Financial Statements

Year ended December 31, 2023

Cominar

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Independent auditor's report

To the Unitholder 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

- the consolidated balance sheets as at December 31, 2023 and 2022;
- the consolidated statements of unitholders' equity for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to consolidated financial statements, comprising material accounting policy information 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.

PricewaterhouseCoopers LLP
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Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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:

a. 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.
b. 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.
c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
d. 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.

e. 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.

f. 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.

PricewaterhouseCoopers LLP[1]

Québec, Québec
February 29, 2024

[1] CPA auditor, public accountancy permit No. A125971

Consolidated Balance Sheets

[in thousands of Canadian dollars]

	Note	December 31, 2023 $	December 31, 2022 $
Assets			
Investment properties			
Income properties	3	**1,915,300**	1,988,690
Land held for future development	4	**51,326**	52,700
		1,966,626	2,041,390
Investment properties held for sale	5	**45,152**	312,865
Investments in joint ventures	6	**32,107**	13,317
Mortgages receivable	7	**19,500**	10,000
Accounts receivable	8	**10,975**	17,823
Prepaid expenses and other assets		**4,142**	3,669
Cash and cash equivalents		**11,501**	38,063
Total assets		**2,090,003**	2,437,127
Liabilities			
Mortgages payable	9	**732,705**	775,431
Mortgages payable related to investment properties held for sale	5, 9	**20,346**	96,439
Debentures	10	**199,354**	269,916
Derivative liabilities		**7,460**	—
Bank borrowings	11	**50,396**	—
Accounts payable and accrued liabilities	12	**66,693**	68,516
Total liabilities		**1,076,954**	1,210,302
Unitholder's equity			
Unitholder's equity		**1,013,049**	1,226,825
Total liabilities and unitholder's equity		**2,090,003**	2,437,127

See accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees.

(signed) Renzo Barazzuol

Renzo Barazzuol
Chair of the Board of Trustees

(signed) Navdeep Gill

Navdeep Gill
Chair of the Audit Committee

Consolidated Statements of Unitholder's Equity

Years ended December 31
[in thousands of Canadian dollars]

	Note	Unitholder's contributions $	Cumulative net income $	Accumulated other comprehensive loss	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2023		2,143,800	3,886,121	—	(4,803,096)	—	1,226,825
Net loss		—	(333)	—	—	—	(333)
Other comprehensive loss		—	—	(7,460)	—	—	(7,460)
Distributions to parent company (IRIS)	14	—	—	—	(205,983)	—	(205,983)
Balance as at December 31, 2023		**2,143,800**	**3,885,788**	**(7,460)**	**(5,009,079)**	**—**	**1,013,049**

	Note	Unitholder's contributions $	Cumulative net income $	Accumulated other comprehensive income	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2022		3,233,486	1,590,967	—	(2,350,252)	8,923	2,483,124
Net loss and comprehensive loss		—	(95,022)	—	—	—	(95,022)
Distributions to unitholders	14	—	—	—	(1,152,844)	—	(1,152,844)
Special distribution in units	13	1,300,000	—	—	(1,300,000)	—	—
Parent company (IRIS) subscription under the Arrangement	13	2,143,800	—	—	—	—	2,143,800
Repurchase of units under the Arrangement	13	(4,533,486)	2,389,686	—	—	—	(2,143,800)
Long-term incentive plan		—	490	—	—	(8,923)	(8,433)
Balance as at December 31, 2022		2,143,800	3,886,121	—	(4,803,096)	—	1,226,825

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Loss

Years ended December 31
[in thousands of Canadian dollars]

	Note	2023 $	2022 $
Operating revenues			
Rental revenue from investment properties	15	**283,217**	382,010
Operating expenses			
Operating costs	18	**(82,494)**	(102,980)
Realty taxes and services		**(61,539)**	(86,481)
Property administrative expenses	18	**(6,037)**	(10,846)
		(150,070)	(200,307)
Net operating income		**133,147**	181,703
Finance charges	19	**(55,173)**	(70,298)
Trust administrative expenses	20	**(31,485)**	(32,313)
Change in fair value of investment properties	3, 4, 5	**(29,061)**	(92,561)
Share in joint ventures' net income	6	**2,077**	1,282
Transaction costs	21	**(20,787)**	(83,023)
Adjustment of the selling price of the interest in a joint venture		**1,111**	—
Net loss before income taxes		**(171)**	(95,210)
Income taxes		**(162)**	188
Net loss		**(333)**	(95,022)
Other comprehensive loss			
Cash flow hedges			
Realized gain on financial instruments transferred to net loss		**(1,374)**	—
Change in fair value of the financial instrument		**(6,086)**	—
Comprehensive loss		**(7,793)**	(95,022)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31
[in thousands of Canadian dollars]

	Note	2023 $	2022 $
Operating activities			
Net loss		**(333)**	(95,022)
Adjustments for:			
Excess of share of net income over distributions received from the joint ventures	6	**(2,077)**	(1,282)
Change in fair value of investment properties	3, 4, 5	**29,061**	92,561
Depreciation and amortization		**3,540**	4,241
Deferred income taxes		**136**	(202)
Recognition of leases on a straight-line basis	3	**1,065**	(64)
Adjustment of the selling price of the interest in a joint venture		**(1,111)**	—
Financing costs and other asset write-offs		**—**	12,542
Changes in non-cash working capital items	22	**(4,378)**	(29,372)
Cash flows provided by (used in) operating activities		**25,903**	(16,598)
Investing activities			
Investments in income properties	3, 22	**(46,747)**	(42,631)
Investments in land held for future development	4, 22	**(1,107)**	(3,802)
Proceeds from the sale of investment properties net of assigned mortgages payable	3, 5	**239,510**	2,956,542
Deposit received related to a property held for sale	12	**3,380**	—
Proceeds from the dissolution of a joint venture	6	**—**	60,390
Proceeds from the disposition of interest in a joint venture	6	**—**	6,265
Contributions to the capital of the joint ventures	6	**(16,713)**	(2,307)
Change in other assets		**95**	821
Cash flows provided by investing activities		**178,418**	2,975,278
Financing activities			
Cash distributions to unitholders	14	**(205,983)**	(1,152,844)
Net variation of bank borrowings	11	**50,396**	(537,093)
Proceeds from mortgages payable	9	**270,000**	—
Financing costs incurred for mortgages payable	9	**(2,975)**	(337)
Financing costs incurred for Debentures	10	**(12)**	—
Parent company (IRIS) subscription under the Arrangement		**—**	2,049,629
Repurchase of units under the Arrangement		**—**	(2,049,744)
Settlement of long term incentive instruments under the Arrangement		**—**	(8,923)
Repayments of debentures	10	**(71,097)**	(603,985)
Repayments of mortgages payable	9	**(253,760)**	(598,162)
Monthly repayments of mortgages payable	9	**(17,452)**	(26,762)
Cash flows used in financing activities		**(230,883)**	(2,928,221)
Net change in cash and cash equivalents		**(26,562)**	30,459
Cash and cash equivalents, beginning of year		**38,063**	7,604
Cash and cash equivalents, end of year		**11,501**	38,063
Other information			
Interest paid		**50,883**	67,782

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2023 and 2022
[in thousands of Canadian dollars]

1) Description of the Trust

Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT") is an unincorporated trust created by a Contract of Trust on March 31, 1998, as amended and amended and restated to date, under the laws of the Province of Québec. As at December 31, 2023, Cominar owned and managed a real estate portfolio of 22 properties that covered a total area of approximately 9.2 million square feet in the Province of Québec and in Ottawa, Ontario.

The head office of Cominar is located at Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 750, Québec City, Québec, Canada, G1V 0C1. Additional information about the Trust is available on Cominar's website at www.cominar.com and under the REIT's profile on the Canadian Securities Administrators' website at www.sedarplus.ca.

The board of trustees of the REIT (the "Board of Trustees") approved Cominar's consolidated financial statements on February 29, 2024.

The Arrangement
On March 1, 2022, Cominar announced the closing of a transaction pursuant to which all of Cominar’s then issued and outstanding units were acquired under a plan of arrangement for $11.75 per unit in cash by a consortium, Iris Acquisition II LP ("IRIS"), composed of an affiliate of Canderel Management Inc., certain affiliates of FrontFour Capital Group LLC, Artis Real Estate Investment Trust ("Artis"), partnerships managed by Sandpiper Group, and Koch Real Estate Investments, LLC (“KREI”), with KREI and Artis also providing preferred equity (the “Arrangement”).

As part of the Arrangement, an affiliate of Mach Capital Inc. acquired certain of the REIT’s office and retail properties and an affiliate of Blackstone Real Estate Services L.L.C. acquired most of the REIT’s industrial portfolio. $1,123,188 of mortgages were assumed by the purchasers of the above-noted property portfolios or repaid by Cominar in connection with the Arrangement. The REIT also repaid $537,093 of bank borrowings.

As a result of the completion of the Arrangement, the units of the REIT were delisted from the Toronto Stock Exchange at the close of trading on March 2, 2022.

2) Material 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 hedging and derivative financial instruments, fixed interest rate swaps and financial instruments.

Cominar has adopted the amendments to IAS 1 Presentation of Financial Statements (IAS 1), effective for annual reporting period beginning on or after January 1, 2023. The amendments to IAS 1 require entities to disclose their material accounting policy information, instead of significant accounting policies. The adoption did not have a significant impact on Cominar's disclosure.

b) Basis of preparation

Consolidation
These consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries.

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

- ***Investment properties***
  Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using valuations from 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.

- ***Provision for expected credit losses***
  Cominar's provision for expected credit losses includes estimates of the uncertainty of the recoverability of rents related to tenants and for the uncertainty of the recoverability of all other trade receivables.

- ***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. 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.

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 taking into account its ability to generate economic benefits by using each asset in its highest and best use, which includes densification on excess land related to development or redevelopment projects. 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 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.

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 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.

Hedging and derivative financial instruments
Cominar applies general hedge accounting requirements of IFRS 9, Financial Instruments.

Interest rate swaps
Periodically, Cominar uses interest rate swaps to manage the interest rate risk associated with its variable rate debt. Where the general hedge accounting requirements are met, Cominar designates those interest rate swaps as a cash flow hedge of the interest from its variable rate debt. Accordingly, changes in the fair value of the derivative financial instruments, which instruments are included in the balance sheet, are recognized in other comprehensive loss. Realized gains and losses in accumulated other comprehensive loss are reclassified to interest on debt over the same periods as the interest expense on the debt is recognized in earnings.

As of December 31, 2023, Cominar's exposure to the reference rates targeted by the Interest Rate Benchmark Reform, published by the IASB, for which the transition to alternative reference rates has not yet been carried out consists of a mortgage loan of $240,000 bearing interest at a variable rate based on the 3-month Canadian Dealer Offered Rate (CDOR) reference rate, the publication of which will cease after June 28, 2024.

Cominar applies the relief measures permitted by phase 1 which make it possible to maintain hedge accounting during the period of uncertainty before replacing the current reference interest rates with an alternative rate. Cominar is currently evaluating its transition plan to an alternative reference rate based on contractual agreements and hedging relationships.

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 recognition.

Cominar uses the following classifications for its financial instruments:

- Cash and cash equivalents, accounts receivable and mortgages receivable are classified as "Financial assets at amortized cost". They are initially measured at fair value, net of transaction costs. 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.

- Derivatives financial instruments designated as cash flow hedges are classified as fair value through profit or loss, subject to hedge accounting requirements. These financial instruments are subsequently measured at fair value. The effective portion of changes in fair value is initially recorded in other comprehensive loss and any ineffectiveness is recorded immediately in net profit or loss.

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.

Income taxes
Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to its sole unitholder 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.

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

3) Income Properties

Years ended December 31		2023	2022
	Note	$	$
Balance, beginning of year		**1,988,690**	2,517,447
Change in fair value		**(1,297)**	(64,766)
Capital costs		**49,694**	35,976
Dispositions		**—**	(16,000)
Net transfer to investment properties held for sale	5	**(122,106)**	(485,378)
Change in initial direct costs		**1,384**	1,753
Recognition of leases on a straight-line basis		**(1,065)**	(342)
Balance, end of year		**1,915,300**	1,988,690

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 external valuations performed by 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 ended December 31, 2023, Cominar revalued its entire real estate portfolio using external valuations and definitive agreements to sell investment properties, and determined that a net decrease of $29,061 was necessary to adjust the carrying amount of investment properties and investment properties held for sale to fair value [decrease of $92,561 in 2022]. The change in fair value related to investment properties held as at December 31, 2023 amounts to a net increase of $17,743 [net decrease of $73,523 in 2022]. The fair value of investment properties reassessed at the end of 2023 from external valuations, as well as definitive agreements to sell investment properties, represented 100% [100% in 2022] of all investment properties fair value.

Cominar has determined that an increase or decrease of 0.1% in the applied capitalization rates for the entire real estate portfolio, excluding densification on excess land and investment properties held for sale, would result in a decrease or increase of approximately $26,464 [$31,589 in 2022] in the fair value of its investment properties in 2023.

Weighted Average Overall Capitalization Rates, Discount Rates and Terminal Capitalization Rates

	2023[1]		2022 [1]	
	Range	Weighted average	Range	Weighted average
Office and mixed-use properties				
Direct capitalized net operating income method				
Overall capitalization rate	**4.3% - 8.8%**	**6.0 %**	3.8% - 8.0%	5.5 %
Discounted cash flow method				
Discount rate	**5.3% - 9.8%**	**7.0 %**	4.8% - 9.0%	6.5 %
Terminal capitalization rate	**4.8% - 9.0%**	**6.3 %**	4.3% - 8.3%	5.8 %
Retail properties				
Direct capitalized net operating income method				
Overall capitalization rate	**4.3% - 7.6%**	**6.7 %**	4.3% - 8.0%	6.6 %
Discounted cash flow method				
Discount rate [2]	**6.9% - 8.6%**	**8.0 %**	6.6% - 9.0%	7.8 %
Terminal capitalization rate [2]	**6.1% - 7.9%**	**7.3 %**	5.9% - 8.3%	7.1 %
Direct capitalized net operating income method				
Overall capitalization rate		**6.4 %**		6.1 %
Discounted cash flow method				
Discount rate		**7.5 %**		7.2 %
Terminal capitalization rate		**6.8 %**		6.5 %

1 December 31, 2023 and 2022 weighted average overall capitalization rates, discount rates and terminal capitalization rates shown in this table are based on income properties external valuations for properties held at each year-end respectively.
2 Overall capitalization and discount rates related to retail properties exclude overall capitalization and discount rates used in densification on excess land valuations. Including overall capitalization and discount rates used in densification on excess land, range would be 4.3% - 7.6% and 6.9% - 9.5% respectively and weighted average would be 6.4% and 8.3% respectively.

4) Land Held for Future Development

Years ended December 31		2023	2022
	Note	$	$
Balance, beginning of year		**52,700**	58,579
Change in fair value		**(2,394)**	(89)
Carrying costs		**1,094**	1,506
Transfers to investment properties held for sale	5	**(74)**	(7,867)
Capitalized interests		**—**	571
Balance, end of year		**51,326**	52,700

5) 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.

During the year ended December 31, 2023, Cominar transferred a net amount of $122,106 of income properties to investment properties held for sale. These properties were actively marketed for sale or under conditional sale agreements.

During the year ended December 31, 2023, Cominar sold 34 properties for a total adjusted sale price of $365,592.

As at December 31, 2023, Cominar had 2 properties and 1 land parcel held for sale totaling $45,152.

Years ended December 31		2023			2022
	Note	Office and mixed-use properties $	Retail properties $	Total $	Total $
Investment properties held for sale					
Balance, beginning of year		**264,000**	**48,865**	**312,865**	3,363,500
Net transfer from income properties	3	**6,660**	**115,446**	**122,106**	485,378
Transfers from land held for future development	4	**—**	**74**	**74**	7,867
Capitalized costs		**910**	**159**	**1,069**	11,709
Change in fair value		**(23,499)**	**(1,871)**	**(25,370)**	(27,706)
Dispositions		**(206,374)**	**(159,218)**	**(365,592)**	(3,527,883)
Balance, end of year		**41,697**	**3,455**	**45,152**	312,865

Years ended December 31		2023			2022
	Note	Office and mixed-use properties $	Retail properties $	Total $	Total $
Mortgages payable related to investment properties held for sale					
Balance, beginning of year		**96,439**	**—**	**96,439**	992,785
Transfer from (to) mortgages payable		**(9,746)**	**51,738**	**41,992**	140,718
Monthly repayments of principal		**(1,251)**	**(252)**	**(1,503)**	(6,954)
Repayments of balances		**—**	**—**	**—**	(469,850)
Mortgages payable assumed by a purchaser	9	**(65,096)**	**(51,486)**	**(116,582)**	(560,260)
Balance, end of year		**20,346**	**—**	**20,346**	96,439

6) Investments in Joint Ventures

December 31			2023	2022
Joint ventures	Address	City/province	Ownership interest	Ownership interest
Société en commandite Terrains Centropolis	Centropolis	Laval, Québec	**50%**	50%
Société en commandite Marais	Du Marais Street	Québec, Québec	**75%**	75%
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Québec	**—**	—[1]
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Québec	**—**	—[2]

1 Société en commandite Complexe Jules-Dallaire sold its property and was subsequently liquidated and dissolved in connection with the Arrangement
2 Cominar sold its 50% partnership interest in Société en commandite Bouvier-Bertrand on April 27, 2022

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	2023	2022
	$	$
Investments in joint ventures, beginning of year	**13,317**	76,383
Contributions to the capital of the joint ventures	**16,713**	2,307
Share of joint ventures' net income and comprehensive income	**2,077**	1,282
Dissolution of a joint venture	**—**	(60,390)
Disposition of interest in a joint venture	**—**	(6,265)
Investments in joint ventures, end of year	**32,107**	13,317

The following tables summarize the joint ventures' net assets and net income as well as Cominar's proportionate share:

	Joint ventures		Cominar's proportionate share	
December 31	2023	2022	2023	2022
	$	$	$	$
Properties under development	**63,438**	17,957	**31,719**	8,979
Land held for future development	**—**	7,000	**—**	5,250
Investment properties held for sale	**9,511**	—	**7,125**	—
Other assets	**581**	187	**300**	95
Other liabilities	**(14,069)**	(2,010)	**(7,037)**	(1,007)
Net assets of joint ventures	**59,461**	23,134	**32,107**	13,317

	Joint Ventures		Cominar's proportionate share	
Years ended December 31	2023	2022	2023	2022
	$	$	$	$
Operating revenues	**—**	4,709	**—**	3,145
Operating expenses	**—**	(2,251)	**—**	(1,481)
Net operating income	**—**	2,458	**—**	1,664
Finance revenues (charges)	**28**	(1,382)	**13**	(768)
Administrative expenses	**(159)**	(81)	**(80)**	(41)
Change in fair value	**3,069**	1,736	**2,144**	475
Transaction costs	**—**	(226)	**—**	(48)
Net income	**2,938**	2,505	**2,077**	1,282

7) Mortgages Receivable

Years ended December 31	2023		2022	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year	**10,000**	4.50 %	—	— %
Mortgages receivable granted	**9,500**	5.21 %	10,000	4.50 %
Balance, end of year	**19,500**	4.85 %	10,000	4.50 %

The second ranking mortgages receivable shall be repaid between March 2025 and October 2026 and are subject to certain covenants.

As at December 31, 2023, a nominal amount of $6,500 is included in mortgages receivable with respect to a variable consideration related to a disposed investment property.

8) Accounts Receivable

December 31	Note	2023 $	2022 $
Trade receivables		**5,523**	12,028
Provision for expected credit losses	16	**(1,792)**	(4,017)
		3,731	8,011
Receivable from the sale of the interest in a joint venture		**2,659**	1,548
Interests receivable on swap		**727**	—
Other receivables and accrued income		**3,858**	8,264
Total		**10,975**	17,823

9) Mortgages Payable

Years ended December 31		2023		2022	
	Note	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year		**874,448**	**3.63 %**	2,059,632	3.53 %
Mortgages payable contracted		**270,000**	**6.37 %**	—	— %
Monthly repayments of principal		**(17,452)**	**— %**	(26,762)	— %
Repayments of balances		**(253,760)**	**6.54 %**	(598,162)	3.35 %
Mortgages payable assumed by purchasers	5	**(116,582)**	**3.48 %**	(560,260)	3.39 %
		756,654	**4.79 %**	874,448	3.63 %
Less: Deferred financing costs		**(3,603)**		(2,578)	
Balance, end of year [1]		**753,051**		871,870	

1 As at December 31, 2023, includes $20,346 in mortgages payable related to the investment properties held for sale ($96,439 as at December 31, 2022)

Contractual maturities of mortgages payable are as follows as at December 31, 2023:

Years ended December 31	Repayment of principal $	Balances at maturity $	Total $
2024	17,788	102,121	**119,909**
2025	13,979	28,437	**42,416**
2026	14,305	—	**14,305**
2027	14,913	—	**14,913**
2028	13,322	221,413	**234,735**
2029 and thereafter	10,878	319,498	**330,376**
Total	**85,185**	**671,469**	**756,654**

Mortgages payable are secured by immovable hypothecs on investment properties with a book value of $1,350,500. As at December 31, 2023, the annual contractual interest rates ranged from 3.46% to 6.37%, representing a weighted average contractual rate of 4.79%, and mature at various dates from September 2024 to December 2031. As at December 31, 2023, the weighted average effective interest rate was 4.92%.

As at December 31, 2023, all mortgages payable were bearing interest at fixed rates, with the exception of a mortgage bearing interest at variable rate based on the Canadian Dollar Offered Rate (CDOR) plus an applicable margin.

Some of the mortgages payable include restrictive covenants, with which Cominar was in compliance as at both December 31, 2023 and December 31, 2022.

10) Debentures

Years ended December 31	2023		2022	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of year	**271,015**	**5.23 %**	875,000	4.57 %
Repayments	**(71,097)**	**4.25 %**	(607,025)	4.25 %
Premium on exercise of optional put right	**—**	**— %**	3,040	— %
	199,918	**5.58 %**	271,015	5.23 %
Less: Deferred financing costs	**(564)**		(1,099)	
Balance, end of year	**199,354**		269,916	

The following table presents characteristics of outstanding debentures as at December 31, 2023:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at December 31, 2023 ($)
Series 11	May 2019	4.50 %	4.82 %	May 2024	**50,787**
Series 12	May 2020	5.95 %	6.24 %	May 2025	**149,131**
		5.58 %	**5.88 %**		**199,918**
Less: Deferred financing costs					**(564)**
Total					**199,354**

On May 23, 2023, Cominar repaid its Series 10 senior unsecured debentures totaling $71,097 and bearing interest at 4.247% using its 2023 Credit Facilities (as defined in note 11 below) and cash on hand.

11) Bank Borrowings

On April 24, 2023, Cominar entered into a credit agreement with a banking syndicate (the "2023 Credit Agreement") which provided for revolving credit facilities in an aggregate amount of up to $132,500 (the "2023 Credit Facilities"), as detailed below.

Under the terms of the 2023 Credit Agreement, the lenders committed to provide Cominar with the 2023 Credit Facilities maturing on April 24, 2024 and secured by hypothecs on three properties with a book value of $330,370 as at December 31, 2023. The 2023 Credit Facilities consisted of Revolving Facility A and Revolving Facility B. Revolving Facility A allowed Cominar to draw up to an aggregate of $80,000 and Revolving Facility B allowed Cominar to draw up to an aggregate of $52,500. Revolving Facility B was cancelled as of November 20, 2023 at Cominar's request. Revolving Facility A bore interest at the prime rate plus 70 basis points or at the bankers' acceptance rate plus 170 basis points. As at December 31, 2023, bank borrowings under the Revolving Facility A totaled $50,396 and availability was $29,604. The 2023 Credit Agreement limited the amount of distributions that could be made to IRIS and subordinated all of the outstanding units owned by IRIS and included restrictive covenants, with which Cominar was in compliance as at December 31, 2023. The 2023 Credit Facilities were fully paid out and the 2023 Credit Agreement and related guarantee were terminated on January 8, 2024 using a portion of the 2024 Credit Facility (as defined in note 29 below).

Cominar previously provided a secured guarantee of the obligations of IRIS, as borrower, under a credit agreement dated March 1, 2022 (as same was subsequently amended and supplemented from time to time) with, among others, Bank of Montreal, as administrative agent and lender. The credit facility thereunder was fully paid out on April 24, 2023.

12) Accounts Payable and Accrued Liabilities

December 31	2023 $	2022 $
Trade accounts payable	**1,305**	401
Capital costs accrual	**15,481**	7,454
Due to employees	**7,846**	5,109
Closing adjustments accrual	**5,149**	3,653
Accrued interest payable	**8,087**	6,315
Prepaid rent and tenants' deposits	**7,970**	11,378
Deposit received on a property held for sale	**3,380**	—
Commodity taxes and other non-financial liabilities	**824**	2,360
Other accrued liabilities and expenses	**16,651**	31,846
Total	**66,693**	68,516

13) Issued and Outstanding Units

Years ended December 31	2023		2022	
	Units	$	Units	$
Units issued and outstanding, beginning of year	182,451,027	2,143,800	182,451,026	3,233,486
Special distribution in units net of units consolidation impact	**—**	—	—	1,300,000
Non-redeemable units issuance to parent company (IRIS)	45,612,757	—	—	—
Parent company (IRIS) subscription under the Arrangement	—	—	182,451,027	2,143,800
Repurchase of units under the Arrangement	—	—	(182,451,026)	(4,533,486)
Units issued and outstanding, end of year	**228,063,784**	**2,143,800**	182,451,027	2,143,800

As at December 31, 2023, there were a total of 228,063,784 units of the REIT issued and outstanding, comprised of 182,451,027 units designated as "Redeemable Units" and 45,612,757 units designated as "Non-Redeemable Units". All units of the REIT are held by IRIS. Non-Redeemable Units and Redeemable Units will at all times be equivalent in all respects, other than the right of redemption which only applies in respect of the Redeemable Units. All units, whether a Non-Redeemable Unit or a Redeemable Unit, represent a unitholder's undivided and proportionate ownership interest in Cominar. Each unit whether a Non-Redeemable Unit or a Redeemable Unit, confers the right to vote at any meeting and to participate equally and rateably in all Cominar distributions.

14) Distributions to the Unitholder

Cominar is governed by a Contract of Trust dated as of March 31, 1998, as amended or amended and restated from time to time. The trustees of the REIT intend to distribute Cominar's distributable income to its sole unitholder, IRIS. 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 and certain other items not affecting cash, if applicable.

Years ended December 31	2023	2022
	$	$
Cash distributions to unitholders prior to the Arrangement[1]	**N/A**	8,210
Cash distributions per unit prior to the Arrangement[1]	**N/A**	0.045
Cash distributions to parent company (IRIS)	**205,983**	1,144,634

1 Refer to note 1 for more information on the Arrangement.

15) Operating Revenues

Year ended December 31, 2023	Office and mixed-used properties $	Retail properties $	Total of operating revenues $
Lease revenues	112,341	127,750	240,091
Contingent rents	—	7,019	7,019
Parking revenues	10,562	423	10,985
Revenues from other services [1]	9,730	15,392	25,122
Total	**132,633**	**150,584**	**283,217**

1 Revenues from other services are estimated based on operating costs billable to tenants.

Year ended December 31, 2022	Office and mixed-used properties $	Retail properties $	Industrial and flex properties $	Total of operating revenues $
Lease revenues	153,837	149,143	26,254	329,234
Contingent rents	—	8,283	—	8,283
Parking revenues	10,448	413	—	10,861
Revenues from other services [1]	14,972	17,014	1,646	33,632
Total	179,257	174,853	27,900	382,010

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.

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, 2023 and December 31, 2022 was determined as follows:

December 31, 2023	Less than 30 days past due	More than 30 days past due	More than 120 days past due	Total
Expected loss rate	0.5 %	12.2 %	51.7 %	
Gross carrying amount - trade receivables	1,065	1,308	3,150	5,523
Provision for expected credit losses	5	160	1,627	1,792

December 31, 2022	Less than 30 days past due	More than 30 days past due	More than 120 days past due	Total
Expected loss rate	10.7 %	26.3 %	39.7 %	
Gross carrying amount - trade receivables	1,426	2,553	8,049	12,028
Provision for expected credit losses	152	672	3,193	4,017

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

Years ended December 31	2023 $	2022 $
Balance, beginning of year	**4,017**	4,272
Net provision (reversal) recognized as expense	**(366)**	3,435
Tenant receivables written off during the year	**(1,859)**	(3,690)
Balance, end of year	**1,792**	4,017

The following tables present the expected credit losses recognized during the years :

Years ended December 31	2023 $	2022 $
Expected credit losses (reversal) on trade receivables	**(366)**	3,435
Expected credit losses (reversal) - rent reductions	**573**	(555)
Expected credit losses expensed	**207**	2,880

Years ended December 31	2023	2022
	$	$
Office and mixed-use	**(238)**	665
Retail	**445**	1,772
Industrial and flex	**—**	443
Expected credit losses expensed	**207**	2,880
Percentage of operating revenues	**0.1 %**	0.8 %

17) Operating Lease Income

The future minimum lease payments from tenants are as follows:

December 31	$
2024	**133,764**
2025	**115,935**
2026	**96,511**
2027	**86,459**
2028	**61,806**
2029+	**438,150**

18) Operating Costs and Property Administrative Expenses

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

Years ended December 31	2023	2022
	$	$
Repairs and maintenance	**37,094**	44,358
Energy	**20,000**	28,818
Salaries and related costs	**17,509**	23,516
Expected credit losses	**207**	2,880
Other expenses	**13,721**	14,254
Total	**88,531**	113,826

19) Finance Charges

Years ended December 31	2023	2022
	$	$
Interest on mortgages payable	**38,240**	39,499
Interest on debentures	**12,193**	26,076
Interest on bank borrowings	**2,523**	2,520
Amortization of deferred financing costs and other costs	**3,234**	3,998
Less: Capitalized interest[1]	**(1,017)**	(1,795)
Total	**55,173**	70,298

1 Includes capitalized interest on properties under development or on major revitalization projects for income properties that take place over a substantial period of time. The weighted average interest rate used in 2023 was 5.47% [4.43% in 2022].

20) Trust Administrative Expenses

Years ended December 31	2023	2022
	$	$
Salaries and benefits	**12,336**	9,520
Office and IT expenses	**3,581**	2,764
Professional fees	**4,959**	5,332
Asset management fees	**6,982**	13,944
Predevelopment costs	**2,390**	—
Other expenses	**1,237**	753
Total	**31,485**	32,313

21) Transaction Costs

Years ended December 31	2023	2022
	$	$
Banker and professional fees	**13,478**	29,460
Closing adjustments	**6,835**	17,652
Compensation, severances, retention bonuses and other related costs	**474**	19,512
Financing costs and other asset write-offs	**—**	11,325
Penalties on debt repayments	**—**	3,023
Others	**—**	2,051
Total	**20,787**	83,023

Transaction costs for the year ended December 31, 2023 were incurred as a result of the Arrangement or as a result of the reassessment of the transaction costs related to the Arrangement and as a result of the dispositions that occurred in the year.

22) Supplemental Cash Flow Information

Years ended December 31	2023	2022
	$	$
Accounts receivable	**7,959**	14,357
Prepaid expenses and other assets	**(1,444)**	8,040
Accounts payable and accrued liabilities	**(10,893)**	(51,769)
Changes in non-cash working capital items	**(4,378)**	(29,372)
Other information		
Accounts payable and accrued liabilities relating to investing activities	**18,667**	9,763
Accounts receivable relating to investing activities	**2,659**	1,548

23) Related Party Transactions

Since March 1, 2022, Cominar has been a 100% owned subsidiary of IRIS. In connection with their investment in IRIS, certain affiliates of IRIS created a joint venture to provide asset management services to Cominar. This entity is a related party to Cominar by virtue of common joint control.

During the year ended December 31, 2023 Cominar entered into transactions with such entities, then related companies, in the normal course of business, the details of which are as follows:

Years ended December 31	Note	2023 $	2022 $
Parent company (IRIS) subscription under the Arrangement	13	**—**	2,143,800
Reimbursement of the subscription receivable from parent company (IRIS)	13	**—**	1,630,901
Cash distributions to parent company (IRIS)	14	**205,983**	1,144,634
Asset management fees to a joint venture under common control		**6,003**	12,922
Professional fees to a company controlled by a member of the Board of Trustees		**2,725**	1,658

	December 31, 2023 $	December 31, 2022 $
Accounts payable and accrued liabilities – joint venture under common control	**500**	500
Accounts payable and accrued liabilities – company controlled by a member of the Board of Trustees	**375**	225

24) Key Management Personnel Compensation

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

Years ended December 31	2023 $	2022 $
Short-term benefits	**3,693**	4,441
Contribution to the retirement savings plans	**70**	48
Severance allowances	**—**	8,321
Total	**3,763**	12,810

25) Capital Management

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development. Cominar's capital consists of cash and cash equivalents, bank borrowings, long-term debt and unitholder's 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:

December 31	2023 $	2022 $
Cash and cash equivalents	**(11,501)**	(38,063)
Mortgages payable	**753,051**	871,870
Debentures	**199,354**	269,916
Bank borrowings	**50,396**	—
Unitholder's equity	**1,013,049**	1,226,825
Total	**2,004,349**	2,330,548
Debt ratio [1]	**47.7 %**	46.0 %
Interest coverage ratio [2]	**1.86**	2.22

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), excluding rental income arising from the recognition of leases on a straight-line basis less, Trust administrative expenses divided by finance charges (excluding finance charges related to mortgages repayments before maturity and yield maintenance fees and costs paid in relation to 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. As at December 31, 2023, Cominar had maintained a debt ratio of 47.7% 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, 2023, the interest coverage ratio was 1.86, reflecting Cominar's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

26) Fair Value

Cominar uses a three-level hierarchy to classify its fair value measurements. 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 2023 and 2022.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and bank borrowings approximates the carrying amount since they are short-term in nature or bear interest at current market rates.

The fair value of mortgages receivable, 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 assets and liabilities and their carrying amount and fair value, when that fair value does not approximate the carrying amount, are classified as follows:

December 31		2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
	Level	$	$	$	$
Recurring valuations of non-financial assets					
Investment properties (including properties held for sale)	3	**2,011,778**	**2,011,778**	2,354,255	2,354,255
Financial assets					
Mortgages receivable	3	**19,500**	**19,062**	10,000	9,796
Financial liabilities					
Mortgages payable	2	**753,051**	**725,284**	871,870	830,403
Debentures	2	**199,354**	**194,744**	269,916	262,388
Derivative liabilities	2	**7,460**	**7,460**	—	—

27) Financial Instruments

Risk Management

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

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

Cominar mitigates credit risk via 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 942 clients occupying an average of approximately 8,342 square feet each. The top three clients, Canadian National Railway Company, InfraMTL and Société québécoise des infrastructures, account respectively for approximately 11.7%, 7.5% and 4.6% 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 17.4% of operating revenues come from government agencies.

Cominar regularly assesses its accounts receivable and records an expected credit loss for accounts to reflect the risk of non-collection.

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

Interest rate risk
Interest rate risk is Cominar's exposure to increases and decreases in financial instrument values caused by the fluctuation in interest rates. Cominar is exposed to cash flow risk due to the interest rate fluctuation in its floating rate interest-bearing financial obligations. 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, by generally using long-term debt bearing interest at fixed rates and from time to time may enter into fixed interest rate derivatives to manage its cash flow risk exposure. As at December 31, 2023, Cominar holds a floating-to-fixed interest rate swap in order to hedge a portion of the interest rate cash flow risk associated with floating interest rate debt.

Furthermore, upon refinancing of a borrowing, depending on the availability of funds in the market and lender perception of the Cominar's risk, the margin that is added to the reference rate, such as CDOR or banker's acceptance rates, could vary and thereby directly influence the interest rate payable by Cominar.

Fair value of recognized financial instruments

On July 5, 2023 Cominar entered into a 5-year swap contract with quarterly intervals based on swapping a variable rate based on CDOR for fixed rate of 6,3%. Derivative liabilities fair value of $7,460 and interests receivable on swap of $727 were recorded as at December 31, 2023.

Cominar has classified this as level 2 in the fair value hierarchy.

	December 31, 2023	December 31, 2022
Receive - Notional	239,128	—
Receive - Rate	6.3 %	—
Pay - Notional	239,128	—
Pay - Rate	7.4 %	—

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

All mortgages receivable, mortgages payable and all debentures bear interest at fixed rates, with the exception of a mortgage bearing interest at variable rate based on the CDOR plus an applicable margin.

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.

Contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2023 are as follows:

		Cash flows		
		Under one year	One to five years	Over five years
	Note	$	$	$
Mortgages payable	9	**154,881**	**416,061**	**343,589**
Debentures	10	**60,803**	**153,568**	**—**
Bank borrowings	11	**51,271**	**—**	**—**
Accounts payable and accrued liabilities [1]	12	**65,406**	**—**	**—**
Derivative liabilities		**—**	**7,460**	**—**
Lease liability		**423**	**776**	**—**

1 Excludes commodity taxes, other non-financial liabilities and lease liability

28) Segmented Information

Following the Arrangement, Cominar's activities consist of the ownership and management of a portfolio composed of two types of properties (office and mixed use properties and retail properties) located in the Province of Québec and in Ottawa, Ontario, each type being now considered as a segment. As such, Cominar revisited its allocation of properties to those two segments in order to reflect the new composition of its portfolio following the Arrangement. As part of this new allocation, properties that were previously classified in industrial and flex properties that were not disposed have been grouped with office and mixed-use properties. The accounting policies followed for each property type are the same as those disclosed in the material accounting policies set out in note 2.

Year ended	Office and mixed-use properties	Retail properties	Industrial and flex properties	Consolidated financial statements
December 31, 2023	$	$	$	$
Rental revenue from investment properties	**132,632**	**150,585**	**—**	**283,217**
Net operating income	**62,160**	**70,987**	**—**	**133,147**
Change in fair value of investment properties	**(133,248)**	**104,187**	**—**	**(29,061)**
December 31, 2022	$	$	$	$
Rental revenue from investment properties	179,257	174,854	27,899	382,010
Net operating income	86,214	79,665	15,824	181,703
Change in fair value of investment properties	(86,863)	(5,864)	166	(92,561)

	Office and mixed-use properties	Retail properties	Consolidated financial statements
December 31, 2023	$	$	$
Income properties	**836,200**	**1,079,100**	**1,915,300**
Investment properties held for sale	**41,696**	**3,456**	**45,152**
December 31, 2022	$	$	$
Income properties	934,000	1,054,690	1,988,690
Investment properties held for sale	264,000	48,865	312,865

29) Subsequent Events

On January 4, 2024, Cominar entered into a new credit agreement with a Canadian bank (the "2024 Credit Agreement"). Under the terms of the 2024 Credit Agreement, the lender committed to provide Cominar with a revolving facility in an aggregate amount of up to $150,000 maturing on February 28, 2025 and secured by hypothecs on three properties with a book value of $330,370 as at December 31, 2023 (The "2024 Credit Facility"). The 2024 Credit Facility bears interest at the prime rate plus 110 basis points or at the Canadian Overnight Repo Rate Average (CORRA) rate plus 210 basis points. The 2023 Credit Facilities that was active as at December 31, 2023 was fully paid out on January 8, 2024.

On January 8, 2024, Cominar declared and paid $30,000 in cash distributions to parent company (IRIS).

Cominar