Management's Discussion and Analysis

Quarter ended March 31, 2023

Cominar

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Interim Management's Discussion and Analysis

The following Interim Management's Discussion and Analysis (this "Interim 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 quarter ended March 31, 2023 in comparison with the corresponding quarter of 2022, as well as its financial position as at that date. Dated May 9, 2023, this Interim MD&A reflects all significant information available as of that date and should be read in conjunction with the condensed interim consolidated financial statements and accompanying notes for the quarter ended March 31, 2023, as well as the 2022 consolidated financial statements, accompanying notes and management's discussion and analysis appearing on Cominar's website.

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 condensed interim 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 Interim MD&A present the consolidated balance sheets and interim 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 readers 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 condensed interim consolidated financial statements prepared in accordance with IFRS to the financial information including Cominar's proportionate share in the assets, liabilities, revenues and charges of its joint ventures presented in this Interim MD&A.

Additional information on Cominar, including its management's discussion and analysis for the year ended December 31,2022 (the "2022 MD&A"), 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 of the REIT (the "Board of Trustees"), pursuant to the recommendation of the Audit Committee, approved the contents of this Interim MD&A on May 9, 2023.

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 debentureholders or in other communications.This information includes 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.

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, debentureholders 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 Interim 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 Interim MD&A as well as in the "Risk Factors Related to the Business of Cominar" section of the 2022 MD&A.

Non-IFRS and Other Financial Measures

Cominar's condensed interim consolidated financial statements are prepared in accordance with IFRS. However, in this Interim MD&A, we provide guidance and report on certain non-IFRS financial measures, non-IFRS ratios and other specified financial measures which management uses to evaluate Cominar's performance. Because non-IFRS financial measures do not have standardized meanings and may differ from similar measures presented by other entities, securities regulations require that non-IFRS financial measures be clearly defined and qualified, reconciled with their closest IFRS financial measure and given no more prominence than the latter.

These measures are listed below. Reconciliation with closest IFRS financial measure and other relevant information regarding these performance indicators are provided in the relevant sections of this Interim MD&A.

Non-IFRS Financial Measures

- Cominar's proportionate share
- Same property net operating income ("SPNOI")
- Funds from operations ("FFO")
- Adjusted finance charges

Non-IFRS Ratios and Other Specified Financial Measures

- Debt ratio
- Interest coverage ratio
- Weighted average interest rate on total debt
- Residual weighted average term of total debt
- Unsecured debt-to-total-debt ratio
- Unencumbered income properties
- Unencumbered assets to unsecured net debt ratio

Financial and Operational Highlights

Quarters ended March 31	2023 $	2022 [3] $	% Δ	Page
Financial performance				
Operating revenues — Financial statements	**77,970**	139,791	(44.2)	8
Operating revenues — Cominar's proportionate share [1]	**77,970**	142,771	(45.4)	8
NOI — Financial statements	**35,133**	64,999	(45.9)	9
NOI — Cominar's proportionate share [1]	**35,133**	66,577	(47.2)	9
Same property NOI [1]	**35,330**	31,915	10.7	10
Net income	**3,971**	22,112	(82.0)	9
Funds from operations (FFO) [1]	**15,961**	26,673	(40.2)	12
Cash distributions to parent company (IRIS)	**29,200**	—	100.0	12
Total assets	**2,402,558**	4,072,081	(41.0)	7
Financing				
Debt ratio [1,2]	**47.0 %**	36.2 %		15
Interest coverage ratio [1]	**2.44:1**	**2.23:1**		14
Weighted average interest rate on total debt [1]	**4.84 %**	4.07 %		13
Residual weighted average term of total debt (years) [1]	**3.3**	4.4		13
Unsecured debt-to-total-debt ratio [1]	**23.7 %**	38.4 %		13
Unencumbered income properties [1]	**781,654**	1,005,847		14
Unencumbered assets to unsecured net debt ratio [1]	**3.06:1**	1.86:1		14
Operational data				
Number of investment properties	**60**	80		16
Leasable area (in thousands of sq. ft.)	**11,719**	12,858		16
Committed occupancy rate	**89.3 %**	89,2 %		17
Development activities				
Properties under development — Cominar's proportionate share [1]	**10,584**	36,876		7

1 Refer to "Non-IFRS and Other Financial Measures".
2 The debt ratio for the quarter ended March 31, 2022 includes a subscription receivable from parent company (IRIS) of $1,325 million.
3 Refer to "General Business Overview and Strategy - Acquisition of Cominar by Plan of Arrangement".

Selected Quarterly Information

Quarters ended	Mar. 2023 $	Dec. 2022 $	Sept. 2022 $	Jun. 2022 $	Mar. 2022 $	Dec. 2021 $	Sept. 2021 $	Jun. 2021 $
Financial performance								
Operating revenues — Financial statements	**77,970**	80,246	81,605	80,368	139,791	162,911	161,684	164,278
Operating revenues — Cominar's proportionate share [1]	**77,970**	80,246	81,605	80,533	142,771	167,099	165,658	168,325
NOI — Financial statements	**35,133**	36,763	40,630	39,311	64,999	82,876	87,453	85,438
NOI — Cominar's proportionate share [1]	**35,133**	36,763	40,630	39,395	66,577	85,035	89,647	87,710
Change in fair value of investment properties	**(6,547)**	(48,267)	(118,298)	2,672	71,332	(217,719)	(506)	(129,565)
Net income (loss)	**3,971**	(34,477)	(101,737)	19,080	22,112	(204,283)	50,101	(91,390)
FFO [1]	**15,961**	17,753	17,570	20,807	26,673	30,739	51,232	45,406
Cash flows provided (used) by operating activities	**(3,170)**	20,375	31,255	(6,416)	(61,812)	46,066	48,351	29,117
Cash distributions to unitholders prior to the Arrangement	**N/A**	N/A	N/A	N/A	8,210	—	16,420	16,421
Cash distributions to parent company (IRIS)	**29,200**	78,845	320,789	745,000	—	—	—	—

1 Refer to "Non-IFRS and Other Financial Measures".

General Business Overview and Strategy

Acquisition of Cominar by Plan of 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. $1,123.2 million 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 $537.1 million 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.

Real Estate Portfolio Summary as at March 31, 2023

As at March 31, 2023, Cominar owns and manages a portfolio of 60 properties, comprised of office and mixed-use and retail properties located in the Montréal, Québec City and Ottawa areas.

Property type	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate
Office and mixed-use	44	6,143,000	86.7 %
Retail	16	5,576,000	92.3 %
Total	**60**	**11,719,000**	**89.3 %**

Geographic market	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate
Montréal	44	9,758,000	89.6 %
Québec City	12	1,359,000	89.4 %
Ottawa	4	602,000	83.5 %
Total	**60**	**11,719,000**	**89.3 %**

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 significant accounting policies in the audited annual financial statements of the Trust.

Reconciliations to Cominar's Proportionate Share

In accordance with IFRS 11, joint ventures are accounted for under the equity method in Cominar's condensed interim 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 condensed interim consolidated financial statements prepared in accordance with IFRS with its condensed interim consolidated financial statements including its proportionate share of the assets, liabilities, revenues and charges of its joint ventures.

	March 31, 2023			December 31, 2022		
	Condensed interim 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	**2,082,804**	**—**	**2,082,804**	1,988,690	—	1,988,690
Properties under development	**—**	**10,584**	**10,584**	—	8,979	8,979
Land held for future development	**52,975**	**5,343**	**58,318**	52,700	5,250	57,950
	2,135,779	**15,927**	**2,151,706**	2,041,390	14,229	2,055,619
Investment properties held for sale	**190,556**	**—**	**190,556**	312,865	—	312,865
Investments in joint ventures	**15,637**	**(15,637)**	**—**	13,317	(13,317)	—
Mortgages receivable	**12,000**	**—**	**12,000**	10,000	—	10,000
Accounts receivable	**17,122**	**323**	**17,445**	17,823	95	17,918
Prepaid expenses and other assets	**16,479**	**—**	**16,479**	3,669	—	3,669
Cash and cash equivalents	**14,985**	**13**	**14,998**	38,063	—	38,063
Total assets	**2,402,558**	**626**	**2,403,184**	2,437,127	1,007	2,438,134
Liabilities						
Mortgages payable	**803,214**	**—**	**803,214**	775,431	—	775,431
Mortgages payable related to the investment properties held for sale	**64,201**	**—**	**64,201**	96,439	—	96,439
Debentures	**270,044**	**—**	**270,044**	269,916	—	269,916
Accounts payable and accrued liabilities	**63,503**	**626**	**64,129**	68,516	1,007	69,523
Total liabilities	**1,200,962**	**626**	**1,201,588**	1,210,302	1,007	1,211,309
Unitholder's equity						
Unitholder's equity	**1,201,596**	**—**	**1,201,596**	1,226,825	—	1,226,825
Total liabilities and unitholder's equity	**2,402,558**	**626**	**2,403,184**	2,437,127	1,007	2,438,134

1 Refer to "Non-IFRS and Other Financial Measures".

Quarters ended March 31	2023			2022		
	Condensed interim consolidated financial statements	Joint ventures	Cominar's proportionate share[1]	Condensed interim consolidated financial statements	Joint ventures	Cominar's proportionate share[1]
	$	$	$	$	$	$
Operating revenues	**77,970**	**—**	**77,970**	139,791	2,980	142,771
Operating expenses	**(42,837)**	**—**	**(42,837)**	(74,792)	(1,402)	(76,194)
NOI	**35,133**	**—**	**35,133**	64,999	1,578	66,577
Finance charges	**(12,359)**	**—**	**(12,359)**	(32,812)	(725)	(33,537)
Trust administrative expenses	**(7,621)**	**—**	**(7,621)**	(7,357)	9	(7,348)
Change in fair value of investment properties	**(6,547)**	**—**	**(6,547)**	71,332	1,404	72,736
Share of joint ventures' net income	**—**	**—**	**—**	2,105	(2,266)	(161)
Transaction costs	**(4,635)**		**(4,635)**	(76,155)	—	(76,155)
Net income and comprehensive income	**3,971**	**—**	**3,971**	22,112	—	22,112

1 Refer to "Non-IFRS and Other Financial Measures".

Performance Analysis

Financial Position

The following table indicates the changes in assets and liabilities as well as in unitholder's equity between March 31, 2023, and December 31, 2022, as shown in our condensed interim consolidated financial statements:

	March 31, 2023	December 31, 2022		
	$	$	$ Δ	% Δ
Assets				
Investment properties				
Income properties	**2,082,804**	1,988,690	94,114	4.7
Land held for future development	**52,975**	52,700	275	0.5
	2,135,779	2,041,390	94,389	4.6
Investment properties held for sale	**190,556**	312,865	(122,309)	(39.1)
Investments in joint ventures	**15,637**	13,317	2,320	17.4
Mortgages receivable	**12,000**	10,000	2,000	20.0
Accounts receivable	**17,122**	17,823	(701)	(3.9)
Prepaid expenses and other assets	**16,479**	3,669	12,810	349.1
Cash and cash equivalents	**14,985**	38,063	(23,078)	(60.6)
Total assets	**2,402,558**	2,437,127	(34,569)	(1.4)
Liabilities				
Mortgages payable	**803,214**	775,431	27,783	3.6
Mortgages payable related to the investment properties held for sale	**64,201**	96,439	(32,238)	(33.4)
Debentures	**270,044**	269,916	128	—
Accounts payable and accrued liabilities	**63,503**	68,516	(5,013)	(7.3)
Total liabilities	**1,200,962**	1,210,302	(9,340)	(0.8)
Unitholder's equity				
Unitholder's equity	**1,201,596**	1,226,825	(25,229)	(2.1)
Total liabilities and unitholder's equity	**2,402,558**	2,437,127	(34,569)	(1.4)

Investment properties: During the first quarter of 2023, Cominar transferred $78.6 million of investment properties held for sale to investment properties. These properties no longer met the required criteria to be presented as held for sale.

Investment properties held for sale: During the first quarter of 2023, Cominar transferred $78.6 million of investment properties held for sale to investment properties as noted above and sold 8 properties for $30.5 million. As at March 31, 2023, Cominar had 14 properties and 1 land parcel held for sale totaling $190.6 million, each of which were, as of such date, subject to definitive sale agreements.

Adjustment to fair value of investment properties: During the first quarter of 2023, Cominar revalued its investment properties and investment properties held for sale using external valuations and definitive agreements to sell investment properties and determined that a net decrease of $6.5 million was necessary to adjust the carrying amount of investment properties to fair value.

Distributions to parent company (IRIS): During the first quarter of 2023, Cominar declared and paid $29.2 million in cash distributions, of which $23.2 million came from net proceeds of investment property dispositions and $6.0 million came from cash on hand.

Results of Operations

The following table highlights our results of operations for the periods ended March 31, 2023 and 2022, as shown in our condensed interim consolidated financial statements:

Quarters ended March 31	2023	2022	
	$	$	% Δ
Operating revenues	**77,970**	139,791	(44.2)
Operating expenses	**(42,837)**	(74,792)	(42.7)
NOI	**35,133**	64,999	(45.9)
Finance charges	**(12,359)**	(32,812)	(62.3)
Trust administrative expenses	**(7,621)**	(7,357)	3.6
Change in fair value of investment properties	**(6,547)**	71,332	(109.2)
Share of joint ventures' net income	**—**	2,105	(100.0)
Transaction costs	**(4,635)**	(76,155)	(93.9)
Net income and comprehensive income	**3,971**	22,112	(82.0)

The decrease in operating revenues and in operating expenses resulted mainly from the sale of 226 investment properties at the closing of the Arrangement in 2022 and from the sale of 20 investment properties since the end of the first quarter of 2022. Refer to "Results of operations - same property portfolio" for a same property operating results analysis.

The decrease in finance charges resulted mainly from debt reimbursement in connection with the Arrangement. Refer to "Finance Charges".

During the first quarter of 2023, Cominar revalued its real estate portfolio and determined that a net decrease of $6.5 million (increase of $71.3 million in 2022) was necessary to adjust the carrying amount of investment properties to fair value. Refer to "Change in Fair Value of Investment Properties".

Transaction costs of $4.6 million were incurred as a result of the dispositions that occurred in 2023 or 2022. Transaction costs of $76.2 million were incurred in 2022 as a result of the Arrangement. Refer to "Transaction Costs".

Net Operating Income

NOI is a measure presented in the statement of comprehensive income in Cominar's condensed interim 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.

The following tables present NOI by property type. Results of operations on a same property portfolio basis are available in the next section.

Quarters ended March 31	2023	2022	
	$	$	% Δ
NOI — Financial statements	**35,133**	64,999	(45.9)
NOI — Joint ventures	**—**	1,578	(100.0)
NOI — Cominar's proportionate share [1]	**35,133**	66,577	(47.2)

1 Refer to "Non-IFRS and Other Financial Measures".

NOI by Property Type

Quarters ended March 31	2023	2022	
	$	$	% Δ
Property type			
Office and mixed-use	**16,549**	28,725	(42.4)
Retail	**18,584**	21,616	(14.0)
Industrial and flex	**—**	16,236	(100.0)
NOI — Cominar's proportionate share [1]	**35,133**	66,577	(47.2)

1 Refer to "Non-IFRS and Other 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 January 1, 2022, with the exception of results from the properties sold or under development in 2022 and 2023, as well as the rental income arising from the recognition of leases on a straight-line basis.

Quarters ended March 31	2023	2022	
	$	$	% Δ
Same property operating revenues - Cominar's proportionate share [1]	**77,242**	73,051	5.7
Same property operating expenses - Cominar's proportionate share [1]	**(41,912)**	(41,136)	1.9
SPNOI — Cominar's proportionate share [1]	**35,330**	31,915	10.7

1 Refer to "Non-IFRS and Other Financial Measures".

The increase in same property operating revenues resulted mainly from increases of (i) $1.5 million in rents, mainly from the retail segment which the in-place occupancy rate increased and following conversion of percentage rents into gross leases, (ii) $1.0 million in recovery revenues due to an increase in operating expenses, (iii) $1.2 million in parking revenues, and (iv) $0.5 million in percentage rent due to the increased activity in our malls. Same property operating expenses increased by $0.8 million mainly due to increased activity in both our office and retail portfolios, partly offset by decreases in the estimated credit losses and realty taxes, which decreased following the settlement of pending tax disputes. As a result, SPNOI increased by $3.4 million in the first quarter of 2023 compared with the first quarter of 2022.

Finance Charges

Quarters ended March 31	2023	2022	
	$	$	% Δ
Interest on mortgages payable	**8,950**	14,577	(38.6)
Interest on debentures [1]	**3,565**	14,399	(75.2)
Interest on bank borrowings (on cash surplus)	**(455)**	3,236	(114.1)
Amortization of deferred financing costs and other costs	**531**	1,428	(62.8)
Less: Capitalized interest	**(232)**	(828)	(72.0)
Total finance charges — Financial statements	**12,359**	32,812	(62.3)
Adjusted finance charges [2]	**12,359**	30,860	(60.0)
Percentage of operating revenues	**15.9 %**	23.5 %	
Weighted average interest rate on total debt [3]	**4.84 %**	4.07 %	

1 *Quarter ended March 31, 2022 includes $2.0 million of yield maintenance fees paid in connection with the Series 9 debenture redemption).*
2 *Quarter ended March 31, 2022 excludes $2.0 million of yield maintenance fees paid in connection with the Series 9 debenture redemption).*
3 *Refer to "Non-IFRS and Other Financial Measures".*

The decrease in finance charges is mainly due to mortgages payable and bank borrowings reimbursed or assumed as part of the Arrangement, repayment of the Series 9 debentures, and the optional put right repayment of debentures, each of which took place in 2022.

Trust Administrative Expenses

Quarters ended March 31	2023	2022	
	$	$	% Δ
Salaries and benefits	**3,621**	2,319	56.1
Office expenses and information technology	**1,134**	1,385	(18.1)
Professional fees	**1,137**	369	208.1
Asset management fees	**1,546**	3,113	(50.3)
Other expenses	**183**	171	7.0
Total Trust administrative expenses	**7,621**	7,357	3.6

Transaction Costs

Quarters ended March 31	2023	2022	
	$	$	% Δ
Banker and professional fees	**434**	25,878	NM
Closing adjustments	**4,201**	15,431	(72.8)
Compensation, severances, retention bonuses and other related costs	**—**	19,132	(100.0)
Financing costs and other asset write-offs	**—**	11,350	(100.0)
Penalties on debt repayments	**—**	3,013	(100.0)
Others	**—**	1,351	(100.0)
Total Transaction costs	**4,635**	76,155	NM

Funds from Operations

Although FFO is not an IFRS financial measure, it is widely used in the real estate investment trust industry as it adjusts net income for items that are not related to trends in occupancy levels, rental rates and property operating costs.

REALpac defines FFO as net income (loss) (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.

FFO is not a substitute for net income established in accordance with IFRS when measuring Cominar's performance. While our method of calculating FFO complies with REALpac recommendations, it may differ from and not be comparable to the one used by other entities.

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

Funds from Operations

Quarters ended March 31	2023	2022	
	$	$	% Δ
Net income	**3,971**	22,112	(82.0)
Initial and re-leasing salary costs	**808**	950	(14.9)
Change in fair value of investment properties - Cominar's proportionate share	**6,547**	(72,736)	(109.0)
Capitalizable interest on properties under development — joint ventures	**—**	192	(100.0)
Transaction costs	**4,635**	76,155	NM
FFO[1]	**15,961**	26,673	(40.2)

1 Refer to "Non-IFRS and Other Financial Measures".

FFO[1]: FFO for the quarter ended March 31, 2023 amounted to $16.0 million compared to $26.7 million for the previous year's comparable period due to the $29.9 million decrease in NOI which is mainly related to the sale of 246 investment properties and investment properties held for sale since March 1, 2022, partially offset by the decrease of finance charges mainly related to the impact of the Arrangement.

Distributions

Cominar is governed by a Contract of Trust dated as of March 31, 1998, as amended and restated or amended 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.

Distributions to the Sole Unitholder

During the first quarter of 2023, Cominar used the property dispositions net proceeds and cash on hand to declare and pay $29.2 million in cash distributions to IRIS.

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

Quarters ended March 31	2023	2022
	$	$
Net income	**3,971**	22,112
Cash flows used in operating activities — Financial statements	**(3,170)**	(61,812)
Cash distributions to parent company (IRIS)	**29,200**	N/A
Surplus (deficit) of cash flows provided by operating activities compared with distributions to parent company (IRIS)	**(32,370)**	—

The deficit of cash flows in 2023 of $32.4 million for the quarter ended March 31, 2023 was funded by net proceeds from the sale of investment properties and by cash on hand.

1 Refer to "Non-IFRS and Other Financial Measures".

Liquidity and Capital Resources

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.

Debt Summary

	March 31, 2023			December 31, 2022		
	$	Weighted average contractual rate [1]	Residual weighted average term [1]	$	Weighted average contractual rate [1]	Residual weighted average term [1]
Mortgages payable	**867,415**	**4.72 %**	**4.0 years**	871,870	3.63 %	4.1 years
Debentures	**270,044**	**5.23 %**	**1.4 years**	269,916	5.23 %	1.7 years
Total debt	**1,137,459**	**4.84 %**	**3.3 years**	1,141,786	4.01 %	3.5 years
Cash and cash equivalents	**(14,985)**			(38,063)		
Net debt	**1,122,474**			1,103,723		
Unsecured debt-to-total-debt ratio [1, 2]	**23.7 %**			**23.6 %**		

1 Refer to "Non-IFRS and Other Financial Measures".
2 Unsecured debt divided by total debt.

Mortgages Payable

As at March 31, 2023, the balance of mortgages payable after deduction of deferred financing costs was $867.4 million, down $4.5 million from $871.9 million as at December 31, 2022. This decrease resulted from by monthly repayments of capital totaling $4.3 million. As at March 31, 2023, the weighted average contractual rate was 4.72% and the effective weighted average interest rate was 4.93%.

Contractual maturities of mortgages payable

Years ending December 31	Repayment of principal $	Balances at maturity $	Total $	Weighted average contractual rate[1]
2023 (period from April to December)	13,008	239,983	252,991	6.74 %
2024	17,094	102,121	119,215	4.00 %
2025	13,775	—	13,775	— %
2026	12,627	47,806	60,433	3.57 %
2027	12,705	54,468	67,173	3.10 %
2028	11,957	—	11,957	— %
2029	10,098	87,794	97,892	3.65 %
2030	2,785	231,411	234,196	4.00 %
2031	913	11,649	12,562	4.19 %
2032 and thereafter	—	—	—	— %
Total	**94,962**	**775,232**	**870,194**	**4.72 %**

1 Based on the contractual maturities of each year.

As at March 31, 2023, the residual weighted average term of mortgages payable was 4.0 years.

Debentures

	Date of issuance	Contractual interest rate	Effective interest rate	Dates of interest payments	Maturity date	Nominal value as at March 31, 2023 $
Series 10	May 2016	4.247 %	4.34 %	May 23 and November 23	May 2023	71,097
Series 11	May 2019	4.50 %	4.82 %	May 15 and November 15	May 2024	50,787
Series 12	May 2020	5.95 %	6.24 %	May 5 and November 5	May 2025	149,131
Weighted average interest rate		**5.23 %**	**5.48 %**			
Total						**271,015**

As at March 31, 2023, the residual weighted average term of debentures was 1.4 years.

Debenture Covenants

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 income before interest, income taxes, depreciation and amortization ("EBITDA"), divided by adjusted finance charges.

	March 31, 2023 $	December 31, 2022 $
NOI (last 12 months)	**151,837**	181,703
Trust administrative expenses (last 12 months)	**(32,577)**	(27,550)
Recognition of leases on a straight-line basis (last 12 months)	**(276)**	(64)
EBITDA (last 12 months) [2]	**118,984**	154,089
Adjusted finance charges (last 12 months) [1]	**48,769**	41,332
Interest coverage ratio [2]	**2.44:1**	3.73 : 1

1 *Excludes $2.0 million of yield maintenance fees paid in connection with the Series 9 debenture redemption in 2022 and $1.1 million of deferred financing cost write-offs related to payments in respect to the optional put right in favor of certain debentureholders in 2022.*
2 *Refer to "Non-IFRS and Other Financial Measures".*

Unencumbered Assets Coverage Ratio

	March 31, 2023		December 31, 2022	
	Number of properties	Fair value of properties ($)	Number of properties	Fair value of properties ($)
Total unencumbered income properties [1,3]	**43**	**781,654**	51	818,015
Unsecured net debt		**255,059**		231,853
Unencumbered assets to unsecured net debt ratio [2,3]		**3.06:1**		3.53:1

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

As at March 31, 2023, the unencumbered assets to unsecured net debt ratio stood at 3.06:1, above the required ratio of 1.30:1 contained in the restrictive covenant of the outstanding Series 10 debentures (the Series 11 and Series 12 debentures do not have such a restrictive covenant).

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 Contract of Trust limits the indebtedness of Cominar to a maximum of 65% of its total assets.

	March 31, 2023	December 31, 2022
	$	$
Mortgages payable	**867,415**	871,870
Debentures	**270,044**	269,916
Cash and cash equivalents	**(14,985)**	(38,063)
Total net debt	**1,122,474**	1,103,723
Total assets less cash and cash equivalents	**2,387,573**	2,399,064
Debt ratio [1, 2]	**47.0 %**	46.0 %

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 "Non-IFRS and Other Financial Measures".*

Off-Balance Sheet Arrangements and Contractual Commitments

Cominar 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 "IRIS Credit Facility"). As at March 31, 2023, $150.9 million had been borrowed by IRIS under the IRIS Credit Facility. The IRIS Credit Facility was fully paid out and terminated on April 25, 2023. Refer to "Subsequent Events".

Cominar has no other 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.

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 quarter ended March 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:

Quarters ended March 31	2023	2022
	$	$
Parent company (IRIS) subscription under the Arrangement	**—**	2,143,800
Reimbursement of the subscription receivable from parent company (IRIS)	**—**	305,626
Cash distributions to parent company (IRIS)	**29,200**	—
Asset management fees and expense reimbursements to parent company (IRIS)	**—**	2,613
Asset management fees to a joint venture under common control	**1,501**	500
Professional fees to a company controlled by a member of the Board of Trustees	**675**	—

Property Portfolio

	March 31, 2023	December 31, 2022
	$	$
Income properties	**2,082,804**	1,988,690
Properties under development and land held for future development — Cominar's proportionate share [1]	**68,902**	66,929
Investment properties held for sale	**190,556**	312,866
Number of income properties	**60**	68
Leasable area (sq. ft.)	**11,719,000**	11,919,000

1 Refer to "Non-IFRS and Other Financial Measures".

Summary by property type

	March 31, 2023		December 31, 2022	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office and mixed-use	**44**	**6,143,000**	46	6,213,000
Retail	**16**	**5,576,000**	22	5,706,000
Total	**60**	**11,719,000**	68	**11,919,000**

Summary by geographic market

	March 31, 2023		December 31, 2022	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Montréal	**44**	**9,758,000**	49	9,864,000
Québec City	**12**	**1,359,000**	14	1,408,000
Ontario — Ottawa [1]	**4**	**602,000**	5	647,000
Total	**60**	**11,719,000**	68	**11,919,000**

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

Investment properties, Investments and Dispositions

Investments in Investment Properties

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

Quarters ended March 31	2023	2022	
	$	$	% Δ
Capital expenditures — increase of rental income generating capacity	**2,164**	7,092	(69.5)
Capital expenditures — maintenance of rental income generating capacity	**3,582**	1,243	188.2
Total	**5,746**	8,335	(31.1)
Leasehold improvements	**2,339**	2,617	(10.6)
Leasing costs	**752**	2,459	(69.4)
Subtotal capital expenditures	**8,837**	13,411	(34.1)
Properties under development	**3,382**	309	994.5
Capitalized interests on properties under development	**—**	575	(100.0)
Total capital expenditures (including capitalized interests) [1]	**12,219**	14,295	(14.5)

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

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.

	Quarter ended March 31, 2023			Year ended December 31, 2022
	Office and mixed-use properties	Retail properties	Total	Total
	$	$	$	$
Investment properties				
Balance, beginning of period	**264,000**	**48,865**	**312,865**	3,363,500
Net transfer from (to) income properties [1]	**(61,411)**	**(17,214)**	**(78,625)**	485,378
Transfers from properties under development and land held for future development	**—**	**—**	**—**	7,867
Capitalized costs	**533**	**59**	**592**	11,709
Change in fair value	**(12,562)**	**(1,195)**	**(13,757)**	(27,706)
Dispositions	**(8,384)**	**(22,135)**	**(30,519)**	(3,527,883)
Balance, end of period	**182,176**	**8,380**	**190,556**	312,865

1 During the first quarter of 2023, Cominar transferred $78,625 of investment properties held for sale to investment properties. These properties no longer met the required criteria to be presented as held for sale.

During the three-month period ended March 31, 2023, Cominar sold 8 investment properties held for sale for a total sale price of $30.5 million.

Investments in Joint Ventures

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

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

Terrains Centropolis SEC is a residential development in partnership with Cogir/Divco, for approximately 535 units. The first phase of approximately 365 units is currently under construction and is expected to be delivered by Q3 2024. The second phase of approximately 170 units is in the construction permit approval process by the City of Laval and, if approved, the construction is expected to start in 2024.

Real Estate Operations

Occupancy Rate

	Committed
	March 31, 2023
Property type	
Office and mixed-use	**86.7 %**
Retail	**92.3 %**
Total	**89.3 %**

The 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.

Lease Maturities

Years ending December 31	2023	2024	2025	2026	2027
Office and mixed-use					
Leasable area (sq. ft.)	861,470	731,828	774,320	286,204	1,019,430
% of total portfolio — Office and mixed-use	14.0 %	11.9 %	12.6 %	4.7 %	16.6 %
Retail					
Leasable area (sq. ft.)	1,128,840	624,364	533,559	304,418	459,334
% of portfolio — Retail	20.2 %	11.2 %	9.6 %	5.5 %	8.2 %
Portfolio total					
Leasable area (sq. ft.)	1,990,310	1,356,192	1,307,879	590,622	1,478,764
% of portfolio — Total	17.0 %	11.6 %	11.2 %	5.0 %	12.6 %

The following table summarizes information on leases as at March 31, 2023:

	Residual weighted average term (years)	Weighted average term of leases (years)
Property type		
Office and mixed-use	11.6	16.8
Retail	5.0	8.5
Weighted average of total portfolio	**8.4**	**12.7**

Issued and Outstanding Units

	Quarter ended March 31, 2023	Year ended December 31, 2022
	Units	Units
Units issued and outstanding, beginning of period	**182,451,027**	182,451,026
Non-redeemable units issuance to parent company (IRIS)	**45,612,757**	—
Parent company (IRIS) subscription under the Arrangement	**—**	182,451,027
Repurchase of units under the Arrangement	**—**	(182,451,026)
Units issued and outstanding, end of period	**228,063,784**	182,451,027

As at March 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". 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.

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, debentureholders should consider the following risks and uncertainties when assessing Cominar's outlook in terms of investment potential:

- Access to capital and debt financing, and current global financial conditions
- Debt financing
- Ownership of immovable property
- Environmental matters
- Climate change
- Legal risks
- Competition
- Property development program
- Recruitment and retention of employees and executives
- Government regulation
- Limit on activities
- General uninsured losses
- Cybersecurity events
- Risk factors related to the ownership of REIT securities

To obtain a complete description of the risks and uncertainties identified by Cominar, the reader is referred to the "Risk Factors Related to the Business of Cominar" section of the 2022 MD&A.

Subsequent Events

April 3, 2023, Cominar contracted a $30.0 million mortgage bearing interest at 6.35% and maturing in April 2025. The net proceeds of this mortgage were used to declare and pay $29.7 million in cash distributions to IRIS.

On April 4, 2023, Cominar used the net proceeds from March 30 and March 31, 2023 property sales to declare and pay $4.4 million in cash distributions to IRIS.

On April 20, 2023, Cominar completed the sale of 6 properties held for sale located in Montréal for a total amount of $64.8 million and used the net proceeds to declare and pay $54.0 million in cash distributions to IRIS.

On April 24, 2023, Cominar entered into a credit agreement with a banking syndicate (the "Credit Agreement"). Under the terms of the Credit Agreement, the lenders committed to provide Cominar with revolving facilities in an aggregate amount of up to $132.5 million (collectively, the "Credit Facilities") maturing on April 24, 2024. Revolving Facility A allows Cominar to draw up to an aggregate of $80.0 million, and such facility is secured by a hypothec on 3 properties. Revolving Facility B allows Cominar to draw up to an aggregate of $52.5 million, and such facility is unsecured. On the financial statements approval date, a portion of the Revolving Facility A is used and bears interest at banker acceptance rate plus 170 basis points and was used to declare and pay a distribution of $63.7 million, which was used to fully repay the balance under a credit agreement entered into by IRIS. Following the repayment such credit agreement, which was guaranteed by Cominar, was terminated. The Credit Agreement limits the amount of distributions that can be made to IRIS and subordinates all of the outstanding units owned by IRIS.