ANNUAL REPORT

COMINAR REAL ESTATE INVESTMENT TRUST

Fiscal year ended December 31, 2015

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2001 McGILL COLLEGE - MONTRÉAL QC


SCOTIA CENTRE - CALGARY AB

LES RIVIÈRES - TROIS-RIVIÈRES QC


4455 AUTOROUTE 440 - LAVAL QC

REAL ESTATE PORTFOLIO

566	PROPERTIES
$8.2 B	ASSETS
45.4M sq ft	LEASABLE AREA

	PROPERTIES
OFFICE	134
RETAIL	197
INDUSTRIAL AND MIXED-USE	235

As at December 31, 2015

	PROPERTIES
GREATER QUÉBEC CITY AREA	136
GREATER MONTRÉAL AREA	301
ATLANTIC PROVINCES	60
ONTARIO	55
WESTERN CANADA	14

MESSAGE TO UNITHOLDERS

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

Marked by a difficult economic context, the year 2015 that just ended has brought its share of challenges in several areas.

Fiscal 2015 started, in January, with the announcement of the closure of all Target Canada stores. The area occupied by the seven Target stores that were part of our property portfolio was 5.4% of the total area of our retail properties. The occupancy rate as well as our results for 2015 in the retail segment have been significantly penalized as a result of this situation and this will continue to be the case over the year 2016. As a result of this unexpected event, our leasing teams have been working twice as hard in leasing these spaces left vacant and today, two thirds of the area that used to be occupied by Target is now either re-leased or about to be re-leased or sold and the rental income that will result from this as of 2017 will be higher than the rental income previously paid by Target.

Despite the turbulences on the retail segment in 2015, we achieved an excellent renewal rate of expiring leases of 84.6% at a similar average net rent.

At the end of fiscal 2015, we achieved a good performance in the Greater Québec Area and in the industrial segment of the Greater Montréal Area. As such, the Greater Québec Area, which represents 23% of our property portfolio, recorded a great performance in our three business segments with a 3.6% growth in average net rent of renewed leases and a 2.2% growth in net operating income of our same property portfolio. It should also be noted that in the Greater Montréal Area, which represents 26% of our property portfolio, the occupancy rate in the industrial segment amounted to 95.1% and that the average net rent of renewed leases increased by 1.9%. We also believe that our Montréal office segment portfolio will be better in 2016.

Note that our Calgary office market is only 1.8% of our total portfolio, our occupancy rate reaches 97.9% and we have no important area expiring during 2016.

Let's add that in our three business segments and all our geographic markets, our leasing policy prioritizing an increased occupancy rate in the most vulnerable markets helped us achieving a renewal rate of expiring leases of 78.6%, which is higher than our historic average of 75%.

During fiscal 2015, given the economic context and market conditions, we adopted a strategy to recycle capital. In this regard, we sold some properties for $98 million, which reduced our debt ratio to 53.9%, and we have put on sale some properties valued at $164 million. The proceeds of these disposals will be used to pay down debt and to repurchase units under the normal course issuer bid (NCIB). While we are maintaining our long-term debt ratio target of 50%, we have set our 2016 year-end target goal at 53%.

In a context where the current market conditions do not reflect the intrinsic value of our units, we believe that to repurchase units under the NCIB is currently a good investment of our liquidity. Consequently, we have established a repurchase program of up to 4,000,000 units. During fiscal 2015, we repurchased under this program 530,836 units for a consideration of $7.7 million and, to date, we repurchased a total of 2,603,812 units for a total consideration of $37.7 million.

During 2016, we will pursue our leasing and investment policy in our properties by prioritizing an increased occupancy rate in the most difficult markets.

We will also maintain our strategy to recycle capital by disposing of other income properties while continuing to use sale proceeds to pay down our debt ratio and repurchase units under the NCIB.

We take this opportunity to thank all members of our team, as well as our trustees, for their excellent cooperation and contribution over the last year. Together we share a culture and values strongly focused on the clients and their 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 sustainable value creation.

Robert Després, M. Sc.C, FCPA
Chairman of the Board of Trustees

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

March 1, 2016

ROBERT DESPRÉS, M. Sc.C, FCPA
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, 2015, in comparison with the year 2014, as well as its financial position as at that date and its outlook. Dated March 1, 2016, 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

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 of its joint ventures, 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 Cominar'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 2015 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.

MOUNTAIN VIEW BUSINESS CAMPUS - CALGARY AB

55 UNIVERSITY - TORONTO ON

1741 BRUNSWICK - HALIFAX NS

PLACE DE LA CITÉ - QUEBEC CITY QC

HIGHLIGHTS OF FISCAL 2015

INCREASES

IN OPERATING REVENUES	20.2%
IN NET OPERATING INCOME [1]	18.5%
IN NET INCOME	36.6%
IN CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	15.2%
IN RECURRING DISTRIBUTABLE INCOME [1]	19.4%
IN RECURRING FUNDS FROM OPERATIONS [1]	18.5%
IN RECURRING ADJUSTED FUNDS FROM OPERATIONS [1]	18.7%

(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.

DISPOSAL OF 3 INVESTMENT PROPERTIES FOR A PURCHASE PRICE OF

$98.0M

ANNUALIZED INTEREST COVERAGE RATIO

2.67:1

REDEMPTION OF CONVERTIBLE DEBENTURES TOTALLING

$186.0M

DEBT RATIO OF

53.9%

UNENCUMBERED ASSETS TO UNSECURED DEBT RATIO

1.52:1

RETENTION RATE

78.6%

SUBSEQUENT EVENTS

On January 13, 2016 and February 16, 2016, Cominar declared a monthly distribution of $0.1225 per unit for both of these months.

On January 20, 2016 Cominar announced the suspension of the distribution reinvestment plan based on the fact that the market value of units does not reflect the intrinsic value of Cominar and that units issued under the distribution reinvestment plan offset the advantages generated by purchases of units made under Cominar's normal course issuer bid ("NCIB"). The suspension of the distribution reinvestment plan does not affect the regular monthly cash distribution per unit.

On January 29, 2016, Cominar completed the sale of a portfolio of ten retail properties located in the Québec and Montréal areas and in Ontario, for a sales price of $15.2 million at a 6.7% capitalization rate reflecting an increase in the fair value of these properties in our books.

Under the NCIB, for a maximum number of 4,000,000 units, Cominar has repurchased, since the beginning of fiscal year 2016, 2,072,976 units at an average price of $14.46, for a total consideration of $30.0 million paid cash. Since December 10, 2015, Cominar has repurchased, under this program, a total of 2,603,812 units at an average price of $14.49, for a total consideration of $37.7 million paid cash.

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 2016 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 financial 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 the interest rate variations.

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 2015 Annual Information Form.

NON-IFRS FINANCIAL MEASURES

In this MD&A, we provide guidance 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 closest IFRS measure and given no more prominence than the latter. 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.

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	2015	2014	% Δ	Page
FINANCIAL PERFORMANCE				
Operating revenues – Financial statements	**889,175**	739,884	20.2	21
Operating revenues – Cominar's proportionate share[(1)]	**898,042**	748,682	19.9	21
Net operating income[(1)] – Financial statements	**487,488**	411,279	18.5	23
Net operating income[(1)] – Cominar's proportionate share	**492,378**	416,202	18.3	23
Same property net operating income[(1)]	**346,896**	347,371	(0.1)	23
Net income	**272,434**	199,453	36.6	29
Adjusted net income[(1)]	**298,910**	253,148	18.1	30
Recurring distributable income[(1)]	**268,852**	225,156	19.4	31
Cash flows provided by operating activities	**263,942**	229,030	15.2	33
Recurring funds from operations[(1)]	**302,240**	255,150	18.5	35
Recurring adjusted funds from operations[(1)]	**261,645**	220,363	18.7	38
Distributions	**251,295**	203,375	23.6	31
Total assets	**8,225,697**	8,109,419	1.4	20
PER UNIT FINANCIAL PERFORMANCE				
Net income (basic)	**1.62**	1.47	10.2	29
Adjusted net income (diluted)[(1)]	**1.78**	1.81	(1.7)	20
Recurring distributable income (basic)[(1)]	**1.60**	1.66	(3.6)	31
Recurring funds from operations (FD)[(1)(2)]	**1.79**	1.86	(3.8)	35
Recurring adjusted funds from operations (FD)[(1)(2)]	**1.55**	1.61	(3.7)	38
Distributions	**1.470**	1.453	1.2	31
Payout ratio of recurring DI	**91.9%**	87.5%		31
Payout ratio of recurring adjusted funds from operations	**94.2%**	89.7%		38
Cash payout ratio of recurring adjusted funds from operations	**64.6%**	62.9%		38
FINANCING				
Debt ratio[(3)]	**53.9%**	56.1%		42
Interest coverage ratio[(4)]	**2.67:1**	2.67:1		43
Weighted average interest rate on total debt	**4.09%**	4.29%		42
Residual weighted average term of total debt (years)	**4.5**	4.2		42
Senior unsecured debts-to-total-debt ratio[(5)]	**53.6%**	52.8%		41
Unencumbered income properties	**3,621,513**	3,692,149		41
Unencumbered assets to unsecured debt ratio[(6)]	**1.52:1**	1.54:1		41
OPERATIONAL DATA				
Number of investment properties	**566**	563		47
Leasable area (in thousands of sq. ft.)	**45,352**	45,252		47
Occupancy rate	**91.9%**	94.4%		48
Retention rate	**78.6%**	74.3%		48
Growth in average net rent of renewed leases	**(1.5)%**	2.4%		48
DEVELOPMENT ACTIVITIES				
Properties under development – Cominar's proportionate share[(1)]	**65,574**	55,956		18

(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).

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, 2015**	Sept. 30, 2015	June 30, 2015	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014
Operating revenues – Financial statements	**217,049**	217,946	224,769	229,411	217,492	171,262	177,459	173,671
Operating revenues – Cominar's proportionate share(5)	**219,201**	220,102	226,871	231,868	219,734	173,497	179,625	175,826
Net operating income(5) – Financial statements	**122,775**	122,854	122,793	119,066	125,435	97,792	97,274	90,778
Net operating income(5) – Cominar's proportionate share	**123,958**	124,057	124,111	120,252	126,539	99,131	98,539	91,993
Net income	**53,000** (1)	73,995	74,286	71,153	45,827 (1)(4)	38,997 (3)	59 559	55,070
Adjusted net income(5)	**77,244**	75,097	75,416	71,153	77,497	61,022	59,559	55,070
Recurring distributable income(5)	**70,472**	67,229	67,454	63,697	70,517	53,579	52,051	49,009
Cash flows provided by operating activities	**107,679**	100,635	25,427	30,201	110,266	48,436	26,112	44,216
Recurring FFO(5)	**78,169**	75,900	76,188	71,983	77,429	61,713	60,308	55,700
Recurring AFFO(5)	**67,989**	65,429	65,711	62,516	68,541	52,331	51,172	48,319
Distributions	**63,198**	62,959	62,769	62,369	59,199	51,211	46,688	46,277
PER UNIT								
Net income (basic)	**0.31** (1)	0.44	0.44	0.43	0.29 (1)(4)	0.30 (3)	0.47	0.43
Net income (diluted)	**0.31** (1)	0.44	0.44	0.43	0.29 (1)(4)	0.30 (3)	0.45	0.42
Adjusted net income (diluted)(5)	**0.45**	0.44	0.45	0.43	0.48	0.45	0.45	0.42
Recurring DI (basic)(5)	**0.41**	0.40	0.40	0.39	0.45	0.41	0.41	0.39
Recurring FFO (FD)(2)(5)	**0.46**	0.45	0.45	0.44	0.49	0.47	0.47	0.44
Recurring AFFO (FD)(2)(5)	**0.40**	0.39	0.39	0.38	0.43	0.40	0.40	0.38
Distributions	**0.368**	0.368	0.368	0.368	0.368	0.365	0.360	0.360

(1) Includes the change in fair value of investment properties of -$23.3 million in 2015 and of -$34.0 million in 2014.

(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 in 2014.

(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 in 2014.

(5) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS 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	2015	2014	2013
Operating revenues – Financial statements	**889,175**	739,884	662,053
Operating revenues – Cominar's proportionate share(3)	**898,042**	748,682	662,053
Net operating income(3) – Financial statements	**487,488**	411,279	368,210
Net operating income(3) – Cominar's proportionate share	**492,378**	416,202	368,210
Net income	**272,434**(4)	199,453(2)(4)	254,969(4)
Adjusted net income(3)	**298,910**	253,148	224,114
Recurring DI(3)	**268,852**	225,156	198,479
Cash flows provided by operating activities	**263,942**	229,030	202,760
Recurring FFO(3)	**302,240**	255,150	225,855
Recurring AFFO(3)	**261,645**	220,363	194,776
Distributions	**251,295**	203,375	182,977
Total assets	**8,225,697**	8,109,419	5,997,330
PER UNIT			
Net income (basic)	**1.62**	1.47(2)	2.03
Net income (diluted)	**1.62**	1.45(2)	1.98
Adjusted net income (diluted)(3)	**1.78**	1.81	1.76
Recurring DI (basic) (3)	**1.60**	1.66	1.58
Recurring FFO (FD)(1)(3)	**1.79**	1.86	1.77
Recurring AFFO (FD)(1)(3)	**1.55**	1.61	1.54
Distributions	**1.470**	1.453	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. See relevant section for definition and reconciliation to closest IFRS measure.

(4) Includes the change in fair value of investment properties.

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 Quebec. As at December 31, 2015, Cominar owned and managed a high-quality portfolio of 566 properties including 134 office buildings, 197 retail buildings and 235 industrial and mixed-use buildings located in Quebec, Ontario, the Atlantic Provinces and Western Canada, representing a total leasable area of 45.4 million square feet. Cominar's properties are mostly situated in prime locations and benefit from high visibility and easy access by both our tenants and their clients.

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 $8.2 billion as at December 31, 2015.

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, 2015

Segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	134	14,574,000	90.3
Retail	197	12,890,000	90.3
Industrial and mixed-use	235	17,888,000	94.3
TOTAL	**566**	**45,352,000**	**91.9**

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, Cominar developed a strategy of assets disposals. The proceeds on disposal of assets shall be used to pay down debt and to repurchase units under the NCIB. In the context of the current market conditions, Cominar believes that to repurchase units under the NCIB is currently a good investment of its liquidity. While we are maintaining our long-term debt ratio target of 50%, we have set our 2016 year-end target goal at 53%.

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 of its joint ventures, provides more complete information on Cominar's financial performance.

The following tables present the reconciliations between Cominar's consolidated financial statements prepared in accordance with IFRS and consolidated financial statements including its proportionate share of assets, liabilities, revenues and charges of its joint ventures.

	2015			2014		
As at December 31, 2015	**Consolidated financial statements**	**Joint ventures**	**Cominar's proportionate share[(1)]**	Consolidated financial statements	Joint ventures	Cominar's proportionate share[(1)]
	$	**$**	**$**	$	$	$
ASSETS						
Investment properties						
Income properties	**7,614,990**	**91,585**	**7,706,575**	7,697,823	86,719	7,784,542
Properties under development	**49,114**	**16,460**	**65,574**	53,150	2,806	55,956
Land held for future development	**71,646**	**32,333**	**103,979**	68,788	6,013	74,801
	7,735,750	**140,378**	**7,876,128**	7,819,761	95,538	7,915,299
Income properties held for sale	**163,733**	**—**	**163,733**	—	—	—
Investments in joint ventures	**74,888**	**(74,888)**	**—**	41,633	(41,633)	—
Goodwill	**166,971**	**—**	**166,971**	166,971	—	166,971
Mortgage receivable	**8,250**	**—**	**8,250**	8,250	—	8,250
Accounts receivable	**56,756**	**1,122**	**57,878**	52,044	496	52,540
Prepaid expenses and other assets	**14,099**	**71**	**14,170**	14,851	40	14,891
Cash and cash equivalents	**5,250**	**221**	**5,471**	5,909	204	6,113
Total assets	**8,225,697**	**66,904**	**8,292,601**	8,109,419	54,645	8,164,064
LIABILITIES						
Mortgages payable	**2,052,640**	**51,156**	**2,103,796**	1,968,919	52,327	2,021,246
Mortgage payable related to a property held for sale	**8,590**	**—**	**8,590**			
Debentures	**1,995,506**	**—**	**1,995,506**	1,945,627	—	1,945,627
Convertible debentures	**—**	**—**	**—**	183,081	—	183,081
Bank borrowings	**381,166**	**12,501**	**393,667**	457,323	—	457,323
Accounts payable and accrued liabilities	**118,921**	**3,247**	**122,168**	133,728	2,318	136,046
Deferred tax liabilities	**10,877**	**—**	**10,877**	10,310	—	10,310
Total liabilities	**4,567,700**	**66,904**	**4,634,604**	4,698,988	54,645	4,753,633
UNITHOLDERS' EQUITY						
Unitholders' equity	**3,657,997**	**—**	**3,657,997**	3,410,431	—	3,410,431
Total liabilities and unitholders' equity	**8,225,697**	**66,904**	**8,292,601**	8,109,419	54,645	8,164,064

(1) Non-IFRS financial measure.

For the quarters ended December 31	2015			2014		
	Consolidated financial statements	Joint ventures	Cominar's proportionate share(1)	Consolidated financial statements	Joint ventures	Cominar's proportionate share(1)
	$	$	$	$	$	$
Operating revenues	217,049	2,152	219,201	217,492	2,242	219,734
Operating expenses	94,274	969	95,243	92,057	1,138	93,195
Net operating income	122,775	1,183	123,958	125,435	1,104	126,539
Finance charges	(41,652)	(626)	(42,278)	(46,402)	(626)	(47,028)
Trust administrative expenses	(4,138)	(34)	(4,172)	(3,723)	—	(3,723)
Share of joint ventures' net income and comprehensive income	(399)	399	—	8,923	(8,923)	—
Change in fair value of investment properties	(23,322)	(922)	(24,244)	(33,951)	8,445	(25,506)
Transaction costs – business combination	—	—	—	(5,143)	—	(5,143)
Income before income taxes	53,264	—	53,264	45,139	—	45,139
Income taxes	(264)	—	(264)	688	—	688
Net income and comprehensive income	53,000	—	53,000	45,827		45,827

(1) Non-IFRS financial measure.

For the years ended December 31	2015			2014		
	Consolidated financial statements	Joint ventures	Cominar's proportionate share(1)	Consolidated financial statements	Joint ventures	Cominar's proportionate share(1)
	$	$	$	$	$	$
Operating revenues	889,175	8,867	898,042	739,884	8,798	748,682
Operating expenses	401,687	3,977	405,664	328,605	3,875	332,480
Net operating income	487,488	4,890	492,378	411,279	4,923	416,202
Finance charges	(176,208)	(2,507)	(178,715)	(149,385)	(2,450)	(151,835)
Trust administrative expenses	(16,384)	(34)	(16,418)	(12,977)	—	(12,977)
Share of joint ventures' net income and comprehensive income	1,427	(1,427)	—	10,918	(10,918)	—
Change in fair value of investment properties	(23,322)	(922)	(24,244)	(33,951)	8,445	(25,506)
Transaction costs – business combination	—	—	—	(26,667)	—	(26,667)
Income before income taxes	273,001	—	273,001	199,217	—	199,217
Income taxes	(567)	—	(567)	236	—	236
Net income and comprehensive income	272,434	—	272,434	199,453	—	199,453

(1) Non-IFRS financial measure.

PERFORMANCE ANALYSIS

FINANCIAL POSITION

The following table indicates the changes in assets and liabilities as well as in unitholders' equity as at December 31, 2015 and 2014, as shown in our consolidated financial statements:

As at December 31	2015	2014	$ Δ	% Δ
ASSETS				
Investment properties				
Income properties	**7,614,990**	7,697,823	(82,833)	(1.1)
Properties under development	**49,114**	53,150	(4,036)	(7.6)
Land held for future development	**71,646**	68,788	2,858	4.2
	7,735,750	7,819,761	(84,011)	(1.1)
Income properties held for sale	**163,733**	—	163,733	100.0
Investments in joint ventures	**74,888**	41,633	33,255	79.9
Goodwill	**166,971**	166,971	—	—
Mortgage receivable	**8,250**	8,250	—	—
Accounts receivable	**56,756**	52,044	4,712	9.1
Prepaid expenses and other assets	**14,099**	14,851	(752)	(5.1)
Cash and cash equivalents	**5,250**	5,909	(659)	(11.2)
Total	**8,225,697**	8,109,419	116,278	1.4
LIABILITIES				
Mortgages payable	**2,052,640**	1,968,919	83,721	4.3
Mortgage payable related to a property held for sale	**8,590**	—	8,590	100.0
Debentures	**1,995,506**	1,945,627	49,879	2.6
Convertible debentures	**—**	183,081	(183,081)	(100.0)
Bank borrowings	**381,166**	457,323	(76,157)	(16.7)
Accounts payable and accrued liabilities	**118,921**	133,728	(14,807)	(11.1)
Deferred tax liabilities	**10,877**	10,310	567	5.5
Total	**4,567,700**	4,698,988	(131,288)	(2.8)
UNITHOLDERS' EQUITY				
Unitholders' equity	**3,657,997**	3,410,431	247,566	7.3
Total	**8,225,697**	8,109,419	116,278	1.4

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table indicates the main changes in our results of operations for the years ended December 31, 2015 and 2014, as shown in our consolidated financial statements:

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Operating revenues	**217,049**	217,492	(0.2)	**889,175**	739,884	20.2
Operating expenses	**94,274**	92,057	2.4	**401,687**	328,605	22.2
Net operating income	**122,775**	125,435	(2.1)	**487,488**	411,279	18.5
Finance charges	**(41,652)**	(46,402)	(10.2)	**(176,208)**	(149,385)	18.0
Trust administrative expenses	**(4,138)**	(3,723)	11.1	**(16,384)**	(12,977)	26.3
Share of joint ventures' net income	**(399)**	8,923	(104.5)	**1,427**	10,918	(86.9)
Change in fair value of investment properties	**(23,322)**	(33,951)	(31.3)	**(23,322)**	(33,951)	(31.3)
Transaction costs – business combination	**—**	(5,143)	(100.0)	**—**	(26,667)	(100.0)
Income taxes	**(264)**	688	(138.4)	**(567)**	236	(340.3)
Net income	**53,000**	45,827	15.7	**272,434**	199,453	36.6

OPERATING REVENUES

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Operating revenues – Financial statements	**217,049**	217,492	(0.2)	**889,175**	739,884	20.2
Operating revenues of joint ventures	**2,152**	2,242	(4.0)	**8,867**	8,798	0.8
Operating revenues – Cominar's proportionate share(1)	**219,201**	219,734	(0.2)	**898,042**	748,682	19.9

(1) Non-IFRS financial measure.

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Same property portfolio – Financial statements	**154,272**	154,623	(0.2)	**635,256**	632,831	0.4
Same property portfolio – Joint ventures	**2,091**	2,242	(6.7)	**8,806**	8,798	0.1
Same property portfolio(1) – Cominar's proportionate share	**156,363**	156,865	(0.3)	**644,062**	641,629	0.4
Acquisitions, developments and dispositions – Financial statements	**62,777**	62,869	(0.1)	**253,980**	107,053	137.2
Acquisitions and developments – Joint ventures	**61**	—	100.0	**61**	—	100.0
Operating revenues – Cominar's proportionate share(2)	**219,201**	219,734	(0.2)	**898,042**	748,682	19.9

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2013, except for the properties sold in 2014 and 2015, but does not include the results of properties acquired and those under development in 2014 and 2015.

(2) Non-IFRS financial measure.

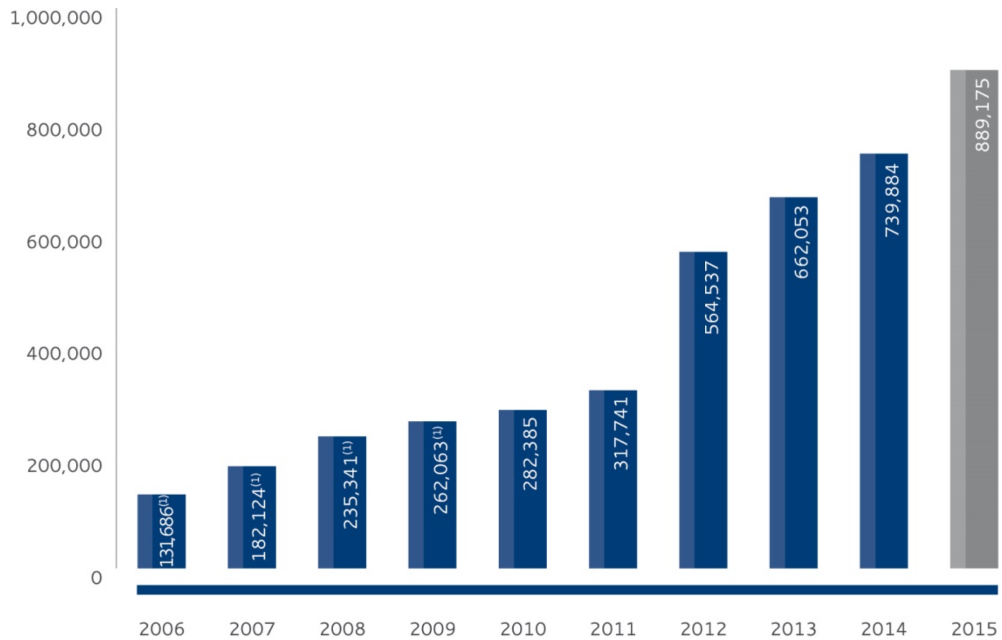
During fiscal 2015, operating revenues according to financial statements and to Cominar's proportionate share rose respectively by 20.2% and 19.9% from fiscal 2014. These increases resulted primarily from the contribution of acquisitions and developments completed in 2014 and 2015.

During the fourth quarter of 2015, operating revenues of the same property portfolio according to financial statements decreased by 0.3% from the corresponding quarter of 2014, due mainly to a lower occupancy rate.

During fiscal 2015, operating revenues of the same property portfolio according to financial statements rose by 0.4% from fiscal 2014.

The chart below presents Cominar's operating revenues based on the consolidated financial statements over the past 10 years.

OPERATING REVENUES



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

NET OPERATING INCOME

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, transaction costs – business combination 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.

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Net operating income – Financial statements	**122,775**	125,435	(2.1)	**487,488**	411,279	18.5
Net operating income – Joint ventures	**1,183**	1,104	7.2	**4,890**	4,923	(0.7)
Net operating income – Cominar's proportionate share	**123,958**	126,539	(2.0)	**492,378**	416,202	18.3

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Same property portfolio – Financial statements	**86,161**	86,657	(0.6)	**342,050**	342,448	(0.1)
Same property portfolio – Joint ventures	**1,139**	1,104	3.2	**4,846**	4,923	(1.6)
Same property portfolio(1) – Cominar's proportionate share	**87,300**	87,761	(0.5)	**346,896**	347,371	(0.1)
Acquisitions, developments and dispositions – Financial statements	**36,614**	38,778	(5.6)	**145,438**	68,831	111.3
Acquisitions and developments – Joint ventures	**44**	—	100.0	**44**	—	100.0
Net operating income – Cominar's proportionate share	**123,958**	126,539	(2.0)	**492,378**	416,202	18.3

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2013, except for the properties sold in 2014 and 2015, but does not include the results of properties acquired and those under development in 2014 and 2015.

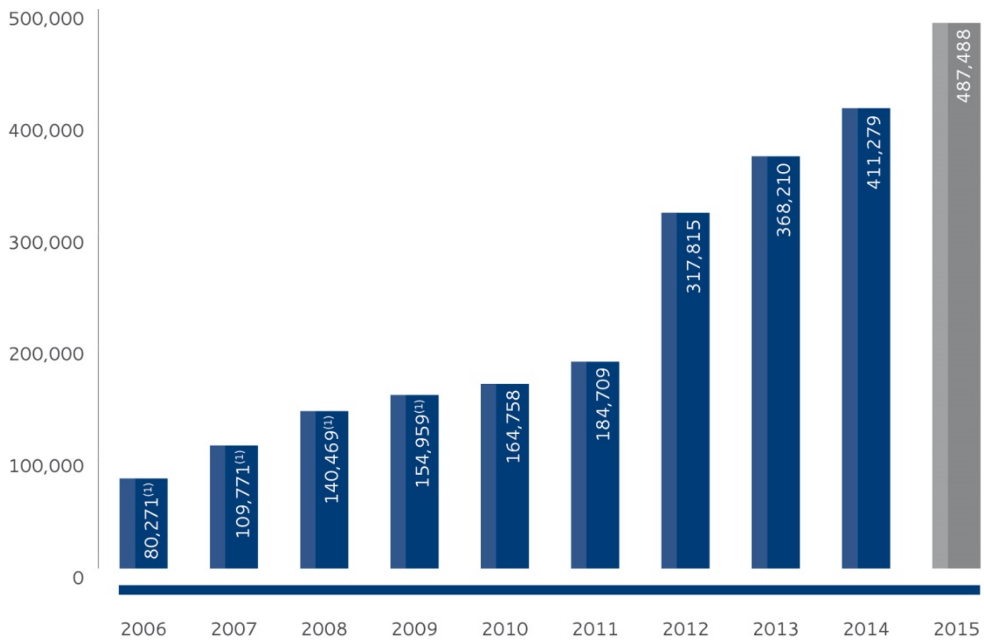
	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Operating segment						
Office	**42,974**	43,907	(2.1)	**173,055**	174,773	(1.0)
Retail	**22,733**	23,025	(1.3)	**89,047**	90,393	(1.5)
Industrial and mixed-use	**21,593**	20,829	3.7	**84,794**	82,205	3.1
Same property portfolio net operating income – Cominar's proportionate share	**87,300**	87,761	(0.5)	**346,896**	347,371	(0.1)

During fiscal 2015, NOI according to financial statements and to Cominar's proportionate share rose respectively by 18.5% and 18.3% from fiscal 2014, due mainly to the acquisitions and developments completed in 2014 and 2015.

For fiscal 2015, same property net operating income remained fairly stable from fiscal 2014, while it has decreased by 0.5% during the fourth quarter of 2015 compared to the same period in 2014, due mainly to a lower occupancy rate for the same property portfolio.

The chart presents Cominar's net operating income based on the consolidated financial statements over the past 10 years.

NET OPERATING INCOME



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

SEGMENT NET OPERATING INCOME

Cominar analyses its segmented results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties.

BY OPERATING SEGMENT

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Operating segment						
Office	**52,345**	55,259	(5.3)	**210,193**	207,259	1.4
Retail	**46,057**	47,749	(3.6)	**183,393**	118,390	54.9
Industrial and mixed-use	**25,556**	23,531	8.6	**98,792**	90,533	9.1
Net operating income – Cominar's proportionate share	**123,958**	126,539	(2.0)	**492,378**	416,202	18.3

	Quarter		Cumulative	
For the periods ended December 31	**2015**	2014	**2015**	2014
Operating segment				
Office	**42.2%**	43.7%	**42.7%**	49.8%
Retail	**37.2%**	37.7%	**37.2%**	28.4%
Industrial and mixed-use	**20.6%**	18.6%	**20.1%**	21.8%
	100.0%	100.0%	**100.0%**	100.0%

Net operating income for the office segment decreased in the fourth quarter of 2015 compared to 2014, due mainly to the disposal of two income properties during the third quarter of 2015 and to a lower average occupancy rate in this segment in 2015.

Net operating income for the retail segment decreased in the fourth quarter of 2015 from the same period in 2014, due to a lower occupancy rate.

Cominar management is confident that the efforts of its leasing and retail property management teams will contribute to improving growth in both segments in the next fiscal year.

During the fourth quarter of 2015, net operating income for the industrial and mixed-use segment progressed by 8.6% compared to the same period in 2014.

BY GEOGRAPHIC MARKET

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Geographic market						
Québec	**28,276**	28,599	(1.1)	**113,177**	87,666	29.1
Montréal	**64,543**	65,250	(1.1)	**253,444**	217,832	16.3
Ontario(1)	**19,786**	21,583	(8.3)	**79,952**	62,638	27.6
Atlantic Provinces	**5,130**	5,733	(10.5)	**20,903**	22,748	(8.1)
Western Canada	**6,223**	5,374	15.8	**24,902**	25,318	(1.6)
Net operating income – Cominar's proportionate share	**123,958**	126,539	(2.0)	**492,378**	416,202	18.3

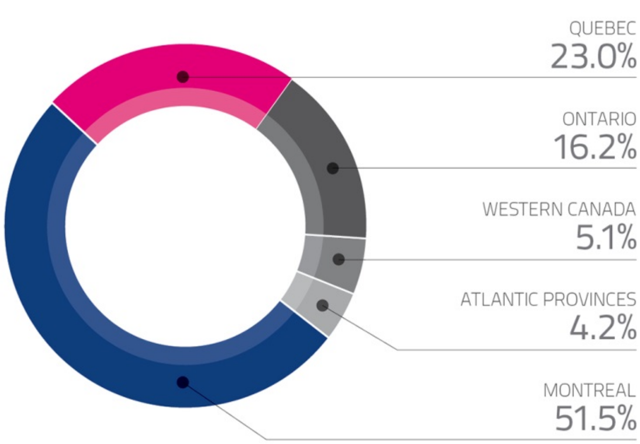
(1) *For presentation purposes, the Gatineau area is included in the Ontario geographic market.*

	Quarter		Cumulative	
For the periods ended December 31	**2015**	2014	**2015**	2014
Geographic market				
Québec	**22.8%**	22.6%	**23.0%**	21.1%
Montréal	**52.1%**	51.6%	**51.5%**	52.3%
Ontario(1)	**16.0%**	17.1%	**16.2%**	15.0%
Atlantic Provinces	**4.1%**	4.5%	**4.2%**	5.5%
Western Canada	**5.0%**	4.2%	**5.1%**	6.1%
	100.0%	100.0%	**100.0%**	100.0%

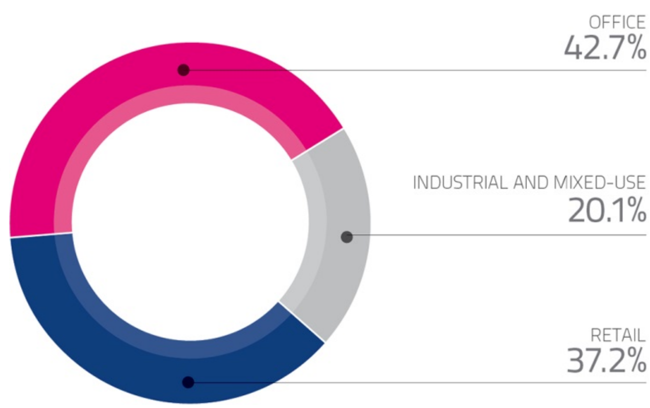
(1) *For presentation purposes, the Gatineau area is included in the Ontario geographic market.*

During the fourth quarter of 2015, the Ontario market experienced a decrease of $1.8 million compared to 2014, due mainly to a lower occupancy rate in the office segment in Ottawa. With regard to the Atlantic Provinces, the $0.6 million lower net operating income resulted primarily from a client's bankruptcy that occurred during the fiscal year.

NET OPERATING INCOME BY GEOGRAPHIC MARKET



NET OPERATING INCOME BY OPERATING SEGMENT



CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

Cominar opted to present its investment properties in the consolidated 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. External valuations were carried out by independent national firms holding a recognised and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

As per Cominar's policy on valuing investment properties, at the end of 2015, management revalued the real estate portfolio and determined that a decrease of $24.2 million (taking into account a downward adjustment of $0.9 million in the joint ventures) was necessary to adjust the carrying value of investment properties to their fair value [decrease of $25.5 million in 2014]. In 2015, the fair value of investment properties from external valuations amounted to 17% [26% in 2014] of the total fair value of all income properties.

Internally valued investment properties have been valued using the capitalized net operating income method. Externally valued investment properties have been valued either with the capitalized net operating income method or the discounted cash flow method. Here is a description of these methods and the key assumptions used:

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.

Discounted cash flow method – Under this method, the expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. The REIT uses leasing history, market reports, tenant profiles and building assessments, among other things, in determining the most appropriate assumptions. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables.

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 reported in net income.

As required under IFRS, Cominar has determined that an increase or decrease in 2015 of 0.10% in the applied capitalization rates for the entire real estate portfolio would result in a decrease or increase of approximately $124.6 million [$118.0 million in 2014] in the fair value of its investment properties.

Internally and externally used capitalization and discount rates are consistent.

WEIGHTED AVERAGE CAPITALIZATION AND DISCOUNT RATES

As at December 31						2015	2014
	Québec	**Montréal**	**Ontario**	**Atlantic Provinces**	**Western Canada**	**Weighted average rate**	Weighted average rate
Office properties							
Capitalized net operating income method							
Capitalization rate	**6.3%**	**6.3%**	**6.1%**	**7.3%**	**6.2%**	**6.3%**	6.3%
Discounted cash flow method							
Overall capitalization rate	**6.4%**	**6.0%**	**6.8%**	**7.3%**	**N/A**	**6.2%**	6.5%
Terminal capitalization rate	**6.5%**	**6.2%**	**7.3%**	**7.3%**	**N/A**	**6.4%**	6.8%
Discount rate	**7.0%**	**7.0%**	**7.8%**	**7.8%**	**N/A**	**7.0%**	7.2%
Retail properties							
Capitalized net operating income method							
Capitalization rate	**6.3%**	**6.0%**	**5.9%**	**7.7%**	**6.3%**	**6.1%**	6.6%
Discounted cash flow method							
Overall capitalization rate	**6.1%**	**6.5%**	**N/A**	**N/A**	**N/A**	**6.1%**	5.7%
Terminal capitalization rate	**6.3%**	**6.8%**	**N/A**	**N/A**	**N/A**	**6.4%**	5.9%
Discount rate	**6.9%**	**7.3%**	**N/A**	**N/A**	**N/A**	**7.0%**	6.8%
Industrial and mixed-use properties							
Capitalized net operating income method							
Capitalization rate	**7.2%**	**6.9%**	**6.9%**	**7.9%**	**6.8%**	**7.0%**	7.2%
Discounted cash flow method							
Overall capitalization rate	**N/A**	**7.2%**	**N/A**	**N/A**	**N/A**	**7.2%**	6.9%
Terminal capitalization rate	**N/A**	**7.3%**	**N/A**	**N/A**	**N/A**	**7.3%**	7.1%
Discount rate	**N/A**	**7.8%**	**N/A**	**N/A**	**N/A**	**7.8%**	7.4%
Total							
Capitalized net operating income method							
Capitalization rate	**6.5%**	**6.3%**	**6.1%**	**7.5%**	**6.2%**	**6.4%**	6.6%
Discounted cash flow method							
Overall capitalization rate	**6.1%**	**6.3%**	**6.8%**	**7.3%**	**N/A**	**6.2%**	6.0%
Terminal capitalization rate	**6.4%**	**6.4%**	**7.3%**	**7.3%**	**N/A**	**6.4%**	6.2%
Discount rate	**6.9%**	**7.1%**	**7.8%**	**7.8%**	**N/A**	**7.0%**	6.9%

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	**2015**	2014	% Δ	**2015**	2014	% Δ
Interest on mortgages payable	**21,544**	25,017	(13.9)	**88,959**	91,684	(3.0)
Interest on debentures	**19,864**	17,436	13.9	**80,150**	54,512	47.0
Interest on convertible debentures	**—**	2,861	(100.0)	**7,010**	11,445	(38.8)
Interest on bank borrowings	**3,306**	2,709	22.0	**9,931**	5,379	84.6
Net amortization of premium and discount on debenture issuances	**(200)**	(183)	9.3	**(787)**	(575)	36.9
Amortization of deferred financing costs and others	**891**	2,549	(65.0)	**6,664**	6,242	6.8
Amortization of fair value adjustments on assumed indebtedness	**(2,178)**	(2,793)	(22.0)	**(9,483)**	(11,946)	(20.6)
Less: Capitalized interests[1]	**(1,575)**	(1,194)	31.9	**(6,236)**	(7,356)	(15.2)
Total finance charges – Financial statements	**41,652**	46,402	(10.2)	**176,208**	149,385	18.0
Percentage of operating revenues	**19.2%**	21.3%		**19.8%**	20.2%	
Weighted average interest rate on total debt				**4.09%**	4.29%	

(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.

The increase in finance charges was mostly due to increased financing related to the acquisition of income properties completed in 2014. In addition, finance charges for fiscal 2015 include non-recurring charges of $2.2 million for deferred financing costs that were written off following the early redemption, on July 6, 2015, and on September 8, 2015, of the Series E and Series D convertible debentures respectively.

The weighted average interest rate on total debt decreased by 20 basis points since December 31, 2014.

TRUST ADMINISTRATIVE EXPENSES

During fiscal 2015, Trust administrative expenses stood at $16.4 million, accounting for 1.8% of operating revenues, compared to 1.7% in 2014.

TRANSACTION COSTS – BUSINESS COMBINATION

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

NET INCOME

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Net income	**53,000**	45,827	15.7	**272,434**	199,453	36.6
Net income per unit (basic)	**0.31**	0.29	6.9	**1.62**	1.47	10.2
Net income per unit (diluted)	**0.31**	0.29	6.9	**1.62**	1.45	11.7
Weighted average number of units (basic)	**170,156,688**	157,737,011		**167,867,983**	136,024,611	
Weighted average number of units (diluted)	**170,249,416**	168,590,169		**168,047,951**	146,876,155	

The calculation of diluted net income per unit includes the elimination of interest at the effective rate on the convertible debentures of $nil for the quarter ended December 31, 2015 [$3.3 million in 2014] and of $nil for fiscal 2015 [$13.2 million in 2014].

ADJUSTED NET INCOME

Adjusted net income is not an IFRS financial measure. The calculation method used by Cominar may differ from the one used by other entities. Cominar calculates an adjusted net income to eliminate transaction costs – business combination since they do not affect current real estate operations and to eliminate the change in fair value of investment properties and the write-off of deferred financing costs that are non-monetary and that have no impact on cash flows.

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	**% Δ**	**2015**	2014	% Δ
Net income	**53,000**	45,827	15.7	**272,434**	199,453	36.6
Change in fair value of investment properties – Cominar's proportionate share	**24,244**	25,506	(4.9)	**24,244**	25,506	(4.9)
Transaction costs – business combination	**—**	5,143	(100.0)	**—**	26,667	(100.0)
Write-off of deferred financing costs[1]	**—**	1,021	(100.0)	**2,232**	1,522	46.6
Adjusted net income	**77,244**	77,497	(0.3)	**298,910**	253,148	18.1
Adjusted net income per unit (basic)	**0.45**	0.49	(8.2)	**1.78**	1.86	(4.3)
Adjusted net income per unit (diluted)	**0.45**	0.48	(6.3)	**1.78**	1.81	(1.7)
Weighted average number of units (basic)	**170,156,688**	157,737,011		**167,867,983**	136,024,611	
Weighted average number of units (diluted)	**170,249,416**	168,590,169		**168,047,951**	146,876,155	

(1) *In 2015, deferred financing costs of $2.2 million were written off following the early redemptions of the Series E and Series D convertible debentures respectively on July 6, 2015 and September 8, 2015. In 2014, the amortization of deferred financing costs included a non-recurring expense of $501 related to financing costs paid for the secured operating and acquisition credit facility that has been replaced by an unsecured 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.*

Adjusted net income for the year rose by 18.1% from fiscal 2014, due mainly to the acquisitions and developments completed in 2014 and 2015.

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. Distributable income does not substitute for net income or cash flows provided by operating activities presented in the consolidated financial statements established in accordance with IFRS.

We define distributable income as net income determined under IFRS, before fair value adjustments, recognition of leases on a straight-line basis, provision for leasing costs, transaction costs incurred upon a business combination and certain other items not affecting cash, if applicable. This definition may differ from the one used by other entities, and therefore Cominar's distributable income may not be comparable to similar measures presented by other entities.

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	**2015**	2014	% Δ	**2015**	2014	% Δ
Net income	**53,000**	45,827	15.7	**272,434**	199,453	36.6
+ Change in fair value of investment properties[4]	**24,244**	25,506	(4.9)	**24,244**	25,506	(4.9)
− Net amortization of premium and discount on debenture issuances	**(200)**	(183)	9.3	**(787)**	(575)	36.9
+ Amortization of deferred financing costs[4]	**898**	2,497	(64.0)	**6,285**	6,041	4.0
− Amortization of fair value adjustments of assumed indebtedness	**(2,178)**	(2,793)	(22.0)	**(9,483)**	(11,946)	(20.6)
+ Amortization of fair value adjustments of bond investments	**6**	19	(68.4)	**51**	76	(32.9)
+ Compensation expense related to long-term incentive plan	**486**	377	28.9	**1,970**	1,414	39.3
+ Accretion of the liability component of convertible debentures	**—**	55	(100.0)	**411**	212	93.9
+ Transaction costs – business combination	**—**	5,143	(100.0)	**—**	26,667	(100.0)
+ Deferred taxes	**264**	(688)	(138.4)	**567**	(236)	(340.3)
− Provision for leasing costs	**(5,100)**	(5,790)	(11.9)	**(22,300)**	(19,840)	12.4
+ Initial and re-leasing salary costs	**661**	620	6.6	**2,763**	2,238	23.5
− Recognition of leases on a straight-line basis[4]	**(1,609)**	(73)	2,104.1	**(7,303)**	(3,854)	89.5
Recurring distributable income[4]	**70,472**	70,517	(0.1)	**268,852**	225,156	19.4
DISTRIBUTIONS TO UNITHOLDERS	**63,198**	59,199	6.8	**251,295**	203,375	23.6
Distributions reinvested under the distribution reinvestment plan[1]	**18,706**	18,158	3.0	**78,783**	60,858	29.5
Cash distributions	**44,492**	41,041	8.4	**172,512**	142,517	21.0
Percentage of distributions reinvested	**29.6%**	30.7%		**31.4%**	29.9%	
Per unit information:						
Recurring distributable income (basic)	**0.41**	0.45	(8.9)	**1.60**	1.66	(3.6)
Weighted average number of units outstanding for the recurring distributable income (basic)	**170,156,688**	157,737,011		**167,867,983**	136,024,611	
DISTRIBUTIONS PER UNIT	**0.368**	0.368	—	**1.470**	1.453	1.2
Payout ratio[2]	**89.8%**	81.8%		**91.9%**	87.5%	
Cash payout ratio[3]	**63.2%**	56.7%		**63.0%**	61.4%	

(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.
(4) Including Cominar's proportionate share in joint ventures.

Recurring DI for fiscal 2015 amounted to $268.9 million, up 19.4% from fiscal 2014. This increase was primarily due to the contribution of the acquisitions and developments completed in 2014 and 2015. On a basic per unit basis, it totalled $1.60, down $0.06 from the corresponding period of 2014. This decrease resulted primarily from the increase in the weighted average number of units outstanding following the issuance of units in 2014 and 2015, which led to a reduced debt ratio.

Distributions to unitholders for fiscal 2015 totalled $251.3 million, up 23.6% from fiscal 2014.

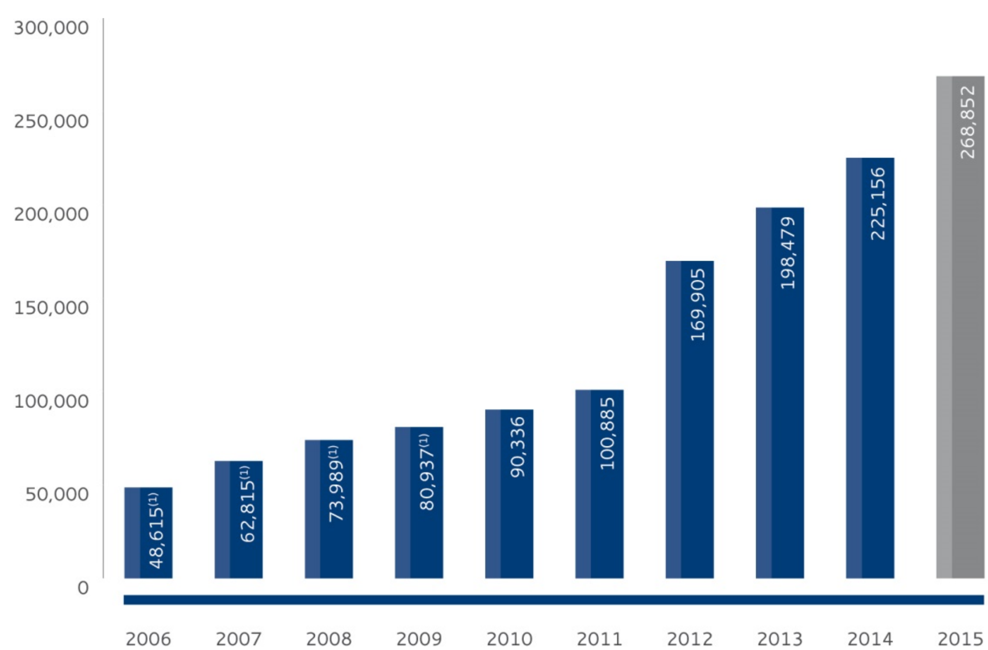
The recurring DI payout ratio for the fiscal year ended December 31, 2015 was 91.9%. During fiscal 2015, 31.4% of distributions were reinvested as units under the distribution reinvestment plan [29.9% in 2014]. The recurring DI cash payout ratio per unit (basic) stood at 63.0% for the year ended December 31, 2015. On January 20, 2016 Cominar announced the suspension of the distribution reinvestment plan based on the fact that the market value of units does not reflect the intrinsic value of Cominar and that units issued under the distribution reinvestment plan offset the advantages generated by purchases of units made under Cominar's NCIB. The suspension of the distribution reinvestment plan does not affect the regular monthly cash distribution per unit.

TRACK RECORD OF RECURRING DI PER UNIT

For the years ended December 31	2015	2014	2013	2012	2011
Recurring distributable income per unit (basic)	**1.60**	1.66	1.58	1.55	1.56

The chart below presents Cominar's recurring distributable income over the past 10 years.

RECURRING DISTRIBUTABLE INCOME



(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) presented in this management's discussion & analysis.

The following table presents this reconciliation:

	Quarter		Cumulative	
For the periods ended December 31	**2015**	2014	**2015**	2014
Cash flows provided by operating activities as shown in the consolidated financial statements	**107,679**	110,266	**263,942**	229,030
+ Adjustments – investments in joint ventures[1]	**444**	(332)	**2,018**	782
– Amortization of other assets	**(404)**	(243)	**(1,079)**	(884)
+ Transaction costs – business combination	**—**	5,143	**—**	26,667
– Provision for leasing costs	**(5,100)**	(5,790)	**(22,300)**	(19,840)
+ Initial and re-leasing salary costs	**661**	620	**2,763**	2,238
+ Change in non-cash working capital items	**(32,808)**	(39,147)	**23,508**	(12,837)
Recurring distributable income[1]	**70,472**	70,517	**268,852**	225,156
– Capital expenditures – maintenance of rental income generating capacity	**(2,483)**	(1,976)	**(7,207)**	(4,793)
Recurring adjusted funds from operations[1]	**67,989**	68,541	**261,645**	220,363

(1) Including Cominar's proportionate share in joint ventures.

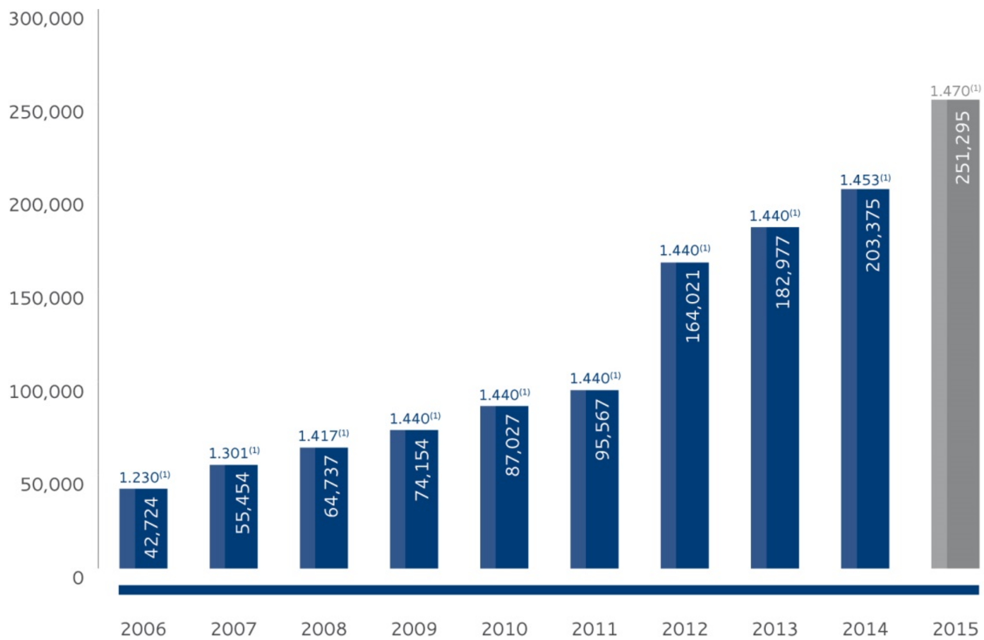
In accordance with CSA guidelines, Cominar also provides the following table to allow readers to assess sources of cash distributions and how they reconcile to net income:

For the years ended December 31	**2015**	2014	2013
Net income	**272,434**	199,453	254,969
Cash flows provided by operating activities as shown in the consolidated financial statements	**263,942**	229,030	202,760
Distributions to unitholders	**251,295**	203,375	182,977
Cash distributions	**172,512**	142,517	137,665
Excess of cash flows from operating activities over cash distributions to unitholders	**91,430**	86,513	65,095
Adjustments:			
+ Restructuring charges	**—**	—	1,062
+ Transaction costs – business combination	**—**	26,667	—
– 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	**91,430**	113,180	61,786

For the fiscal year ended December 31, 2015, and the prior years, cash flows from operating activities were sufficient to fund cash distributions to unitholders, as have adjusted cash flows from operating activities.

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

DISTRIBUTIONS PAID



(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, initial and re-leasing salary costs and transaction costs incurred upon a business combination.

FFO does not substitute 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. This measure 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:

FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Net income	**53,000**	45,827	15.7	**272,434**	199,453	36.6
+ Change in fair value of investment properties(6)	**24,244**	25,506	(4.9)	**24,244**	25,506	(4.9)
+ Deferred income taxes	**264**	(688)	(138.4)	**567**	(236)	(340.3)
+ Transaction costs – business combinations	**—**	5,143	(100.0)	**—**	26,667	(100.0)
+ Initial and re-leasing salary costs	**661**	620	6.6	**2,763**	2,238	23.5
Funds from operations(6)	**78,169**	76,408	2.3	**300,008**	253,628	18.3
+ Write-off of deferred financing costs (1)	**—**	1,021	(100.0)	**2,232**	1,522	46.6
Recurring funds from operations(6)	**78,169**	77,429	0.9	**302,240**	255,150	18.5
Per unit information:						
Recurring funds from operations (FD)(2)(3)	**0.46**	0.49	(6.1)	**1.79**	1.86	(3.8)
Weighted average number of units outstanding for recurring funds from operations (basic)	**170,156,688**	157,737,011		**167,867,983**	136,024,611	
Weighted average number of units outstanding for recurring funds from operations (FD)(2)	**170,249,416**	166,235,988		**173,711,158**	144,521,973	
Payout ratio(4)	**80.0%**	75.1%		**81.7%**	77.3%	
Cash payout ratio(5)	**56.3%**	52.0%		**56.0%**	54.2%	

(1) In 2015, deferred financing costs of $2.2 million were written off following the early redemptions of the Series E and Series D convertible debentures respectively effective July 6, 2015 and September 8, 2015. In 2014, the amortization of deferred financing costs included a non-recurring expense of $501 related to financing costs paid for the secured operating and acquisition credit facility that has been replaced by an unsecured credit facility, and have been completely expensed over the third quarter, after closing this 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.

(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 $nil for the quarter ended December 31, 2015 [$3.3 million in 2014] and of $8.0 million for the year ended December 31, 2015 [$13.2 million in 2014].

(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.

(6) Including Cominar's proportionate share in joint ventures.

Recurring FFO for fiscal 2015 rose 18.5% from the previous year, due mainly to the acquisitions and developments completed in 2014 and 2015. Recurring FFO per unit on a fully diluted basis stood at $1.79 for the year ended December 31, 2015, down $0.07 from fiscal 2014. This decrease resulted primarily from the increase in the weighted average number of units outstanding following the issuance of units in 2014 and 2015, which contributed to a reduced debt ratio.

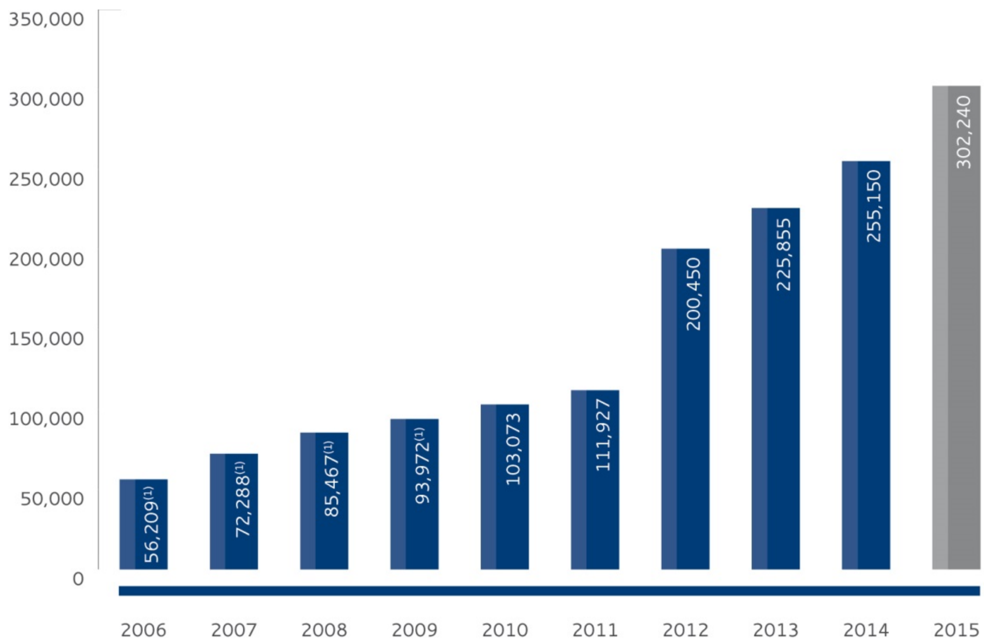
TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	**2015**	2014	2013	2012	2011
Recurring funds from operations per unit (FD)[1]	**1.79**	1.86	1.77	1.78	1.65

(1) Fully diluted.

The chart below presents Cominar's recurring funds from operations over the past 10 years.

RECURRING FUNDS FROM OPERATIONS



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

The following table presents a reconciliation of the cash flows from operating activities as shown in the consolidated financial statements with funds from recurring operations:

	Quarter		Cumulative	
For the periods ended December 31	**2015**	2014	**2015**	2014
Cash flows provided by operating activities as shown in the consolidated financial statements	**107,679**	110,266	**263,942**	229,030
- Adjustments – investments in joint ventures(2)	**836**	(8,528)	**759**	(8,673)
+ Amortization	**1,077**	185	**2,476**	5,320
- Compensation expense related to long-term incentive plan	**(486)**	(377)	**(1,970)**	(1,414)
+ Recognition of leases on straight-line basis(2)	**1,609**	73	**7,303**	3,854
+ Excess of proportionate share of net income and comprehensive income over distributions received from the joint ventures	**(399)**	8,173	**1,227**	9,443
+ Transaction costs – business combination	**—**	5,143	**—**	26,667
+ Write-off of deferred financing costs(1)	**—**	1,021	**2,232**	1,522
+ Initial and re-leasing salary costs	**661**	620	**2,763**	2,238
+ Change in non-cash working capital items	**(32,808)**	(39,147)	**23,508**	(12,837)
Recurring funds from operations(2)	**78,169**	77,429	**302,240**	255,150

(1) *In 2015, deferred financing costs of $2.2 million were written off following the early redemptions of the Series E and Series D convertible debentures respectively effective July 6, 2015 and September 8, 2015. In 2014, the amortization of deferred financing costs included a non-recurring expense of $501 related to financing costs paid for the secured operating and acquisition that has been replaced by an unsecured credit facility, and have been completely expensed over the third quarter, after closing this 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.*

(2) *Including Cominar's proportionate share in joint ventures.*

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 takes 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:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31	**2015**	2014	% Δ	**2015**	2014	% Δ
Funds from operations(5)	**78,169**	76,408	2.3	**300,008**	253,628	18.3
− Net amortization of premium and discount on debenture issuances	**(200)**	(183)	9.3	**(787)**	(575)	36.9
+ Amortization of deferred financing costs(5)	**898**	2,497	(64.0)	**6,285**	6,041	4.0
− Amortization of fair value adjustments of assumed indebtedness	**(2,178)**	(2,793)	(22.0)	**(9,483)**	(11,946)	(20.6)
+ Amortization of fair value adjustment of bond investments	**6**	19	(68.4)	**51**	76	(32.9)
+ Compensation expense related to long-term incentive plan	**486**	377	28.9	**1,970**	1,414	39.3
− Capital expenditures – maintenance of rental income generating capacity	**(2,483)**	(1,976)	25.7	**(7,207)**	(4,793)	50.4
+ Accretion of the liability component of convertible debentures	**—**	55	(100.0)	**411**	212	93.9
− Provision for leasing costs	**(5,100)**	(5,790)	(11.9)	**(22,300)**	(19,840)	12.4
− Recognition of leases on a straight-line basis(5)	**(1,609)**	(73)	2,104.1	**(7,303)**	(3,854)	89.5
Recurring adjusted funds from operations(5)	**67,989**	68,541	(0.8)	**261,645**	220,363	18.7
Per unit information:						
Recurring adjusted funds from operations (FD)(1)(2)	**0.40**	0.43	(7.0)	**1.55**	1.61	(3.7)
Weighted average number of units outstanding for recurring adjusted funds from operations (basic)	**170,156,688**	157,737,011		**167,867,983**	136,024,611	
Weighted average number of units outstanding for recurring adjusted funds from operations (FD)(1)	**170,249,416**	166,235,988		**173,711,158**	144,521,973	
Payout ratio(3)	**92.0%**	85.6%		**94.2%**	89.7%	
Cash payout ratio(4)	**64.8%**	59.3%		**64.6%**	62.9%	

(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 $nil for the quarter ended December 31, 2015 [$3.0 million in 2014] and of $7.3 million for the year ended December 31, 2015 [$11.9 million in 2014].

(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.

(5) Including Cominar's proportionate share in joint ventures.

Recurring AFFO amounted to $261.6 million for fiscal 2015, up 18.7% from fiscal 2014, mainly as a result of the acquisitions and developments completed in 2014 and 2015.

Fully diluted recurring AFFO per unit totalled $1.55 for the year ended December 31, 2015, down $0.06 from fiscal 2014. This decrease resulted primarily from the increase in the weighted average number of units outstanding following the issuance of units in 2014 and 2015, which led to a reduced debt ratio.

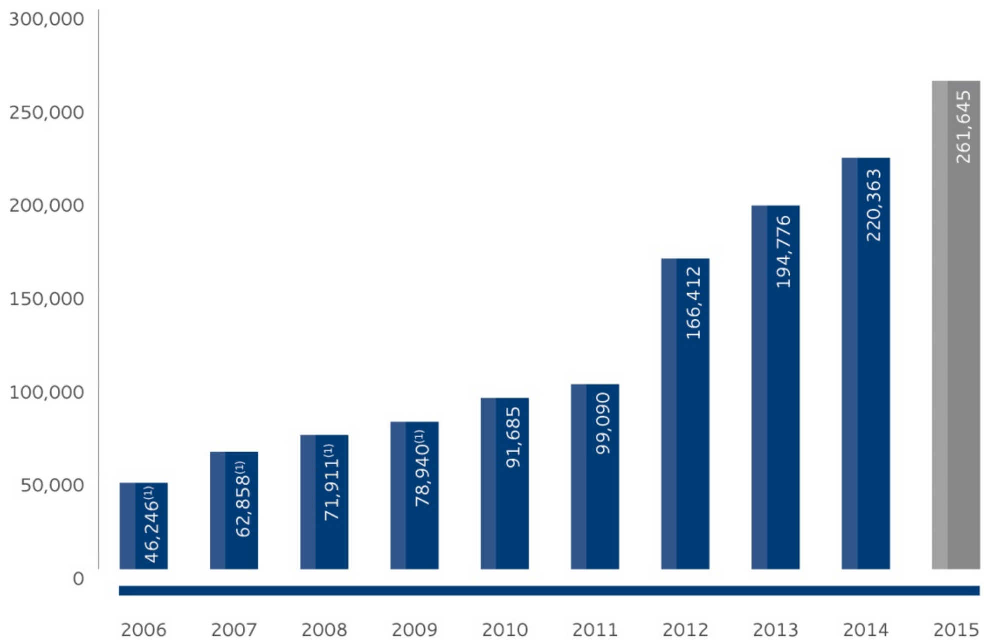
TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	**2015**	2014	2013	2012	2011
Recurring adjusted funds from operations per unit (FD)(1)	**1.55**	1.61	1.54	1.50	1.50

(1) Fully diluted.

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

RECURRING ADJUSTED FUNDS FROM OPERATIONS



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

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2015, Cominar generated $263.9 million in cash flows from operating activities. Of this amount, $172.5 million has been allocated to 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 issuances, 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 and $300.0 million in June 2015, as well as $155.3 million in units in January 2015, leaving an available balance of $844.7 million for future issuances.

MORTGAGES PAYABLE(1)

As at December 31, 2015, the nominal balance of mortgages payable was $2,051.3 million up $102.8 million from $1,948.5 million as at December 31, 2014. This increase is explained by contracted net mortgages payable for $371.4 million at a weighted average contractual rate of 3.07%, by the repayments of balances at maturity for $211.4 million at a weighted average contractual rate of 4.77% and by the monthly repayments of capital for $57.1 million. At the end of the year, the weighted average contractual rate was 4.46%, down 33 basis points from 4.79% as at December 31, 2014. As at December 31, 2015, the effective weighted average interest rate was 4.05% [4.17% in 2014].

Cominar's mortgages payable contractual maturity dates are staggered over a number of years to reduce risks related to renewal.

As at December 31, 2015, the residual weighted average term of mortgages payable was 5.4 years, compared to 5.0 years as at December 31, 2014.

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

CONTRACTUAL MATURITY DATES OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal	Balances at maturity	Total	Weighted average contractual rate
2016	53,260	204,980	258,240	4.77%
2017	50,993	177,190	228,183	4.70%
2018	40,115	451,983	492,098	4.91%
2019	32,427	4,255	36,682	6.20%
2020	33,736	82,013	115,749	4.37%
2021	32,530	89,517	122,047	5.48%
2022	30,953	56,136	87,089	4.14%
2023	26,405	254,826	281,231	4.56%
2024	17,600	181,733	199,333	4.09%
2025	12,309	210,838	223,147	3.15%
2026 and thereafter	7,503	33	7,536	3.37%
Total	337,831	1,713,504	2,051,335	4.46%

Cominar's management intends to refinance a portion of the mortgages payable maturing in 2016 and to increase, in general, the loan/value ratio of the properties used as collateral.

(1) Including the $8.6 million mortgage payable related to a property held for sale.

SENIOR UNSECURED DEBENTURES

The following table presents the features of Cominar's senior unsecured debentures:

	Contractual interest rate	Effective interest rate	Date of issuance	Dates of interest payments	Maturity date	Nominal value as at December 31, 2015
						$
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 6	**1.94%[4]**	**2.11%**	**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**
Series 9	**4.164%**	**4.25%**	**June 2015**	**June 1 and December 1**	**June 2022**	**300,000**
Weighted average interest rate	**3.95%**	**4.02%**				
Total						**2,000,000**

(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 December 22, 2015 to March 21, 2016 (corresponding to the three-month CDOR rate plus 108 basis points).

On June 1, 2015, Cominar issued $300.0 million in Series 9 senior unsecured debentures bearing interest at a rate of 4.164% and maturing in June 2022.

On October 9, 2015, Cominar redeemed at maturity the Series 5 senior unsecured debentures bearing a floating interest rate and totalling $250.0 million using the unsecured revolving operating and acquisition credit facility.

As at December 31, 2015, the residual weighted average term of senior unsecured debentures was 3.9 years.

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

As at December 31	**2015**		2014	
	Number of properties	**Fair value of properties ($)**	Number of properties	Fair value of properties ($)
Unencumbered income properties	**326**	**3,621,513**	286	3,692,149
Unencumbered assets to unsecured debt ratio[(1)(2)]		**1.52:1**		1.54:1
Senior unsecured debts-to-total-debt ratio[(2)(3)]		**53.6%**		52.8%

(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, 2015, Cominar owned unencumbered income properties whose fair value was approximately $3.6 billion. The unencumbered assets to unsecured debt ratio stood at 1.52:1, which represents considerable flexibility compared to the 1.30:1 ratio that Cominar must meet.

CONVERTIBLE DEBENTURES

On July 6, 2015, Cominar redeemed early all of the Series E convertible debentures totalling $86.3 million and bearing interest at 5.75%.

On September 8, 2015, Cominar redeemed early all of the Series D convertible debentures totalling $99.7 million and bearing interest at 6.50%.

These redemptions will result in interest savings in the next quarters and in the removal of the dilution arising from these convertible debentures.

BANK BORROWINGS

As at December 31, 2014, Cominar had an unsecured revolving operating and acquisition credit facility of up to $550.0 million. On October 7, 2015, it was increased to $700.0 million and will mature in August 2018. This credit 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, 2015 and 2014. As at December 31, 2015, bank borrowings totalled $381.2 million and cash available is $318.8 million.

DEBT SUMMARY

As at December 31	**2015**			2014		
	$	**Weighted average contractual rate**	**Residual weighted average term**	$	Weighted average contractual rate	Residual weighted average term
Mortgages payable	**2,061,230**	**4.46%**	**5.4 years**	1,968,919	4.79%	5.0 years
Debentures	**1,995,506**	**3.95%**	**3.9 years**	1,945,627	3.89%	4.0 years
Convertible debentures	**—**	**—**	**—**	183,081	6.15%	2.1 years
Bank borrowings	**381,166**	**2.85%**	**2.6 years**	457,323	3.13%	2.6 years
Total debt	**4,437,902**	**4.09%**	**4.5 years**	4,554,950	4.29%	4.2 years

During fiscal 2015, the weighted average interest rate on Cominar's total debt decreased by 20 basis points from 4.29% as at December 31, 2014, to 4.09% as at December 31, 2015.

DEBT RATIO

The following table presents the evolution of debt ratios:

As at December 31	**2015**	2014
Cash and cash equivalents	**(5,250)**	(5,909)
Mortgages payable	**2,061,230**	1,968,919
Debentures	**1,995,506**	1,945,627
Convertible debentures	**—**	183,081
Bank borrowings	**381,166**	457,323
Total net debt	**4,432,652**	4,549,041
Total assets less cash and cash equivalents	**8,220,447**	8,103,510
Debt ratio(1)(2)	**53.9%**	56.1%

(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, 2015, the debt ratio was 53.9%, down from 56.1 % as at December 31, 2014.

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term, Cominar developed a strategy of assets disposals. The proceeds on disposal of assets shall be used to pay down debt and to repurchase units under the NCIB. In the context of the current market conditions, Cominar believes that to repurchase units under the NCIB is currently a good investment of its liquidity. While we are maintaining our long-term debt ratio target of 50%, we have set our 2016 year-end target goal at 53%.

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. For the year ended December 31, 2015, the interest coverage ratio stood at 2.67:1 [2.67:1 as at December 31, 2014], 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 results of operations or its financial position, including its cash position and sources of financing.

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.

FINANCIAL INSTRUMENTS

CLASSIFICATION AND FAIR VALUE

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

		December 31, 2015		December 31, 2014	
	Level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		$	**$**	$	$
Other financial liabilities					
Mortgages payable	2	**2,061,230**	**2,140,424**	1,968,919	2,033,907
Debentures	2	**1,995,506**	**2,026,127**	1,945,627	2,004,418
Convertible debentures	1	**—**	**—**	183,081	191,121

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 2015 and 2014.

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 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.

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, 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 6,000 tenants occupying an average area of approximately 7,000 square feet each. The three largest tenants account for approximately 4.7%, 3.4% and 3.2% of net operating income, respectively, representing several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 9.6% 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 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, and accounts payable and accrued liabilities do not bear interest.

Nearly all mortgages payable (91%), debentures, except 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 6 debentures, which bear interest at variable rates.

As required under IFRS, 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 $2,1 million increase or decrease in Cominar's net income for the year ended December 31, 2015 [$1.4 million in 2014].

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.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2015 are as follows:

	Cash flows		
	Under one year $	One to five years $	Over five years $
Mortgages payable	347,720	1,102,821	1,090,271
Debentures[(1)]	327,688	1,479,823	527,238
Bank borrowings	10,978	409,525	—
Accounts payable and accrued liabilities[(2)]	107,349	—	—

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

ACQUISITIONS, INVESTMENTS AND DISPOSITIONS

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.

ACQUISITION OF INCOME PROPERTIES

On April 23, 2015, Cominar acquired a portfolio of 3 industrial properties with total leasable area of approximately 697,000 square feet, located in the greater Montréal area, for a purchase price of $34.5 million paid cash. The capitalization rate for this transaction was 8.1%.

The following table presents additional information on these acquisitions:

Investment property	City/Province	Business segment[(1)]	Leasable area sq. ft.
2125 23rd Avenue	Montréal, Qc	I	199,000
2177 23rd Avenue	Montréal, Qc	I	210,000
5205 Fairway Street	Montréal, Qc	I	288,000
			697,000

(1) I: Industrial and mixed-use.

TRANSFERS TO INCOME PROPERTIES

During the second quarter of 2015, Cominar completed the construction of an industrial and mixed-use property that it transferred from property under development to income property. Located in Lévis, in the suburbs of Québec, this property valued at $5.9 million, with a leasable area of 33,000 square feet, has an occupancy rate of 100%. The capitalization rate is 8.1%.

During the fourth quarter of 2015, Cominar completed the construction of an industrial and mixed-use property that it transferred from property under development to income property. Located in Québec, this property valued at $7.4 million, with a leasable area of 68,000 square feet, has an occupancy rate of 80%. The capitalization rate is 8.4%.

DISPOSITIONS OF INCOME PROPERTIES

On September 30, 2015, Cominar announced that it had completed the sale of one industrial and mixed-use property and two office properties located in Montréal, for a total purchase price of $98.0 million. The net sale proceeds of these properties were used to reimburse a portion of the credit facility.

The sale of these properties did not have a significant impact on Cominar’s results.

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 2015, Cominar incurred $108.2 million [$92.5 million in 2014] in capital expenditures particularly to increase the rental income generating capacity of its properties or to reduce the related operating expenses. During fiscal 2015, Cominar also incurred $7.2 million [$4.8 million in 2014] 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 for 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 2015, Cominar made investments of $32.8 million in this respect [$36.0 million in 2014].

INCOME PROPERTIES HELD FOR SALE

During the fourth quarter of 2015 and the first quarter of 2016, Cominar entered into sale agreements of income properties subject to usual closing requirements. Cominar's management intends to use the total net proceeds of these disposals to reduce debt and to repurchase units under the NCIB, and expects to close these transactions during fiscal year 2016. Here is the fair value of these income properties less costs of sale by geographic market:

	Québec	Montréal	Ontario	Atlantic Provinces	Total
	$	$	$	$	$
Assets – Retail properties					
Income properties held for sale	78,308	62,142	9,683	13,600	163,733
Liabilities					
Mortgage payable related to a property held for sale	—	8,590	—	—	8,590

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECTS

As part of the acquisition of the investment property portfolio from Ivanhoé Cambridge in 2014 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 $30.7 million, including leasing cost and leasehold improvements. Occupancy of this property began at the end of 2014 and will be continued during 2016. The capitalization rate of this property is estimated at 7.1%.

Cominar, at 50%, and Groupe Dallaire Inc., are in joint venture for the purpose of commercial land development located on Highway 40, one of the main arteries of Québec. It is foreseen that this project, Espace Bouvier, will consist primarily of commercial space, the first three phases being comprised of an office building of approximately 83,000 square feet and two commercial buildings totalling approximately 90,000 square feet. The average capitalization rate of these properties is estimated at 8.8%. During the fourth quarter, one of the retail properties, which has an area of approximately 66,000 square feet and is occupied at 100%, was transferred from properties under development to income properties.

Moreover, Cominar, at 75%, and Groupe Dallaire Inc., are in joint venture for the purpose of commercial land development located on this same artery.

Cominar has begun a project on Louis-B.-Mayer Street, in Laval, of an industrial and mixed-use property for a single tenant occupying 100% of the leasable area of 130,000 square feet, with a total estimated cost of $14.9 million. The estimated capitalization rate of the project is 8.7% and the delivery is expected in December 2016.

PROPERTY PORTFOLIO

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

As at December 31	2015	2014	% Δ
Income properties – Cominar's proportionate share[(1)]	**7,706,575**	7,784,542	(1.0)
Income properties held for sale	**163,733**	—	100.0
Properties under development and land held for future development – Cominar's proportionate share[(1)]	**169,553**	130,757	3.0
Number of income properties	**566**	563	
Leasable area (sq. ft.)	**45,352,000**	45,252,000	

(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.

SUMMARY BY OPERATING SEGMENT

As at December 31	2015		2014	
	Number of properties	**Leasable area (sq. ft.)**	Number of properties	Leasable area (sq. ft.)
Office	**134**	**14,574,000**	136	14,994,000
Retail	**197**	**12,890,000**	196	12,845,000
Industrial and mixed-use	**235**	**17,888,000**	231	17,413,000
Total	**566**	**45,352,000**	563	45,252,000

SUMMARY BY GEOGRAPHIC MARKET

As at December 31	2015		2014	
	Number of properties	**Leasable area (sq. ft.)**	Number of properties	Leasable area (sq. ft.)
Québec	**136**	**10,312,000**	133	10,202,000
Montréal	**301**	**25,462,000**	301	25,468,000
Ontario[(1)]	**55**	**5,774,000**	55	5,766,000
Atlantic Provinces	**60**	**2,698,000**	60	2,709,000
Western Canada	**14**	**1,106,000**	14	1,107,000
Total	**566**	**45,352,000**	563	45,252,000

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

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at December 31, 2015, the average occupancy rate of our properties was 91.9%, compared to 94.4% as at December 31, 2014. This decrease is mainly due to a lower occupancy rate in the retail segment, particularly following Target stores closure and to the weakness of the office segment in the Montréal area and in Ottawa.

OCCUPANCY RATE TRACK RECORD

	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Operating segment (%)					
Office	**90.3**	93.5	93.3	94.3	95.2
Retail	**90.3**	94.7	94.2	94.6	96.9
Industrial and mixed-use	**94.3**	94.9	92.4	93.1	91.8
Portfolio total	**91.9**	94.4	93.1	93.9	93.6

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity in 2015:

LEASING ACTIVITY

	Office	**Retail**	**Industrial and mixed-use**	**Total**
Leases that matured in 2015				
Number of clients	426	512	336	1,274
Leasable area (sq. ft.)	2,531,000	1,308,000	3,415,000	7,254,000
Average net rent ($/sq. ft.)	12.71	17.33	5.70	10.24
Renewed leases in 2015				
Number of clients	285	383	247	915
Leasable area (sq. ft.)	1,674,000	1,106,000	2,922,000	5,702,000
Average net rent of leases maturing ($/sq. ft.)	12.54	16.95	5.60	9.83
Average net rent of renewed leases ($/sq. ft.)	11.90	16.66	5.80	9.68
Retention rate (%)	**66.1**	**84.6**	**85.6**	**78.6**
New leases in 2015				
Number of clients	121	113	94	328
Leasable area (sq. ft.)	596,000	264,000	882,000	1,742,000
Average net rent ($/sq. ft.)	17.33	10.95	5.69	10.47

In 2015, 16.0% of leasable area expired. 78.6% [74.3 % in 2014] of these leases were renewed and new leases were also signed, representing 1.7 million square feet of leasable area.

The following table shows the average net rent growth of renewed leases:

GROWTH IN AVERAGE NET RENT OF RENEWED LEASES

For the years ended December 31	**2015**	2014
	%	%
Operating segment		
Office	**(5.1)**	1.3
Retail	**(1.7)**	3.6
Industrial and mixed-use	**3.6**	4.2
Portfolio total	**(1.5)**	2.4

The decrease in average net rent of renewed leases in the office segment comes mainly from the Ottawa region.

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

LEASE MATURITIES

	2016	2017	2018	2019	2020
Office					
Leasable area (sq. ft.)	2,087,000	1,917,000	2,018,000	1,693,000	1,002,000
Average net rent ($/sq. ft.)	12.92	14.12	13.28	12.56	14.17
% of portfolio – Office	14.3	13.2	13.8	11.6	6.9
Retail					
Leasable area (sq. ft.)	1,737,000	1,684,000	2,036,000	1,519,000	1,423,000
Average net rent ($/sq. ft.)	15.74	14.89	13.54	15.30	19.47
% of portfolio – Retail	13.5	13.1	15.8	11.8	11.0
Industrial and mixed-use					
Leasable area (sq. ft.)	3,136,000	2,941,000	2,504,000	1,073,000	2,181,000
Average net rent ($/sq. ft.)	5.68	6.57	6.40	6.89	6.36
% of portfolio – Industrial and mixed-use	17.5	16.4	14.0	6.0	12.2
Portfolio total					
Leasable area (sq. ft.)	6,960,000	6,542,000	6,558,000	4,285,000	4,606,000
Average net rent ($/sq. ft.)	10.36	10.93	10.73	12.11	12.11
% of portfolio	15.3	14.4	14.5	9.4	10.2

The following table summarizes information on leases as at December 31, 2015:

	Average remaining lease term years	Average leased area per client sq. ft.	Average net rent/ sq. ft. $
Office	4.5	6,900	13.78
Retail	4.2	4,100	14.85
Industrial and mixed-use	4.5	13,800	6.07
Portfolio average	**4.4**	**7,000**	**10.99**

Cominar has a broad, highly diversified retail client base consisting of about 6,000 clients occupying an average of approximately 7,000 square feet each. Our top three clients, Public Works Canada, Canadian National Railway Company and Société québécoise des infrastructures, account for approximately 4.7%, 3.4% 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 9.6% come from government agencies representing approximately 100 leases.

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

Client	% of net operating income
Public Works Canada	4.7
Canadian National Railway Company	3.4
Société québécoise des infrastructures	3.2
Jean Coutu Group	1.4
Scotiabank	1.0
Harvest Operations Corp.	0.9
Shoppers Drug Mart	0.8
Cinram Canada	0.8
Thales Canada	0.7
Desjardins Real Estate Group Inc.	0.7
Total	**17.6**

ISSUED AND OUTSTANDING UNITS

On January 30, 2015, Cominar closed a public offering of 7,901,650 units including the full exercise of the over-allotment option at a price of $19.65 per unit. Total net proceeds received by Cominar amounted to $148.7 million, after deducting the underwriters' fee and costs related to the offering. Net proceeds from this offering were used to repay the unsecured revolving credit facility.

On August 28, 2015, Cominar obtained the approval of the Toronto Stock Exchange to set up a NCIB for up to 4,000,000 units. The bid expires on September 1, 2016, or on any earlier date on which Cominar would have completed the maximum purchase pursuant to the bid.

During fiscal 2015, Cominar has repurchased 530,836 shares at an average price of $14.61 for a total consideration of $7.7 million paid cash. Since the beginning of fiscal year 2016, Cominar has repurchased 2,072,976 units at an average price of $14.46, for a total consideration of $30.0 million paid cash. Since December 10, 2015, Cominar has repurchased, under this program, a total of 2,603,812 units at an average price of $14.49, for a total consideration of $37.7 million paid cash.

For the years ended December 31	2015	2014
Units issued and outstanding, beginning of year	**158,689,195**	127,051,095
+ Public offering	**7,901,650**	15,131,700
+ Private placement	**—**	13,158,000
- Repurchase of units under NCIB	**(530,836)**	—
+ Exercise of options	**266,200**	92,000
+ Distribution reinvestment plan	**4,582,780**	3,247,589
+ Conversion of convertible debentures	**3,658**	—
+ Conversion of deferred units	**—**	8,811
Units issued and outstanding, end of year	**170,912,647**	158,689,195

Additional information	March 1, 2016
Issued and outstanding units	168,839,671
Outstanding unit options	10,387,950
Deferred units and restricted units	236,834

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 years 2014 and 2015, Cominar had operations with these companies, the details of which are as follows:

For the years ended December 31	2015	2014
	$	$
Investment properties – Capital costs	71,762	73,612
Investment properties held by joint ventures – Capital costs	14,450	344
Share of joint ventures' net income	1,427	10,918
Net rental revenue from investment properties	272	160
Interest income	312	306

Balances shown in the consolidated balance sheets are detailed as follows:

As at December 31	2015	2014
	$	$
Investments in joint ventures	74,888	41,633
Mortgage receivable	8,250	8,250
Accounts receivable – related parties	701	398
Accounts payable – related parties	8,804	3,455

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 time and 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, 2015, 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, 2015, 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 2015 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 fiscal 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.

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 standardized 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 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 or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning 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 ("CGU") expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGU, 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 fair value less the cost of disposal. 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 standardized 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 construction, expansion or 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.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying value of investment properties when incurred, and are not amortized subsequently.

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

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

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:

– Cash and cash equivalents, the mortgage receivable and accounts receivable 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 mortgages 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 on the date of the grant, 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, which corresponds to 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, which corresponds to 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 taxes payable or recoverable 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.

FUTURE ACCOUNTING POLICY CHANGES

IFRS 9, "Financial Instruments"

In July 2014, the International Accounting Standards Board ("IASB") published its final version of IFRS 9, which will replace IAS 39, "Financial Instruments: Recognition and Measurement" and modifications to IFRS 7, "Financial Instruments: Disclosures," in order to add disclosure requirements regarding the transition to IFRS 9. 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.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the 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 related interpretations. Adoption 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, 2018, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases Standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. 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, 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 or conditions in its debt instruments. 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.

Market events and conditions, including disruptions that sometimes affect international and regional credit markets and other financial systems and global economic conditions, could impede Cominar's access to capital (including debt financing) or increase the cost of such capital. The Canadian economy is currently being adversely impacted by low and falling oil prices. Failure to raise capital in a timely manner or under favourable terms could have a material adverse effect on Cominar's financial position and results of operations, including on property acquisition and development.

DEBT FINANCING

Cominar has and will continue to have substantial outstanding consolidated borrowings comprised primarily of mortgages payable, property mortgages, debentures, and borrowings under its unsecured revolving credit facility. 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 $700.0 million is repayable in one tranche in August 2018. As at December 31, 2015, $381.2 million was drawn down under the unsecured revolving credit facility and cash available was $318.8 million.

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 times at which the mortgages payable on such properties become due for refinancing.

OWNERSHIP OF IMMOVABLE PROPERTY

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

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of tenants and the economic environment in which they operate. Recently, due to difficult conditions in the Canadian retail environment, certain retailers have announced the closure of their stores, including Target Canada and other retailers, which are tenants of Cominar. 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 mortgage remedies.

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

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

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 to be acquired by it.

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.

GOVERNMENT REGULATION

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

In addition, environmental and ecological legislation and policies have become increasingly important in recent decades. Under various laws, Cominar could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations, or for the costs of other remedial or preventive work. The failure to remove or remediate such substances, or to effect such remedial or preventive work, if any, may adversely affect 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. Notwithstanding the above, Cominar is not aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is Cominar aware of any environmental condition with respect to any of its properties that it believes would involve material expenditure by Cominar.

LIMIT ON ACTIVITIES

In order to maintain its status as a "mutual fund trust" under the Tax Act, Cominar cannot carry on certain 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 and 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 mortgage 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.

POTENTIAL CONFLICTS OF INTEREST

Cominar may be subject to conflicts of interest because of the fact that the Dallaire Family and related entities are engaged in a wide range of real estate and other business activities. Mr. Michel Dallaire is also Chairman and Chief Executive Officer of Dallaire Group Inc., an affiliate of the Dallaire Family which operates a real estate business in the Québec City Area. Dalcon Inc. is a wholly-owned subsidiary of Dallaire Group Inc. Cominar rents premises to Dallaire Group Inc. and to Dalcon Inc. Dalcon Inc. also performs leasehold improvements and carries out construction and development projects, all on behalf of Cominar. Finally, Cominar owns two participations of 50% and two of 75% in joint ventures with Dallaire Group Inc. The business objective of these four joint ventures is the ownership, management and development of real estate projects. The Dallaire Family and related entities may become involved in transactions or leasing opportunities which conflict with the interests of Cominar. The contract of trust contains "conflicts of interest" provisions requiring trustees to disclose material interests in material contracts and transactions and refrain from voting thereon.

RISK FACTORS RELATED TO THE OWNERSHIP OF UNITS

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, the 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 for 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.

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 written instruments 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 written instruments 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 Quebec to unitholders or annuitants for contract claims under any written instrument 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 Quebec 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 mortgages that assumed mortgages 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 Quebec 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 Cominar's 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. 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 the 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.

Tax risk

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 2016 and any other subsequent year.

RISK FACTORS RELATED TO THE OWNERSHIP OF DEBENTURES

Credit Ratings

The credit ratings assigned to Cominar and the debentures by DBRS are 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. 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 and discontinued. 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 ratings usually consist of broader contextual information regarding the security provided by DBRS in rating reports, which generally set out the full rationale for the chosen rating symbol, and in other releases.

Debentures Credit Risk, Prior Ranking Indebtedness and Structural Subordination of the debentures

The likelihood that purchasers of the debentures will receive payments owing to them under the terms of the debentures will depend on the financial health of Cominar and its creditworthiness. In addition, the debentures are unsecured obligations of Cominar and, 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 debentures only after it has paid all of its secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the debentures then outstanding.

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of Cominar, holders of indebtedness of Cominar (including holders of debentures) may become subordinate to lenders to the subsidiaries of Cominar.

Trading market for debentures

There is no market through which the debentures may be sold and purchasers may not be able to resell debentures purchased under the base shelf prospectus, as supplemented by the prospectus supplements. This may affect the pricing of the debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the debentures and the extent of issuer regulation. No assurance can be given as to whether an active trading market will develop or be maintained for the debentures. To the extent that an active trading market for the debentures does not develop, the liquidity and trading prices for the debentures may be adversely affected.

Market Price or Value Fluctuation

If the debentures are traded after their initial issuance, they may trade at a discount from their initial public offering price. The market price or value of the debentures depends on many factors, including liquidity of the debentures, prevailing interest rates and the markets for similar securities, general economic conditions and Cominar's financial condition, historic financial performance and prospects. Assuming all other factors remain unchanged, the market price or value of the debentures, which carry a fixed interest rate, will likely decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Challenging market conditions, the health of the economy as a whole and numerous other factors beyond the control of Cominar may have a material effect on the business, financial condition, liquidity and results of operations of Cominar. In recent years, financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have often been unrelated to the operating performance, underlying asset values or prospects of such issuers. There can be no assurance that such fluctuations in price and volume will not occur. Accordingly, the market price of the debentures may decline even if Cominar's operating results, underlying asset values or prospects have not changed. In periods of increased levels of volatility and market turmoil, Cominar's operations could be adversely impacted and the market price of the debentures may be adversely affected.

Debentures Redemption Right Risk

Cominar may choose to redeem the debentures prior to maturity, in whole or in part, at any time or from time to time, especially when prevailing interest rates are lower than the rate borne by the debentures. If prevailing rates are lower at the time of redemption, a purchaser may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the debentures being redeemed.

Inability of Cominar to Purchase Debentures on a Change of Control

Cominar may be required to purchase all outstanding debentures upon the occurrence of a change of control. However, it is possible that following a change of control, Cominar will not have sufficient funds at that time to make any required purchase of outstanding debentures or that restrictions contained in other indebtedness will restrict those purchases.

CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST

December 31, 2015

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, 2015, 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, 2015 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, March 1, 2016

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, 2015 and December 31, 2014 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, 2015 and December 31, 2014, 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)]
March 1, 2016
Place de la Cité, Tour Cominar
2640 Laurier Boulevard, Suite 1700
Québec, Quebec 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, 2015 $	December 31, 2014 $
ASSETS			
Investment properties			
Income properties	5	**7,614,990**	7,697,823
Properties under development	6	**49,114**	53,150
Land held for future development	6	**71,646**	68,788
		7,735,750	7,819,761
Income properties held for sale	7	**163,733**	—
Investments in joint ventures	8	**74,888**	41,633
Goodwill	9	**166,971**	166,971
Mortgage receivable		**8,250**	8,250
Accounts receivable	10	**56,756**	52,044
Prepaid expenses and other assets		**14,099**	14,851
Cash and cash equivalents		**5,250**	5,909
Total assets		**8,225,697**	8,109,419
LIABILITIES			
Mortgages payable	11	**2,052,640**	1,968,919
Mortgage payable related to a property held for sale	7, 11	**8,590**	—
Debentures	12	**1,995,506**	1,945,627
Convertible debentures	13	**—**	183,081
Bank borrowings	14	**381,166**	457,323
Accounts payable and accrued liabilities	15	**118,921**	133,728
Deferred tax liabilities	20	**10,877**	10,310
Total liabilities		**4,567,700**	4,698,988
UNITHOLDERS' EQUITY			
Unitholders' equity		**3,657,997**	3,410,431
Total liabilities and unitholders' equity		**8,225,697**	8,109,419

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, 2015		2,839,515	1,733,684	(1,169,938)	5,746	1,424	3,410,431
Net income and comprehensive income		—	272,434	—	—	—	272,434
Distributions to unitholders	16	—	—	(251,295)	—	—	(251,295)
Unit issuances	16	238,884	—	—	—	—	238,884
Unit issuance expenses	16	(6,724)	—	—	—	—	(6,724)
Repurchase of units under NCIB [(1)]	16	(7,755)	—	—	—	—	(7,755)
Long-term incentive plan		—	822	—	1,200	—	2,022
Early redemption of convertible debentures		—	1,424	—	—	(1,424)	—
Balance as at December 31, 2015		**3,063,920**	**2,008,364**	**(1,421,233)**	**6,946**	**—**	**3,657,997**

(1) Normal course issuer bid ("NCIB")

	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	16	—	—	(203,375)	—	—	(203,375)
Unit issuances	16	600,001	—	—	—	—	600,001
Unit issuance expenses	16	(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

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	2015	2014
		$	$
Operating revenues			
Rental revenue from investment properties		**889,175**	739,884
Operating expenses			
Operating costs	18	**186,420**	151,199
Realty taxes and services		**199,207**	163,270
Property management expenses		**16,060**	14,136
		401,687	328,605
Net operating income		**487,488**	411,279
Finance charges	19	**(176,208)**	(149,385)
Trust administrative expenses	18	**(16,384)**	(12,977)
Change in fair value of investment properties	5	**(23,322)**	(33,951)
Transaction costs – business combination	4	**—**	(26,667)
Share of joint ventures' net income and comprehensive income	8	**1,427**	10,918
Income before income taxes		**273,001**	199,217
Income taxes	20	**(567)**	236
Net income and comprehensive income		**272,434**	199,453
Basic net income per unit	21	**1.62**	1.47
Diluted net income per unit	21	**1.62**	1.45

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	2015 $	2014 $
OPERATING ACTIVITIES			
Net income		**272,434**	199,453
Adjustments for:			
Excess of share of net income and comprehensive income over distributions received from the joint ventures	8	**(1,227)**	(9,443)
Change in fair value of investment properties	5	**23,322**	33,951
Amortization		**(2,476)**	(5,320)
Compensation expense related to long-term incentive plan		**1,970**	1,414
Deferred income taxes		**567**	(236)
Recognition of leases on a straight-line basis	5	**(7,140)**	(3,626)
Changes in non-cash working capital items	22	**(23,508)**	12,837
Cash flows provided by operating activities		**263,942**	229,030
INVESTING ACTIVITIES			
Acquisitions of and investments in income properties	5	**(178,537)**	(357,225)
Acquisitions of and investments in properties under development and land held for future development	6	**(12,591)**	(49,254)
Cash consideration paid upon business combination	4	**—**	(1,615,359)
Mortgage receivable		**—**	(8,250)
Return of capital from a joint venture	8	**1,231**	53,116
Net proceeds from disposition of a portion of the investment in a joint venture	8	**—**	20,150
Contribution to the capital of the joint ventures	8	**(33,259)**	(7,606)
Net proceeds from the sale of investment properties	4	**97,444**	2,000
Change in other assets		**794**	(245)
Cash flows used in investing activities		**(124,918)**	(1,962,673)
FINANCING ACTIVITIES			
Distributions to unitholders		**(172,512)**	(142,517)
Bank borrowings		**(76,157)**	351,626
Mortgages payable		**369,676**	248,596
Net proceeds from issuance of debentures		**298,327**	949,610
Net proceeds from issuance of units	16	**153,233**	526,470
Repurchase of units under NCIB	16	**(7,755)**	—
Early redemption of convertible debentures	13	**(185,961)**	—
Repayments of debentures at maturity	12	**(250,000)**	—
Repayments of mortgages payable at maturity	11	**(211,414)**	(150,819)
Monthly repayments of mortgages payable	11	**(57,120)**	(53,156)
Cash flows provided by (used in) financing activities		**(139,683)**	1,729,810
Net change in cash and cash equivalents		**(659)**	(3,833)
Cash and cash equivalents, beginning of year		**5,909**	9,742
Cash and cash equivalents, end of year		**5,250**	5,909
Other information			
Interest paid		**191,134**	158,339
Distributions received from joint ventures	8	**200**	1,475

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
[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 Quebec. As at December 31, 2015, Cominar owned and managed a real estate portfolio of 566 high-quality properties that covered a total area of 45.4 million square feet in Quebec, 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, Quebec, 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 March 1, 2016.

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 fiscal 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.

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 standardized 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 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 or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning 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 ("CGU") expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGU, 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 fair value less the cost of disposal. 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 standardized 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 construction, expansion or 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.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying value of investment properties when incurred, and are not amortized subsequently.

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
Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

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:

- Cash and cash equivalents, the mortgage receivable and accounts receivable 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 mortgages 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 on the date of the grant, 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, which corresponds to 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, which corresponds to 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 taxes payable or recoverable 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) FUTURE ACCOUNTING POLICY CHANGES

IFRS 9, "Financial Instruments"

In July 2014, the International Accounting Standards Board ("IASB") published its final version of IFRS 9, which will replace IAS 39, "Financial Instruments: Recognition and Measurement" and modifications to IFRS 7, "Financial Instruments: Disclosures," in order to add disclosure requirements regarding the transition to IFRS 9. 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.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the 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 related interpretations. Adoption 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, 2018, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases Standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

4) ACQUISITIONS AND DISPOSITIONS

ACQUISITION OF INCOME PROPERTIES IN 2015

On April 23, 2015, Cominar acquired a portfolio of 3 industrial properties with total leasable area of 697,000 square feet, located in the greater Montréal area, for a purchase price of $34,500 paid cash.

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

The following table summarizes the fair values at the acquisition date of acquired net assets:

	Fair values
	$
Income properties	34,500
Working capital	(26)
Deposit on acquisition(1)	(2,500)
Total cash consideration paid for the acquisition	31,974

(1) A deposit of $2,500 had been made during the fiscal year ended December 31, 2014.

ACQUISITIONS OF INCOME PROPERTIES 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 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, for a purchase price of $2,175 paid 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
Assumed 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., a real estate subsidiary of La Caisse de dépôt et placement du Québec. Cominar accounted for these acquisitions using the acquisition method in accordance with IFRS 3, "Business Combinations." The results of these properties were included in the consolidated financial statements from the date of acquisition. As part of this transaction, Cominar incurred $26,667 in transaction costs. In accordance with IFRS, transaction costs incurred in a business combination must be expensed as incurred.

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

	Final 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 $275,428, by the issuance of two series of unsecured debentures of $548,031, by a private placement with Ivanhoé Cambridge Inc. 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 was finalized during the third quarter of 2015.

DISPOSITION OF INCOME PROPERTIES IN 2015

On September 30, 2015, Cominar announced that it had completed the sale of one industrial and mixed-use property and two office properties located in Montréal, for a total purchase price of $98,000. The sale of these properties will not have a significant impact on Cominar's results.

DISPOSITION OF AN INCOME PROPERTY IN 2014

On May 7, 2014, Cominar sold a commercial building in Kentville, Nova Scotia, for $2,000. The sale of this property did not have a significant impact on Cominar's results.

TRANSFERS TO INCOME PROPERTIES IN 2015

During the second quarter of 2015, Cominar completed the construction of an industrial and mixed-use property that it transferred from property under development to income property. Located in Lévis, in the suburbs of Québec, this property valued at $5,940, with a leasable area of 33,000 square feet, has an occupancy rate of 100%. The capitalization rate is 8.1%.

During the fourth quarter of 2015, Cominar completed the construction of an industrial and mixed-use property that it transferred from property under development to income property. Located in Québec, this property valued at $7,352, with a leasable area of 68,000 square feet, has an occupancy rate of 80%. The capitalization rate is 8.4%.

TRANSFER TO INCOME PROPERTIES IN 2014

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. Located in Laval, this 14-storey, 310,000 square-foot building valued at $58,353 is 100% occupied by a Québec government agency under a long-term lease. The capitalization rate was 8.1%.

5) INCOME PROPERTIES

For the years ended December 31	Note	2015	2014
		$	$
Balance, beginning of year		**7,697,823**	5,654,825
Business combination	4	**—**	1,595,115
Acquisitions and related costs		**33,081**	386,387
Fair value adjustment		**(23,322)**	(33,951)
Capital costs		**137,161**	123,456
Dispositions	4	**(97,444)**	(2,000)
Transfer of an income property as contribution to a joint venture	8	**—**	(97,850)
Transfers from properties under development	6	**13,292**	58,353
Transfers to income properties held for sale	7	**(163,733)**	—
Change in initial direct costs		**10,992**	9,862
Recognition of leases on a straight-line basis		**7,140**	3,626
Balance, end of year		**7,614,990**	7,697,823

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

Cominar opted to present its investment properties in the consolidated 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. External valuations were carried out by independent national firms holding a recognised and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

As per Cominar's policy on valuing investment properties, at the end of 2015, management revalued the real estate portfolio and determined that a decrease of $23,322 was necessary to adjust the carrying value of investment properties to their fair value [decrease of $33,951 in 2014]. The fair value adjustment related to income properties held as at the year-end date amounts to $15,517. In 2015, the fair value of investment properties from external valuations amounted to 17% [26% in 2014] of the total fair value of all income properties.

Internally valued investment properties have been valued using the capitalized net operating income method. Externally valued investment properties have been valued either with the capitalized net operating income method or the discounted cash flow method. Here is a description of these methods and the key assumptions used:

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.

Discounted cash flow method – Under this method, the expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables.

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 reported in net income.

As required under IFRS, Cominar has determined that an increase or decrease in 2015 of 0.10% in the applied capitalization rates for the entire real estate portfolio would result in a decrease or increase of approximately $124,600 [$118,000 in 2014] in the fair value of its investment properties.

Internally and externally used capitalization and discount rates are consistent.

Capitalization and discount rates	**2015**		2014	
Category	**Range**	**Weighted average**	Range	Weighted average
Office properties				
Capitalized net operating income method				
Capitalization rate	**5.0% – 9.3%**	**6.3%**	5.3% – 9.0%	6.3%
Discounted cash flow method				
Overall capitalization rate	**5.5% – 7.5%**	**6.2%**	5.8% – 7.8%	6.5%
Terminal capitalization rate	**5.5% – 7.5%**	**6.4%**	6.5% – 8.2%	6.8%
Discount rate	**6.5% – 8.0%**	**7.0%**	6.5% – 8.3%	7.2%
Retail properties				
Capitalized net operating income method				
Capitalization rate	**5.3% – 9.0%**	**6.1%**	5.8% – 10.0%	6.6%
Discounted cash flow method				
Overall capitalization rate	**6.0% – 6.5%**	**6.1%**	5.1% – 8.0%	5.7%
Terminal capitalization rate	**6.3% – 6.8%**	**6.4%**	5.4% – 8.3%	5.9%
Discount rate	**6.8% – 7.3%**	**7.0%**	6.3% – 9.0%	6.8%
Industrial and mixed-use properties				
Capitalized net operating income method				
Capitalization rate	**5.8% – 11.0%**	**7.0%**	5.8% – 11.0%	7.2%
Discounted cash flow method				
Overall capitalization rate	**6.8% – 7.8%**	**7.2%**	6.0% – 7.8%	6.9%
Terminal capitalization rate	**7.0% – 7.8%**	**7.3%**	6.3% – 7.8%	7.1%
Discount rate	**7.5% – 8.3%**	**7.8%**	6.5% – 8.0%	7.4%
Total				
Capitalized net operating income method				
Capitalization rate		**6.4%**		6.6%
Discounted cash flow method				
Overall capitalization rate		**6.2%**		6.0%
Terminal capitalization rate		**6.4%**		6.2%
Discount rate		**7.0%**		6.9%

6) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

For the years ended December 31		**2015**	2014
	Note	**$**	$
Balance, beginning of year		**121,938**	107,961
Business combination	4	**—**	36,200
Acquisitions and related costs		**—**	2,157
Capital costs		**6,875**	28,248
Capitalized interest		**5,239**	5,725
Transfers to income properties	5	**(13,292)**	(58,353)
Balance, end of year		**120,760**	121,938
Breakdown:			
Properties under development		**49,114**	53,150
Land held for future development		**71,646**	68,788

7) INCOME PROPERTIES HELD FOR SALE

During the fourth quarter of 2015 and the first quarter of 2016, Cominar entered into sale agreements of income properties subject to usual closing requirements. Cominar's management intends to use the total net proceeds of these disposals to reduce debt and to repurchase units under the NCIB, and expects to close these transactions during fiscal year 2016. Here is the fair value of these income properties less costs of sale by geographic market:

	Québec	Montréal	Ontario	Atlantic Provinces	Total
	$	$	$	$	$
Assets – Retail properties					
Income properties held for sale	78,308	62,142	9,683	13,600	163,733
Liabilities					
Mortgage payable related to a property held for sale	—	8,590	—	—	8,590

8) JOINT VENTURES

The following table summarizes the information on the joint ventures:

As at December 31			2015	2014
Joint venture	**Address**	**City/province**	**Ownership interest**	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	**50%**	50%
Société en commandite Bouvier-Bertrand	1020 Bouvier Street	Québec, Quebec	**50%**	50%
Société en commandite Chaudière-Duplessis	De la Chaudière Boulevard	Québec, Quebec	**75%**	—
Société en commandite Marais	Du Marais Street	Québec, Quebec	**75%**	—

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:

For the years ended December 31	2015	2014
	$	$
Investments in joint ventures, beginning of year	**41,633**	—
Contribution to the capital of a joint venture – transfer of an income property to a joint venture	**—**	97,850
Disposition of a portion of the investment in a joint venture	**—**	(20,150)
Share of joint ventures' net income and comprehensive income	**1,427**	10,918
Liquidities distributed by a joint venture	**(200)**	(1,475)
Contribution to the capital of the joint ventures	**33,259**	7,606
Return of capital from a joint venture	**(1,231)**	(53,116)
Investments in joint ventures, end of year	**74,888**	41,633

The following tables summarize the net assets and the net income and comprehensive income of the joint ventures:

As at December 31	2015	2014
	$	$
Income properties	**183,168**	173,438
Properties under development	**32,921**	5,612
Land held for future development	**43,122**	12,026
Other assets	**2,806**	1,480
Mortgage payable bearing interest at a fixed rate of 4.79% and maturing in February 2024	**(102,312)**	(104,654)
Bank borrowings	**(25,002)**	—
Other liabilities	**(6,440)**	(4,636)
Net assets of the joint ventures	**128,263**	83,266
Proportionate share of joint ventures' net assets	**74,888**	41,633

For the years ended December 31	2015	2014
	$	$
Operating revenues	**17,734**	17,596
Operating expenses	**7,954**	7,750
Net operating income	**9,780**	9,846
Change in fair value of investment properties	**(2,004)**	16,890
Finance charges	**(5,013)**	(4,900)
Administrative expenses	**(70)**	—
Net income and comprehensive income	**2,693**	21,836
Share of joint ventures' net income and comprehensive income	**1,427**	10,918

9) 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 CGU expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGU, 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 fair value less the cost of disposal. Should the carrying value of a group of CGU, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

At year-end, Cominar tested its assets for impairment by determining the recoverable value of the net assets of each CGU and comparing it to the carrying value, including goodwill. As at December 31, 2015 and 2014, goodwill was not impaired.

Goodwill is classified as Level 3 in the fair value hierarchy, which means that inputs for the asset or liability are not based on observable market data (unobservable inputs).

Goodwill	Office properties	Retail properties	Industrial and mixed-use properties	Total
	$	$	$	$
Balance as at December 31, 2014 and 2015	98,073	51,212	17,686	166,971

The capitalization rates used to value the recoverable amount of net assets for each group of CGU are as follows:

Capitalization rate	**2015**	2014
Category	**Weighted average**	Weighted average
Office properties	**6.1%**	6.2%
Retail properties	**5.9%**	6.5%
Industrial and mixed-use properties	**6.7%**	6.9%
Total	**6.1%**	6.4%

10) ACCOUNTS RECEIVABLE

As at December 31	**2015**	2014
	$	$
Trade receivables	**26,674**	35,091
Allowance for doubtful accounts	**(9,408)**	(6,741)
	17,266	28,350
Accounts receivable – related parties	**701**	398
Interest-bearing accounts receivable[1]	**1,016**	1,775
Security deposits	**5,533**	6,790
Other receivables and accrued income	**32,240**	14,731
	56,756	52,044
(1) Average effective interest rate	**7.21%**	7.35%

11) MORTGAGES PAYABLE

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

For the years ended December 31	**2015**		2014	
		Weighted average contractual rate		Weighted average contractual rate
	$	**%**	$	%
Balance, beginning of year	**1,948,462**	**4.79**	1,763,922	5.06
Net mortgages payable, contracted or assumed	**371,407**	**3.07**	388,515	3.94
Monthly repayments of principal	**(57,120)**	**—**	(53,156)	—
Repayments of balances at maturity	**(211,414)**	**4.77**	(150,819)	5.89
	2,051,335	**4.46**	1,948,462	4.79
Plus: Fair value adjustments on assumed mortgages payable	**14,246**		23,729	
Less: Deferred financing costs	**(4,351)**		(3,272)	
Balance, end of year[1]	**2,061,230**		1,968,919	

(1) Including the $8,590 mortgage payable related to a property held for sale.

Contractual maturity dates of mortgages payable are as follows as at December 31, 2015:

For the years ending December 31	Repayment of principal	Balances at maturity	Total
	$	$	$
2016	53,260	204,980	**258,240**
2017	50,993	177,190	**228,183**
2018	40,115	451,983	**492,098**
2019	32,427	4,255	**36,682**
2020	33,736	82,013	**115,749**
2021 and thereafter	127,300	793,083	**920,383**
	337,831	1,713,504	**2,051,335**

Mortgages payable are primarily secured by immovable hypothecs on investment properties having a carrying value of $4,162,353 [$4,003,053 as at December 31, 2014]. They bear annual contractual interest rates ranging from 2.35% to 7.75% [2.69% to 7.75% as at December 31, 2014], representing a weighted average contractual rate of 4.46% as at December 31, 2015 [4.79% as at December 31, 2014], and are renewable at various dates from January 2016 to January 2039. As at December 31, 2015, the weighted average effective interest rate was 4.05% [4.17% as at December 31, 2014].

As at December 31, 2015, nearly all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include covenants, with which Cominar was in compliance as at December 31, 2015 and 2014.

12) DEBENTURES

On June 1, 2015, Cominar issued $300,000 in Series 9 senior unsecured debentures bearing interest at a rate of 4.164% and maturing in June 2022.

On October 9, 2015, Cominar redeemed at maturity the $250,000 floating interest rate Series 5 senior unsecured debentures using its unsecured revolving operating and acquisition credit facility.

The following table presents characteristics of outstanding debentures as at December 31, 2015:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Nominal value as at December 31, 2015
		%	%		$
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 6	September 2014	1.94(4)	2.11	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**
Series 9	June 2015	4.164	4.25	June 2022	**300,000**
Total		**3.95**	**4.02**		2,000,000

(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 December 22, 2015 to March 21, 2016 (corresponding to the three-month CDOR rate plus 108 basis points).

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

For the years ended December 31	2015		2014	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of year	**1,950,000**	**3.89**	1,000,000	4.06
Issuances	**300,000**	**4.164**	950,000	3.70
Repayment at maturity	**(250,000)**	**3.026**	—	—
	2,000,000	**3.95**	1,950,000	3.89
Less: Deferred financing costs	**(7,413)**		(8,079)	
Plus: Net premium and discount on issuance	**2,919**		3,706	
Balance, end of year	**1,995,506**		1,945,627	

Debentures, under the trust indenture, contain covenants, with which Cominar was in compliance as at December 31, 2015 and 2014.

13) CONVERTIBLE DEBENTURES

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

For the years ended December 31	2015		2014	
		Weighted average rate		Weighted average rate
	$	%	$	%
Balance, beginning of year	**186,036**	**6.15**	186,036	6.15
Conversion at the option of unitholders	**(75)**	**6.50**	—	—
Early redemptions	**(185,961)**	**6.15**	—	—
	—		186,036	6.15
Less				
Deferred financing costs	**—**		(2,544)	
Accretion of liability component	**—**		(411)	
Balance, end of year	**—**		183,081	

On July 6, 2015, Cominar called all its then outstanding Series E convertible debentures bearing interest at 5.75% and totalling $86,250.

On September 8, 2015, Cominar called all its then outstanding Series D convertible debentures bearing interest at 6.50% and totalling $99,711.

These redemptions will result in the next years in the removal of the dilution arising from these convertible debentures.

14) BANK BORROWINGS

As at December 31, 2014, Cominar had a revolving unsecured operating and acquisition credit facility of up to $550,000. On October 7, 2015, it was increased to $700,000 and will mature in August 2018. 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, 2015 and 2014.

15) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	**2015**	2014
	$	$
Trade accounts payable	**7,720**	7,557
Accounts payable – related parties	**8,804**	3,455
Accrued interest payable	**17,488**	20,705
Prepaid rents and tenants' deposits	**25,797**	20,086
Other accounts payable and accrued expenses	**47,540**	74,527
Commodity taxes and other non-financial liabilities	**11,572**	7,398
	118,921	133,728

16) ISSUED AND OUTSTANDING UNITS

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

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. Total net proceeds received by Cominar amounted to $148,701, after deducting the underwriters' fee and costs related to the offering. Net proceeds from this offering were used to repay the balance of the unsecured revolving credit facility.

On August 28, 2015, Cominar obtained the approval of the Toronto Stock Exchange to set up an NCIB for up to 4,000,000 units. The bid expires on September 1, 2016, or on any earlier date on which Cominar would have completed the maximum of the purchases pursuant to the bid. During fiscal 2015, Cominar repurchased 530 836 units for a total consideration of $7,755 paid cash.

The following table presents the evolution of units for the years indicated:

For the years ended December 31	**2015**		2014	
	Units	**$**	Units	$
Units issued and outstanding, beginning of year	**158,689,195**	**2,839,515**	127,051,095	2,251,974
Public offering	**7,901,650**	**148,701**	15,131,700	275,428
Private placement	**—**	**—**	13,158,000	249,940
Repurchase of units under NCIB	**(530,836)**	**(7,755)**	—	—
Exercise of options	**266,200**	**4,672**	92,000	1,426
Distribution reinvestment plan	**4,582,780**	**78,643**	3,247,589	60,534
Conversion of convertible debentures	**3,658**	**75**	—	—
Conversion of deferred units	**—**	**—**	8,811	—
Reversal of contributed surplus	**—**	**69**	—	213
Units issued and outstanding, end of year	**170,912,647**	**3,063,920**	158,689,195	2,839,515

LONG TERM INCENTIVE PLAN

Unit options

Cominar has granted unit options to management and employees under the long term incentive plan. As at December 31, 2015, options to purchase 10,493,750 units were outstanding.

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

As at December 31, 2015					
Date of grant	Graded vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
December 15, 2011	33 1/3%	December 15, 2016	21.80	954,000	954,000
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	1,571,150	1,571,150
August 5, 2013	50%	August 5, 2018	20.09	150,000	150,000
December 17, 2013	33 1/3%	December 17, 2018	17.55	1,946,300	1,262,700
December 16, 2014	33 1/3%	December 16, 2019	18.07	2,352,100	815,500
December 15, 2015	33 1/3%	December 15, 2022	14.15	3,070,200	—
				10,493,750	**5,203,350**

As at December 31, 2015, the average weighted contractual life of outstanding options was 4.0 years [3.4 years as at December 31, 2014].

The following table presents changes in the number of options for the years indicated:

For the years ended December 31	2015		2014	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of year	**9,221,200**	**19.81**	7,835,500	20.36
Exercised	**(266,200)**	**17.55**	(92,000)	15.51
Granted	**3,070,200**	**14.15**	2,659,500	18.07
Forfeited or cancelled	**(809,850)**	**19.69**	(603,200)	20.02
Expired	**(721,600)**	**20.93**	(578,600)	19.62
Outstanding, end of year	**10,493,750**	**18.15**	9,221,200	19.81
Exercisable options, end of year	**5,203,350**	**20.61**	4,547,400	21.22

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 the number of restricted unit for the years indicated:

For the years ended December 31	2015	2014
Outstanding, beginning of year	**1,147**	530
Granted	**2,582**	536
Accrued distributions	**318**	81
Outstanding, end of year	**4,047**	1,147
Vested 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. 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. 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. 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 the number of deferred unit for the years indicated:

For the years ended December 31	2015	2014
Outstanding, beginning of year	**80,872**	38 280
Exercised	**—**	(8 811)
Granted	**85,304**	45 261
Accrued distributions	**14,258**	6 142
Outstanding, end of year	**180,434**	80 872
Vested deferred units, end of year	**52,397**	12 926

Unit-based compensation

The compensation expense related to the options granted in 2015 and 2014 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	Average weighted expected life	Per unit weighted average fair value
		$			(years)	$
December 16, 2014	11.67%	18.07	8.38%	1.15%	3.5	0.20
December 15, 2015	12.61%	14.15	8.39%	0.69%	4.5	0.14

(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 February 2015 was calculated based on the market price of Cominar units on the grant date, which was $19.80.

The overall compensation expense for the fiscal year was $1,970 [$1,414 in 2014].

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 investment properties and certain other items not affecting cash, if applicable.

For the years ended December 31	2015	2014
	$	$
Distributions to unitholders	251,295	203,375
Distributions per unit	1.470	1.453

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 103% [105% until August 2015] of the cash distributions. For the year ended December 31, 2015, 4,582,780 units [3,247,589 in 2014] were issued for a total net consideration of $78,643 [$60,534 in 2014] under this plan.

On January 20, 2016 Cominar announced the suspension of the distribution reinvestment plan based on the fact that the market value of units does not reflect the intrinsic value of Cominar and that units issued under the distribution reinvestment plan offset the advantages generated by purchases of units made under Cominar's NCIB. The suspension of the distribution reinvestment plan does not affect the regular monthly cash distribution per unit.

17) OPERATING LEASE INCOME

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

	As at December 31, 2015
	$
– Not later than one year	473,019
– Later than one year and not later than five years	1,314,094
– Later than five years	813,420

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

For the years ended December 31	2015	2014
	$	$
Contingent rents	6,851	3,886

18) OPERATING COSTS AND TRUST ADMINISTRATIVE EXPENSES

The following table presents the main components of operating costs and Trust administrative expenses based on their nature:

For the years ended December 31	2015	2014
	$	$
Repairs and maintenance	69,373	56,216
Energy	68,115	59,103
Salaries and other benefits	38,853	28,976
Professional fees	1,941	1,234
Costs associated with public companies	720	709
Other expenses	23,802	17,938
	202,804	164,176

19) FINANCE CHARGES

For the years ended December 31	2015	2014
	$	$
Interest on mortgages payable	88,959	91,684
Interest on debentures	80,150	54,512
Interest on convertible debentures	7,010	11,445
Interest on bank borrowings	9,931	5,379
Net amortization of premium and discount on debenture issues	(787)	(575)
Amortization of deferred financing costs and others	6,664	6,242
Amortization of fair value adjustments on assumed borrowings	(9,483)	(11,946)
Less: Capitalized interest(1)	(6,236)	(7,356)
Total finance charges	176,208	149,385

(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. The weighted average capitalization rate used in 2015 was 4.37%.

During the fiscal year ended December 31, 2015, Cominar wrote off $2,232 in deferred financing costs following the redemption of Series E and Series D convertible debentures effective July 6, 2015 and September 8, 2015 respectively.

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.

20) 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 years ended December 31, 2015 and 2014, Cominar believes that it met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules for 2015 and 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	**2015**	2014
	$	$
Income before income taxes	**273,001**	199,217
Canadian combined statutory tax rate	**27.44%**	27.60%
Income tax expense at the statutory tax rate	**74,906**	54,976
Income not subject to income tax	**(74,427)**	(55,310)
Other	**88**	98
	567	(236)

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

As at December 31	**2015**	2014
	$	$
Deferred tax assets to be recovered after more than 12 months		
Mortgages payable	**59**	94
Tax losses	**263**	276
	322	370
Deferred tax liabilities to be settled after more than 12 months		
Income properties	**(11,199)**	(10,680)
Deferred taxes (net)	**(10,877)**	(10,310)

Changes in the deferred income tax account were as follows:

For the years ended December 31	**2015**	2014
	$	$
Balance, beginning of year	**10,310**	10,546
Income tax expense recorded in the consolidated statements of comprehensive income	**567**	(236)
Balance, end of year	**10,877**	10,310

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, 2014	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
Origination and reversal of timing differences included in profit or loss	(35)	(13)	(48)
Balance as at December 31, 2015	59	263	322

	Income properties $
Deferred tax liabilities	
Balance as at January 1, 2014	(10,957)
Origination and reversal of timing differences included in profit or loss	277
Balance as at December 31, 2014	(10,680)
Origination and reversal of timing differences included in profit or loss	(519)
Balance as at December 31, 2015	**(11,199)**

21) 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 years indicated:

For the years ended December 31	**2015** **Units**	2014 Units
Weighted average number of units outstanding – basic	**167,867,983**	136,024,611
Dilutive effect related to the long-term incentive plan	**179,968**	179,753
Dilutive effect of convertible debentures	**—**	10,671,791
Weighted average number of units outstanding – diluted	**168,047,951**	146,876,155

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 8,411,533 options outstanding for the year ended December 31, 2015 [4,856,200 options in 2014] since the exercise price of the options, including the unrecognized portion of the related compensation expense, is higher than the average price of units. The calculation also does not take into account 5,663,207 units for the year ended December 31, 2015 relating to the dilutive effect of the convertible debentures as they are antidilutive for that period. The calculation of diluted net income per unit also includes the elimination of interest at the effective rate on the convertible debentures of $nil for the year ended December 31, 2015 [$13,191 in 2014].

22) SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31	2015	2014
	$	$
Prepaid expenses and other assets	(1,890)	5,036
Accounts receivable	(4,712)	(8,650)
Accounts payable and accrued liabilities	(16,906)	16,451
	(23,508)	12,837
Other information		
Acquisitions of investment properties through assumption of mortgages payable	—	138,515
Unpaid acquisitions and investments with respect to investment properties	15,638	13,539

23) RELATED PARTY TRANSACTIONS

During fiscal 2015 and 2014, 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	Note	2015	2014
		$	$
Investment properties – Capital costs		71,762	73,612
Investment properties held by joint ventures – Capital costs		14,450	344
Share of joint ventures' net income	8	1,427	10,918
Net rental revenue from investment properties		272	160
Interest income		312	306

As at December 31	Note	2015	2014
		$	$
Investments in joint ventures	8	74,888	41,633
Mortgage receivable		8,250	8,250
Accounts receivable – related parties	10	701	398
Accounts payable – related parties	15	8,804	3,455

24) 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	2015	2014
	$	$
Short-term benefits	5,525	4,218
Contribution to the retirement savings plans	166	131
Long term incentive plan	1,455	1,071
Total	**7,146**	5,420

Unit options granted to senior executives and other officers 0may not be exercised, even if they have vested, until the following three conditions have been met. The first condition requires that the market price of the security must be at least ten percent (10%) higher than the exercise price of the option, and this condition will be considered as met if the share price has remained at such level for a period of twenty (20) consecutive trading days during the option's term. The second condition requires that the senior executive or other officer must undertake to hold a number of units corresponding to the multiple determined for his base salary. The third condition is that 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.

25) 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	2015	2014
	$	$
Cash and cash equivalents	(5,250)	(5,909)
Mortgages payable	2,061,230	1,968,919
Debentures	1,995,506	1,945,627
Convertible debentures	—	183,081
Bank borrowings	381,166	457,323
Unitholders' equity	3,657,997	3,410,431
Total capitalization	8,090,649	7,959,472
Debt ratio(1)	53.9%	56.1%
Interest coverage ratio(2)	2.67:1	2.67:1

(1) The 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, 2015, Cominar had maintained a debt ratio 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, for the year ended December 31, 2015, 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.

26) FAIR VALUE

Cominar uses a three-level hierarchy to classify its financial instruments and its non-financial assets. The hierarchy reflects the relative weight of inputs used in the valuation of financial and non-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 2015 and 2014.

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 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

Non-financial assets and their carrying amount and fair value as well as financial liabilities and their carrying amount and fair value, when that fair value does not approximate the carrying amount, are classified as follows:

		December 31, 2015		December 31, 2014	
	Level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		$	**$**	$	$
RECURRING VALUATIONS OF NON-FINANCIAL ASSETS					
Income properties	3	**7,614,990**	**7,614,990**	7,697,823	7,697,823
Income properties held for sale	3	**163,733**	**163,733**	—	—
Land held for future development	3	**71,646**	**71,646**	68,788	68,788
FINANCIAL LIABILITIES					
Mortgages payable	2	**2,061,230**	**2,140,424**	1,968,919	2,033,907
Debentures	2	**1,995,506**	**2,026,127**	1,945,627	2,004,418
Convertible debentures	1	**—**	**—**	183,081	191,121

27) 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, 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 operating revenues and by conducting credit assessments on all new tenants.

Cominar has a broad, highly diversified client base, consisting of approximately 6,000 tenants occupying an average area of approximately 7,000 square feet each. The three largest tenants account for approximately 4.7%, 3.4% and 3.2% of net operating income, respectively, representing several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 9.6% of operating revenues comes 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 accounts receivable, mortgage receivable 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, and accounts payable and accrued liabilities do not bear interest.

Nearly all mortgages payable (91%), debentures, except 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 6 debentures, which bear interest at variable rates.

As required under IFRS, 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 $2,138 increase or decrease in Cominar's net income for the year ended December 31, 2015 [$1,358 in 2014].

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.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2015 are as follows:

		Cash flows		
	Note	Under one year $	One to five years $	Over five years $
Mortgages payable	11	347,720	1,102,821	1,090,271
Debentures[(1)]	12	327,688	1,479,823	527,238
Bank borrowings	14	10,863	409,229	—
Accounts payable and accrued liabilities[(2)]	15	107,349	—	—

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

28) 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 of 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 segments.

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, where the investments in joint ventures are accounted for using the equity method.

The following tables provide financial information on Cominar's three property types:

For the year ended	Office properties	Retail properties	Industrial and mixed-use properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
December 31, 2015	**$**	**$**	**$**	**$**	**$**	**$**
Rental revenue from investment properties	**404,372**	**329,081**	**164,589**	**898,042**	**(8,867)**	**889,175**
Net operating income	**210,193**	**183,393**	**98,792**	**492,378**	**(4,890)**	**487,488**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**1,427**	**1,427**
December 31, 2014	$	$	$	$	$	$
Rental revenue from investment properties	382,240	213,473	152,969	748,682	(8,798)	739,884
Net operating income	207,259	118,390	90,553	416,202	(4,923)	411,279
Share of joint ventures' net income	—	—	—	—	10,918	10,918

	Office properties	Retail properties	Industrial and mixed-use properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
As at December 31, 2015	**$**	**$**	**$**	**$**	**$**	**$**
Income properties	**3,253,449**	**3,002,584**	**1,450,542**	**7,706,575**	**(91,585)**	**7,614,990**
Income properties held for sale	**—**	**163,733**	**—**	**163,733**	**—**	**163,733**
Investments in joint ventures	**—**	**—**	**—**	**—**	**74,888**	**74,888**
As at December 31, 2014	$	$	$	$	$	$
Income properties	3,349,259	3,070,310	1,364,973	7,784,542	(86,719)	7,697,823
Investments in joint ventures	—	—	—	—	41,633	41,633

29) COMMITMENTS

The annual future payments required under emphyteutic leases expiring between 2046 and 2065, on land for three income properties having a total fair value of $69,629, are as follows:

For the years ending December 31	Total $
2016	605
2017	643
2018	643
2019	643
2020	657
2021 and thereafter	23,736

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.

30) SUBSEQUENT EVENTS

On January 13, 2016 and February 16, 2016, Cominar declared a monthly distribution of $0.1225 per unit for both of these months.

On January 20, 2016 Cominar announced the suspension of the distribution reinvestment plan based on the fact that the market value of units does not reflect the intrinsic value of Cominar and that units issued under the distribution reinvestment plan offset the benefits generated by purchases of units made under Cominar's NCIB. The suspension of the distribution reinvestment plan does not affect the regular monthly cash distribution per unit.

On January 29, 2016, Cominar completed the sale of a portfolio of ten retail properties located in the Québec and Montréal areas and in Ontario, for a sales price of $15.2 million at a 6.7% capitalization rate reflecting an increase in the fair value of these properties in our books.

Under the NCIB, for a maximum number of 4,000,000 units, Cominar has repurchased, since the beginning of fiscal year 2016, 2,072,976 units at an average price of $14.46, for a total consideration of $29,985 paid cash. Since December 10, 2015, Cominar has repurchased, under this program, a total of 2,603,812 units at an average price of $14.49, for a total consideration of $37,721 paid cash.

CORPORATE INFORMATION

BOARD OF TRUSTEES

Robert Després, M.Sc.C., FCPA (1)(3)
Chairman of the Board of Trustees
Cominar Real Estate Investment Trust
Corporate Director

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

Mary-Ann Bell, Eng., M.Sc., ASC (1)(2)
Corporate Director

Me Gérard Coulombe, c.r. (2)(3)
Senior Partner
Lavery, de Billy

Alain Dallaire
Executive Vice President, Operations –
Office and Industrial and Asset Management
Cominar Real Estate Investment Trust

Alban D'Amours, M.C., G.O.Q., FA dmA (1)(4)
Corporate Director

Ghislaine Laberge (2)(4)
Corporate Director

Johanne M. Lépine (3)(4)
President and Chief Executive Officer
Aon Parizeau Inc.

Michel Théroux, FCPA, FCA (1)(3)
Corporate Director

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nomination and Governance Committee
(4) Member of the Investment Committee

KEY OFFICERS

Michel Dallaire, Eng.
Chief Executive Officer

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

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

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

Alain Dallaire
Executive Vice President, Operations
Office and Industrial and Asset Management

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

Jean Laramée, Eng.
Executive Vice President, Development

Michael Racine
Executive Vice President, Leasing
Office and Industrial

Manon Deslauriers
Vice President, Legal Affairs and
Corporate Secretary

UNITHOLDERS INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

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2820 Laurier Boulevard, Suite 850
Québec, Quebec, Canada G1V 0C1

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Fax: 418 681-2946
Toll-free: 1-866 COMINAR
Email: info@cominar.com
Website: www.cominar.com

LISTING

The units of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbol CUF.UN.

TRANSFER AGENT

Computershare Trust Company of Canada
1500 Robert-Bourassa Blvd., Suite 700
Montréal, Quebec, 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 2015, 73.94% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.

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 3% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.

On January 20, 2016 Cominar announced the suspension of the DRIP. If Cominar elects to reinstate the DRIP in the future, unitholders that were enrolled in the DRIP at suspension and remain enrolled at reinstatement will automatically resume participation in the DRIP. The suspension of the DRIP does not affect the regular monthly cash distribution per unit.

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.