weighted average term of mortgages payable was 5.0 years, unchanged from that as at December 31, 2013.

The following table shows mortgage contractual maturity dates for the coming fiscal years:

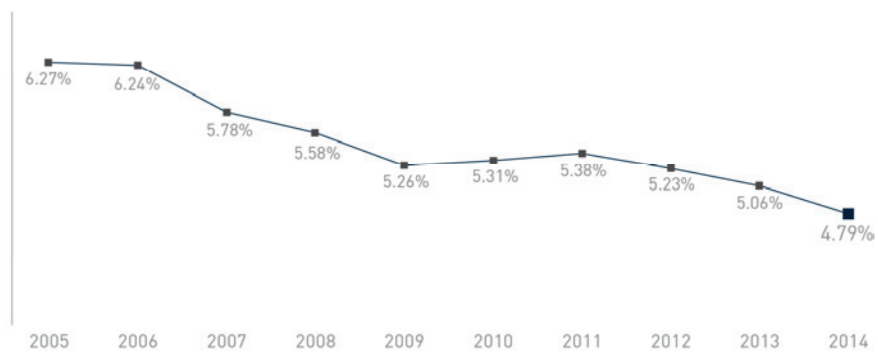
CONTRACTUAL MATURITY DATES OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal	Balances at maturity	Total	Weighted average interest rate[1]
2015	53,948	273,372	327,320	4.85%
2016	46,619	146,409	193,028	4.77%
2017	39,917	180,173	220,090	4.71%
2018	31,727	409,003	440,730	5.17%
2019	23,734	4,255	27,989	6.57%
2020 and thereafter	106,949	632,356	739,305	4.58%
Total	302,894	1,645,568	1,948,462	4.79%

(1) Calculated on balances at maturity of mortgages payable.

Cominar's management intends to refinance most of the mortgages payable maturing in 2015 and to increase, in general, the loan/value ratio of the properties used as collateral.

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



DEBENTURES

The following table presents the features of Cominar's senior unsecured debentures, as well as the balance per series, as at December 31, 2014:

DEBENTURES

	Contractual interest rate	Effective interest rate	Date of issuance	Dates of interest payments	Maturity date	Balance as at December 31, 2014
						$
Series 1	**4.274%**	**4.32%**	**June 2012(1)**	**June 15 and December 15**	**June 2017**	**250,000**
Series 2	**4.23%**	**4.37%**	**December 2012(2)**	**June 4 and December 4**	**December 2019**	**300,000**
Series 3	**4.00%**	**4.24%**	**May 2013**	**May 2 and November 2**	**November 2020**	**100,000**
Series 4	**4.941%**	**4.81%**	**July 2013(3)**	**July 27 and January 27**	**July 2020**	**300,000**
Series 5	**3.323%(4)**	**3.52%**	**October 2013**	**January 9, April 9, July 9 and October 9**	**October 2015**	**250,000**
Series 6	**2.37%(5)**	**2.50%**	**September 2014**	**September 22, December 22, March 22 and June 22**	**September 2016**	**250,000**
Series 7	**3.62%**	**3.70%**	**September 2014**	**December 21 and June 21**	**June 2019**	**300,000**
Series 8	4.25%	4.34%	December 2014	June 8 and December 8	December 2021	200,000
Weighted average interest rate	**3.89%**	**3.97%**				
Total						**1,950,000**

(1) Re-opened in September 2012 ($125.0 million).
(2) Re-opened in February 2013 ($100.0 million).
(3) Re-opened in January 2014 ($100.0 million) and March 2014 ($100.0 million).
(4) Variable interest rate fixed quarterly for the period from October 10, 2014 to January 9, 2015 (corresponding to the CDOR three-month rate plus 205 basis points).The rate for the period from January 10, 2015 to April 9, 2015 was fixed at 3.35%.
(5) Variable interest rate fixed quarterly for the period from December 22, 2014 to March 21, 2015 (corresponding to the CDOR three-month rate plus 108 basis points).

As at December 31, 2014, the residual weighted average term of debentures was 4.0 years.

On January 13, 2014, Cominar re-opened the Series 4 offering and issued $100.0 million of senior unsecured debentures bearing an interest rate of 4.941% and maturing in July 2020. The issue price of these unsecured debentures included a premium which resulted in an effective interest rate of 4.747% for this issuance, excluding amortization of deferred financing costs.

On March 4, 2014, Cominar re-opened the Series 4 offering and issued $100.0 million of senior unsecured debentures bearing an interest rate of 4.941% and maturing in July 2020. The issue price of these unsecured debentures included a premium which resulted in an effective interest rate of 4.425% for this issuance, excluding amortization of deferred financing costs.

On September 17, 2014, Cominar issued $250.0 million of Series 6 senior unsecured debentures bearing a variable interest rate and maturing in September 2016, and issued $300.0 million of Series 7 senior unsecured debentures bearing an interest rate of 3.62% and maturing in June 2019.

On December 3, 2014, Cominar issued $200.0 million of Series 8 senior unsecured debentures bearing an interest rate of 4.25% and maturing in December 2021.

These issues allowed Cominar to reach its objective of increasing the senior unsecured portion of its total debt to more than 50%, from 32.4% as at December 31, 2013 to 52.8% as at December 31, 2014.

The following table presents information on Cominar's unencumbered assets and senior unsecured debts:

As at December 31	2014		2013	
	Number of properties	Fair value of properties ($)	Number of properties	Fair value of properties ($)
Unencumbered income properties	**286**	**3,692,149**	144	1,181,573
Unencumbered assets ratio[(1)(2)]		**1.54:1**		1.19:1
Senior unsecured debts-to-total-debt ratio[(2)(3)]		**52.8%**		32.4%

(1) Fair value of unencumbered income properties divided by the unsecured debt (excluding convertible debentures).
(2) These ratios are not defined by IFRS and may differ from similar measures presented by other entities.
(3) Senior unsecured debts divided by total debt.

As at December 31, 2014, Cominar owned unencumbered income properties whose fair value was approximately $3.7 billion. The unencumbered assets ratio stood at 1.54:1 compared to 1.19:1 as at December 31, 2013.

CONVERTIBLE DEBENTURES

The following table presents the features of Cominar's unsecured subordinated convertible debentures and their balances by series, as at December 31, 2014:

CONVERTIBLE DEBENTURES

	Series D	Series E	Weighted average interest rate
Contractual interest rate	**6.50%**	**5.75%**	**6.15%**
Effective interest rate	**7.50%**	**6.43%**	**7.00%**
Date of issuance	**September 2009**	**January 2010**	
Amount issued	**$115,000**	**$86,250**	
Unit conversion price	**$20.50**	**$25.00**	
Dates of interest payment	**March 31 & September 30**	**June 30 & December 31**	
Date of redemption at Cominar's option – conditional[(1)(2)]	**N/A**	**June 2013**	
Date of redemption at Cominar's option – unconditional[(2)]	**September 2014**	**June 2015**	
Maturity date	**September 2016**	**June 2017**	
			Total
	$	$	$
Balance as at December 31, 2014	**99,786**	**86,250**	**186,036**

(1) As of this date of redemption, the debentures may be redeemed by Cominar upon prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the units on the Toronto Stock Exchange for a certain period is not less than 125% of the conversion price.
(2) Cominar may, at its option, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing units to debenture holders.

BANK BORROWINGS

As at December 31, 2014, Cominar had an unsecured revolving operating and acquisition credit facility of up to $550.0 million which will mature in August 2017. This facility bears interest at prime rate plus 70 basis points or at bankers' acceptance rate plus 170 basis points. As at December 31, 2014, bank borrowings totalled $457.3 million.

DEBT SUMMARY

The following table presents a comparative debt summary:

As at December 31	2014			2013		
	$	Weighted average interest rate	Residual weighted average term	$	Weighted average interest rate	Residual weighted average term
Mortgages payable	**1,968,919**	**4.79%**	**5.0 years**	1,794,830	5.06%	5.0 years
Debentures	**1,945,627**	**3.89%**	**4.0 years**	994,824	4.06%	4.5 years
Convertible debentures	**183,081**	**6.15%**	**2.1 years**	181,768	6.15%	3.1 years
Bank borrowings	**457,323**	**3.13%**	**2.6 years**	105,697	3.91%	1.1 year
Total debt	**4,554,950**	**4.29%**	**4.2 years**	3,077,119	4.76%	4.6 years

During fiscal 2014, the weighted average interest rate on Cominar's total debt decreased by 47 basis points from 4.76% as at December 31, 2013 to 4.29% as at December 31, 2014.

DEBT RATIO

The following table presents debt ratios as at December 31, 2014 and 2013:

DEBT RATIO

As at December 31	2014	2013
Cash and cash equivalents	**(5,909)**	(9,742)
Mortgages payable	**1,968,919**	1,794,830
Debentures	**1,945,627**	994,824
Convertible debentures	**183,081**	181,768
Bank borrowings	**457,323**	105,697
Total debt	**4,549,041**	3,067,377
Total assets less cash and cash equivalents	**8,103,510**	5,987,588
Overall debt ratio(1)(2)	**56.1%**	51.2%
Debt ratio (excluding convertible debentures)(2)	**53.9%**	48.2%

(1) Total of cash and cash equivalents, bank borrowings, mortgages payable, debentures and convertible debentures divided by total assets less cash and cash equivalents.
(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.

As at December 31, 2014, the debt ratio (excluding convertible debentures) was 53.9%. The increase in the debt ratio since December 31, 2013 was due to acquisitions of income properties realized in 2014.

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term and providing unitholders with consistent and stable distributions, Cominar generally aims to maintain a debt ratio of approximately 50% of the gross carrying amount, even though the Contract of Trust provides for a ratio of up to 60% (65% if convertible debentures are outstanding).

INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income less Trust administrative expenses by finance charges. The interest coverage ratio is used to assess Cominar's ability to pay interest on its total debt from operating revenues. As at December 31, 2014, Cominar's interest coverage ratio stood at 2.67:1 [2.70:1 as at December 31, 2013], evidence of its capacity to meet its interest payment obligations.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

Cominar entered into an agreement for the acquisition of a portfolio of 3 industrial properties representing approximately $34.5 million in value (subject to adjustments), and approximately 697,000 square feet in total leasable area, located in the greater Montréal area. This acquisition is subject to customary closing requirements. There can be no assurance that this acquisition will be completed.

Cominar has no significant contractual commitments other than those arising from its long-term debt and payments due under emphyteutic leases on land held for income properties.

PROPERTY PORTFOLIO

The following table presents information on the property portfolio, including Cominar's proportionate share:

As at December 31	2014	2013	Δ%
Income properties	**7,784,542**	5,654,825	36.1
Properties under development and land held for future development	**130,757**	107,961	12.9
Number of income properties	**563**	497	
Leasable area (sq. ft.)	**45,252,000**	37,123,000	21.9

SUMMARY BY OPERATING SEGMENT

As at December 31	2014		2013	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**136**	**14,994,000**	120	13,017,500
Retail	**196**	**12,845,000**	160	7,901,500
Industrial and mixed-use	**231**	**17,413,000**	217	16,204,000
Total	**563**	**45,252,000**	497	37,123,000

SUMMARY BY GEOGRAPHIC MARKET

As at December 31	2014		2013	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Québec City	**133**	**10,202,000**	122	8,358,500
Montréal	**301**	**25,468,000**	268	22,130,000
Ontario(1)	**55**	**5,766,000**	32	2,801,000
Atlantic Provinces	**60**	**2,709,000**	61	2,720,500
Western Canada	**14**	**1,107,000**	14	1,113,000
Total	**563**	**45,252,000**	497	37,123,000

(1) For presentation purposes, the Gatineau area is included in the Ontario geographic market.

ACQUISITIONS AND INVESTMENTS

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

During the year ended December 31, 2014, Cominar focused on strategic acquisitions resulting in the addition of 66 income properties to its property portfolio and representing a total of 8.1 million square feet.

ACQUISITION OF AN INVESTMENT PROPERTY PORTFOLIO FROM IVANHOÉ CAMBRIDGE FOR A PURCHASE PRICE OF $1.63 BILLION

On September 30 and October 17, 2014, Cominar acquired 35 income properties, one property under development and land held for future development from Ivanhoé Cambridge. This acquisition consists of:

- 31 retail properties, of which 2.5 million square feet are located in the Montréal area, 1.6 million square feet are located in the Québec City area, and 734,000 square feet are located in the Greater Toronto area.
- 3 office properties, of which 271,000 square feet are located in the Québec City area, 263,000 square feet are located in the Greater Toronto area, and 64,000 square feet are located in the Montréal area.
- 1 industrial property of 99,000 square feet located in the Québec City area.
- 1 office property currently in development, with a leasable area of 118,000 square feet located in the Montréal area.

The weighted average capitalization rate for these transactions is 6.5%.

ACQUISITIONS OF INVESTMENT PROPERTIES

On February 26, 2014, Cominar acquired a portfolio of 11 office properties located in the Greater Toronto Area and in Montréal, for a net purchase price of $229.3 million, with $128.3 million paid in cash and $101.0 million by assuming mortgages payable. The acquired portfolio consists of four office properties located in the Greater Toronto Area with a total leasable area of 782,000 square feet, and seven office properties located in Montréal, with a total leasable area of 407,000 square feet. The capitalization rate for this transaction is 7.0%. Approximately 70% of the net operating income of this acquisition comes from the Greater Toronto Area.

On February 27, 2014, Cominar acquired five retail properties with a total leasable area of 121,000 square feet located in the Greater Montréal Area for a purchase price of $26.1 million paid in cash. As part of this transaction, Cominar also acquired a vacant lot for $2.1 million paid cash. The capitalization rate for this transaction is 7.0%.

On May 1, 2014, Cominar acquired a portfolio of 14 mainly industrial and mixed-use properties in the Greater Toronto Area, with a total leasable area of approximately 1,184,000 square feet, for a purchase price of $100.7 million, with $63.2 million paid in cash and $37.5 million by assuming mortgages payable. The capitalization rate for this transaction is 7.1%.

On October 8, 2014, Cominar acquired a retail property with a leasable area of 17,000 square feet located in Québec City, for a purchase price of $2.2 million paid in cash. The capitalization rate for this transaction is 8.1%.

The following table presents additional information on these acquisitions:

Investment properties	City/Province	Business segment[(1)]	Leasable area
			sq. ft.
Acquisition on February 26, 2014:			
3100 Côte-Vertu Boulevard	Montréal, QC	O	96,000
3773-3777 Côte-Vertu Boulevard	Montréal, QC	O	53,000
7405 Trans-Canada Highway	Montréal, QC	O	81,000
9800 Cavendish Boulevard	Montréal, QC	O	103,000
3900 Côte-Vertu Boulevard	Montréal, QC	O	29,000
3950 Côte-Vertu Boulevard	Montréal, QC	O	24,000
7355 Trans-Canada Highway	Montréal, QC	O	23,000
5500 North Service Road	Burlington, ON	O	222,000
95 Moatfield Drive	Toronto, ON	O	156,000
105 Moatfield Drive	Toronto, ON	O	249,000
225 Duncan Mill Road	Toronto, ON	O	156,000
			11922,000
Acquisition on February 27, 2014:			
400 Montée des Pionniers	Terrebonne, QC	R	6,000
330-334 Montée des Pionniers	Terrebonne, QC	R	6,000
310-322 Montée des Pionniers	Terrebonne, QC	R	19,000
250-302 Montée des Pionniers	Terrebonne, QC	R	77,000
216-220 Montée des Pionniers	Terrebonne, QC	R	13,000
			121,000
Acquisition on May 1, 2014:			
6300 Northwest Drive	Mississauga, ON	I	26,000
6280 Northwest Drive	Mississauga, ON	I	21,000
3415 American Drive	Mississauga, ON	I	31,000
3405 American Drive	Mississauga, ON	I	20,000
3403 American Drive	Mississauga, ON	I	19,000
3397 American Drive	Mississauga, ON	I	46,000
3395 American Drive	Mississauga, ON	I	16,000
3355 American Drive	Mississauga, ON	I	113,000
6295 Northam Drive	Mississauga, ON	I	42,000
6325 Northam Drive	Mississauga, ON	I	77,000
6305 Northam Drive	Mississauga, ON	I	34,000
6285 Northam Drive	Mississauga, ON	O	54,000
6275 Northam Drive	Mississauga, ON	I	50,000
400 Nugget Avenue	Toronto, ON	I	635,000
			1184,000
Acquisitions from Ivanhoé Cambridge on September 30 and October 17, 2014:			
505 Parc-Technologique Boulevard	Québec City, QC	I	99,000
805 Frontenac Boulevard East	Thetford Mines, QC	R	181,000
8585 Lacroix Boulevard	Saint-Georges-de-Beauce, QC	R	305,000
298 Armand-Thériault Boulevard	Rivière-du-Loup, QC	R	311,000
252 Hôtel-de-Ville Boulevard	Rivière-du-Loup, QC	R	8,000
95 Cerisiers Street	Rivière-du-Loup, QC	R	6,000
419 Jessop Boulevard	Rimouski, QC	R	345,000
4125-4575 des Forges Boulevard	Trois-Rivières, QC	R	377,000
3925 des Forges Boulevard	Trois-Rivières, QC	R	39,000
690-700 René-Lévesque Boulevard East	Québec, QC	O	271,000
2305 Rockland Road	Mont-Royal, QC	C	646,000
2151-2153 Lapinière Boulevard	Brossard, QC	R	723,000
100 Brien Boulevard	Repentigny, QC	R	558,000
2968-3000 Pierre-Péladeau Avenue	Laval, QC	O	64,000

Investment properties	City/Province	Business segment[(1)]	Leasable area
			sq. ft.
2888 Cosmôdome Avenue	Laval, QC	R	74,000
1731-1799 Pierre-Péladeau Avenue and 2777 Saint-Martin Boulevard West	Laval, QC	R	68,000
2900-2940 Pierre-Péladeau Avenue and 101 Centropolis Promenade	Laval, QC	R	23,000
105-165 Centropolis Promenade	Laval, QC	R	21,000
1820-1880 Pierre-Péladeau Avenue	Laval, QC	R	19,000
100-140 Centropolis Promenade	Laval, QC	R	15,000
1730-1798 Pierre-Péladeau Avenue and 2929-2981 Saint-Martin Boulevard West	Laval, QC	R	57,000
175-245 Centropolis Promenade	Laval, QC	R	40,000
485-575 Centropolis Promenade	Laval, QC	R	50,000
150-190 Centropolis Promenade	Laval, QC	R	15,000
200-250 Centropolis Promenade	Laval, QC	R	20,000
450-510 Centropolis Promenade	Laval, QC	R	20,000
580-590 Centropolis Promenade and 1825-1955 Daniel-Johnson Boulevard	Laval, QC	R	28,000
520-572 Centropolis Promenade	Laval, QC	R	15,000
595-655 Centropolis Promenade and 2005-2105 Daniel-Johnson Boulevard	Laval, QC	R	56,000
2800 du Cosmodôme Avenue	Laval, QC	R	100,000
55 University Avenue	Toronto, ON	O	263,000
320 Saint-Joseph Boulevard	Gatineau, QC	R	307,000
350 Saint-Joseph Boulevard	Gatineau, QC	R	8,000
1250 South Service Road	Mississauga, ON	R	416,000
1490 Dixie Road	Mississauga, ON	R	3,000
			5,551,000
Acquisition on October 8, 2014:			
3315-3317 du Carrefour Street	Québec City, QC	C	17,000
			8,065,000

(1) O: Office; R: Retail; I: Industrial and mixed-use.

The results of operations of income properties acquired during fiscal 2014 are included in the consolidated financial statements from their acquisition dates.

DISPOSAL OF AN INVESTMENT PROPERTY

On May 7, 2014, Cominar sold a commercial building in Kentville, in Nova Scotia, for $2.0 million. This disposal will have no significant impact on future consolidated results. Cominar recorded no gain or loss on this disposal.

INVESTMENTS IN INCOME PROPERTIES

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

During fiscal 2014, Cominar incurred $92.5 million [$89.3 million in 2013] in capital expenditures either to increase the rental income generating capacity of its properties or to reduce the related operating expenses. Of this amount, $23.2 million has been invested in three major revitalization projects that are currently underway in our shopping centres, i.e., Alexis Nihon, Centre Laval, and Place Longueuil. These investments allowed Cominar to sign leases with commercial clients in these three shopping centres. During the year, Cominar also incurred $4.8 million [$3.7 million in 2013] in 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 aim to 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 renewals and the signing of new leases. It also depends on increases in rental space due to newly acquired, expanded or upgraded properties, or rental space transferred from properties under development. During fiscal 2014, Cominar made investments of $36.0 million in this respect [$29.2 million in 2013].

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECT

In 2014, Cominar completed the construction of an office building that is part of the Place Laval complex which was transferred from properties under development to income properties. This 14-story, 310,000 square-foot building is 100% occupied by a Québec government agency under a long-term lease. The capitalization rate for this property is 8.1%.

As part of the acquisition of the investment property portfolio from Ivanhoé Cambridge for an amount of $1.63 billion, Cominar acquired an office property under development with a leasable area of 118,000 square feet located in Laval as part of the Centropolis complex, for total estimated cost of $28.2 million, including leasing cost and leasehold improvements. The occupancy of this property began at the end of 2014 and will be continued in 2015. The capitalization rate of this property is estimated at 7.1%.

Cominar jointly owns with Groupe Dallaire Inc. a 50% interest in a joint venture, which began a real estate development project in several phases on land located along Highway 40, Québec City's main highway. It is foreseen that this project will consist primarily of commercial space, the first phase being an office building of approximately 76,000 square feet on six floors. The capitalization rate of this property is estimated at 8.5%.

INVESTMENT IN A MORTGAGE RECEIVABLE

During the year, Cominar entered into a loan agreement with a related party, a company indirectly owned by the Dallaire family, regarding the realization of a future real estate development project on Laurier Boulevard, in Québec City, adjacent to the Complexe Jules-Daillaire. The underlying land is subject to a mortgage guarantee in favour of Cominar. As at December 31, 2014, the mortgage receivable of $8.3 million bears interest at bankers' acceptance rate plus 250 basis points, payable monthly. The timetable, construction plans and the terms of Cominar's interest in this project are to be finalized. Once that is done, Cominar can choose either to have the mortgage receivable repaid in full or to participate in the construction of the project. The joint agreement provides Cominar with the opportunity to contribute to the realization of this large-scale project, in Québec City, while reducing the risk associated with the development of such project.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at December 31, 2014, the average occupancy rate of our properties was 94.4%, compared to 93.1% as at December 31, 2013. The average occupancy rate for each of our three operating segments has increased in 2014.

OCCUPANCY RATE TRACK RECORD

	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Operating segment (%)					
Office	**93.5**	93.3	94.3	95.2	95.2
Retail	**94.7**	94.2	94.6	96.9	96.1
Industrial and mixed-use	**94.9**	92.4	93.1	91.8	92.3
Portfolio total	**94.4**	93.1	93.9	93.6	93.8

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity in 2014:

LEASING ACTIVITY

	Office	Retail	Industrial and mixed-use	Total
Leases that matured in 2014				
Number of tenants	384	376	263	1,023
Leasable area (sq. ft.)	2,432,000	1,123,000	2,324,000	5,879,000
Average net rent ($/sq. ft.)	13.33	12.20	6.00	10.21
Renewed leases				
Number of tenants	275	277	189	741
Leasable area (sq. ft.)	1,904,000	877,000	1,585,000	4,366,000
Average net rent ($/sq. ft.)	11.91	12.71	6.19	9.99
Growth in the average net rent (%)	1.3	3.6	4.2	2.4
Retention rate (%)	**78.3**	**78.1**	**68.2**	**74.3**
New leases				
Number of tenants	120	79	113	312
Leasable area (sq. ft.)	498,000	151,000	1,092,000	1,741,000
Average net rent ($/sq. ft.)	13.60	15.78	5.45	8.67

During 2014, 5.9 million square feet of leasable area expired. Of these leasable areas, 74.3% were renewed and new leases were also signed, representing 1.7 million square feet of leasable area.

The following table presents growth in the average net rent for leases that were renewed in 2014:

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

	2014	2013
	%	%
Operating segment		
Office	**1.3**	7.6
Retail	**3.6**	4.9
Industrial and mixed-use	**4.2**	4.0
Portfolio total	**2.4**	5.9

Average net rent of renewed leases rose in all our operating segments by a growth rate of 2.4% overall: 1.3% (office), 3.6% (retail), and 4.2% (industrial and mixed-use).

Given the current demand for rental space across all our geographic markets, we remain confident of renewing a substantial portion of our leases maturing in the coming year at a higher rate per square foot.

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

LEASE MATURITIES

	2015	2016	2017	2018	2019
Office					
Leasable area (sq. ft.)	2,590,000	2,232,000	1,762,000	1,942,000	1,577,000
Average net rent ($/sq. ft.)	12.89	14.20	14.14	13.54	13.48
% of portfolio – Office	17.3	14.9	11.8	13.0	10.5
Retail					
Leasable area (sq. ft.)	1,348,000	1,304,000	1,671,000	2,138,000	1,489,000
Average net rent ($/sq. ft.)	17.15	18.48	15.21	13.17	16.20
% of portfolio – Retail	10.5	10.2	13.0	16.6	11.6
Industrial and mixed-use					
Leasable area (sq. ft.)	3,506,000	2,240,000	2,280,000	2,053,000	1,076,000
Average net rent ($/sq. ft.)	5.70	5.91	6.87	6.55	6.88
% of portfolio – Industrial and mixed-use	20.1	12.9	13.1	11.8	6.2
Portfolio total					
Leasable area (sq. ft.)	7,444,000	5,776,000	5,713,000	6,133,000	4,142,000
Average net rent ($/sq. ft.)	10.28	11.95	11.55	11.07	12.74
% of portfolio	16.5	12.8	12.6	13.6	9.2

The following table summarizes information on leases as at December 31, 2014:

	Average remaining lease term	Average leased area per tenant	Average net rent/ sq. ft.
	years	sq. ft.	$
Office	3.9	7,000	13.88
Retail	4.1	4,100	15.17
Industrial and mixed-use	4.3	13,300	6.09
Portfolio average	**4.2**	**7,000**	**11.30**

Cominar has a broad, highly diversified retail client base consisting of about 6,100 tenants occupying an average of approximately 7,000 square feet each. Our top three tenants, Public Works Canada, *Société québécoise des infrastructures*, and Canadian National Railway Company account for approximately 5.1%, 3.5% and 3.2% of our net operating income, respectively, arising from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 9.7% come from government agencies representing approximately 106 leases.

The following table presents our top ten tenants by percentage of net operating income:

Tenant	% of net operating income
Public Works Canada	5.1
Société québécoise des infrastructures	3.5
Canadian National Railway Company	3.2
Ericsson Canada	1.3
Jean Coutu Group	1.3
Scotiabank	1.0
Target Canada	0.9
Shoppers Drug Mart	0.8
Cinram Canada	0.7
Co-op Atlantic	0.7
Total	**18.5**

ISSUED AND OUTSTANDING UNITS

During fiscal 2014, Cominar closed a public offering of 15,131,700 units at a price of $19.00 per unit. The total net proceeds to Cominar stood at $275.4 million, net of the underwriters' fee and costs relating to the offering. Cominar also closed a private offering of 13,158,000 units at a price of $19.00 per unit. The total net proceeds to Cominar were $249.9 million, net of the costs relating to the offering.

For the years ended December 31	2014	2013
Units issued and outstanding, beginning of year	**127,051,095**	124,349,608
+ Public offering	**15,131,700**	—
+ Private placement	**13,158,000**	—
+ Exercise of options	**92,000**	456,500
+ Distribution reinvestment plan	**3,247,589**	2,243,459
+ Conversion of deferred units	**8,811**	—
+ Conversion of convertible debentures	**—**	1,528
Units issued and outstanding, end of year	**158,689,195**	127,051,095

Additional information	February 23, 2015
Issued and outstanding units	167,125,233
Outstanding unit options	8,907,300
Potential units – conversion of convertible debentures	10,032,140
Deferred units and restricted units	167,958

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of Cominar's management team, exercise indirect control over Dallaire Group Inc. and Dalcon Inc. During fiscal 2014, Cominar recorded $160 thousand in net rental income from Dalcon Inc. and Dallaire Group Inc. Cominar also incurred costs of $13.6 million for leasehold improvements performed by Dalcon Inc. on its behalf and costs of $60.0 million for the construction and development of investment properties.

Cominar recorded $306 thousand in interest income from Dallaire Group Inc. during the year.

Cominar and Dallaire Group Inc. each owns 50% of two joint ventures for a total net investment by Cominar of $41.6 million. The business objective of these two joint ventures is the ownership, management and development of its real estate projects.

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 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 consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that the DC&P were effective as at the end of the year ended December 31, 2014, and that the current controls and procedures provide reasonable assurance that material information about Cominar, including its consolidated subsidiaries, is made known to them during the period in which these reports 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 Cominar concluded that ICFR was effective as at the end of the year ended December 31, 2014, and, more specifically, that the financial reporting is reliable and that the consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

No changes were made to the Trust's internal controls over financial reporting during fiscal 2014 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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

The consolidated financial statements include the accounts of Cominar and its wholly-owned subsidiaries as well as its proportionate share of the assets, liabilities, revenues and expenses of the property it co-owned until January 2014.

Use of estimates, assumptions and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as 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, assumptions and judgments, are described below:

- ***Investment properties***

  Investment properties are 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 properties, 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.

- ***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 investment properties acquisition does not correspond to the definition of a business, 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, based on its judgment, 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.

- ***Joint arrangements***

  Upon the creation of a joint arrangement, Cominar’s management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method of if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% of the voting rights of its joint ventures. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The joint arrangements in which Cominar is involved are structured so that they provide Cominar rights to these entities’ net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

- ***Impairment of goodwill***

  Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. 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. Goodwill resulting from business combinations is allocated to each group of cash-generating units expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of cash-generating units, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar’s past experience as well as on external sources of information. The recoverable value is the higher of fair value less the cost of disposal and the value in use. Should the carrying value of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

- ***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 used in 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 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.

- ***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.

Investment properties

An investment property is an immovable property held by Cominar 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 properties 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 in the period in which it arises. The fair value of investment properties should reflect market conditions at the end of the reporting period. Fair value is time-specific as at 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 properties is based on measurements derived from management's estimates or valuations from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews appraisals of its investment properties 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 properties.

The fair value of Cominar's investment properties recorded on the balance sheet in accordance with IFRS is the sum of the fair values 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 business segments; (ii) synergies among different investment properties; and (iii) a fully integrated management approach. Therefore, the fair value of Cominar's investment properties 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 properties the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. Cominar also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. For major revitalization projects of income properties that take place over a substantial period of time, Cominar capitalizes the borrowing costs that are directly attributable to the investments in question.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development 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.

When Cominar determines that the acquisition of an investment property is an asset acquisition, it capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

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 on the balance sheet and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

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

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 uses the following classifications for its financial instruments:

– Bond investments are classified as investments held until their maturity date. They are initially measured at fair value and are then measured at amortized cost using the effective interest rate method.

– Cash and cash equivalents, the mortgage receivable 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, 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.

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 financing arrangements.

Deferred financing costs
Issue costs incurred to obtain term loan financing, typically through mortgage payable, 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 the operating and acquisition credit facility are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the credit facility.

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 properties. Leases generally provide for the tenants' payment of maintenance expenses for 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. Lastly, incidental income is recognized when services are rendered.

Long term incentive plan

Cominar has a long term incentive plan in order to attract, retain and motivate its employees to attain Cominar's objectives. This plan does not provide for any cash settlements.

Unit purchase options

Cominar recognizes a compensation expense on units 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

Cominar recognizes a compensation expense on restricted unit options granted, based on their fair value on the date of the grant. The fair value of restricted units is represented by 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 vesting period.

Deferred units

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

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 allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

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 asset and 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.

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 issuance of units in accordance with the long term incentive plan and the potential issuance of units under convertible debentures, if dilutive.

Segment information

Segment information is presented in accordance with IFRS 8, "Operating segments," 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 POLICY

During fiscal 2014, Cominar applied the following policy:

IFRS 11, "Joint Arrangements"

In accordance with IFRS 11, "Joint Arrangements," Cominar accounts for its investments in joint ventures using the equity method. Under this method, the investment in joint ventures is carried on the consolidated balance sheet at cost plus post-acquisition changes in Cominar's share of the joint ventures' net assets, less distributions received. Cominar's net income and comprehensive income then reflects the share of net income and comprehensive income from investment in joint ventures.

FUTURE ACCOUNTING POLICY CHANGES

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers." IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. This standard will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. Application of the standard will be mandatory for all IFRS reporters, and will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

IFRS 9, "Financial Instruments"

In July 2014, the IASB published its final version of IFRS 9, which will replace IAS 39, "Financial Instruments: Recognition and Measurement." The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

RISKS AND UNCERTAINTIES

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

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 assurances that Cominar will have access to sufficient capital (including debt financing) on terms favourable 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 such capital. The Canadian economy is currently being adversely impacted by low and falling oil prices. Failure to raise capital in a timely matter 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's activities are therefore partially dependent upon the interest rates applied to its existing debt. 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 generally 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 dedicated 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 unsecured revolving credit facility in the stated amount of $550.0 million is repayable in August 2017. As at December 31, 2014, $457.3 million were drawn down under the unsecured revolving credit facility.

Cominar is exposed to debt financing risks, including the risk that the existing mortgages payable secured by its properties and the unsecured revolving credit facility 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 as regards the mortgages payable, Cominar tries to appropriately structure the timing of the renewal of significant tenant leases on its respective properties in relation to the refinancing timing of the related mortgages.

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. Recently, due to difficult conditions in the Canadian retail environment, certain retailers have announced the closure of their stores, including Jacob, Mexx, Bikini Village Group and Target Canada, which are tenants of the REIT. Other retailers may follow. 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 favourable 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, mortgage 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 cash available for distributions.

ENVIRONMENTAL MATTERS

Environmental and ecological related policies have become increasingly important in recent years. As an owner or operator of real property, Cominar could, under various federal, provincial and municipal laws, become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in our properties or disposed of at other locations. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect Cominar's ability to sell such real estate or to borrow using such real estate as collateral, and could, potentially, also result in claims against Cominar by private plaintiffs or governmental agencies. Cominar is not currently aware of any material non-compliance, liability or other claim in connection with any of our properties, nor is Cominar aware of any environmental condition with respect to any properties that it believes would involve material expenditures by Cominar.

Pursuant to Cominar's operating policies, Cominar shall obtain or review a Phase I environmental audit of each immovable property which will be acquired.

LEGAL RISKS

Cominar's operations are subject to various laws and regulations across all of its operating jurisdictions and Cominar faces risks associated with legal and regulatory changes and litigation.

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 applicable to 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 Cominar's tenants could have an adverse effect on Cominar's ability to lease space in its properties and on the rents charged, and could adversely affect Cominar's revenues and, consequently, its ability to meet its debt obligations.

ACQUISITIONS

Cominar's business plan is focused in part 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 distributable income. 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.

PROPERTY DEVELOPMENT PROGRAM

Information regarding Cominar's development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items such as, but not limited to, tenant rents, building sizes, leasable areas, project completion timelines and project costs, are updated periodically based on revised site plans, Cominar's cost tendering process, continuing tenant negotiations, demand for leasable space in Cominar's markets, the obtaining of 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 any changes in these assumptions could have a material adverse effect on Cominar's development program, asset values and financial performance.

RECRUITMENT AND RETENTION OF EMPLOYEES AND EXECUTIVES

Management depends on the services of certain key personnel. 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.

LIMIT ON ACTIVITIES

In order to maintain its status as a "mutual fund trust" under the 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.

GENERAL UNINSURED LOSSES

Cominar subscribed a blanket comprehensive general liability including insurance against fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) which are either uninsurable or not insurable on an economically viable basis. Cominar also carries insurance for earthquake risks, subject to certain policy limits, deductibles, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Cominar could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but Cominar would continue to be obligated to repay any hypothecary recourse or mortgage indebtedness on such properties.

Many insurance companies have eliminated coverage for acts of terrorism from their policies, and Cominar may not be able to obtain coverage for terrorist acts at commercially reasonable rates or at any price. Damage to a property sustained as a result of an uninsured terrorist or similar act would likely adversely impact Cominar's financial condition and results of operation and decrease the amount of cash available for distribution.

RISK FACTORS RELATED TO THE OWNERSHIP OF SECURITIES

Market price

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, Cominar's units may trade at a premium or a discount to values implied by the initial appraisal of the value of its properties or the value of such properties from time to time.

Although Cominar intends to make distributions of its available cash to unitholders, these cash distributions are not assured. The actual amount distributed will depend on numerous factors including, but not limited to, Cominar's financial performance, debt covenants and obligations, working capital requirements and future capital requirements. The market price of the units may deteriorate if Cominar is unable to meet its cash distribution targets in the future.

The after-tax return from an investment in units to unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by Cominar (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to unitholders.

Factors that may influence the market price of the units include the annual yield on the units, the number of units issued and outstanding and Cominar's payout ratio. An increase in market interest rates may lead purchasers of units to demand a higher annual yield which could adversely affect the market price of the units. Unlike fixed-income securities, there is no obligation of Cominar to distribute to unitholders any fixed amount and reductions in, or suspensions of, distributions may occur that would reduce yield based on the market price of the units. In addition, the market price for the units may be affected by changes in general market conditions, fluctuations in the markets for equity securities, changes in the economic environment and numerous other factors beyond the control of Cominar.

Credit rating

The credit rating assigned by DBRS to Cominar and the unsecured debentures is not a recommendation to buy, hold or sell securities of Cominar. A rating is not a comment on the market price of a security nor is it an assessment of ownership given various investment objectives. Prospective investors should consult with DBRS with respect to the interpretation and implications of the rating. There is no assurance that any rating will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed or withdrawn. Non-credit risks that can meaningfully impact the value of the securities issued include market risk, trading liquidity risk and covenant risk. DBRS uses rating symbols as a simple and concise method of expressing its opinion to the market, although DBRS usually provides broader contextual information regarding securities in rating reports, which generally sets out the full rationale for the chosen rating symbol, and in other releases.

Structural subordination of securities

In the event of a bankruptcy, liquidation or reorganization of Cominar or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of Cominar and those subsidiaries before any assets are made available for distribution to the holders of securities. The securities will be effectively subordinated to most of the other indebtedness and liabilities of Cominar and its subsidiaries. Neither Cominar, nor any of its subsidiaries will be limited in their ability to incur additional secured or unsecured indebtedness.

Availability of cash flow

Distributable Income may exceed actual cash available to Cominar from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. Cominar may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

Cominar may need to refinance its debt obligations from time to time, including upon expiration of its debt. There could be a negative impact on distributable income if debt obligations of Cominar are replaced with debt that has less favourable terms or if

Cominar is unable to refinance its debt. In addition, loan and credit agreements with respect to debt obligations of Cominar, include, and may include in the future, certain covenants with respect to the operations and financial condition of Cominar and Distributable Income may be restricted if Cominar is unable to maintain any such covenants.

Unitholder liability

The Contract of Trust provides that no unitholder or annuitant under a plan of which a unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no resort shall be had to the private property of any unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Cominar or of the Trustees. Only assets of Cominar are intended to be liable and subject to levy or execution.

The Contract of Trust further provides that certain documents signed by Cominar (including all immovable hypothecs and, to the extent the Trustees determine to be practicable and consistent with their obligation as Trustees to act in the best interests of the unitholders, other documents creating a material obligation of Cominar) shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be binding upon unitholders or annuitants personally. Except in case of bad faith or gross negligence on their part, no personal liability will attach under the laws of the Province of Québec to unitholders or annuitants for contract claims under any document disclaiming personal liability as aforesaid.

However, in conducting its affairs, Cominar will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs or mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the unitholders or annuitants personally. However, Cominar may not be able to obtain such modification in all cases. If a claim is not satisfied by Cominar, there is a risk that a unitholder or annuitant will be held personally liable for the performance of the obligations of Cominar where the liability is not disavowed as described above. The possibility of any personal liability attaching to unitholders or annuitants under the laws of the Province of Québec for contract claims where the liability is not so disavowed is remote.

Cominar uses all reasonable efforts to obtain acknowledgments from the mortgage creditors under assumed hypothecs that assumed hypothec obligations will not be binding personally upon the Trustees or the unitholders.

Claims against Cominar may arise other than under contracts, including claims in delict, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of unitholders for such claims is considered remote under the laws of the Province of Québec and, as well, the nature of Cominar's activities are such that most of its obligations arise by contract, with non-contractual risks being largely insurable. In the event that payment of a REIT obligation were to be made by a unitholder, such unitholder would be entitled to reimbursement from the available assets of Cominar.

Article 1322 of the Civil Code of Québec effectively states that the beneficiary of a trust is liable towards third persons for the damage caused by the fault of the trustees of such trust in carrying out their duties only up to the amount of the benefit such beneficiary has derived from the act of such trustees and that such obligations are to be satisfied from the trust patrimony. Accordingly, although this provision remains to be interpreted by the courts, it should provide additional protection to unitholders with respect to such obligations.

The Trustees will cause the activities of Cominar to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their duty to act in the best interests of the unitholders, any material risk of liability on the unitholders for claims against Cominar.

Dilution

The number of units Cominar is authorized to issue is unlimited. The Trustees have the discretion to issue additional units in other circumstances. Additional units may also be issued pursuant to the distribution reinvestment plan, the equity incentive plan and any other incentive plan of Cominar, upon conversion of the convertible debentures, and to the convertible debenture indenture trustee in payment of interest on the convertible debentures. Any issuance of units may have a dilutive effect on unitholders.

Restrictions on certain unitholders and liquidity of units

The Contract of Trust imposes restrictions on non-resident unitholders, who are prohibited from beneficially owning more than 49% of the units. These restrictions may limit the rights of certain unitholders, including non-residents of Canada, to acquire units, to exercise their rights as unitholders and to initiate and complete take-over bids in respect of the units. As a result, these restrictions may limit the demand for units from certain unitholders and thereby adversely affect the liquidity and market value of the units held by the public. Unitholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of distributions by Cominar. Cominar withholds such taxes as required by the Tax Act and remits such payment to the tax authorities on behalf of the unitholder. The Tax Act contains measures to subject to Canadian non-resident withholding tax certain otherwise non-taxable distributions of Canadian mutual funds to non-resident unitholders. This may limit the demand for units and thereby affect their liquidity and market value.

Cash distributions are not guaranteed

There can be no assurance regarding the amount of income to be generated by Cominar's properties. The ability of Cominar to make cash distributions, and the actual amounts distributed, will be entirely dependent on the operations and assets of Cominar and its subsidiaries, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from anchor tenants and capital expenditure requirements. The market value of the units will deteriorate if Cominar is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Nature of investment

A unitholder does not hold a share of a body corporate. As holders of units, the unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of unitholders are based primarily on the Contract of Trust. There is no statute governing the affairs of Cominar equivalent to the CBCA, which sets out the rights, and entitlements of shareholders of corporation in various circumstances.

Status for tax purposes

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 holders and to deduct such distributions and allocations of its income for tax purposes.

Certain of Cominar's subsidiaries are subject to tax on their taxable income under the Tax Act and the Taxation Act (Québec).

A special tax regime applies to trusts that are considered specified investment flow-through ("SIFT") entities as well as those individuals who invest in SIFTs. Under the SIFT rules, a SIFT is subject to tax in a manner similar to corporations on income from business carried on in Canada and on income (other than taxable dividends) or capital gains from "non-portfolio properties" (as defined in the Tax Act), at a combined federal/provincial tax rate similar to that of a corporation.

The SIFT rules apply unless (among other exceptions not applicable here) the trust qualifies as a "real estate investment trust" for the year. If Cominar fails to qualify for the Real Estate Investment Trust exception, Cominar will be subject to the tax regime introduced by the SIFT rules.

Management believes that Cominar currently meets all the criteria required to qualify for the Real Estate Investment Trust exception, as per the Real Estate Investment Trust exception currently in effect. As a result, management believes that the SIFT rules do not apply to Cominar. 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 Real Estate Investment Trust exception for the remainder of fiscal 2015 and any other subsequent year.

RISK FACTORS RELATED TO THE OWNERSHIP OF DEBT SECURITIES

Absence of market for debt securities

There is currently no trading market for any debt securities that may be offered. No assurance can be given that an active or liquid trading market for these securities will develop or be sustained. If an active or liquid market for these securities fails to develop or be sustained, the prices at which these securities trade may be adversely affected. Whether or not these securities will trade at lower prices depends on many factors, including liquidity of these securities, prevailing interest rates and the markets for similar securities, the market price of the units, general economic conditions and Cominar's financial condition, historic financial performance and future prospects.

Credit risk and prior ranking indebtedness: absence of covenant protection

The likelihood that holders of convertible debentures will receive payments owing to them under the terms of the convertible debentures will depend on the financial health of Cominar and its creditworthiness. In addition, the convertible debentures are unsecured obligations of Cominar and are subordinate in right of payment to all Cominar's existing and future senior indebtedness. Therefore, if Cominar becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, Cominar's assets will be available to pay its obligations with respect to the convertible debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the convertible debentures then outstanding. The convertible debentures are also effectively subordinate to claims of creditors of Cominar's subsidiaries except to the extent Cominar is a creditor of such subsidiaries ranking at least pari passu with such other creditors. The convertible debenture trust indenture does not prohibit or limit the ability of Cominar or its subsidiaries to incur additional debt or liabilities or to make distributions, except, in respect of distributions, where an event of default has occurred and such default has not been cured or waived. The convertible debenture trust indenture does not contain any provision specifically intended to protect holders of convertible debentures in the event of a future leveraged transaction involving Cominar.

Conversion following certain transactions

In the case of certain transactions, each convertible debenture may become convertible into the securities, cash or property receivable by a unitholder in the kind and amount of securities, cash or property into which the convertible debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the convertible debentures in the future.

Inability to redeem convertible debentures in the event of a change of control

In the event of a change of control including the acquisition, by one or more persons acting jointly or in concert, of voting control or direction over an aggregate of 66⅔% or more of the outstanding units, a holder of Series D convertible debentures and Series E convertible debentures may require Cominar to purchase, on the date which is 30 days after the delivery of a notice of a change of control, all or any part of such holder's Series D convertible debentures and Series E convertible debentures, as the case may be, at a price equal to 101% of the principal amount of such convertible debentures plus accrued and unpaid interest up to but not including the date of the put option.

CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
December 31, 2014

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 those amounts that must be based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information in 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 duly authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2014, 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 reports as well as internal control over financial reporting, 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 its 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 internal control procedures and their updates, the identification and management of risks, and advising the trustees on auditing matters and financial reporting issues.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., a partnership of independent professional chartered accountants appointed by the unitholders of Cominar upon the recommendation of the Audit Committee and the Board of Trustees, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2014 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

GILLES HAMEL, CPA, CA
Executive Vice President
and Chief Financial Officer

Québec City, February 23, 2015

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, 2014 and December 31, 2013 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, 2014 and December 31, 2013, 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.[1]
February 23, 2015
Place de la Cité, Tour Cominar
2640 Laurier Boulevard, Suite 1700
Québec City, Québec G1V 5C2
Canada

"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. A104882

CONSOLIDATED BALANCE SHEETS

[in thousands of Canadian dollars]

	Note	December 31, 2014	December 31, 2013
		$	$
ASSETS			
Investment properties			
Income properties	5	**7,697,823**	5,654,825
Properties under development	6	**53,150**	53,414
Land held for future development	6	**68,788**	54,547
		7,819,761	5,762,786
Investments in joint ventures	7	**41,633**	—
Goodwill	8	**166,971**	166,971
Mortgage receivable	9	**8,250**	—
Accounts receivable	10	**52,044**	43,230
Prepaid expenses and other assets		**10,025**	8,203
Bond investments	11	**4,826**	6,398
Cash and cash equivalents		**5,909**	9,742
Total assets		**8,109,419**	5,997,330
LIABILITIES			
Mortgages payable	12	**1,968,919**	1,794,830
Debentures	13	**1,945,627**	994,824
Convertible debentures	14	**183,081**	181,768
Bank borrowings	15	**457,323**	105,697
Accounts payable and accrued liabilities	16	**133,728**	84,285
Deferred tax liabilities	24	**10,310**	10,546
Total liabilities		**4,698,988**	3,171,950
UNITHOLDERS' EQUITY			
Unitholders' equity		**3,410,431**	2,825,380
Total liabilities and unitholders' equity		**8,109,419**	5,997,330

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, 2014		2,251,974	1,533,573	(966,563)	4,972	1,424	2,825,380
Net income and comprehensive income		—	199,453	—	—	—	199,453
Distributions to unitholders	17	—	—	(203,375)	—	—	(203,375)
Unit issues	17	600,001	—	—	—	—	600,001
Unit issue expenses	17	(12,460)	—	—	—	—	(12,460)
Long-term incentive plan		—	658	—	774	—	1,432
Balance as at December 31, 2014		2,839,515	1,733,684	(1,169,938)	5,746	1,424	3,410,431

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2013		2,197,826	1,278,292	(783,586)	2,627	1,736	2,696,895
Net income and comprehensive income		—	254,969	—	—	—	254,969
Distributions to unitholders	17	—	—	(182,977)	—	—	(182,977)
Unit issues	17	54,254	—	—	—	—	54,254
Unit issue expenses	17	(106)	—	—	—	—	(106)
Long-term incentive plan		—	—	—	2,345	—	2,345
Redemption of convertible debentures		—	312	—	—	(312)	—
Balance as at December 31, 2013		2,251,974	1,533,573	(966,563)	4,972	1,424	2,825,380

See accompanying notes to the condensed financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	2014	2013
		$	$
Operating revenues			
Rental revenue from investment properties		**739,884**	662,053
Operating expenses			
Operating costs		**151,199**	132,407
Realty taxes and services		**163,270**	149,010
Property management expenses		**14,136**	12,426
		328,605	293,843
Net operating income		**411,279**	368,210
Finance charges	19	**(149,385)**	(131,811)
Trust administrative expenses		**(12,977)**	(12,063)
Share of net income from investment in joint ventures	7	**10,918**	—
Change in fair value of investment properties	5	**(33,951)**	17,150
Transaction costs – business combination	4	**(26,667)**	—
Restructuring charges	20	**—**	(1,062)
Gain on disposal of a subsidiary	21	**—**	8,010
Gains on disposal of investment properties	22	**—**	3,370
Other revenues	23	**—**	4,906
Income before income taxes		**199,217**	256,710
Income taxes	24	**236**	(1,741)
Net income and comprehensive income		**199,453**	254,969
Basic net income per unit	25	**1.47**	2,03
Diluted net income per unit	25	**1.45**	1,98

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	2014	2013
		$	$
OPERATING ACTIVITIES			
Net income		**199,453**	254,969
Adjustments for:			
Excess of share of net income over distributions received from the investment in joint ventures	7	**(9,443)**	—
Change in fair value of investment properties		**33,951**	(17,150)
Amortizations		**(5,320)**	(6,033)
Compensation expense related to long-term incentive plan	17	**1,414**	2,155
Gain on disposal of a subsidiary	21	**—**	(8,010)
Gains on disposal of investment properties	22	**—**	(3,370)
Deferred income taxes	24	**(236)**	1,741
Recognition of leases on a straight-line basis	5	**(3,626)**	(4,101)
Changes in non-cash working capital items	26	**12,837**	(17,441)
Cash flows provided by operating activities		**229,030**	202,760
INVESTING ACTIVITIES			
Acquisitions of and investments in income properties	5	**(357,225)**	(305,753)
Acquisitions of and investments in properties under development and land held for future development	6	**(49,254)**	(58,220)
Cash consideration paid upon business combination	4	**(1,615,359)**	—
Mortgage receivable	9	**(8,250)**	—
Return of capital from a joint venture – net proceeds from a mortgage payable	7	**53,116**	—
Net proceeds from disposal of a portion of the investment in a joint venture	7	**20,150**	—
Contribution to the capital of a joint venture - cash	7	**(7,606)**	—
Net proceeds from the sale of investment properties	22	**2,000**	10,351
Maturity of bond investments		**1,496**	15,069
Acquisitions of other assets		**(1,741)**	(1,643)
Cash flows used in investing activities		**(1,962,673)**	(340,196)
FINANCING ACTIVITIES			
Distributions to unitholders		**(142,517)**	(137,665)
Bank borrowings		**351,626**	(279,484)
Mortgages payable		**248,596**	288,809
Net proceeds from issue of debentures		**949,610**	545,572
Net proceeds from issue of units	17	**526,470**	8,418
Redemption of convertible debentures		**—**	(109,986)
Repayments of balances at maturity of mortgages payable	12	**(150,819)**	(136,940)
Monthly repayments of mortgages payable	12	**(53,156)**	(50,188)
Cash flows provided by financing activities		**1,729,810**	128,536
Net change in cash and cash equivalents		**(3,833)**	(8,900)
Cash and cash equivalents, beginning of year		**9,742**	18,642
Cash and cash equivalents, end of year		**5,909**	9,742
Other information			
Interest paid		**158,339**	139,799
Income taxes paid (recovered)		**—**	12
Distributions received from a joint venture	7	**1,475**	—

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2014 and 2013
[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, 2014, Cominar owned and managed a real estate portfolio of 563 high-quality properties that covered a total area of 45.3 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 Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 850, Québec City, Québec, Canada, G1V 0C1. Additional information about the Trust is available on Cominar's website at www.cominar.com.

The Board of Trustees approved Cominar's consolidated financial statements on February 23, 2015.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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-owned until January 2014.

Use of estimates, assumptions and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as 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, assumptions and judgments, are described below:

- ***Investment properties***

  Investment properties are 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 properties, 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.

- ***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 investment properties acquisition does not correspond to the definition of a business, 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, based on its judgment, 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.

- ***Joint arrangements***

  Upon the creation of a joint arrangement, Cominar's management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method of if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% of the voting rights of its joint ventures. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The joint arrangements in which Cominar is involved are structured so that they provide Cominar rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

- ***Impairment of goodwill***

  Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. 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. Goodwill resulting from business combinations is allocated to each group of cash-generating units expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of cash-generating units, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the higher of fair value less the cost of disposal and the value in use. Should the carrying value of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

- ***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 used in 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 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.

- ***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.

Investment properties

An investment property is an immovable property held by Cominar 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 properties 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 in the period in which it arises. The fair value of investment properties should reflect market conditions at the end of the reporting period. Fair value is time-specific as at 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 properties is based on measurements derived from management's estimates or valuations from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews appraisals of its investment properties 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 properties.

The fair value of Cominar's investment properties recorded on the balance sheet in accordance with IFRS is the sum of the fair values 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 business segments; (ii) synergies among different investment properties; and (iii) a fully integrated management approach. Therefore, the fair value of Cominar's investment properties 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 properties the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. Cominar also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. For major revitalization projects of income properties that take place over a substantial period of time, Cominar capitalizes the borrowing costs that are directly attributable to the investments in question.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development 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.

When Cominar determines that the acquisition of an investment property is an asset acquisition, it capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

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 on the balance sheet and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

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

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 uses the following classifications for its financial instruments:

– Bond investments are classified as investments held until their maturity date. They are initially measured at fair value and are then measured at amortized cost using the effective interest rate method.

– Cash and cash equivalents, the mortgage receivable 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, 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.

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 financing arrangements.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgage payable, 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 the operating and acquisition credit facility are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the credit facility.

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 properties. Leases generally provide for the tenants’ payment of maintenance expenses for 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. Lastly, incidental income is recognized when services are rendered.

Long term incentive plan

Cominar has a long term incentive plan in order to attract, retain and motivate its employees to attain Cominar’s objectives. This plan does not provide for any cash settlements.

Unit purchase options
Cominar recognizes a compensation expense on units 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
Cominar recognizes a compensation expense on restricted unit options granted, based on their fair value on the date of the grant. The fair value of restricted units is represented by 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 vesting period.

Deferred units
Cominar recognizes compensation expense on deferred units granted, based on their fair value on the date of the grant. The fair value of restricted units is represented by the market value of Cominar units on the date of the grant. The compensation expense is amortized using the graded vesting method.

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 allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

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 asset and 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.

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 issuance of units in accordance with the long term incentive plan and the potential issuance of units under convertible debentures, if dilutive.

Segment information
Segment information is presented in accordance with IFRS 8, "Operating segments," 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 ACCOUNTING POLICY AND FUTURE ACCOUNTING POLICY CHANGES

a) New accounting policy
In 2014, Cominar applied the following accounting policy:

IFRS 11, "Joint Arrangements"
In accordance with IFRS 11, "Joint Arrangements," ("IFRS 11") Cominar accounts for its investments in joint ventures using the equity method. Under this method, the investments in joint ventures is carried on the consolidated balance sheet at cost plus post-acquisition changes in Cominar's share of the joint ventures' net assets, less distributions received. Cominar's net income and comprehensive income then reflects the share of net income and comprehensive income from investment in joint ventures.

b) Future accounting policy changes

IFRS 15, "Revenue from Contracts with Customers"
In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers." IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. The standard will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. Application of the standard will be mandatory for all IFRS reporters, and will apply to

nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

IFRS 9, "Financial Instruments"

In July 2014, the IASB published its final version of IFRS 9, which will replace IAS 39, "Financial Instruments: Recognition and Measurement." The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

4) ACQUISITIONS

ACQUISITIONS OF INVESTMENT PROPERTIES REALIZED IN 2014

On February 26, 2014, Cominar acquired a portfolio of 11 office properties for a purchase price of $229,333, net of working capital adjustments of $11,167, with $128,282 paid in cash and $101,051 by assuming mortgages payable. The acquired portfolio consists of four office properties located in the Greater Toronto Area, with a total leasable area of 782,000 square feet, and seven office properties located in Montréal, with a total leasable area of 407,000 square feet.

On February 27, 2014, Cominar acquired five retail properties with a total leasable area of 121,000 square feet located in the Greater Montréal Area for a purchase price of $26,075 paid in cash. As part of this transaction, Cominar also acquired a vacant lot for $2,125 paid cash.

On May 1, 2014, Cominar acquired a portfolio of 14 mainly industrial and mixed-use properties in the Greater Toronto Area, with a total leasable area of approximately 1,184,000 square feet, for a purchase price of $100,720, net of working capital adjustments of $3,530, with $63,256 paid in cash and $37,464 by assuming mortgages payable.

On October 8, 2014, Cominar acquired a retail property with a leasable area of 17,000 square feet located in Québec City, for a purchase price of $2,175 paid in cash.

These transactions were accounted for as an asset acquisition. 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 fair values at the acquisition date of acquired net assets:

	Fair value
	$
Income properties	375,334
Land held for future development	2,125
Mortgages payable	(140,849)
Working capital adjustments	(14,697)
Total cash consideration paid for these acquisitions	221,913

BUSINESS COMBINATION REALIZED IN 2014

On September 30 and October 17, 2014, Cominar acquired 35 income properties, one property under development and land held for future development from Ivanhoé Cambridge Inc. ("Ivanhoé Cambridge"), a real estate subsidiary of *La Caisse de dépôt et placement du Québec*. This acquisition consists of:

- 31 retail properties, of which 2.5 million square feet are located in the Montréal area, 1.6 million square feet are located in the Québec City area, and 734,000 square feet in the Greater Toronto area.
- 3 office properties, of which 271,000 square feet are located in the Québec City area, 263,000 square feet are located in the Greater Toronto area, and 64,000 square feet are located in the Montréal area.
- 1 industrial property of 99,000 square feet located in the Québec City area.
- 1 office property currently in development, with a leasable area of 118,000 square feet located in the Montréal area.

Cominar accounted for this acquisition using the acquisition method, in accordance with IFRS 3. The financial results of these properties have been included in the consolidated financial statements since the date of acquisition. As part of this transaction, Cominar incurred transaction costs of $26,667. In accordance with IFRS, transaction costs incurred as part of a business combination must be expensed as incurred.

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

	Preliminary acquisition price allocation
	$
Income properties	1,595,115
Property under development	28,200
Land held for future development	8,000
Working capital	(15,956)
Total cash consideration paid for the acquisition	1,615,359

The cash consideration paid for the acquisition was financed by the net proceeds of a public offering of units of $275,328, by the issuance of two series of unsecured debentures of $548,031, by a private placement with Ivanhoé Cambridge of $249,940, by two new mortgages payable totalling $250,000, by the temporary use of an unsecured bridge loan facility and finally by a portion of the unsecured revolving operating and acquisition credit facility.

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 and comprehensive income arising from the business combination, excluding transaction costs, since their dates of acquisition, were $47,469 and $17,509 respectively for the year ended December 31, 2014.

Assuming that the acquisition occurred on January 1, 2014, Cominar's operating revenues and net income and comprehensive income would amount to approximately $882,721 and $246,700, respectively, for the year ended December 31, 2014.

ACQUISITIONS OF INVESTMENT PROPERTIES REALIZED IN 2013

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. 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.

On March 15, 2013, Cominar acquired approximately 508,780 square feet of vacant land located in Calgary, Alberta, which includes a parking facility with 347 parking spaces. Cominar paid $20,500 in cash for this property.

On March 21, 2013, Cominar acquired an office building located in Fredericton for $5,700, paid in cash; this building represents a leasable area of 44,500 square feet.

On May 1, 2013, Cominar acquired an industrial building located in Pointe-Claire for a purchase price of $12,000, paid in cash; this property has a leasable area of 199,000 square feet.

On December 20, 2013, Cominar acquired a shopping centre located in Beloeil with a leasable area of 328,050 square feet, consisting of an indoor shopping centre, a strip mall and two single-tenant buildings, for a purchase price of $60,000, paid in cash.

These transactions were accounted for as an asset acquisition. 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 fair value as at the acquisition date of acquired net assets:

	Fair value
	$
Income properties	227,500
Land held for future development	21,900
Mortgages payable	(43,733)
Debt	(6,998)
Total cash consideration paid for these acquisitions	198,669

5) INCOME PROPERTIES

For the years ended December 31	Note	2014	2013
		$	$
Balance, beginning of year		**5,654,825**	5,294,984
Business combination	4	**1,595,115**	—
Acquisitions and related costs		**386,387**	235,667
Fair value adjustment(1)		**(33,951)**	17,150
Capital costs		**123,456**	114,162
Disposals		**(2,000)**	(28,621)
Transfer of an income property as contribution to a joint venture	7	**(97,850)**	—
Transfer from properties under development	6	**58,353**	9,366
Change in initial direct costs		**9,862**	8,016
Recognition of leases on a straight-line basis		**3,626**	4,101
Balance, end of year		**7,697,823**	5,654,825

(1) The total fair value adjustment was related to income properties held as at the year-end date.

Fair value adjustment

Cominar opted to present its investment properties in its financial statements according to the fair value model. Fair value is determined based on evaluations performed using management's internal estimates and by independent real estate appraisers, plus capital expenditures incurred since the most recent appraisal, if applicable.

As per Cominar's policy on valuing investment properties, at the end of 2014, management re-evaluated its real estate portfolio and determined that a decrease of $33,951 [increase of $17,150 in 2013] was necessary to adjust the carrying value of its investment properties to their fair value.

Method and key assumptions

Internally valued investment properties have been measured using the following method and key assumptions:

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 standardized net operating income represents adjusted net operating income for items such as administrative expenses, occupancy rates, the recognition of leases on a straight-line basis and other non-recurring items. 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 different capitalization rates 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 properties increases or decreases accordingly. The change in the fair value of investment properties is recognized in profit or loss.

The capitalization rates used to value investment properties are as follows:

For the years ended December 31	2014		2013	
	Capitalization rate		Capitalization rate	
Category	Range	Weighted average	Range	Weighted average
Office properties	**5.3% - 9.0%**	**6.3%**	5.5% - 9.0%	6.4%
Retail properties	**5.8% - 10.0%**	**6.6%**	6.0% - 10.0%	6.7%
Industrial and mixed-use properties	**5.8% - 11.0%**	**7.2%**	6.0% - 10.0%	7.3%
Total		**6.6%**		6.7%

Generally, an increase in net operating income will result in an increase in the fair value of an investment property while an increase in the capitalization rate will result in a decrease in the fair value. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate having a greater impact on net operating income than a higher capitalization rate.

Cominar has determined that a 0.10% increase or decrease in the applied capitalization rate for its entire real estate portfolio would result in a decrease or increase respectively of approximately $118,000 in the fair value of its investment properties in 2014 [$85,000 in 2013].

6) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

For the years ended December 31	Note	2014	2013
		$	$
Balance, beginning of year		**107,961**	53,234
Business combination	4	**36,200**	—
Acquisitions and related costs		**2,157**	20,500
Capital costs		**28,248**	45,321
Capitalized interest		**5,725**	3,400
Transfer to income properties	5	**(58,353)**	(9,366)
Other real estate asset		**—**	(5,128)
Balance, end of year		**121,938**	107,961
Breakdown:			
Properties under development		**53,150**	53,414
Land held for future development		**68,788**	54,547

7) JOINT ARRANGEMENTS

On January 13, 2014, Cominar completed the merger of the ownership interests in a previously co-owned investment property, as planned. Prior to completion of this merger, the first phase of Complexe Jules-Dallaire, comprised of office and retail premises, was 95%-owned in undivided co-ownership by Cominar and 5% by a company indirectly owned by members of the Dallaire family who also are trustees and members of Cominar's management team ("Dallaire Co"), and the second phase of Complexe Jules-Dallaire, comprised of office premises, was owned by DallaireCo. In addition to the contribution of its pre-merger ownership interests in phases one and two, DallaireCo paid $20,150 to Cominar in connection with the merger to balance out the investment of each owner to a 50% interest in *Société en commandite Complexe Jules-Dallaire*.

Under IFRS 11, this building held in partnership is considered as a joint venture and is accounted for under the equity method, whereas previously, the investment in the first phase of this building was considered as an investment in a joint operation under which Cominar recorded its share of assets, liabilities, comprehensive income and cash flows.

JOINT VENTURES

The following table summarizes the information on the joint ventures:

Joint venture	Address	City/province	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Québec	50%
Société en commandite Bouvier-Bertrand	1020 Bouvier Street	Québec, Québec	50%

The business objective of these joint ventures is the ownership, management and development of real estate projects.

The following table summarizes the financial information of the investments in these joint ventures accounted for under the equity method in accordance with IFRS 11:

For the year ended December 31, 2014	
	$
Investments in joint ventures, beginning of year	—
Contribution to the capital of a joint venture – transfer of an income property to a joint venture	97,850
Disposal of a portion of the investment in a joint venture	(20,150)
Share of net income from investment in a joint venture	10,918
Liquidities distributed by a joint venture	(1,475)
Contribution to the capital of a joint venture – cash	7,606
Return of capital from a joint venture – net proceeds from a mortgage payable	(53,116)
Investments in joint ventures, end of year	41,633

The following tables summarize the cumulative financial information of the joint ventures:

	As at December 31, 2014
	$
Income property	173,438
Property under development	5,612
Land held for future development	12,026
Assets	1,480
Mortgage payable bearing interest at a fixed rate of 4.79% and maturing in February 2024	(104,654)
Other liabilities	(4,636)
Total of net asset	83,266
50% investments in joint ventures	41,633

For the year ended December 31, 2014	
	$
Operating revenues	**17,596**
Operating expenses	**7,750**
Net operating income	**9,846**
Change in fair value of investment properties	**16,890**
Finance charges	**(4,900)**
Net income and comprehensive income	**21,836**
Share of net income from the 50% investment in joint ventures	**10,918**

OWNERSHIP INTEREST IN A CO-OWNED INVESTMENT PROPERTY IN 2013

Cominar's share (95%) of the assets, liabilities, revenues, expenses and cash flows of the first phase of the co-owned Complexe Jules-Dallaire up to January 2014 was as follows:

	December 31, 2014	December 31, 2013
	$	$
Investment property	**—**	97,850
Other assets	**—**	3,565
Liabilities	**—**	2,583

For the year ended December 31	2014	2013
	$	$
Operating revenues	**160**	11,799
Operating expenses	**81**	5,717
Net operating income	**79**	6,082
Cash flows from operating activities	**(667)**	5,123
Cash flows from investing activities	**—**	(3,009)
Cash flows from financing activities	**—**	(4,490)

8) GOODWILL

	Office properties	Retail properties	Industrial and mixed-use properties	Total
	$	$	$	$
Balance as at December 31, 2013 and 2014	98,073	51,212	17,686	166,971

At year-end, Cominar tested its assets for impairment by determining the recoverable value of the net assets of each cash-generating unit and comparing it to the carrying value, including goodwill. As at December 31, 2014 and 2013, goodwill was not impaired.

9) MORTGAGE RECEIVABLE

During the year, Cominar entered into a loan agreement with a related party, a company indirectly owned by the Dallaire family, regarding the realization of a future real estate development project on Laurier Boulevard, in Québec City, adjacent to the Complexe Jules-Dallaire. The underlying land is subject to a mortgage guarantee in favour of Cominar. As at December 31, 2014, the mortgage receivable of $8,250 bears interest at bankers' acceptance rate plus 250 basis points, payable monthly. The timetable, construction plans and the terms of Cominar's interest in this project are to be finalized. Once that is done, Cominar can either choose to have the mortgage receivable repaid in full or to contribute to the construction of the project.

10) ACCOUNTS RECEIVABLE

	December 31, 2014	December 31, 2013
	$	$
Trade receivables	**35,091**	29,397
Allowance for doubtful accounts	**(6,741)**	(5,111)
	28,350	24,286
Accounts receivable – related parties	**398**	1,406
Interest-bearing accounts receivable[(1)]	**1,775**	1,701
Security deposits	**6,790**	6,358
Other receivables and accrued income	**14,731**	9,479
	52,044	43,230
(1) Average effective interest rate	**7.35%**	7.87%

11) BOND INVESTMENTS

Cominar holds Government of Canada bonds and mortgage bonds with a weighted average interest rate of 2.97% and pledged them as security, held in escrow, for the reimbursement of certain 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 in 2015 and 2016. Bond investments are sufficient to cover payments of principal and interest, including the balance at maturity. The assets pledged as security have various maturity dates, which closely correspond to those of 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 $4,639 as at December 31, 2014 [$6,028 as at December 31, 2013].

12) MORTGAGES PAYABLE

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

For the years ended December 31	2014		2013	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of year	**1,763,922**	**5.06**	1,651,202	5.23
Net mortgages payable, contracted or assumed	**388,515**	**3.94**	633,319	4.56
Monthly repayments of principal	**(53,156)**	**—**	(50,188)	—
Repayments of balances at maturity	**(150,819)**	**5.89**	(470,411)	5.02
	1,948,462	**4.79**	1,763,922	5.06
Plus: Fair value adjustments on assumed mortgages payable	**23,729**		33,342	
Less: Deferred financing costs	**(3,272)**		(2,434)	
Balance, end of year	**1,968,919**		1,794,830	

Contractual maturity dates of mortgages payable are as follows:

For the years ending December 31			2014
	Repayment of principal	Balances at maturity	Total
	$	$	$
2015	53,948	273,372	**327,320**
2016	46,619	146,409	**193,028**
2017	39,917	180,173	**220,090**
2018	31,727	409,003	**440,730**
2019	23,734	4,255	**27,989**
2020 and thereafter	106,949	632,356	**739,305**
	302,894	1,645,568	**1,948,462**

Mortgages payable are primarily secured by immovable hypothecs on investment properties with a carrying value of $4,003,083 [$3,541,017 as at December 31, 2013]. They bear annual contractual interest rates ranging from 2.69% to 7.75% [2.77% to 7.75% as at December 31, 2013], representing a weighted average contractual rate of 4.79% as at December 31, 2014 [5.06% as at December 31, 2013], and are renewable at various dates from February 2015 to January 2039. As at December 31, 2014, the weighted average effective interest rate was 4.17% [4.31% as at December 31, 2013].

As at December 31, 2014, all mortgages payable were at fixed rates. Some of the mortgages payable include covenants, with which Cominar was in compliance as at December 31, 2014.

13) DEBENTURES

The following table presents characteristics of outstanding debentures as at December 31, 2014:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Nominal value as at December 31, 2014
		%	%		$
Series 1	June 2012(1)	4.274	4.32	June 2017	250,000
Series 2	December 2012(2)	4.23	4.37	December 2019	300,000
Series 3	May 2013	4.00	4.24	November 2020	100,000
Series 4	July 2013(3)	4.941	4.81	July 2020	300,000
Series 5	October 2013	3.323(4)	3.52	October 2015	250,000
Series 6	September 2014	2.37(5)	2.50	September 2016	250,000
Series 7	September 2014	3.62	3.70	June 2019	300,000
Series 8	December 2014	4.25	4.34	December 2021	200,000
Total					1,950,000

(1) Re-opened in September 2012 ($125,000).
(2) Re-opened in February 2013 ($100,000).
(3) Re-opened in January 2014 ($100,000) and March 2014 ($100,000).
(4) Variable interest rate fixed quarterly for the period from October 10, 2014 to January 9, 2015 (corresponding to the CDOR three-month rate plus 205 basis points).The rate for the period from January 10, 2015 to April 9, 2015 was fixed at 3.35%.
(5) Variable interest rate fixed quarterly for the period from December 22, 2014 to March 21, 2015 (corresponding to the CDOR three-month rate plus 108 basis points).

Cominar used the net proceeds from the sale of the 2014 issues to repay its unsecured revolving operating and acquisition credit facility, the temporary unsecured bridge-loan facility, and finance part of the acquisition of an investment property portfolio from Ivanhoé Cambridge.

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

For the years ended December 31	2014		2013	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of year	**1,000,000**	**4.06**	450,000	4.25
Issues	**950,000**	**3.70**	550,000	3.91
	1,950,000	**3.89**	1,000,000	4.06
Less: Deferred financing costs	**(8,079)**		(5,578)	
Plus: Net premium and discount on issuance	**3,706**		402	
Balance, end of year	**1,945,627**		994,824	

14) CONVERTIBLE DEBENTURES

The following table presents features of the subordinate unsecured convertible debentures outstanding as at December 31, 2014:

Series	Date of issuance	Contractual interest rate	Effective interest rate	Per unit conversion price	Date of redemption at Cominar's option - conditional	Date of redemption at Cominar's option - unconditional	Maturity date	Nominal value as at December 31, 2014
		%	%	$				$
D	September 2009	6.50	7.50	20.50	N/A	September 2014	September 2016	99,786
E	January 2010	5.75	6.43	25.00	June 2013	June 2015	June 2017	86,250
								186,036

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

For the years ended December 31	2014		2013	
		Weighted average rate		Weighted average rate
	$	%	$	%
Balance, beginning of year	**186,036**	**6.15**	296,056	6.02
Holders' option conversion	**—**	**—**	(34)	6.21
Redemption	**—**	**—**	(109,986)	5.80
	186,036	**6.15**	186,036	6.15
Less				
Deferred financing costs	**(2,544)**		(3,644)	
Equity component	**(411)**		(624)	
Balance, end of year	**183,081**		181,768	

On July 8, 2013, Cominar called all its then outstanding Series C convertible debentures bearing interest at 5.80% and totalling $109,986.

15) BANK BORROWINGS

As at December 31, 2014, Cominar had a revolving unsecured operating and acquisition credit facility of up to $550,000 which will mature in August 2017. This facility bears interest at prime rate plus 70 basis points or at bankers' acceptance rate plus 170 basis points. This credit facility contains certain restrictive clauses, with which Cominar was in compliance as at December 31, 2014.

16) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2014	December 31, 2013
	$	$
Trade accounts payable	**7,557**	14,751
Accounts payable – related parties	**3,455**	5,185
Prepaid rents and tenants' deposits	**16,084**	12,734
Interests and other accrued expenses	**99,234**	47,484
Commodity taxes and other non-financial liabilities	**7,398**	4,131
	133,728	84,285

17) 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	2014		2013	
	Units	$	Units	$
Units issued and outstanding, beginning of year	**127,051,095**	**2,251,974**	124,349,608	2,197,826
Public offering	**15,131,700**	**275,428**	—	—
Private placement	**13,158,000**	**249,940**	—	—
Exercise of options	**92,000**	**1,426**	456,500	8,514
Distribution reinvestment plan	**3,247,589**	**60,534**	2,243,459	45,216
Conversion of convertible debentures	**—**	**—**	1,528	34
Conversion of deferred units	**8,811**	**—**	—	—
Reversal of contributed surplus	**—**	**213**	—	384
Units issued and outstanding, end of year	**158,689,195**	**2,839,515**	127,051,095	2,251,974

LONG TERM INCENTIVE PLAN

Unit options

Cominar has granted options to management and employees for the purchase of units under the long term incentive plan. As at December 31, 2014, options to purchase 9,221,200 units were outstanding.

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

As at December 31, 2014					
Date of grant	Graded vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
December 21, 2010	33 1/3%	December 21, 2015	20.93	797,600	797,600
December 15, 2011	33 1/3%	December 15, 2016	21.80	1,052,400	1,052,400
August 24, 2012	50%	August 24, 2017	24.55	150,000	150,000
August 31, 2012	50%	August 31, 2017	23.93	300,000	300,000
December 19, 2012	33 1/3%	December 19, 2017	22.70	1,745,200	1,199,100
August 5, 2013	50%	August 5, 2018	20.09	150,000	150,000
December 17, 2013	33 1/3%	December 17, 2018	17.55	2,366,500	862,300
December 16, 2014	33 1/3%	December 16, 2019	18.07	2,659,500	36,000
				9,221,200	4,547,400

As at December 31, 2014, the average weighted contractual life of outstanding options was 3.4 years [3.7 years as at December 31, 2013].

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

For the years ended December 31	2014		2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**7,835,500**	**20.36**	5,979,500	21.63
Exercised	**(92,000)**	**15.51**	(456,500)	18.68
Granted	**2,659,500**	**18.07**	2,784,900	17.69
Forfeited	**(378,200)**	**19.17**	(443,200)	22.44
Expired	**(803,600)**	**20.13**	(29 200)	21.23
Outstanding, end of year	**9,221,200**	**19.81**	7,835,500	20.36
Exercisable options, end of year	**4,547,400**	**21.22**	3,546,900	21.50

Restricted units

Restricted units consist of allocations whose values, for the participant, rise or fall 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. These rights are usually vested three years after the date of the grant. For each cash distribution on Cominar units, an additional number of restricted units is granted to each participant. The fair value of restricted units is represented by the market value of Cominar units on the date of the grant.

The following table presents changes in restricted unit balances for the years ended December 31, 2014 and 2013:

For the years ended December 31	2014	2013
Outstanding, beginning of year	**530**	—
Granted	**536**	500
Accrued distributions	**81**	30
Outstanding, end of year	**1,147**	530
Exercisable restricted units, end of year	**—**	—

Deferred units

Deferred units consist of allocations whose values, for the participant, rise or fall 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. These rights are usually vested at a rate of 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. For each cash distribution on Cominar units, an additional number of deferred units is granted to each participant. The fair value of deferred units is represented by the market value of Cominar units on the date of the grant.

The following table presents changes in deferred unit balances for the years ended December 31, 2014 and 2013:

For the years ended December 31	2014	2013
Outstanding, beginning of year	**38 280**	—
Exercised	**(8 811)**	—
Granted	**45 261**	36,308
Accrued distributions	**6 142**	2,251
Forfeited	**—**	(279)
Outstanding, end of year	**80 872**	38,280
Exercisable deferred units, end of year	**12 926**	6,964

Unit-based compensation

The compensation expense related to the options granted in 2014 and 2013 was calculated using the Black-Scholes option pricing model based on the following assumptions:

Date of grant	Volatility(1)	Exercise price(2)	Weighted average return	Weighted average risk-free interest rate	Per unit weighted average fair value
		$			$
August 5, 2013	14.98%	20.09	7.39%	1.53%	0.62
December 17, 2013	12.98%	17.55	8.45%	1.33%	0.28
December 16, 2014	11.67%	18.07	8.38%	1.15%	0.20

(1) The volatility is estimated by considering the historical volatility of Cominar's units' price.
(2) The exercise price of the options corresponds to the closing price of Cominar units the day before the grant.

The compensation expense related to restricted units and deferred units granted in 2014 was calculated based on the market price of Cominar units on the grant date, which was $18.58.

The overall compensation expense for the fiscal year was $1,414 [$2,155 in 2013].

A maximum of 12,756,610 units may be issued under the long term incentive 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. Distributable income generally means net income determined in accordance with IFRS, before adjustments to fair value, transaction costs – business combinations, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs, gains on disposal of subsidiaries, gains on disposal of investment properties and certain other items not affecting cash, if applicable.

For the years ended December 31	2014	2013
	$	$
Distributions to unitholders	**203,375**	182,977
Distributions per unit	**1.453**	1.440

Unitholder distribution reinvestment plan

Cominar has adopted a distribution reinvestment plan under which unitholders may elect to receive all cash distributions from Cominar automatically as 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, 2014, 3,247,589 units [2,243,459 in 2013] were issued for a total net consideration of $60,534 [$45,216 in 2013] under this plan.

18) OPERATING LEASE INCOME

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

	As at December 31, 2014
	$
- Not later than one year	**445,945**
- Later than one year and not later than five years	**1,222,690**
- Later than five years	**801,642**

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

For the years ended December 31	2014	2013
	$	$
Contingent rents	**3,886**	3,431

19) FINANCE CHARGES

For the years ended December 31	2014	2013
	$	$
Interest on mortgages payable	**91,684**	88,670
Interest on debentures	**54,512**	29,492
Interest on convertible debentures	**11,445**	14,804
Interest on bank borrowings	**5,379**	10,113
Net amortization of premium and discount on debenture issues	**(575)**	(183)
Amortization of deferred financing costs and others	**6,242**	6,861
Amortization of fair value adjustments on assumed borrowings	**(11,946)**	(13,680)
Less: Capitalized interest(1)	**(7,356)**	(4,266)
Total finance charges	**149,385**	131,811

(1) Includes capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time.

During the fiscal year ended December 31, 2014, Cominar wrote off $501 in deferred financing costs for the secured revolving operating and acquisition credit facility that has been replaced. Cominar also wrote off $1,021 in deferred financing costs paid for the unsecured bridge loan used for the acquisition of an investment property portfolio from Ivanhoé Cambridge, which has been repaid on December 18, 2014, then cancelled.

During the fiscal year ended December 31, 2013, Cominar wrote off $984 in deferred financing costs following the redemption of convertible Series C debentures.

20) RESTRUCTURING CHARGES IN 2013

For the year ended December 31, 2013, Cominar incurred charges of $1,062 related to the integration of Canmarc's operations, namely for changes to its corporate structure. These charges were mainly direct salaries of employees retained through the transition period, severance benefits paid, as well as consulting and legal fees.

21) DISPOSAL OF A SUBSIDIARY IN 2013

On May 22, 2013, Cominar sold its interest in Hardegane Investments Limited, which held 100% of the shares of Dyne Holdings Limited ("Dyne"), to Homburg International Limited, for a nominal consideration and the reimbursement of certain Cominar advances. Dyne owned three income properties, two of which were classified as office properties and one as a retail property, as well as a property under development. Cominar recorded a gain of $8,010 on this disposal.

22) DISPOSAL OF INVESTMENT PROPERTIES

On May 7, 2014, Cominar sold a commercial building in Kentville, in Nova Scotia, for $2,000. Cominar recorded no gain or loss on this disposal.

On January 9, 2013, Cominar sold a commercial building in the Montréal area for $3,500. Cominar recorded no gain or loss on this disposal.

On June 28, 2013, Cominar sold an office building located in Lévis, in Québec, for $1,500. Cominar recorded a gain of $507 on this disposal.

On July 11, 2013, the *Tribunal administratif du Québec* rendered its final decision regarding the expropriation process initiated by the *Centre hospitalier de l'Université de Montréal* ("CHUM") in June 2006 in relation to the property located at 300 Viger Avenue in Montréal, Québec. The *Tribunal administratif du Québec* set the definitive expropriation indemnity at $33,500. The CHUM paid Cominar a sum of $3,500, which represents the difference between the amount of the provisional indemnity of $30,000 that was already paid to Cominar in 2007 and the total definitive indemnity. Cominar recorded a gain of $2,863 in connection with this event.

On July 25, 2013, Cominar sold six industrial and mixed-use properties located in Prince George, in British Columbia, for $4,000. Cominar recorded no gain or loss on this disposal.

23) OTHER REVENUES IN 2013

In connection with the restructuring of Homburg Invest Inc. ("HII") under the Companies' Creditors Arrangement Act (Canada), Cominar filed a number of proofs of claim against HII. On February 5, 2013, Cominar and HII entered into a memorandum of understanding related to, among other things, the settlement of these proofs of claim. Under this arrangement, Cominar received a cash payment of approximately $6,260 in settlement of various claims. A portion of the payment was recognized against the accounts receivable recorded on the balance sheet, and the excess was recorded as revenue in the results for 2013.

24) 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 allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

Taxation of distributions of specified investment flow-through ("SIFT") trusts and exception for real estate investment trusts ("REITs")

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, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

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, 2014, Cominar believes that it met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules for 2014 did not 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 the 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	2014	2013
	$	$
Income before income taxes	**199,217**	256,710
Canadian combined statutory tax rate	**27.60%**	26.99%
Income tax expense at the statutory tax rate	**54,976**	69,272
Income not subject to income tax	**(55,310)**	(67,741)
Other	**98**	210
	(236)	1,741

The increase in the combined Canadian statutory tax rate, compared to 2013, is mainly due to a 1.0% increase in the New Brunswick tax rate.

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

As at December 31	2014	2013
	$	$
Deferred tax assets to be recovered after more than 12 months		
Mortgages payable	**94**	164
Tax losses	**276**	247
	370	411
Deferred tax liabilities to be settled after more than 12 months		
Income properties	**(10,680)**	(10,957)
Deferred taxes (net)	**(10,310)**	(10,546)

Changes in the deferred income tax account were as follows:

For the years ended December 31	2014	2013
	$	$
Balance, beginning of year	**10,546**	8,805
Income tax expense recorded in the statement of income	**(236)**	1,741
Deferred tax liability on acquisition of income properties	**—**	—
Balance, end of year	**10,310**	10,546

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

	Mortgages payable	Tax losses	Total
	$	$	$
Deferred tax assets			
Balance as at January 1, 2013	145	174	319
Origination and reversal of timing differences included in profit or loss	19	73	92
Balance as at December 31, 2013	164	247	411
Origination and reversal of timing differences included in profit or loss	(70)	29	(41)
Balance as at December 31, 2014	94	276	370

	Income properties
	$
Deferred tax liabilities	
Balance as at January 1, 2013	(9,124)
Origination and reversal of timing differences included in profit or loss	(1,833)
Balance as at December 31, 2013	(10,957)
Origination and reversal of timing differences included in profit or loss	277
Balance as at December 31, 2014	(10,680)

25) PER UNIT CALCULATION BASIS

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 periods indicated:

For the periods ended December 31	2014	2013
	Units	Units
Weighted average number of units outstanding – basic	**136,024,611**	125,369,581
Dilutive effect related to the long-term incentive plan	**179,753**	150,092
Dilutive effect of convertible debentures	**10,671,791**	10,496,193
Weighted average number of units outstanding – diluted	**146,876,155**	136,015,866

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion in units of 4,856,200 outstanding options for the year ended December 31, 2014 [4,698,183 options in 2013] since the exercise price of the options, including the unrecognized portion of the related compensation expense, is higher than the average price of the units. The calculation of diluted net income per unit also includes the elimination of interest at the effective rate on the convertible debentures of $13,191 in interest on convertible debentures for the year ended December 31, 2014 [$14,804 in 2013].

26) SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31	Note	2014	2013
		$	$
Prepaid expenses and other assets		**5,036**	1,540
Accounts receivable		**(8,650)**	785
Accounts payable and accrued liabilities		**16,451**	(19,754)
Deferred tax liabilities		**—**	(12)
		12,837	(17,441)
Other information			
Acquisitions of investment properties through assumption of mortgages payable		**138,515**	43,733
Unpaid acquisitions of and investments in investment properties		**13,539**	19,960
Contribution to the capital of a joint venture – transfer of an income property to a joint venture	7	**97,850**	—
Transfer from properties under development to income properties	5, 6	**58,353**	9,366

27) RELATED PARTY TRANSACTIONS

During fiscal 2014 and 2013, Cominar entered into transactions with companies controlled by unitholders who are also officers of Cominar over which they have significant influence.

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		2014	2013
		$	$
Investment properties – Capital costs		**73,612**	69,717
Proportionate share of net income from the investment in joint ventures	7	**10,918**	—
Net rental revenue from investment properties		**160**	148
Interest income		**306**	—

For the years ended December 31	Note	2014	2013
		$	$
Investments in joint ventures	7	**41,633**	—
Mortgage receivable	9	**8,250**	—

28) 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	2014	2013
	$	$
Short-term benefits	**4,218**	4,067
Contribution to the retirement savings plans	**131**	142
Long term incentive plan	**1,071**	949
Total	**5,420**	5,158

Options granted to senior executives and other officers during the fiscal year may not be exercised, even if they have vested, 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 retain at least five percent (5%) of the units purchased until he has the multiple corresponding to his base salary.

29) CAPITAL MANAGEMENT

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

Cominar's capitalization is 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 capitalization is as follows:

As at December 31	2014	2013
	$	$
Cash and cash equivalents	**(5,909)**	(9,742)
Mortgages payable	**1,968,919**	1,794,830
Debentures	**1,945,627**	994,824
Convertible debentures	**183,081**	181,768
Bank borrowings	**457,323**	105,697
Unitholders' equity	**3,410,431**	2,825,380
Total capitalization	**7,959,472**	5,892,757
Overall debt ratio(1)	**56.1%**	51.2%
Debt ratio (excluding convertible debentures)	**53.9%**	48.2%
Interest coverage ratio(2)	**2.67:1**	2.70:1

(1) The overall debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable, debentures and convertible debentures divided by total assets less cash and cash equivalents.
(2) The interest coverage ratio is equal to net operating income (operating revenues less operating expenses) less Trust administrative 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, 2014, Cominar had maintained a debt ratio (excluding convertible debentures) of 53.9%.

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, 2014, the interest coverage ratio was 2.67:1, reflecting Cominar's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous period.

30) FAIR VALUE

Cominar uses a three-level hierarchy to classify its financial instruments and its investment properties. The hierarchy reflects the relative weight of inputs used in the valuation of 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)

Cominar's policy is to recognize transfers between hierarchy levels on the date of changes in circumstances that caused the transfer. There was no transfer between hierarchy levels in fiscals 2014 and 2013.

The fair value of cash and cash equivalents, mortgages receivable, accounts receivable, accounts payable and accrued liabilities 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, mortgages payable and debentures has been estimated based on current market rates for financial instruments with similar terms and maturities.

The fair value of convertible debentures is based on the quoted market price at year-end.

Classification

Financial instruments and investment properties and their respective carrying amounts and fair values, when the fair values do not approximate the carrying amounts, are classified as follows:

		December 31, 2014		December 31, 2013	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
RECURRING VALUATIONS OF NON-FINANCIAL ASSETS					
Income properties	3	**7,697,823**	**7,697,823**	5,654,825	5,654,825
Land held for future development	3	**68,788**	**68,788**	54,547	54,547
FINANCIAL ASSETS					
Held until maturity					
Bond investments	2	**4,826**	**4,831**	6,398	6,409
FINANCIAL LIABILITIES					
Other financial liabilities					
Mortgages payable	2	**1,968,919**	**2,033,907**	1,794,830	1,816,702
Debentures	2	**1,945,627**	**2,004,418**	994,824	990,054
Convertible debentures	1	**183,081**	**191,121**	181,768	193,727

31) FINANCIAL INSTRUMENTS

Risk management
The main risks arising from Cominar's financial instruments are credit risk, interest rate risk and liquidity risk. The strategy for managing these risks 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 segment and geographic portfolio diversification *[Note 32]*, 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 6,100 tenants occupying an average area of approximately 7,000 square feet each. The three largest tenants account for approximately 5.1%, 3.5% and 3.2% of operating revenues, respectively, representing several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 9.7% of operating revenues come 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, mortgage receivable, bond investments and cash and cash equivalents 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 borrowings 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 10, and accounts payable and accrued liabilities do not bear interest.

Mortgages payable, debentures, except Series 5 and Series 6 debentures, and convertible debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank borrowings, the mortgage receivable and Series 5 and Series 6 debentures, which bear interest at variable rates.

A 25-basis-point increase or decrease in the average interest rate on variable interest debts during the period, assuming that all other variables are held constant, would have resulted in a $1,358 increase or decrease in Cominar's net income for the year ended December 31, 2014 [$661 in 2013].

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 by managing its capitalization, continuously monitoring current and projected cash flows and adhering to its capital management policy *[Note 29]*.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2014 are as follows:

		Cash flows		
	Note	Under one year	One to five years	Over five years
		$	$	$
Mortgages payable	12	414,565	1,104,899	896,534
Debentures[(1)]	13	325,816	1,318,501	635,823
Convertible debentures	14	11,445	199,961	—
Bank borrowings	15	13,765	479,118	—
Accounts payable and accrued liabilities[(2)]	16	126,330	—	—

(1) The rate used for the variable rate debentures is the CDOR three-month rate plus 205 basis points (Series 5) and 108 basis points (Series 6) as at year-end.
(2) Excludes consumption taxes and other non-financial liabilities

32) SEGMENT INFORMATION

Cominar's activities include a diversified portfolio of three property types located in several Canadian provinces. 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, that is, operating revenues less operating expenses related to its investment properties. Management of expenses, such as interest and administrative expenses, is centralized and, consequently, these expenses have not been allocated to Cominar's various segments.

For the year ended December 31, 2014, the segments include Cominar's proportionate share in joint ventures. The *Joint ventures* columns reconcile the segment information including the proportionate share in assets, liabilities, revenues and charges, to the information presented in these consolidated financial statements, of which the investments in joint ventures are accounted for using the equity method.

The following tables provide financial information on these three property types:

For the years ended	Office properties	Retail properties	Industrial and mixed-use properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
December 31, 2014	$	$	$	$	$	$
Rental revenue from investment properties	**382,147**	**213,597**	**152,938**	**748,682**	**(8,798)**	**739,884**
Net operating income	**207,084**	**118,590**	**90,528**	**416,202**	**(4,923)**	**411,279**
Share of net income from investment in joint ventures	**—**	**—**	**—**	**—**	**10,918**	**10,918**
December 31, 2013	$	$	$	$	$	$
Rental revenue from investment properties	353,640	163,306	145,107	662,053	—	662,053
Net operating income	190,611	91,342	86,257	368,210	—	368,210

	Office properties	Retail properties	Industrial and mixed-use properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
As at December 31, 2014	**$**	**$**	**$**	**$**	**$**	**$**
Income properties	**3,331,189**	**3,085,880**	**1,367,473**	**7,784,542**	**(86,719)**	**7,697,823**
Investments in joint ventures	**—**	**—**	**—**	**—**	**41,633**	**41,633**
As at December 31, 2013	**$**	**$**	**$**	**$**	**$**	**$**
Income properties	2,838,495	1,582,215	1,234,115	5,654,825	—	5,654,825

33) COMMITMENTS

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 $72,262, are as follows:

For the years ending December 31	Total
	$
2015	556
2016	562
2017	600
2018	600
2019	600
2020 and thereafter	22,508

Cominar entered into an agreement for the acquisition of a portfolio of 3 industrial properties representing approximately $34,500 million in value (subject to adjustments), and approximately 697,000 square feet in total leasable area, located in the greater Montréal area. This acquisition is subject to customary closing requirements. There can be no assurance that this acquisition will be completed.

Cominar has no significant contractual commitments other than those arising from its long-term debt and payments due under emphyteutic leases on land held for income properties.

34) SUBSEQUENT EVENTS

On January 19 and February 18, 2015, Cominar declared a distribution of $0.1225 per unit for each of these two months.

On January 30, 2015, Cominar closed a public offering of 7,901,650 units including a full exercise of the over-allotment option at a price of $19.65 per unit. The total net proceeds received by Cominar amounted to $148,757, after deducting the underwriters' fee and costs related to the offering. The net proceeds from this offering were used to repay the unsecured revolving credit facility.

CORPORATE INFORMATION

BOARD OF TRUSTEES

KEY OFFICERS

Michel Dallaire, Eng.
President and Chief Executive Officer

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

Gilles Hamel, CPA, CA
Executive Vice-President and Chief Financial Officer

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

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

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

Todd Bechard, CMA, CFA
Executive Vice-President, Acquisitions

Jean Laramée, Eng.
Executive Vice-President, Development

Michael Racine
Executive Vice-President, Leasing – Office and Industrial

UNITHOLDERS INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

Complexe Jules-Dallaire – T3
2820 Laurier Boulevard, Suite 850
Québec City, Québec, Canada G1V 0C1

Tel.: 418-681-8151
Fax: 418-681-2946
Toll-free: 1-866-COMINAR
Email: info@cominar.com
Website: www.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.D and CUF.DB.E.

TRANSFER AGENT

Computershare Trust Company of Canada
1500 University St., Suite 700
Montréal, Québec, Canada H3A 3S8

Tel.: 514-982-7555
Fax: 514-982-7580
Toll-free: 1-800-564-6253
Email: service@computershare.com

TAXABILITY OF DISTRIBUTIONS

In 2014, 82.05% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

PricewaterhouseCoopers LLP

UNITHOLDERS DISTRIBUTION REINVESTMENT PLAN

Cominar Real Estate Investment Trust offers unitholders the opportunity to participate in its Unitholders Distribution Reinvestment Plan (the “DRIP”). The DRIP allows participants to receive their monthly distributions as 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 Transfer Agent.

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