Physically distant, but more united than ever

2020 Annual Report

Cominar Real Estate Investment Trust

Year Ended December 31, 2020

Cominar

Financial Highlights

Rent collection Q1: 99.2% Q2: 96.0% Q3: 97.4% Q4: 95.8%	97.2%
FFO[1,2] per unit	$0.96
Reduction in same property net operating income [1,2]	(5.1)%
Growth in the average net rent of renewed leases	7.4%
Committed occupancy rate	94.0%
Debt ratio [1,2]	55.3%
Change in fair value	$(470M)
AFFO[1] payout ratio [2]	80.3%

1. Refer to section «*Non-IFRS Financial Measures*».
2. Includes estimated financial impact of COVID-19.

Strategic Highlights

A strategic review process launched

The objective of this review is to identify, examine and evaluate a wide range of potential strategic options that Cominar might use to continue to increase value for unitholders.

Two experienced leaders appointed to the executive team

- **Antoine Tronquoy** promoted as Executive Vice President and Chief Financial Officer
- **Nathalie Rousseau** appointed as Executive Vice President, Asset Management and Transactions.

An enhanced ESG strategy in place

We reaffirmed our commitment to our social responsibility by reducing the energy consumption of our commercial assets, resulting in savings of **$3.3 million**. In addition, we made lasting commitments to improving our disclosure practices in the area of sustainability.

Cominar, a company where everyone is welcome

We were recognized for gender diversity when we were named to the **Women Lead Here** list by *The Globe and Mail*. We have also shown our commitment to inclusion and diversity by organizing seminars on unconscious bias.

COVID-19

We ensured everyone's safety and supported all our employees, clients and partners, as they maintained or resumed their activities.

Complexe Jules-Dallaire

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Cover page: Alexis Nihon

René Tremblay
Chairman of the Board of Trustees

Sylvain Cossette
President and Chief Executive Officer

Photo taken before the pandemic

Messages to Unitholders

United in the midst of the pandemic

Message from the Chairman of the Board of Trustees

The more time passes, the more we can see that there will probably be a "before 2020" and an "after 2020". The pandemic has upset many entrenched certainties and habits. Above all, it has forced us to remember what is essential. It goes without saying that the pandemic has shaken the real estate world, but even as we acknowledge the short-term impacts on the sector, we must also be inspired by how dynamic it has proven to be!

Cominar's transformation was already well under way, and its plans for increasing the value of its three asset classes were already set in motion. Today, more than ever, we are convinced of the resilience of the portfolio and the opportunities for creating value for you, our unitholders. We continue to believe there is a significant gap between our intrinsic value and that of our assets — a gap that has been accentuated by the pandemic. That is why, last September, we launched a process to review strategic alternatives. A special committee comprised of external advisors and members of the Board of Trustees began a process designed to evaluate a set of alternatives for maximizing the value of Cominar.

This exercise has begun with the full cooperation of the management team, whose commitment we welcome. The conclusions of the exercise will be presented to you in the coming months.

I would like to highlight the great work done by all the employees at Cominar to support our operations despite the unprecedented challenges. The Cominar team maintained operational excellence in the midst of this health crisis, both for clients and communities where Cominar is established. The team's work has been outstanding. The Board of Trustees recognizes and appreciates all the efforts deployed to promote financial health, support our clients and ensure the well-being of employees. We have increased discussions and meetings in order to offer support and foster exemplary governance during this unique time. We come away from this experience more convinced than ever of the competence and commitment of the management team and the company's entire human capital.

Cominar looks to the future with real strengths: a portfolio with an excellent geographical base, assets with many opportunities for enhancing value, and a strong team for bringing its projects to fruition. The year 2021 may mark the beginning of a new era for the world, but for Cominar the flight to success continues.

René Tremblay
Chairman of the Board of Trustees

Sylvain Cossette
President and Chief Executive Officer

Message from the President and Chief Executive Officer

Much has already been written about the impacts of the pandemic—what shall we remember about this strangest of years?

Our desire to make the most of our people power has been more clear now than ever:

- in the agility shown by our employees who have made every effort to keep our spaces safe for our tenants and visitors;
- in the dedication of our teams who have worked diligently to find appropriate solutions for our clients also hit hard by the crisis;
- in the cooperation and spirit of openness demonstrated by our clients in observing the new rules of conduct.

We must remember all the gestures of benevolence and solidarity, the words of encouragement and the great pride.

Despite the challenges the pandemic has brought to the entire real estate industry, Cominar posts results that demonstrate the resilience of our portfolio. Our industrial sector shows growth of 3.3% in its net operating income, while that of the office sector amounts to 4.6%. Renewed lease net rent growth accelerated in 2020 to reach an increase of 7.4%. Our renewal rate has remained at 76.3% and new leases represent 1.93M sq. ft., a decrease of just 2% from 2019. Furthermore, the tenant assistance programs put in place by the governments of Canada and Quebec have enabled us to ensure the collection of 97.2% of our rent.

It is also worth remembering that not everything has been distorted by the health crisis, and that commercial real estate has always been resilient to the

Nathalie Rousseau
Executive Vice President
Asset Management and Transactions

Antoine Tronquoy
Executive Vice President
and Chief Financial Officer

vagaries of economic cycles and social transformations.

The transformation that we started in 2018 and accelerated in 2019 had prepared us to weather the storm and our dominant, balanced portfolio presents very interesting alternatives for the future.

The progress relating to our shopping centres was already well under way. Although the pandemic has had a significant impact on this asset class, our shopping centres have remained at the forefront of their communities by providing essential services. Our mixed use plan evolved with the addition of 415,000 sq. ft. to promising categories such as grocery stores, services and entertainment. The year 2020 was marked by the opening of a second Décathlon at DUO Centre Laval, a Mayrand at Mail Champlain and an Urban Planet at Centre Les Rivières, thus allowing us to improve the entertainment alternatives which consumers will find in Cominar shopping centres.

Our industrial portfolio continues to offer value creation opportunities. We have persisted in building on our momentum to grow our profitability in this asset class by increasing the net rent from renewed leases by 18.0% in 2020. Our Curé-Labelle project in Laval demonstrates our commitment to continuing to maximize the potential of this category.

And what about our office property portfolio? While many predicted that office towers would remain empty following the rather instant advent of teleworking, we posted 4.6% growth in net operating income in 2020, compared to 2019. After many months of sitting in front of a screen, the majority of workers are looking forward to returning to the office, and our presence in the suburbs is an asset for the future, given the diversification that some employers want to achieve in their office spaces.

We also increased our cash flows in 2020 by issuing $150 million in debentures and signing a new $120 million secured credit facility with our banking partners. We closed the 2020 financial year with $339 million in cash flows and have potential additional liquidity in our unencumbered assets for a total of $2 billion.

2020 was both a year to respond quickly and effectively to the unforeseen events hurled upon us by the pandemic, and a year to continue accelerating the changes that are already underway.

Cominar is confident and ready to build for the future. Our management team continues to reinforce its strengths: Antoine Tronquoy was promoted to Executive Vice-President and Chief Financial Officer, and we welcomed Nathalie Rousseau as Executive Vice-President, Asset Management and Transactions.

The management team is more united and solid than ever before, and we look forward to the future with optimism and enthusiasm.

The spaces that surround us will continue to enrich our lives and we look forward to building a future that serves our clients, the community, and our unitholders.

In conclusion, I would like to express my sincere thanks to all the employees and trustees of Cominar, without whom none of our projects would see the light, and I wish everyone a safe and healthy future.

Sylvain Cossette
President and Chief Executive Officer

Corporate Profile

A balanced and dominant portfolio of buildings

Cominar is one of the largest diversified real estate investment trusts in Canada and is the largest commercial property owner and manager in Quebec. Our portfolio consists of high-quality office, industrial and retail properties in three key markets, namely Montreal, Quebec City and Ottawa.

Our strength lies in the expertise, skill and ingenuity of our employees.

Together, we are committed to:

- Creating long-term value;
- Acting ethically as an exemplary corporate citizen;
- Being an inspiring, inclusive employer;
- Developing prosperous business relationships with our clients.

Our Top 10 tenants

Representing 22.2% of operating revenues

1. Société québécoise des infrastructures
2. Public Works Canada
3. Canadian National Railway Company
4. Infra MTL Inc.
5. Canadian Tire Group
6. Winners, HomeSense and Marshalls
7. Loblaws Group
8. Desjardins Property Management
9. Ford Motor Company of Canada
10. Metro Group

Total number of properties
314

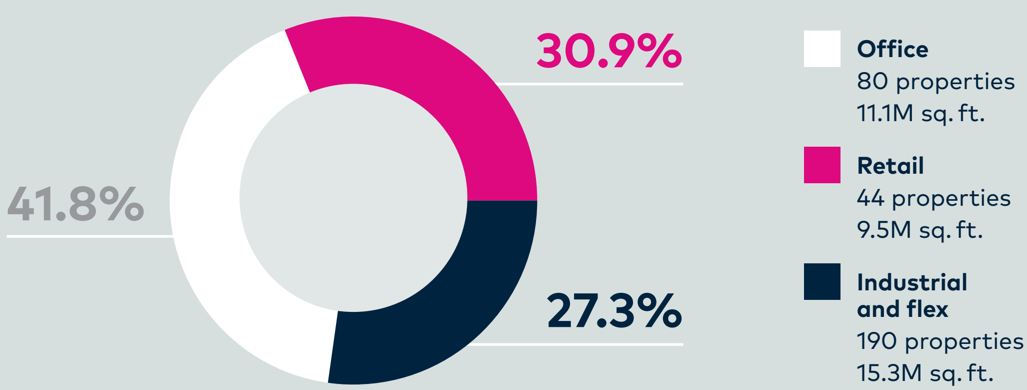
Total leasable area (sq. ft.)
35.8M

Committed occupancy rate
94.0%

Total employees
535

Operating revenues
$661.3M

Same property net operating income by property type[1]



[1] Split as per quarter ended December 31, 2020

Our Values

Our values reflect the spirit and culture sustained by each of our employees. They inspire our development, inform our decision making, and guide our actions day after day.

Awards and recognitions

2020 REPORT ON BUSINESS WOMEN LEAD HERE

CERTIFIÉE PARITÉ PARITY CERTIFIED — LA GOUVERNANCE AU FÉMININ — WOMEN IN GOVERNANCE

In 2020, we were named to the **Women Lead Here** list in **Report on Business** by *The Globe and Mail*. Among the 500 largest public companies in Canada, Cominar earned a place at the top of the list for those which make gender diversity a priority.

We know that having a variety of voices and points of view at all levels of administration is a distinct advantage for the business and our clients. In fact, Cominar has been awarded **Bronze Parity Certification** by Women in Governance and we continue promoting and highlighting the value of diversity and inclusion among staff.

We act like owners

We think big and we hold ourselves accountable to deliver value and investment returns.

We communicate to connect

We build partnerships, not silos; one team comes first.

We are the change

We act with relentless curiosity and constantly evolve to learn and innovate.

We are proactively shaping the future

We are bold in our ambition to constantly wow our clients.

2020: Resilience and Operational Excellence in the Midst of the Pandemic

Our response to COVID-19: ensure everyone's safety and support all our stakeholders as they maintain or resume their activities.

In our shopping centres and office buildings, the health and safety of our employees, tenants and visitors formed our top priority. In all our properties, we have made sure to be in strict compliance with government public health directives.

We have mobilized our teams to develop and implement detailed action plans for reducing the risk of the virus spreading within our properties. We have also deployed our crisis management plan, along with communication mechanisms with all our clients to keep them informed of the measures put in place for adapting to the changing situation.

Alexis Nihon

To this end, we have developed a series of tools to ensure the safety of our clients and support them in their activities amidst the pandemic.

- We have installed **clear signage** to ensure the compliance with sanitary measures such as mandatory mask usage and physical distancing, and to prevent gatherings.
- We have increased the **frequency of cleaning** for contacted surfaces (door handles, elevator buttons, handrails, washbasins and washrooms, etc.).
- We have installed **hand sanitizer dispensers** at every entrance to our properties.
- We have increased the number of security officers on duty to ensure compliance with **physical distancing rules** in the busiest locations.
- We've redesigned our customer service workspaces to ensure the safety of staff and our visitors:
  - Installed **plexiglass** protective screens
  - Provided full compliance **protective equipment**.
- We encouraged the use of **curbside pickup service** to facilitate the customer experience, specifically for shopping centres.

In 2020, to ensure our protection and that of our tenants and their visitors, we purchased:

15,000
litres of hand sanitizer

100,000
disposable or washable masks

45
protective plexiglass barriers

200
construction visors

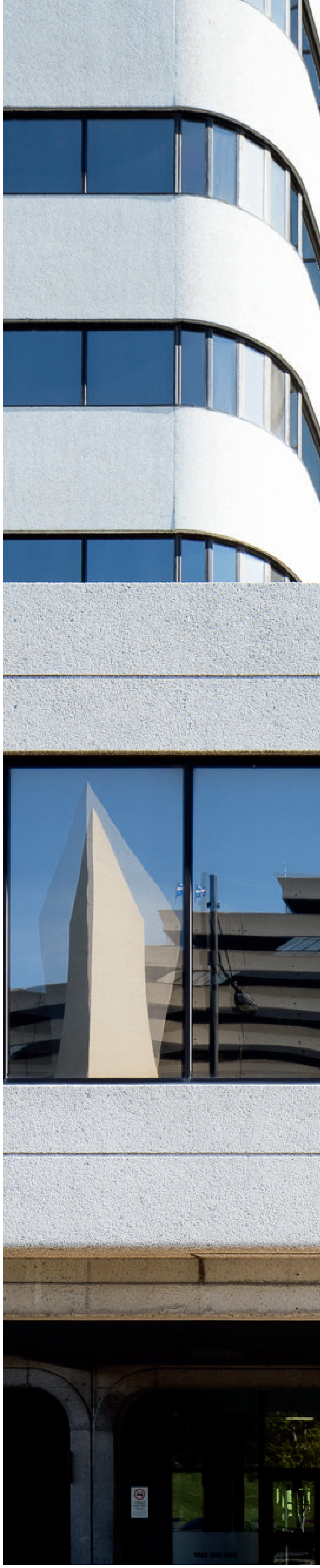
47,736
stickers to enforce health measures related to COVID-19 in our shopping centres, office towers and industrial parks

108,000
linear feet of Cominar floor marking tape installed in all our properties

Alexis Nihon

Cominar: there for its clients and within its communities

- **100%** of our shopping centres stayed open during the crisis allowing clients to have access to essential services
- **100%** of our shopping centres were accessible in full observance of strict sanitary conditions
- **100%** of our tenants were in contact with our leasing teams
- We registered **955** of our tenants for the small business rent assistance program (CECRA)
- We achieved nearly **1,930,000 sq. ft.** of new leasing
- We renewed more than **4,548,000 sq. ft.** of leasing



Office Portfolio

Building the future of work

Cominar office buildings are located in prime locations, are highly visible and are easy to access for both tenants and their clients.

Our offices are more than just buildings — they are places where people come together to build relationships, work together and innovate. The office will continue to play a major role in the economy of the future.

In mid-March, the Quebec government introduced numerous health measures to slow the spread of COVID-19. As a result, many businesses had to make new working arrangements and adjust their workspaces in preparation for a return to the office in the summer.

Despite the pandemic, our office portfolio has been resilient. Renewals and new leases, totalling 1,691,000 sq. ft., reflect the willingness of organizations to continue making the office the flagship of their corporate culture.

Number of properties
80

Total leasable area (sq. ft.)
11.1M

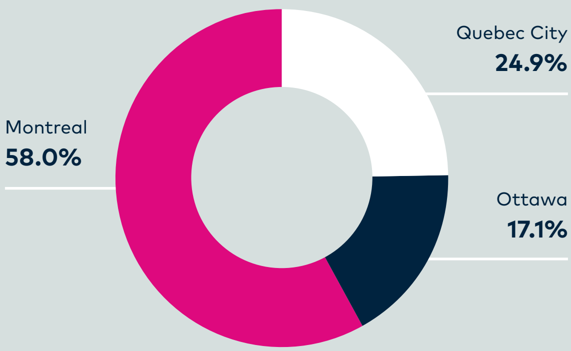
Committed occupancy rate
93.1%

5100 Sherbrooke Street East, Montreal

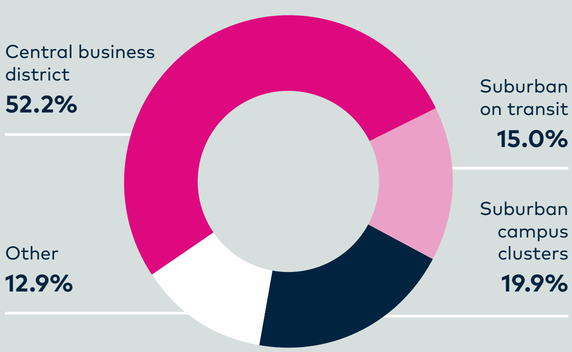
Highlights

- Rent collection rate: **98.3%**
- Leasing of almost **619,000 new sq. ft.**
- Renewal of more than **1,072,000 sq. ft.**
- Growth in average net rent for renewed leases: **7.6%**
- **77 leasing agreements** signed with clients
- Registration of **99 clients** for Canada Emergency Commercial Rent Assistance (CECRA) for small businesses

Same property NOI by geographic market[1]



Same property NOI by segment[1]



[1] Split as per quarter ended December 31, 2020.

Noteworthy transactions in 2020

- The signature of a **129,000 sq. ft.** lease for 4 years with the Société québécoise des infrastructures (SQI) in Quebec City: this transaction illustrates our desire to maintain stable weighting in this portfolio so as to ensure steady cash flow.

- The opening of the Centre de services scolaire de Montréal offices (formerly the Commission scolaire de Montréal) for a total of **181,000 sq. ft.**

- The leasing of **100%** of our 100 000 sq. ft. building in Kanata, most of which is occupied by Ford for its self-driving vehicles division. Despite COVID-19 and its impacts on the construction industry, we delivered the building to Ford within 24 months of the signing date on the lease. The fact that the transaction was concluded before construction was complete, speaks to the vigorous demand for high-quality properties in the Ottawa area and is fully consistent with our strategy targeting future-facing industries.

"The pandemic has acted as an accelerator of change. What it reveals is that companies and their employees have a great capacity to be agile and adapt. While telework has proven to be viable, we are also re-learning the need for in-person discussions, meetings and co-working, especially as vectors of creativity. At Cominar, we believe the office of the future will be a hub for workers—an inspiring, flexible and resilient workspace."

Bernard Poliquin
Executive Vice President, Office and Industrial
and Chief Real Estate Operations Officer

The future of work

While the pandemic had an impact on the office leasing market in the short term, the overall growth of employment sectors using offices—combined with other factors such as corporate culture, branding, and productivity—tell us that the office will continue to play a major role in the economy of the future. We believe the current pandemic situation creates **opportunities for innovation** that will enable us to prepare for the challenges of tomorrow.


800 Palladium Drive, Ottawa

Retail Portfolio

Mixed use is our goal

This portfolio, which includes prestigious addresses and optimal locations in Quebec, comprises shopping centres and strip malls that are clearly meeting market demands and customer needs.

Proximity, a winning concept for our shopping centres

Proximity is at the very heart of everything we undertake and achieve. It is simultaneously the essence of our portfolio, the link that we strengthen every day with our retailers, and our regular approach to getting things done. Creating this proximity enables us to fulfil our mission: **simplify life and improve the everyday of retailers and customers in their communities**.

Number of properties
44

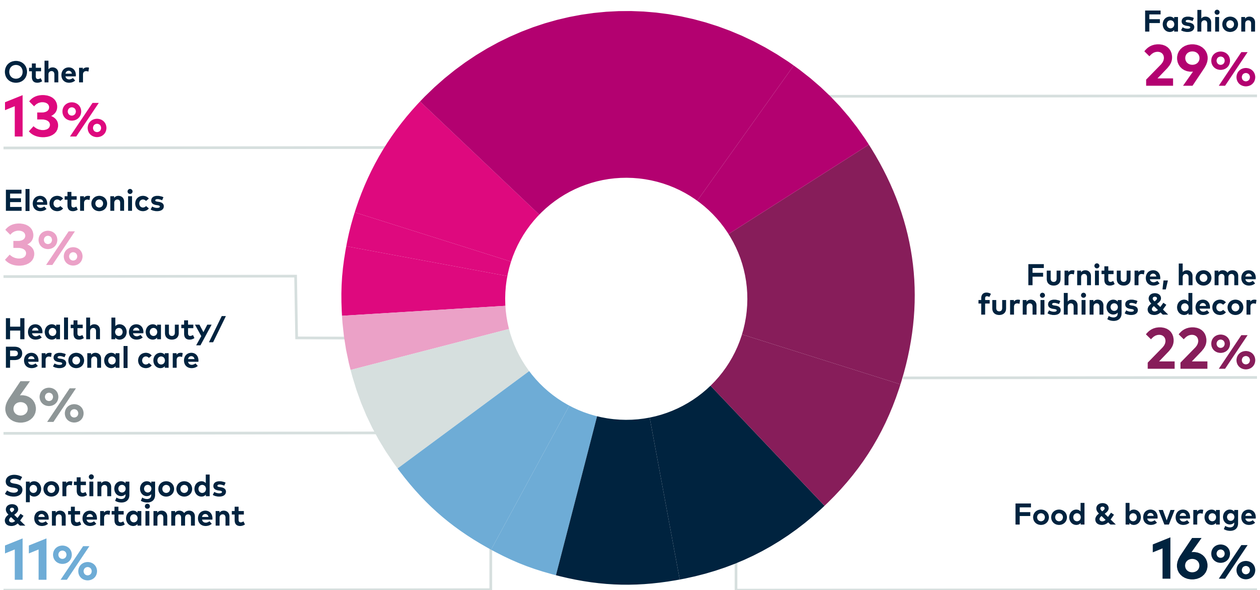
Total leasable area (sq. ft.)
9.5M

Committed occupancy rate
90.8%

Mayrand, Mail Champlain

Cominar Total Retail Portfolio

(% of Leasable Area)



To remain competitive, we will maintain a healthy mix and diversify the portfolio of retailers defined in our strategic pillars. We will continue to reduce portfolio exposure to the mid-tier fashion sector, add basic necessities such as grocery, pharmacy, liquor stores and proximity services as well as the offering of value and discount retailers. Additionally, we will increase the footprint of banking services, telecom providers and other high-quality covenants.

Same property NOI by geographic market[1]

Same property NOI by asset type[1]

[1] Split as per quarter ended December 31, 2020.

Supporting local business

- We partnered with the Centre Québécois d'Innovation en Commerce (CQIC) to help retailers take part in the API initiative (Achetons plus. Ici – Buy More. Here). This initiative aims to accelerate the adoption of made-in-Quebec technological solutions by retailers so as to make retailers more attractive to customers and thus revitalize shopping centres.

Promoting virtual proximity

- We remained connected to our communities, including to our **325,000 subscribers** on various digital platforms. We shared news and continued to monitor their safety as they made their way through our properties.
- Our shopping centres sent over **210 news bulletins**.
- In order to respect social distancing rules, we created the Easter Chocolate Rally and the Ghost Masquerade Rally. With these two virtual events, we were able to connect with more than **342,800 people**.

Highlights

- Rent collection rate: **94.9%**
- Leasing of **415,000 new sq.ft.**
- Renewal of **1,170,000 sq.ft.**
- Growth in average net rent for renewed leases: **(4.3%)**
- **608 leasing agreements** signed with clients
- Registration of **745 clients** in the rent assistance program for small businesses (CECRA)

Boulangerie Ange, Mail Champlain


SAQ, Rockland

New retail openings are making our shopping centres more dynamic

The challenges we faced in 2020 did not dampen our desire to be in the hearts of our communities in Quebec. We aim to continually upgrading our commercial offering an meet all of their needs. Thus, we are emerging from this period of turbulence with several grand openings in our shopping centres.

Over the past year, we welcomed the following banners for a total of 185,000 sq. ft.:

Mayrand, a food depot occupying more than 50,000 sq. ft. at Mail Champlain.

IGA Extra and **SAQ** together occupy more than 44,000 sq. ft. at Centre Rockland.

Urban Planet opened its doors in August at Centre Les Rivières and occupies 20,000 sq. ft.

Boulangerie Ange opened its doors in July and occupies 5,000 sq. ft. at the Mail Champlain.

Decathlon opened in December and occupies more than 66,000 sq. ft. at DUO Laval. This is the 3rd Décathlon store to open in a Cominar shopping centre, out of a total of 5 in Quebec.

These business openings are directly aligned with our desire to associate ourselves with strong brands that generate high traffic. Knowing that there is growing interest in a broader array of dining and entertainment options for consumers, we are looking to position our centres in a way that capitalizes on this forward-looking trend.

We are pleased to announce that the Clip 'n Climb rock climbing centre will open its doors at Mail Champlain in the first half of 2021.

Clip'n Climb, Centropolis

"For Cominar, the shopping centre of the future will be a destination that meets the functional and aspirational requirements of our lives, in addition to fulfilling our need to socialize. It will be a vibrant community where it feels good to live, work and be entertained."

Marie-Andrée Boutin
Executive Vice President, Retail and Chief Development Officer

Industrial and Flex Portfolio

In full flight

Our industrial and flex properties are easily adapted to the various functions of each company, be they for production, processing, distribution, warehousing, administration, manufacturing or mixed use.

Our industrial and flex portfolio has performed very well amidst the COVID-19 situation. The outlooks remain very favourable as the intensification of e-commerce and logistics have stimulated the demand for industrial spaces. This has allowed us to remain focused on executing our strategic plan, which highlights increasing rent and creating value, and whose foundations remain unchanged given the excellent location of our assets, our dominant presence and increased demand for the spaces that we have to offer.

789-799 Jean-Paul-Vincent Boulevard
Longueuil

Highlights

- Rent collection rate: **98.3%**
- Leasing of almost **896,000 new sq. ft.**
- Renewal of **2,306,000 sq. ft.**
- Growth in net rent from renewed leases: **18%**
- **102 leasing agreements** signed with clients
- Registration of **111 clients** for Canada Emergency Commercial Rent Assistance (CECRA) for small businesses

Number of properties
190

Total leasable area (sq. ft.)
15.3M

Committed occupancy rate
96.7%

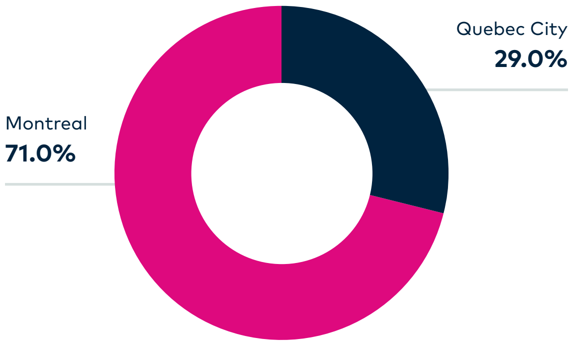
Development Project
Curé-Labelle Boulevard, Laval

Noteworthy transactions in 2020

Our industrial and flex portfolio serves a large and diverse customer base, with approximately 900 tenants each occupying an average area of 16,424 sq. ft. In 2020, the growth of this portfolio was driven primarily by the intensification of e-commerce in the Greater Montreal area.

- We leased a **100,000 sq. ft.** space in Saint-Bruno-de-Montarville to Robert Transport, a major player in North American logistics.
- Custom Delivery, a company specializing in personalized delivery solutions, leased a **71,500 sq. ft.** space in Lachine.
- Dicom, a company that offers parcel, freight and logistics services tailored to both businesses and the general public, has leased a **30,500 sq. ft.** space in Laval.

Same property NOI by geographic market[1]



Clear heights % of portfolio leasable area

[1] Split as per quarter ended December 31, 2020.

Geomatics pilot project

In 2020, Cominar implemented a pilot project to test the effectiveness of geomatics within its industrial portfolio. We will continue to integrate this technology, which coherently classifies geo-referenced data and information (whether qualitative or quantitative in nature), throughout the investment cycle of the properties in this portfolio. We will also integrate this technology for properties in the Office and Retail portfolios.

Modern development

We continue the development of the **1.7 million sq. ft.** Curé-Labelle project in the heart of Laval. This project is in a prime location in the Greater Montreal area, with rapid access to major highways. The first phase of the project will be a 200,000 square foot, state-of-the-art building. Once completed, the development project will include 6 buildings for a total of 650,000 sq. ft. in space for lease. The marketing and leasing program began this past fall.

Development and Intensification

We continued our efforts toward development and intensification, based on our commitment to maximize the value of our assets, in particular by redeveloping select properties to incorporate a variety of uses aligned with market trends.

In 2020, we were very active on this front, and made progress in developing five projects, for which the municipalities involved are showing great openness to densification and mixed use.

In particular, we have been in contact with the City of Brossard and the Town of Mount Royal, both of which launched a Special Planning Program (SPP) in 2020, covering three of our properties. We also entered into a first partnership with Cogir and Divco for the development of a residential project in Laval.

Preliminary plan – Mail Champlain Development Project

Mail Champlain Place du Commerce hub in Brossard

- Residential development project: several towers housing a total of approx. 2,000 units.
- Location: on a portion of the Mail Champlain parking lot, near the future Panama station of the Réseau express métropolitain (REM), and bordering Pelletier Boulevard up to the Mayrand store.
- Status: discussions are under way with the city to change the zoning and increase the height of the buildings.

Centre Rockland Town of Mount Royal

- Residential development project: combination of townhouses, residential towers and a retirement home.
- Location: on the property lot of the Centre Rockland.
- Status: we are in contact with TMR officials to ensure the sustainability of the commercial portion of the Centre by aligning the SPP's orientations and the major components of the project. The Town of Mount Royal expects to complete the SPP process in the spring of 2021.

Place Longueuil
Longueuil

- Residential development project: 400 units which could either be rental units or a retirement home.
- Location: on a portion of the Place Longueuil parking lot.
- Status: regulatory changes resulting from the SPP are expected to be completed in 2021, which should allow us to determine our implementation strategy for developing this site, either by selling rights to build or by developing the site with a potential partner.

Curé-Labelle
Laval

- Proposed construction of a first industrial building with a gross leasable area of 200,000 sq. ft. In light of market enthusiasm for this type of edifice, the construction of a 2nd twin building is being considered.
- Location: on our lot on the northwest corner of Saint-Elzéar and Curé-Labelle boulevards in Chomedey.
- Construction: spring 2021 for the first phase, delivery expected in the first quarter of 2022. A broker has been hired for the first phase of the project.

Projet de densification – Centropolis

Centropolis
Laval

- Residential development project: a first phase with two buildings totalling 364 units (197 condos and 167 multi-tenant spaces) and a second phase with one building totalling 171 units. Cominar has full title over the project.
- Location: on the vacant lot facing Daniel-Johnson Boulevard and on a portion of the Centropolis parking lot.
- Status: partnership agreement signed with Cogir and Divco.
- Construction: starting in 2021 for delivery in 2023 (phase 1).

Talent and Organisation

In 2020, Cominar put everything in motion to promote the health and well-being of its employees during this unprecedented time. We maintained the engagement of our workforce by intensifying communications and recognizing staff for the exemplary efforts they made every single day. .

Employee numbers

Total employees	535
Number of women	278*
Number of men	257
Hires	145
Promotions	28

* Including 47 women in a managerial role, representing 41% of managers

Making the health and well-being of our employees come first

As soon as COVID-19 arrived in Canada, we quickly made the decisions that were necessary to ensure the health and safety of our employees.

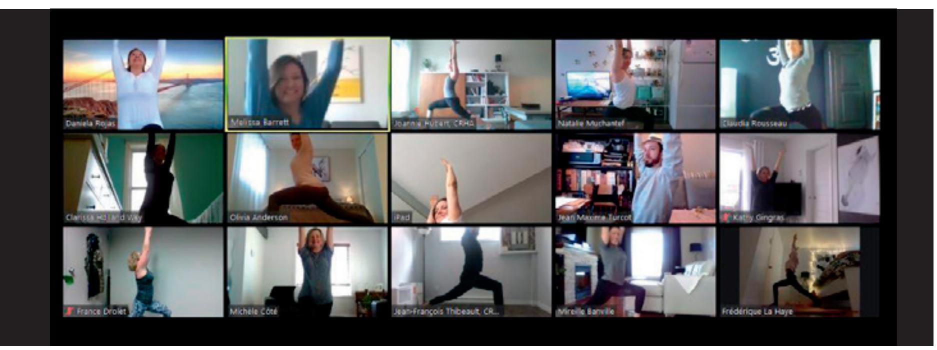
In line with government recommendations, we asked all of our employees to continue their activities via teleworking, with the exception of those providing essential services on location at our properties. We offered them a variety of solutions to help them with their well-being and assisted in optimizing their workspaces: we accelerated the launch of a new videoconferencing system, provided additional computer tools where needed, scheduled virtual training sessions, and allowed for flexible schedules to help with work-life balance.

We also set up a process for tracking suspected or confirmed cases of infection so as to protect the health of our essential workers and their families. This process was quickly communicated to all our employees, and respects our confidentiality obligations in such situations.

Enhanced healthcare offer

To bring additional support to our employees and their families, we expanded our health-care offer with access to the **LifeWorks** total well-being platform and the **Dialogue** telemedicine service.

We also launched a series of virtual seminars on health issues called **Tchin Tchin à la santé !** In 2020, we welcomed four speakers who delivered talks on mental health, the impor-tance of resilience, nutrition and sleep.



In order to provide employees with greater flexibility when taking their annual holiday, we extended the authorized period for scheduling vacation days.

A gradual return to work

The return to the workplace was thoroughly planned out, as soon as government authorities issued the authorization for it in July.

We made new provisions focusing on prevention, social distancing, and health measures to make the process as orderly and as safe as possible for employees returning to work at our various properties.

To ensure that, prior to their return to the office, each employee had become familiar with these new measures, we developed a guide for them to understand and adopt the new practices for "life at the office" in the midst of the pandemic, thereby protecting themselves and their colleagues. To gain access to the workplace, our employees were also required to complete a sta-tement confirming they were free of COVID-19 symptoms and at-risk medical conditions.

Photo taken before the pandemic

Recognition

We believe recognition gives meaning to work and helps our employees increase their motivation, their satisfaction, and their pleasure in working. It also promotes creativity and innovation, which allows us to remain at the forefront in a highly demanding economic reality.

Whether working on site or remotely, our employees made a contribution that was essential to the continuity of our operations. We know they have been agile, resilient, and resourceful in responding to complex issues quickly, and we have taken the time to thank them repeatedly throughout the year.

For example, we organized a virtual Christmas event at which executive managers spoke their personal tributes to the efforts made by all our staff and extolled their achievements. More than 400 employees joined the celebrations.

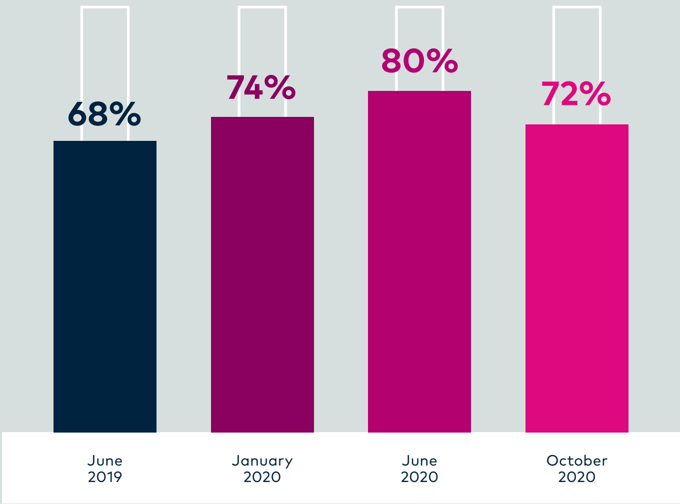
Increased communications

The exceptional number of employees teleworking, combined with the uncertainty of the situation, led us to implement stronger mechanisms for remote communication. We organized live events with management team and distributed news bulletins so that everyone could stay informed of the changing situation, the measures put in place, the effects on our activities, and the guidelines to follow.

Virtual events were also organized to strengthen the bonds between our employees, reduce their level of stress, and maintain a dynamic and positive work environment.

Employee engagement

In 2020, we measured employee engagement on three occasions. Despite a slight decrease in the engagement rate in the fall, which was due to the uncertainty surrounding the second lockdown, **58%** of respondents felt their sense of belonging to Cominar increased in the three months preceding the survey.



Highlights

89% of employees felt the health measures and protocols implemented in their workplace were appropriate.

87% of employees felt their experience at Cominar was positive and contributed to their well-being.

79% of employees felt proud of the initiatives their team put in place. They also stated they were proud of how Cominar had evolved over the past year. This is an increase of **29 points** from 2019.

Environmental, Social and Governance (ESG) Report

At Cominar, we believe that value creation and sustainability are complementary goals. Over the years, we have implemented many programs and systems for improving our ESG performance.

In 2021, we made the decision to update our strategy and approach. We are currently evaluating our practices as they compare to leading companies, using the GRESB Real Estate Assessment benchmark and reporting framework, and working with independent, expert consultants. This benchmark is used by more than 1,200 companies (with $4.8 trillion in total assets under management) to assess their ESG performance.

The results of this comparative analysis will give us a good understanding of our strengths and opportunities. Once the results are known, our Social Responsibility and Environment Committee will set priorities and a roadmap to follow for future years. In the future, we could choose to participate in the GRESB Real Estate Assessment and we hope this evaluation will help us make that decision.

877, boulevard Jean-Paul-Vincent, Longueuil

Our approach to sustainability relies on 3 pillars:

Environmental protection

We strive to minimize our environmental impact and increase our energy efficiency.

Social development

We recognize that our success depends on the efforts of Cominar's dedicated and skilled employees. Our donations and sponsorships give us the opportunity to contribute to the economic development of the communities where our properties are located.

Sound governance

The executive management team and the members of the Board of Trustees bring a wide range of professional experience and essential skills to overseeing governance in an integrated manner, and to managing risk, for the Cominar Real Estate Investment Trust.

Environment

Creating a more sustainable society

We put environmental concerns at the heart of our ambition to be a responsible company. Our goal is to create livable spaces for our tenants and employees by minimizing our environmental impact while improving the long-term investment performance of our assets.

We have equipped the company with a Corporate Social Responsibility and Environmental Sustainability Policy. Under this policy, our employees—at all levels of the company—must be diligent in protecting the environment while performing their duties. Among other things, we aim to increase our energy efficiency and control our waste production and resource use.

We also work with our tenants to integrate sustainability initiatives into their regular routine and business practices, with a focus on value creation.

More and more of our properties are taking advantage of emerging technologies to increase their sustainability, which ultimately reduces our environmental footprint, leads to cost savings, and increases tenant satisfaction.

ChargeHub
Les Galeries de Hull

Environmental management

Our environmental management program aims to safeguard our assets and tenants and ensure our properties comply with applicable environmental standards.

- Our teams regularly monitor compliance in this domain and perform the necessary due diligence when acquiring, financing or selling a property, and when applying for a municipal permit. We work with external experts to conduct the required environmental assessments.
- Accordingly, we carried out 40 site and soil assessments in 2020, set up a regulatory groundwater monitoring process and performed environmental rehabilitation work on certain properties.
- We also started an environmental registry so we can quickly and easily identify environmental issues in our portfolio. With this registry, we are able to:
  - Identify proactively any property that would be at risk due to the permitted use or when tenants engage in activities identified as being risky under the law;
  - Identify properties that require monitoring and control measures for water and biogas;
  - Identify the properties where preventive intervention is required.

In 2020, we conducted a lighting conversion project at the Mail Champlain, Plaza de la Mauricie and Beauport Promenades, which helped us reduce the overall energy consumption of our commercial assets, resulting in savings of $3.3 million.

Making our properties eco-friendly

Here are some of the practices we put in place to ensure sustainable management of our properties:

- We use 100% ecological and biodegradable cleaning products in most of our properties.
- In total, 93.1% of the energy consumed in our properties derives from renewable sources, whereas 6.9% is from non-renewable energy (natural gas).
- We rely on a range of technologies such as LED lighting fixtures, motion sensors for lighting control, automated building management systems (remote monitoring), low-flow plumbing fixtures to reduce water consumption, coolers with variable speed compressors, and more.
- Many of the dining areas in our shopping centres have food compost containers for use by customers and restaurateurs.
- To encourage sustainable transportation, we are installing charging stations for electric vehicles in our parking lots, among other things.

We are proud to have

16 properties

certified BOMA BEST Silver.

5205 Fairway Street, Lachine

Over the past three years, we have planted more than 90 trees in the borough of Lachine, in Montreal, to counter the existence of a heat island following the expansion of one of our parking lots.

Society

Helping communities thrive in a sustainable way

Our properties help local communities grow—and the economic benefits of our activities, whether direct or indirect, foster prosperity and collective well-being. We also support communities with our volunteering program **Once a Volunteer**, Always a Volunteer and our donation and sponsorship program.

Cominar, showing solidarity during COVID-19

In a spirit of solidarity and a desire to take action for our community, all the members of our executive management team financially support charities working on the current crisis. Combined with the corporate contribution, Cominar and executive managers donated a total of nearly **$200,000** to food banks, mental health organisations, and women's centres for victims of violence.

In addition to a long-year volunteer program, we encouraged our employees to get involved in their communities by adding time to their holiday banks for hours spent volunteering in the fight against COVID-19.

Fondation TEL-JEUNES

Centre des femmes de Montréal

MOISSON QUÉBEC

LA MAISON DES FEMMES DE QUÉBEC

MOISSON OUTAOUAIS

DANS LA RUE

La Tablée des Chefs

A few causes that matter to us

Opération Enfant Soleil

In 2020, we continued our partnership with *Operation Enfant Soleil*, and encouraged contributions to this organisation by customers and consumers in all our shopping centres. For the past 3 years, we have been a major partner and have been fully involved in ensuring that small and big miracles can happen for children throughout Quebec.

PROUD PARTNER OF opération enfant soleil

Grand défi Pierre Lavoie

We were also actively involved in the *Grand défi Pierre Lavoie*: Sylvain Cossette, President and Chief Executive Officer, and four Cominar employees took part in this charity challenge's 1000-km event. Sixty employees also took part in 1 000 000 de KM Ensemble, a virtual event organized by the *Grand défi Pierre Lavoie* to encourage physical activity among Quebecers. Whether walking, running or cycling, with family and friends or solo, the Cominar team achieved more than 2,645 km of physical exercise together!

Fondation de l'athlète d'excellence du Québec

Last June, we awarded seven scholarships, worth a total of $20,000, to young athletes in Quebec through a program to support excellence in sport. This program, hosted by the *Fondation de l'athlète d'excellence du Québec* (FAEQ), helps especially promising student athletes to continue their studies at a Quebec educational institution.


Grand défi Pierre Lavoie

Diversity and inclusion are at the centre of our priorities

In 2020, all of our employees, including members of the management team, were invited to take part in a **training exercise on unconscious bias in the workplace**, with the aim of learning how to recognize, identify and avoid it. We believe that self-observation is necessary to building more inclusive and diverse workplaces. In our view, it is not just a matter of admitting that we all have prejudices, but also of understanding that by recognizing them, we can take action to minimize their negative effects.

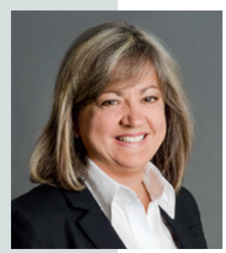
Investing in the professional development of our employees

In the fall of 2020, six Cominar employees took part in the *Défi 100 jours* organized by *L’effet A*, an innovative professional development program helping women propel their careers.

L’effet A

Our selected employees all come from different sectors and reflect the diversity of our organisation’s teams. They participated in workshops and seminars, and heard testimonials and took part in discussions with inspiring leaders.



Portrait of our employees

In October 2020, we asked all of our employees to complete a self-identification questionnaire on different aspects of diversity. With an average participation rate of 89% per question, we were able to draw the following portrait of our workforce.

Gender

Women	51%
Men	49%

LGBTQ+

No	96%
Yes	4%

Indigenous

No	99%
Yes	1%

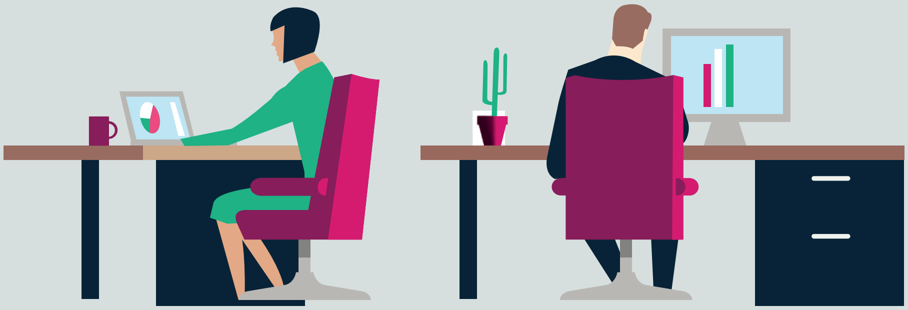
Living with a disability

No	96%
Yes	2%
Prefer not to say	2%

Visible minorities

(based on the Canadian Government classification)

No	87%
Yes	13%



Governance

A team of experienced women and men steering Cominar toward an ambitious future

The members of the Board of Trustees draw on their real estate market knowledge, their vision and their respective skill sets to guide Cominar wisely, decisively and strategically, with a view to optimizing our growth, sustainable development and bottom line.

Male to female ratio

Men
7

Women
3

Age group ratio

59 years and under	3
Between 60 and 65 years	3
66 years and older	4

- With the exception of Sylvain Cossette, all the trustees are independent members.
- The average term of office for the current Cominar trustees is **3.8 years**.

Committees

The Board of Trustees has created 4 committees to help it fulfil its role. In September 2020, a special committee, formed by independent trustees, was also created to oversee the strategic review process. The purpose of this review is to identify, examine and evaluate a wide range of potential strategic options that Cominar might use to continue to increase value for unitholders.

Combined attendance by trustees at these meetings was 98%.

From the outset of the pandemic, the Cominar Board of Trustees supported the executive management team in implementing the corporation's business continuity plan. The Trustees attended more meetings than the usual schedule so they could address the unprecedented health and operational challenges Cominar had to face during the Covid-19 pandemic. The Chairman of the Board of Trustees, René Tremblay, has played a key role as a diligent and tireless intermediary between the executive management team and the Board of Trustees. We would also like to thank the chairwomen and the chairmen of our different committees.

Code of Ethics and Professional Conduct

Cominar's Code of Ethics and Professional Conduct describes how our chosen principles of ethics and professional conduct can be used to guide the attitudes, behaviour and actions of our employees and trustees, in the performance of their respective duties. It also applies to any other person called upon to represent or act on behalf of Cominar, including people bound by contract or otherwise to Cominar.

In 2020, there was a total of

17
meetings of the Board of Trustees

4
meetings of the Audit Committee

6
meetings of the Nominating and Governance Committee

7
meetings of the Investment Committee

5
meetings of the Human Resources Committee

Policy for a harassment-free workplace

Cominar is committed to providing all employees with a work environment that is respectful, safe, pleasant and free of psychological or sexual harassment. We will tolerate any form of harassment on the part of any employee toward another employee, regardless of their position in the company.

All employees are expected to treat each other with respect and dignity. All company representatives are responsible for maintaining a harassment-free workplace.

Any form of harassment toward members of the opposite sex or the same sex perpetrated by or against persons not employed by Cominar, such as visitors, suppliers or clients, also represents a violation of Cominar's policy.

Ethics hotline

Cominar will deploy an ethics hotline in 2021 to enable its employees and its other stakeholders to raise any questions or concerns and to denounce any ethical situation in a safe and honest manner to an independent third party, while preserving anonymity and confidentiality.

Cybersecurity

Strengthening our cybersecurity system

Cominar has developed an IT security risk management program which is based on Center for Internet Security (CIS) guidelines, and focuses on a wide range of prevention and protection measures that increase our resilience to cybersecurity risks. These measures include, but are not limited to, identifying faults and gaps in Cominar's technology environment, managing software patches and technology debt, controlling identity and access permissions, assessing the security posture regularly via specialized third parties, and implementing various internal monitoring processes.

Cybersecurity and teleworking

Because teleworking can increase the risks to cybersecurity, we conducted two awareness campaigns with our employees. During these campaigns, we informed them about the key security issues that arise from teleworking, and reminded them of the best practices for protecting their computer equipment and data.

In 2020, we also organized more than **50 hours** of training to educate our employees about cybersecurity.

René Tremblay* (3) (4) (5)

Corporate Director
Chair of the Board of Trustees

Luc Bachand (1)

Corporate Director
Chair of the Investment Committee
and of the Special Committee

Christine Beaubien (1) (4)

Corporate Director

Paul D. Campbell (3)

Project Lead, Royal York Hotel, with
Kingsett Capital
Chair of the Human Resources Committee

Mitchell Cohen (2) (3) (5)

Chief Operating Officer of Westdale
Construction Co. Limited and President
and CEO of Urbanfund Corp.

Sylvain Cossette

President and Chief Executive Officer of Cominar

Zachary R. George (2) (3)

Co-founder and Portfolio Manager of FrontFour
Capital and Chief Executive Officer at Sundial
Growers Inc.

Karen Laflamme, FCPA,FCA (1) (4) (5)

Corporate Director

Johanne Lépine (4)

Corporate Director
Chair of the Nominating and Governance
Committee

Michel Théroux, FCPA,FCA (2)

Corporate Director
Chair of the Audit Committee

(1) Member of the Audit Committee
(2) Member of the Nomination and Governance Committee
(3) Member of the Investment Committee
(4) Member of the Human Resources Committee
(5) Member of the Special Committee

* Please note that René Tremblay is also an ex officio member of the Audit Committee and the Nominating and Governance Committee.

Management's Discussion and Analysis

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, 2020, in comparison with the year ended December 31, 2019, as well as its financial position as at that date and its outlook. Dated March 2, 2021, 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. Readers are referred 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.

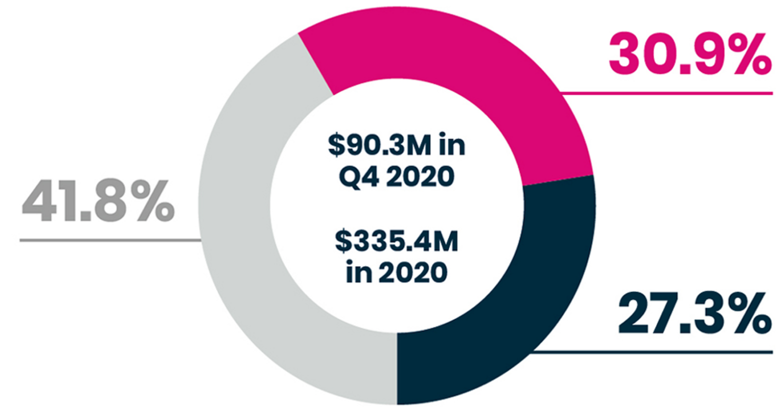
Additional information on Cominar, including its 2019 Annual Information Form, is available on Cominar's website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

The Board of Trustees, under the recommendation of the Audit Committee, approved the contents of this MD&A on March 2, 2021.

Real Estate Portfolio

Properties	**314**
Leasable area (sq. ft.)	**35.8 M**
Assets	**$6.4 B**

Same Property Net Operating Income by Property Type[1]



Office

80 properties

11.1M sq ft

Retail

44 properties

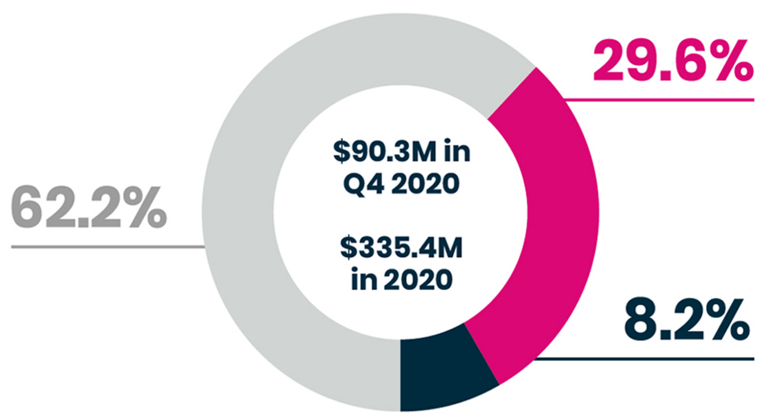
9.5M sq ft

Industrial and flex

190 properties

15.3M sq ft

Same Property Net Operating Income by Geographic Market[1]



Montreal

194 properties

23.5M sq ft

Quebec City

100 properties

9.8M sq ft

Ottawa

20 properties

2.5M sq ft

1 Split as per quarter ended December 31, 2020

Highlights

Year Ended December 31, 2020

Financial Highlights

Rent collection Q1 : 99.2% - Q2 : 96.0% - Q3 : 97.4% - Q4: 95.8%	**97.2%**
FFO[1,2] per unit	**$0.96**
Reduction in same property net operating income[1,2]	**(5.1)%**
Growth in the average net rent of renewed leases	**7.4%**
Committed occupancy rate	**94.0%**
Debt ratio [1,2]	**55.3%**
Change in fair value	**$(470)M**
AFFO[1] payout ratio[2]	**80.3%**

1 Refer to section "Non-IFRS Financial Measures".
2 Includes estimated financial impact of COVID-19.

Office	Growth in same property net operating income [1] [2]	4.6%
	Growth in average net rent of renewed leases	7.6%
	Retention rate	73.0%
	Committed occupancy rate	93.1%
	Change in fair value	$(183)M
Retail	Decline in same property net operating income [1] [2]	(21.5)%
	Decline in average net rent of renewed leases	(4.3)%
	Retention rate	76.9%
	Committed occupancy rate	90.8%
	Change in fair value	$(410)M
Industrial and flex	Growth in same property net operating income [1] [2]	3.3%
	Growth in average net rent of renewed leases	18.0%
	Retention rate	77.7%
	Committed occupancy rate	96.7%
	Change in fair value	$123M

[1] Refer to section "Non-IFRS Financial Measures".
[2] Includes estimated financial impact of COVID-19.

Subsequent Events

On January 15 and February 16, 2021, Cominar declared a monthly distribution of $0.03 per unit for each of these months.

On February 15, 2021, Cominar completed the sale of an office property held for sale located in Montreal for a total amount of $3,0 million.

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.This information includes, but is not limited to, statements made in the *COVID 19 – Impacts analysis and risks*, *Results of Operations – Same Property Office Portfolio*, *Retail Properties Under Construction and Development Projects*, *Real Estate Operations – Retail*, *Real Estate Operations – Office*, *Industrial and Flex Financial and Operational Highlights*, *Results of Operations – Same Property Industrial and Flex Portfolio* sections of this MD&A and other statements concerning Cominar's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. By their nature, forward-looking statements involve risks, uncertainties and assumptions. Such forward-looking statements reflect our intentions, plans, expectations and opinions regarding our future growth, operating results, performance and business prospects and opportunities. Forward-looking statements are often identified by words and expressions such as "plans," "expects," "is expected," "budgeted," "scheduled," "estimated," "seeks," "aims," "forecasts," "intends," "anticipates," "believes," or by statements that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur, or be achieved, and other variants and similar expressions, as well as the negative and conjugated forms, as they relate to Cominar.

Cominar is subject to risks and uncertainties which may cause actual results of the REIT to be materially different from results expressed or implied in these forward looking statements. Assumptions that could cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements, include, but are not limited to, disease and epidemics, access to capital and debt financing, the effects of general economic and business conditions, risks associated with the ownership of the immovable properties, including climate change, industry competition, inflation, currency and interest rate fluctuations, risks associated with future property acquisitions, dispositions or developments, the recruitment and retention of employees and executives, legislative and/or regulatory developments, compliance with environmental laws and regulations, increases in maintenance and operating costs, limits on our activities, general uninsured losses, potential conflicts of interest, security threats and reliance on technology and related cybersecurity risk.

Given the current level of uncertainties arising from the COVID-19 pandemic, there can be no assurance regarding the impact of COVID-19 on the business, operations, and financial performance of Cominar and its tenants, as well as on consumer behaviors and the economy in general. General risks and uncertainties related to the COVID-19 pandemic also include, but are not limited to, the length, spread and severity of the pandemic; the timing of the roll out and efficacy of the vaccines, the nature and length of the restrictive measures, implemented or to be implemented by the various levels of government in Canada; Cominar's tenants' ability to pay rents as required under their leases; the availability of various support programs that are or may be offered by the various levels of government in Canada; the introduction or extension of temporary or permanent rent control or other form of regulation or legislation that may limit the Cominar's ability or its extent to raise rents based on market conditions upon lease renewals or restrict existing landlord rights or landlord' ability to reinforce such landlord rights; domestic and global supply chains; the pace of property lease-up and rents and yields achieved upon development completion; potential changes in leasing activities, market rents and property valuations; the capitalization rates that arm's length buyers and sellers are willing to transact on properties; the availability and extent of rent deferrals offered or to be offered by Cominar; domestic and global credit and capital markets, and the Cominar's ability to access capital on favourable terms or at all; the total return and dividend yield of Cominar's Units; and the health and safety of our employees, tenants and people in the communities that our properties serve. For further details on the risks related to COVID-19 and its potential impact on Cominar, refer to the *Risks and Uncertainties - COVID-19 Health Crisis* section of this MD&A. Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results or performance to be materially different from the outlook or any future results or performance implied by such statements.

We caution readers that the foregoing list of 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 2019 Annual Information Form.

Non-IFRS Financial Measures

Cominar's Consolidated financial statements are prepared in accordance with IFRS. However, in this MD&A, we provide guidance and report on certain non-IFRS measures and other performance indicators 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. These measures, as well as the reasons why management believes these measures are useful to investors, are described below. Reconciliation can be found in the section dealing with each of these measures.

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

Non-IFRS Performance Indicators

- **Cominar's proportionate share**: Cominar accounts for investments in joint ventures and associates as equity accounted investments in accordance with IFRS. Cominar's proportionate share is a non-IFRS measure that adjusts Cominar's financial statements to reflect Cominar's equity accounted investments and its share of net income (loss) from equity accounted investments on a proportionately consolidated basis at Cominar's ownership interest of the applicable investment. Cominar believes this measure is important for investors as it is consistent with how Cominar reviews and assesses operating performance of its entire portfolio. Throughout this MD&A, the balances at Cominar's proportionate share have been reconciled back to relevant IFRS measures;

- **Net operating income ("NOI")**: NOI is a measure presented in the statement of comprehensive income in Cominar's consolidated financial statements, which is calculated as revenues less property operating expenses such as utilities, repairs and maintenance and realty taxes. NOI does not include charges for interest or other expenses not specific to the day-to-day operation of Cominar's properties. Cominar considers NOI to be a valuable measure for evaluating the operating performance of its properties;

- **Same property NOI**: Same property NOI is a non-IFRS measure used by Cominar to provide an indication of the period-over-period operating profitability of the same property portfolio, that is, Cominar's ability to increase revenues, manage costs, and generate organic growth. Same property NOI includes the results of properties owned by Cominar as at December 31 2018, with the exception of results for properties sold, acquired or under development in 2019 and 2020, as well as the rental income arising from the recognition of leases on a straight-line basis that is a non-cash item and which, by excluding it, will allow this measure to present the impact of actual rents collected by Cominar;

- **Adjusted net income:** Adjusted net income is a non-IFRS financial measure. The calculation method used by Cominar may differ from those used by other entities. Cominar calculates adjusted net income to eliminate the change in fair value of investment properties and impairment of goodwill, which are non-monetary as well as for severance allowances, transaction costs, penalties on mortgage repayments before maturity, debentures redemption costs and strategic alternatives consulting fees, which are not related to the trend in occupancy levels, rental rates and property operating costs.

- **Funds from operations ("FFO")**: FFO is a non-IFRS measure which represents a standard real estate benchmark used to measure an entity's performance, and is calculated by Cominar as defined by REALpac as net income (loss) (calculated in accordance with IFRS) adjusted for, among other things, changes in the fair value of investment properties, deferred taxes and income taxes related to a disposition of properties, derecognition and impairment of goodwill, initial and re-leasing salary costs, adjustments relating to the accounting of joint ventures and transaction costs incurred upon a business combination or a disposition of properties. It is Cominar's view that net income does not necessarily provide a complete measure of Cominar's recurring operating performance since net income includes items such as changes in fair value of investment property which may not be representative of recurring performance. Cominar considers FFO as a key measure of operating performance as it adjusts net income for items that are not recurring including gain (loss) on sale of real estate assets as well as non-cash items such as the fair value adjustments on investment properties and Cominar ties employee incentives to this measure;

- **Adjusted funds from operations ("AFFO")**: AFFO is a non-IFRS measure which, by excluding from the calculation of FFO the rental income arising from the recognition of leases on a straight-line basis, the investments needed to maintain the property portfolio's capacity to generate rental income and a provision for leasing costs is calculated as defined by REALpac. Cominar considers AFFO to be a useful measure of recurring economic earnings and considers AFFO in determining the appropriate level of distributions;

- **Adjusted cash flow from operations ("ACFO")**: ACFO is a non-IFRS measure that is derived from the operating cash flows provided by operating activities (in accordance with IFRS) and is calculated by Cominar as defined by REALpac and provides a helpful real estate benchmark to measure Cominar's ability to generate stable cash flows;

- **Debt ratio**: Debt ratio is a non-IFRS measure used by Cominar to assess the financial balance essential to the prudent running of an organization. Debt ratio is calculated by adding mortgages payable, debentures, bank borrowings less cash and cash equivalents divided by the total assets minus cash and cash equivalent. Cominar's Declaration of Trust limits the indebtedness of Cominar to a maximum of 65% of its total assets;

- **Debt to earnings before interest, income taxes, depreciation and amortization ("EBITDA") ratio**: Debt to EBITDA is a non-IFRS measure widely used in the real estate industry and is used by Cominar to assess Cominar's ability to pay down its debts. Cominar defines EBITDA as net operating income minus adjusted Trust administrative expenses and recognition of lease on a straight-line basis;
- **Interest coverage ratio**: Interest coverage ratio is a non-IFRS measure used by Cominar to assess Cominar's ability to pay interest on its debt from operating revenues and is calculated using net operating income minus adjusted Trust administrative expenses, divided by adjusted finance charges.

Other Performance Indicators

- **Committed occupancy rate**: Committed occupancy is a measure used by Cominar to give an indication of the future economic health of the geographical regions and sectors in which Cominar owns properties by taking the leasable area occupied by clients to which is added the leasable area of the leases signed but which have not already started, divided by the leasable area of our real estate portfolio excluding the areas currently under redevelopment;

- **In-place occupancy rate**: In-place occupancy is a measure used by Cominar to give an indication of the current economic health of the geographical regions and sectors in which Cominar owns properties by taking the leasable area occupied by clients, divided by the leasable area of our real estate portfolio;

- **Retention rate**: Retention rate is a measure used by Cominar to assess client satisfaction and loyalty;

- **Growth in the average net rent on renewed leases**: Growth in the average net rent on renewed leases is a measure used by Cominar to measure organic growth and gives an indication of Cominar's capacity to increase its rental income.

Reconciliation with closest IFRS measure and other relevant information regarding these performance indicators are provided in the appropriate sections of this MD&A.

Financial and Operational Highlights

Years ended December 31	2020 [2] $	2019 [2] $	% Δ	Page
Financial performance				
Operating revenues — Financial statements	**661,320**	704,041	(6.1)	64
Operating revenues — Cominar's proportionate share [1]	**678,726**	721,235	(5.9)	64
NOI — Financial statements	**327,187**	358,322	(8.7)	67
NOI — Cominar's proportionate share [1]	**337,216**	368,155	(8.4)	67
Same property NOI [1]	**335,366**	353,225	(5.1)	67
Change in fair value of investment properties	**(469,763)**	276,475	N/M	65
Net income (loss)	**(329,277)**	462,504	(171.2)	75
Adjusted net income [1]	**181,648**	202,273	(10.2)	75
Funds from operations (FFO) [1]	**175,638**	195,127	(10.0)	76
Adjusted funds from operations (AFFO) [1]	**129,924**	140,960	(7.8)	76
Cash flows provided by operating activities	**164,466**	191,868	(14.3)	81
Adjusted cash flow from operations (ACFO) [1]	**119,015**	144,392	(17.6)	81
Distributions	**103,980**	131,068	(20.7)	82
Total assets	**6,394,279**	6,892,420	(7.2)	63
Per unit financial performance				
Net income (loss) (basic and diluted)	**(1.80)**	2.54	(170.9)	75
Adjusted net income (diluted) [1]	**0.99**	1.11	(10.8)	75
Funds from operations (FFO)(FD) [1,3]	**0.96**	1.07	(10.3)	76
Adjusted funds from operations (AFFO)(FD) [1,3]	**0.71**	0.77	(7.8)	76
Adjusted cash flow from operations (ACFO)(FD) [1,3]	**0.65**	0.79	(17.7)	81
Distributions	**0.57**	0.72	(20.8)	82
Payout ratio of adjusted cash flow from operations (ACFO) (FD) [1,3]	**87.7 %**	91.1 %	(3.7)	81
Payout ratio of adjusted funds from operations (AFFO) (FD) [1,3]	**80.3 %**	93.5 %	(14.1)	76
Net asset value per share	**14.93**	17.31	(13.7)	
Financing				
Debt ratio [1,4]	**55.3 %**	51.4 %		85
Debt/EBITDA ratio [1]	**11.3 x**	10.6 x		85
Interest coverage ratio [1,5]	**2.28:1**	2.36:1		86
Weighted average interest rate on total debt	**3.76 %**	4.06 %		82
Residual weighted average term of total debt (years)	**3.8**	3.7		82
Unsecured debt-to-total-debt ratio [6]	**32.2 %**	36.5 %		86
Secured debt to gross book value [7]	**37.5 %**	33.3 %		
Unencumbered income properties	**1,989,028**	2,125,836		86
Unencumbered assets to unsecured net debt ratio [8]	**1.76:1**	1.82:1		86
Operational data				
Number of investment properties	**314**	317		87
Leasable area (in thousands of sq. ft.)	**35,821**	35,895		87
Committed occupancy rate	**94.0 %**	95.1 %		90
In-place occupancy rate	**91.7 %**	91.7 %		90
Retention rate	**76.3 %**	77.3 %		90
Growth in the average net rent of renewed leases	**7.4 %**	2.8 %		90
Development activities				
Properties under development — Cominar's proportionate share [1]	**37,165**	41,471		63

1 Refer to section "Non-IFRS Financial Measures".
2 Year ended December 31, 2020 includes the estimated financial impact of COVID-19, $1.7 million in strategic alternatives consulting fees, $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption and $4.6 million of penalties paid on mortgage repayments before maturity (Year ended December 31, 2019 includes $1.0 million from the settlement approved by the court between Target Canada and its creditors, $5.2 million of penalties paid on mortgages repayments before maturity, $1.1 million of debenture redemption costs, $4.8 million of restructuring costs and $1.0 million in severance allowance paid following the departure of an executive officer).
3 Fully diluted.
4 Total of bank borrowings, mortgages payable and debentures, less cash and cash equivalents, divided by the total assets minus the total of cash and cash equivalents.
5 Net operating income less adjusted Trust administrative expenses divided by finance charges.
6 Unsecured debt divided by total debt.
7 Total secured bank borrowings and mortgages payable, divided by total assets.
8 Fair value of unencumbered income properties divided by the unsecured net debt.

Selected Quarterly Information

Quarters ended	Dec. 2020 [2] $	Sept. 2020 [3] $	Jun. 2020 [4] $	Mar. 2020 [5] $	Dec. 2019 [6] $	Sept. 2019 [7] $	Jun. 2019 [8] $	Mar. 2019 [9] $
Financial performance								
Operating revenues — Financial statements	**166,156**	162,505	160,550	172,109	173,931	171,539	176,627	181,944
Operating revenues — Cominar's proportionate share [1]	**170,675**	166,711	164,829	176,511	178,161	175,884	180,946	186,244
NOI — Financial statements	**87,956**	80,916	72,590	85,725	91,216	91,438	88,983	86,685
NOI — Cominar's proportionate share [1]	**90,413**	83,445	75,077	88,281	93,695	93,914	91,468	89,078
Change in fair value of investment properties	**(150,295)**	(45)	(320,631)	1,208	270,964	(2,559)	8,291	(221)
Impairment of goodwill	**—**	—	(15,721)	—	—	—	—	—
Net income (loss)	**(100,277)**	44,145	(318,119)	44,974	319,265	47,456	51,474	44,309
Adjusted net income [1]	**49,405**	44,601	35,714	48,535	53,423	51,688	50,250	46,912
FFO [1]	**50,943**	45,437	34,217	45,041	49,165	51,802	47,273	46,887
AFFO [1]	**44,268**	31,758	21,117	32,781	35,622	38,370	33,441	33,527
Cash flows provided by operating activities	**92,626**	30,321	25,076	16,443	79,712	74,579	14,126	23,451
ACFO [1]	**52,499**	43,425	(6,046)	29,137	29,490	36,599	40,497	37,806
Distributions	**16,420**	21,894	32,840	32,827	32,773	32,769	32,768	32,758
Per unit financial performance								
Net income (loss) (basic and diluted)	**(0.55)**	0.24	(1.74)	0.25	1.75	0.26	0.28	0.24
Adjusted net income (diluted) [1]	**0.27**	0.24	0.20	0.27	0.29	0.28	0.28	0.26
FFO (FD) [1,10]	**0.28**	0.25	0.19	0.25	0.27	0.28	0.26	0.26
AFFO (FD) [1,10]	**0.24**	0.17	0.12	0.18	0.20	0.21	0.18	0.18
ACFO (FD) [1,10]	**0.29**	0.24	(0.03)	0.16	0.16	0.20	0.22	0.21
Distributions	**0.09**	0.12	0.18	0.18	0.18	0.18	0.18	0.18

1 Refer to "Non-IFRS Financial Measures."
2 Includes the estimated financial impact of COVID-19 and $1.4 million in strategic alternatives consulting fees.
3 Includes the estimated financial impact of COVID-19 and $0.3 million in strategic alternatives consulting fees.
4 Includes the estimated financial impact of COVID-19 and $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption.
5 Includes $4.6 million of penalties paid on mortgage repayments before maturity.
6 Includes $5.2 million of penalties paid on mortgage repayments before maturity.
7 Includes $1.0 million from the settlement approved by the court between Target Canada and its creditors, $1.1 million of debenture redemption costs and $0.9 million of restructuring costs.
8 Includes $3.9 million of restructuring costs.
9 Includes a $1.0 million severance allowance paid following the departure of an executive officer.
10 Fully diluted.

Selected Annual Information

Years ended December 31	2020 [1]	2019 [1]	2018 [2]
	$	$	$
Financial performance			
Operating revenues — Financial statements	**661,320**	704,041	734,650
Operating revenues — Cominar's proportionate share [5]	**678,726**	721,235	751,095
NOI — Financial statements	**327,187**	358,322	372,464
NOI — Cominar's proportionate share [5]	**337,216**	368,155	381,957
Change in fair value of investment properties	**(469,763)**	276,475	(267,098)
Impairment of goodwill	**(15,721)**	—	(120,389)
Net income (loss) [4]	**(329,277)**	462,504	(212,282)
Adjusted net income [5]	**181,648**	202,273	206,797
FFO [5]	**175,638**	195,127	206,416
AFFO [5]	**129,924**	140,960	160,151
Cash flows provided by operating activities	**164,466**	191,868	182,939
ACFO [5]	**119,015**	144,392	154,481
Distributions	**103,980**	131,068	142,730
Total assets	**6,394,279**	6,892,420	6,543,711
Per unit financial performance			
Net income (loss) (basic and diluted)	**(1.80)**	2.54	(1.17)
Adjusted net income (diluted) [5]	**0.99**	1.11	1.13
FFO (FD) [3, 5]	**0.96**	1.07	1.13
AFFO (FD) [3, 5]	**0.71**	0.77	0.88
ACFO (FD) [3, 5]	**0.65**	0.79	0.85
Distributions	**0.57**	0.72	0.79

1 *Year ended December 31, 2020 includes the estimated financial impact of COVID-19, $1.7 million in strategic alternatives consulting fees, $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption and $4.6 million of penalties paid on mortgage repayments before maturity (Year ended December 31, 2019 includes $1.0 million from the settlement approved by the court between Target Canada and its creditors, $5.2 million of penalties paid on mortgages repayments before maturity, $1.1 million of debenture redemption costs, $4.8 million of restructuring costs and $1.0 million in severance allowance paid following the departure of an executive officer).*
2 *Results for year ended December 31, 2018 include results of 95 non-core properties sold for total consideration of $1.14 billion during the first quarter of 2018.*
3 *Fully diluted.*
4 *Includes the change in fair value of investment properties and the depreciation of goodwill in 2020 and 2018.*
5 *Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.*

General Business Overview

Cominar Real Estate Investment Trust is one of the largest property owners and managers in the Province of Quebec. As at December 31, 2020, Cominar owned a diversified portfolio of 314 properties, composed of office, retail and industrial and flex buildings, of which 194 were located in the Montreal area, 100 in the Quebec City area and 20 in the Ottawa area. Cominar's portfolio consisted of approximately 11.1 million square feet of office space, 9.5 million square feet of retail space and 15.3 million square feet of industrial and flex space, representing a total leasable area of 35.8 million square feet.

Cominar’s focus is on growing NOI, net asset value and exploiting, when economically viable, expansion or redevelopment opportunities that provide attractive risk adjusted returns. Growth in cash flows from existing properties in the portfolio is expected to be achieved by: (i) increases in rental rates on existing and new leases; (ii) improved occupancy and retention rates, as well as proactive leasing strategies centered on value; (iii) sound management of operating costs; and (iv) disciplined allocation of capital and rigorous control of capital expenditures.

Cominar's 2020 financial performance has been negatively impacted by the recent COVID-19 pandemic.

Real Estate Portfolio Summary as at December 31, 2020

Our properties are primarily in urban and populous areas, located along or in proximity of major traffic arteries, in proximity to existing and/or future transit infrastructure and generally benefit from high visibility while providing ease of access for Cominar's clients and their customers.

Property type	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate
Office	80	11,089,000	93.1 %	91.4 %
Retail	44	9,480,000	90.8 %	86.3 %
Industrial and flex	190	15,252,000	96.7 %	95.3 %
Total	**314**	**35,821,000**	**94.0 %**	**91.7 %**

Geographic market	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate
Montreal	194	23,517,000	94.1 %	92.1 %
Quebec City	100	9,763,000	94.5 %	92.2 %
Ottawa	20	2,541,000	91.5 %	85.1 %
Total	**314**	**35,821,000**	**94.0 %**	**91.7 %**

Our Objectives, Our Outlook, Our Strategy

Objectives

Cominar's primary objective is to maximize total return to unitholders through a combination of sustainable, tax-effective cash distributions and maximizing the Unit value through the proactive management of its portfolio of properties.

Our Strategy

In 2019, we completed a detailed strategic review of our operations and began the implementation of a clearly defined plan, presented to investors in October 2019, to solidify Cominar's financial position, create value for unitholders and position the REIT for growth. Cominar was progressing well prior to the COVID-19 pandemic. The COVID-19 pandemic has had an adverse impact on the REIT's results and operations and on the implementation of our strategic plan. On March 27th, 2020 we withdrew our guidance.

Our 2019 strategic plan includes:

- A series of concrete actions to add additional revenue streams, reduce operating costs and streamline G&A. Initiatives include new sources of revenue, workforce optimization, outsourcing arrangements, operating cost reductions, process automation and leveraging technology among others.
- Creation of a dedicated asset management platform to maximize portfolio returns and enhance the investment decision making process. Our asset management team is in place and we have completed a thorough review of the majority of our portfolio.
- A focus on strengthening and de-risking our balance sheet and a commitment to prudent management of our capital structure including strategic refinancing and multi-year planning.
- A responsible approach to CAPEX aimed at creating value and maximizing free cash flow.
- Targeted dispositions as market conditions permit, including the reduction of our exposure to lower-quality, non-core assets, and the disposition of fully valued liquid assets to provide price discovery and unlock trapped equity value. Our asset strategy also includes the exploration of joint venture opportunities.

On September 15, 2020, we announced the initiation of a formal strategic review process to identify, review and evaluate a broad range of potential strategic alternatives with a view to continuing to enhance unitholder value. The strategic review process is overseen by a special committee of independent trustees designated by the Board, comprised of Luc Bachand, who acts as Chair of the committee, Mitchell Cohen, Karen Laflamme and René Tremblay. Zachary George and Paul Campbell were initially designated to be members of the committee. They however recused themselves respectively on September 23, 2020 and January 14, 2021 in light of the potential for actual or perceived conflicts of interest. René Tremblay was appointed member of the committee on December 7, 2020 to fill the vacancy created by Mr. George's departure. The REIT has not established a definitive timeline to complete the strategic review process and no decisions have been reached at this time. There can be no assurance that this strategic review process will result in any transaction or, if a transaction is undertaken, as to the terms or timing of such a transaction. The REIT does not currently intend to disclose further developments with respect to this process, unless and until it is determined that disclosure is necessary or appropriate.

Overview of 2020

Same Property NOI[1]: Same property NOI decreased by $17.9 million or 5.1% for the year ended December 31, 2020 compared to 2019. The decrease is mainly attributable to the financial impact of COVID-19, which negatively impacted Cominar for the months of April to December 2020, but was partially offset by a $2.2 million positive net impact of a portion of the CEWS program, by an increase in the average in-place occupancy rate, the growth in the average net rent of renewed leases, and decreases in operating costs and realty taxes.

Expected credit losses: For the year ended December 31, 2020, expected credit losses of $33.6 million were recorded, mainly due to COVID-19, of which $25.9 million is for retail, $3.9 million is for office and $3.9 million is for industrial and flex. Cominar's expected credit losses for 2020 include $4.8 million for the landlord portion to be forgiven under the CECRA program and the Quebec government program which represents 12.5% of the eligible tenant's rent, $12.3 million of rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance, and $16.6 million for all other receivables for which the recoverability is uncertain. Expected credit losses are presented in operating costs within operating expenses.

Net Income (loss): Net loss for year ended December 31, 2020 amounted to $329.3 million compared to net income of $462.5 million for 2019. This reflects a decrease of $31.1 million in NOI mainly due to the COVID-19 impact, decreases of $746.2 million in change in fair value of investment properties (negative change of $469.8 million for the year ended December 31, 2020, compared to a positive change of $276.5 million for the previous year) and of $12.3 million in the share of joint venture's net income (loss), and an increase of $15.7 million in goodwill impairment, partially offset by a decrease of $7.4 million in finance charges and a decrease of $4.8 million in restructuring costs.

Adjusted Net Income[1]: For the year ended December 31, 2020, Cominar generated adjusted net income[1] of $181.6 million compared to $202.3 million for the previous year. The decrease is mainly due to the decrease in NOI mainly due to COVID-19 and from properties sold in 2019 and 2020.

FFO[1]: Fully diluted FFO for the year ended December 31, 2020 amounted to $175.6 million or $0.96 per unit compared to $195.1 million or $1.07 per unit for the previous year due mainly to the decrease in NOI which resulted mainly from the financial impact of COVID-19 which impacted Cominar for the months of April to December 2020 and from the properties sold in 2019 and 2020, partially offset by a positive net impact of a portion of the CEWS program, an increase in the average in-place occupancy rate, the growth in the average net rent of renewed leases, and decreases in operating costs and realty taxes.

AFFO[1]: Fully diluted AFFO for the year ended December 31, 2020 amounted to $129.9 million or $0.71 per unit compared to $141.0 million or 0.77 for the previous year. AFFO decreased from 2019 due mainly to the decrease in FFO. Our AFFO payout ratio for 2020 was 80.3%, down from 93.5% last year.

Balance Sheet: As at December 31, 2020, Cominar's debt ratio was 55.3%, up from 51.4% at year-end 2019, which reflects a decrease in the fair value of investment properties of $469.8 million. The debt to EBITDA[1] ratio at the end of the of 2020 increased to 11.3x, from 10.6x at December 31, 2019. As at December 31, 2020 our unencumbered asset pool totaled $2.0 billion and our unencumbered asset ratio was 1.76x, down from 1.82x at year-end 2019.

As at December 31, 2020, our available liquidity of $339.4 million consisted of $325.8 million of availability under our unsecured credit facility and $13.6 million of cash and cash equivalents.

Investment properties fair value: During 2020, management revalued the entire real estate portfolio and determined that a net decrease of $469.8 million was necessary to adjust the carrying amount of investment properties to fair value. The change in fair value related to investment properties held as at December 31, 2020 amounts to $471.1 million.

Occupancy: As at December 31, 2020, Cominar's in-place occupancy was 91.7%, comparable to year-end 2019. As at December 31, 2020 the committed occupancy rate was 94.0%, compared to 95.1% at year-end 2019.

Leasing activity: The retention rate for 2020 was 76.3%. Average net rent on 4.6 million sq.ft. of lease renewals for the year ended December 31, 2020 increased by 7.4% (18.0% for the industrial and flex portfolio, 7.6% for the office portfolio and (4.3)% for the retail portfolio). New leasing totaled 1.9 million sq.ft. New and renewal leasing represented 108.7% of 2020 lease maturities.

1 Refer to section "Non-IFRS Financial Measures".

COVID-19 - Impacts analysis and risks

In mid-March 2020 the Government of Quebec declared a provincial public health emergency and put in place numerous stringent measures to protect Quebecers and to slow the spread of the COVID-19 virus including the closing as of March 25, 2020 of all non-essential stores and services. These measures included the closure of all Cominar shopping malls and Cominar non-essential businesses. Grocery stores, pharmacies and SAQ outlets remained open. In the office segment, a significant number of our office tenants migrated to teleworking.

On March 16, 2020 the REIT implemented work from home measures, increased sanitation and health and safety measures at its properties which remained open, closed its enclosed malls and implemented special protocols at its office buildings for tenants operating “essential services”.

Residential construction sites in Quebec were reopened as of April 20, 2020 and a gradual reopening of certain businesses began on May 4, 2020. On June 1, 2020 shopping centers outside of Montreal were reopened, followed by a reopening of restaurants outside of Montreal on June 15, 2020. In the Montreal region, shopping centers and restaurants were reopened on June 19, 2020 and June 22, 2020, respectively. All of our shopping centers reopened on the first day legally authorized. Cominar played a leadership role in designing and implementing protocols for the benefit and safety of tenants and customers.

On July 6, 2020, the REIT implemented a return to work program, on a voluntary basis, within the limits set by the provincial government. On July 18, 2020, in Quebec, private employers, whose staff worked from home, were allowed to a return of their workforce with an occupancy rate of up to a maximum of 25%.

During the COVID-19 lockdown, access to industrial buildings remained under the control of tenants as access is exclusive for each tenant. We however increased security patrols of our industrial and flex properties as usage decreased following government directives limiting business activity to essential services.

On October 1st, 2020, restaurants were closed in the Montreal area which was declared to be a Maximum Alert region since then. Restaurants located in other regions of the Province of Quebec are also closed depending on their alert levels.

Since December, 2020 and subsequent to the year end of 2020, the Government of Quebec took other sets of measures to slow the pandemic spread. Between December 24, 2020 and February 8, 2021, the non-essential retail stores were closed again in all regions of the Province of Quebec. In addition, teleworking remains mandatory for people working in offices of the public or private sectors since December 17, 2020, except for workers whose employers deem their presence necessary to pursue the organization’s activities.

The REIT continues to act according to direction provided by the Federal, Provincial and Municipal governments to control the spread of COVID-19. The REIT continues to closely monitor business operations and may take further actions in response to directives of government and public health authorities or that are in the best interests of employees, tenants, suppliers or other stakeholders, as necessary. The COVID-19 pandemic has had and continues to have an adverse impact on the REIT's financial results and operations.

These and any additional changes in operations in response to COVID-19 have and could continue to materially impact the financial results and operations of the REIT and may affect tenants’ ability or willingness to pay rent in full or at all, the REIT's ability to collect rent due by its tenants, consumer demand for tenants’ products or services, temporary or long-term delays of development projects, temporary or long-term labor shortages or disruptions, temporary or long-term impacts on supply chains, increased risks to information technology systems and networks and the REIT’s ability to access capital on acceptable terms or at all. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, materially adversely impact financial results and operations of the REIT.

Over the coming months, we will continue to work with our tenants who are under financial pressure to find solutions on a case-by-case basis. The dynamic nature of the situation, which continues to evolve day-to-day, makes the longer-term financial impacts on the REIT difficult to predict.

Canada Emergency Commercial Rent Assistance (CECRA)

On April 28, 2020, the Federal government reached an agreement in principle with all provinces and territories to implement the Canada Emergency Commercial Rent Assistance (CECRA) for qualifying commercial landlords and small business tenants. CECRA provided relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, it allowed landlords to reduce rent by 75 % from April to September 2020 for their small business tenants. CECRA covered 50 % of the rent, with the tenant paying 25 % and the landlord forgiving 25 %. The Quebec government implemented a program that covers the same period and which covered 50% of the landlord's forgiveness of 25%. Following a detailed analysis of the CECRA guidelines published by the federal government, Cominar concluded that the tenant acted as the principal and Cominar acted as the agent and consequently, Cominar recorded the portion of the rent paid by the CECRA (and the Quebec government program) as lease revenue receivable from the federal and the provincial governments. Since the eligibility of each tenant was determined or the program extension was announced, as the case may be, after rents were already invoiced, the landlord portion to be forgiven was accounted for as an expected credit loss. The tenant portion of the program was recorded as usual. Cominar estimated CECRA's amounts to be recorded in its financial statements based on the program criteria prequalification form received from tenants who made a request for financial assistance. Actual results may differ and depend on the government's assessment of a tenant's eligibility to the program.

Canada Emergency Rent Subsidy (CERS)

On October 9, 2020, the Federal government announced the launch of a new program, the Canada Emergency Rent Subsidy (CERS) to provide rent support from October 1, 2020 until June 30, 2021 for qualifying organizations affected by COVID-19. This program is the successor to the CECRA program which ended last September. CERS is offered directly to qualifying organizations, without going through landlords. Cominar therefore does not isolate proceeds received by qualifying tenants from the Federal government under CERS in its financial reporting.

As announced, CERS will fund up to 65% of rent payments for businesses whose revenues have decreased by 70% or more, and those whose revenues have decreased by less than 70% will receive an amount that will vary according to the severity of their losses. In addition, businesses that have been forced to temporarily close their doors due to mandatory prescriptions issued by an eligible public health authority could benefit from a complementary subsidy at the rate of 25%, which would be added to the 65% subsidy for total funding covering up to 90% of eligible expenses. Eligible businesses could apply retroactively for the period from September 27, 2020 and the program will be in effect until June 2021.

Canada Emergency Wage Subsidy (CEWS)

In response to the COVID-19 pandemic, the Federal government introduced the Canada Emergency Wage Subsidy (CEWS) program which is designed to subsidize a percentage of eligible employee wages on a retroactive basis from March 15, 2020 to December 31, 2020. During the last quarter of 2020, Cominar determined that it qualified for the CEWS program on prescribed program rules on a cash revenue basis and therefore was deemed to be qualified under the program for the period from April to August in addition to November and December 2020. As a result, Cominar accrued $4.8 million of CEWS funding due from the federal government. $3.4 million were recorded at the NOI level, of which approximately $1.2 million will be returned to tenants, and $1.4 million were recorded as a reduction to internal leasing staff and general and administrative functions. The net benefit of the CEWS funding is estimated at $3.6 millions, which benefited FFO for the quarter.

Rent collection

Rent Collection Summary [1]

	Quarter ended December 31, 2020				Year ended December 31, 2020			
	Office	**Retail**	**Industrial**	**Total**	**Office**	**Retail**	**Industrial**	**Total**
Collected and negotiated agreements	**97.3 %**	**95.5 %**	**96.7 %**	**96.6 %**	**98.3 %**	**97.4 %**	**98.5 %**	**98.1 %**
o/w received	**97.3 %**	**93.4 %**	**96.4 %**	**95.8 %**	**98.3 %**	**94.9 %**	**98.3 %**	**97.2 %**
o/w to be received (agreements)	**— %**	**2.1 %**	**0.3 %**	**0.8 %**	**— %**	**2.5 %**	**0.2 %**	**0.9 %**
To be received (others)	**2.7 %**	**4.5 %**	**3.3 %**	**3.4 %**	**1.7 %**	**2.6 %**	**1.5 %**	**1.9 %**
Total	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**	**100.0 %**

1 As at March 2, 2021. As percentage of invoiced rent.

The following table highlights trade receivables by property type as at December 31, 2020 :

Trade receivables	Office	Retail	Industrial and flex	Total
As at December 31, 2020	$	$	$	$
Trade receivables	18,729	15,430	6,357	40,516
Provision for expected credit losses	(3,420)	(7,356)	(2,859)	(13,635)
Total net trade receivables	15,309	8,074	3,498	26,881

Office trade receivables include $6.5 million invoiced to tenants at the end of 2020 for work performed in their premises. Retail trade receivables include $0.7 million invoiced to tenants at the end of 2020 for work performed in their premises.

The reconciliation of changes in the provision for expected credit losses on trade receivable is included in the following table for 2020:

Provision for expected credit losses	Office	Retail	Industrial and flex	Total
Year ended December 31, 2020	$	$	$	$
Balance, beginning of year	1,934	2,954	1,594	6,482
Additional provision recognized as expense	2,435	11,651	2,487	16,573
Tenant receivables written off during the year	(949)	(7,249)	(1,222)	(9,420)
Balance, end of year	3,420	7,356	2,859	13,635

The following tables present the expected credit losses for the periods ended December 31, 2020:

Expected credit losses	Office	Retail	Industrial and flex	Total
Quarter ended December 31, 2020	$	$	$	$
Expected credit losses on trade receivables	1,004	2,195	1,396	4,595
Expected credit losses - rent reduction	14	989	7	1,010
Total expected credit losses	1,018	3,184	1,403	5,605
Percentage of operating revenues	1.5 %	5.4 %	3.6 %	3.4 %

Total expected credit losses for the quarter ended December 31, 2020 amounted to $5.6 million (compared to $8.0 million for the quarter ended September 30, 2020 and $18.2 million for the quarter ended June 30, 2020) or 3.4% of operating revenues (compared to 4.9% and 11.3% respectively) and break down to $8.1 million of expected credit losses for the quarter ended December 31, 2020, partially offset by a positive adjustment of $2.5 million for the previous quarter.

Expected credit losses	Office	Retail	Industrial and flex	Total
Year ended December 31, 2020	$	$	$	$
Expected credit losses on trade receivables	2,435	11,651	2,487	16,573
Expected credit losses - forgiven portion of the CECRA programs	456	3,781	550	4,787
Expected credit losses - rent reductions	964	10,464	824	12,252
Total expected credit losses	3,855	25,896	3,861	33,612
Percentage of operating revenues	1.5 %	10.9 %	2.5 %	5.1 %

Cominar's expected credit losses in 2020 include the landlord portion to be forgiven under CECRA and the Quebec government program (CECRA programs) which represents 12.5% of the eligible tenant's rent, rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and a provision for short-term rent deferrals and all other receivables for which the recoverability is uncertain. Expected credit losses are presented in operating costs within operating expenses.

Operating results

COVID-19 has impacted Cominar’s 2020 financial results, particularly the capacity of our clients to pay their rent in full or in part. The CECRA program required landlords to absorb 25% of gross rent for the months of April to September 2020 of clients eligible for the federal program. Quebec government made up 50% of this loss. Cominar has also granted several relief measures ranging from rent reductions to deferred rent payments up to 12 months to clients ineligible for government programs. All of these initiatives contributed to a significant increase in trade receivables and expected credit losses for the year 2020. Management estimates the portion of expected credit losses attributable to COVID-19 at $30.7 million ($4.8 million for the portion forgiven under the CECRA programs (12.5%), $12.3 million for rent reductions and $13.6 million for uncertainty of recoverability of all other receivables).

In addition, our revenues were also affected by lower revenues from percentage leases and by decreases in temporary rentals and parking revenues. Recoverable operating revenues also declined significantly due to reductions in our operating expenses following the impacts of COVID-19 and other decreases in line with our strategic plan. Management estimated that revenues for 2020 decreased $23.5 million due to COVID-19, while operating expenses (excluding expected credit losses) decreased $18.5 million, including $9.4 million in property repair and maintenance costs and $6.1 million in cost of energy. The decrease in operating expenses includes $3.4 million of CEWS funding due by the federal government, of which an estimated $1.2 million will be returned to tenants.

Including expected credit losses, the negative impact of COVID-19 on NOI for the year ended December 31, 2020 is estimated at $35.8 million.

Investment properties fair value

Investment properties are recorded at fair value as at December 31, 2020. Fair value is determined using valuations from internal and independent real estate appraisers, performed in accordance with recognized valuation techniques, as well as definitive agreements to sell investment properties. Techniques used include the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates, and direct capitalized net operating income method that involves stabilized net operating income and overall capitalization rates. Estimates regarding stabilized net operating income, expected future cash flows, overall capitalization rates, discount and terminal capitalization rates have all been impacted by the current COVID-19 and impacts have been considered in these consolidated financial statements. During 2020, management revalued the entire real estate portfolio using internal and external valuations and determined that a net decrease of $469.8 million was necessary to adjust the carrying amount of investment properties to fair value. The negative change in fair value related to investment properties held as at December 31, 2020 amounts to $471.1 million. Refer to 'Change in Fair Value of Investment Properties' section.

Capital expenditures and cost management

To minimize the impact on free cash flows of the pressure on revenues resulting from the pandemic, Cominar worked to reduce operating expenses and capital expenditures. Various initiatives aimed at reducing or deferring operating expenses and capital expenditures were implemented, including reduction of tenant incentives where feasable, of capital investments related to maintenance of rental income generating capacity and of development projects, deferral of property tax and hydro payments, temporary layoffs and reduction of operating costs, including energy and cleaning and maintenance services costs. These initiatives related to operations have reduced 2020 property operating expenses (excluding expected credit losses and property taxes and services) by $28.7 million when compared to budgeted expenses. Capital expenditures were also reduced by $69.6 million when compared to budgeted investments.

Transaction activity

Amid the spread of COVID-19, Cominar expects liquidity in property markets to be negatively impacted and as a result, transaction activity will be subject to market receptivity. Cominar continues to see value in properties such as its CN Central Station property in Montreal and is re-evaluating its value-maximization alternatives for this unique and strategic property as market and economic conditions evolve.

Refer to Risks and Uncertainties section of this MD&A, as well as in the 'Risk Factors' section of Cominar 2019 Annual and Information Form for a complete list of the various risk factors that may have an impact on the REIT.

L**iquidity position**

Cominar had a liquidity position of $339.4 million as at December 31, 2020, helped during the second quarter by an offering of $150.0 million principal amount of 5.95% Series 12 debentures that closed on May 4, 2020 and by a new secured credit line totaling $120.0 million that closed on June 9, 2020.

In September 2020, we extended the maturity (initially in February 2021) of the $240.0 million mortgage on the CN Central Station property for a twelve-month period on an interest only basis (no monthly capital repayment) in order to enhance our flexibility in respect of our review of strategic alternatives for this property.

In 2020, Cominar early repaid its Series 4 senior unsecured debentures ($300.0 million) and also repaid at maturity its Series 3 senior unsecured debentures ($100.0 million).

Reconciliations to Cominar's Proportionate Share

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

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

	As at December 31, 2020			As at December 31, 2019		
	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	**6,077,025**	**161,885**	**6,238,910**	6,412,739	171,573	6,584,312
Properties under development	**26,315**	**10,850**	**37,165**	41,471	5,900	47,371
Land held for future development	**87,910**	**8,029**	**95,939**	100,507	7,631	108,138
	6,191,250	**180,764**	**6,372,014**	6,554,717	185,104	6,739,821
Investment properties held for sale	**20,990**	**—**	**20,990**	11,730	—	11,730
Investments in joint ventures	**97,497**	**(97,497)**	**—**	97,456	(97,456)	—
Goodwill	**—**	**—**	**—**	15,721	—	15,721
Accounts receivable	**51,816**	**1,529**	**53,345**	37,930	431	38,361
Prepaid expenses and other assets	**19,132**	**75**	**19,207**	22,232	94	22,326
Cash and cash equivalents	**13,594**	**1,204**	**14,798**	152,634	639	153,273
Total assets	**6,394,279**	**86,075**	**6,480,354**	6,892,420	88,812	6,981,232
Liabilities						
Mortgages payable	**2,105,906**	**80,499**	**2,186,405**	2,114,021	82,981	2,197,002
Debentures	**1,070,491**	**—**	**1,070,491**	1,320,962	—	1,320,962
Bank borrowings	**366,958**	**4,100**	**371,058**	180,000	4,100	184,100
Accounts payable and accrued liabilities	**126,350**	**1,476**	**127,826**	126,543	1,731	128,274
Deferred tax liabilities	**93**	**—**	**93**	93	—	93
Total liabilities	**3,669,798**	**86,075**	**3,755,873**	3,741,619	88,812	3,830,431
Unitholders' equity						
Unitholders' equity	**2,724,481**	**—**	**2,724,481**	3,150,801	—	3,150,801
Total liabilities and unitholders' equity	**6,394,279**	**86,075**	**6,480,354**	6,892,420	88,812	6,981,232

1 *Refer to section "Non-IFRS Financial Measures".*

Quarters ended December 31	2020 [1]			2019 [1]		
	Consolidated financial statements	Joint ventures	Cominar's proportionate share[2]	Consolidated financial statements	Joint ventures	Cominar's proportionate share[2]
	$	$	$	$	$	$
Operating revenues	**166,156**	**4,519**	**170,675**	173,931	4,230	178,161
Operating expenses	**(78,200)**	**(2,062)**	**(80,262)**	(82,715)	(1,751)	(84,466)
NOI	**87,956**	**2,457**	**90,413**	91,216	2,479	93,695
Finance charges	**(33,901)**	**(941)**	**(34,842)**	(40,416)	(979)	(41,395)
Trust administrative expenses	**(4,212)**	**(5)**	**(4,217)**	(4,145)	(17)	(4,162)
Change in fair value of investment properties	**(150,295)**	**(1,259)**	**(151,554)**	270,964	1,339	272,303
Share of joint ventures' net income (loss)	**252**	**(252)**	**—**	2,822	(2,822)	—
Transaction costs	**(77)**	**—**	**(77)**	(1,225)	—	(1,225)
Net income (loss) before income taxes	**(100,277)**	**—**	**(100,277)**	319,216	—	319,216
Current income taxes	**—**	**—**	**—**	49	—	49
Net income (loss) and comprehensive income	**(100,277)**	**—**	**(100,277)**	319,265	—	319,265

1 Quarter ended December 31, 2020 includes the estimated financial impact of COVID-19 and $1.4 million in strategic alternatives consulting fees (includes $5.2 million of penalties on mortgage repayments before maturity for the quarter ended December 31, 2019).
2 Refer to section "Non-IFRS Financial Measures".

Years ended December 31	2020 [1]			2019 [1]		
	Consolidated financial statements	Joint ventures	Cominar's proportionate share [2]	Consolidated financial statements	Joint ventures	Cominar's proportionate share [2]
	$	$	$	$	$	$
Operating revenues	**661,320**	**17,406**	**678,726**	704,041	17,194	721,235
Operating expenses	**(334,133)**	**(7,377)**	**(341,510)**	(345,719)	(7,361)	(353,080)
NOI	**327,187**	**10,029**	**337,216**	358,322	9,833	368,155
Finance charges	**(143,640)**	**(3,809)**	**(147,449)**	(151,051)	(3,953)	(155,004)
Trust administrative expenses	**(16,973)**	**(16)**	**(16,989)**	(17,254)	(19)	(17,273)
Change in fair value of investment properties	**(469,763)**	**(11,262)**	**(481,025)**	276,475	1,339	277,814
Share of joint ventures' net income (loss)	**(5,058)**	**5,058**	**—**	7,200	(7,200)	—
Transaction costs	**(5,375)**	**—**	**(5,375)**	(6,463)	—	(6,463)
Restructuring costs	**—**	**—**	**—**	(4,774)	—	(4,774)
Impairment of goodwill	**(15,721)**	**—**	**(15,721)**	—	—	—
Net income (loss) before income taxes	**(329,343)**	**—**	**(329,343)**	462,455	—	462,455
Current income taxes	**66**	**—**	**66**	49	—	49
Net income (loss) and comprehensive income	**(329,277)**	**—**	**(329,277)**	462,504	—	462,504

1 Year ended December 31, 2020, includes the estimated financial impact of COVID-19, $1.7 million strategic alternatives consulting fees, $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption and $4.6 million of penalties paid on mortgage repayments before maturity (includes $1.0 million from the settlement approved by the court between Target Canada and its creditors, $5.2 million of penalties paid on mortgages repayments before maturity, $1.1 million of debenture redemption costs, $4.8 million of restructuring costs and $1.0 million in severance allowance paid following the departure of an executive officer for the year ended December 31, 2019).
2 Refer to section "Non-IFRS Financial Measures".

Performance Analysis

Financial Position

The following table indicates the changes in assets and liabilities as well as in unitholders' equity between December 31, 2020, and December 31, 2019, as shown in our consolidated financial statements:

As at December 31	2020	2019		
	$	$	$ Δ	% Δ
Assets				
Investment properties				
Income properties	**6,077,025**	6,412,739	(335,714)	(5.2)
Properties under development	**26,315**	41,471	(15,156)	(36.5)
Land held for future development	**87,910**	100,507	(12,597)	(12.5)
	6,191,250	6,554,717	(363,467)	(5.5)
Investment properties held for sale	**20,990**	11,730	9,260	78.9
Investments in joint ventures	**97,497**	97,456	41	—
Goodwill	**—**	15,721	(15,721)	(100.0)
Accounts receivable	**51,816**	37,930	13,886	36.6
Prepaid expenses and other assets	**19,132**	22,232	(3,100)	(13.9)
Cash and cash equivalents	**13,594**	152,634	(139,040)	(91.1)
Total assets	**6,394,279**	6,892,420	(498,141)	(7.2)
Liabilities				
Mortgages payable	**2,105,906**	2,114,021	(8,115)	(0.4)
Debentures	**1,070,491**	1,320,962	(250,471)	(19.0)
Bank borrowings	**366,958**	180,000	186,958	103.9
Accounts payable and accrued liabilities	**126,350**	126,543	(193)	(0.2)
Deferred tax liabilities	**93**	93	—	—
Total liabilities	**3,669,798**	3,741,619	(71,821)	(1.9)
Unitholders' equity				
Unitholders' equity	**2,724,481**	3,150,801	(426,320)	(13.5)
Total liabilities and unitholders' equity	**6,394,279**	6,892,420	(498,141)	(7.2)

Results of Operations

The following table highlights our results of operations for the years ended December 31, 2020 and 2019, as shown in our consolidated financial statements:

Periods ended December 31	Quarter 2020 [1]	Quarter 2019 [1]		Year 2020 [2]	Year 2019 [2]	
	$	$	% Δ	$	$	% Δ
Operating revenues	**166,156**	173,931	(4.5)	**661,320**	704,041	(6.1)
Operating expenses	**(78,200)**	(82,715)	(5.5)	**(334,133)**	(345,719)	(3.4)
NOI	**87,956**	91,216	(3.6)	**327,187**	358,322	(8.7)
Finance charges	**(33,901)**	(40,416)	(16.1)	**(143,640)**	(151,051)	(4.9)
Trust administrative expenses	**(4,212)**	(4,145)	1.6	**(16,973)**	(17,254)	(1.6)
Change in fair value of investment properties	**(150,295)**	270,964	N/M	**(469,763)**	276,475	N/M
Share of joint ventures' net income (loss)	**252**	2,822	(91.1)	**(5,058)**	7,200	(170.3)
Transaction costs	**(77)**	(1,225)	(93.7)	**(5,375)**	(6,463)	(16.8)
Restructuring costs	**—**	—	—	**—**	(4,774)	100.0
Impairment of goodwill	**—**	—	—	**(15,721)**	—	(100.0)
Net income (loss) before income taxes	**(100,277)**	319,216	(131.4)	**(329,343)**	462,455	(171.2)
Current income taxes	**—**	—	—	**66**	—	100.0
Deferred	**—**	49	(100.0)	**—**	49	(100.0)
Income taxes	**—**	49	(100.0)	**66**	49	34.7
Net income (loss) and comprehensive income	**(100,277)**	319,265	(131.4)	**(329,277)**	462,504	(171.2)

1 Quarter ended December 31, 2020 includes the estimated financial impact of COVID-19 and $1.4 million in strategic alternatives consulting fees (includes $5.2 million of penalties on mortgage repayments before maturity for the quarter ended December 31, 2019).

2 In addition to the quarter events explained above, the year ended December 31, 2020 includes $0.3 million in strategic alternatives consulting fees, $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption and $4.6 million of penalties paid on mortgage repayments before maturity ($1.0 million from the settlement approved by the court between Target Canada and its creditors, $1.1 million of debenture redemption costs, $4.8 million of restructuring costs and $1.0 million in severance allowance paid following the departure of an executive officer for the year ended December 31, 2019).

The decrease in operating revenues according to the consolidated financial statements and on a proportionate basis in 2020 compared with 2019 resulted mainly from the financial impact of COVID-19 which impacted Cominar for the months of April to December 2020 and from the properties sold in 2019 and 2020, partially offset by an increase in the average in-place occupancy rate and the growth in the average net rent of renewed leases.

The decrease in operating expenses according to the consolidated financial statements and on a proportionate basis in 2020 compared with 2019 resulted mainly from the financial impact of COVID-19 which impacted Cominar for the months of April to December 2020, namely an increase in the estimated credit losses, partially offset by decreases in operating costs and realty taxes and services.

The following table highlights our results of operations for the periods ended December 31, 2020 by property type:

Quarter ended December 31, 2020	Office Properties [1]	Retail Properties [1]	Industrial and flex properties [1]	Corporate [1]	TOTAL
	$	$	$	$	$
Operating revenues	68,077	59,073	39,006	—	**166,156**
Operating expenses	(32,758)	(31,549)	(13,893)	—	**(78,200)**
NOI	35,319	27,524	25,113	—	**87,956**
Finance charges	(5,019)	(7,150)	(3,714)	(18,018)	**(33,901)**
Trust administrative expenses	(148)	(197)	(89)	(3,778)	**(4,212)**
Change of fair value of investment properties	(142,677)	(163,982)	156,364	—	**(150,295)**
Share of joint ventures' net income (loss)	(595)	847	—	—	**252**
Transaction costs	(8)	(69)	—	—	**(77)**
Net income (loss) before income taxes	(113,128)	(143,027)	177,674	(21,796)	**(100,277)**
Current income taxes	—	—	—	—	**—**
Net income (loss) and comprehensive income	**(113,128)**	**(143,027)**	**177,674**	**(21,796)**	**(100,277)**

1 Operating revenues and expenses are directly attributable to a property. Finance charges related to mortgages have been allocated to the related properties and the balance is allocated to Corporate. Trust administrative expenses related to leasing salaries have been allocated to the related property type and the balance is allocated to Corporate. Change in fair value of investment properties, share of joint ventures' net income, transaction costs and current income taxes are all allocated to the related property in each property type.

Year ended December 31, 2020	Office Properties [1] $	Retail Properties [1] $	Industrial and flex properties [1] $	Corporate [1] $	TOTAL $
Operating revenues	265,554	238,272	157,494	—	**661,320**
Operating expenses	(131,980)	(140,797)	(61,356)	—	**(334,133)**
NOI	133,574	97,475	96,138	—	**327,187**
Finance charges	(29,404)	(30,283)	(17,602)	(66,351)	**(143,640)**
Trust administrative expenses	(2,085)	(2,774)	(1,251)	(10,863)	**(16,973)**
Change in fair value of investment properties	(182,732)	(410,196)	123,165	—	**(469,763)**
Share of joint ventures' net income (loss)	(733)	(4,325)	—	—	**(5,058)**
Transaction costs	(3,489)	(1,886)	—	—	**(5,375)**
Impairment of goodwill	—	—	(15,721)	—	**(15,721)**
Net income (loss) before income taxes	(84,869)	(351,989)	184,729	(77,214)	**(329,343)**
Current income taxes	4	—	62	—	**66**
Net income (loss) and comprehensive income	**(84,865)**	**(351,989)**	**184,791**	**(77,214)**	**(329,277)**

1 Operating revenues and expenses are directly attributable to a property. Finance charges related to mortgages have been allocated to the related properties and the balance is allocated to Corporate. Trust administrative expenses related to leasing salaries have been allocated to the related property type and the balance is allocated to Corporate. Change in fair value of investment properties, share of joint ventures' net income, transaction costs, impairment of goodwill and current income taxes are all allocated to the related property in each property type.

Net Operating Income

NOI is a measure presented in the statement of comprehensive income in Cominar's consolidated financial statements, which is calculated as operating revenues less property operating expenses such as utilities, repairs and maintenance and realty taxes. NOI does not include finance charges or other expenses not specific to the day-to-day operation of Cominar's properties. Cominar considers NOI to be a valuable measure for evaluating the operating performance of its properties.

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

Periods ended December 31	Quarter			Year		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
NOI — Financial statements	**87,956**	91,216	(3.6)	**327,187**	358,322	(8.7)
NOI — Joint ventures	**2,457**	2,479	(0.9)	**10,029**	9,833	2.0
NOI — Cominar's proportionate share [2]	**90,413**	93,695	(3.5)	**337,216**	368,155	(8.4)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The decrease in NOI according to the consolidated financial statements and on a proportionate basis in 2020 compared with 2019 resulted mainly from the financial impact of COVID-19 which impacted Cominar for the months of April to December 2020 and from the properties sold in 2019 and 2020, partially offset by a positive net impact of a portion of the CEWS program, an increase in the average in-place occupancy rate, the growth in the average net rent of renewed leases, and decreases in operating costs and realty taxes and services.

NOI by Property Type

Periods ended December 31	Quarter			Year		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Property type						
Office	**37,208**	36,092	3.1	**142,555**	142,448	0.1
Retail	**28,092**	33,502	(16.1)	**98,523**	132,168	(25.5)
Industrial and flex	**25,113**	24,101	4.2	**96,138**	93,539	2.8
NOI — Cominar's proportionate share [2]	**90,413**	93,695	(3.5)	**337,216**	368,155	(8.4)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Results of Operations - Same Property Portfolio

Cominar analyzes its results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties and pays particular attention to the performance of its same property portfolio. Same property portfolio includes the results of properties owned by Cominar as at December 31, 2018, with the exception of results from the properties sold, acquired or under development in 2019 and 2020, as well as the rental income arising from the recognition of leases on a straight-line basis.

	Quarter			Year		
Periods ended December 31	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Same property operating revenues - Cominar's proportionate share [2]	**169,960**	173,478	(2.0)	**673,454**	692,727	(2.8)
Same property operating expenses - Cominar's proportionate share [2]	**(79,624)**	(82,451)	(3.4)	**(338,088)**	(339,502)	(0.4)
Same property NOI - Cominar's proportionate share [2]	**90,336**	91,027	(0.8)	**335,366**	353,225	(5.1)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Net Operating Income - Same Property Portfolio

	Quarter			Year		
Periods ended December 31	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
NOI — Financial statements	**87,956**	91,216	(3.6)	**327,187**	358,322	(8.7)
NOI — Joint ventures	**2,457**	2,479	(0.9)	**10,029**	9,833	2.0
NOI — Cominar's proportionate share [2]	**90,413**	93,695	(3.5)	**337,216**	368,155	(8.4)
Acquisitions, developments and dispositions — Cominar's proportionate share [3]	**(77)**	(2,668)	(97.1)	**(1,850)**	(14,930)	(87.6)
Same property NOI — Cominar's proportionate share [2]	**90,336**	91,027	(0.8)	**335,366**	353,225	(5.1)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".
3 Also includes rental income arising from the recognition of leases on a straight-line basis

	Quarter			Year		
Periods ended December 31	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Same property NOI — Financial statements	**87,916**	88,541	(0.7)	**325,299**	343,386	(5.3)
Same property NOI — Joint ventures	**2,420**	2,486	(2.7)	**10,067**	9,839	2.3
Same property NOI — Cominar's proportionate share [2]	**90,336**	91,027	(0.8)	**335,366**	353,225	(5.1)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The 2020 fourth quarter decrease of 0.8% in same property NOI according to the consolidated financial statements and on a proportionate basis when compared with the corresponding quarter of 2019 is mainly attributable to the financial impact of COVID-19 which impacted Cominar for the months of April to December 2020, partially offset by a positive net impact of a portion of the CEWS program, an increase in the average in-place occupancy rate year over year, the growth in the average net rent of renewed leases, and decreases in operating costs and realty taxes and services.

NOI by Property Type and Geographic Market - Same Property Portfolio

Same property NOI by property type

	Quarter			Year		
Periods ended December 31	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Property type						
Office	**37,675**	34,710	8.5	**142,228**	135,972	4.6
Retail	**27,957**	32,767	(14.7)	**98,956**	126,038	(21.5)
Industrial and flex	**24,704**	23,550	4.9	**94,182**	91,215	3.3
Same property NOI — Cominar's proportionate share [2]	**90,336**	91,027	(0.8)	**335,366**	353,225	(5.1)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Same property NOI weighting by property type

	Quarter		Year	
Periods ended December 31	2020	2019	2020	2019
Property type				
Office	**41.8 %**	38.1 %	**42.4 %**	38.5 %
Retail	**30.9 %**	36.0 %	**29.5 %**	35.7 %
Industrial and flex	**27.3 %**	25.9 %	**28.1 %**	25.8 %
Same property NOI — Cominar's proportionate share [1]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

1 Refer to section "Non-IFRS Financial Measures".

For 2020, Cominar's weighting to retail same property NOI decreased (620) basis points to 29.5% due to the negative COVID-19 impact, while industrial same property NOI increased 230 basis points to 28.1% and office same property NOI increased 390 basis points to 42.4%.

Same property NOI by geographic market

	Quarter			Year		
Periods ended December 31	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Geographic market						
Montreal	**56,239**	58,096	(3.2)	**210,915**	223,952	(5.8)
Quebec City	**26,718**	27,936	(4.4)	**100,025**	108,306	(7.6)
Ottawa [2]	**7,379**	4,995	47.7	**24,426**	20,967	16.5
Same property NOI — Cominar's proportionate share [3]	**90,336**	91,027	(0.8)	**335,366**	353,225	(5.1)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
3 Refer to section "Non-IFRS Financial Measures".

Same property NOI weighting by geographic market

	Quarter		Year	
Periods ended December 31	2020	2019	2020	2019
Geographic market				
Montreal	**62.2 %**	63.8 %	**62.9 %**	63.4 %
Quebec City	**29.6 %**	30.7 %	**29.8 %**	30.7 %
Ottawa [1]	**8.2 %**	5.5 %	**7.3 %**	5.9 %
Same property NOI — Cominar's proportionate share [2]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

1 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
2 Refer to section "Non-IFRS Financial Measures".

Same property average in-place occupancy by property type

	Quarter			Year		
Periods ended December 31	2020	2019	Δ	2020	2019	Δ
Property type						
Office	**91.8 %**	89.6 %	2.2	**90.8 %**	88.9 %	1.9
Retail [1]	**85.8 %**	86.7 %	(0.9)	**86.0 %**	85.7 %	0.3
Industrial and flex	**95.3 %**	95.3 %	0.0	**95.1 %**	94.4 %	0.7
Total	**91.7 %**	91.2 %	0.5	**91.4 %**	90.4 %	1.0

1 On December 31, 2019, retail in-place occupancy was positively impacted by the conversion of 120,000 square feet of areas previously occupied by Sears into common areas as part of the reconfiguration of these units. This impact is reflected in the average in-place occupancy for the whole 2020 periods, but only at year end in 2019, resulting in an average in-place occupancy for 2020 higher than 2019.

Same property average in-place occupancy by geographic market

	Quarter			Year		
Periods ended December 31	2020	2019	Δ	2020	2019	Δ
Geographic market						
Montreal	**91.9 %**	91.2 %	0.7	**91.2 %**	90.5 %	0.7
Quebec City	**92.3 %**	92.9 %	(0.6)	**92.7 %**	92.3 %	0.4
Ottawa [1]	**86.9 %**	84.3 %	2.6	**87.2 %**	80.5 %	6.7
Total	**91.7 %**	91.2 %	0.5	**91.4 %**	90.4 %	1.0

1 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

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 valuations performed using internal and independent real estate appraisers, or according to definitive agreements to sell investment properties. External valuations were carried out by independent national firms holding a recognized and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

Here is a description of methods and the key assumptions used:

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 terminal capitalization rates are estimated using available appraisals market comparable and market surveys.

Direct capitalized net operating income method - Under this method, overall capitalization rates are applied to stabilized net operating income in order to comply with current valuation standards. The stabilized net operating income represents adjusted net operating income for items such as management expenses, occupancy rates, the recognition of leases on a straight-line basis and other non recurring items. Cominar regularly receives publications from national firms about real estate activity and trends.

During the year 2020, Cominar revalued its entire real estate portfolio using internal and external valuations and determined that a net decrease of $469.8 million was necessary to adjust the carrying amount of investment properties to fair value [increase of $276.5 million in 2019]. The change in fair value related to investment properties held as at December 31, 2020 amounts to $471.1 million [$271.5 million in 2019]. The fair value of investment properties reassessed at the end of 2020 from external valuations represented 65% (56% in 2019) of all investment properties fair value.

The following table presents, in summary form, the changes in fair value for the entire Cominar portfolio according to the items in the financial statements for 2020:

	Income properties			Investment properties held for sale	Properties under development and land held for future development	Total according to financial statements	Share in joint ventures	Total - Cominar's proportionate share [1]
	Quebec City	Montreal	Ottawa					
	$	$	$	$	$	$	$	$
Property type								
Office	(25,255)	(122,723)	(32,893)	—	(1,861)	(182,732)	(6,185)	(188,917)
Retail	(159,712)	(220,413)	(21,535)	(2,788)	(5,748)	(410,196)	(5,077)	(415,273)
Industrial and flex	23,822	102,520	—	—	(3,177)	123,165	—	123,165
Total	**(161,145)**	**(240,616)**	**(54,428)**	**(2,788)**	**(10,786)**	**(469,763)**	**(11,262)**	**(481,025)**

1 Non-IFRS financial measure.

The $188.9 million decrease in fair value for 2020 of the office portfolio and the $415.3 million decrease in fair value of the retail portfolio, of which $306.9 million in respect of enclosed malls, are mainly due to COVID-19 which impacted estimates for expected credit losses, vacancy, rent growth and capitalization rates.

The $123.2 million increase in fair value of the industrial and flex portfolio is mainly due to yields compression combined with significant rental growth.

The following table presents, in summary form, the changes in fair value for the entire Cominar portfolio as a percentage for each property type portfolio according to the items in the financial statements for 2020:

	Income properties			Investment properties available for sale	Properties under development and land held for future development	Total according to financial statements	Share in joint ventures	Total - Cominar's proportionate share [1]
	Quebec City	Montreal	Ottawa					
	%	%	%	%	%	%	%	%
Property type								
Office	(5.6%)	(7.9%)	(7.5%)	—%	(4.0%)	(7.3%)	(3.9%)	(7.1%)
Retail	(21.1%)	(15.2%)	(28.7%)	(13.3%)	(11.7%)	(17.4%)	(16.1%)	(17.4%)
Industrial and flex	6.0%	7.3%	—%	—%	(10.9%)	6.7%	—%	6.7%
Total	**(10.0%)**	**(5.5%)**	**(10.6%)**	**(11.6%)**	**(8.6%)**	**(7.0%)**	**(5.9%)**	**(7.0%)**

1 Non-IFRS financial measure.

Overall Capitalization Rates, Discount Rates and Terminal Capitalization Rates

As at December 31	2020				As at December 31, 2019
	Quebec City	Montreal	Ottawa	Weighted average rate	Weighted average rate
Office properties					
Direct capitalized net operating income method					
Overall capitalization rate	**5.8 %**	**6.4 %**	**6.1 %**	**6.1 %**	5.7 %
Discounted cash flow method					
Discount rate	**7.3 %**	**7.3 %**	**7.2 %**	**7.3 %**	6.6 %
Terminal capitalization rate	**6.0 %**	**6.5 %**	**6.4 %**	**6.3 %**	6.0 %
Retail properties					
Direct capitalized net operating income method					
Overall capitalization rate	**7.3 %**	**6.7 %**	**6.9 %**	**6.9 %**	6.3 %
Discounted cash flow method					
Discount rate	**8.5 %**	**7.6 %**	**7.9 %**	**7.9 %**	7.0 %
Terminal capitalization rate	**7.5 %**	**6.8 %**	**7.1 %**	**7.1 %**	6.4 %
Industrial and flex properties					
Direct capitalized net operating income method					
Overall capitalization rate	**6.4 %**	**5.6 %**	**N/A**	**5.8 %**	6.4 %
Discounted cash flow method					
Discount rate	**7.4 %**	**6.5 %**	**N/A**	**6.7 %**	6.8 %
Terminal capitalization rate	**6.8 %**	**5.9 %**	**N/A**	**6.1 %**	6.1 %
Total					
Direct capitalized net operating income method					
Overall capitalization rate	**6.5 %**	**6.3 %**	**6.2 %**	**6.3 %**	6.0 %
Discounted cash flow method					
Discount rate	**7.9 %**	**7.0 %**	**7.3 %**	**7.3 %**	6.8 %
Terminal capitalization rate	**6.7 %**	**6.4 %**	**6.5 %**	**6.5 %**	6.2 %

In 2020, 100% of investment properties were valued using the discounted cash flow method compared to 63% in 2019. Consequently, the weighted average overall discount rates and terminal capitalization rates may not be comparable year over year.

Finance Charges

Periods ended December 31	Quarter 2020	Quarter 2019		Year 2020	Year 2019	
	$	$	% Δ	$	$	%Δ
Interest on mortgage payable	**19,243**	25,646	(25.0)	**82,002**	80,840	1.4
Interest on debentures	**12,829**	14,616	(12.2)	**57,271**	70,669	(19.0)
Interest on bank borrowings	**2,200**	1,368	60.8	**8,526**	3,995	113.4
Amortization of deferred financing costs and other costs	**1,694**	950	78.3	**5,210**	3,595	44.9
Amortization of fair value adjustments on assumed indebtedness	**(62)**	(66)	(6.1)	**(251)**	(264)	(4.9)
Less: Capitalized interest [1]	**(2,003)**	(2,098)	(4.5)	**(9,118)**	(7,784)	17.1
Total finance charges — Financial statements	**33,901**	40,416	(16.1)	**143,640**	151,051	(4.9)
Adjusted finance charges [2]	**33,901**	35,180	(3.6)	**139,017**	144,720	(3.9)
Percentage of operating revenues	**20.4 %**	23.2 %		**21.7 %**	21.5 %	
Weighted average interest rate on total debt				**3.76 %**	4.06 %	

1 Capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time.
2 Excludes penalties on mortgage repayments before maturity and yield maintenance fees and costs paid in relation to senior unsecured debenture redemptions.

The decrease in finance charges during 2020, compared with 2019, is mainly due to the decrease in interest on debentures related to the net redemption of $700.0 million of debentures since June 2019 and a lower interest rate environment, partially offset by an increase in interest on bank borrowings related to the two secured credit facilities.

Trust Administrative Expenses

Periods ended December 31	Quarter 2020	Quarter 2019		Year 2020	Year 2019	
	$	$	% Δ	$	$	%Δ
Salaries and other benefits	**964**	2,483	(61.2)%	**8,805**	11,259	(21.8)
Compensation expense related to long-term incentive plan	**844**	831	1.6 %	**3,332**	2,972	12.1
Professional fees	**333**	400	(16.8)%	**983**	879	11.8
Costs associated with public companies	**350**	218	60.6 %	**990**	801	23.6
Strategic alternatives consulting fees	**1,444**	—	100.0 %	**1,694**	—	100.0
Other fees	**277**	213	30.0 %	**1,169**	1,343	(13.0)
Total Trust administrative expenses — Financial statements	**4,212**	4,145	1.6 %	**16,973**	17,254	(1.6)
Adjusted Trust administrative expenses [1]	**2,768**	4,145	(33.2)%	**15,279**	16,211	(5.7)

1 Excludes strategic alternatives consulting fees of $1.7 million in 2020 ($1.0 million associated with the departure of an executive in 2019).

During 2020, Trust administrative expenses decreased compared with 2019 mainly due to the positive impact of $1.3 million on salaries and other benefits of the CEWS program, partially offset by strategic alternative consulting fees. On September 15, 2020, Cominar announced the initiation of a strategic review process to identify, review and evaluate a broad range of potential strategic alternatives available to it with a view to continuing to enhance unitholder value. As at December 31, 2020, $1.7 million was incurred regarding this project.

Impairment of Goodwill

At June 30, 2020, Cominar tested its industrial and flex portfolio for impairment of goodwill as the events around COVID-19 indicated that it was more likely than not that is was impaired. It has been tested by determining the recoverable value of the net assets of that CGUs and comparing it to the carrying amount, including goodwill. As at June 30, 2020, the recoverable value of this CGU was determined based on the value in use and calculated by discounting future net operating income expected to be generated from continuing use. For years 2020 to 2030, net operating income projections were based on management's budget projections supported by past experience and estimated impact of COVID-19 on net operating income. The discount and terminal capitalization rates were estimated based on the segment weighted average overall capitalization rate. Goodwill was impaired by $15.7 million for the year ended December 31, 2020 and was not impaired for the year ended December 31, 2019. As at December 31, 2020, the goodwill balance was nil.

	Office properties $	Retail properties $	Industrial and flex properties $	Total $
Balance as at December 31, 2019	—	—	15,721	15,721
Impairment of goodwill	—	—	(15,721)	(15,721)
Balance as at December 31, 2020	**—**	**—**	**—**	**—**

Transaction Costs

	Quarter			Year		
Periods ended December 31	2020 $	2019 $	% Δ	2020 $	2019 $	% Δ
Brokerage fees	**—**	585	(100.0)	**48**	2,192	(97.8)
Professional fees	**8**	281	(97.2)	**193**	544	(64.5)
Assumed head leases	**—**	—	—	**—**	217	(100.0)
Closing adjustments	**69**	286	(75.9)	**5,134**	3,400	51.0
Others	**—**	32	(100.0)	**—**	69	(100.0)
Total	**77**	1,225	(93.7)	**5,375**	6,463	(16.8)

The above transaction costs relate to sales of properties. Refer to the section "Acquisitions, Investments and Dispositions" for more information on property sales.

Restructuring Costs

During 2019, Cominar announced an organizational restructuring to streamline and enhance the effectiveness of operations, the outcome of which, among others, has been the reduction of its workforce. Cominar recorded a provision of $4.8 million related to this organizational restructuring, primarily related to severance benefits. As of December 31, 2020, the entire $4.8 million had been paid in connection with the restructuring ($2.2 million was outstanding as at December 31,2019).

Net Income

Periods ended December 31	Quarter 2020	Quarter 2019		Year 2020	Year 2019	
	$	$	% Δ	$	$	% Δ
Net income (loss)	**(100,277)**	319,265	(131.4)	**(329,277)**	462,504	(171.2)
Net income (loss) per unit (basic and diluted)	**(0.55)**	1.75		**(1.80)**	2.54	
Weighted average number of units outstanding (basic)	**182,643,285**	182,242,786		**182,604,003**	182,183,995	
Weighted average number of units outstanding (diluted)	**182,643,285**	182,566,952		**182,604,003**	182,370,671	

For 2020, Cominar reported a net loss of $329.3 million compared to a net income of $462.5 million for 2019. This mainly reflects a decrease of $31.1 million in NOI mainly due to the COVID-19 impact, decreases of $746.2 million in change in fair value of investment properties and of $12.3 million in share of joint ventures' net income, and an increase of $15.7 million in goodwill impairment, partially offset by a decrease of $7.4 million in finance charges, and of $4.8 million in restructuring costs.

Adjusted Net Income[1]

Adjusted net income is a non-IFRS financial measure. The calculation method used by Cominar may differ from those used by other entities. Cominar calculates adjusted net income to eliminate the change in fair value of investment properties and impairment of goodwill, which are non-monetary as well as for severance allowances, transaction costs, penalties on mortgage repayments before maturity, debentures redemption costs and strategic alternatives consulting fees, which are not related to the trend in occupancy levels, rental rates and property operating costs.

Periods ended December 31	Quarter 2020	Quarter 2019		Year 2020	Year 2019	
	$	$	% Δ	$	$	% Δ
Net income (loss)	**(100,277)**	319,265	(131.4)	**(329,277)**	462,504	(171.2)
Change in fair value of investment properties[2]	**151,554**	(272,303)	(155.7)	**481,025**	(277,814)	(273.1)
Transaction costs	**77**	1,225	(93.7)	**5,375**	6,463	(16.8)
Severance allowance	**—**	—	—	**—**	1,043	(100.0)
Restructuring costs	**—**	—	—	**—**	4,774	(100.0)
Target settlement	**—**	—	—	**—**	(1,028)	100.0
Penalties on mortgage repayments before maturity	**—**	5,236	(100.0)	**4,623**	5,236	(11.7)
Debentures redemption costs	**—**	—	—	**2,487**	1,095	127.1
Strategic alternatives consulting fees	**1,444**	—	100.0	**1,694**	—	100.0
CEWS Q2 and Q3 related adjustment recorded in Q4	**(3,393)**	—	(100.0)	**—**	—	—
Impairment of goodwill	**—**	—	—	**15,721**	—	100.0
Adjusted net income [1]	**49,405**	53,423	(7.5)	**181,648**	202,273	(10.2)
Adjusted net income per unit (diluted) [1]	**0.27**	0.29	(6.9)	**0.99**	1.11	(10.8)
Weighted average number of units outstanding (fully diluted)	**182,923,330**	182,566,952		**182,893,802**	182,370,671	

1 Refer to section "Non-IFRS Financial Measures".
2 Including Cominar's proportionate share in joint ventures.

The decrease in adjusted net income[1] of $20.6 million for 2020, compared with 2019, is mainly due to the decrease in NOI mainly due to COVID-19 and from properties sold in 2019 and 2020.

Funds from Operations and Adjusted Funds from Operations

Although the concepts of funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not IFRS financial measures, they are widely used in the real estate investment trust industry as they adjust net income for items that are not related to the trend in occupancy levels, rental rates and property operating costs.

REALpac defines FFO as net income (calculated in accordance with IFRS), adjusted for, among other things, change in the fair value of investment properties, deferred taxes and income taxes related to a disposition of properties, initial and re-leasing salary costs, adjustments relating to the accounting of joint ventures under the equity method and transaction costs incurred upon a business combination or a disposition of properties.

REALpac defines AFFO as FFO net of rental revenue derived from the recognition of leases on a straight-line basis, capital expenditures for maintaining the ability to generate income and leasing costs.

FFO and AFFO are not a substitute for net income established in accordance with IFRS when measuring Cominar’s performance. While our methods of calculating FFO and AFFO comply with REALpac recommendations, they may differ from and not be comparable to those used by other entities.

The fully diluted weighted average number of units outstanding used for the calculation of FFO and AFFO takes into account the potential issuance of units under the long-term incentive plan, when dilutive.

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and FFO and AFFO:

Funds from Operations and Adjusted Funds from Operations

Periods ended December 31	Quarter 2020 [1]	Quarter 2019		Year 2020 [1]	Year 2019	
	$	$	% Δ	$	$	% Δ
Net income (loss)	**(100,277)**	319,265	(131.4)	**(329,277)**	462,504	(171.2)
Deferred income taxes	**—**	(49)	100.0	**—**	(49)	100.0
Initial and re-leasing salary costs	**(603)**	866	(169.6)	**2,233**	3,347	(33.3)
Change in fair value of investment properties[2]	**151,554**	(272,303)	(155.7)	**481,025**	(277,814)	(273.1)
Capitalizable interest on properties under development — joint ventures	**192**	161	19.3	**561**	676	(17.0)
Transaction costs	**77**	1,225	(93.7)	**5,375**	6,463	(16.8)
Impairment of goodwill	**—**	—	—	**15,721**	—	100.0
FFO [2,3]	**50,943**	49,165	3.6	**175,638**	195,127	(10.0)
Provision for leasing costs	**(7,750)**	(7,658)	1.2	**(30,236)**	(32,182)	(6.0)
Recognition of leases on a straight-line basis [2]	**1,125**	(390)	(388.5)	**1,522**	(262)	(680.9)
Capital expenditures — maintenance of rental income generating capacity	**(50)**	(5,495)	(99.1)	**(17,000)**	(21,723)	(21.7)
AFFO [2,3]	**44,268**	35,622	24.3	**129,924**	140,960	(7.8)
Per unit information:						
FFO (FD) [3,4]	**0.28**	0.27	3.7	**0.96**	1.07	(10.3)
AFFO (FD) [3,4]	**0.24**	0.20	20.0	**0.71**	0.77	(7.8)
Weighted average number of units outstanding (FD) [4]	**182,923,330**	182,566,952		**182,893,802**	182,370,671	
Payout ratio of AFFO [3,4]	**37.5 %**	90.0 %		**80.3 %**	93.5 %	

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Including Cominar's proportionate share in joint ventures.
3 Refer to section "Non-IFRS Financial Measures".
4 Fully diluted.

Periods ended December 31	Quarter 2020	Quarter 2019		Year 2020	Year 2019	
	$	$	% Δ	$	$	% Δ
FFO - Office properties[1]	**29,239**	30,638	(4.6)	**108,723**	110,461	(1.6)
FFO - Retail properties[1]	**20,860**	25,551	(18.4)	**65,774**	99,762	(34.1)
FFO - Industrial and flex properties[1]	**21,189**	17,370	22.0	**77,793**	75,134	3.5
FFO - Corporate[1]	**(20,345)**	(24,394)	(16.6)	**(76,652)**	(90,230)	(15.0)
FFO	**50,943**	49,165	3.6	**175,638**	195,127	(10.0)
AFFO - Office properties[1]	**26,272**	23,558	11.5	**85,095**	82,861	2.7
AFFO - Retail properties[1]	**18,469**	21,594	(14.5)	**52,595**	83,157	(36.8)
AFFO - Industrial and flex properties[1]	**19,873**	14,838	33.9	**68,885**	65,146	5.7
AFFO - Corporate[1]	**(20,346)**	(24,368)	(16.5)	**(76,651)**	(90,204)	(15.0)
AFFO	**44,268**	35,622	24.3	**129,924**	140,960	(7.8)

1 Refer to section "Results of Operations" for net income breakdown by property type. Initial and re-leasing salary costs are allocated to each property type proportionally to the leasing salaries. Provision for leasing costs and capital expenditures — maintenance of rental income generating capacity are allocated based on the budgeted leasing costs and the estimated capital maintenance expenditures.

FFO for the year ended December 31, 2020 amounted to $175.6 million or $0.96 per unit compared to $1.07 for the previous year due mainly to the decrease in NOI which resulted mainly from the financial impact of COVID-19 which impacted Cominar for the months of April to December 2020 and from the properties sold in 2019 and 2020, partially offset by a positive net impact of a portion of the CEWS program, an increase in the average in-place occupancy rate, the growth in the average net rent of renewed leases, and decreases in operating costs and realty taxes and services.

AFFO for the year ended December 31, 2020 amounted to $129.9 million or $0.71 per unit compared to $141.0 million or 0.77 for the previous year. AFFO decreased from 2019 due mainly to the decrease in FFO.

FFO adjusted and AFFO adjusted

To provide investors with useful information to assess its operating results, Cominar presents in the following table FFO adjusted and AFFO adjusted, which are measures not defined by IFRS and by Realpac. As these measures do not have a standardized meaning, they may differ from those presented by other entities and the results of these calculations should not be considered as measures defined by IFRS or by Realpac.

	Quarter			Year		
Periods ended December 31	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
FFO [1,2] (Realpac definition)	**50,943**	49,165	3.6	**175,638**	195,127	(10.0)
Penalties on mortgage repayments before maturity	**—**	5,236	(100.0)	**4,623**	5,236	(11.7)
Severance allowance	**—**	—	—	**—**	1,043	(100.0)
Restructuring costs	**—**	—	—	**—**	4,774	(100.0)
Target settlement	**—**	—	—	**—**	(1,028)	100.0
Debenture redemption costs	**—**	—	—	**2,487**	1,095	127.1
Strategic alternatives consulting fees	**1,444**	—	100.0	**1,694**	—	100.0
CEWS Q2 and Q3 related adjustment recorded in Q4	**(3,393)**	—	(100.0)	**—**	—	—
FFO adjusted [1,2]	**48,994**	54,401	(9.9)	**184,442**	206,247	(10.6)
FFO adjusted (FD) per unit [2,3]	**0.27**	0.30		**1.01**	1.13	
AFFO [1,2]	**44,268**	35,622	24.3	**129,924**	140,960	(7.8)
Penalties on mortgage repayments before maturity	**—**	5,236	(100.0)	**4,623**	5,236	(11.7)
Severance allowance	**—**	—	—	—	1,043	(100.0)
Restructuring costs	**—**	—	—	—	4,774	(100.0)
Target settlement	**—**	—	—	**—**	(1,028)	100.0
Debenture redemption costs	**—**	—	—	**2,487**	1,095	127.1
Strategic alternatives consulting fees	**1,444**	—	100.0	**1,694**	—	100.0
CEWS Q2 and Q3 related adjustment recorded in Q4	**(3,393)**	—	(100.0)	**—**	—	—
AFFO adjusted [1,2]	**42,319**	40,858	3.6	**138,728**	152,080	(8.8)
AFFO adjusted (FD) per unit [2,3]	**0.23**	0.22		**0.76**	0.83	

1 Including Cominar's proportionate share in joint ventures.
2 Refer to section "Non-IFRS Financial Measures".
3 Fully diluted.

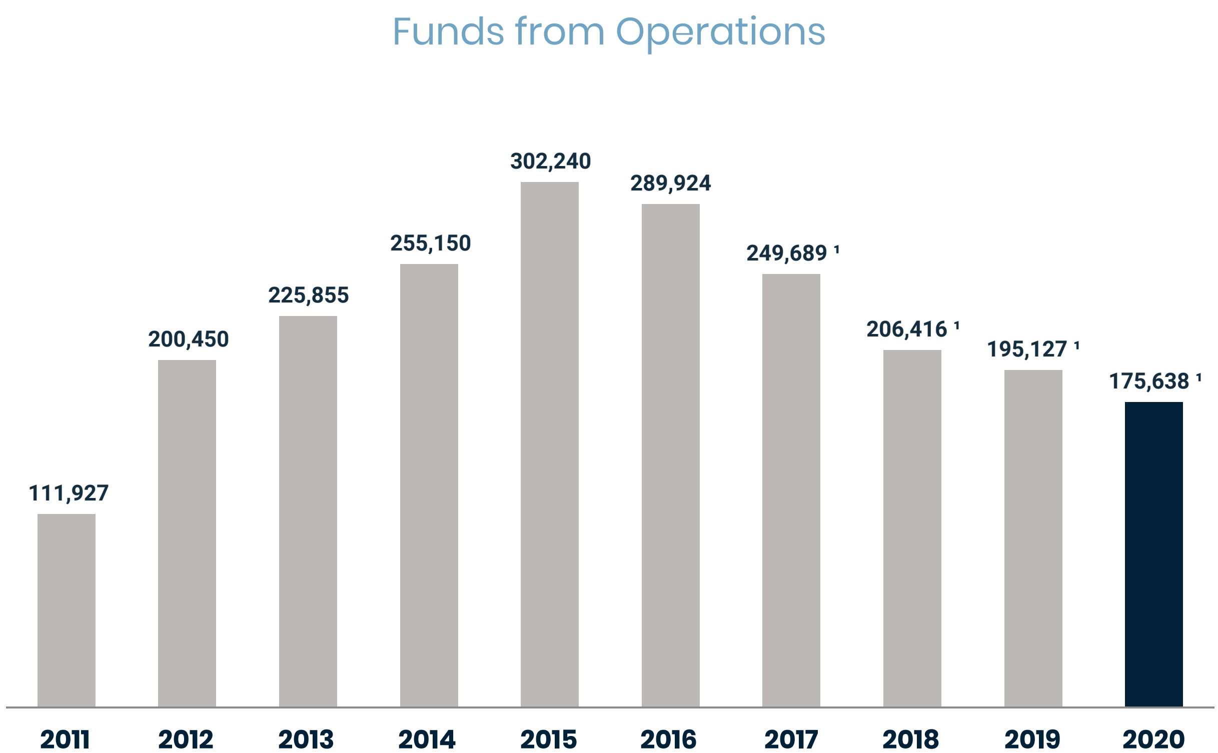
FFO adjusted and AFFO adjusted include the estimated financial impact of COVID-19 (refer to section "COVID-19 - impact analysis and risks").

Track record of funds from operations per unit

Years ended December 31	2020	2019	2018	2017	2016
	$	$	$	$	$
Funds from operations (FD) [1, 2]	**0.96**	1.07	1.13	1.35	1.68

1 Fully diluted.
2 Non-IFRS financial measure.

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



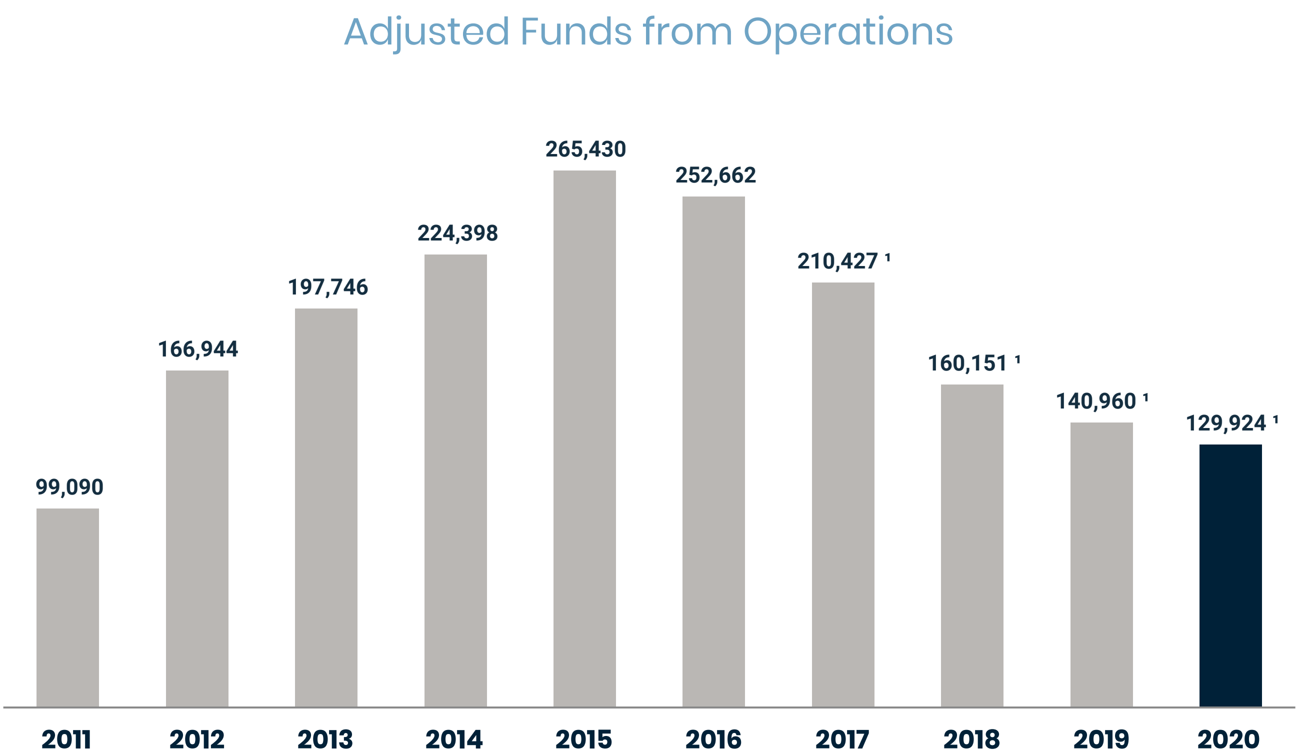
1 Decreases in FFO due mainly to successive dispositions of income properties ($24.2 million in 2020, $260.6 million in 2019, $1.2 billion in 2018 and $104.4 million in 2017) and to the financial impact of COVID-19 in 2020.

Track record of adjusted funds from operations per unit

Years ended December 31	2020	2019	2018	2017	2016
	$	$	$	$	$
Adjusted funds from operations (FD) [1, 2]	**0.71**	0.77	0.88	1.14	1.47

1 Fully diluted.
2 Non-IFRS financial measure.

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



1 Decreases in AFFO due mainly to successive dispositions of income properties ($24.2 million in 2020, $260.6 million in 2019, $1.2 billion in 2018 and $104.4 million in 2017) and to the financial impact of COVID-19 in 2020.

Provision for Leasing Costs

The provision for leasing costs which Cominar deducts in computing the AFFO represents the amortization, over the terms of the leases, of leasehold improvements and initial direct costs, which include brokerage fees incurred when negotiating and preparing leases. This allows for better reconciliation of the investments made with the operating revenues generated over the terms of the leases. During 2020, the actual costs incurred by Cominar were $21.5 million in leasehold improvements and $8.4 million in leasing costs, while the provision for leasing costs amounted to $30.2 million.

	Quarter		Year	
Periods ended December 31	2020	2019	2020	2019
	$	$	$	$
Leasehold improvements	**4,657**	10,498	**21,543**	34,596
Leasing costs	**2,315**	2,456	**8,404**	8,974
Actual leasing costs — Cominar's proportionate share [1, 2]	**6,972**	12,954	**29,947**	43,570
Provision for leasing costs in the calculation of AFFO [3]	**7,750**	7,658	**30,236**	32,182

1 See the reconciliation of capital expenditures as per the financial statements in section "Acquisitions, Investments and Dispositions".
2 Refer to section "Non-IFRS Financial Measures".
3 Including Cominar's proportionate share in joint ventures.

Capital Expenditures - Maintenance of Rental Income Generating Capacity

The capital expenditures related to maintenance of rental income generating capacity, which Cominar deducts in computing AFFO, corresponds to management's estimate of the non-income generating portion of 2020 expenditures that has been incurred primarily for major repair and maintenance expenditures, for example, some common areas, roofing, parking, as well as the replacement of equipment. In order to establish the allocation of capital expenditures between maintenance of rental income generating capacity and increase of rental income generating capacity, Cominar analyzes the work carried out according to its nature (common areas, roofing, parking, equipment, etc.), the age and location of the properties, the property type, market conditions as well as historical data. Capital expenditures related to maintenance of rental income generating capacity do not include current repair and maintenance costs, as they are already deducted in determining NOI.

Capital expenditures incurred that are designed to create, improve or increase net operating income of income properties are considered as a way of increasing rental income generating capacity and constitute investment activities for Cominar (see the "Investment in income properties" section). The calculations of AFFO and ACFO do not take into account these capital expenditures aiming to increase rental income generating capacity.

During 2020, the actual costs incurred by Cominar and deducted in the calculation of AFFO amounted to $17.0 million.

Adjusted Cash Flow from Operations

Adjusted cash flow from operations ("ACFO") is intended to be used as a measure of a company's ability to generate stable cash flows. ACFO does not replace cash flow provided by operating activities as per the consolidated financial statements prepared in accordance with IFRS. Our method of determining the ACFO complies with REALpac recommendations but may differ from and not be comparable to that used by other entities.

The fully diluted weighted average number of units outstanding for the calculation of ACFO takes into account the potential issuance of units under the long-term incentive plan, when dilutive.

The following table presents a reconciliation of the cash flows provided by operating activities as per the consolidated financial statements with ACFO:

	Quarter		Year	
Periods ended December 31	2020	2019	2020	2019
	$	$	$	$
Cash flows provided by operating activities as per the consolidated financial statements	**92,626**	79,712	**164,466**	191,868
Adjustments — investments in joint ventures	**252**	1,566	**(5,545)**	4,838
Provision for leasing costs	**(7,750)**	(7,658)	**(30,236)**	(32,182)
Initial and re-leasing salary costs	**(603)**	866	**2,233**	3,347
Changes in adjusted non-cash working capital items [1]	**(30,613)**	(40,003)	**4,120**	(5,564)
Capital expenditures — maintenance of rental income generating capacity	**(50)**	(5,495)	**(17,000)**	(21,723)
Amortization of deferred financing costs and other costs	**(1,694)**	(950)	**(5,210)**	(3,595)
Amortization of fair value adjustments on assumed mortgages payable	**62**	66	**251**	264
Transaction costs	**77**	1,225	**5,375**	6,463
Capitalizable interest on properties under development — joint ventures	**192**	161	**561**	676
ACFO [2,3]	**52,499**	29,490	**119,015**	144,392
Per unit information:				
ACFO (FD) [3,4]	**0.29**	0.16	**0.65**	0.79
Weighted average number of units outstanding (FD) [4]	**182,923,330**	182,566,952	**182,893,802**	182,370,671
Payout ratio [3,4]	**31.0 %**	112.5 %	**87.7 %**	91.1 %

1 Includes working capital changes that, in management's view and based on the REALpac February 2017 whitepaper, are not indicative of sustainable cash flow available for distribution. Examples include, but are not limited to, working capital changes relating to prepaid realty taxes and insurance, interest payable, sales taxes and other indirect taxes payable to or receivable from applicable governments, income taxes and transaction cost accruals relating to acquisitions and dispositions of investment properties.
2 Including Cominar's proportionate share in joint ventures.
3 Refer to section "Non-IFRS Financial Measures".
4 Fully diluted.

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 Cominar's distributable income to unitholders. Distributable income generally means net income determined in accordance with IFRS, before adjustments to fair value, transaction costs, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs, gains on the disposition of investment properties, changes to goodwill and certain other items not affecting cash, if applicable.

Distributions to Unitholders

	Quarter			Year		
Periods ended December 31	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Distributions to unitholders	**16,420**	32,773	(49.9)	**103,980**	131,068	(20.7)
Per unit distribution	**0.09**	0.18		**0.57**	0.72	

On August 5, 2020, Cominar decreased the monthly distribution from $0.06 per unit to $0.03 per unit, beginning with the distribution of August 2020 paid in September 2020.

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:

Periods ended December 31	2020 (three months)	2020 (twelve months)	2019 (twelve months)	2018 (twelve months)
	$	$	$	$
Net income (loss)	**(100,277)**	**(329,277)**	462,504	(212,282)
Cash flows provided by operating activities - Financial statements	**92,626**	**164,466**	172,252	182,939
Distributions to unitholders	**16,420**	**103,980**	131,068	143,730
Surplus of cash flows provided by operating activities compared with distribution to unitholders	**76,206**	**60,486**	41,184	39,209

For the quarter and year ended December 31, 2020 cash flows provided by operating activities presented a $76.2 million surplus and a $60.5 million surplus respectively over distributions to unitholders.

Liquidity and Capital Resources

During 2020, Cominar generated $164.5 million in cash flows provided by operating activities as per its financial statements. Short-term obligations and commitments, including the monthly payments of distributions and the repayments of debentures and mortgages payable at maturity, are funded from operations, asset sales, proceeds from new mortgages payable, proceeds from debenture issuances, cash and equivalents and amounts available on the unsecured credit facility.

Debt Management

Cominar seeks to spread the maturities of its debt instruments over a number of years to manage interest rate and refinancing risk, and to provide flexibility in maintaining the overall debt level of the portfolio, taking into account availability of financing, market conditions, as well as the financial terms of the leases that produce its cash flows. Cominar finances itself primarily with long-term, fixed-rate debt and seeks to maintain a conservative debt to gross book value ratio.

As at December 31, 2020, Cominar's debt ratio stood at 55.3% (51.4% as at December 31, 2019) consisting of mortgages, senior unsecured debentures and bank loans less cash and cash equivalents. The debt ratio increase is the combination of higher indebtedness (net debt increased by $67.4 million) and investment properties fair value adjustments of $(469.8) million and a $15.7 million of impairment of goodwill. Mortgages payables represented approximately 59.4% of total debt, senior unsecured debentures represented approximately 30.2%, while bank borrowings represented approximately 10.4%. As at December 31, 2020, the weighted average annual contractual rate was 3.76% (4.06% as at December 31, 2019) and the residual weighted average remaining term was 3.8 years (3.7 years as at December 31, 2019) .

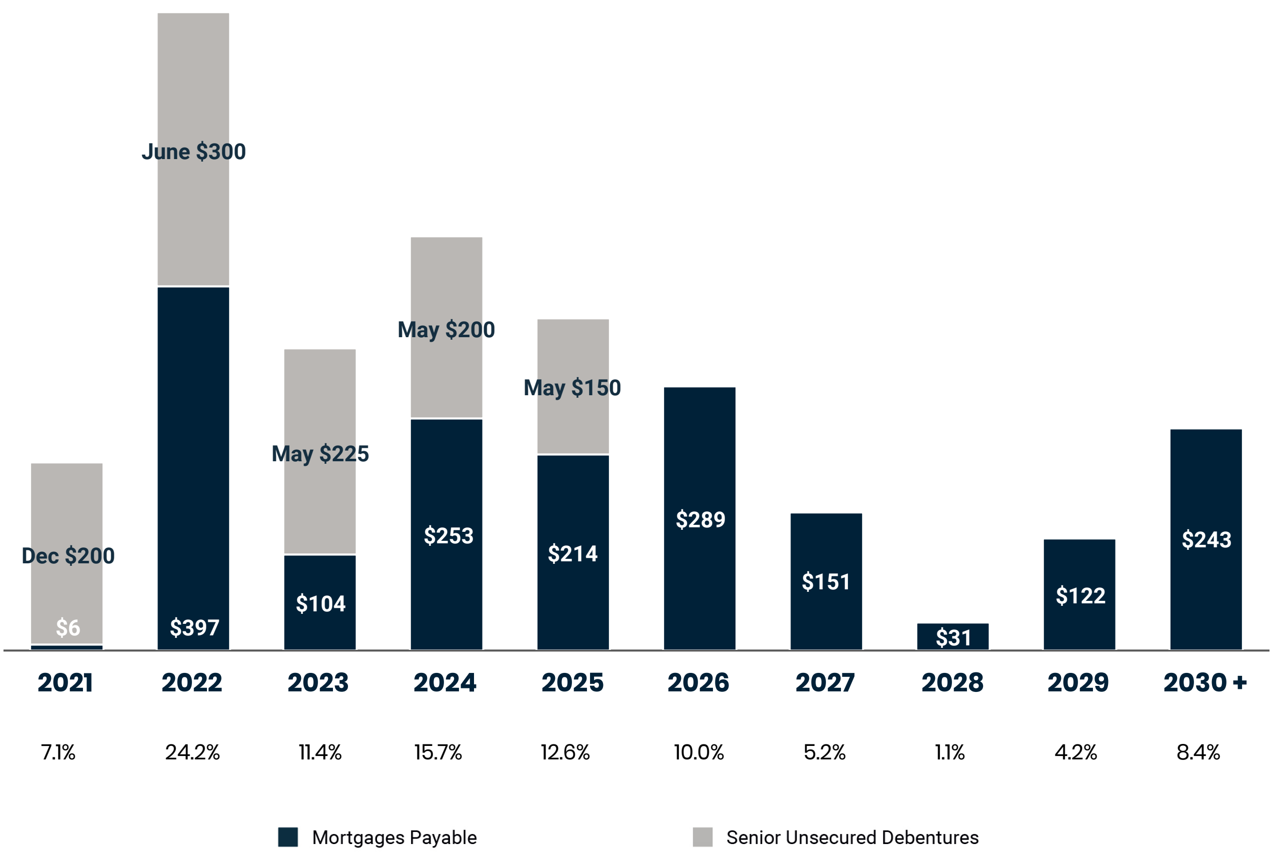
As at December 31, 2020, 88.4% of Cominar's total debt was fixed rate and 11.6% was variable rate. As the $400.0 million unsecured credit facility matures in July 2021, Cominar is in discussions with its lead banks for a new credit facility.

Debt Summary

	As at December 31, 2020			As at December 31, 2019		
	$	Weighted average contractual rate	Residual weighted average term	$	Weighted average contractual rate	Residual weighted average term
Mortgages payable	**2,105,906**	**3.54 %**	**4.9 years**	2,114,021	3.84 %	4.8 years
Debentures	**1,070,491**	**4.51 %**	**2.3 years**	1,320,962	4.41 %	2.3 years
Bank borrowings secured	**292,800**	**2.90 %**	**2.4 years**	180,000	4.05 %	2.3 years
Bank borrowings unsecured	**74,158**	**2.56 %**	**0.6 years**	—	— %	—
Total debt	**3,543,355**	**3.76 %**	**3.8 years**	3,614,983	4.06 %	3.7 years
Cash and cash equivalents	**(13,594)**	**0.70 %**		(152,634)	2.20 %	
Net debt	**3,529,761**			3,462,349		

Long Term Debt Maturities

As at December 31, 2020
[$ million]



Mortgages Payable

As at December 31, 2020, the balance of mortgages payable was $2,105.9 million, down $8.1 million from $2,114.0 million as at December 31, 2019. This decrease is explained by new mortgages payable contracted of $225.1 million at a weighted average contractual rate of 2.90%, offset by repayments of balances of $181.0 million at a weighted average contractual rate of 4.84% and by monthly repayments of capital totaling $50.6 million. As at December 31, 2020, the weighted average contractual rate was 3.54%, down 30 basis points from 3.84% as at December 31, 2019 and the effective weighted average interest rate was 3.74%, down 21 basis points since December 31, 2019.

Contractual maturities of mortgages payable

Years ending December 31	Repayment of principal $	Balances at maturity $	Total $	Weighted average contractual rate
2021	49,507	6,167	**55,674**	5.56 %
2022	49,796	397,010	**446,806**	3.06 %
2023	48,277	104,292	**152,569**	4.17 %
2024	47,152	252,602	**299,754**	3.91 %
2025	37,812	213,508	**251,320**	3.18 %
2026	22,044	288,527	**310,571**	3.52 %
2027	19,367	151,199	**170,566**	3.25 %
2028	14,447	30,836	**45,283**	4.48 %
2029	11,952	122,034	**133,986**	3.56 %
2030 and thereafter	5,631	243,061	**248,692**	4.00 %
Total	**305,985**	**1,809,236**	**2,115,221**	**3.54 %**

Cominar's mortgages payable contractual maturities are staggered over a number of years to reduce risks related to renewal. As at December 31, 2020, the residual weighted average term of mortgages payable was 4.9 years.

The $240.0 million CN Central Station mortgage maturity has been extended for one year from February 2021 to February 2022 on an interest-only basis.

Senior Unsecured Debentures

	Date of issuance	Contractual interest rate	Effective interest rate	Dates of interest payments	Maturity date	Nominal value as at December 31, 2020 $
Series 8	December 2014	4.25 %	4.34 %	June 8 and December 8	December 2021	200,000
Series 9	June 2015	4.16 %	4.25 %	June 1 and December 1	June 2022	300,000
Series 10	May 2016	4.25 %	4.34 %	May 23 and November 23	May 2023	225,000
Series 11	May 2019	4.50 %	4.82 %	May 15 and November 15	May 2024	200,000
Series 12	May 2020	5.95 %	6.24 %	May 5 and November 5	May 2025	150,000
Weighted average interest rate		**4.51 %**	**4.67 %**			
Total						**1,075,000**

As at December 31, 2020, the residual weighted average term of senior unsecured debentures was 2.3 years.

On May 5, 2020, Cominar issued $150.0 million in Series 12 senior unsecured debentures bearing interest at a rate of 5.95% and maturing in May 2025.

On May 13, 2020, Cominar early redeemed $300.0 million in aggregate principal of 4.941% Series 4 senior unsecured debentures using available cash and its unsecured revolving credit facility. Cominar paid $2.5 million in yield maintenance fees and other costs in connection with the redemption.

On October 31, 2020, Cominar reimbursed at maturity its Series 3 senior unsecured debentures totaling $100,0 million and bearing interest at 4.00% using its unsecured revolving credit facility.

Bank Borrowings

As at December 31, 2020, Cominar had an unsecured credit facility of up to $400.0 million maturing in July 2021. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2020 and 2019. As at December 31, 2020, bank borrowings totaled $74.2 million and availability was $325.8 million. As this unsecured credit facility matures in July 2021, Cominar is in discussions with its lead banks for a new credit facility.

As at December 31, 2020, Cominar had a secured credit facility of $172.8 million maturing in September 2023. This credit facility bears interest at the prime rate plus 70 basis points or at the bankers' acceptance rate plus 170 basis points and have quarterly principal repayments of $1.8 million. As at December 31, 2020, this credit facility was secured by immovable hypothecs on investment properties with a book value of $287.6 million. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2020 and 2019. As at December 31, 2020, this secured credit facility was fully used.

On June 9, 2020, Cominar entered into a 27-month agreement for a new secured credit facility of $120.0 million maturing in September 2022. This new credit facility bears interest at the prime rate plus 250 basis points or at the bankers' acceptance rate plus 350 basis points. As at December 31, 2020, this credit facility was secured by immovable hypothecs on investment properties with a book value of $201.8 million. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2020. As at December 31, 2020, this secured credit facility was fully used.

Debt Ratio

Debt ratio is a non-IFRS measure used by Cominar to manage debt levels. Debt ratio is calculated by adding mortgages payable, debentures and bank borrowings less cash and cash equivalents divided by the total assets minus cash and cash equivalents. Cominar's Declaration of Trust limits the indebtedness of Cominar to a maximum of 65% of its total assets.

	As at December 31, 2020	As at December 31, 2019
	$	$
Cash and cash equivalents	**(13,594)**	(152,634)
Mortgages payable	**2,105,906**	2,114,021
Debentures	**1,070,491**	1,320,962
Bank borrowings	**366,958**	180,000
Total net debt	**3,529,761**	3,462,349
Total assets less cash and cash equivalents	**6,380,685**	6,739,786
Debt ratio [1, 2]	**55.3 %**	51.4 %

1 The debt ratio is equal to the total of, mortgages payable, debentures and bank borrowings less cash and cash equivalents, divided by total assets less cash and cash equivalents.
2 Refer to section "Non-IFRS Financial Measures".

Debt/EBITDA Ratio

The debt to earnings before interest, income taxes, depreciation and amortization ("EBITDA") ratio is a non-IFRS measure widely used in the real estate industry and measures Cominar's ability to pay down its debts. Cominar defines EBITDA as net operating income minus adjusted Trust administrative expenses and recognition of leases on a straight-line basis.

	As at December 31, 2020	As at December 31, 2019
	$	$
Mortgages payable	**2,105,906**	2,114,021
Debentures	**1,070,491**	1,320,962
Bank borrowings	**366,958**	180,000
Total debt	**3,543,355**	3,614,983
NOI	**327,187**	358,322
Adjusted Trust administrative expenses [1]	**(15,279)**	(16,211)
Recognition of leases on a straight-line basis	**1,485**	(288)
EBITDA [2]	**313,393**	341,823
Debt/EBITDA ratio [2]	**11.3 x**	10.6 x

1 Excludes, in 2020, strategic alternatives consulting fees and in 2019, a severance allowance paid to an executive officer.
2 Refer to section "Non-IFRS Financial Measures".

Interest Coverage Ratio

The interest coverage ratio is a non-IFRS measure used by Cominar to assess Cominar's ability to pay interest on its debt from operating revenues and is calculated by Cominar using net operating income minus adjusted Trust administrative expenses, divided by adjusted finance charges.

	As at December 31, 2020	As at December 31, 2019
	$	$
NOI	**327,187**	358,322
Adjusted Trust administrative expenses [1]	**(15,279)**	(16,211)
	311,908	342,111
Adjusted finance charges [2]	**136,530**	144,720
Interest coverage ratio [3]	**2.28:1**	2.36:1

1 *Excludes, in 2020, strategic alternatives consulting fees and in 2019, a severance allowance paid to an executive officer.*
2 *Excludes finance charges related to mortgage repayments before maturity and yield maintenance fees and costs paid in relation to the Series 2 and Series 4 senior unsecured debentures redemptions.*
3 *Refer to section "Non-IFRS Financial Measures".*

Unencumbered Assets and Unsecured Debt

	As at December 31, 2020		As at December 31, 2019	
	Number of properties	Fair value of properties ($)	Number of properties	Fair value of properties ($)
Unencumbered income office properties [1]	**35**	**709,049**	45	938,229
Unencumbered income retail properties [1]	**27**	**645,265**	30	689,656
Unencumbered income industrial and flex properties [1]	**78**	**634,715**	65	497,951
Total unencumbered income properties [1]	**140**	**1,989,029**	140	2,125,836
Unencumbered assets to unsecured net debt ratio [2, 3]		**1.76:1**		1.82:1
Unsecured debt-to-total-debt ratio [3, 4]		**32.2 %**		36.5 %

1 *Includes investment properties held for sale.*
2 *Fair value of unencumbered income properties divided by unsecured net debt.*
3 *Refer to section "Non-IFRS Financial Measures".*
4 *Unsecured debt divided by total debt.*

As at December 31, 2020, the unencumbered assets to unsecured net debt ratio stood at 1.76:1, well above the required ratios of 1.30:1 and 1.40:1 contained in the restrictive covenant of the outstanding debentures and the unsecured credit facility, respectively.

Off-Balance Sheet Arrangements and Contractual Commitments

Cominar has no off-balance sheet arrangements that have or are likely to have a material 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 construction contracts and emphyteutic leases on land held for income properties.

Property Portfolio

	As at December 31, 2020	As at December 31, 2019
	$	$
Income properties — Cominar's proportionate share [1]	**6,238,910**	6,584,312
Properties under development and land held for future development — Cominar's proportionate share [1]	**133,104**	155,509
Investment properties held for sale	**20,990**	11,730
Number of income properties	**314**	317
Leasable area (sq. ft.)	**35,821,000**	35,895,000

1 Refer to section "Non-IFRS Financial Measures".

Summary by property type

As at December 31, 2020	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share
	$	$	$	$
Income properties	**2,417,676**	**1,889,299**	**1,931,935**	**6,238,910**
Investment properties held for sale	**3,000**	**17,990**	**—**	**20,990**
Properties under development	**—**	**37,165**	**—**	**37,165**

	As at December 31, 2020		As at December 31, 2019	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**80**	**11,089,000**	80	11,056,000
Retail	**44**	**9,480,000**	46	9,488,000
Industrial and flex	**190**	**15,252,000**	191	15,351,000
Total	**314**	**35,821,000**	317	35,895,000

Summary by geographic market

	As at December 31, 2020		As at December 31, 2019	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Montreal	**194**	**23,517,000**	198	23,690,000
Quebec City	**100**	**9,763,000**	100	9,763,000
Ontario - Ottawa [1]	**20**	**2,541,000**	19	2,442,000
Total	**314**	**35,821,000**	317	35,895,000

1 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

Acquisitions, Investments and Dispositions

Investments in Income Properties and Investment Properties Held for Sale

Cominar continues to invest in its investment properties in the normal course of business. Investments made include expansions, modernizations, modifications and upgrades to existing properties with a view to increasing or maintaining their rental income generating capacity. During 2020, Cominar incurred $81.7 million [$68.7 million in 2019] in capital expenditures specifically to increase the rental income generating capacity of its properties. These capital expenditures include, among others, investments of $48.3 million in revitalization and redevelopment and $30.6 million in structural work. Cominar also incurred $17.0 million [$21.7

million in 2019] in capital expenditures to maintain rental income generating capacity, consisting mainly of major repair and maintenance expenses, as well as property equipment replacements. Capital expenditures related to maintenance of rental income generating capacity do not include current repair and maintenance costs, as these are already deducted from revenues in determining NOI.

Finally, Cominar invested in leasehold improvements that aim to increase the value of its buildings through higher lease rates and higher occupancy, 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 depends closely on lease renewals and the signing of new leases. The level of investment also depends on increases in rental space through expanded, upgraded or acquired properties, or rental space transferred from properties under development. During 2020, Cominar made investments of $21.5 million in leasehold improvements and $8.4 million in leasing costs [$10.5 million in leasehold improvements and $2.5 million in leasing costs in 2019].

The following table shows the details of the capital expenditures and leasing costs reported in the consolidated financial statements with respect to our investment properties, including investment properties held for sale and Cominar's proportionate share in joint ventures:

	Quarter			Year		
Periods ended December 31	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Capital expenditures — increase of rental income generating capacity						
Revitalization and redevelopment	**14,423**	8,838	63.2	**48,342**	24,444	97.8
Capitalized interests on revitalization and redevelopment	**84**	429	(80.4)	**1,850**	1,288	43.6
Property expansion	**(1,247)**	342	(464.6)	**4**	1,297	(99.7)
Structural work for common areas, parking, preparation of base building etc.	**7,280**	10,138	(28.2)	**30,631**	40,464	(24.3)
Facade renovation	**61**	267	(77.2)	**903**	1,166	(22.6)
Capital expenditures — increase of rental income generating capacity	**20,601**	20,014	2.9	**81,730**	68,659	19.0
Capital expenditures — maintenance of rental income generating capacity	**12,196**	5,803	110.2	**17,001**	21,723	(21.7)
Leasehold improvements	**4,657**	10,498	(55.6)	**21,543**	34,596	(37.7)
Leasing costs	**2,315**	2,456	(5.7)	**8,404**	8,974	(6.4)
Sub total capital expenditures	**39,769**	38,771	2.6	**128,678**	133,952	(3.9)
Properties under development	**1,967**	3,595	(45.3)	**17,640**	24,776	(28.8)
Capitalized interests on properties under development	**1,919**	1,669	15.0	**7,376**	6,634	11.2
Total capital expenditures [1] (including capitalized interests)	**43,655**	44,035	(0.9)	**153,694**	165,362	(7.1)
Total capital expenditures (excluding capitalized interests)	**41,652**	41,937	(0.7)	**144,468**	157,440	(8.2)

1 Includes income properties, properties under development, investment properties held for sale and Cominar's proportionate share in joint ventures ($1,748 in 2020).

During 2020, Cominar invested $71.7 million in office income properties, $67.8 million in retail income properties, of which $32 million was invested in premises previously occupied by Sears, and $14.2 million in industrial and flex income properties, compared to $73.4 million, $68.3 million and $23.7 million respectively for 2019.

Investment Properties Held for Sale

Cominar has engaged in a process to sell certain investment properties and expects to close these transactions within the next few months.

	Year ended December 31, 2020				Year ended December 31, 2019
	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties					
Balance, beginning of year	**—**	**11,730**	**—**	**11,730**	188,727
Net transfer from income properties	**17,250**	**11,660**	**7,250**	**36,160**	75,934
Transfers from properties under development and land held for future development	**—**	**—**	**—**	**—**	1,855
Capitalized costs[1]	**—**	**93**	**—**	**93**	4,074
Change in fair value	**—**	**(2,788)**	**—**	**(2,788)**	(804)
Dispositions	**(14,250)**	**(2,705)**	**(7,250)**	**(24,205)**	(258,056)
Balance, end of year	**3,000**	**17,990**	**—**	**20,990**	11,730

1 Includes $(50) ($(27) in 2019) of recognition of leases on a straight-line basis.

During the year ended December 31, 2020, Cominar sold 4 investment properties held for sale and 1 land for a total selling price of $24.2 million.

During the quarter ended December 31, 2020, Cominar reclassified 4 investment properties held for sale having a fair value of $224.0 million to income properties. This change in classification had no impact on the results of the Trust.

As at December 31, 2020, Cominar had 4 investment properties held for sale having a fair value of $21.0 million.

Dispositions of Investment Properties Held for Sale in 2020

Address	Area	Property type	Leasable area sq. ft.	Transaction date	Selling price $
670, rue Principale, Sainte-Agathe-des-Monts, Québec (Qc)	Montreal	Retail	4,000	January 21, 2020	387
736, rue King Est, Sherbrooke, Québec (Qc)	Montreal	Retail	4,000	January 21, 2020	463
Land boulevard St-Elzéar, Laval	Montreal	Land	—	January 23, 2020	1,855
1-243, Place Frontenac, Pointe-Claire (Qc)	Montreal	Office	66,000	September 17, 2020	14,250
2555, Boulevard Pitfield, Montréal (Qc)	Montreal	Industrial and flex	99,000	December 1, 2020	7,250
			173,000		**24,205**

During 2020, Cominar also created a new entity fully owned by Cominar, named Terrains Centropolis S.E.C., and transferred a parcel of two vacant lands with a high potential for development having a fair value of $11,1 million in exchange for 100% of the interest in the new entity. Later in 2020, Cominar sold 50% of its interest in Terrains Centropolis S.E.C. to a limited partner for an amount of $5,9 million.

Real Estate Operations

Occupancy Rate

Occupancy rate track record

	Committed		In-place	
As at December 31	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Property type				
Office	**93.1 %**	92.9 %	**91.4 %**	89.2 %
Retail	**90.8 %**	94.1 %	**86.3 %**	87.3 %
Industrial and flex	**96.7 %**	97.1 %	**95.3 %**	96.2 %
Total	**94.0 %**	95.1 %	**91.7 %**	91.7 %

As at December 31, 2020	Numerator sq.ft A	Denominator sq.ft B	Occupancy rate A/B
In-place occupancy	**32,406,000**	**35,351,000**	**91.7 %**
Space under redevelopment	**—**	**(335,000)**	
Signed leases that will begin in the next few quarters	**525,000**	**—**	
Committed occupancy	**32,931,000**	**35,016,000**	**94.0 %**

Committed occupancy rate refers to the leasable area occupied by clients to which we add the leasable area of signed leases which have not started yet divided by the leasable area of the portfolio, excluding space under redevelopment. This metric highlights the area considered to be leased over the area that is actually available for lease.

The in-place occupancy rate refers to the leasable area occupied by clients, divided by the portfolio's leasable area. This metric highlights the leasable area that currently generates rental income.

Leasing Activity

	Total Portfolio
Leases that matured in 2020	
Number of clients	941
Leasable area (sq. ft.)	5,957,000
Renewed leases	
Number of clients	610
Leasable area (sq. ft.)	4,548,000
Retention rate	**76.3 %**
New leases	
Number of clients	145
Leasable area (sq. ft.)	1,930,000
Unexpected departures	
Number of clients	93
Leasable area (sq. ft.)	476,000

During the year ended December 31, 2020, 76.3% [77.3% in 2019] of the leasable area maturing in 2020 was renewed. New leases were also signed, representing 1.9 million square feet of leasable area, while tenants whose leases were not expiring that left before the end of their lease, totaled leasable area of 0.5 million square feet.

Growth in the average net rent of renewed leases

Periods ended December 31, 2020	Quarter		Year	
	Renewed leasable area (sq. ft.)	Growth	Renewed leasable area (sq. ft.)	Growth
Property type				
Office	384,000	9.5 %	1,072,000	7.6 %
Retail	345,000	(14.8)%	1,170,000	(4.3)%
Industrial and flex	507,000	12.9 %	2,306,000	18.0 %
Portfolio total	1,236,000	2.6 %	4,548,000	7.4 %

Growth in the average net rent on renewed leases is measured by comparing the rent at the end of the lease to the rent at the beginning of the lease's renewal.

Lease Maturities

Years ending December 31	2021	2022	2023	2024	2025
Leasable area (sq. ft.)	5,355,438	4,824,658	4,712,887	3,806,822	3,836,816
% of total portfolio	15.0 %	13.5 %	13.2 %	10.6 %	10.7 %

The following table summarizes information on leases as at December 31, 2020:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent ($/sq. ft.)
Total Portfolio	6.2	8.0	9,646	13.50

Cominar has a broad, highly diversified retail client base consisting of approximately 3,450 tenants occupying an average of 9,650 square feet each. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 14.1% of operating revenues come from government agencies, representing over 100 leases.

Top 10 clients

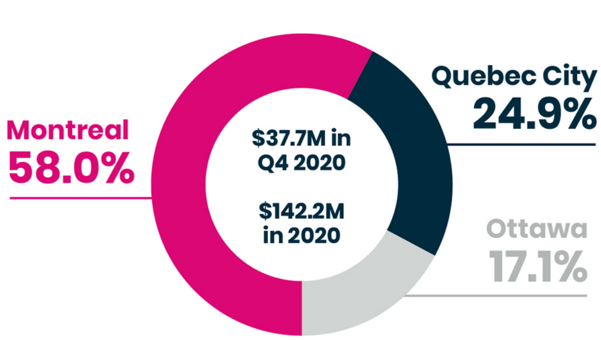
Top 10 clients	% of leasable area [1]	% of operating revenues[1]
Société québécoise des infrastructures	5.6 %	6.3 %
Public Works Canada	3.9 %	4.4 %
Canadian National Railway Company	1.8 %	3.4 %
Infra MTL Inc	3.1 %	2.3 %
Canadian Tire group	1.6 %	1.4 %
Winners merchants	0.7 %	1.0 %
Loblaws group	0.7 %	0.9 %
Groupe immobilier Desjardins	0.7 %	0.9 %
Ford Motor Company of Canada	0.5 %	0.8 %
Metro group	0.7 %	0.8 %
Total	**19.3 %**	**22.2 %**

1 Based on tenants in-place as at December 31, 2020

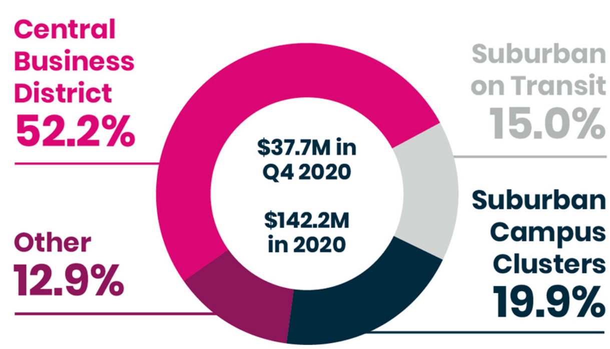
Office Highlights

Periods ended December 31, 2020	Quarter	Year
Rent collection	97.3%	98.3%
Growth in same property net operating income[1,2]	8.5%	4.6%
Growth in the average net rent of renewed leases	9.5%	7.6%
Committed occupancy rate		93.1%
Change in fair value	$(143)M	$(183)M

Same Property NOI by Geographic Market[3]



Same Property NOI by Segment[3]



[1] Refer to section "Non-IFRS Financial Measures".
[2] Includes estimated financial impact of COVID-19.
[3] Split as per quarter ended December 31, 2020.

Office Financial and Operational Highlights

Periods ended December 31	Quarter[2] 2020 $	Quarter[2] 2019 $	% Δ	Year[2] 2020 $	Year[2] 2019 $	% Δ
Financial performance						
Operating revenues — Cominar's proportionate share [1]	**71,885**	73,916	(2.7)	**281,264**	294,619	(4.5)
NOI — Cominar's proportionate share [1]	**37,208**	36,092	3.1	**142,555**	142,448	0.1
Same property NOI [1]	**37,675**	34,710	8.5	**142,228**	135,972	4.6
Change in fair value of investment properties	**(142,677)**	45,890	N/M	**(182,732)**	44,850	N/M
Net income (loss)	**(113,128)**	78,758	(243.6)	**(84,865)**	153,747	(155.2)
Funds from operations (FFO) [1]	**29,239**	30,638	(4.6)	**108,723**	110,461	(1.6)
Adjusted funds from operations (AFFO) [1]	**26,272**	23,558	11.5	**85,095**	82,861	2.7
Income properties fair value — Cominar's proportionate share [1]				**2,417,676**	2,327,826	3.9
Financing						
Mortgages payable — Cominar's proportionate share [1]				**814,660**	829,777	
Unencumbered income properties				**709,049**	938,229	
Mortgages payable to income properties ratio [1,3]				**33.7 %**	35.6 %	
Operational data						
Number of investment properties				**80**	80	
Leasable area (in thousands of sq. ft.)				**11,089**	11,056	
Committed occupancy rate				**93.1 %**	92.9 %	
In-place occupancy rate				**91.4 %**	89.2 %	
Retention rate				**73.0 %**	57.6 %	
Growth in the average net rent of renewed leases				**7.6 %**	4.1 %	
Development activities						
Properties under development — Cominar's proportionate share [1]				**—**	11,315	

1 Refer to section "Non-IFRS Financial Measures".
2 Quarter and year ended December 31 , 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
3 Total of mortgages payable divided by total of income properties fair value - Cominar's proportionate share.

Rent Collection - Office

Rent Collection Summary [1]

	Office Quarter ended December 31, 2020	Office Year ended December 31, 2020
Collected and negotiated agreements	97.3 %	98.3 %
o/w received	97.3 %	98.3 %
To be received (others)	2.7 %	1.7 %
Total	**100.0 %**	**100.0 %**

1 As at March 2, 2021. As percentage of invoiced rent.

The following table presents office net trade receivables as at December 31, 2020:

Office trade receivables	As at December 31, 2020	As at December 31, 2019
	$	$
Trade receivables	18,729	14,112
Provision for expected credit losses	(3,420)	(1,786)
Total net trade receivables	15,309	12,326

Office trade receivables include $6.5 million invoiced to tenants at the end of 2020 for work performed in their premises.

The following table highlights expected credit losses for the periods ended December 31, 2020:

Office	Quarter ended December 31, 2020	Year ended December 31, 2020
	$	$
Expected credit losses on trade receivables	1,004	2,435
Expected credit losses - forgiven portion of the CECRA programs	—	456
Expected credit losses - rent reductions	14	964
Total expected credit losses	1,018	3,855
Percentage of operating revenues	1.5 %	1.5 %

Cominar's expected credit losses for 2020 include the landlord portion to be forgiven under CECRA and the Quebec government program (CECRA programs) which represents 12.5% of the eligible tenant's rent, rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and a provision for short-term rent deferrals and all other receivables for which the recoverability is uncertain. Expected credit losses are presented in operating costs within operating expenses.

Results of Operations - Office

The following table highlights our office results of operations for the periods ended December 31, 2020 and 2019:

	Quarter			Year		
Periods ended December 31	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Operating revenues	**68,077**	69,939	(2.7)	**265,554**	278,925	(4.8)
Operating expenses	**(32,758)**	(36,102)	(9.3)	**(131,980)**	(145,345)	(9.2)
NOI	**35,319**	33,837	4.4	**133,574**	133,580	—
Finance charges	**(5,019)**	(4,417)	13.6	**(29,404)**	(27,819)	5.7
Trust administrative expenses	**(148)**	(1,414)	(89.5)	**(2,085)**	(2,286)	(8.8)
Change in fair value of investment properties	**(142,677)**	45,890	N/M	**(182,732)**	44,850	N/M
Share of joint ventures' net income (loss)	**(595)**	4,281	(113.9)	**(733)**	8,159	(109.0)
Transaction costs	**(8)**	(296)	(97.3)	**(3,489)**	(2,737)	27.5
Net income (loss) before income taxes	**(113,128)**	77,881	(245.3)	**(84,869)**	153,747	(155.2)
Current income taxes	**—**	49	(100.0)	**4**	39	(89.7)
Net income (loss) and comprehensive income	**(113,128)**	77,930	(245.2)	**(84,865)**	153,786	(155.2)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

Results of Operations - Same Property Office Portfolio

Cominar analyzes its results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties and pays particular attention to the performance of its same property portfolio. Same property office portfolio includes the results of properties owned by Cominar as at December 31, 2018, with the exception of results from the properties sold, acquired or under development in 2019 and 2020, as well as the rental income arising from the recognition of leases on a straight-line basis.

Same property office portfolio NOI

	Quarter			Year		
Periods ended December 31	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Same property operating revenues - Cominar's proportionate share [2]	**71,974**	71,126	1.2	**278,827**	281,224	(0.9)
Same property operating expenses - Cominar's proportionate share [2]	**(34,299)**	(36,416)	(5.8)	**(136,599)**	(145,252)	(6.0)
Same property NOI - Cominar's proportionate share [2]	**37,675**	34,710	8.5	**142,228**	135,972	4.6

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

2020 fourth quarter growth of 8.5% in same property NOI on a proportionate basis compared with the corresponding quarter of 2019 is mainly attributable to an increase of 2.2% in the average in-place occupancy rate year over year, from the growth in the average net rent of renewed leases and the positive impact of decreases in operating costs and realty taxes and services, partially offset by the financial impact of COVID-19, namely a decrease of $2.8 million in parking revenues ($8.3 million for the year), the expected credit losses of 1.0 million and the positive net impact of a portion of the CEWS program. In addition, growth in same property office NOI in the fourth quarter is explained by sustained growth in rents for leases renewed during the last twelve months. In all, 1.1 million square feet have been renewed since January 1st, 2020 with a net rental growth of 7.6% (+ $1.01 / square feet).

The achievement of growth of 4.6% in 2020 is the result of a solid operational performance under the circumstances. Since the beginning of the pandemic, our teams have made sustained and proactive efforts to reduce operating expenses by $12.4 million before taking into account expected credit losses of $3.9 million, which has contributed to offset the impact of the pandemic on our results.

Equally, our leasing teams have deployed substantial efforts in negotiating strategic rent arrangements and in using the available government rent to keep our expected credit losses at 1.5% of our operating revenues for the year.

Periods ended December 31	Quarter 2020 [1]	Quarter 2019		Year 2020 [1]	Year 2019	
	$	$	% Δ	$	$	% Δ
Geographic Market						
Montreal	**21,858**	20,924	4.5	**81,638**	81,812	(0.2)
Quebec City	**9,381**	9,410	(0.3)	**37,745**	35,733	5.6
Ottawa [2]	**6,436**	4,376	47.1	**22,845**	18,427	24.0
Same property NOI — Cominar's proportionate share [3]	**37,675**	34,710	8.5	**142,228**	135,972	4.6

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"
2 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
3 Refer to section "Non-IFRS Financial Measures".

The Montreal office portfolio performed in line with our expectations, with an improvement of 4.5% from the fourth quarter of 2019 of the in-place occupancy rate mostly related to the coming into force of a 181,000 square foot lease with a para governmental entity in the east of Montreal. However, same property office NOI was negatively impacted by a 6% COVID-19 related drop in parking revenues mostly from CN Central Station and Alexis-Nihon.

The Quebec City portfolio recorded a slight decrease of 0.3% in same property NOI in the fourth quarter, mostly related to expected credit losses and a 0.6% decrease of the in-place occupancy rate, which remains at a high level (97.2%). For the year 2020, the Quebec City portfolio provided a sustained growth of 5.6% year over year in same property NOI. The high proportion of gross leases (61%) played in favor of Cominar in regards of the efforts to reduce operating expenses during the pandemic.

The strong same property office NOI growth in Ottawa (47.1%) was triggered by the result of major new leases that started in 2019 and were in-place for the entire year in 2020 (62,000 square feet with Ford Canada at 700 Palladium Drive in Ottawa, beginning in May 2019, 60,000 square feet with Public Works Canada at 400 Cooper in Ottawa beginning in November 2019) has increased the weighting of Ottawa in our office portfolio while the parking revenues decrease in Montreal has temporarily impacted the geographical weighing of our same property office NOI.

Our Quebec City and Ottawa office portfolios have also benefited from their strong government tenancy, which offers a resilient NOI base. Governmental leases, which are mostly gross leases with operating expense increases capped, can sometimes be unfavorable in economic growth times. However, in a pandemic context where operating expenses are reduced, gross leases can become an advantage as operating expense revenues are not subject to adjustments other than Consumer Price Index ("CPI") or other macro-economic indexes.

For the three regions, the reduction in expenses allowed us to partially compensate for the expected credit losses related to COVID-19. With over 48% of their rents derived from governmental agencies leases, the Quebec City and Ottawa markets are expected to continue to provide an important contribution in the coming years.

Periods ended December 31	Quarter 2020 [1]	Quarter 2019		Year 2020 [1]	Year 2019	
	$	$	% Δ	$	$	% Δ
Segment						
Central Business District	**19,658**	19,960	(1.5)	**76,660**	76,127	0.7
Suburban on Transit	**5,659**	4,666	21.3	**22,609**	20,128	12.3
Suburban Campus Clusters	**7,507**	7,045	6.6	**30,847**	27,803	10.9
Other	**4,851**	3,039	59.6	**12,112**	11,914	1.7
Same property NOI — Cominar's proportionate share [2]	**37,675**	**34,710**	8.5	**142,228**	**135,972**	4.6

1 Quarter and the year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"
2 Refer to section "Non-IFRS Financial Measures".

In 2020, our central business district properties ("CBD") encountered an important decline in parking revenues which offset the increase of 1.7% in-place occupancy and expense reduction efforts. We anticipate that demand for parking will gradually come back when office workers return to offices, as workers may prefer to use their car over public transit, at least in the short term.

We anticipate that the fundamentals of CBD will return over the long term and in the short term performance will fluctuate until the confidence in public transit is restored and remaining subleases and new supplies coming in the market are absorbed.

On the other hand, suburban properties have shown an improvement, more precisely in Montreal East and Laval, propelled by the commencement of major leases totaling 230,000 square feet at 5100 Sherbrooke and 255 Crémazie in Montreal. In Montreal alone, the in-place occupancy increased by 4.7% compared to 2019.

The suburban office segment showed rental growth year-over-year in the Montreal market area, with an 8.4% increase of the same property NOI. Pre-COVID-19, the suburban office market was starting to benefit from the spillover from a tight downtown market. Post-COVID-19, we anticipate that many organizations will consider introducing a work-from-home to work-near-home solution, thus adopting a hub-and-spoke occupancy strategy while maintaining a head office in the central business district.

This context is favorable for Cominar to capture leasing opportunities as 65% of our office vacancy resides in the suburbs, while our CBD Montreal portfolio has a 97% occupancy along with a resilient weighted average leases term ("WALT") of 5.5 years.

Same property office portfolio NOI weighting

	Quarter		Year	
Periods ended December 31	2020	2019	2020	2019
Geographic market				
Montreal	**58.0 %**	60.3 %	**57.4 %**	60.1 %
Quebec City	**24.9 %**	27.1 %	**26.5 %**	26.3 %
Ottawa [1]	**17.1 %**	12.6 %	**16.1 %**	13.6 %
Same property NOI — Cominar's proportionate share [2]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

1 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
2 Refer to section "Non-IFRS Financial Measures".

The strong same property office NOI growth in Ottawa triggered by the result of major new leases that started in 2019 and were in-place for the entire year in 2020 has increased the weighting of Ottawa in our office portfolio, while the parking revenues decrease in Montreal has temporarily impacted the geographical weighing of Montreal in our same property office NOI.

	Quarter		Year	
Periods ended December 31	2020	2019	2020	2019
Segment				
Central Business District	**52.2 %**	57.5 %	**53.9 %**	56.0 %
Suburban on Transit	**15.0 %**	13.4 %	**15.9 %**	14.8 %
Suburban Campus Clusters	**19.9 %**	20.3 %	**21.7 %**	20.4 %
Other	**12.9 %**	8.8 %	**8.5 %**	8.8 %
Same property NOI — Cominar's proportionate share [1]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

1 Refer to section "Non-IFRS Financial Measures"

Our CBD remains our NOI driver in the office portfolio and its contribution reduced slightly in 2020, mostly because of the drop in parking revenues. In the past year, the contribution of the suburbs and the outskirts of the CBD increased, assisted by a major lease with a para-governmental entity in Montreal-East. This may also be a continuing trend and an opportunity for Cominar as demand for suburbs is increasing faster than for CBD in the COVID-19 environment and this is where most of our vacancy (65%) sits. Therefore, we anticipate that the suburban office contribution may continue to increase over the coming quarters.

Change in fair value of investment properties - Office portfolio

Office values have decreased by 5.6% in Q4 2020 and by 7.8% for 2020 due to uncertainty of magnitude of COVID-19 impact on a mid to long term basis. Leasing negotiations in 2021 will allow to better assess if tenants intend to reconsider their space needs, relocate in suburban properties, maintain their location with potential upgrades for new sanitary measures, etc. As such, assumptions in appraisals have increased vacancy absorption period, reduced market growth in the first years, increased bad debt provisions and also increased discount rates.

Office property portfolio

Office	As at December 31, 2020 Number of properties	Leasable area sq. ft	As at December 31, 2019 Number of properties	Leasable area sq. ft
Geographic Market				
Montreal	**49**	**6,488,000**	50	6,554,000
Quebec City	**13**	**2,409,000**	13	2,409,000
Ottawa [1]	**18**	**2,192,000**	17	2,093,000
Office portfolio total	**80**	**11,089,000**	80	11,056,000

1 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

Office	As at December 31, 2020 Number of properties	Leasable area sq. ft	As at December 31, 2019 Number of properties	Leasable area sq. ft
Segment				
Central Business District	**15**	**4,763,000**	15	4,763,000
Suburban on Transit	**21**	**2,288,000**	22	2,354,000
Suburban Campus Clusters	**29**	**2,681,000**	28	2,582,000
Other	**15**	**1,357,000**	15	1,357,000
Office portfolio total	**80**	**11,089,000**	80	11,056,000

Investments in Office Properties

Periods ended December 31	Quarter 2020 $	2019 $	% Δ	Year 2020 $	2019 $	% Δ
Capital expenditures — increase of rental income generating capacity	**10,328**	6,119	68.8	**27,348**	24,017	13.9
Capital expenditures — maintenance of rental income generating capacity	**7,102**	1,760	303.5	**9,580**	12,363	(22.5)
Leasehold improvements	**2,105**	3,460	(39.2)	**8,117**	19,197	(57.7)
Leasing costs	**1,041**	422	146.7	**4,525**	4,372	3.5
Properties under development	**3,183**	2,556	24.5	**22,103**	13,433	64.5
Total capital expenditures (including capitalized interests)[1]	**23,759**	14,317	65.9	**71,673**	73,382	(2.3)
Total capital expenditures (excluding capitalized interests)[1]	**22,090**	12,918	71.0	**65,406**	67,948	(3.7)

1 Includes Cominar's share of joint ventures

Office Property Under Construction and Development Project

Palladium (Ford Canada)

During the third quarter of 2019, Cominar commenced the development of 800 Palladium Drive which is part of the Palladium Campus in Kanata. This 100,000 square foot class A suburban office building project is now 100% leased, of which 96% is occupied by Ford Canada to house an expansion of its research and development center for autonomous driving technology. Ford Canada took possession and started its leasehold improvements in early August 2020. The building construction is completed and the property was transferred to income properties as at December 31, 2020.

Real Estate Operations - Office

Occupancy Rate

Occupancy rate track record

Office	Committed		In-place	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Geographic Market				
Montreal	**91.7 %**	90.5 %	**90.1 %**	85.4 %
Quebec City	**97.7 %**	98.5 %	**97.2 %**	97.4 %
Ottawa [1]	**92.1 %**	94.2 %	**88.6 %**	91.9 %
Office portfolio total	**93.1 %**	92.9 %	**91.4 %**	89.2 %

1 *For presentation purposes, the Gatineau area is included in the Ottawa geographic market.*

The in-place office occupancy rate has improved by 2.2% in 2020, providing us with positive revenue growth. In parallel, major leases with governmental and para-governmental entities were delivered, thus reducing the spread between committed and in-place occupancy rates from 3.7% to 1.7% at the end of 2020. These new leases, which total over 300,000 square feet, are expected to offer stable cash flows over the coming years.

Same Property Occupancy rate

Office	Committed		In-place	
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2019
Segment				
Central Business District	**96.3 %**	96.5 %	**95.7 %**	93.6 %
Suburban on Transit	**93.2 %**	93.6 %	**91.7 %**	85.3 %
Suburban Campus Clusters	**88.0 %**	88.1 %	**86.5 %**	86.2 %
Other	**92.9 %**	92.6 %	**88.7 %**	90.8 %
Office portfolio total	**93.1 %**	93.3 %	**91.8 %**	89.7 %

While our committed occupancy remained stable, our in-place occupancy has shown a 2.1% improvement from our suburb properties (5.5% increase in Montreal suburbs), where approximately 65% of our office vacancy is located. What we considered a challenge in the previous years is now an opportunity as we expect the increase in suburban office demand to continue in the post-COVID-19 dynamic. We anticipate that many organizations will consider a transition from work-from-home to work-near-home solutions, thus adopting a hub and spoke occupancy strategy while maintaining a head office in the CBD. As we deploy our suburban office strategy, our increase in occupancy in the suburb should play in favor of Cominar in the coming years while the CBD regains momentum.

Office Leasing Activity

Leases that matured in 2020	
Number of clients	202
Leasable area (sq. ft.)	1,469,000
Renewed leases	
Number of clients	136
Leasable area (sq. ft.)	1,072,000
Retention rate	**73.0 %**
New leases	
Number of clients	35
Leasable area (sq. ft.)	619,000
Unexpected departures	
Number of clients	12
Leasable area (sq. ft.)	60,000

During the year ended December 31, 2020, 73.0% of the office leasable area maturing in 2020 was renewed. New leases were also signed representing 0.6 million square feet of leasable area, while tenants whose leases were not expiring and that left before the end of their lease totaled a leasable area of 0.1 million square feet. For 2020, 115.0 % of the leasable area maturing was covered by renewals and new leases.

Growth in the average net rent of renewed leases

Office	Quarter ended December 31, 2020	Year ended December 31, 2020
Geographic Market		
Montreal	5.3 %	8.0 %
Quebec City	5.3 %	3.4 %
Ottawa [1]	36.4 %	12.8 %
Office portfolio total	9.5 %	7.6 %

1 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

Growth in the average net rent on renewed leases is measured by comparing the rent at the end of the lease to the rent at the beginning of the lease's renewal. The increase in the Montreal office market is strongly influenced by a renewal of 23,000 square feet up by $8.22 per square foot or 142.1% for a technology company and the increase in the Ottawa market is mostly related to two lease renewals totalizing 52,000 square feet with an average increase of 28%.

Office Lease Maturities

Years ending December 31	2021	2022	2023	2024	2025
Leasable area (sq. ft.)	1,689,347	1,152,439	1,378,216	1,220,210	1,138,397
% of portfolio — Office	15.2 %	10.4 %	12.4 %	11.0 %	10.3 %

Our lease maturities are spread evenly over the next five years. The higher volume of rent coming to maturity in 2021 is normal and caused by leases that have been renewed on an annual or biannual basis in the pandemic environment. As at December 31, 2020 63% of the leases coming to maturity in 2021 were already renewed and 92% of leases over 25,000 square feet have been renewed.

The following table summarizes information on office leases as at December 31, 2020:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent ($/sq. ft.)
Office leases	5.6	8.6	12,267	18.13

Cominar has a broad, highly diversified office client base consisting of approximately 850 tenants occupying an average of 12,267 square feet each. The top three clients, Société Québécoise des Infrastructures, Public Works Canada and Canadian National Railway Company, account respectively for approximately 13.2%, 9.8% and 8.0% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 23.6% of operating revenues come from government agencies.

In a post-COVID-19 environment, we expect WALTs may diminish, at least for a short time until the long term impacts of the pandemic is understood. As tenants redefine their new occupancy strategies, we may then see longer WALTs resurface after the optimal configurations and office strategies are determined. As for flexible leasing options, we believe it will play a larger role in a balanced and diversified office portfolio. Cominar is actively analyzing various solutions that will cater to tenants looking for flexible tenancies and work environments.

Top 10 office clients

The following table presents our top ten office clients:

Top 10 office clients	% of office leasable area [1]	% of office operating revenues [1]
Société québécoise des infrastructures	15.5 %	13.2 %
Public Works Canada	12.0 %	9.8 %
Canadian National Railway Company	5.7 %	8.0 %
Ford Motor Company of Canada	1.7 %	1.9 %
Institut Royal pour l'avancement des sciences (McGill)	1.2 %	1.6 %
Ville de Montréal	1.3 %	1.2 %
HSBC Bank of Canada	0.8 %	1.2 %
Centre de services scolaire de Montréal (School Board)	1.8 %	1.1 %
Desjardins Property Management	1.2 %	1.1 %
Autorité des marchés financiers	0.9 %	1.0 %
Total	**42.1 %**	**40.1 %**

1 Based on tenants in-place as at December 31, 2020

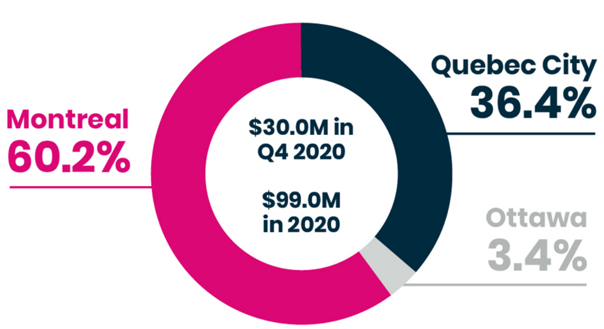
Field of activity	% of office leasable area [1]	% of office operating revenues [1]
Government and paragovernmental institutions	33.3 %	32.1 %
Financial services real estate and bank services	16.6 %	17.7 %
Professional services	10.7 %	11.6 %
Technologies	11.3 %	11.2 %
Transportation and logistics	6.5 %	7.6 %
Education	7.3 %	6.8 %
Distribution	3.5 %	3.1 %
Telecommunications	3.4 %	3.0 %
Medical services	2.3 %	2.0 %
Others	5.1 %	4.9 %
Total	**100.0 %**	**100.0 %**

1 Based on tenants in-place as at December 31, 2020

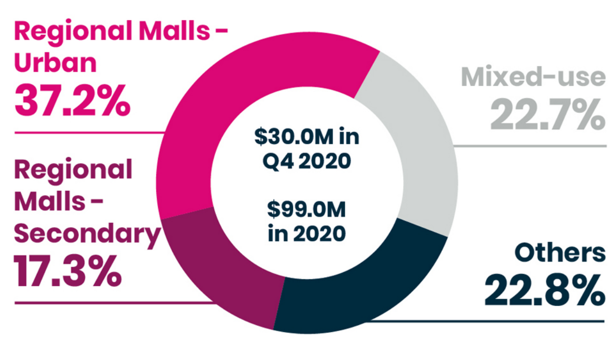
Retail Highlights

Periods ended December 31, 2020	Quarter	Year
Rent collection	93.4%	94.9%
Reduction in same property net operating income[1,2]	(14.7)%	(21.5)%
Decrease in the average net rent of renewed leases	(14.8)%	(4.3)%
Committed occupancy rate		90.8%
Change in fair value	$(164)M	$(410)M

Same Property NOI by Geographic Market[3]



Same Property NOI by Asset Type[3]



[1] Refer to section "Non-IFRS Financial Measures".
[2] Includes estimated financial impact of COVID-19.
[3] Split as per quarter ended December 31, 2020.

Retail Financial and Operational Highlights

	Quarter[2]			Year[2]		
Periods ended December 31	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Financial performance						
Operating revenues — Cominar's proportionate share [1]	**59,783**	66,081	(9.5)	**239,967**	267,219	(10.2)
NOI — Cominar's proportionate share [1]	**28,092**	33,502	(16.1)	**98,523**	132,168	(25.5)
Same property NOI [1]	**27,957**	32,767	(14.7)	**98,956**	126,038	(21.5)
Change in fair value of investment properties	**(163,982)**	(128,773)	N/M	**(410,196)**	(128,990)	N/M
Net income (loss)	**(143,027)**	(105,832)	35.1	**(351,989)**	(35,306)	897.0
Funds from operations (FFO) [1]	**20,860**	25,551	(18.4)	**65,774**	99,762	(34.1)
Adjusted funds from operations (AFFO) [1]	**18,469**	21,594	(14.5)	**52,595**	83,157	(36.8)
Income properties fair value — Cominar's proportionate share [1]				**1,889,299**	2,327,826	(18.8)
Financing						
Mortgages payable — Cominar's proportionate share [1]				**887,262**	796,492	
Unencumbered income properties				**645,265**	689,657	
Mortgages payable to income properties ratio [1,3]				**47.0 %**	34.2 %	
Operational data						
Number of investment properties				**44**	46	
Leasable area (in thousands of sq. ft.)				**9,480**	9,488	
Committed occupancy rate				**90.8 %**	94.1 %	
In-place occupancy rate				**86.3 %**	87.3 %	
Retention rate				**76.9 %**	66.3 %	
Growth in the average net rent of renewed leases				**(4.3)%**	(1.7)%	
Development activities						
Properties under development — Cominar's proportionate share [1]				**37,165**	30,156	

1 Refer to section "Non-IFRS Financial Measures".
2 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
3 Total of mortgages payable divided by total of income properties fair value - Cominar's proportionate share..

Rent Collection - Retail

Rent Collection Summary [1]

	Retail	
	Quarter ended December 31, 2020	**Year ended December 31, 2020**
Collected and negotiated agreements	95.5 %	97.4 %
o/w received	93.4 %	94.9 %
o/w to be received (agreements)	2.1 %	2.5 %
To be received (others)	4.5 %	2.6 %
Total	**100.0 %**	**100.0 %**

1 As at March 2, 2021. As percentage of invoiced rent.

The following table presents retail net trade receivables as at December 31, 2020:

Retail trade receivables	As at December 31, 2020	As at December 31, 2019
	$	$
Trade receivables	15,430	5,854
Provision for expected credit losses	(7,356)	(3,063)
Total net trade receivables	8,074	2,791

Retail trade receivables include $0.7 million invoiced to tenants at the end of 2020 for work performed in their premises.

The following table highlights expected credit losses for the periods ended December 31, 2020:

Retail	Quarter ended December 31, 2020	Year ended December 31, 2020
	$	$
Expected credit losses on trade receivables	2,195	11,651
Expected credit losses - forgiven portion of the CECRA programs	—	3,781
Expected credit losses - rent reductions	989	10,464
Total expected credit losses	3,184	25,896
Percentage of operating revenues	5.4 %	10.9 %

Cominar's expected credit losses for 2020 include the landlord portion to be forgiven under CECRA and the Quebec government program (CECRA programs) which represents 12.5% of the eligible tenant's rent, rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and a provision for short-term rent deferrals and all other receivables for which the recoverability is uncertain. Expected credit losses are presented in operating costs within operating expenses.

Results of Operations - Retail

The following table highlights our results of operations for the periods ended December 31, 2020 and 2019:

Periods ended December 31	Quarter 2020 [1] $	Quarter 2019 $	% Δ	Year 2020 [1] $	Year 2019 $	% Δ
Operating revenues	**59,073**	65,827	(10.3)	**238,272**	265,719	(10.3)
Operating expenses	**(31,549)**	(32,550)	(3.1)	**(140,797)**	(134,516)	4.7
NOI	**27,524**	33,277	(17.3)	**97,475**	131,203	(25.7)
Finance charges	**(7,150)**	(7,344)	(2.6)	**(30,283)**	(29,952)	1.1
Trust administrative expenses	**(197)**	(1,882)	(89.5)	**(2,774)**	(3,041)	(8.8)
Change in fair value of investment properties	**(163,982)**	(128,773)	27.3	**(410,196)**	(128,990)	N/M
Share of joint ventures' net income (loss)	**847**	(1,459)	(158.1)	**(4,325)**	(959)	351.0
Transaction costs	**(69)**	(769)	(91.0)	**(1,886)**	(3,567)	(47.1)
Net income (loss) before income taxes	**(143,027)**	(106,950)	33.7	**(351,989)**	(35,306)	897.0
Current income taxes	**—**	—	—	**—**	—	—
Net income (loss) and comprehensive income	**(143,027)**	(106,950)	33.7	**(351,989)**	(35,306)	897.0

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

Results of Operations - Same Property Retail Portfolio

Cominar analyzes its results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties and pays particular attention to the performance of its same property portfolio. Same property retail portfolio includes the results of properties owned by Cominar as at December 31, 2018, with the exception of results from the properties sold, acquired or under development in 2019 and 2020, as well as the rental income arising from the recognition of leases on a straight-line basis.

Same property retail portfolio NOI

Periods ended December 31	Quarter 2020 [1] $	Quarter 2019 $	% Δ	Year 2020 [1] $	Year 2019 $	% Δ
Same property operating revenues - Cominar's proportionate share [2]	**59,481**	64,930	(8.4)	**239,781**	256,380	(6.5)
Same property operating expenses - Cominar's proportionate share [2]	**(31,524)**	(32,163)	(2.0)	**(140,825)**	(130,342)	8.0
Same property NOI - Cominar's proportionate share [2]	**27,957**	32,767	(14.7)	**98,956**	126,038	(21.5)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The 2020 fourth quarter decline of 14.7% in retail same property NOI compared with the corresponding quarter of 2019 is mainly attributable to the negative impact of COVID-19, namely $3.2 million estimated expected credit losses ($2.2 million of trade receivables and $1.0 million of rent reductions). The decline of $5.4 million in operating revenues was partially offset by a decrease of $3.0 million in operating expenses. The decline in operating revenues was attributable to several factors including a 38% decrease in footfall, a complete closure of non-essential retailers that began on December 24, 2020, the closure of some tenant categories (restaurants, gyms and entertainment) since October 1, 2020 and the fashion tenant categories that have been negatively affected since the reopening in June 2020.

Periods ended December 31	Quarter 2020 [1]	Quarter 2019		Year 2020 [1]	Year 2019	
	$	$	% Δ	$	$	% Δ
Geographic Market						
Montreal	**16,837**	20,039	(16.0)	**61,524**	76,950	(20.0)
Quebec City	**10,177**	12,109	(16.0)	**35,850**	46,548	(23.0)
Ottawa [2]	**943**	619	52.3	**1,582**	2,540	(37.7)
Same property NOI — Cominar's proportionate share [3]	**27,957**	32,767	(14.7)	**98,956**	126,038	(21.5)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"
2 For presentation purposes, the Gatineau area is included in the Ottawa geographic market. Mainly, Galerie de Hull.
3 Refer to section "Non-IFRS Financial Measures".

Periods ended December 31	Quarter 2020 [1]	Quarter 2019		Year 2020 [1]	Year 2019	
	$	$	% Δ	$	$	% Δ
Asset Type						
Regional Malls - Urban	**10,373**	12,027	(13.8)	**35,459**	46,652	(24.0)
Regional Malls - Secondary	**4,841**	6,708	(27.8)	**17,676**	25,887	(31.7)
Mixed-Use	**6,350**	7,993	(20.6)	**26,576**	30,948	(14.1)
Others	**6,393**	6,039	5.9	**19,245**	22,551	(14.7)
Same property NOI — Cominar's proportionate share [2]	**27,957**	32,767	(14.7)	**98,956**	126,038	(21.5)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"
2 Refer to section "Non-IFRS Financial Measures".

Same property retail portfolio NOI weighting

Periods ended December 31	Quarter 2020	Quarter 2019	Year 2020	Year 2019
Geographic market				
Montreal	**60.2 %**	61.1 %	**62.2 %**	61.1 %
Quebec City	**36.4 %**	37.0 %	**36.2 %**	36.9 %
Ottawa [1]	**3.4 %**	1.9 %	**1.6 %**	2.0 %
Same property NOI — Cominar's proportionate share [2]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

1 *For presentation purposes, the Gatineau area is included in the Ottawa geographic market.*
2 *Refer to section "Non-IFRS Financial Measures".*

Periods ended December 31	Quarter 2020	Quarter 2019	Year 2020	Year 2019
Asset types				
Regional Malls - Urban	**37.2 %**	36.7 %	**35.8 %**	37.1 %
Regional Malls - Secondary	**17.3 %**	20.5 %	**17.9 %**	20.5 %
Mixed-Use	**22.7 %**	24.4 %	**26.9 %**	24.6 %
Others	**22.8 %**	18.4 %	**19.4 %**	17.8 %
Same property NOI — Cominar's proportionate share [1]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

1 *Refer to section "Non-IFRS Financial Measures".*

Change in fair value of investment properties - Retail portfolio

Retail is the asset class that has been impacted the most and even more specifically in our enclosed malls. The negative change in fair value at the end of the fourth quarter represents a decrease of 7.8%. Overall, the negative change in fair value of $410.2 million for 2020 represents a 17.3% decrease. Assumptions in appraisals have been impacted in both cash flow assumptions and yields. Vacancy absorption periods have been increased, market rents have been readjusted, along with market rental growth that have been reduced to 0% for the first 3 years and an important bad debt reserve (25% for major malls) has been considered for the first year. Yields have overall been increased from 25 to 75 basis points on most properties.

Retail property portfolio

Retail	As at December 31, 2020 Number of properties	As at December 31, 2020 Leasable area sq. ft	As at December 31, 2019 Number of properties	As at December 31, 2019 Leasable area sq. ft
Geographic Market				
Montreal	**19**	**5,218,000**	21	5,226,000
Quebec City	**23**	**3,913,000**	23	3,913,000
Ottawa [1]	**2**	**349,000**	2	349,000
Retail portfolio total	**44**	**9,480,000**	46	9,488,000

1 *For presentation purposes, the Gatineau area is included in the Ottawa geographic market.*

Retail	As at December 31, 2020 Number of properties	As at December 31, 2020 Leasable area sq. ft	As at December 31, 2019 Number of properties	As at December 31, 2019 Leasable area sq. ft
Asset type				
Regional Malls - Urban	**7**	**3,865,000**	7	3,865,000
Regional Malls - Secondary	**6**	**1,918,000**	6	1,918,000
Mixed-Use	**2**	**1,415,000**	2	1,415,000
Others	**29**	**2,282,000**	31	2,290,000
Retail portfolio total	**44**	**9,480,000**	46	9,488,000

Investments in Retail Properties

Periods ended December 31	Quarter 2020	Quarter 2019		Year 2020	Year 2019	
	$	$	% Δ	$	$	% Δ
Capital expenditures — increase of rental income generating capacity	**9,886**	10,261	(3.7)	**50,592**	35,944	40.8
Capital expenditures — maintenance of rental income generating capacity	**3,137**	3,169	(1.0)	**4,366**	5,433	(19.6)
Leasehold improvements	**2,245**	4,598	(51.2)	**8,581**	7,607	12.8
Leasing costs	**732**	966	(24.2)	**1,602**	1,482	8.1
Properties under development	**111**	2,691	(95.9)	**2,654**	17,858	(85.1)
Total capital expenditures (including capitalized interests)[1]	**16,111**	21,685	(25.7)	**67,795**	68,324	(0.8)
Total capital expenditures (excluding capitalized interests)[1]	**15,777**	20,562	(23.3)	**64,837**	65,837	(1.5)

1 Includes Cominar's share of joint ventures

Capital expenditures - increase of rental income generating capacity totaled $50.6 million for the year ended December 31, 2020, of which $32 million was related to former Sears areas.

Retail Properties Under Construction and Development Projects

Société en commandite Chaudière-Duplessis - Ilot Mendel

Cominar continues to review its alternatives for the development of Ilot Mendel, a 2.0 million square foot retail development site located at the intersection of Highways 40 and 540, two of the main arteries of Quebec City. Ilot Mendel is located next to Quebec City's IKEA store, which occupies just over 1 million square feet, including the parking areas. In September 2019, a 57,000 square foot Decathlon sporting goods store also opened to the public on the site.

As announced by the competent authorities, it is anticipated that the site will eventually be served by the new public transit network (Tramway) with a station directly on site. A densification study has been completed and shows a residential portion with a minimum of 1,000 units near the future tramway station. Consequently, the size of the retail portion of the project has been reduced from our initial plans to an additional gross lease area of 125,000 square feet. Quebec City is continuing to refine its vision for the sector which is in line with our objectives to have a mixed-use project with residential, retail and industrial uses. As part of the ongoing public consultations process, we have deposited our comments to the City and are in discussion with them in that regard. Further development of this site will depend on market conditions, tenant demand and the final zoning approved by the Quebec City.

In addition, Cominar owns land located south of the retail project that is intended, among other things, for industrial purposes, with a potential developable area of 250,000 square feet, for which a zoning change is necessary and is part of the vision discussed above.

Société en commandite Bouvier-Bertrand (Quebec City) and Société en commandite Marais (Quebec City)

Cominar and Groupe Dallaire are limited partners in Société en commandite Bouvier-Bertrand and Société en commandite Marais. The limited partnerships were created to carry out the development of land in Quebec City. The Bouvier-Bertrand site is in large part complete except for a small residual parcel, and alternatives for the Marais site are under review.

Intensification Opportunities

Ten transit-oriented retail properties have been identified as offering intensification opportunities with potentially 12,700 residential units, subject to upzoning. We have been extremely active in meeting the various municipalities involved and the response is generally positive as cities understand and support our vision for intensification and mixity of uses.

Property	Location	Zoning status	Estimated potential of doors
CN Central Station	Montreal	Full rights	2,000
Mail Champlain	Greater Montreal	Anticipated upzoning Q1 2022	2,000
Place du Commerce	Greater Montreal	Anticipated upzoning Q1 2022	2,300
Centropolis [1]	Greater Montreal	Full rights	500
Rockland	Montreal	Anticipated upzoning Q2 2021	800
Place Longueuil	Greater Montreal	Anticipated upzoning Q3 2021	500
Centre Laval	Greater Montreal	Full rights	500
Quartier Laval	Greater Montreal	Full rights	2,500
Galeries de Hull	Gatineau	Full rights	600
Îlot Mendel	Quebec City	Anticipated upzoning Q1 2022	1,000
Total			12,700

1 We have concluded a first partnership with Cogir/Divco for the development of 500 units at Centropolis, with the construction of the first phase (approximately 364 doors) expected to be in Q3 2021.

There can be no assurance that these developments will be completed, including that upzoning will be acquired.

Real Estate Operations - Retail

Occupancy Rate

Occupancy rate track record

Retail	Committed Dec. 31, 2020	Committed Dec. 31, 2019	In-place Dec. 31, 2020	In-place Dec. 31, 2019
Geographic market				
Montreal	**91.3 %**	95.3 %	**87.8 %**	88.5 %
Quebec City	**90.3 %**	92.6 %	**86.0 %**	87.7 %
Ottawa [1]	**87.5 %**	90.9 %	**65.2 %**	63.3 %
Retail portfolio total	**90.8 %**	94.1 %	**86.3 %**	87.3 %

1 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

Same property occupancy rate

Retail	Committed Dec. 31, 2020	Committed Dec. 31, 2019	In-place Dec. 31, 2020	In-place Dec. 31, 2019
Asset type				
Regional Malls - Urban	**91.7 %**	94.3 %	**85.2 %**	85.0 %
Regional Malls - Secondary	**93.9 %**	95.7 %	**88.6 %**	88.8 %
Mixed-Use	**95.5 %**	97.3 %	**95.0 %**	95.1 %
Others	**83.8 %**	89.4 %	**82.3 %**	87.4 %
Retail portfolio total	**90.7 %**	93.9 %	**86.7 %**	87.9 %

Retail Leasing Activity

Leases that matured in 2020	
Number of clients	513
Leasable area (sq. ft.)	1,522,000
Renewed leases	
Number of clients	321
Leasable area (sq. ft.)	1,170,000
Retention rate	**76.9 %**
New leases	
Number of clients	38
Leasable area (sq. ft.)	415,000
Unexpected departures	
Number of clients	58
Leasable area (sq. ft.)	223,000

During the year ended December 31, 2020, 76.9% of the retail leasable area maturing in 2020 was renewed. We have remained active on the leasing front with 415,000 square feet of new leases in place for 2020. Tenants that left before the end of their lease totaled 0.2 million square feet. For 2020, 100.4% of the leasable area maturing was covered by renewals and new leases.

During the quarter ended December 31, 2020, we recorded a total of 171,000 square feet of new leases in place. Decathlon opened in Centre Laval mid December (67,000 square feet signed immediately upon Sportium closure), Hart (22,000 square feet) opened at Centre Les Rivières in the former Sears space) and a federal government institution (11,000 square feet) opened at Galeries de Hull in the former Sears space.

A new 36,000 square feet IGA store opened in Rockland, as well as a relocated and renovated 6,000 square feet SAQ. It is anticipated that the former SAQ store will be occupied by a 17,000 square foot medical service oriented use to be announced.

Centre Les Rivières opened a 21,000 square foot Urban Planet store, which increased its original concept by more than 30%, translating into incremental rent for Cominar.

Galeries Rive Nord continues to gain ground with a brand new 38,000 square foot Sports Experts store twice the size of the previous one, which opened in July 2020. We have also a executed lease of 30,000 square feet with GBI engineering for office space at the second level of the former Sears space with a planned opening in December 2021, a 30,000 square foot l'Aubainerie at Galeries de Hull with a planned opening in March 2021, a 16,000 square foot La Vue at Promenades Beauport with a planned opening in March 2021 and a 14,000 square foot Econofitness at Carrefour Charlesbourg with a planned opening in September 2021.

This recent activity is in line with our strategy to increase our ratio of tenants that are performers in their category and represent a lower risk. In each case, their sales are being statistically projected to ensure their presence will maximize value for Cominar and also enhance customer experience and increase the number of visits to our malls.

Growth in the average net rent of renewed leases

Retail	Quarter ended December 31, 2020	Year ended December 31, 2020
Geographic Market		
Montreal	**(22.6)%**	**(7.8)%**
Quebec City	**(2.7)%**	**(1.0)%**
Ottawa [1]	**— %**	**9.8 %**
Retail portfolio total [2]	**(14.8)%**	**(4.3)%**

1 *For presentation purposes, the Gatineau area is included in the Ottawa geographic market.*
2 *The declines in the net rent of renewed leases excludes the renewal of a major entertainment tenant (100,000 square foot) in November 2020. Before the ten years with a decrease of (45)% on its net rent, this tenant having a highest net rent not reflecting the market and he is also severely affected since the beginning of the COVID-19.In last quarter ended in December 2020, we also renewed a TOYS`R US lease (38,000 square foot) with a decrease of (48%) on his net rent, impacted negatively the growth of the average net rent of (8%) in the last quarter and (2%) for the year.*

Growth in the average net rent on renewed leases is measured by comparing the rent at the end of the lease to the rent at the beginning of the lease's renewal.

Retail Lease Maturities

Years ending December 31	2021	2022	2023	2024	2025
Leasable area (sq. ft.)	1,473,056	1,129,405	980,854	896,602	840,301
% of portfolio — Retail	15.5 %	11.9 %	10.3 %	9.5 %	8.9 %

The following table summarizes information on retail leases as at December 31, 2020:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent ($/sq. ft.)
Retail leases	5.1	7.9	4,844	19.52

Cominar has a broad, highly diversified retail client base consisting of approximately 1,700 tenants occupying an average of 4,844 square feet each. The top three clients, (i) Canadian Tire group, (ii) Winners merchants and (iii) Loblaws group, account respectively for approximately 4.1%, 3.0% and 2.8% of retail operating revenues from several leases with staggered maturities.

Top 10 retail clients

The following table presents our top ten retail clients by percentage of operating revenues:

Top 10 retail clients	% of retail leasable area[1]	% of retail operating revenues [1]
Canadian Tire group	5.5 %	4.1 %
Winners merchants	2.4 %	3.0 %
Loblaws group	2.6 %	2.8 %
Metro group	2.8 %	2.3 %
Dollarama	1.8 %	2.1 %
Sobey's	1.8 %	1.7 %
Leon's/The Brick	1.8 %	1.7 %
Decathlon	2.0 %	1.6 %
Famous Players	1.1 %	1.0 %
Bell/La Source	0.4 %	1.4 %
Total	**22.2 %**	**21.7 %**

1 *Based on tenants in place as at December 31, 2020*

Uses by category

Categories	% of retail leasable area[1]	% of retail operating revenues [1]
Fashion	22.0 %	20.0 %
Restaurants	8.0 %	13.0 %
General Merchandise & Variety Store	13.0 %	10.0 %
Health & Beauty / Personal Care	5.0 %	10.0 %
Grocery/Specialty food	10.0 %	7.0 %
Furniture, Home Furnishings & Decor	9.0 %	6.0 %
Sporting Goods	8.0 %	6.0 %
Value Fashion	6.0 %	5.0 %
Electronics	2.0 %	5.0 %
Office & Medical Spaces	6.0 %	4.0 %
Entertainment	5.0 %	4.0 %
Government and para-government institutions	2.0 %	3.0 %
Others	4.0 %	7.0 %
Total	**100.0 %**	**100.0 %**

1 *Based on tenants in-place as at December 31, 2020*

Our objective is to decrease categories such as mid-fashion, obsolete restaurant operators or obsolete entertainment uses, and to increase tenant categories that are more resilient to economic downturns such as medical clinics, value or strong fashion brands, groceries and specialty food, general merchandise and electronics.

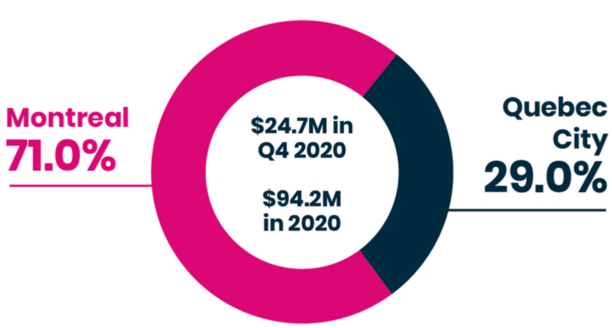
Sales performances and footfall

During the year over year quarter ended December 31, 2020, all properties (excluding Alexis-Nihon and Place de la Cité) experienced a COVID-19 related decrease in footfall of 27% in comparison with 2019 and a decline of 20% in sales. Including mixed-use (office and retail) properties Alexis-Nihon and Place de la Cité that are located in urban area, decline in footfall reached 38% and decline in sales reached 23%. Rent reductions granted to a number of tenants have been determined, on a case by case basis, taking into account the decline in sales encountered by such tenants.

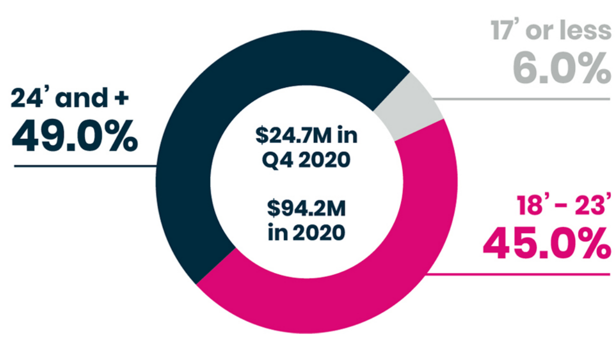
Industrial and Flex Highlights

Periods ended December 31, 2020	Quarter	Year
Rent collection	**96.4%**	**98.3%**
Growth in same property net operating income[1,2]	**4.9%**	**3.3%**
Growth in the average net rent of renewed leases	**12.9%**	**18.0%**
Committed occupancy rate		**96.7%**
Change in fair value	**$156M**	**$123M**

Same Property NOI by Geographic Market[3]



Clear Heights % of Portfolio Leasable Area



1 Refer to section "Non-IFRS Financial Measures".
2 Includes estimated financial impact of COVID-19.
3 Split as per quarter ended December 31, 2020.

Industrial and Flex Financial and Operational Highlights

Periods ended December 31	Quarter[2]			Year[2]		
	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Financial performance						
Operating revenues — Cominar's proportionate share [1]	**39,006**	38,164	2.2	**157,494**	159,397	(1.2)
NOI — Cominar's proportionate share [1]	**25,113**	24,101	4.2	**96,138**	93,539	2.8
Same property NOI [1]	**24,704**	23,550	4.9	**94,182**	91,215	3.3
Change in fair value of investment properties	**156,364**	353,847	N/M	**123,165**	360,615	N/M
Net income	**177,674**	370,894	(52.1)	**184,791**	434,930	(57.5)
Funds from operations (FFO) [1]	**21,189**	17,370	22.0	**77,793**	75,134	3.5
Adjusted funds from operations (AFFO) [1]	**19,873**	14,838	33.9	**68,885**	65,146	5.7
Income properties fair value — Cominar's proportionate share [1]				**1,931,935**	1,428,275	35.3
Financing						
Mortgages payable — Cominar's proportionate share [1]				**502,837**	538,246	
Unencumbered income properties				**634,715**	497,951	
Mortgages payable to income properties ratio [1,3]				**26.0 %**	37.7 %	
Operational data						
Number of investment properties				**190**	191	
Leasable area (in thousands of sq. ft.)				**15,252**	15,351	
Committed occupancy rate				**96.7 %**	97.1 %	
In-place occupancy rate				**95.3 %**	96.2 %	
Retention rate				**77.7 %**	72.6 %	
Growth in the average net rent of renewed leases				**18.0 %**	10.1 %	

1 Refer to section "Non-IFRS Financial Measures".
2 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"
3 Total of mortgages payable divided by the total income properties fair value - Cominar's proportionate share.

Industrial real estate continues to perform very well in the COVID-19 environment, in line with sound industrial market fundamentals. We expect that demand will keep increasing, mostly propelled by advances in e-commerce, re-shoring of manufacturing activities, increases in inventory levels, growth in 3PL, growth in last-mile logistics, growth in food storage and an acceleration of investments in life sciences in the coming years.

Fast and low-cost delivery remain the priority for e-commerce clients when buying online. As a result, warehouses located close to urban centers, commonly referred to as last-mile logistics are in very high demand and we expect a very competitive environment for these types of assets as same-day deliveries are becoming a standard. Cominar's Montreal industrial portfolio is located in 3 major nodes (South shore, St-Laurent/Lachine/Dorval, Laval) and therefore is extremely well located to take advantage of these opportunities which provide the highest rents as well-located last-mile facilities allow for lower operational costs and access to proximity labor.

In addition, the shortage of land to develop industrial properties has driven the price of land to new records. Combined with increasing urbanistic design conditions, the higher construction costs keep putting pressure on net rents for newly built properties, which are promoted in double digits net rents. This situation is providing additional room to grow rents for existing properties. Cominar, as the largest industrial property owner in Quebec, has 47% of it leases expiring in the next 3 years with rents below market rates, putting the REIT in a desirable position to create value through sustained rental increases.

Rent Collection - Industrial and Flex

Rent Collection Summary [1]

	Industrial and Flex	
	Quarter ended December 31, 2020	**Year ended December 31, 2020**
Collected and negotiated agreements	96.7 %	98.5 %
o/w received	96.4 %	98.3 %
o/w to be received (agreements)	0.3 %	0.2 %
To be received (others)	3.3 %	1.5 %
Total	**100.0 %**	**100.0 %**

1 As at March 2, 2021. As percentage of invoiced rent.

The following table presents industrial and flex net trade receivables as at December 31, 2020:

Industrial and flex trade receivables	As at December 31, 2020	As at December 31, 2019
	$	$
Trade receivables	6,357	3,936
Provision for expected credit losses	(2,859)	(1,633)
Total net trade receivables	3,498	2,303

The following table highlights expected credit losses for the periods ended December 31, 2020:

Industrial and flex	Quarter ended December 31, 2020	Year ended December 31, 2020
	$	$
Expected credit losses on trade receivables	1,396	2,487
Expected credit losses - forgiven portion of the CECRA programs	—	550
Expected credit losses - rent reductions	7	824
Total expected credit losses	1,403	3,861
Percentage of operating revenues	3.6 %	2.5 %

Cominar's expected credit losses for 2020 include the landlord portion to be forgiven under CECRA and the Quebec government program (CECRA programs) which represents 12.5% of the eligible tenant's rent, rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and a provision for short-term rent deferrals and all other receivables for which the recoverability is uncertain. Expected credit losses are presented in operating costs within operating expenses.

Results of Operations - Industrial and Flex

The following table highlights our results of operations for the periods ended December 31, 2020 and 2019:

Periods ended December 31	Quarter 2020 [1] $	Quarter 2019 $	Quarter % Δ	Year 2020 [1] $	Year 2019 $	Year % Δ
Operating revenues	**39,006**	38,165	2.2	**157,494**	159,397	(1.2)
Operating expenses	**(13,893)**	(14,063)	(1.2)	**(61,356)**	(65,858)	(6.8)
NOI	**25,113**	24,102	4.2	**96,138**	93,539	2.8
Finance charges	**(3,714)**	(6,559)	(43.4)	**(17,602)**	(17,703)	(0.6)
Trust administrative expenses	**(89)**	(849)	(89.5)	**(1,251)**	(1,372)	(8.8)
Change in fair value of investment properties	**156,364**	353,847	N/M	**123,165**	360,615	N/M
Transaction costs	**—**	(160)	100.0	**—**	(159)	100.0
Impairment of goodwill	**—**	—	—	**(15,721)**	—	(100.0)
Net income before income taxes	**177,674**	370,381	(52.0)	**184,729**	434,920	(57.5)
Current income taxes	**—**	—	—	**62**	10	520.0
Net income and comprehensive income	**177,674**	370,381	(52.0)	**184,791**	434,930	(57.5)

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"

Results of Operations - Same Property Industrial and Flex Portfolio

Cominar analyzes its results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties and pays particular attention to the performance of its same property portfolio. Same property industrial and flex portfolio includes the results of properties owned by Cominar as at December 31, 2018, with the exception of results from the properties sold, acquired or under development in 2019 and 2020, as well as the rental income arising from the recognition of leases on a straight-line basis.

Same property industrial and flex portfolio NOI

Periods ended December 31	Quarter 2020 [1] $	Quarter 2019 $	Quarter % Δ	Year 2020 [1] $	Year 2019 $	Year % Δ
Same property operating revenues - Cominar's proportionate share [2]	**38,504**	37,422	2.9	**154,846**	155,123	(0.2)
Same property operating expenses - Cominar's proportionate share [2]	**(13,800)**	(13,872)	(0.5)	**(60,664)**	(63,908)	(5.1)
Same property NOI - Cominar's proportionate share [2]	**24,704**	23,550	4.9	**94,182**	91,215	3.3

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The 2020 fourth quarter growth of 4.9% in same property industrial and flex NOI compared with the corresponding quarter of 2019 is mainly attributable to the 0.9% increase in the average in-place occupancy rate year over year, from the 18% growth in the average net rent of renewed leases and the positive impact of decreases in operating costs and realty taxes and services, partially offset by the negative financial impact of estimated credit losses of $1.4 million for the 2020 fourth quarter and $3.9 million for 2020. When analyzing the nature of the credit losses on trade receivables, 65% come from tenants occupying premises with areas inferior to 25,000 square feet, 76% come from tenants with clear heights inferior or equal to 24 feet, 87% come from tenants renting space in multi-tenant buildings. These observations are reinforcing our long-term strategy which is designed to increase the proportion of state of the art single tenant properties in our portfolio because these assets are clearly offering better resilience.

Also, short term fluctuations in the NOI may arise as a consequence of our strategy which may increase tenancy turnovers in order to capture the best opportunities in the market, net rent increases and NOI growth.

Our industrial and flex portfolio has shown resilience over the past few quarters, reflecting the current strength of the market. The outlook remains favorable due to the imbalance between supply and demand, despite the context of the COVID-19 pandemic and this allows us to remain focused on carrying out our strategic plan, focused on value creation and raising rents.

Behind the occupancy rate, which has remained relatively stable, lies a high volume of activity. We have been able to achieve sustained growth in rental renewals over the past 12 months. In all, 2.3 million square feet have been renewed with an average growth of 18.0% (20.2% or 1.19$ per square foot in Montreal; 10.6% or 0.78$ per square foot in Quebec City). In parallel, 0.7 million square feet with an average net rent of 5.38$ per square foot were not renewed or were terminated and were completely offset by the commencement of new leases totalizing 0.9 million square feet with an average rent of 7.43$ per square foot. This represents a favorable 38% spread in net rents between the departures and new leases.

We estimate that we are in an excellent position to continue the growth of industrial and flex NOI through rent increases over the next quarters, considering that 31% of the portfolio expires in 2021 and 2022 with an average rent currently estimated at a level significantly below the market.

	Quarter			Year		
Periods ended December 31	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Geographic Market						
Montreal	**17,544**	17,133	2.4	**67,753**	65,191	3.9
Quebec City	**7,160**	6,417	11.6	**26,429**	26,024	1.6
Same property NOI — Cominar's proportionate share [2]	**24,704**	23,550	4.9	**94,182**	91,215	3.3

1 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The industrial and flex portfolio continued its growth in the fourth quarter despite the impacts of COVID-19. The growth performance is mainly attributable to the strong rent conversions on 2020 renewals, with rent step-ups averaging 20.2% in Montreal and 10.6% in Quebec City.

Rents are increasing at a fast pace in the Montreal market. The Montreal portfolio has been operating at almost full occupancy for more than a year and it is therefore normal, as part of our strategy, to see short term fluctuations in the NOI as we are provoking tenancy turnovers in order to capture the best opportunities in the market, net rent increases and NOI growth. At December 31st 2020, the average net rent in the Montreal portfolio resulted in a 3.9% increase year-over-year.

The Quebec City industrial and flex portfolio experienced a same property NOI increase of 11.6% in the fourth quarter and of 1.6% year-over-year. This increase is mainly due to a reduction of expenses and an increase of the year-over-year average net rent of 3.8% across the Quebec City portfolio.

Same property industrial and flex portfolio NOI weighting

	Quarter		Year	
Periods ended December 31	2020	2019	2020	2019
Geographic market				
Montreal	**71.0 %**	72.8 %	**71.9 %**	71.5 %
Quebec City	**29.0 %**	27.2 %	**28.1 %**	28.5 %
Same property NOI — Cominar's proportionate share [1]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

1 *Refer to section "Non-IFRS Financial Measures".*

Single tenant vs multi-tenant properties by square foot

Industrial and flex	Single Tenant	Multi-Tenant	Total
Geographic Market			
Montreal	40.0 %	60.0 %	100.0 %
Quebec City	18.0 %	82.0 %	100.0 %
Global	**34.0 %**	**66.0 %**	**100.0 %**

Change in fair value of investment properties - Industrial and flex portfolio

Industrial is the asset classes that is experiencing the highest growth whether from the tenant's demand for space and from investors that expect great potential growth. As such, market rents have been adjusted to reflect tenant's strong demand for space and yields have been compressed up to 50 basis points. Adjustments have accounted for location to reflect stronger demands in Montreal and for quality of properties (age, height). Overall, values have increased by 8.7% in the fourth quarter of 2020 and by 6.7% for 2020.

Industrial and flex property portfolio

	As at December 31, 2020		As at December 31, 2019	
Industrial and flex	Number of properties	Leasable area sq. ft	Number of properties	Leasable area sq. ft
Geographic Market				
Montreal	**126**	**11,811,000**	127	11,910,000
Quebec City	**64**	**3,441,000**	64	3,441,000
Industrial and flex portfolio total	**190**	**15,252,000**	191	15,351,000

Investments in Industrial and Flex Properties

	Quarter			Year		
Periods ended December 31	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Capital expenditures — increase of rental income generating capacity	**1,152**	3,635	(68.3)	**3,790**	8,699	(56.4)
Capital expenditures — maintenance of rental income generating capacity	**2,433**	874	178.4	**3,055**	3,927	(22.2)
Leasehold improvements	**1,253**	2,440	(48.6)	**4,845**	7,792	(37.8)
Leasing costs	**541**	1,068	(49.3)	**2,278**	3,120	(27.0)
Properties under development	**142**	17	735.3	**259**	118	119.5
Total capital expenditures (including capitalized interests)	**5,521**	8,034	(31.3)	**14,227**	23,656	(39.9)
Total capital expenditures (excluding capitalized interests)	**5,521**	8,034	(31.3)	**14,227**	23,656	(39.9)

Industrial and flex development opportunities

We are making progress on two important industrial development sites:

The Curé-Labelle Development Project is a 1.7 million square foot parcel of land strategically located at the heart of Laval. It boasts an ideal location in the greater Montreal region offering quick access to the region's main highways. Phases 1 and 2, as planned, includes two state-of-the-art buildings measuring 200,000 square feet each. Architectural and engineering plans as well as project costs assessments are completed while project marketing and pre-leasing are currently underway. The beginning of construction is planned for spring 2021 and the delivery is expected for end of Q1 2022. Cominar retained the services of CBRE to lease Phase 1 and we are already discussing with potential tenants.

Ilot Mendel: As previously announced by competent authorities, it is expected that the site will eventually be central to the new Quebec City regional public transit network (Tramway) with a station directly on this site which we plan to develop with a mix of uses, including industrial and flex properties aimed at high technology facilities, subject to zoning. For industrial space users, this site will offer a unique setting in a walkable transit oriented development environment. Zoning discussions are ongoing with Quebec City for additional uses.

We are also conducting a thorough analysis in order to identify strategic land assembly, property redevelopment and densification opportunities within our industrial and flex portfolio, to capture the best last-mile high-rent opportunities. Several sites have been identified as offering redevelopment and densification opportunities, offering a potential 530,000 square feet of additional gross leasable area. We are also exploring roof-lifting and self-storage conversion opportunities in properties located in dense urban locations across our portfolio. Our leasing strategy has evolved to allow us to create windows of opportunity at different times over the next few years to redevelop these sites, resulting in a pipeline of opportunities that can be planned and marketed.

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Real Estate Operations - Industrial and Flex

Occupancy Rate

Occupancy rate track record - Global and same property portfolio

Industrial and flex	Committed Dec. 31, 2020	Committed Dec. 31, 2019	In-place Dec. 31, 2020	In-place Dec. 31, 2019
Geographic Market				
Montreal	**96.6 %**	96.9 %	**95.2 %**	96.0 %
Quebec City	**96.9 %**	97.9 %	**95.7 %**	96.5 %
Industrial and flex global and same property portfolio	**96.7 %**	97.1 %	**95.3 %**	96.2 %

In-place occupancy rates decreased by 0.8% in both Montreal and Quebec City year-over-year. This is a result of our strategy as we strive to increase rents and provoke tenancy turnover to realize rent uplift with new tenancies. We expect this movement to continue for upcoming quarters as we capture the best opportunities in rent conversion in a highly favorable rental environment. At this moment, we consider the occupancy rate and tenancy turnovers being at their optimal level, in order to allow us to capture market opportunities while generating growing cash flow streams.

Industrial and Flex Leasing Activity

Leases that matured in 2020	
Number of clients	226
Leasable area (sq. ft.)	2,966,000
Renewed leases	
Number of clients	153
Leasable area (sq. ft.)	2,306,000
Retention rate	**77.7 %**
New leases	
Number of clients	72
Leasable area (sq. ft.)	896,000
Unexpected departures	
Number of clients	23
Leasable area (sq. ft.)	193,000

During the year ended December 31, 2020, 2.3 million square feet or 77.7% of the industrial and flex leasable area maturing in 2020 were renewed. New leases were also signed, representing 0.9 million square feet of leasable area, while tenants whose leases were not expiring that left before the end of their lease totaled 0.2 million square feet of leasable area. At the end of 2020, we had covered over 107% of 2020 lease expires, replenishing the portfolio with new lease transactions and renewals. Our primary focus for the industrial portfolio remains rental growth and value creation.

Growth in the average net rent of renewed leases

Industrial and flex	Quarter ended December 31, 2020	Year ended December 31, 2020
Geographic Market		
Montreal	11.5 %	20.3 %
Quebec City	15.6 %	10.6 %
Industrial and flex portfolio total	12.9 %	18.0 %

Growth in the average net rent on renewed leases is measured by comparing the rent at the end of the lease to the rent at the beginning of the lease's renewal.

Industrial and Flex Lease Maturities

Years ending December 31	2021	2022	2023	2024	2025
Leasable area (sq. ft.)	2,193,035	2,542,814	2,353,817	1,690,010	1,858,118
% of portfolio — Industrial and flex	14.4 %	16.7 %	15.4 %	11.1 %	12.2 %

A total of 7.1 million square feet are coming to maturity within the next three years. Approximately 75% of these expires are located in the Greater Montreal region and show an in-place rent of $6.19 per square foot, which we estimate to be significantly under market as of today. As market rents are increasing at a sustained rhythm of 15-20% per year, the increase in rents, particularly in the Montreal area, represents a valuable value creation opportunity. Capturing the upside rent potential, even at the expense of short term industrial and flex NOI fluctuations, remains an important pillar in our industrial strategic plan.

The following table summarizes information on industrial and flex leases as at December 31, 2020:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent ($/sq. ft.)
Industrial and flex leases	7.2	7.7	16,616	7.23

Cominar has a broad, highly diversified industrial and flex client base consisting of approximately 900 tenants occupying an average of 16,616 square feet each. The top three clients, Infra MTL Inc. 1, LDC Logistics Development corp. and Société québécoise des infrastructures, account respectively for approximately 9.8%, 2.2% and 1.9% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 12.0% of operating revenues come from government agencies.

Top 10 industrial and flex clients

The following table presents our top ten industrial and flex clients by percentage of operating revenues:

Top 10 industrial and flex clients	% of industrial and flex leasable area [2]	% of industrial and flex operating revenues [2]
Infra MTL Inc. [1]	6.9 %	9.8 %
LDC Logistics Development corp	3.7 %	2.2 %
Société québécoise des infrastructures	1.3 %	1.9 %
Desjardins Property Management	0.9 %	1.6 %
Wolseley Canada	1.5 %	1.3 %
Groupe Colabor	1.4 %	1.2 %
GTI storage & handling inc.	1.4 %	1.2 %
Nortek Air Solutions Quebec	0.5 %	1.2 %
Englobe Corp	1.0 %	1.0 %
115161 Canada inc	1.1 %	0.9 %
Total	**19.7 %**	**22.3 %**

1 Infra MTL inc. is a wholly owned subsidiary of the Caisse de dépôt et placement du Quebec and is related to the REM project.
2 Based on tenants in-place as at December 31, 2020

Field of activity	% of industrial and flex leasable area [1]	% of industrial and flex operating revenues [1]
Distribution	29.5 %	28.4 %
Transportation and logistics	19.7 %	14.5 %
Government and paragovernmental institutions	9.8 %	13.0 %
Food distribution	7.3 %	6.3 %
Retail goods distribution	8.3 %	6.8 %
Engineering firms	3.3 %	6.9 %
Manufacturing	3.3 %	4.3 %
Heavy industry	3.7 %	3.4 %
Financial services real estate and bank services	2.3 %	3.2 %
Other	12.8 %	13.2 %
Total	**100.0 %**	**100.0 %**

1 Based on tenants in-place as at December 31, 2020

Corporate Financial and Operational Highlights

Periods ended December 31	Quarter[2]			Year[2]		
	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Financial performance						
Finance charges	**(18,018)**	(22,099)	(18.5)	**(66,351)**	(75,580)	(12.2)
Trust administrative expenses	**(3,778)**	(2,251)	67.8	**(10,863)**	(7,054)	54.0
Net income (loss)	**(21,796)**	(24,555)	(11.2)	**(77,214)**	(90,906)	(15.1)
Funds from operations (FFO) [1]	**(20,345)**	(24,394)	(16.6)	**(76,652)**	(90,230)	(15.0)
Adjusted funds from operations (AFFO) [1]	**(20,346)**	(24,368)	(16.5)	**(76,651)**	(90,204)	(15.0)
Financing[3]						
Unsecured credit facility				**74,158**	117,856	
Secured credit facilities				**292,800**	180,000	
Debentures				**1,070,491**	1,320,962	

1 Refer to section "Non-IFRS Financial Measures".
2 Quarter and year ended December 31, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
3 Refer to section Liquidity and Capital resources.

Corporate expenses

Corporate expenses comprise finance charges related to unsecured debentures and the credit facilities and Trust administrative expenses not allocated to properties.

Finance charges

The decrease in finance charges related to Corporate during 2020, compared with 2019, is mainly due to the decrease in interest on debentures related to the net redemption of $700.0 million of debentures since June 2019 and a lower interest rate environment.

Trust administrative expenses

During 2020, Trust administrative expenses related to Corporate increased compared with 2019 mainly due to the positive impact of $1.3 million on salaries and other benefits of the CEWS program, partially offset by strategic alternative consulting fees. On September 15, 2020, Cominar announced the initiation of a strategic review process to identify, review and evaluate a broad range of potential strategic alternatives available to it with a view to continuing to enhance unitholder value. As at December 31, 2020, $1.7 million was incurred regarding this project.

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 all Cominar distributions. All issued units are fully paid.

	Year ended December 31, 2020	Year ended December 31, 2019
	Units	Units
Units issued and outstanding, beginning of year	**182,111,365**	181,956,349
Exercise of options, conversion of restricted units and deferred units	**339,661**	155,016
Units issued and outstanding, end of year	**182,451,026**	182,111,365

Additional information	March 2, 2021
Issued and outstanding units	182,451,026
Outstanding unit options	3,314,050
Deferred units, restricted units and performance units	859,398

Long Term Incentive Plan

				Unit options	
					Weighted average exercise price
Year ended December 31, 2020	Performance units	Deferred units	Restricted units	Quantity	$
Outstanding, beginning of year	349,766	334,115	2,311	5,235,900	14.15
Granted	141,403	109,499	—	—	—
Converted or exercised	—	(78,472)	(1,039)	(260,150)	13.93
Forfeited or cancelled	(42,773)	(18,136)	—	(1,590,600)	14.16
Accrued distributions	31,402	22,018	87	—	—
Outstanding, end of year	**479,798**	**369,024**	**1,359**	**3,385,150**	**14.16**
Vested units/options, end of year	**—**	**235,414**	**—**	**3,385,150**	**14.16**

As at December 31, 2020, the maximum number of units that may be issued under the long-term incentive plan is 16,055,878 units.

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, 2020, 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, 2020, 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.

Significant Accounting Policies and Estimates used in the financial statements

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies and application methods thereof have been consistently applied throughout each of the fiscal years presented in these consolidated financial statements, with the exception of the COVID-19 related critical accounting estimates and judgments described below.

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:

COVID-19 related critical accounting estimates and judgments
The continued spread of the of respiratory illness caused by the novel coronavirus ("COVID 19") globally have materially and adversely impacted Cominar and certain of its tenants' businesses and operations and could continue to impact Cominar and its tenants' business and operations in the short term and in the long term. Certain aspects of Cominar's business and operations that have been impacted or could be potentially impacted in the future include, without limitation, employee health, rental income, occupancy, tenant improvements, demand for space and market rents, which all ultimately affect the current and future valuation of our portfolio of properties and other factors that depend on future developments beyond Cominar's control. Expected credit losses related to tenant's financial strength during this pandemic are also subject to significant uncertainty.

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

- ***Canada Emergency Commercial Rent Assistance (CECRA)***
  CECRA provided relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, it allowed landlords to reduce rent by 75 % from April to September 2020 for their small business tenants. CECRA covered 50 % of the rent, with the tenant paying 25 % and the landlord forgiving 25 %. The Quebec government implemented a program that covers the same period and which covered 50% of the landlord's forgiveness of 25%. Following a detailed analysis of the CECRA guidelines published by the federal government, Cominar concluded that the tenant acted as the principal and Cominar acted as the agent and consequently, Cominar recorded the portion of the rent paid by the CECRA (and the Quebec government program) as lease revenue receivable from the federal and the provincial governments. Since the eligibility of each tenant was determined or the program extension was announced, as the case may be, after rents were already invoiced, the landlord portion to be forgiven was accounted for as an expected credit loss. The tenant portion of the program was recorded as usual. Cominar estimated CECRA's amounts to be recorded in its financial statements based on the program criteria prequalification form received from tenants who made a request for financial assistance. Actual results may differ and depend on the government's assessment of a tenant's eligibility to the program.

- ***Investment properties***
  Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using valuations from internal and independent real estate appraisers, performed in accordance with recognized valuation techniques, as well as definitive agreements to sell investment properties. Techniques used include the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates, and the direct capitalized net operating income method that involves stabilized net operating income and overall capitalization rates. Estimates regarding stabilized net operating income, expected future cash flows, overall capitalization rates, discount and terminal capitalization rates have all been impacted by the current COVID-19 and impacts have been considered in these consolidated financial statements.

- ***Provision for expected credit losses***
  Cominar's provision for expected credit losses as of December 31, 2020 includes estimates of the uncertainty of the recoverability of rents related to tenants, for the uncertainty of the recoverability on short-term rent deferrals and for the uncertainty of the recoverability of all other trade receivables. Actual results may differ.

- ***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 expected future net operating income as well as discount and terminal capitalization rates. These assumptions are based on Cominar’s past experience as well as on external sources of information. The recoverable value is the higher of the fair value less costs to sell and the value in use. Should the carrying amount 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.

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 internal and independent appraisers valuations or according to definitive agreements to sell investment properties. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as stabilized 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 amount 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.

Tenant inducements
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.

Investment properties held for sale
Investment properties held for sale are classified as being held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Investment properties held for sale continue to be measured using the fair value model.

Financial instruments
Cominar groups its financial instruments into classes according to the purpose for which they were acquired and to their 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 and accounts receivable are classified as "Financial assets at amortized cost." 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, bank borrowings, and accounts payable and accrued liabilities are classified as "Financial liabilities at amortized cost." 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 activities.

Deferred financing costs
Issue costs incurred to obtain term loan financing, typically through mortgages payable or 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 credit facilities are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the 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. Contingent rents 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.

Government grants
Government grants are recognized only when Cominar has reasonable assurance that it meets the conditions and will receive the grants. Cominar has determined that government grants related to expenses such as the Canadian Emergency Wage Subsidy are recognized in profit or loss as a deduction of the related expenses.

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.

Performance units
Cominar recognizes a compensation expense on performance units, 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 a 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.

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.

Unit options
Cominar recognizes a compensation expense on unit options 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.

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 (net loss) per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income (net loss) per unit on a diluted basis considers the potential issuance of units under the long-term incentive plan, if dilutive.

Segment information
Segment information is determined based on internal reports that are regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and assessing its performance. Cominar's segments are managed by use of properties.

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:

Risk Factors Related to the Business of Cominar

COVID-19 Health Crisis
COVID-19 and the resulting government restrictive measures continue to have a significant impact on the global and domestic economy since the onset of the pandemic in March 2020. While many areas experienced a respite in case counts delineating the first wave, the pandemic entered a second wave with increased case outbreaks. Subsequent to year end 2020, the Government of Quebec took another set of measures to slow the pandemic spread by announcing on January 8, 2021 the closing of non-essential retail operations throughout the province and by making teleworking mandatory for people working in offices, except for workers whose public or private sector employers deem their presence necessary to pursue the organization's activities.

Cominar has implemented additional safety measures at all of its properties, including increased frequency in cleaning and disinfecting, as well as physical distancing practices. As the COVID-19 pandemic evolves, Cominar will continue to act according to directions provided by the Federal, Provincial and Municipal governments. Despite the recent rollout of vaccinations across Canada and globally, the longevity and extent of the pandemic, the duration and intensity of resulting business disruptions and related financial, social and public health impacts currently remain fluid and uncertain.
Such continuing risks and uncertainties arising from the COVID-19 health crisis include, but are not limited to, consumer demands for tenant's products or services; consumer foot traffic to tenant stores and Cominar shopping centres; changing consumer habits and level of discretionary spending; mobility restrictions; increased unemployment; tenants' ability to adequately staff their businesses; tenants' ability to pay rent as required under their leases; the extent of tenant business closures and changes in tenant business strategies that may impact retail real estate occupancy; changes in the creditworthiness of tenants; leasing activities; market rents; the availability, duration and effectiveness of various support programs that are or may be offered by the various levels of government in Canada; the introduction or extension of temporary or permanent rent control or other form of regulation or legislation that may limit Cominar's ability or its extent to raise rents based on market conditions upon lease renewals or restrict existing landlord rights or landlord's ability to reinforce such landlord rights; the availability and extent of support programs that Cominar may offer its tenants; the pace of property lease-up or rents and yields achieved upon development completion; domestic and global supply chains; labor supply and demand; and the capitalization rates that arm's length buyers and sellers are willing to transact on properties.

Many of these factors could not only impact Cominar's operations and financial performance but could also have a material adverse impact on Cominar's investment property valuations because such factors could have a direct or indirect impact on net operating income, cash flows or capitalization rates, among others, that are inputs to investment property valuations. During 2020, management revalued the entire real estate portfolio using internal and external valuations and determined that a net decrease of $469.8 million was necessary to adjust the carrying amount of investment properties to fair value. The negative change in fair value related to investment properties held as at December 31, 2020 amounts to $471.1 million. As the events unfold in association with the pandemic, further adjustments to Cominar's IFRS value of investment properties, which could be negative or positive, may be required.

The ongoing pandemic could also impact the timelines and costs related to the execution of Cominar's strategic plan, as well as the pace of maintenance of its capital expenditures. The current pandemic could also increase risks associated with cyber security, information technology systems and networks, which in turn could impact Cominar's business and operations.
The spread, duration and severity of COVID-19 could adversely affect global economies, including credit and capital markets, resulting in a short-term or long-term economic downturn, which could potentially increase the difficulty and cost of accessing capital.

Access to Capital and Debt Financing, and Current Global Financial Conditions
The real estate industry is capital intensive. Cominar requires access to capital to maintain its properties, as well as to fund its growth strategy and its 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 unsecured revolving credit facility or other sources due to limitations on Cominar's ability to incur debt set forth in the Contract of Trust or conditions in its debt instruments. Cominar's access to the unsecured debenture market and the cost of Cominar's borrowings under the unsecured revolving credit facility are also dependent on its credit rating. A negative change in its credit rating could further materially adversely impact Cominar. See "Risks and Uncertainties - Risk Factors Related to the Ownership of Securities - Credit rating".

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. Failure to raise or access capital in a timely manner or under favourable terms could have a material adverse effect on Cominar's financial position and results of operations, including on its development program.

Debt Financing
Cominar has to have substantial outstanding consolidated borrowings comprised primarily of hypothecs, mortgages, debentures, and borrowings under its unsecured revolving credit facility. Cominar intends to finance its growth strategy, including developments and acquisitions, through a combination of asset sales, 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 provide that, upon an event of default, such indebtedness becomes immediately due and payable and distributions that may be made by Cominar may be restricted. Therefore, upon an event of default under such borrowings, or 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 current stated amount of $400 million is repayable in July 2021 and Cominar is in discussions with its lead banks for a new credit facility and there can be no assurance that the terms will be as favorable as the current credit facility. As at December 31, 2020, bank borrowings totaled $74.2 million under this unsecured credit facility. As at December 31, 2020, Cominar had a secured credit facility of $172.8 million maturing in September 2023. As at December 31, 2020, this credit facility was fully used. In 2020, Cominar entered into a new secured credit facility of $120.0 million maturing in September 2022. As at December 31, 2020, this credit facility was fully used.

Between January 2021 and May 2024, $1.075 billion of Senior Debentures will come to maturity, with $200.0 million aggregate principal amount of Series 8 Senior Debentures due first in December 2021.

Cominar is exposed to debt financing risks, including the risk that the existing hypothecary borrowings secured by its properties, the unsecured revolving credit facility or the Senior Debentures cannot be refinanced or that the terms of such refinancing will not be as favorable as the terms of the existing loans.

A downgrade of the credit rating assigned by DBRS to Cominar and to the unsecured debentures could materially adversely impact Cominar. See "Risks and Uncertainties - Risk Factors Related to the Business of Cominar - Credit Rating."

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, the economic environment in which they operate and the increase in interest rates. Due to difficult conditions in the Canadian retail environment, certain retailers have announced the closure of their stores, including Sears Canada Inc. and other retailers, who were or are, as the case may be, tenants of Cominar. Other retailers may follow. Cominar has also been impacted by vacancies and by the downward review of rents in the Montréal Area’s suburban office market (including Laval) and the Ottawa Area office market. 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 Cominar’s properties cannot be leased on economically favourable lease terms, or simply re-leased. 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 Cominar’s properties will be affected by many factors, including the level of general economic activity and competition for tenants by other similar properties. 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, operating and maintenance costs, capital repairs and enhancements, hypothecary payments, insurance costs and related charges must be made throughout the period of ownership of Immovable Property regardless of whether the property is producing any income. In order to retain desirable rentable space and to generate adequate revenue over the long term, Cominar must maintain or, in some cases, improve each property's condition to meet market demand. Maintaining a rental property in accordance with market standards can entail significant costs, which Cominar may not be able to recover from its tenants. In addition, property tax reassessments based on updated appraised values may occur, which Cominar may not be able to recover from its tenants. As a result, Cominar could have to bear the economic cost of such operating costs and/or taxes which may adversely impact Cominar's financial condition and results from operations and decrease the amount of cash available for distribution to Unitholders. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. The timing and amount of capital expenditures may indirectly affect the amount of cash available for distributions to Unitholders. In addition, if Cominar is unable to meet mortgage payments on a property, a loss could be sustained as a result of the mortgage creditor’s exercise of its hypothecary remedies.

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

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

Environmental Matters

Environmental and ecological legislation and 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 its 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 its properties, nor is Cominar aware of any environmental condition with respect to any of its properties that it believes would involve material expenditures by Cominar, other than in respect of remediation expenditures taken into consideration as part of the acquisition of properties.

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. See "Description of the Business - Investment Guidelines and Operating Policies - Operating Policies" on pages 8 to 9 of the 2019 AIF.

Climate Change
Climate change has continued to attract the focus of governments, the scientific community and the general public as an important threat, given the emission of greenhouse gases and other activities continue to negatively impact the planet. As a real estate property owner and manager, Cominar faces the risk that its properties will be subject to government initiatives aimed at countering climate change, such as reduction of greenhouse gas emissions, which could impose constraints on its operational flexibility. To the extent any such initiative would require Cominar to ensure its tenants compliance and/or constrain their activities in any way, this could have an undesirable effect on Cominar’s ability to successfully pursue its leasing strategy. Furthermore, Cominar’s properties may be exposed to the impact of events caused by climate change, such as natural disasters and increasingly frequent and serious weather conditions. Such events could interrupt Cominar’s operations and activities, damage its properties, diminish traffic and require Cominar to incur important additional expenses. Cominar’s financial position and results from operations, as well as its ability to secure and maintain lucrative leases, would be adversely affected by the materialization of any of the risks identified herein related to climate change.

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, pension funds and other 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.

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.

The feasibility, timing and profitability of certain of Cominar’s intensification and densification opportunities may be affected by the completion of certain mass transit initiatives such as the REM, the extension of the Metro, tramways and trambuses, and light rail trains. There can be no assurance that any such initiatives will be completed or as to the timing thereof. Such intensification and development initiatives may also be impacted by escalating construction costs and required zoning changes. There can be no assurance that any such zoning changes can be obtained. Special taxes, levies and assessments may be incurred by Cominar in respect of such developments.

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. See "Risks and Uncertainties - Risk Factors Related to the Business of Cominar - Environmental matters".

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

General Uninsured Losses
Cominar carries a blanket comprehensive general liability and a property policy 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 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 hypothecary recourse or mortgage indebtedness on such properties.

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

Cybersecurity Events
Cominar faces various security threats, including cybersecurity threats to gain unauthorized access to sensitive information, to render data or systems unusable, or otherwise affect Cominar's ability to operate. Cominar's operations require it to use and store personally identifiable and other sensitive information of its tenants and employees. The collection and use of personally identifiable information is governed by Canadian federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. The security measures put in place by Cominar in that regard cannot provide absolute security, and Cominar's information technology infrastructure may be vulnerable to cyberattacks, including without limitation, malicious software, attempts to gain unauthorized access to data hereinabove mentioned, and other electronic security breaches that could lead to disruptions in critical systems, corruptions of data and unauthorized release of confidential or otherwise protected information. The occurrence of one of these events could cause a substantial decrease in revenues, increased costs to respond or other financial loss, damage to reputation, increased regulation or litigation or inaccurate information reported by Cominar's operations. These developments may subject Cominar's operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could have a material adverse effect on Cominar's financial position and results of operations.

Cominar has developed an IT security risk management program based on the NIST framework and focuses across a broad spectrum of preventative and protective measures. These measures include, but are not limited to, security awareness and training programs for all employees, patch and technological debt management, identity and access control, regular security posture assessment performed by specialized third parties and various monitoring activities. The overall strategic security plan focuses on identifying Cominar's risk profile and prioritizing the appropriate security measures and its threat management initiatives.

Risk Factors Related to the Ownership of Securities

Market Price
A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, 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 debts.

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. See "Risks and Uncertainties - Risk Factors Related to the Business of Cominar - Debt financing".

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 (an “annuitant”) 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 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 hypothecary creditors under assumed hypothecs that assumed hypothec obligations will not be binding personally upon the Trustees or the Unitholders.

Claims against Cominar may arise other than under contracts, including claims in delict, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of Unitholders for such claims is considered remote under the laws of the Province of 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 Quebec 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 DRIP (which is currently suspended), 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 Income Tax Act and remits such payment to the tax authorities on behalf of the Unitholder. The Income Tax Act contains measures to subject to Canadian non-resident withholding tax on certain otherwise non-taxable distributions of Canadian mutual funds to non-resident Unitholders. This may limit the demand for Units and thereby affect their liquidity and market value.

Cash Distributions are not Guaranteed
There can be no assurance regarding the amount of income to be generated by Cominar's properties. The ability of Cominar to make cash distributions, and the actual amounts distributed, will be entirely dependent on the operations and assets of Cominar and its subsidiaries, and will be subject to various factors including financial performance and results of operations, 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 a corporation in various circumstances.

Status for Tax Purposes
Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the Trustees intend to distribute or designate all taxable income directly earned by Cominar to Unitholders and to deduct such distributions and designations for income tax purposes. In the context of the sale of a significant part of its Investment Properties, Cominar could end up with a substantial taxable profit that would require it to make a sizeable additional special distribution to avoid having to pay taxes itself.

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

A special tax regime applies to trusts that are considered 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 (the "Real Estate Investment Trust Exception"). 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 2021 and any other subsequent year.

Risk Factors Related to the Ownership of Senior Debentures

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

On December 29, 2020, DBRS confirmed Cominar's credit rating as BB (high) but changed the outlook from "Stable" to "Negative"". Any further downgrade of the credit rating assigned by DBRS to Cominar and to the Senior Debentures could have a material adverse effect on Cominar.

Trading Market for Senior Debentures
There is currently no trading market for Senior Debentures. No assurance can be given that an active or liquid trading market for these securities will develop or be sustained. If an active or liquid market for these securities fails to develop or be sustained, the prices at which these securities trade may be adversely affected. Whether or not these securities will trade at lower prices depends

on many factors, including the liquidity of these securities, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Cominar's financial position, historic financial performance and future prospects.

Market Price or Value Fluctuation
If the Senior 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 Senior Debentures depends on many factors, including liquidity of the Senior 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 Senior 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 Senior 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 Senior Debentures may be adversely affected.

Senior Debentures Redemption Right Risk
Cominar may choose to redeem the Senior 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 Senior 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 Senior Debentures being redeemed.

Inability of Cominar to Purchase Senior Debentures on a Change of Control
Cominar may be required to purchase all outstanding Senior 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 Senior Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Consolidated Financial Statements

Cominar Real Estate Investment Trust

December 31, 2020

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, 2020, 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 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, 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, 2020 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

SYLVAIN COSSETTE
President and Chief Executive Officer

ANTOINE TRONQUOY
Executive Vice President
and Chief Financial Officer

Québec, March 2, 2021

Independent auditor's report

To the Unitholders of
Cominar Real Estate Investment Trust

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Cominar Real Estate Investment Trust and its subsidiaries (together, the Trust) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Trust's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2020 and 2019;
- the consolidated statements of unitholders' equity for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence
We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
Place de la Cité, Tour Cominar, 2640 Laurier Boulevard, Suite 1700, Québec, Quebec, Canada G1V 5C2 T: +1 418 522 7001, F: +1 418 522 5663

Key audit matter	How our audit addressed the key audit matter

Determination of the fair value of income properties

Refer to note 2 – Significant accounting policies and note 4 – Income properties.

The Trust opted to present its income properties in the consolidated financial statements according to the fair value model. The fair value of the income properties as at December 31, 2020 was $6,077 million, and the change in fair value of the income properties represented a decrease in fair value of $456 million for the year then ended. Income properties are valued using management's internal estimates and by independent real estate appraisers. Internally and externally valued income properties have been valued with the discounted cash flow method (the DCF method). The key assumptions used in the DCF method relate to rental income from current leases, budgeted and actual expenses, and assumptions about rental income for future leases, discount rates and terminal capitalization rates.

We considered this a key audit matter due to the significant judgments made by management when determining the fair values of the income properties and the high degree of complexity in applying audit procedures to test key assumptions. In addition, the effort involved the use of professionals with specialized skills and knowledge in the field of real estate valuations.

Our approach to address the matter included the following procedures, among others:

- Tested the operating effectiveness of internal control over the determination of fair value of income properties, which includes management's review of the key assumptions used in the DCF method.
- Tested how management determined the fair value of a sample of income properties, which included the following:
  - Tested the appropriateness of the DCF method used by management.
  - Tested the reasonableness of assumptions such as terminal capitalization rates used in the fair value assessment of income properties by comparing the rates to industry data for similar properties in the same geographic area.
  - Evaluated the reasonableness of the assumptions related to rental income for current and future leases and budgeted and actual expenses by considering:
    - the past rental income generated by the respective income property;
    - comparability with external market and industry data; and
    - whether those assumptions were consistent with evidence obtained in other areas of the audit.
- Professionals with specialized skills and knowledge in the field of real estate valuations assisted us in evaluating the appropriateness of the DCF method and in evaluating the reasonableness, as applicable, of the rental income for future leases, discount rates and terminal capitalization rates.
- Tested the mathematical accuracy of the DCF method.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is François Berthiaume.

PricewaterhouseCoopers LLP[1]

Québec, Quebec
March 2, 2021

1 CPA auditor, CA, public accountancy permit No. A125971

Consolidated Balance Sheets

[in thousands of Canadian dollars]

As at	Note	December 31, 2020 $	December 31, 2019 $
Assets			
Investment properties			
Income properties	4	**6,077,025**	6,412,739
Properties under development	5	**26,315**	41,471
Land held for future development	5	**87,910**	100,507
		6,191,250	6,554,717
Investment properties held for sale	6	**20,990**	11,730
Investments in joint ventures	7	**97,497**	97,456
Goodwill	8	**—**	15,721
Accounts receivable	9	**51,816**	37,930
Prepaid expenses and other assets		**19,132**	22,232
Cash and cash equivalents		**13,594**	152,634
Total assets		**6,394,279**	6,892,420
Liabilities			
Mortgages payable	10	**2,105,906**	2,114,021
Debentures	11	**1,070,491**	1,320,962
Bank borrowings	12	**366,958**	180,000
Accounts payable and accrued liabilities	13	**126,350**	126,543
Deferred tax liabilities		**93**	93
Total liabilities		**3,669,798**	3,741,619
Unitholders' equity			
Unitholders' equity		**2,724,481**	3,150,801
Total liabilities and unitholders' equity		**6,394,279**	6,892,420

See accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees.

René Tremblay
Chairman of the Board of Trustees

Michel Théroux, FCPA, FCA
President of the Audit Committee

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 $	Total $
Balance as at January 1, 2020		3,228,903	2,112,583	(2,197,010)	6,325	3,150,801
Net loss and comprehensive loss		—	(329,277)	—	—	(329,277)
Distributions to unitholders	14	—	—	(103,980)	—	(103,980)
Unit issuances	14	4,583	—	—	(978)	3,605
Long-term incentive plan	14	—	283	—	3,049	3,332
Balance as at December 31, 2020		**3,233,486**	**1,783,589**	**(2,300,990)**	**8,396**	**2,724,481**

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2019		3,226,929	1,649,516	(2,065,942)	5,193	2,815,696
Net income and comprehensive income		—	462,504	—	—	462,504
Distributions to unitholders	14	—	—	(131,068)	—	(131,068)
Unit issuances		1,974	—	—	(1,277)	697
Long-term incentive plan	14	—	563	—	2,409	2,972
Balance as at December 31, 2019		3,228,903	2,112,583	(2,197,010)	6,325	3,150,801

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	2020 $	2019 $
Operating revenues			
Rental revenue from investment properties	15	**661,320**	704,041
Operating expenses			
Operating costs	18	**(163,174)**	(160,611)
Realty taxes and services		**(155,526)**	(169,652)
Property management expenses	18	**(15,433)**	(15,456)
		(334,133)	(345,719)
Net operating income		**327,187**	358,322
Finance charges	19	**(143,640)**	(151,051)
Trust administrative expenses	20	**(16,973)**	(17,254)
Change in fair value of investment properties	4, 5, 6	**(469,763)**	276,475
Share in joint ventures' net income (loss)	7	**(5,058)**	7,200
Transaction costs	21	**(5,375)**	(6,463)
Restructuring costs	22	**—**	(4,774)
Impairment of goodwill	8	**(15,721)**	—
Net income (loss) before income taxes		**(329,343)**	462,455
Income taxes			
Current		**66**	—
Deferred		**—**	49
		66	49
Net income (loss) and comprehensive income		**(329,277)**	462,504
Net income (loss) per unit (basic and diluted)	23	**(1.80)**	2.54

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	2020 $	2019 $
Operating activities			
Net income (loss)		**(329,277)**	462,504
Adjustments for:			
Excess of share of net income (loss) over distributions received from the joint ventures	7	**5,545**	(4,838)
Change in fair value of investment properties	4, 5, 6	**469,763**	(276,475)
Depreciation and amortization		**6,644**	4,830
Compensation expense related to long-term incentive plan	14	**3,332**	2,972
Deferred income taxes		**—**	(49)
Impairment of goodwill	8	**15,721**	—
Recognition of leases on a straight-line basis	4, 5, 6	**1,485**	(288)
Changes in non-cash working capital items	24	**(8,747)**	3,212
Cash flows provided by operating activities		**164,466**	191,868
Investing activities			
Investments in income properties	4, 24	**(131,773)**	(132,978)
Investments in properties under development and land held for future development	5, 24	**(23,650)**	(31,344)
Net proceeds from the sale of investment properties	3, 4, 6	**24,205**	260,606
Proceeds from the sale of interest in a joint venture	7	**4,012**	—
Contributions to the capital of a joint venture	7	**(17)**	(150)
Change in other assets		**(795)**	(1,047)
Cash flows provided by (used in) investing activities		**(128,018)**	95,087
Financing activities			
Cash distributions to unitholders	14	**(103,980)**	(131,068)
Bank borrowings		**186,958**	27,050
Mortgages payable	10	**221,398**	662,773
Net proceeds from issuance of debentures	11	**148,147**	197,143
Unit issuance net proceeds	14	**3,605**	697
Repayment of debentures	11	**(400,000)**	(600,000)
Repayments of mortgages payable	10	**(180,991)**	(238,183)
Monthly repayments of mortgages payable	10	**(50,625)**	(54,231)
Cash flows used in financing activities		**(175,488)**	(135,819)
Net change in cash and cash equivalents		**(139,040)**	151,136
Cash and cash equivalents, beginning of year		**152,634**	1,498
Cash and cash equivalents, end of year		**13,594**	152,634
Other information			
Interest paid		**144,681**	148,823
Cash distributed by a joint venture	7	**487**	2,362

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2020 and 2019
[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, 2020, Cominar owned and managed a real estate portfolio of 314 high-quality properties that covered a total area of 35.8 million square feet in the Province of Quebec and in Ottawa.

Cominar is listed on the Toronto Stock Exchange, and its units trade under the symbol "CUF.UN." The head office is located at Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 850, Québec City, 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 2, 2021.

2) Significant Accounting Policies

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies and application methods thereof have been consistently applied throughout each of the fiscal years presented in these consolidated financial statements, with the exception of the COVID-19 related critical accounting estimates and judgments described below.

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:

COVID-19 related critical accounting estimates and judgments
The continued spread of the of respiratory illness caused by the novel coronavirus ("COVID 19") globally have materially and adversely impacted Cominar and certain of its tenants' businesses and operations and could continue to impact Cominar and its tenants' business and operations in the short term and in the long term. Certain aspects of Cominar's business and operations that have been impacted or could be potentially impacted in the future include, without limitation, employee health, rental income, occupancy, tenant improvements, demand for space and market rents, which all ultimately affect the current and future valuation of our portfolio of properties and other factors that depend on future developments beyond Cominar's control. Expected credit losses related to tenant's financial strength during this pandemic are also subject to significant uncertainty.

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

- ***Canada Emergency Commercial Rent Assistance (CECRA)***
  CECRA provided relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, it allowed landlords to reduce rent by 75 % from April to September 2020 for their small business tenants. CECRA covered 50 % of the rent, with the tenant paying 25 % and the landlord forgiving 25 %. The Quebec government implemented a program that covers the same period and which covered 50% of the landlord's forgiveness of 25%. Following a detailed analysis of the CECRA guidelines published by the federal government, Cominar concluded that the tenant acted as the principal and Cominar acted as the agent and consequently, Cominar recorded the portion of the rent paid by the CECRA (and the Quebec government program) as lease revenue receivable from the federal and the provincial governments. Since the eligibility of each tenant was determined or the program extension was announced, as the case may be, after rents were already invoiced, the landlord portion to be forgiven was accounted for as an expected credit loss. The tenant portion of the program was recorded as usual. Cominar estimated CECRA's amounts to be recorded in its financial statements based on the program criteria prequalification form received from tenants who made a request for

financial assistance. Actual results may differ and depend on the government's assessment of a tenant's eligibility to the program.

- ***Investment properties***
  Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using valuations from internal and independent real estate appraisers, performed in accordance with recognized valuation techniques, as well as definitive agreements to sell investment properties. Techniques used include the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates, and the direct capitalized net operating income method that involves stabilized net operating income and overall capitalization rates. Estimates regarding stabilized net operating income, expected future cash flows, overall capitalization rates, discount and terminal capitalization rates have all been impacted by the current COVID-19 and impacts have been considered in these consolidated financial statements.

- ***Provision for expected credit losses***
  Cominar's provision for expected credit losses as of December 31, 2020 includes estimates of the uncertainty of the recoverability of rents related to tenants, for the uncertainty of the recoverability on short-term rent deferrals and for the uncertainty of the recoverability of all other trade receivables. Actual results may differ.

- ***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 expected future net operating income as well as discount and terminal capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the higher of the fair value less costs to sell and the value in use. Should the carrying amount 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.

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 internal and independent appraisers valuations or according to definitive agreements to sell investment properties. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as stabilized 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 amount 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.

Tenant inducements
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.

Investment properties held for sale
Investment properties held for sale are classified as being held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Investment properties held for sale continue to be measured using the fair value model.

Financial instruments
Cominar groups its financial instruments into classes according to the purpose for which they were acquired and to their 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 and accounts receivable are classified as "Financial assets at amortized cost." 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, bank borrowings, and accounts payable and accrued liabilities are classified as "Financial liabilities at amortized cost." 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 activities.

Deferred financing costs
Issue costs incurred to obtain term loan financing, typically through mortgages payable or 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 credit facilities are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the 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. Contingent rents 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.

Government grants
Government grants are recognized only when Cominar has reasonable assurance that it meets the conditions and will receive the grants. Cominar has determined that government grants related to expenses such as the Canadian Emergency Wage Subsidy are recognized in profit or loss as a deduction of the related expenses.

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.

Performance units
Cominar recognizes a compensation expense on performance units, 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 a 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.

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.

Unit options
Cominar recognizes a compensation expense on unit options 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.

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 (net loss) per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income (net loss) per unit on a diluted basis considers the potential issuance of units under the long-term incentive plan, if dilutive.

Segment information
Segment information is determined based on internal reports that are regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of allocating resources to the segment and assessing its performance. Cominar's segments are managed by use of properties.

3) Dispositions

Dispositions of Income Properties Held for Sale in 2020

Date	Property type	Number of properties	Geographic market	Total selling price ($)
January 21, 2020	Retail	2	Montreal	850
January 23, 2020	Land	—	Montreal	1,855
September 17, 2020	Office	1	Montreal	14,250
December 1, 2020	Industrial and flex	1	Montreal	7,250
		4		**24,205**

These properties sold during fiscal 2020 have been subject to an overall increase in their carrying amount to their fair value of $1,437 in 2020. These properties had been subject to an overall increase in their carrying amount to their fair value of $6,669 in 2019.

Dispositions of Income Properties Held for Sale in 2019

Date	Property type	Number of properties	Geographic market	Total selling price ($)
January 11, 2019	Office	1	Montreal	4,100
January 14, 2019	Industrial and flex	1	Quebec City	1,200
January 16, 2019	Retail	1	Montreal	1,841
February 15, 2019	Office and Retail	10	Montreal	41,250
March 26, 2019	Industrial and flex	1	Montreal	26,000
April 18, 2019	Office	1	Moncton, Nouveau-Brunswick	8,020
April 29, 2019	Retail	1	Montreal	750
May 30, 2019	Retail	9	Montreal	28,000
June 6, 2019	Retail	1	Montreal	850
June 20, 2019	Office and Retail	1	Montreal	76,324
July 19, 2019	Industrial and flex	1	Montreal	14,000
September 13, 2019	Retail	2	Montreal	2,900
September 26, 2019	Office	1	Montreal	3,425
December 2, 2019	Office	2	Quebec City	17,700
December 18, 2019	Office, retail and industrial and flex	11	Montreal and Quebec City	31,696
		44		258,056

These properties sold during fiscal 2019 had been subject to an overall increase in their carrying amount to their fair value of $5,004 in 2019.

Dispositions of Income Properties in 2019

On June 14, 2019, Cominar completed the sale of an industrial and flex property located in Quebec City, for a total selling price of $1,825.

On December 12, 2019, Cominar completed the sale of a retail property located in Montreal, for a total selling price of $725.

These properties sold during fiscal 2019 have been subject to an overall increase in their carrying amount to their fair value of $20 in 2019.

4) Income Properties

Years ended December 31	Note	2020 $	2019 $
Balance, beginning of year		**6,412,739**	6,058,191
Acquisitions and related costs		**—**	538
Change in fair value		**(456,189)**	278,580
Right-of-use assets		**—**	9,409
Capital costs		**119,196**	120,284
Dispositions	3	**—**	(2,550)
Net transfer to investment properties held for sale	6	**(36,160)**	(75,934)
Transfers from properties under development and land held for future development	5	**30,800**	14,932
Change in initial direct costs		**8,124**	8,974
Recognition of leases on a straight-line basis		**(1,485)**	315
Balance, end of year		**6,077,025**	6,412,739

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 valuations performed using internal and independent real estate appraisers, or according to definitive agreements to sell investment properties. External valuations were carried out by independent national firms holding a recognized and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

Here is a description of methods and the key assumptions used:

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 terminal capitalization rates are estimated using available appraisals market comparable and market surveys.

Direct capitalized net operating income method - Under this method, overall capitalization rates are applied to stabilized net operating income in order to comply with current valuation standards. The stabilized net operating income represents adjusted net operating income for items such as management expenses, occupancy rates, the recognition of leases on a straight-line basis and other non recurring items. Cominar regularly receives publications from national firms about real estate activity and trends.

Cominar has determined that an increase or decrease in 2020 of 0.1% in the applied capitalization rates for the entire real estate portfolio, excluding for the investment properties held for sale, would result in a decrease or increase of approximately $111,000. [$111,462 in 2019] in the fair value of its investment properties.

During the year 2020, Cominar revalued its entire real estate portfolio using internal and external valuations and determined that a net decrease of $469,763 was necessary to adjust the carrying amount of investment properties to fair value [increase of $276,475 in 2019]. The change in fair value related to investment properties held as at December 31, 2020 amounts to $(471,087) [$271,450 in 2019]. The fair value of investment properties reassessed at the end of 2020 from external valuations represented 65% (56% in 2019) of all investment properties fair value.

Capitalization and discount rates used in both the internal and external valuations are consistent with each other.

	2020		2019	
	Range	Weighted average	Range	Weighted average
Office properties				
Direct capitalized net operating income method				
Overall capitalization rate	**5.3% - 7.5%**	**6.1 %**	4.7% - 7.5%	5.7 %
Discounted cash flow method				
Discount rate	**6.8% - 8.5%**	**7.3 %**	5.5% - 8.5%	6.6 %
Terminal capitalization rate	**5.5% - 7.8%**	**6.3 %**	5.0% - 7.8%	6.0 %
Retail properties				
Direct capitalized net operating income method				
Overall capitalization rate	**5.8% - 8.3%**	**6.9 %**	4.7% - 8.5%	6.3 %
Discounted cash flow method				
Discount rate	**6.8% - 9.3%**	**7.9 %**	5.5% - 8.8%	7.0 %
Terminal capitalization rate	**6.0% - 8.5%**	**7.1 %**	5.0% - 8.3%	6.4 %
Industrial and flex properties				
Direct capitalized net operating income method				
Overall capitalization rate	**5.1% - 8.0%**	**5.8 %**	4.8% - 8.0%	6.4 %
Discounted cash flow method				
Discount rate	**6.0% - 9.0%**	**6.7 %**	5.5% - 8.3%	6.8 %
Terminal capitalization rate	**5.4% - 8.3%**	**6.1 %**	5.0% - 7.5%	6.1 %
Total				
Direct capitalized net operating income method				
Overall capitalization rate		**6.3 %**		6.0 %
Discounted cash flow method				
Discount rate		**7.3 %**		6.8 %
Terminal capitalization rate		**6.5 %**		6.2 %

In 2020, 100% of investment properties were valued using the discounted cash flow method compared to 63% in 2019. Consequently, the weighted average overall discount rates and terminal capitalization rates may not be comparable year over year.

5) Properties Under Development and Land Held for Future Development

Years ended December 31	Note	2020 $	2019 $
Balance, beginning of year		**141,978**	128,043
Change in fair value		**(10,786)**	(1,301)
Capital costs		**17,640**	24,776
Recognition of leases on a straight-line basis		**50**	—
Transfers to Income Properties	4	**(30,800)**	(14,932)
Transfer to investment properties held for sale	6	**—**	(1,855)
Contribution to a joint venture	7	**(11,138)**	—
Capitalized interests		**7,153**	6,634
Change in initial direct costs		**128**	613
Balance, end of year		**114,225**	141,978
Breakdown:			
Properties under development		**26,315**	41,471
Land held for future development		**87,910**	100,507

6) Investment Properties Held for Sale

Cominar has engaged in a process to sell certain investment properties and expects to close these transactions within the next few months.

Years ended December 31		2020				2019
	Note	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties held for sale						
Balance, beginning of year		—	**11,730**	—	**11,730**	188,727
Net transfer from income properties	4	**17,250**	**11,660**	**7,250**	**36,160**	75,934
Transfers from properties under development and land held for future development	5	—	—	—	—	1,855
Capitalized costs [1]		—	**93**	—	**93**	4,074
Change in fair value		—	**(2,788)**	—	**(2,788)**	(804)
Dispositions		**(14,250)**	**(2,705)**	**(7,250)**	**(24,205)**	(258,056)
Balance, end of year		**3,000**	**17,990**	—	**20,990**	11,730

1 Includes $(50) ($(27) in 2019) of recognition of leases on a straight-line basis.

During 2020, Cominar sold 4 investment properties held for sale and 1 land for a total selling price of $24,205.

During the quarter ended December 31, 2020, Cominar reclassified 4 investment properties held for sale having a fair value of $223,977 to income properties. This change in classification had no impact on the results of the Trust.

As at December 31, 2020, Cominar had 4 investment properties held for sale having a fair value of $20,990.

Years ended December 31	2020				2019
	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Mortgages payable related to investment properties held for sale					
Balance, beginning of year	—	—	—	—	123
Monthly repayments of principal	—	—	—	—	(123)
Balance, end of year	—	—	—	—	—

7) Joint Ventures

As at December 31			2020	2019
Joint ventures	Address	City/province	Ownership interest	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	**75%**	75%
Société en commandite Marais	Du Marais Street	Québec, Quebec	**75%**	75%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Quebec	**50%**	50%
Société en commandite Terrains Centropolis	Centropolis	Laval, Quebec	**50%**	N/A

The business objective of these joint ventures is the ownership, management and development of real estate projects. The following table summarizes the financial information on the investments in these joint ventures accounted for under the equity method:

Years ended December 31	2020	2019
	$	$
Investments in joint ventures, beginning of year	**97,456**	92,468
Contributions to the capital of the joint ventures	**5,586**	150
Share of joint ventures’ net income (loss) and comprehensive income	**(5,058)**	7,200
Cash distributions by a joint venture	**(487)**	(2,362)
Investments in joint ventures, end of year	**97,497**	97,456

During 2020, Cominar created a new entity fully owned by Cominar, named Terrains Centropolis S.E.C., and transferred a parcel of two vacant lands with a high potential for development having a fair value of $11,138 in exchange for 100% of the interest in the new entity. Later in 2020, Cominar sold 50% of its interest in Terrains Centropolis S.E.C. to a limited partner for an amount of $5,884. As at December 31, 2020, $4,012 of the amount was received and as per the unit purchase agreement, the balance is to be received at the later in November 2025.

Contractual rights and obligations
The formation of each joint venture is recognized by limited partnership agreements and unanimous shareholder agreements of the general partner, in which the rights and obligations of each limited partner or shareholder are provided for. Among these terms and conditions, the important decisions with regard to joint ventures are taken unanimously by the limited partners for the limited partnerships, and by the shareholders for the general partners. Capital contributions are made on a pro rata basis between the limited partners. In addition, each limited partner has the right of first refusal, should the other limited partner transfer its participation in the joint venture. In the event that one of the limited partners is subject to a change of control, or if its assets are sold, the other limited partner has a purchase option for the participation at the fair market value. Recourse or purchase option mechanisms benefits each limited partner in respect of the other limited partner if it is in default under the agreements or if it becomes insolvent.

The following tables summarize the joint ventures’ net assets and net income (loss) as well as Cominar’s proportionate share:

	Joint ventures		Cominar's proportionate share	
As at December 31	2020	2019	2020	2019
	$	$	$	$
Income properties	**227,270**	243,680	**161,885**	171,573
Properties under development	**21,699**	11,800	**10,850**	5,900
Land held for future development	**10,705**	10,181	**8,029**	7,631
Other assets	**4,289**	1,716	**2,808**	1,164
Mortgages payable	**(116,593)**	(120,071)	**(80,499)**	(82,981)
Bank borrowings [1]	**(8,200)**	(8,200)	**(4,100)**	(4,100)
Other liabilities	**(2,346)**	(2,782)	**(1,476)**	(1,731)
Net assets of joint ventures	**136,824**	136,324	**97,497**	97,456

1 Société en commandite Bouvier-Bertrand has a $12,500 credit facility, which is guaranteed by the joint venturers.

	Joint Ventures		Cominar's proportionate share	
Years ended December 31	2020	2019	2020	2019
	$	$	$	$
Operating revenues	**25,140**	24,735	**17,406**	17,194
Operating expenses	**(10,628)**	(10,499)	**(7,377)**	(7,361)
Net operating income	**14,512**	14,236	**10,029**	9,833
Finance charges	**(5,651)**	(5,669)	**(3,809)**	(3,953)
Administrative expenses	**(33)**	(39)	**(16)**	(19)
Change in fair value	**(19,532)**	58	**(11,262)**	1,339
Net income (loss)	**(10,704)**	8,586	**(5,058)**	7,200

8) Goodwill

At June 30, 2020, Cominar tested its industrial and flex portfolio for impairment of goodwill as the events around COVID-19 indicated that it was more likely than not that is was impaired. It has been tested by determining the recoverable value of the net assets of that CGUs and comparing it to the carrying amount, including goodwill. As at June 30, 2020, the recoverable value of this CGU was determined based on the value in use and calculated by discounting future net operating income expected to be generated from continuing use. For fiscal years 2020 to 2030, net operating income projections were based on management's budget projections supported by past experience and estimated impact of COVID-19 on net operating income. The discount and terminal capitalization rates were estimated based on the segment weighted average overall capitalization rate. Goodwill was impaired by $15,721 for the year ended December 31, 2020 and was not impaired for the year ended December 31, 2019. As at December 31, 2020, the goodwill balance was nil.

	Office properties	Retail properties	Industrial and flex properties	Total
	$	$	$	$
Balance as at December 31, 2019	—	—	15,721	15,721
Impairment of goodwill	—	—	(15,721)	(15,721)
Balance as at December 31, 2020	**—**	**—**	**—**	**—**

The discount and terminal capitalization rates used to value the recoverable amount as at June 30, 2020 and December 31, 2019 of the industrial and flex CGU were as follows:

	As at June 30, 2020	As at December 31, 2019
Terminal capitalization rate	**6.4 %**	6.0 %
Discount rate	**7.0 %**	6.6 %

9) Accounts Receivable

As at December 31	Note	2020	2019
		$	$
Trade receivables		**40,516**	26,518
Provision for expected credit losses	16	**(13,635)**	(6,482)
		26,881	20,036
Interest-bearing accounts receivable		**575**	543
Security deposits		**504**	482
Canadian Emergency Wage Subsidy		**4,758**	—
Other receivables and accrued income		**19,098**	16,869
Total		**51,816**	37,930

10) Mortgages Payable

Years ended December 31	2020		2019	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year	**2,121,777**	**3.84 %**	1,747,991	4.03 %
Mortgages payable contracted	**225,060**	**2.90 %**	666,200	3.72 %
Monthly repayments of principal	**(50,625)**	**— %**	(54,231)	— %
Repayments of balances	**(180,991)**	**4.84 %**	(238,183)	4.82 %
	2,115,221	**3.54 %**	2,121,777	3.84 %
Plus: Fair value adjustments on assumed mortgages payable	**187**		463	
Less: Deferred financing costs	**(9,502)**		(8,219)	
Balance, end of year	**2,105,906**		2,114,021	

Contractual maturities of mortgages payable are as follows as at December 31, 2020:

For the years ending December 31	Repayment of principal $	Balances at maturity $	Total $
2021	49,507	6,167	**55,674**
2022	49,796	397,010	**446,806**
2023	48,277	104,292	**152,569**
2024	47,152	252,602	**299,754**
2025	37,812	213,508	**251,320**
2026 and thereafter	73,441	835,657	**909,098**
Total	**305,985**	**1,809,236**	**2,115,221**

Mortgages payable are secured by immovable hypothecs on investment properties with a book value of $3,616,087 [$4,009,348 as at December 31, 2019]. As at December 31, 2020, they bear annual contractual interest rates ranging from 2.31% to 5.77% [3.00% to 6.61% as at December 31, 2019], representing a weighted average contractual rate of 3.54% [3.84% as at December 31, 2019], and mature at various dates from February 2021 to April 2034. As at December 31, 2020, the weighted average effective interest rate was 3.74% [3.95% as at December 31, 2019].

As at December 31, 2020, nearly all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include restrictive covenants, with which Cominar was in compliance as at both December 31, 2020 and December 31, 2019.

11) Debentures

Years ended December 31	2020		2019	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year	**1,325,000**	**4.41 %**	1,725,000	4.23 %
Issuance	**150,000**	**5.95 %**	200,000	4.50 %
Repayment	**(400,000)**	**4.71 %**	(600,000)	3.93 %
	1,075,000	**4.51 %**	1,325,000	4.41 %
Less: Deferred financing costs	**(4,509)**		(4,423)	
Plus: Net premium and discount on issuance	**—**		385	
Balance, end of year	**1,070,491**		1,320,962	

The following table presents characteristics of outstanding debentures as at December 31, 2020:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at December 31, 2020 ($)
Series 8	December 2014	4.25 %	4.34 %	December 2021	**200,000**
Series 9	June 2015	4.16 %	4.25 %	June 2022	**300,000**
Series 10	May 2016	4.25 %	4.34 %	May 2023	**225,000**
Series 11	May 2019	4.50 %	4.82 %	May 2024	**200,000**
Series 12	May 2020	5.95 %	6.24 %	May 2025	**150,000**
		4.51 %	**4.67 %**		**1,075,000**

On May 5, 2020, Cominar issued $150,000 in Series 12 senior unsecured debentures bearing interest at a rate of 5.95% and maturing in May 2025.

On May 13, 2020, Cominar early redeemed $300,000 in aggregate principal of 4.941% Series 4 senior unsecured debentures using available cash and its unsecured revolving credit facility. Cominar paid $2,487 in yield maintenance fees and other costs in connection with the redemption.

On October 31, 2020, Cominar reimbursed at maturity its Series 3 senior unsecured debentures totaling $100,000 and bearing interest at 4.00% using its unsecured revolving credit facility.

On May 15, 2019, Cominar issued $200,000 in Series 11 senior unsecured debentures bearing interest at a rate of 4.5% and maturing in May 2024.

On June 21, 2019, Cominar reimbursed at maturity its Series 7 senior unsecured debentures totaling $300,000 and bearing interest at 3.62% using available cash and its unsecured revolving operating and acquisition credit facility.

On September 26, 2019, Cominar early redeemed $300,000 in aggregate principal of 4.23% Series 2 senior unsecured debentures using available cash and its unsecured revolving operating and acquisition credit facility. In addition to paying accrued interest of $3,964, Cominar paid a yield maintenance fee of $1,008.

The debentures, under the trust indenture, contain restrictive covenants, with which Cominar was in compliance as at December 31, 2020 and 2019.

12) Bank Borrowings

As at December 31, 2020, Cominar had an unsecured credit facility of up to $400,000 maturing in July 2021. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2020 and 2019. As at December 31, 2020, bank borrowings totaled $74,158 and availability was $325,842.

As at December 31, 2020, Cominar had a secured credit facility of $172,800 maturing in September 2023. This credit facility bears interest at the prime rate plus 70 basis points or at the bankers' acceptance rate plus 170 basis points and have quarterly principal repayments of $1,800. As at December 31, 2020, this credit facility was secured by immovable hypothecs on investment properties with a book value of $287,595. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2020 and 2019. As at December 31, 2020, this secured credit facility was fully used.

On June 9, 2020, Cominar entered into a new secured credit facility of $120,000 maturing in September 2022. This new credit facility bears interest at the prime rate plus 250 basis points or at the bankers' acceptance rate plus 350 basis points. As at December 31, 2020, this credit facility was secured by immovable hypothecs on investment properties with a book value of $201,770. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at December 31, 2020 . As at December 31, 2020, this secured credit facility was fully used.

13) Accounts Payable and Accrued Liabilities

As at December 31	2020 $	2019 $
Trade accounts payable	**4,929**	3,610
Accrued interest payable	**12,785**	18,110
Prepaid rent and tenants' deposits	**24,407**	25,620
Other accounts payable and accrued expenses	**78,061**	70,159
Commodity taxes and other non-financial liabilities	**6,168**	9,044
Total	**126,350**	126,543

14) 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 all Cominar distributions. All issued units are fully paid.

Years ended December 31	2020		2019	
	Units	$	Units	$
Units issued and outstanding, beginning of year	**182,111,365**	**3,228,903**	181,956,349	3,226,929
Exercise of options, conversion of restricted units and deferred units	**339,661**	**4,583**	155,016	1,974
Units issued and outstanding, end of year	**182,451,026**	**3,233,486**	182,111,365	3,228,903

Long Term Incentive Plan

Performance units

Performance 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 unit granted based on performance is multiplied by an adjustment factor according to the total return for Cominar's unitholders with respect to the total return of a reference group made up of entities comparable to Cominar. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested after three years from the grant date. For each cash distribution on Cominar units, an additional number of performance units is granted to each participant. The fair value of performance units is represented by the market value of Cominar units on the date of the grant.

Years ended December 31	2020 Units	2019 Units
Outstanding, beginning of year	**349,766**	164,425
Granted	**141,403**	174,972
Forfeited	**(42,773)**	(9,246)
Accrued distributions	**31,402**	19,615
Outstanding, end of year	**479,798**	349,766
Vested 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 vested 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. Once a year, the deferred unit holder can convert his or her vested deferred units into Cominar units. 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.

Years ended December 31	2020 Units	2019 Units
Outstanding, beginning of year	**334,115**	315,435
Granted	**109,499**	107,555
Converted	**(78,472)**	(100,809)
Forfeited	**(18,136)**	(6,102)
Accrued distributions	**22,018**	18,036
Outstanding, end of year	**369,024**	334,115
Vested units, end of year	**235,414**	197,781

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.

Years ended December 31	2020 Units	2019 Units
Outstanding, beginning of year	**2,311**	2,946
Converted	**(1,039)**	(507)
Forfeited	**—**	(225)
Accrued distributions	**87**	97
Outstanding, end of year	**1,359**	2,311
Vested units, end of year	**—**	1,039

Unit options

Cominar has granted unit options to management and employees under the long-term incentive plan. As at December 31, 2020, options to purchase 3,385,150 units were outstanding.

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

As at December 31, 2020

Date of grant	Graded vesting method	Expiration date	Exercise price $	Outstanding options	Exercisable options
December 15, 2015	33 1/3 %	December 15, 2022	14.15	940,600	940,600
December 13, 2016	33 1/3 %	December 13, 2023	14.90	1,187,100	1,187,100
August 24, 2017	33 1/3 %	August 24, 2024	13.46	1,257,450	1,257,450
				3,385,150	**3,385,150**

As at December 31, 2020, the average weighted contractual life of outstanding options was 2.9 years.

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

Years ended December 31	2020		2019	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of year	**5,235,900**	**14.15**	8,689,400	14.86
Exercised	**(260,150)**	**13.93**	(53,700)	13.63
Forfeited	**(1,590,600)**	**14.16**	(2,186,300)	14.82
Expired	**—**	**—**	(1,213,500)	18.07
Outstanding, end of year	**3,385,150**	**14.16**	5,235,900	14.15
Exercisable options, end of year	**3,385,150**	**14.16**	4,712,800	14.22

As at December 31, 2020, the maximum number of units that may be issued under the long-term incentive plan is 16,055,878 units.

Unit-based compensation
The compensation expense related to performance units and deferred units granted in January 2020 was calculated based on the market price of Cominar units on the grant date, which was $14.16.

The compensation expense related to performance units and deferred units granted in January 2019 was calculated based on the market price of Cominar units on the grant date, which was $11.20.

The compensation expense related to deferred units granted in November 2019 was calculated based on the market price of Cominar units on the grant date, which was $13.39.

The overall compensation expense for the fiscal year ended 2020 was $3,332 [$2,972 in 2019].

Distributions to Unitholders

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 fair value adjustments, transaction costs, rental revenue derived from the recognition of leases on a straight-line basis, provision for leasing costs, gains on disposal of investment properties and certain other items not affecting cash, if applicable.

Years ended December 31	2020	2019
	$	$
Distributions to unitholders	**103,980**	131,068
Distributions per unit	**0.57**	0.72

On August 5, 2020, Cominar decreased the monthly distribution from $0.06 per unit to $0.03 per unit, beginning with the distribution of August 2020 paid in September 2020.

15) Operating Revenues

Year ended December 31, 2020	Office properties	Retail properties	Industrial and flex properties	Total of operating revenues
	$	$	$	$
Lease revenues	232,678	220,914	151,011	604,603
Parking revenues	13,036	404	85	13,525
Revenues from other services [1]	19,839	16,954	6,399	43,192
Total	**265,553**	**238,272**	**157,495**	**661,320**

1 Revenues from other services are estimated based on operating costs billable to tenants.

Year ended December 31, 2019	Office properties	Retail properties	Industrial and flex properties	Total of operating revenues
	$	$	$	$
Lease revenues	236,361	243,334	152,306	632,001
Parking revenues	21,403	478	31	21,912
Revenues from other services [1]	21,161	21,907	7,060	50,128
Total	278,925	265,719	159,397	704,041

1 Revenues from other services are estimated based on operating costs billable to tenants.

16) Expected credit losses

Cominar records the expected credit losses to comply with IFRS 9's simplified approach for amounts receivable where its provision for expected credit losses is measured at initial recognition and throughout the life of the receivables at an amount equal to lifetime expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Cominar has identified the COVID-19 situation and the government's management and actions in regards to the pandemic to be relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Cominar's expected credit losses for the year ended December 31, 2020 include the landlord portion to be forgiven under CECRA and the Quebec government program (CECRA programs) which represents 12.5% of the eligible tenant's rent, rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and a provision for short-term rent deferrals and all other receivables for which the recoverability is uncertain.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented in operating costs within operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

On that basis, the provision for expected credit losses as at December 31, 2020 and December 31, 2019 was determined as follows:

December 31, 2020	Current	More than 30 days past due	More than 120 days past due	Total
Expected loss rate	6.20 %	19.09 %	55.20 %	
Gross carrying amount - trade receivables	10,700	9,655	20,161	40,516
Provision for expected credit losses	663	1,843	11,129	13,635

December 31, 2019	Current	More than 30 days past due	More than 120 days past due	Total
Expected loss rate	4.40 %	8.58 %	42.71 %	
Gross carrying amount - trade receivables	6,111	7,332	13,075	26,518
Provision for expected credit losses	269	629	5,584	6,482

The reconciliation of changes in the provision for expected credit losses on accounts receivable is included in the following table:

	Year ended December 31, 2020	Year ended December 31, 2019
	$	$
Balance, beginning of year	**6,482**	6,326
Additional provision recognized as expense	**16,573**	2,753
Tenant receivables written off during the period	**(9,420)**	(2,597)
Balance, end of year	**13,635**	6,482

The following tables present the expected credit losses recognized during the year:

Years ended December 31	2020	2019
	$	$
Expected credit losses on trade receivables	**16,573**	2,753
Expected credit losses - forgiven portion of the CECRA programs	**4,787**	—
Expected credit losses - rent reductions	**12,252**	—
Expected credit losses expensed	**33,612**	2,753

Years ended December 31	2020	2019
	$	$
Office	**3,854**	578
Retail	**25,897**	1,560
Industrial and flex	**3,861**	615
Expected credit losses	**33,612**	2,753
Percentage of operating revenues	**5.1 %**	0.4 %

17) Operating Lease Income

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

As at December 31, 2020	$
2021	**404,848**
2022	**367,356**
2023	**317,856**
2024	**268,698**
2025	**222,851**
2026+	**994,020**

b) Contingent rents included in revenues are as follows:

Years ended December 31	2020	2019
	$	$
Contingent rents	**5,553**	6,090

18) Operating Costs and Property Management Expenses

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

Years ended December 31	2020	2019
	$	$
Repairs and maintenance	**53,608**	63,739
Energy	**44,922**	55,399
Salaries and other benefits	**30,200**	33,285
Expected credit losses	**33,612**	2,753
Other expenses	**16,265**	20,891
Total	**178,607**	176,067

19) Finance Charges

Years ended December 31	2020 $	2019 $
Interest on mortgages payable[1]	**82,002**	80,840
Interest on debentures[2]	**57,271**	70,669
Interest on bank borrowings	**8,526**	3,995
Net amortization of premium and discount on debenture issues	**(385)**	(555)
Amortization of deferred financing costs and other costs	**5,595**	4,150
Amortization of fair value adjustments on assumed borrowings	**(251)**	(264)
Less: Capitalized interest[3]	**(9,118)**	(7,784)
Total	**143,640**	151,051

1 *Interest on mortgages payable for 2020 includes $4,623 associated with penalties on mortgage repayments before maturity.*
2 *Interest on debenture for 2020 includes $2,487 associated to the yield maintenance fee paid for the Series 4 senior unsecured debentures redemption.*
3 *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 interest rate used in 2020 was 4.15% [4.31% in 2019].*

20) Trust Administrative Expenses

Years ended December 31	2020 $	2019 $
Salaries and other benefits[1]	**8,805**	11,259
Compensation related to the long-term incentive plan	**3,332**	2,972
Professional fees	**983**	879
Public company costs	**990**	801
Strategic alternatives consulting fees	**1,694**	—
Other expenses	**1,169**	1,343
Total	**16,973**	17,254

1 *Salaries and other benefits for the year ended December 31, 2019 include $1,043, associated with the departure of an executive.*

21) Transaction Costs

Years ended December 31	2020 $	2019 $
Brokerage fees	**48**	2,192
Professional fees	**193**	544
Assumed head leases	**—**	217
Penalties on debt repayment	**—**	41
Closing adjustments	**5,134**	3,400
Other	**—**	69
Total	**5,375**	6,463

22) Restructuring Costs

During 2019, Cominar announced an organizational restructuring to streamline and enhance the effectiveness of operations, the outcome of which, among others, has been the reduction of its workforce. Cominar recorded a provision of $4,774 related to this organizational restructuring, primarily related to severance benefits. As of December 31, 2020, the entire $4,774 had been paid in connection with the restructuring ($2,215 was outstanding as at December 31,2019).

23) Per Unit Calculation Basis

Years ended December 31	2020 Units	2019 Units
Weighted average number of units outstanding – basic	**182,604,003**	182,183,995
Dilutive effect related to the long-term incentive plan	**–**	186,676
Weighted average number of units outstanding – diluted	**182,604,003**	182,370,671

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 3,999,917 options and unvested performance units, deferred units and restricted units outstanding at the end of the year ended December 31, 2020 [2,256,773 in 2019], due to the fact they are antidilutive.

24) Supplemental Cash Flow Information

Years ended December 31	2020 $	2019 $
Accounts receivable	**(12,014)**	3,232
Prepaid expenses	**762**	(4,747)
Accounts payable and accrued liabilities	**2,505**	11,490
Current tax liabilities	**–**	(6,763)
Changes in non-cash working capital items	**(8,747)**	3,212
Other information		
Accounts payable and accrued liabilities relating to investing activities	**12,265**	14,895
Accounts receivable relating to investing activities	**1,872**	4,014

25) Key Management Personnel Compensation

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

Years ended December 31	2020 $	2019 $
Short-term benefits	**5,323**	4,795
Contribution to the retirement savings plans	**134**	165
Long-term incentive plan	**2,119**	1,079
Severance allowances	**–**	2,779
Total	**7,576**	8,818

Unit options granted to senior executives and other officers may 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 unit 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.

26) Capital Management

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development, while maximizing returns for unitholders by 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	2020	2019
	$	$
Cash and cash equivalents	**(13,594)**	(152,634)
Mortgages payable	**2,105,906**	2,114,021
Debentures	**1,070,491**	1,320,962
Bank borrowings	**366,958**	180,000
Unitholders' equity	**2,724,481**	3,150,801
Total	**6,254,242**	6,613,150
Debt ratio [1]	**55.3 %**	51.4 %
Interest coverage ratio [2]	**2.28:1**	2.36:1

1 *The debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable and 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 (excluding governance and strategic alternatives consulting fees as well as the severance allowance paid to an executive officer) divided by finance charges (excluding finance charges related to mortgages repayments before maturity and yield maintenance fees and costs paid in relation to the Series 4 senior unsecured debenture redemption).*

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, 2020, Cominar had maintained a debt ratio of 55.3% and was complying with the Contract of Trust.

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, 2020, the interest coverage ratio was 2.28:1, reflecting Cominar's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous period.

27) Fair Value

Cominar uses a three-level hierarchy to classify its financial instruments measured at fair value. The hierarchy reflects the relative weight of inputs used in the valuation. 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 were no transfers made between hierarchy levels during the fiscal years 2020 and 2019.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, distributions payable to unitholders 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.

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:

		As at December 31, 2020		As at December 31, 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
	Level	$	$	$	$
Recurring valuations of non-financial assets					
Income properties	3	**6,077,025**	**6,077,025**	6,412,739	6,412,739
Investment properties held for sale	3	**20,990**	**20,990**	11,730	11,730
Land held for future development	3	**87,910**	**87,910**	100,507	100,507
Financial liabilities					
Mortgages payable	2	**2,105,906**	**2,128,211**	2,114,021	2,164,680
Debentures	2	**1,070,491**	**1,104,247**	1,320,962	1,368,398

28) 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 property type 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 about 3,450 clients occupying an average of approximately 9,650 square feet each. The top three clients, Société québécoise des infrastructures, Public Works Canada and Canadian National Railway Company, account respectively for approximately 6.3%, 4.4% and 3.4% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 14.1% of operating revenues come from government agencies, representing approximately 100 leases.

Cominar regularly assesses its accounts receivable and records an expected credit loss for 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 and the 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.

Almost all mortgages payable and all debentures bear interest at fixed rates.

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

A 25-basis-point increase or decrease in the average interest rate on variable interest debts during the period, assuming that all other variables are held constant, would have affected Cominar's net income by more or less $769 for the year ended December 31, 2020 [$320 in 2019].

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, 2020 are as follows:

		Cash flows		
		Under one year	One to five years	Over five years
	Note	$	$	$
Mortgages payable	10	**147,574**	**1,403,260**	**999,407**
Debentures	11	**248,473**	**949,317**	**—**
Bank borrowings	12	**112,278**	**295,307**	**—**
Accounts payable and accrued liabilities [1]	13	**110,469**	**—**	**—**
Lease liability		**584**	**2,490**	**16,654**

1 Excludes commodity taxes, other non-financial liabilities and lease liability

29) Segmented Information

Cominar's activities include a diversified portfolio of three property types located in the Province of Quebec and in Ottawa, Ontario. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies set out in note 2. Cominar uses net operating income as its main criterion to measure operating performance, that is, the operating revenues less the operating expenses of its investment properties.

The segments include Cominar's proportionate share in joint ventures. The Joint ventures column reconciles 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.

Years ended	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
December 31, 2020	$	$	$	$	$	$
Rental revenue from investment properties	**281,264**	**239,967**	**157,495**	**678,726**	**(17,406)**	**661,320**
Change in fair value of investment properties	**(188,917)**	**(415,273)**	**123,165**	**(481,025)**	**11,262**	**(469,763)**
Net operating income	**142,555**	**98,523**	**96,138**	**337,216**	**(10,029)**	**327,187**
Share of joint ventures' net income (loss)	**—**	**—**	**—**	**—**	**(5,058)**	**(5,058)**
December 31, 2019	$	$	$	$	$	$
Rental revenue from investment properties	294,619	267,219	159,397	721,235	(17,194)	704,041
Change in fair value of investment properties	47,797	(130,598)	360,615	277,814	(1,339)	276,475
Net operating income	142,448	132,168	93,539	368,155	(9,833)	358,322
Share of joint ventures' net income	—	—	—	—	7,200	7,200

	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Consolidated financial statements
As at December 31, 2020	$	$	$	$	$	$
Income properties	**2,417,676**	**1,889,299**	**1,931,935**	**6,238,910**	**(161,885)**	**6,077,025**
Investment properties held for sale	**3,000**	**17,990**	**—**	**20,990**	**—**	**20,990**
Investments in joint ventures	**—**	**—**	**—**	**—**	**97,497**	**97,497**
As at December 31, 2019	$	$	$	$	$	$
Income properties	2,499,714	2,285,789	1,798,809	6,584,312	(171,573)	6,412,739
Investment properties held for sale	—	11,730	—	11,730	—	11,730
Investments in joint ventures	—	—	—	—	97,456	97,456

30) Subsequent Events

On January 15 and February 16, 2021, Cominar declared a monthly distribution of $0.03 per unit for each of these months.

On February 15, 2021, Cominar completed the sale of an office property held for sale located in Montreal for a total amount of $3,000.

Corporate Information

Board of Trustees

Key Officers

Sylvain Cossette
President and Chief Executive Officer

Antoine Tronquoy
Executive Vice President
and Chief Financial Officer

Marie-Andrée Boutin, MBA
Executive Vice President,
Retail and Development

Bernard Poliquin
Executive Vice President, Office and Industrial
and Chief Real Estate Operations Officer

Nathalie Rousseau
Executive Vice President,
Asset Management and Transactions

Unitholders Information

Cominar Real Estate Investment Trust

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Listing

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

Transfer Agent

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Taxability of Distributions

In 2020, 100% of the distributions made by Cominar to unitholders were returns of capital, reducing the adjusted cost base of the units.

Legal Counsel

Davies Ward Phillips & Vineberg LLP

Auditors

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

Unitholders Distribution Reinvestment Plan

In 2017, Cominar suspended the distribution reinvestment plan. If Cominar decides to resume the plan in the future, the unitholders who were registered in the plan at the time of its suspension and who are still registered at the time of its resumption shall automatically resume their participation in the plan.

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.

Cominar