Interim Report

Quarter ended June 30, 2020
Unaudited

Cominar

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Interim Management's Discussion and Analysis

The following Interim Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the quarter ended June 30, 2020, in comparison with the corresponding quarter of 2019, as well as its financial position as at that date and its outlook. Dated August 5, 2020, 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 included in this report, as well as the consolidated financial statements, accompanying notes and MD&A appearing in Cominar's most recent Annual Report.

Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square-foot amounts, and are based on the 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 current and prospective investors to assist them in understanding Cominar's financial performance. Readers are referred to the section Reconciliations to Cominar's Proportionate Share for a complete reconciliation of Cominar's condensed interim consolidated financial statements prepared in accordance with IFRS to the financial information including its proportionate share in the assets, liabilities, revenues and charges of its joint ventures presented in this Interim MD&A.

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

The Board of Trustees, under the recommendation of the Audit Committee, has approved the contents of this Interim MD&A.

Message to Unitholders

It goes without saying that the COVID-19 pandemic has brought unprecedented suffering, losses and human tragedy around the globe, including in our communities and families. Just as our hearts go out to all those affected by this pandemic, we are most grateful to the medical professionals, first responders and others who placed themselves at risk every day to save lives and help us win this battle. Our individual and collective efforts and sacrifices are being rewarded, and our work must continue.

We all wish to extend a special thank you to all of our employees who remained on the field in support of essential services and our properties.

It also unfortunately goes without saying that the COVID-19 pandemic had a significant adverse impact on our financial results for the quarter as confinement and other draconian measures were implemented for our well-being, and our economy was far from operating on all cylinders. This required swift adaptation, close collaboration with our stakeholders, and dedicated attention to the human dimension of this crisis. We deployed significant efforts to analyze its impacts to our operations and to better serve our clients through constant communication. Paired with a proactive and disciplined approach to our financial management, we remain confident in our ability to navigate through this crisis and the uncertainty that lingers on.

Without question, our clients' ability to see through the crisis was and remains key. Beyond supporting our clients on case by case basis through rent deferral agreements, we furthered our support through participating in the Canada Emergency Commercial Rent Assistance (CECRA) program. This program, through the contribution of our federal and provincial governments, served qualifying small businesses through a 75% rent subsidy for the quarter. We also wish to thank our provincial government for its additional contribution of 12.5% to the landlords' benefit during the same period. We estimate that 14% of our tenants may qualify for CECRA, which was extended for the months of July and August 2020 by the federal government. We are also in constant communication with our larger tenants to assure their needs are being met and to collect rents. Following a gradual reopening of businesses, including our shopping malls and office properties, we have worked very closely to promote the safety and well-being of their clients and employees, as well as our own in compliance with federal and provincial directives.

Despite business and mall closures, we are set to receive 90% of total invoiced rent for the last quarter, including 75% that has already been received, 9% to be received from government support and a remaining 6% from tenants with whom an agreement has been signed or negotiated. The remaining 10% includes 6% of rent reductions that we granted, and 4% that is either still under discussion or is simply due by tenants. Our overall committed occupancy rate remains high at 93.9%, driven by a diversified client-base and government entities.

Due to province-mandated confinement including closures of shopping malls, we experienced a decrease of 14.8% in same property net operating income (SPNOI) this quarter, compared to the comparative quarter of 2019. We experienced an increase of 0.4% in the office segment, a decrease of 41.8% in the retail segment and a decrease of 1.3% in the industrial segment. The Montreal industrial market remains very favourable and we anticipate a favourable recovery in our industrial portfolio in future quarters.

We also recorded a negative change in fair value of $330.6 million (or 4.9% on a global basis) on our properties this quarter. This was largely led by the retail sector, which fell by $252 million (or 11% of our retail portfolio). Taking a closer look, $165 million of this decrease is from enclosed malls, a reflection of the adverse impact COVID-19 and the general state of the retail industry had on the value of these properties. This decrease in value explains our increase in leverage to 54.5%. We are aware of the challenges ahead in retail, however remain optimistic about essential services, general merchandisers and other segments of the retail industry demonstrating greater resiliency, where we believe the future of retail lies. Furthermore, we anticipate that our declining exposure to tenants in the fashion industry will assist this asset class over time.

Excluding bad debt expenses, other estimated COVID-19 impacts and accelerated interest costs, Cominar's performance in the last quarter was essentially in-line with budget, supported by the efforts and initiatives of our prior recent quarters.

In the last quarter, we continued to take proactive initiatives to strengthen our balance sheet and bolster our liquidity. These initiatives included the issuance of $150 million of unsecured debentures and the closing of a $120 million secured credit facility. As at June 30, 2020, Cominar had $434 million of liquidity, broken down $34 million of cash on hand and $400 million of availability on its $400 million unsecured credit facility. In the quarter, Cominar also early redeemed $300 million of unsecured debentures that were due in July 2020.

In order to maintain our financial flexibility, withstand volatility associated with the pandemic and the uncertainties which remain, and invest in our properties and development projects, we have decided to reduce our distribution from $0.72 per unit on an annual basis ($0.06 per unit per month), to $0.36 per unit on an annual basis ($0.03 per unit per month).

Another most important consideration has been our employees. We have prioritized their health, safety and well-being, while balancing the need to proactively manage the size of our workforce. This has led to both significant furloughs and permanent layoffs, with furloughs being almost entirely reintegrated with the reopening of the economy toward the end of the quarter. In light of recent events both locally and internationally, we have also reinforced our commitment to promoting a diverse and inclusive work environment, free of racism, discrimination and harassment.

#itsgoingtobeok

René Tremblay
Chairman of the Board of Trustees

Sylvain Cossette
President and Chief Executive Officer

August 5, 2020

Highlights

Quarter ended June 30, 2020

COVID-19 Key Dates (Quebec)

March 14, 2020	Declaration of COVID-19 pandemic in Quebec
March 22, 2020	Closing of shopping centers in Quebec
May 4, 2020	Opening of shops with an exterior door and opening of construction sites
June 1, 2020	Opening of shopping centers outside of Montreal
June 19, 2020	Opening of shopping centers in Montreal

Financial Highlights

Reduction in same property net operating income[1,2] Six-month period ended June 30, 2020 : (5.7)%	**(14.8)%**
Growth in the average net rent of renewed leases	**12.7%**
Stable committed occupancy rate from 93.9% to	**93.9%**
Change in fair value of investment properties	**$(321)M**
Increase in leverage [1,2] from 51.4% to	**54.5%**
AFFO[1] payout ratio[2] Six-month period ended June 30, 2020 : 124.1%	**150.0%**

[1] Refer to section "Non-IFRS Financial Measures".
[2] The quarter ended June 30, 2020 includes estimated financial impact of COVID-19

Subsequent Events

On July 16 , 2020, Cominar declared a monthly distribution of $0.06 per unit

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

Caution Regarding Forward-Looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other reports filed with Canadian regulators, in reports to unitholders or in other communications. 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 immoveable 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, investors and others should carefully consider the foregoing factors, as well as other factors and uncertainties. Unless otherwise stated, all forward-looking statements are valid only as at the date of this 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" section of Cominar’s 2019 Annual Information Form.

Non-IFRS 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 measures and other performance indicators which management uses to evaluate Cominar's performance. Because non-IFRS measures do not have standardized meanings and may differ from similar measures presented by other entities, securities regulations require that non-IFRS measures be clearly defined and qualified, reconciled with their closest IFRS measure and given no more prominence than the latter. These measures, as well as the reasons why management believes these measures are useful to investors, are described below. Reconciliation can be found in the section dealing with each of these measures.

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

Non-IFRS Performance Indicators

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

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

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

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

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

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

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

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

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

Other Performance Indicators

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

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

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

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

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

Financial and Operational Highlights

Periods ended June 30	Quarter[2] 2020 $	Quarter[2] 2019 $	% Δ	Year-to-date (six months)[3] 2020 $	Year-to-date (six months)[3] 2019 $	% Δ	Page
Financial performance							
Operating revenues — Financial statements	**160,550**	176,627	(9.1)	**332,659**	358,571	(7.2)	22
Operating revenues — Cominar's proportionate share [1]	**164,829**	180,946	(8.9)	**341,340**	367,190	(7.0)	22
NOI — Financial statements	**72,590**	88,983	(18.4)	**158,315**	175,668	(9.9)	24
NOI — Cominar's proportionate share [1]	**75,077**	91,468	(17.9)	**163,358**	180,546	(9.5)	24
Same property NOI [1]	**75,358**	88,473	(14.8)	**162,821**	172,606	(5.7)	25
Change in fair value of investment properties — Financial statements	**(320,631)**	8,291	N/M	**(319,423)**	8,070	N/M	22
Net income (loss)	**(318,119)**	51,474	(718.0)	**(273,145)**	95,783	(385.2)	34
Adjusted net income	**35,714**	50,250	(28.9)	**84,249**	97,162	(13.3)	35
Funds from operations (FFO) [1]	**34,217**	47,273	(27.6)	**79,258**	94,160	(15.8)	35
Adjusted funds from operations (AFFO) [1]	**21,117**	33,441	(36.9)	**53,898**	66,968	(19.5)	35
Cash flows provided by operating activities — Financial statements	**25,076**	14,126	77.5	**41,519**	37,577	10.5	38
Adjusted cash flow from operations (ACFO) [1]	**(6,046)**	40,497	(114.9)	**23,091**	78,303	(70.5)	38
Distributions	**32,840**	32,768	0.2	**65,667**	65,526	0.2	38
Total assets				**6,543,229**	6,507,098	0.6	20
Per unit financial performance							
Net income (net loss) (basic and diluted)	**(1.74)**	0.28	(721.4)	**(1.50)**	0.53	(383.0)	34
Adjusted net income (diluted) [1]	**0.20**	0.28	(28.6)	**0.46**	0.53	(13.2)	35
Funds from operations (FFO)(FD) [1,4]	**0.19**	0.26	(26.9)	**0.43**	0.52	(17.3)	35
Adjusted funds from operations (AFFO)(FD) [1,4]	**0.12**	0.18	(33.3)	**0.29**	0.37	(21.6)	35
Adjusted cash flow from operations (ACFO)(FD) [1,4]	**(0.03)**	0.22	(113.6)	**0.13**	0.43	(69.8)	38
Distributions	**0.18**	0.18	—	**0.36**	0.36	—	38
Payout ratio of adjusted cash flow from operations (ACFO) [1,4]	**(600.0) %**	81.8 %	(833.5)	**276.9 %**	83.7 %	230.8	38
Payout ratio of adjusted funds from operations (AFFO) [1,4]	**150.0 %**	100.0 %	50.0	**124.1 %**	97.3 %	27.5	35
Financing							
Debt ratio [1,5]				**54.5 %**	54.2 %		42
Debt/EBITDA ratio [1]				**11.0 x**	10.4 x		42
Interest coverage ratio [1,6]				**2.31:1**	2.33:1		43
Weighted average interest rate on total debt				**3.89 %**	4.18 %		39
Residual weighted average term of total debt (years)				**4.1**	3.6		39
Unsecured debt-to-total-debt ratio [7]				**32.7 %**	48.0 %		43
Unencumbered income properties				**2,008,662**	2,535,943		43
Unencumbered assets to unsecured debt ratio [8]				**1.77:1**	1.50:1		43
Operational data							
Number of investment properties				**315**	334		43
Leasable area (in thousands of sq. ft.)				**35,887**	36,641		43
Committed occupancy rate				**93.9 %**	93.9 %		47
In-place occupancy rate				**90.4 %**	89.9 %		47
Retention rate				**51.7 %**	57.9 %		48
Growth in the average net rent of renewed leases				**12.7 %**	2.8 %		48
Development activities							
Properties under development — Cominar's proportionate share [1]				**51,110**	52,782		20

1 Refer to section "Non-IFRS Financial Measures".
2 The quarter ended June 30, 2020 includes the estimated financial impact of COVID-19 and $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption (includes $3.9 million of restructuring costs for the quarter ended June 30, 2019).
3 In addition to the quarter events explained above, the six month period ended June 30, 2020 includes $4.6 million of penalties paid on mortgage repayments before maturity ($1.0 million in severance allowance paid following the departure of an executive officer for the six month period ended June 30, 2019).
4 Fully diluted.
5 Total of bank borrowings, mortgages payable and debentures, less cash and cash equivalents, divided by the total assets minus the total of cash and cash equivalents.
6 Net operating income less adjusted Trust administrative expenses divided by finance charges.
7 Unsecured debt divided by total debt.
8 Fair value of unencumbered income properties divided by the unsecured net debt.

Selected Quarterly Information

Quarters ended	Jun. 2020 [2] $	Mar. 2020 [3] $	Dec. 2019 [4] $	Sept. 2019 [5] $	Jun. 2019 [6] $	Mar. 2019 [7] $	Dec. 2018 $	Sept. 2018 $
Financial performance								
Operating revenues — Financial statements	**160,550**	172,109	173,931	171,539	176,627	181,944	176,073	172,665
Operating revenues — Cominar's proportionate share [1]	**164,829**	176,511	178,161	175,884	180,946	186,244	180,116	176,820
NOI — Financial statements	**72,590**	85,725	91,216	91,438	88,983	86,685	91,128	90,977
NOI — Cominar's proportionate share [1]	**75,077**	88,281	93,695	93,914	91,468	89,078	93,526	93,548
Change in fair value of investment properties — Financial statements	**(320,631)**	1,208	270,964	(2,559)	8,291	(221)	(276,160)	13,393
Impairment of goodwill — Financial Statements	**(15,721)**	—	—	—	—	—	(120,389)	—
Net income (net loss)	**(318,119)**	44,974	319,265	47,456	51,474	44,309	(353,353)	64,649
Adjusted net income	**35,714**	48,535	53,423	51,688	50,250	46,912	50,684	51,850
FFO [1]	**34,217**	45,041	49,165	51,802	47,273	46,887	50,883	52,733
AFFO [1]	**21,117**	32,781	35,622	38,370	33,441	33,527	39,047	41,249
Cash flows provided by operating activities — Financial statements	**25,076**	16,443	79,712	74,579	14,126	23,451	74,118	88,049
ACFO [1]	**(6,046)**	29,137	29,490	36,599	40,497	37,806	38,372	41,453
Distributions	**32,840**	32,827	32,773	32,769	32,768	32,758	32,749	32,749
Per unit								
Net income (net loss) (basic)	**(1.74)**	0.25	1.75	0.26	0.28	0.24	(1.94)	0.36
Net income (net loss) (diluted)	**(1.74)**	0.25	1.75	0.26	0.28	0.24	(1.94)	0.35
Adjusted net income (diluted) [1]	**0.20**	0.27	0.29	0.28	0.28	0.26	0.28	0.28
FFO (FD) [1,8]	**0.19**	0.25	0.27	0.28	0.26	0.26	0.28	0.29
AFFO (FD) [1,8]	**0.12**	0.18	0.20	0.21	0.18	0.18	0.21	0.23
ACFO (FD) [1,8]	**(0.03)**	0.16	0.16	0.20	0.22	0.21	0.21	0.23
Distributions	**0.18**	0.18	0.18	0.18	0.18	0.18	0.18	0.18

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

General Business Overview

Cominar Real Estate Investment Trust is one of the largest property owners and managers in the Province of Quebec. As at June 30, 2020, Cominar owned a diversified portfolio of 315 properties, composed of office, retail and industrial and flex buildings, of which 196 were located in the Montreal area, 100 in the Québec City area and 19 in the Ottawa area. Cominar's portfolio consisted of approximately 11.1 million square feet of office space, 9.5 million square feet of retail space and 15.4 million square feet of industrial and flex space, representing a total leasable area of 35.9 million square feet.

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

Real Estate Portfolio Summary as at June 30, 2020

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

Property type	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate
Office	80	11,056,000	93.0 %	90.3 %
Retail	44	9,480,000	91.8 %	85.3 %
Industrial and flex	191	15,351,000	95.7 %	93.5 %
Total	**315**	**35,887,000**	**93.9 %**	**90.4 %**

Geographic market	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate
Montreal	196	23,682,000	93.6 %	89.8 %
Québec City	100	9,763,000	94.9 %	92.5 %
Ottawa	19	2,442,000	92.3 %	87.4 %
Total	**315**	**35,887,000**	**93.9 %**	**90.4 %**

Our Objectives and Strategy

Objectives

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

Our Strategy

In 2019, we completed a detailed strategic review of our operations and began the implementation of a clearly defined plan, presented to investors in October 2019, to solidify Cominar's financial position, create value for unitholders and position the REIT for growth. Cominar was progressing well prior to the COVID-19 pandemic. The COVID-19 pandemic has had an adverse impact on the REIT's results and operations and on March 27th, 2020 we withdrew our guidance. Although our ability to achieve the three-year financial objectives as laid out in our strategic plan and outlined in our 2019 annual report is difficult to forecast in the current environment, the core pillars of our transformation plan remain intact.

Our current strategic plan includes:

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

As the COVID-19 pandemic restrictions are eased, we are reviewing our strategic plan, including a greater emphasis on the industrial and flex asset class and a down weighting in the retail asset class.

Overview of the Second Quarter of 2020

Net Income: Net income (loss) for the quarter ended June 30, 2020 amounted to $(318.1) million compared to $51.5 million in the previous year's comparable period. This reflects a decrease of $328.9 million in the fair value of investment properties, of which $246.3 million is in retail, a decrease of $16.4 million in net operating income, a $15.7 million impairment of goodwill, a decrease of $10.0 million in share of joint ventures' net income, all related to the COVID-19 impact, partially offset by a decrease of $3.9 million in restructuring costs. Refer to section "COVID-19 - impact analysis and risks".

Adjusted Net Income: For the quarter ended June 30, 2020, Cominar generated adjusted net income of $35.7 million compared to $50.3 million for the quarter ended June 30, 2019. The decrease is mainly due to the decrease in net operating income related to COVID-19 and from properties sold in 2019 and 2020 (48 properties for total proceeds of $263.3 million), partially offset by an increase in same property NOI excluding the estimated COVID-19 impact.

FFO[1]: Fully diluted funds from operations ("FFO") for the quarter ended June 30, 2020 was $0.19 per unit compared to $0.26 for the previous year's comparable period due mainly to the decrease in NOI and to debenture redemption costs. Excluding debenture redemption costs, FFO would have been $36.7 million or $0.20 per unit in 2020 compared to $51.2 million or $0.28 per unit in 2019.

AFFO[1]: Fully diluted adjusted funds from operations ("AFFO") for the quarter ended June 30, 2020 was $0.12 per unit compared to $0.18 for the previous year's comparable period. AFFO decreased from the corresponding quarter of 2019 due mainly to the decrease in FFO. Excluding debenture redemption costs, AFFO would have been $23.6 million or $0.13 per unit in 2020 compared to $37.4 million or $0.20 per unit in 2019 and consequently, AFFO adjusted payout ratio would have been 138%.

Same Property NOI[1]: Same property NOI ("SPNOI") decreased by $(13.1) million or (14.8)% for the quarter ended June 30, 2020 compared to the same period in 2019. The decrease is mainly attributable to the financial impact of COVID-19 which impacted Cominar for the months of April, May and June 2020 (refer to section "COVID-19 - impact analysis and risks"), partially offset by an increase in the average in-place occupancy rate, from a growth in the average net rent of renewed leases and the positive impact of decreases in operating costs and realty taxes and services.

Occupancy: As at June 30, 2020, Cominar's in-place occupancy was 90.4% compared to 91.7% at year-end 2019 and 89.9% at June 30, 2019. As at June 30, 2020 the committed occupancy rate was 93.9%, compared to 95.1% at year-end 2019 and stable as compared to June 30, 2019.

Leasing activity: The retention rate for 2020 was 51.7%. Average net rent on 2.1 million sq.ft. of lease renewals for the six-month period ended June 30, 2020 increased by 12.7% (22.3% for the industrial and flex portfolio, 7.9% for the office portfolio and 1.8% for the retail portfolio). New leasing totaled 1.4 million sq.ft. New and renewal leasing for 2020 represented 75.2% of 2020 lease maturities.

Balance Sheet: As at June 30, 2020, Cominar's debt ratio was 54.5%, up from 51.4% at year-end 2019, which reflects a decrease in the fair value of investment properties of $(319.4) million, and up from 54.2% as at June 30, 2019. The debt to EBITDA ratio at the end of the second quarter of 2020 increased to 11.0x, from 10.6x at December 31, 2019 and 10.4x at June 30, 2019. As at June 30, 2020 our unencumbered asset pool totaled $2.0 billion and our unencumbered asset ratio was 1.77x, down from 1.82x at year-end 2019 and up from 1.50x at June 30, 2019.

Our available liquidity of $434.0 million consisted of $400.0 million of availability under our unsecured credit facility and $34.0 million of cash and cash equivalents at June 30, 2020. This healthy liquidity position results from the offering of $150 million principal amount of 5.95% Series 12 debentures that closed on May 4, 2020 and from the new secured credit line totaling $120 million that closed on June 9, 2020.

Change in fair value of investment properties: For the quarter ended June 30, 2020, Cominar revalued its entire real estate portfolio and determined that a net decrease of $330.6 million, on a proportionate basis, was necessary to adjust the carrying amount of investment properties fair value. For the retail portfolio, the decrease represent $251.5 million (a 11% decrease of the retail portfolio fair value), of which $165.0 million is from enclosed malls.

Expected credit losses: For the quarter ended June 30, 2020, expected credit losses of $18.2 million were recorded, mainly due COVID-19, of which $14.6 million is for retail, $1.6 million is for office and $2.1 million is for industrial.

Properties held for sale: During the six-month period ended June 30, 2020, Cominar transferred 4 income properties having a value of $238.6 million to investment properties held for sale.

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

COVID-19 - Impacts analysis and risks

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

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

As COVID-19 cases diminished in the Province of Quebec, residential construction sites in Québec were reopened as of April 20, 2020 and a gradual reopening of certain businesses began on May 4, 2020. On June 1, 2020 shopping centers outside of Montreal were reopened, followed by a reopening of restaurants outside of Montreal on June 15, 2020. In the Montreal region, shopping centers and restaurants were reopened on June 19, 2020 and June 22, 2020, respectively. All of our shopping centers reopened on the first day legally authorized. Cominar played a leadership role in designing and implementing protocols for the benefit and safety of tenants and customers. The COVID-19 pandemic has had and continues to have an adverse impact on the REIT's financial results and operations.

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

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

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

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

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

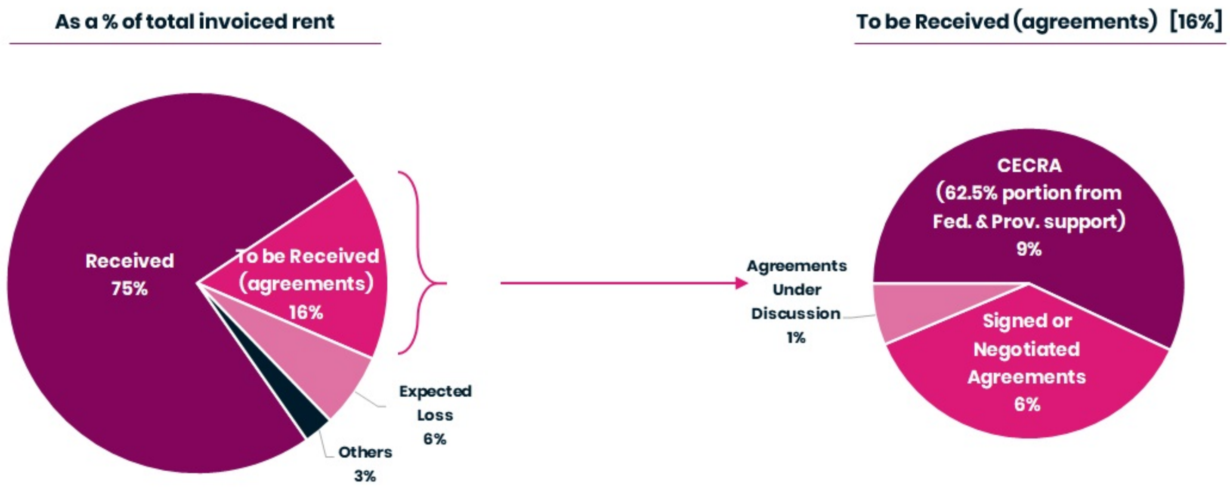
Canada Emergency Commercial Rent Assistance (CECRA)

On April 28, 2020, the Federal government reached an agreement in principle with all provinces and territories to implement the Canada Emergency Commercial Rent Assistance (CECRA) for qualifying commercial property owners and small business tenants. CECRA provides relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, it allows property owners to reduce rent by 75% from April to August 2020 for their small business tenants. CECRA will cover 50% of the rent, with the tenant paying 25% and the property owner forgiving 25%. The Quebec government announced a program which will cover 50% of the owner's forgiveness of 25% of the second quarter rent**.** Following a detailed analysis of the CECRA guidelines published by the federal government, Cominar concluded that the tenant acts as the principal and Cominar acts as the agent and consequently, Cominar records the CECRA (and the Quebec provincial government program) portion of the rent as a rent to be paid by the federal and the provincial Government. Since the eligibility of each tenant was determined in late June, and given that April, May and June rents were already invoiced, the property owner portion, which amounts to 12.5%, to be forgiven is considered as an expected credit loss. The tenant portion of the program is recorded as usual. Cominar estimated CECRA amounts to be recorded in its financial statements based on the program criteria pre qualification form received from tenants who made a request for financial assistance. Actual results may differ and depend on the governments assessment of tenant's eligibility to the program and the REIT's ability to collect the 25% rent portion due by it's tenants.

Rent collection

To date, Cominar has collected approximately 75% of gross rent invoiced for the months of April, May and June 2020. Taking into account amounts receivable from the Canada Emergency Commercial Rent Assistance (CECRA) program from both levels of government (9%) and the portion to be assumed by clients eligible for assistance or with whom a rent deferral or reduction agreement has been signed (6%), management estimates it will be able to collect approximately 90% of the gross rent invoiced (before provision for expected credit losses) for the second quarter of 2020. The balance 10% is composed of expected credit losses (6%) (including the CECRA portion to be assumed by Cominar and rent credits granted to clients), agreements still under discussion (1%) and other amounts due by tenants (3%).

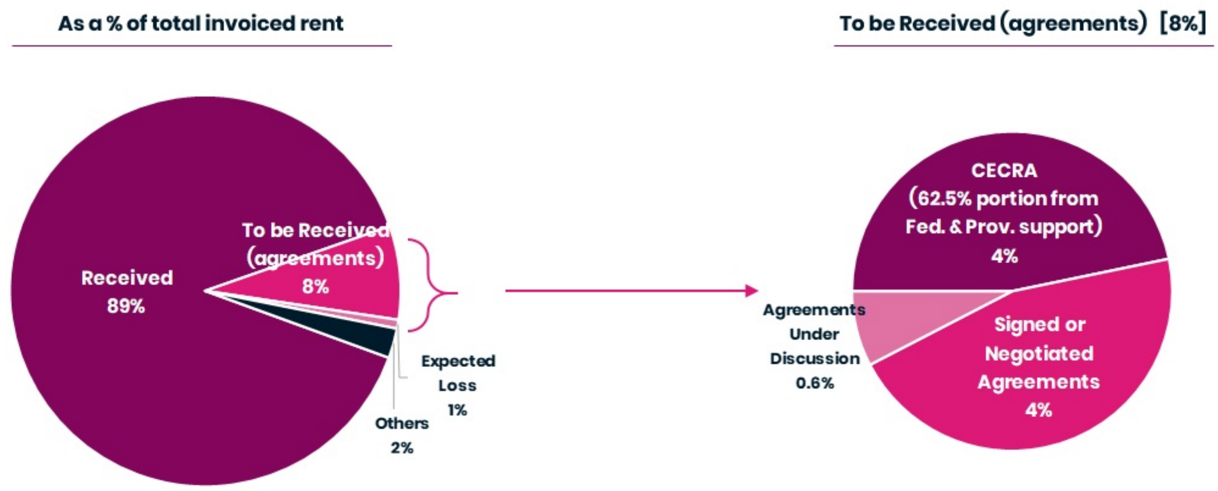
The total expected credit loss recorded in our financial statements amounts to 11.3% of total operating revenues for the quarter. In total, 14% of our gross invoiced rent was due by tenants that are eligible for the CECRA.



Industrial portfolio

To date, Cominar has collected approximately 89% of gross rent invoiced for the months of April, May and June 2020. Taking into account amounts receivable from the Canada Emergency Commercial Rent Assistance (CECRA) program from both levels of government (4%) and the portion to be assumed by clients eligible for assistance or with whom a rent deferral or reduction agreement has been signed (4%), management estimates it will be able to collect approximately 97% of the gross rent invoiced (before provision for expected credit losses) for the second quarter of 2020. The balance 3% is composed of expected credit losses (1%) (including the CECRA portion to be assumed by Cominar and rent credits granted to clients) and other amounts due by tenants (2%).

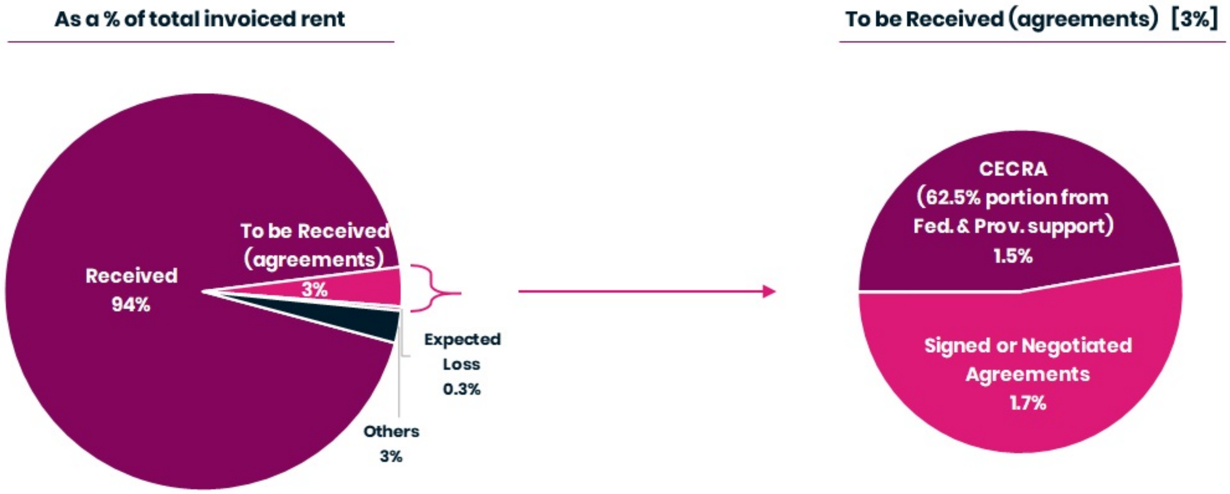
The total expected credit losses recorded in our financial statements for the industrial segment amounts to 5.2% of total operating revenues for the quarter. In total, 7% of our gross invoiced rent was due by tenants that are eligible for the CECRA.



Office portfolio

To date, Cominar has collected approximately 94% of gross rent invoiced for the months of April, May and June 2020. Taking into account amounts receivable from the Canada Emergency Commercial Rent Assistance (CECRA) program from both levels of government (2%) and the portion to be assumed by clients eligible for assistance or with whom a rent deferral or reduction agreement has been signed (2%), management estimates it will be able to collect approximately 98% of the gross rent invoiced (before provision for expected credit losses) for the second quarter of 2020. The balance 2% is composed of other amounts due by tenants.

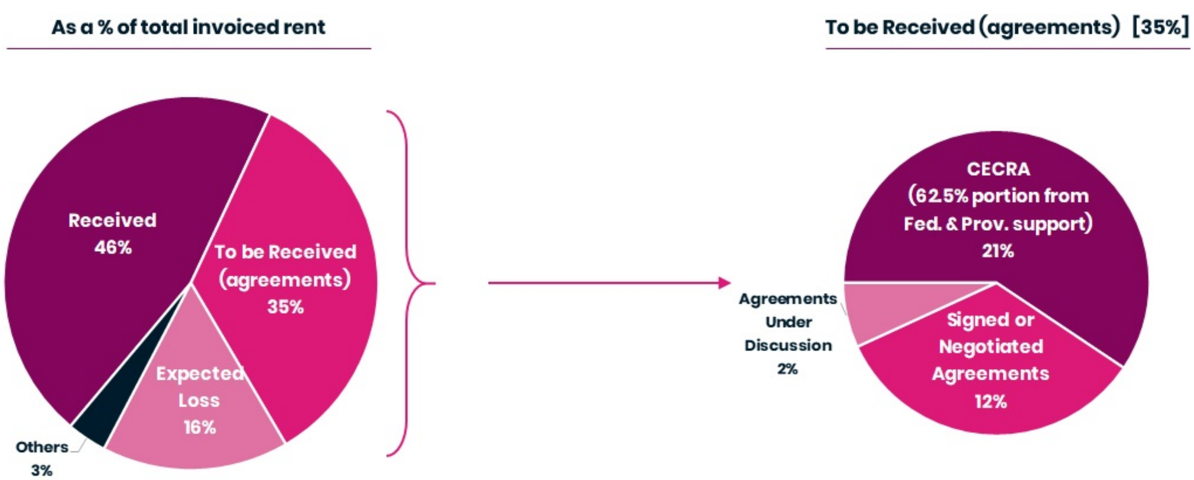
The total expected credit losses recorded in our financial statements for the office segment amounts to 2.5% of total operating revenues for the quarter. In total, 3% of our gross invoiced rent was due by tenants that are eligible for the CECRA.



Retail portfolio

To date, Cominar has collected approximately 46% of gross rent invoiced for the months of April, May and June 2020. Taking into account amounts receivable from the Canada Emergency Commercial Rent Assistance (CECRA) program from both levels of government (21%) and the portion to be assumed by clients eligible for assistance or with whom a rent deferral or reduction agreement has been signed (12%), management estimates it will be able to collect approximately 79% of the gross rent invoiced (before provision for expected credit losses) for the second quarter of 2020. The balance 21% is composed of expected credit losses (16%) (including the CECRA portion to be assumed by Cominar and rent credits granted to clients), 2% agreements still under discussions and other amounts due by tenants (3%).

The total expected credit losses recorded in our financial statements for the retail segment amounts to 25.6% of total operating revenues for the quarter. In total, 33% of our gross invoiced rent was due by tenants that are eligible for the CECRA.



The following table highlights trade receivables composition as at June 30, 2020:

Trade receivables As at June 30, 2020	Office $	Retail $	Industrial and flex $	Total $
Trade receivables				
CECRA program - receivables from governments	853	12,480	1,673	15,006
Short-term rent deferrals	1,400	3,170	1,145	5,715
Other trade receivables	17,077	21,128	6,646	44,851
Total	19,330	36,778	9,464	65,572
Provision for expected credit losses	(2,466)	(7,825)	(2,225)	(12,516)
Total trade receivables net of provision for expected credit losses	16,864	28,953	7,239	53,056

The reconciliation of changes in the provision for expected credit losses on amounts receivable is included in the following table for the six-month period ended June 30, 2020:

	Six-month period ended June 30, 2020 $
Balance, beginning of period	**6,482**
Additional provision recognized as expense	**8,574**
Tenant receivables written off during the period	**(2,540)**
Balance, end of period	**12,516**

The following table highlights expected credit losses (expense) for the periods ended June 30, 2020:

Quarter ended June 30, 2020	Office $	Retail $	Industrial and flex $	Total $
Expected credit losses on short-term rent deferrals (provision)	270	827	193	1,290
Expected credit losses on trade receivables (provision)	581	3,848	1,079	5,508
	851	4,675	1,272	6,798
Expected credit losses - owner portion of CECRA (12.5%)	170	2,495	351	3,016
Expected credit losses - rent reduction	564	7,398	439	8,401
Total expected credit losses	1,585	14,568	2,062	18,215
Percentage of operating revenues	2.5 %	25.6 %	5.2 %	11.3 %

Six-month period ended June 30, 2020	Office $	Retail $	Industrial and flex $	Total $
Expected credit losses on short-term rent deferrals (provision)	270	827	193	1,290
Expected credit losses on trade receivables (provision)	957	5,012	1,315	7,284
	1,227	5,839	1,508	8,574
Expected credit losses - owner portion of CECRA (12.5%)	170	2,495	351	3,016
Expected credit losses - rent reduction	564	7,398	439	8,401
Total expected credit losses	1,961	15,732	2,298	19,991
Percentage of operating revenues	1.5 %	13.1 %	2.9 %	6.0 %

Cominar's expected credit loss as of June 30, 2020 includes estimates of the property owner portion of the CECRA program which represents 12.5% of the eligible tenant's rent for April, May and June, of uncertainty of the recoverability of April, May and June rents related to tenants not part of the CECRA program, of the uncertainty of the recoverability on short-term rent deferrals, of rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and of the uncertainty of the recoverability of all other receivables.

Operating results

COVID-19 has impacted Cominar's financial results. In particular, the pandemic has impacted the capacity of our clients to pay their rent in full or in part. The CECRA program requires property owners to absorb 25% of gross rent for the months of April, May and June 2020 in respect of clients eligible for the federal program. The provincial government announced that it will make up 50% of this loss. Cominar has also granted several relief measures ranging from rent reductions to deferred rent payments up to 12 months to clients ineligible for government programs. All of these initiatives contributed to a significant increase in rent receivable and expected credit loss of $18.2 million for the second quarter. Management estimates the portion of expected credit losses attributable to COVID-19 at $17.1 million.

In addition, our revenues were also affected by lower revenues from percentage leases and by decreases in temporary rentals and parking revenues. Recoverable operating revenues also declined significantly due to reductions in our operating expenses following the impacts of COVID-19 and other decreases in line with our strategic plan.

We observed a significant decrease in the energy expense following the closure of shopping centers, offices and certain industrial properties. Additionally, Cominar had temporarily reduced its workforce and implemented various cost cutting measures.

Property values

During the first six months of 2020, management revalued the entire real estate portfolio. Using internal and external valuations or by using estimates based on data by property type and geographic market from internal and external valuations and available market data to reflect the impact of COVID-19, management determined that a net decrease of $319.4 million was necessary to adjust the carrying amount of investment properties to fair value. For the six-month period ended June 30, 2020, the fair value of all investment properties was reassessed, including 30% from external valuations. Refer to 'Change in Fair Value of Investment Properties' section.

Capital expenditures and cost management

To minimize the impact on free cash flows of the pressure on revenues resulting from the pandemic, Cominar is working to reduce operating expenses and capital expenditures. Various initiatives aimed at reducing or deferring operating expenses and capital expenditures have been implemented, including reduction of tenant incentives where feasable and capital investments, deferral of property tax and hydro payments, temporary layoffs and reduction of operating costs, including energy and cleaning and maintenance services costs. These initiatives related to operations have already reduced the same property operating expenses (excluding realty taxes and services) for the second quarter of 2020 of an estimated $2.0 million when compared to budgeted expenses. When compared to 2019, those expenses for the first two quarters of 2020 decreased by $2.3 million. Total operating expenses excluding expected credit losses for the second quarter of 2020 decreased by $15.8 million when compared to budgeted operating expenses for the same period.

Transaction Activity

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

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

Properties held for sale

During the six-month period ended June 30, 2020, Cominar transferred 4 income properties having a value of $238.6 million to investment properties held for sale.

Enhanced Liquidity Position

Cominar had a healthy liquidity position of $434.0 million as at June 30, 2020, which was enhanced during the second quarter by an offering of $150 million principal amount of 5.95% Series 12 debentures that closed on May 4, 2020 and by a new secured credit line totaling $120 million that closed on June 9, 2020.

The REIT has $100 million of unsecured debentures maturing in November 2020 and one mortgage loan totaling $81 million maturing in July 2020. Cominar expects to repay its $100 million of Series 3 debentures out of available liquidities. The REIT is also exploring options to extend on a short term basis the maturity of the $240 million mortgage on the Gare Centrale property in order to facilitate any transaction resulting from the strategic review of the asset, as the case may be.

Human capital

Cominar has been proactive in managing its human capital in order to reduce costs in connection to its operations slowdown caused by the COVID-19 pandemic, while rigorously analyzing its workforce needs for the coming year. This led to temporary layoffs of almost 40% of our employees from the beginning of April, of which 65 employees excluding construction workers were converted to permanent layoffs at the beginning of May. With the reopening of construction sites, shopping centers and the return to the office of some companies, the majority of employees on temporary layoff are back to work. Throughout the crisis, we have made every effort to promote the health and safety of our employees, and we have emphasized constant communication and transparency.

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.

	As at June 30, 2020			As at December 31, 2019		
	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	**5,925,182**	**165,100**	**6,090,282**	6,412,739	171,573	6,584,312
Properties under development	**46,110**	**5,000**	**51,110**	41,471	5,900	47,371
Land held for future development	**97,459**	**6,031**	**103,490**	100,507	7,631	108,138
	6,068,751	**176,131**	**6,244,882**	6,554,717	185,104	6,739,821
Investment properties held for sale	**245,475**	**—**	**245,475**	11,730	—	11,730
Investments in joint ventures	**90,071**	**(90,071)**	**—**	97,456	(97,456)	—
Goodwill	**—**	**—**	**—**	15,721	—	15,721
Accounts receivable	**87,817**	**1,522**	**89,339**	37,930	431	38,361
Prepaid expenses and other assets	**17,096**	**261**	**17,357**	22,232	94	22,326
Cash and cash equivalents	**34,019**	**(103)**	**33,916**	152,634	639	153,273
Total assets	**6,543,229**	**87,740**	**6,630,969**	6,892,420	88,812	6,981,232
Liabilities						
Mortgages payable	**2,011,151**	**81,713**	**2,092,864**	2,114,021	82,981	2,197,002
Mortgages payable related to the investment properties held for sale	**101,435**	**—**	**101,435**	—	—	—
Debentures	**1,169,671**	**—**	**1,169,671**	1,320,962	—	1,320,962
Bank borrowings	**296,400**	**4,100**	**300,500**	180,000	4,100	184,100
Accounts payable and accrued liabilities	**136,287**	**1,927**	**138,214**	126,543	1,731	128,274
Deferred tax liabilities	**93**	**—**	**93**	93	—	93
Distributions payable to unitholders	**10,946**	**—**	**10,946**	—	—	—
Total liabilities	**3,725,983**	**87,740**	**3,813,723**	3,741,619	88,812	3,830,431
Unitholders' equity						
Unitholders' equity	**2,817,246**	**—**	**2,817,246**	3,150,801	—	3,150,801
Total liabilities and unitholders' equity	**6,543,229**	**87,740**	**6,630,969**	6,892,420	88,812	6,981,232

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

Quarters ended June 30	2020 [1]			2019		
	Condensed interim consolidated financial statements	Joint ventures	Cominar's proportionate share[2]	Condensed interim consolidated financial statements	Joint ventures	Cominar's proportionate share[2]
	$	$	$	$	$	$
Operating revenues	**160,550**	**4,279**	**164,829**	176,627	4,319	180,946
Operating expenses	**(87,960)**	**(1,792)**	**(89,752)**	(87,644)	(1,834)	(89,478)
NOI	**72,590**	**2,487**	**75,077**	88,983	2,485	91,468
Finance charges	**(36,912)**	**(962)**	**(37,874)**	(36,398)	(995)	(37,393)
Trust administrative expenses	**(4,038)**	**(3)**	**(4,041)**	(3,838)	13	(3,825)
Change in fair value of investment properties	**(320,631)**	**(10,003)**	**(330,634)**	8,291	—	8,291
Share of joint ventures' net income	**(8,481)**	**8,481**	**—**	1,503	(1,503)	—
Transaction costs	**(4,991)**	**—**	**(4,991)**	(3,151)	—	(3,151)
Restructuring costs	**—**	**—**	**—**	(3,916)	—	(3,916)
Impairment of goodwill	**(15,721)**	**—**	**(15,721)**	—	—	—
Net income (loss) before income taxes	**(318,184)**	**—**	**(318,184)**	51,474	—	51,474
Current income taxes	**65**	**—**	**65**	—	—	—
Net income (loss) and comprehensive income (loss)	**(318,119)**	**—**	**(318,119)**	51,474	—	51,474

1 The quarter ended June 30, 2020 includes the estimated financial impact of COVID-19 and $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption (includes $3.9 million of restructuring costs for the quarter ended June 30,2019).
2 Refer to section "Non-IFRS Financial Measures".

For the six-month periods ended June 30	2020 [1]			2019		
	Condensed interim consolidated financial statements	Joint ventures	Cominar's proportionate share [2]	Condensed interim consolidated financial statements	Joint ventures	Cominar's proportionate share [2]
	$	$	$	$	$	$
Operating revenues	**332,659**	**8,681**	**341,340**	358,571	8,619	367,190
Operating expenses	**(174,344)**	**(3,638)**	**(177,982)**	(182,903)	(3,741)	(186,644)
NOI	**158,315**	**5,043**	**163,358**	175,668	4,878	180,546
Finance charges	**(76,164)**	**(1,931)**	**(78,095)**	(73,149)	(1,987)	(75,136)
Trust administrative expenses	**(8,182)**	**(7)**	**(8,189)**	(9,291)	—	(9,291)
Change in fair value of investment properties	**(319,423)**	**(10,003)**	**(329,426)**	8,070	—	8,070
Share of joint ventures' net income	**(6,898)**	**6,898**	**—**	2,891	(2,891)	—
Transaction costs	**(5,137)**	**—**	**(5,137)**	(4,490)	—	(4,490)
Restructuring costs	**—**	**—**	**—**	(3,916)	—	(3,916)
Impairment of goodwill	**(15,721)**	**—**	**(15,721)**	—	—	—
Net income (loss) before income taxes	**(273,210)**	**—**	**(273,210)**	95,783	—	95,783
Current income taxes	**65**	**—**	**65**	—	—	—
Net income (loss) and comprehensive income (loss)	**(273,145)**	**—**	**(273,145)**	95,783	—	95,783

1 The six month period ended June 30, 2020, includes the estimated financial impact of COVID-19, $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption and $4.6 million of penalties paid on mortgage repayments before maturity (includes $3.9 million of restructuring costs and $1.0 million in severance allowance paid following the departure of an executive officer for the six month period ended June 30, 2019).
2 Refer to section "Non-IFRS Financial Measures".

Performance Analysis

Financial Position

The following table indicates the changes in assets and liabilities as well as in unitholders' equity between June 30, 2020, and December 31, 2019, as shown in our condensed interim consolidated financial statements:

	As at June 30, 2020	As at December 31, 2019		
	$	$	$ Δ	% Δ
Assets				
Investment properties				
Income properties	**5,925,182**	6,412,739	(487,557)	(7.6)
Properties under development	**46,110**	41,471	4,639	11.2
Land held for future development	**97,459**	100,507	(3,048)	(3.0)
	6,068,751	6,554,717	(485,966)	(7.4)
Investment properties held for sale	**245,475**	11,730	233,745	NM
Investments in joint ventures	**90,071**	97,456	(7,385)	(7.6)
Goodwill	**—**	15,721	(15,721)	(100.0)
Accounts receivable	**87,817**	37,930	49,887	131.5
Prepaid expenses and other assets	**17,096**	22,232	(5,136)	(23.1)
Cash and cash equivalents	**34,019**	152,634	(118,615)	(77.7)
Total assets	**6,543,229**	6,892,420	(349,191)	(5.1)
Liabilities				
Mortgages payable	**2,011,151**	2,114,021	(102,870)	(4.9)
Mortgages payable related to the investment properties held for sale	**101,435**	—	101,435	100.0
Debentures	**1,169,671**	1,320,962	(151,291)	(11.5)
Bank borrowings	**296,400**	180,000	116,400	64.7
Accounts payable and accrued liabilities	**136,287**	126,543	9,744	7.7
Deferred tax liabilities	**93**	93	—	—
Distributions payable to unitholders	**10,946**	—	10,946	100.0
Total liabilities	**3,725,983**	3,741,619	(15,636)	(0.4)
Unitholders' equity				
Unitholders' equity	**2,817,246**	3,150,801	(333,555)	(10.6)
Total liabilities and unitholders' equity	**6,543,229**	6,892,420	(349,191)	(5.1)

Results of Operations

The following table highlights our results of operations for the periods ended June 30, 2020 and 2019, as shown in our condensed interim consolidated financial statements:

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020 [1]	2019		2020 [2]	2019	
	$	$	% Δ	$	$	% Δ
Operating revenues	**160,550**	176,627	(9.1)	**332,659**	358,571	(7.2)
Operating expenses	**(87,960)**	(87,644)	0.4	**(174,344)**	(182,903)	(4.7)
NOI	**72,590**	88,983	(18.4)	**158,315**	175,668	(9.9)
Finance charges	**(36,912)**	(36,398)	1.4	**(76,164)**	(73,149)	4.1
Trust administrative expenses	**(4,038)**	(3,838)	5.2	**(8,182)**	(9,291)	(11.9)
Change in fair value of investment properties	**(320,631)**	8,291	(3,967.2)	**(319,423)**	8,070	NM
Share of joint ventures' net income	**(8,481)**	1,503	(664.3)	**(6,898)**	2,891	(338.6)
Transaction costs	**(4,991)**	(3,151)	58.4	**(5,137)**	(4,490)	14.4
Restructuring costs	**—**	(3,916)	100.0	**0**	(3,916)	100.0
Impairment of goodwill	**(15,721)**	—	(100.0)	**(15,721)**	— $	(100.0)
Net income (loss) before income taxes	**(318,184)**	51,474	(718.1)	**(273,210)**	95,783	(385.2)
Current income taxes	**65**	—	100.0	**65**	—	100.0
Net income (loss) and comprehensive income (loss)	**(318,119)**	51,474	(718.0)	**(273,145)**	95,783	(385.2)

1 The quarter ended June 30, 2020 includes the estimated financial impact of COVID-19 and $2.5 million in yield maintenance fees paid in connection with the debenture Series 4 redemption (includes $3.9 million of restructuring costs for the quarter ended June 30, 2019).
2 In addition to the quarter events explained above, the six month period ended June 30, 2020 includes $4.6 million of penalties paid on mortgage repayments before maturity ($1.0 million in severance allowance paid following the departure of an executive officer for the six month period ended June 30, 2019).

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

Operating Revenues

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Operating revenues — Financial statements	**160,550**	176,627	(9.1)	**332,659**	358,571	(7.2)
Operating revenues — Joint ventures	**4,279**	4,319	(0.9)	**8,681**	8,619	0.7
Operating revenues — Cominar's proportionate share [2]	**164,829**	180,946	(8.9)	**341,340**	367,190	(7.0)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The decrease in operating revenues according to the condensed interim consolidated financial statements and on a proportionate basis in the second quarter of 2020 compared with the corresponding quarter of 2019 resulted mainly from the financial impact of COVID-19 which impacted Cominar for the months of April, May and June 2020 (refer to section "COVID-19 - impact analysis and risks"), from the properties sold in 2019 and 2020, partially offset by an increase in the average in-place occupancy rate year over year and from a growth in the average net rent of renewed leases.

Operating Revenues by Property Type

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Property type						
Office	**68,117**	75,023	(9.2)	**139,777**	151,238	(7.6)
Retail	**57,279**	65,042	(11.9)	**121,047**	132,979	(9.0)
Industrial and flex	**39,433**	40,881	(3.5)	**80,516**	82,973	(3.0)
Operating revenues — Cominar's proportionate share [2]	**164,829**	180,946	(8.9)	**341,340**	367,190	(7.0)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Operating Expenses

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Operating expenses — Financial statements	**87,960**	87,644	0.4	**174,344**	182,903	(4.7)
Operating expenses — Joint ventures	**1,792**	1,834	(2.3)	**3,638**	3,741	(2.8)
Operating expenses — Cominar's proportionate share [2]	**89,752**	89,478	0.3	**177,982**	186,644	(4.6)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The increase in operating expenses according to the condensed interim consolidated financial statements and on a proportionate basis in the second quarter of 2020 compared with the corresponding quarter of 2019 resulted mainly from the financial impact of COVID-19 which impacted Cominar for the months of April, May and June 2020 (refer to section "COVID-19 - Impact analysis and risks"), namely an increase in the estimated credit losses, partially offset by decreases in operating costs and realty taxes and services.

Operating Expenses by Property Type

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Property type						
Office	**33,272**	38,253	(13.0)	**70,413**	79,928	(11.9)
Retail	**39,671**	33,342	19.0	**73,375**	69,353	5.8
Industrial and flex	**16,809**	17,883	(6.0)	**34,194**	37,363	(8.5)
Operating Expenses — Cominar's proportionate share [2]	**89,752**	89,478	0.3	**177,982**	186,644	(4.6)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Net Operating Income

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

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

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
NOI — Financial statements	**72,590**	88,983	(18.4)	**158,315**	175,668	(9.9)
NOI — Joint ventures	**2,487**	2,485	0.1	**5,043**	4,878	3.4
NOI — Cominar's proportionate share [2]	**75,077**	91,468	(17.9)	**163,358**	180,546	(9.5)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The decrease in NOI according to the condensed interim consolidated financial statements and on a proportionate basis in the second quarter of 2020 compared with the corresponding quarter of 2019 resulted mainly from the financial impact of COVID-19 which impacted Cominar for the months of April, May and June 2020 (refer to section "COVID-19 - Impact analysis and risks") and from the properties sold in 2019 and 2020, partially offset by an increase in the average in-place occupancy rate year over year, from the growth in the average net rent of renewed leases and the positive impact of decreases in operating costs and realty taxes and services.

NOI by Property Type

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Property type						
Office	**34,845**	36,770	(5.2)	**69,364**	71,310	(2.7)
Retail	**17,608**	31,700	(44.5)	**47,672**	63,626	(25.1)
Industrial and flex	**22,624**	22,998	(1.6)	**46,322**	45,610	1.6
NOI — Cominar's proportionate share [2]	**75,077**	91,468	(17.9)	**163,358**	180,546	(9.5)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Results of Operations - Same Property Portfolio

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

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Same property operating revenues - Cominar's proportionate share [2]	**164,786**	174,536	(5.6)	**340,002**	351,099	(3.2)
Same property operating expenses - Cominar's proportionate share [2]	**(89,428)**	(86,063)	3.9	**(177,181)**	(178,493)	(0.7)
Same property NOI - Cominar's proportionate share [2]	**75,358**	88,473	(14.8)	**162,821**	172,606	(5.7)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Second quarter decrease of (14.8)% in same property NOI according to the condensed interim consolidated financial statements and on a proportionate basis compared with the corresponding quarter of 2019 is mainly attributable to the financial impact of COVID-19 which impacted Cominar for the months of April, May and June 2020 (refer to section "COVID-19 - impact analysis and risks") partially offset by an increase in the average in-place occupancy rate year over year, from a growth in the average net rent of renewed leases and the positive impact of decreases in operating costs and realty taxes and services.

Operating Revenues - Same Property Portfolio

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Operating revenues — Financial statements	**160,550**	176,627	(9.1)	**332,659**	358,571	(7.2)
Operating revenues — Joint ventures	**4,279**	4,319	(0.9)	**8,681**	8,619	0.7
Operating revenues — Cominar's proportionate share [2]	**164,829**	180,946	(8.9)	**341,340**	367,190	(7.0)
Acquisitions, developments and dispositions — Cominar's proportionate share [2]	**(43)**	(6,410)	(99.3)	**(1,338)**	(16,091)	(91.7)
Same property Operating Revenues — Cominar's proportionate share [2]	**164,786**	174,536	(5.6)	**340,002**	351,099	(3.2)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Same property portfolio — Financial statements	**160,719**	170,326	(5.6)	**331,499**	342,657	(3.3)
Same property portfolio — Joint ventures	**4,067**	4,210	(3.4)	**8,503**	8,442	0.7
Same property Operating Revenues — Cominar's proportionate share [2]	**164,786**	174,536	(5.6)	**340,002**	351,099	(3.2)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The decrease in same property operating revenues according to the condensed interim consolidated financial statements and on a proportionate basis in the second quarter of 2020 compared with the corresponding quarter of 2019 is mainly due to the financial impact of COVID-19 which impacted Cominar for the months of April, May and June 2020 (refer to section "COVID-19 - Impact analysis and risks"), partially offset by an increase in the average in-place occupancy rate year over year and from a growth in the average net rent of renewed leases.

Operating Revenues by Property Type and Geographic Market - Same Property Portfolio

Same property operating revenues by property type

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Property type						
Office	**68,031**	70,794	(3.9)	**139,192**	141,277	(1.5)
Retail	**57,608**	63,663	(9.5)	**120,725**	128,649	(6.2)
Industrial and flex	**39,147**	40,079	(2.3)	**80,085**	81,173	(1.3)
Same property Operating Revenues — Cominar's proportionate share [2]	**164,786**	174,536	(5.6)	**340,002**	351,099	(3.2)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Same property operating revenues by geographic market

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Geographic market						
Montreal	**102,542**	111,469	(8.0)	**211,943**	223,881	(5.3)
Québec City	**49,970**	51,039	(2.1)	**102,621**	103,085	(0.5)
Ottawa [2]	**12,274**	12,028	2.0	**25,438**	24,133	5.4
Same property Operating Revenues — Cominar's proportionate share [3]	**164,786**	174,536	(5.6)	**340,002**	351,099	(3.2)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
3 Refer to section "Non-IFRS Financial Measures".

Operating Expenses - Same Property Portfolio

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Operating expenses — Financial statements	**87,960**	87,644	0.4	**174,344**	182,903	(4.7)
Operating expenses — Joint ventures	**1,792**	1,834	(2.3)	**3,638**	3,741	(2.8)
Operating expenses — Cominar's proportionate share [2]	**89,752**	89,478	0.3	**177,982**	186,644	(4.6)
Acquisitions, developments and dispositions — Cominar's proportionate share [2]	**(324)**	(3,415)	(90.5)	**(801)**	(8,151)	(90.2)
Same property Operating Expenses — Cominar's proportionate share [2]	**89,428**	86,063	3.9	**177,181**	178,493	(0.7)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Same property portfolio — Financial statements	**87,793**	84,261	4.2	**173,609**	174,818	(0.7)
Same property portfolio — Joint ventures	**1,635**	1,802	(9.3)	**3,572**	3,675	(2.8)
Same property Operating Expenses — Cominar's proportionate share [2]	**89,428**	86,063	3.9	**177,181**	178,493	(0.7)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

The increase in same property operating expenses according to the condensed interim consolidated financial statements and on proportionate basis in the second quarter of 2020 compared with the corresponding quarter of 2019 is mainly due to the financial impact of COVID-19 which impacted Cominar for the months of April, May and June 2020 (refer to section "COVID-19 - impact analysis and risks"), namely an increase in expected credit losses, partially offset by decreases in operating costs and realty taxes and services.

Operating Expenses by Property Type and Geographic Market - Same Property Portfolio

Same property operating expenses by property type

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Property type						
Office	**33,078**	35,983	(8.1)	**70,034**	74,448	(5.9)
Retail	**39,551**	32,654	21.1	**72,968**	67,756	7.7
Industrial and flex	**16,799**	17,426	(3.6)	**34,179**	36,289	(5.8)
Same property Operating Expenses — Cominar's proportionate share [2]	**89,428**	86,063	3.9	**177,181**	178,493	(0.7)

1 *The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".*
2 *Refer to section "Non-IFRS Financial Measures".*

Same property operating expenses by geographic market

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Geographic market						
Montreal	**54,846**	55,862	(1.8)	**109,016**	114,279	(4.6)
Québec City	**27,941**	23,672	18.0	**54,156**	50,299	7.7
Ottawa [2]	**6,641**	6,529	1.7	**14,009**	13,915	0.7
Same property Operating Expenses — Cominar's proportionate share [3]	**89,428**	86,063	3.9	**177,181**	178,493	(0.7)

1 *The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".*
2 *For presentation purposes, the Gatineau area is included in the Ottawa geographic market.*
3 *Refer to section "Non-IFRS Financial Measures".*

Net Operating Income - Same Property Portfolio

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
NOI — Financial statements	**72,590**	88,983	(18.4)	**158,315**	175,668	(9.9)
NOI — Joint ventures	**2,487**	2,485	0.1	**5,043**	4,878	3.4
NOI — Cominar's proportionate share [2]	**75,077**	91,468	(17.9)	**163,358**	180,546	(9.5)
Acquisitions, developments and dispositions — Cominar's proportionate share	**281**	(2,995)	(109.4)	**(537)**	(7,940)	(93.2)
Same property NOI — Cominar's proportionate share [2]	**75,358**	88,473	(14.8)	**162,821**	172,606	(5.7)

1 *The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".*
2 *Refer to section "Non-IFRS Financial Measures".*

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Same property portfolio — Financial statements	**72,926**	86,065	(15.3)	**157,890**	167,839	(5.9)
Same property portfolio — Joint ventures	**2,432**	2,408	1.0	**4,931**	4,767	3.4
Same property NOI — Cominar's proportionate share [2]	**75,358**	88,473	(14.8)	**162,821**	172,606	(5.7)

1 *The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".*
2 *Refer to section "Non-IFRS Financial Measures".*

Second quarter decrease of (14.8)% in same property NOI according to the condensed interim consolidated financial statements and on a proportionate basis compared with the corresponding quarter of 2019 is mainly attributable to the financial impact of

COVID-19 which impacted Cominar for the months of April, May and June 2020 (refer to section "COVID-19 - impact analysis and risks"), partially offset by an increase in the average in-place occupancy rate year over year, from the growth in the average net rent of renewed leases and the positive impact of the decrease in operating costs and realty taxes and services.

NOI by Property Type and Geographic Market - Same Property Portfolio

Same property NOI by property type

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Property type						
Office	**34,953**	34,811	0.4	**69,158**	66,829	3.5
Retail	**18,057**	31,009	(41.8)	**47,757**	60,893	(21.6)
Industrial and flex	**22,348**	22,653	(1.3)	**45,906**	44,884	2.3
Same property NOI — Cominar's proportionate share [2]	**75,358**	88,473	(14.8)	**162,821**	172,606	(5.7)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Refer to section "Non-IFRS Financial Measures".

Same property NOI weighting by property type

	Quarter		Year-to-date (six months)	
Periods ended June 30	2020	2019	2020	2019
Property type				
Office	**46.3 %**	39.4 %	**42.5 %**	38.7 %
Retail	**24.0 %**	35.0 %	**29.3 %**	35.3 %
Industrial and flex	**29.7 %**	25.6 %	**28.2 %**	26.0 %
Same property NOI — Cominar's proportionate share [1]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

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

For the quarter ended June 30, 2020, Cominar's weighting to retail same property NOI decreased 1,100 basis points to 24.0% due to the COVID-19 impact, while industrial increased 410 basis points to 29.7% and office increased 690 basis points to 46.3%.

Same property NOI by geographic market

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Geographic market						
Montreal	**47,696**	55,607	(14.2)	**102,927**	109,602	(6.1)
Québec City	**22,029**	27,367	(19.5)	**48,465**	52,786	(8.2)
Ottawa [2]	**5,633**	5,499	2.4	**11,429**	10,218	11.9
Same property NOI — Cominar's proportionate share [3]	**75,358**	88,473	(14.8)	**162,821**	172,606	(5.7)

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
3 Refer to section "Non-IFRS Financial Measures".

Same property NOI weighting by geographic market

Periods ended June 30	Quarter		Year-to-date (six months)	
	2020	2019	2020	2019
Geographic market				
Montreal	**63.3 %**	62.9 %	**63.2 %**	63.5 %
Québec City	**29.2 %**	30.9 %	**29.8 %**	30.6 %
Ottawa [1]	**7.5 %**	6.2 %	**7.0 %**	5.9 %
Same property NOI — Cominar's proportionate share [2]	**100.0 %**	100.0 %	**100.0 %**	100.0 %

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

Same property average in-place occupancy by property type

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020	2019	Δ	2020	2019	Δ
Property type						
Office	**90.0 %**	88.1 %	1.9	**89.6 %**	88.0 %	1.6
Retail	**87.1 %**	85.0 %	2.1	**87.0 %**	85.3 %	1.7
Industrial and flex	**94.2 %**	94.2 %	0.0	**94.9 %**	94.0 %	0.9
Total	**91.0 %**	89.9 %	1.1	**91.2 %**	89.8 %	1.4

Same property average in-place occupancy by geographic market

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020	2019	Δ	2020	2019	Δ
Geographic market						
Montreal	**90.5 %**	90.0 %	0.5	**90.8 %**	90.1 %	0.7
Québec City	**93.0 %**	92.2 %	0.8	**93.1 %**	91.9 %	1.2
Ottawa [1]	**88.0 %**	79.0 %	9.0	**87.5 %**	78.2 %	9.3
Total	**91.0 %**	89.9 %	1.1	**91.2 %**	89.8 %	1.4

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

Change in Fair Value of Investment Properties

Cominar opted to present its investment properties in the condensed interim consolidated financial statements according to the fair value model.

During the first six months of 2020, management revalued its entire real estate portfolio. Using internal and external valuations or by using estimates based on data by property type and geographic market from internal and external valuations and available market data to reflect the impact of COVID-19 (refer to section "COVID-19 - impact analysis and risks"), they determined that a net decrease of $319.4 million was necessary to adjust the carrying amount of investment properties to fair value [increase of $8.1 million in 2019]. For the six-month period ended June 30, 2020, the fair value of all investment properties was reassessed, including 30% from external valuations.

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

	Income properties			Investment properties held for sale	Properties under development and land held for future development	Total according to financial statements	Share in joint ventures	Total - Cominar's proportionate share [1]
	Québec City $	Montreal $	Ottawa $	$	$	$	$	$
Property type								
Office	(6,551)	(25,875)	(5,051)	(32)	(2,423)	(39,932)	(4,561)	(44,493)
Retail	(103,738)	(120,713)	(10,996)	(2,288)	(8,551)	(246,286)	(5,442)	(251,728)
Industrial and flex	2,575	(30,892)	—	—	(4,888)	(33,205)	—	(33,205)
Total	**(107,714)**	**(177,480)**	**(16,047)**	**(2,320)**	**(15,862)**	**(319,423)**	**(10,003)**	**(329,426)**

1 Non-IFRS financial measure.

The $44.5 million decrease in fair value for the first six months of 2020 of the office portfolio is mainly due to COVID-19 which impacted estimates for expected credit losses, vacancy and rent growth, partially offset by a $17.4 million fair value increase related to a property transferred to investment properties held for sale.

For the retail portfolio, the decrease of $251.7 million in fair value, of which $165.0 million from enclosed malls (including a $13.3 million of fair value gain on a major asset), is mainly due to COVID-19 which impacted estimates for expected credit losses, vacancy, rent growth and capitalization rate.

Finally, the $33.2 million decrease in the fair value of the industrial and mixed-use portfolio is mainly due to COVID-19 which impacted estimates for expected credit losses, vacancy and rent growth.

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

	Income properties			Investment properties available for sale	under development and land held for future development	Total according to financial statements	Share in joint ventures	Total - Cominar's proportionate share [1]
	Québec City %	Montreal %	Ottawa %	%	%	%	%	%
Property type								
Office	(1.5%)	(2.0%)	(1.3%)	—%	(3.3%)	(1.6%)	(3.0%)	(1.7%)
Retail	(13.6%)	(8.5%)	(17.0%)	(21.9%)	(16.4%)	(10.7%)	(15.8%)	(10.8%)
Industrial and flex	0.7%	(2.2%)	—%	—%	(20.7%)	(1.8%)	—%	(1.8%)
Total	**(6.7%)**	**(4.3%)**	**(3.4%)**	**(0.9%)**	**(10.7%)**	**(4.8%)**	**(5.4%)**	**(4.9%)**

1 Non-IFRS financial measure.

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

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

	As at June 30, 2020				As at December 31, 2019
	Québec City	Montreal	Ottawa	Weighted average rate	Weighted average rate
Office properties					
Direct capitalized net operating income method					
Overall capitalization rate [1]	**N/A**	**N/A**	**N/A**	**N/A**	5.7 %
Discounted cash flow method					
Discount rate	**6.5 %**	**7.3 %**	**7.0 %**	**6.9 %**	6.6 %
Terminal capitalization rate	**6.0 %**	**6.5 %**	**6.4 %**	**6.2 %**	6.0 %
Retail properties					
Direct capitalized net operating income method					
Overall capitalization rate [1]	**N/A**	**N/A**	**N/A**	**N/A**	6.3 %
Discounted cash flow method					
Discount rate	**7.7 %**	**7.4 %**	**7.8 %**	**7.6 %**	7.0 %
Terminal capitalization rate	**7.1 %**	**6.5 %**	**7.0 %**	**6.8 %**	6.4 %
Industrial and flex properties					
Direct capitalized net operating income method					
Overall capitalization rate [1]	**N/A**	**N/A**	**N/A**	**N/A**	6.4 %
Discounted cash flow method					
Discount rate	**7.5 %**	**6.8 %**	**N/A**	**7.0 %**	6.8 %
Terminal capitalization rate	**6.8 %**	**6.1 %**	**N/A**	**6.4 %**	6.1 %
Total					
Direct capitalized net operating income method					
Overall capitalization rate [1]	**N/A**	**N/A**	**N/A**	**N/A**	6.0 %
Discounted cash flow method					
Discount rate	**7.2 %**	**7.2 %**	**7.1 %**	**7.2 %**	6.8 %
Terminal capitalization rate	**6.6 %**	**6.4 %**	**6.5 %**	**6.5 %**	6.2 %

1 The direct capitalized net operating income method was not used in 2020 valuations

Finance Charges

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Interest on mortgage payable	**19,563**	17,919	9.2	**43,590**	35,296	23.5
Interest on debentures	**16,648**	19,085	(12.8)	**31,278**	37,353	(16.3)
Interest on bank borrowings	**2,078**	506	310.7	**3,618**	2,692	34.4
Amortization of deferred financing costs and other costs	**1,166**	880	32.5	**2,254**	1,637	37.7
Amortization of fair value adjustments on assumed indebtedness	**(63)**	(66)	(4.5)	**(126)**	(132)	(4.5)
Less: Capitalized interest [1]	**(2,480)**	(1,926)	28.8	**(4,450)**	(3,697)	20.4
Total finance charges — Financial statements	**36,912**	36,398	1.4	**76,164**	73,149	4.1
Adjusted finance charges [2]	**34,425**	36,398	(5.4)	**71,541**	73,149	(2.2)
Percentage of operating revenues	**23.0 %**	20.6 %		**22.9 %**	20.4 %	
Weighted average interest rate on total debt				**3.89 %**	4.18 %	

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

2 Excludes penalties on mortgage repayments before maturity and yield maintenance fees and costs paid in relation to the Series 4 senior unsecured debenture redemption.

The increase in finance charges during the second quarter of 2020, compared with the corresponding quarter of 2019, is mainly due to yield maintenance fees and costs paid in relation to the Series 4 senior unsecured debenture redemption of $2.5 million partially offset by lower interest expenses.

Trust Administrative Expenses

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Salaries and other benefits	**2,420**	2,455	(1.4)	**5,168**	6,379	(19.0)
Compensation expense related to long-term incentive plan	**840**	710	18.3	**1,657**	1,480	12.0
Professional fees	**311**	139	123.7	**480**	375	28.0
Costs associated with public companies	**184**	154	19.5	**408**	339	20.4
Other fees	**283**	380	(25.5)	**469**	718	(34.7)
Total Trust administrative expenses — Financial statements	**4,038**	3,838	5.2	**8,182**	9,291	(11.9)
Adjusted Trust administrative expenses [1]	**4,038**	3,838	5.2	**8,182**	8,248	(0.8)

1 Excludes severance allowance.

During the second quarter of 2020, Trust administrative expenses increased compared with the corresponding quarter of 2019 mainly due to an increase in professional fees.

Impairment of Goodwill

At June 30, 2020, Cominar tested its industrial and flex portfolio for impairment of goodwill by determining the recoverable value of the net assets of that cash-generating unit (CGU) and comparing it to the carrying amount, including goodwill. As at June 30, 2020, the recoverable value of this CGU was determined based on the value in use and calculated by discounting future net operating income expected to be generated from continuing use. For fiscal years 2020 to 2030, net operating income projections are based on management's budget projections supported by past experience and estimated impact of COVID-19 on net operating income. The discount and terminal capitalization rates are estimated based on the segment weighted average overall capitalization rate. As at June 30, 2020, goodwill was impaired by $15.7 million.

	Office properties $	Retail properties $	Industrial and flex properties $	Total $
Balance as at December 31, 2019	—	—	15,721	15,721
Impairment of goodwill	—	—	(15,721)	(15,721)
Balance as at June 30, 2020	**—**	**—**	**—**	**—**

Transaction Costs

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Brokerage fees	**—**	986	(100.0)	**48**	1,497	(96.8)
Professional fees	**3**	21	(85.7)	**36**	263	(86.3)
Assumed head leases	**—**	217	(100.0)	**—**	217	(100.0)
Closing adjustments	**4,988**	1,927	158.8	**5,053**	2,513	101.1
Total	**4,991**	3,151	58.4	**5,137**	4,490	14.4

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

Restructuring Costs

During 2019, Cominar announced an organizational restructuring to streamline and enhance the effectiveness of operations which the outcome, among others, has been the reduction of its workforce. Cominar recorded a provision of $4.8 million related to this organizational restructuring, primarily related to severance benefits. As of June 30, 2020, the entire $4.8 million had been paid in connection with the restructuring.

Net Income

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Net income (loss)	**(318,119)**	51,474	(718.0)	**(273,145)**	95,783	(385.2)
Net income (loss) per unit (basic and diluted)	**(1.74)**	0.28	(721.4)	**(1.50)**	0.53	(383.0)
Weighted average number of units outstanding (basic)	**182,635,565**	182,191,343		**182,565,912**	182,147,225	
Weighted average number of units outstanding (diluted)	**182,635,565**	182,332,532		**182,565,912**	182,279,623	

Net income for the second quarter of 2020 decreased by $369.6 million compared to the corresponding quarter of 2019. This reflects a decrease of $328.9 million in change in fair value of investment properties, a decrease of $16.4 million in net operating income, a $15.7 million impairment of goodwill, a decrease of $10.0 million in share of joint ventures' net income, all related to the COVID-19 impact, partially offset by a decreases of $3.9 million in restructuring costs. Refer to section "COVID-19 - impact analysis and risks".

Adjusted Net Income

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

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Net income (loss)	**(318,119)**	51,474	(718.0)	**(273,145)**	95,783	(385.2)
Change in fair value of investment properties[2]	**330,634**	(8,291)	(4,087.9)	**329,426**	(8,070)	(4,182.1)
Transaction costs	**4,991**	3,151	58.4	**5,137**	4,490	14.4
Severance allowance	**—**	—	—	**—**	1,043	(100.0)
Restructuring costs	**—**	3,916	(100.0)	**—**	3,916	(100.0)
Penalties on mortgage repayments before maturity	**—**	—	—	**4,623**	—	100.0
Debentures redemption costs	**2,487**	—	100.0	**2,487**	—	100.0
Impairment of goodwill	**15,721**	—	100.0	**15,721**	—	100.0
Adjusted net income [1]	**35,714**	50,250	(28.9)	**84,249**	97,162	(13.3)
Adjusted net income per unit (diluted) [1]	**0.20**	0.28	(28.6)	**0.46**	0.53	(13.2)
Weighted average number of units outstanding (fully diluted)	**182,802,565**	182,332,532		**182,883,814**	182,279,623	

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

The decrease in adjusted net income of $14.5 million for the second quarter of 2020, compared with the corresponding quarter of 2019, is mainly due to the decrease in net operating income related to COVID-19 and from properties sold in 2019 and 2020, partially offset by an increase in same property NOI excluding the COVID-19 impact .

Funds from Operations and Adjusted Funds from Operations

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

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

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

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

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

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

Funds from Operations and Adjusted Funds from Operations

Periods ended June 30	Quarter			Year-to-date (six months)		
	2020 [1]	2019		2020 [1]	2019	
	$	$	% Δ	$	$	% Δ
Net income (loss)	**(318,119)**	51,474	(718.0)	**(273,145)**	95,783	(385.2)
Initial and re-leasing salary costs	**854**	758	12.7	**1,846**	1,602	15.2
Change in fair value of investment properties[2]	**330,634**	(8,291)	(4,087.9)	**329,426**	(8,070)	(4,182.1)
Capitalizable interest on properties under development — joint ventures	**136**	181	(24.9)	**273**	355	(23.1)
Transaction costs	**4,991**	3,151	58.4	**5,137**	4,490	14.4
Impairment of goodwill	**15,721**	—	100.0	**15,721**	—	100.0
FFO [2,3]	**34,217**	47,273	(27.6)	**79,258**	94,160	(15.8)
Provision for leasing costs	**(7,500)**	(8,020)	(6.5)	**(14,429)**	(16,449)	(12.3)
Recognition of leases on a straight-line basis [2]	**445**	37	1,102.7	**(26)**	(126)	(79.4)
Capital expenditures — maintenance of rental income generating capacity	**(6,045)**	(5,849)	3.4	**(10,905)**	(10,617)	2.7
AFFO [2,3]	**21,117**	33,441	(36.9)	**53,898**	66,968	(19.5)
Per unit information:						
FFO (FD) [3,4]	**0.19**	0.26	(26.9)	**0.43**	0.52	(17.3)
AFFO (FD) [3,4]	**0.12**	0.18	(33.3)	**0.29**	0.37	(21.6)
Weighted average number of units outstanding (FD) [4]	**182,802,565**	182,332,532		**182,883,814**	182,279,623	
Payout ratio of AFFO [3,4]	**150.0 %**	100.0 %		**124.1 %**	97.3 %	

1 The quarter and the six-month period ended June 30, 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".
2 Including Cominar's proportionate share in joint ventures.
3 Refer to section "Non-IFRS Financial Measures".
4 Fully diluted.

FFO for the second quarter of 2020 decreased from the corresponding quarter of 2019 due mainly to the decrease of NOI and to debenture redemption costs. Excluding debenture redemption costs, FFO would have been $36.7 million or $0.20 per unit in 2020 compared to $51.2 million or $0.28 per unit in 2019.

AFFO for the second quarter of 2020 decreased from the corresponding quarter of 2019 due mainly to the decrease in FFO. Excluding debenture redemption costs, AFFO would have been $23.6 million or $0.13 per unit in 2020 compared to $37.4 million or $0.20 per unit in 2019 and consequently, AFFO adjusted payout ratio would have been 138%.

FFO adjusted and the AFFO adjusted

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

Periods ended June 30	Quarter 2020	2019		Year-to-date (six months) 2020	2019	
	$	$	% Δ	$	$	% Δ
FFO [1,2] (Realpac definition)	**34,217**	47,273	(27.6)	**79,258**	94,160	(15.8)
Penalties on mortgage repayments before maturity	**—**	—	—	**4,623**	—	100.0
Severance allowance	**—**	—	—	**—**	1,043	(100.0)
Restructuring costs	**—**	3,916	(100.0)	**—**	3,916	(100.0)
Debenture redemption costs	**2,487**	—	100.0	**2,487**	—	100.0
FFO adjusted [1,2]	**36,704**	51,189	(28.3)	**86,368**	99,119	(12.9)
AFFO [1,2]	**21,117**	33,441	(36.9)	**53,898**	66,968	(19.5)
Penalties on mortgage repayments before maturity	**—**	—	—	**4,623**	—	100.0
Severance allowance	**—**	—	—	—	1,043	(100.0)
Restructuring costs	**—**	3,916	(100.0)	—	3,916	(100.0)
Debenture redemption costs	**2,487**	—	—	**2,487**	—	100.0
Governance and strategic alternatives consulting fees	**—**	—	—	**—**	—	—
AFFO adjusted [1,2]	**23,604**	37,357	(36.8)	**61,008**	71,927	(15.2)

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

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

Provision for Leasing Costs

The provision for leasing costs which Cominar deducts in computing the AFFO represents the amortization, over the terms of the leases, of leasehold improvements and initial direct costs, which include brokerage fees incurred when negotiating and preparing leases. This allows for better reconciliation of the investments made with the operating revenues generated over the terms of the leases. During the second quarter of 2020, the actual costs incurred by Cominar were $4.0 million in leasehold improvements and $1.5 million in initial direct costs, while the provision for leasing costs amounted to $7.5 million. The decrease of the provision compared to the corresponding quarter of 2019 is due to the estimated impact of the pandemic COVID-19 on leasehold improvements, which we expect to decrease in the next quarters.

Periods ended June 30	Quarter 2020	2019	Year-to-date (six months) 2020	2019
	$	$	$	$
Leasehold improvements	**3,998**	9,690	**9,528**	16,792
Initial direct costs	**1,542**	2,609	**3,748**	4,742
Actual leasing costs — Cominar's proportionate share [1, 2]	**5,540**	12,299	**13,275**	21,534
Provision for leasing costs in the calculation of AFFO [3]	**7,500**	8,020	**14,429**	16,449

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

Capital Expenditures - Maintenance of Rental Income Generating Capacity

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

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

During the second quarter of 2020, the actual costs incurred by Cominar were $0.9 million, while the deduction in AFFO amounted to $6.0 million.

Adjusted Cash Flow from Operations

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

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

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

	Quarter		Year-to-date (six months)	
Periods ended June 30	2020	2019	2020	2019 [1]
	$	$	$	$
Cash flows provided by operating activities as per the condensed interim consolidated financial statements	**25,076**	14,126	**41,519**	37,577
Adjustments — investments in joint ventures	**(8,481)**	1,422	**(7,385)**	1,781
Provision for leasing costs	**(7,500)**	(8,020)	**(14,429)**	(16,449)
Initial and re-leasing salary costs	**854**	758	**1,846**	1,602
Changes in adjusted non-cash working capital items [1]	**(13,974)**	35,542	**9,163**	61,069
Capital expenditures — maintenance of rental income generating capacity	**(6,045)**	(5,849)	**(10,905)**	(10,617)
Amortization of deferred financing costs and other costs	**(1,166)**	(880)	**(2,254)**	(1,637)
Amortization of fair value adjustments on assumed mortgages payable	**63**	66	**126**	132
Transaction costs	**4,991**	3,151	**5,137**	4,490
Capitalizable interest on properties under development — joint ventures	**136**	181	**273**	355
ACFO [2,3]	**(6,046)**	40,497	**23,091**	78,303
Per unit information:				
ACFO (FD) [3,4]	**(0.03)**	0.22	**0.13**	0.43
Weighted average number of units outstanding (FD) [4]	**182,802,565**	182,332,532	**182,883,814**	182,279,623
Payout ratio [3,4]	**(600.0) %**	81.8 %	**276.9 %**	83.7 %

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

Distributions

Cominar is governed by a Contract of Trust whereby the Trustees, under the discretionary power attributed to them, intend to distribute a portion of Cominar's distributable income to unitholders. Distributable income generally means net income determined in accordance with IFRS, before adjustments to fair value, transaction costs, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs, gains on the disposition of investment properties, changes to goodwill and certain other items not affecting cash, if applicable.

Distributions to Unitholders

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Distributions to unitholders	**32,840**	32,768	0.2	**65,667**	65,526	0.2
Per unit distribution	**0.18**	0.18		**0.36**	0.36	

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

Periods ended June 30	2020 (three months)	2020 (six months)	2019 (six months)	2018 (six months)
	$	$	$	$
Net income (loss)	**(318,119)**	**(273,145)**	95,783	76,422
Cash flows provided by operating activities - Financial statements	**25,076**	**41,519**	37,577	20,772
Distributions to unitholders	**32,840**	**65,667**	65,526	78,232
Deficit of cash flows provided by operating activities compared with distribution to unitholders	**(7,764)**	**(24,148)**	(27,949)	(57,460)

For the three-month period ended June 30, 2020 cash flows provided by operating activities presented a 7.8 million shortfall over distributions to unitholders, due mainly to the financial impact of COVID-19 and to the seasonal nature of some expenses, such as property taxes. This deficit in cash flows provided by operating activities against the distributions was financed with the cash and cash equivalent on hand. Cominar expects that its cash flows provided by operating activities for fiscal 2020 will be higher than the distributions to unitholders.

Liquidity and Capital Resources

During the second quarter of 2020, Cominar generated $25.1 million in cash flows provided by operating activities as per its financial statements. Short-term obligations and commitments, including the monthly payments of distributions and the repayments of debentures and mortgages payable at maturity, are funded funds from operations, asset sales, proceeds from new mortgages payable, proceeds from debenture issuances, cash and equivalents of $34.0 million and amounts available on its unsecured credit facility which stood at $400.0 million as at June 30, 2020.

Debt Management

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

As at June 30, 2020, Cominar's debt ratio stood at 54.5% (51.4% as at December 31, 2019) consisting of mortgages, senior unsecured debentures and bank loans less cash and cash equivalents. The debt ratio increase is the combination of higher indebtedness (net debt increased by $82 million) and investment properties fair value adjustments of (319.4) million and $15.7 million of impairment of goodwill. Mortgages payables represented approximately 59.0% of total debt, senior unsecured debentures represented approximately 32.7%, while bank borrowings represented approximately 8.3%. As at June 30, 2020, the weighted average annual contractual rate was 3.89% (4.18% as at June 30, 2019) and the residual weighted average remaining term was 4.1 years (3.6 years as at June 30, 2019) .

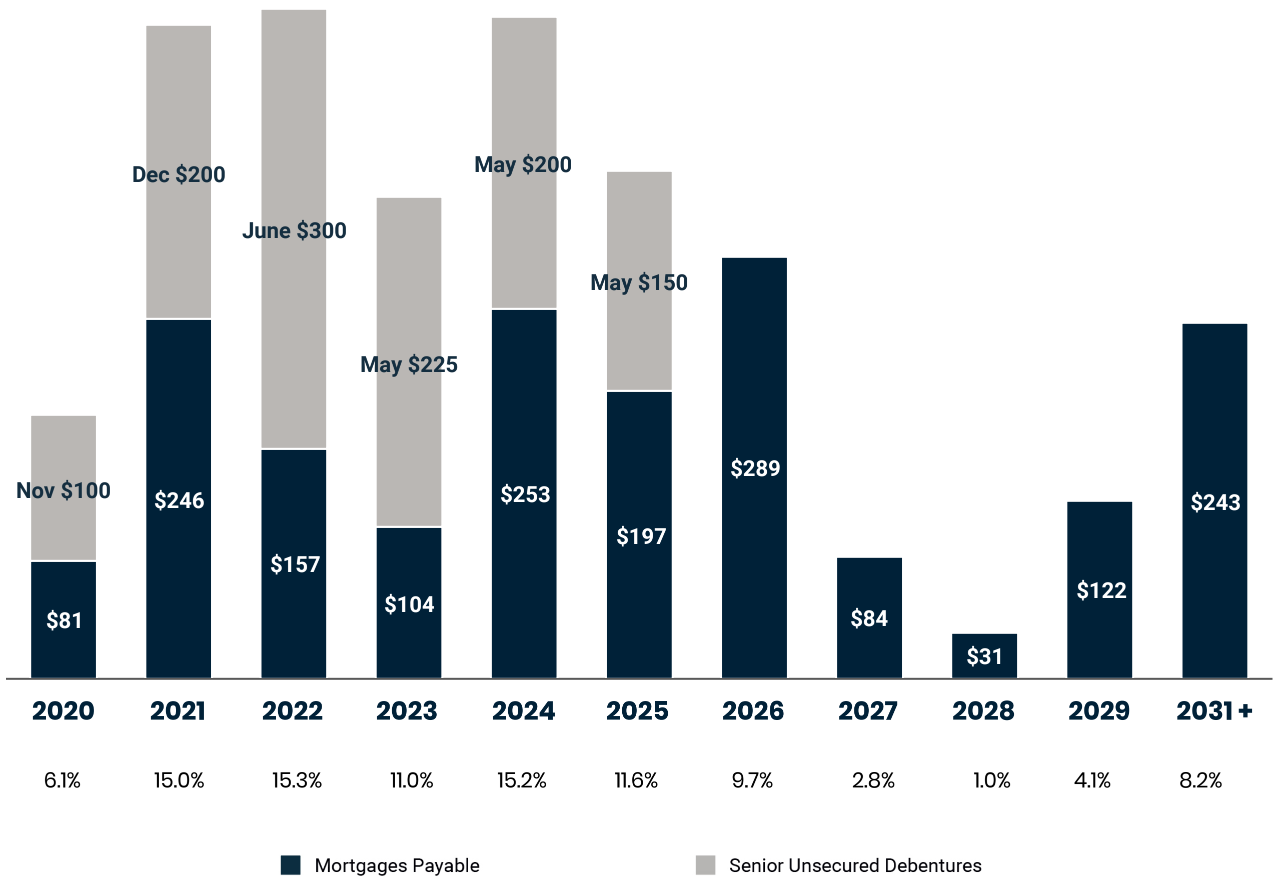
As at June 30, 2020, 90.5% of Cominar's total debt was fixed rate and 9.5% was variable rate.

Debt Summary

	As at June 30, 2020			As at December 31, 2019		
		Weighted average contractual rate	Residual weighted average term		Weighted average contractual rate	Residual weighted average term
	$			$		
Mortgages payable	**2,112,586**	**3.70 %**	**5.1 years**	2,114,021	3.84 %	4.8 years
Debentures	**1,169,671**	**4.47 %**	**2.6 years**	1,320,962	4.41 %	2.3 years
Bank borrowings secured	**296,400**	**2.96 %**	**2.9 years**	180,000	4.05 %	2.3 years
Bank borrowings unsecured	**—**	**4.05 %**	**1.1 years**	—	4.05 %	1.6 years
Total debt	**3,578,657**	**3.89 %**	**4.1 years**	3,614,983	4.06 %	3.7 years
Cash and cash equivalents	**(34,019)**	**1.70 %**		(152,634)	2.20 %	
Net debt	**3,544,638**			3,462,349		

Long Term Debt Maturities

As at June 30, 2020
[$ million]



Mortgages Payable

As at June 30, 2020, the balance of mortgages payable was $2,112.6 million, down $1.4 million from $2,114.0 million as at December 31, 2019. This decrease is explained by new mortgages payable contracted of $125.4 million at a weighted average contractual rate of 2.83%, offset by repayments of balances of $100.0 million at a weighted average contractual rate of 4.53% and by monthly repayments of capital totaling $24.6 million. As at June 30, 2020, the weighted average contractual rate was 3.70%, down 14 basis points from 3.84% as at December 31, 2019 and the effective weighted average interest rate was 3.89%, down 6 basis points since December 31, 2019.

Contractual maturities of mortgages payable

Years ending December 31	Repayment of principal $	Balances at maturity $	Total $	Weighted average contractual rate
2020 (Period from July 1 to December 31)	25,631	80,974	**106,605**	4.34 %
2021	47,235	246,150	**293,385**	3.84 %
2022	47,479	157,026	**204,505**	3.02 %
2023	45,892	104,292	**150,184**	4.17 %
2024	44,697	252,602	**297,299**	5.02 %
2025	35,341	196,898	**232,239**	3.26 %
2026	20,107	288,527	**308,634**	3.57 %
2027	17,875	83,875	**101,750**	3.37 %
2028	14,448	30,836	**45,284**	5.20 %
2029	11,952	122,034	**133,986**	3.56 %
2031 and thereafter	5,599	243,060	**248,659**	4.00 %
Total	**316,256**	**1,806,274**	**2,122,530**	**3.87 %**

Cominar's mortgages payable contractual maturities are staggered over a number of years to reduce risks related to renewal. As at June 30, 2020, the residual weighted average term of mortgages payable was 5.1 years,.

Senior Unsecured Debentures

	Date of issuance	Contractual interest rate	Effective interest rate	Dates of interest payments	Maturity date	Nominal value as at June 30, 2020 $
Series 3	May 2013	4.00 %	4.24 %	May 2 and November 2	November 2020	100,000
Series 8	December 2014	4.25 %	4.34 %	June 8 and December 8	December 2021	200,000
Series 9	June 2015	4.16 %	4.25 %	June 1 and December 1	June 2022	300,000
Series 10	May 2016	4.25 %	4.34 %	May 23 and November 23	May 2023	225,000
Series 11	May 2019	4.50 %	4.82 %	May 15 and November 15	May 2024	200,000
Series 12	May 2020	5.95 %	6.13 %	May 5 and November 5	May 2025	150,000
Weighted average interest rate		**4.47 %**	**4.62 %**			
Total						**1,175,000**

As at June 30, 2020, the residual weighted average term of senior unsecured debentures was 2.6 years.

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

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

Bank Borrowings

As at June 30, 2020, Cominar had an unsecured renewable credit facility of up to $400.0 million maturing in July 2021. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2020. As at June 30, 2020, the credit facility was undrawn and availability was $400.0 million.

As at June 30, 2020, Cominar had a secured credit facility of $176.4 million maturing in September 2023. This credit facility bears interest at the prime rate plus 70 basis points or at the bankers' acceptance rate plus 170 basis points and have quarterly principal repayments of $1.8 million. As at June 30, 2020, this credit facility was secured by immovable hypothecs on investment properties with a book value of $277.2 million. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2020.

On June 9, 2020, Cominar entered into a 27-month agreement for a new secured credit facility of $120,0 million maturing in September 2022. This new credit facility bears interest at the prime rate plus 250 basis points or at the bankers' acceptance rate plus 350 basis points. As at June 30, 2020, this credit facility was secured by immovable hypothecs on investment properties with a book value $206.4 million. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2020.

Debt Ratio

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

	As at June 30, 2020	As at December 31, 2019
	$	$
Cash and cash equivalents	**(34,019)**	(152,634)
Mortgages payable	**2,112,586**	2,114,021
Debentures	**1,169,671**	1,320,962
Bank borrowings	**296,400**	180,000
Total net debt	**3,544,638**	3,462,349
Total assets less cash and cash equivalents	**6,509,210**	6,739,786
Debt ratio [1, 2]	**54.5 %**	51.4 %

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

Debt/EBITDA Ratio

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

	As at June 30, 2020	As at December 31, 2019
	$	$
Mortgages payable	**2,112,586**	2,114,021
Debentures	**1,169,671**	1,320,962
Bank borrowings	**296,400**	180,000
Total debt	**3,578,657**	3,614,983
NOI (last 12 months)	**340,969**	358,322
Adjusted Trust administrative expenses (last 12 months) [1]	**(16,145)**	(16,211)
Recognition of leases on a straight-line basis (last 12 months)	**(142)**	(288)
EBITDA (last 12 months) [2]	**324,682**	341,823
Debt/EBITDA ratio [2]	**11.0 x**	10.6 x

1 Excludes, in 2019, a severance allowance paid to an executive officer.
2 Refer to section "Non-IFRS Financial Measures".

Interest Coverage Ratio

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

	As at June 30, 2020	As at December 31, 2019
	$	$
NOI (last 12 months)	**340,969**	358,322
Adjusted Trust administrative expenses (last 12 months) [1]	**(16,145)**	(16,211)
	324,824	342,111
Adjusted finance charges (last 12 months) [2]	**140,625**	144,720
Interest coverage ratio [3]	**2.31:1**	2.36:1

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

Unencumbered Assets and Unsecured Debt

	As at June 30, 2020		As at December 31, 2019	
	Number of properties	Fair value of properties ($)	Number of properties	Fair value of properties ($)
Unencumbered income properties [1]	**224**	**2,008,662**	140	2,125,836
Unencumbered assets to unsecured net debt ratio [2, 3]		**1.77:1**		1.82:1
Unsecured debt-to-total-debt ratio [3, 4]		**32.7 %**		36.5 %

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

As at June 30, 2020, the unencumbered assets to unsecured net debt ratio stood at 1.77:1, well above the required ratios of 1.30:1 and 1.40:1 contained in the restrictive covenant of the outstanding debentures and the unsecured credit facility, respectively.

Off-Balance Sheet Arrangements and Contractual Commitments

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

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

Property Portfolio

	As at June 30, 2020	As at December 31, 2019
	$	$
Income properties — Cominar's proportionate share [1]	**6,090,282**	6,584,312
Properties under development and land held for future development — Cominar's proportionate share [1]	**154,600**	155,509
Investment properties held for sale	**245,475**	11,730
Number of income properties [2]	**315**	317
Leasable area (sq. ft.) [2]	**35,887,000**	35,895,000

1 Refer to section "Non-IFRS Financial Measures".
2 Includes investment properties held for sale.

Summary by property type

	As at June 30, 2020		As at December 31, 2019	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**80**	**11,056,000**	80	11,056,000
Retail	**44**	**9,480,000**	46	9,488,000
Industrial and flex	**191**	**15,351,000**	191	15,351,000
Total	**315**	**35,887,000**	317	35,895,000

Summary by geographic market

	As at June 30, 2020		As at December 31, 2019	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Montreal	**196**	**23,682,000**	198	23,690,000
Québec City	**100**	**9,763,000**	100	9,763,000
Ontario - Ottawa [1]	**19**	**2,442,000**	19	2,442,000
Total	**315**	**35,887,000**	317	35,895,000

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

Acquisitions, Investments and Dispositions

Investments in Income Properties and Investment Properties Held for Sale

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

During the second quarter of 2020, Cominar incurred $13.0 million [$13.5 million in the corresponding quarter of 2019] in capital expenditures specifically to increase the rental income generating capacity of its properties. These capital expenditures include, among others, investments of $7.8 million in revitalization and redevelopment and $5.0 million in structural work. Cominar also incurred $0.9 million [$5.8 million in the corresponding quarter of 2019] in capital expenditures to maintain rental income generating capacity, consisting mainly of major repair and maintenance expenses, as well as property equipment replacements. Capital expenditures related to maintenance of rental income generating capacity do not include current repair and maintenance costs, as these are already deducted from revenues in determining NOI.

Finally, Cominar invested in leasehold improvements that aim to increase the value of its buildings through higher lease rates and higher occupancy, as well as in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required may vary from quarter to quarter since it depends closely on lease renewals and the signing of new leases. The level of investment also depends on increases in rental space through expanded, upgraded or acquired properties, or rental space transferred from properties under development. During the second quarter of 2020, Cominar made investments of $4.0 million in leasehold improvements and $1.5 million in leasing costs [$9.7 million in leasehold improvements and $2.6 million in leasing costs in the corresponding quarter of 2019].

Note that capital expenditures during the second quarter of 2020 have been impacted by the closing during the quarter of all non-essential stores and services and by the closing of commercial construction as part of the Government of Québec management of the COVID-19 virus.

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 income properties, including investment properties held for sale and Cominar's proportionate share in joint ventures:

	Quarter			Year-to-date (six months)		
Periods ended June 30	2020	2019		2020	2019	
	$	$	% Δ	$	$	% Δ
Capital expenditures — increase of rental income generating capacity						
Revitalization and redevelopment	**7,805**	5,737	36.0	**22,926**	11,939	92.0
Property expansion	**107**	441	(75.7)	**107**	774	(86.2)
Structural work for common areas, parking, preparation of base building etc.	**5,040**	6,767	(25.5)	**13,661**	18,029	(24.2)
Facade renovation	**45**	541	(91.7)	**62**	729	(91.5)
Capital expenditures — increase of rental income generating capacity	**12,997**	13,486	(3.6)	**36,756**	31,471	16.8
Capital expenditures — maintenance of rental income generating capacity	**883**	5,849	(84.9)	**3,134**	10,617	(70.5)
Total [1]	**13,880**	19,335	(28.2)	**39,890**	42,088	(5.2)
Leasehold improvements	**3,998**	9,690	(58.7)	**9,528**	16,792	(43.3)
Leasing costs	**1,542**	2,609	(40.9)	**3,748**	4,742	(21.0)
Total — Financial statement [1]	**19,420**	31,634	(38.6)	**53,166**	63,622	(16.4)
Capital costs — Properties under development — Financial statements	**6,683**	7,704	(13.3)	**13,810**	9,027	53.0
Total capital expenditures [1]	**26,103**	39,338	(33.6)	**66,976**	72,649	(7.8)

1 Includes income properties, 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 income properties and expects to close these transactions within the next few months.

During the six-month period ended June 30, 2020, Cominar transferred 4 income properties having a value of $238.6 million to investment properties held for sale.

During the quarter ended March 31, 2020, Cominar sold 2 investment properties held for sale and 1 land for a total selling price of $2.7 million.

	Six-month period ended June 30, 2020				Year ended December 31, 2019
	Office properties	Retail properties	Industrial and flex properties	Total	Total
	$	$	$	$	$
Investment properties					
Balance, beginning of period	**—**	**11,730**	**—**	**11,730**	188,727
Transfers from income properties	**230,250**	**1,100**	**7,250**	**238,600**	75,934
Transfers from properties under development and land held for future development	**—**	**—**	**—**	**—**	1,855
Capitalized costs	**32**	**138**	**—**	**170**	4,074
Change in fair value	**(32)**	**(2,288)**	**—**	**(2,320)**	(804)
Dispositions	**—**	**(2,705)**	**—**	**(2,705)**	(258,056)
Balance, end of period	**230,250**	**7,975**	**7,250**	**245,475**	11,730

	Six-month period ended June 30, 2020				Year ended December 31, 2019
	Office properties	Retail properties	Industrial and flex properties	Total	Total
	$	$	$	$	$
Mortgages payable related to investment properties held for sale					
Balance, beginning of year	–	–	–	–	123
Monthly repayments of principal	–	–	–	–	(123)
Transfer of mortgages payable related to investment properties held for sale	**101,435**	–	–	**101,435**	–
Balance, end of year	**101,435**	–	–	**101,435**	–

Dispositions of Investment Properties Held for Sale for the six-month period ended June 30, 2020

Address	Area	Property type	Leasable area sq. ft.	Transaction date	Selling price $
670, rue Principale, Sainte-Agathe-des-Monts, Québec (Qc)	Montreal	Retail	4,000	January 21, 2020	387
736, rue King Est, Sherbrooke, Québec (Qc)	Montreal	Retail	4,000	January 21, 2020	463
Land boulevard St-Elzéar, Laval	Montreal	Land	–	January 23, 2020	1,855
			8,000		**2,705**

Properties Under Construction and Development Projects

Palladium (Ford)
During the third quarter of 2019, Cominar commenced the development of 800 Palladium Drive which is part of the Palladium Campus in Kanata. This 100,000 square foot office building project is now 100% leased, of which 96% will be occupied by Ford Canada to house an expansion of its connected city and innovation center. Ford will take possession and start its leasehold improvements in early August. The completion of the building is scheduled for Q4 2020 and Ford will move in gradually from late Q4 to the end of Q1 2021.

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

As announced by the competent authorities, the site will eventually be served by the new public transit network (Tramway) with a station directly on site. A densification study is ongoing to evaluate the possibility of adding other uses at the site, including residential. The size of the retail portion of the project will be diminished from our initial plans and replaced by residential use near the future tramway station. The City of Québec has presented its vision for the sector in June 2020, and it is in line with our objectives to have a mixed-use project with residential, retail and industrial uses. Once approved, the vision will be the basis for zoning changes for the whole sector. Discussions are on-going with the City of Quebec in that regard. Further development of this site will depend on market conditions, tenant demand and the final zoning approved by the City.

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

Société en commandite Bouvier-Bertrand (Québec City) and Société en commandite Marais (Québec City)
Cominar and Groupe Dallaire are limited partners in Société en commandite Bouvier-Bertrand and Société en commandite Marais. The limited partnerships were created to carry out the development of land in Québec City.

Real Estate Operations

Occupancy Rate

Occupancy rate track record

	Committed		In-place			
	Jun. 30, 2020	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019	Dec. 31, 2019	Dec. 31, 2018
Property type						
Office	**93.0 %**	92.0 %	**90.3 %**	87.9 %	89.2 %	86.5 %
Retail	**91.8 %**	93.1 %	**85.3 %**	85.0 %	87.3 %	85.5 %
Industrial and flex	**95.7 %**	95.6 %	**93.5 %**	94.3 %	96.2 %	93.7 %
Portfolio total	**93.9 %**	93.9 %	**90.4 %**	89.9 %	91.7 %	89.2 %
Committed occupancy rate			**93.9 %**	93.9 %	95.1 %	93.6 %

As at	Montreal		Québec City		Ottawa		Total	
June 30, 2020	Committed	In-Place	Committed	In-Place	Committed	In-Place	Committed	In-Place
Property type								
Office	**91.1 %**	**87.3 %**	**97.8 %**	**96.8 %**	**93.3 %**	**92.5 %**	**93.0 %**	**90.3 %**
Retail	**92.4 %**	**86.1 %**	**91.3 %**	**86.6 %**	**86.2 %**	**59.4 %**	**91.8 %**	**85.3 %**
Industrial and flex	**95.4 %**	**92.7 %**	**96.9 %**	**96.1 %**	**N/A**	**N/A**	**95.7 %**	**93.5 %**
Portfolio total	**93.6 %**	**89.8 %**	**94.9 %**	**92.5 %**	**92.3 %**	**87.4 %**	**93.9 %**	**90.4 %**

As at June 30, 2020	Numerator sq.ft A	Denominator sq.ft B	Occupancy A/B
In-place occupancy	**32,208,000**	**35,643,000**	**90.4 %**
Space under redevelopment	**—**	**(396,000)**	
Signed leases that will begin in the next few quarters	**903,000**	**—**	
Committed occupancy	**33,111,000**	**35,247,000**	**93.9 %**

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

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

The spread between the committed occupancy rate and the in-place occupancy rate for the portfolio was 3.5% as at June 30, 2020. For the retail portfolio, this spread was 6.5% and consisted of several signed leases with a total area of approximately 172,000 square feet, of which approximately 77% will come into force by the end of 2020 and 382,000 square feet of space under redevelopment. For the office portfolio, this spread was 2.7% and represents signed leases of which approximately 88% will come into force by the end of 2020. As for the industrial and flex portfolio, the variance was 2.2%, representing 349,000 square feet of signed leases, which will come into force by the end of 2020.

Leasing Activity

	Office	Retail	Industrial and flex	Total
Leases maturing in 2020				
Number of clients	202	505	226	933
Leasable area (sq. ft.)	1,436,000	1,504,000	3,143,000	6,083,000
Renewed leases				
Number of clients	86	138	91	315
Leasable area (sq. ft.)	774,000	668,000	1,705,000	3,147,000
Retention rate	**53.9 %**	**44.4 %**	**54.2 %**	**51.7 %**
New leases				
Number of clients	33	24	46	103
Leasable area (sq. ft.)	586,000	318,000	524,000	1,428,000
Unexpected departures				
Number of clients	6	18	7	31
Leasable area (sq. ft.)	48,000	55,000	62,000	165,000

During the six-month period ended June 30, 2020, 51.7% [57.9% in 2019] of the leasable area maturing in 2020 was renewed. During the period, new leases were also signed, representing 1.4 million square feet of leasable area, while tenants whose leases were not expiring that left before the end of their lease, totaled leasable area of 0.2 million square feet.

Growth in the average net rent of renewed leases

	Six-month period ended June 30, 2020	Year ended December 31, 2019
Property type		
Office	**7.9%**	4.1%
Retail	**1.8%**	(1.7%)
Industrial and flex	**22.3%**	10.1%
Growth in the average net rent of renewed leases	**12.7%**	2.8%

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

For the office portfolio, the average net rent on renewed leases in the Montreal, Québec City and Ottawa markets increased by 13.2%, 1.0% and 3.9%, respectively. The increase in the Montreal market is mainly due to a renewal of 23,000 square feet up by $8.22 or 142.1% of a technology company.

For the industrial and flex portfolio, the average net rent on renewed leases in the Montreal and Québec City markets increased by 25.7% and 7.5%, respectively. The increase in the Montréal market is mainly due to a renewal of 527,000 square feet up by $2.00 or 47.1% of a technology company.

For the retail portfolio, the average net rent of renewed leases in Montreal, Québec City and Ottawa markets increased by 2.2%, 0.6% and 25.8% respectively.

Sears Update

	Area (square feet)					
Location	Leasable area	Signed leases	Area in advanced discussions	Area in preliminary discussions	Available area	Common area [1]
Quartier Laval, Laval	43,147	43,147	—	—	—	—
Carrefour Saint-Georges, Saint-Georges	54,221	43,859	—	—	6,034	4,328
Galeries de Hull, Gatineau	128,040	61,940	3,548	—	33,531	29,021
Mail Champlain, Brossard	153,600	48,054	14,104	31,867	26,930	32,645
Galeries Rive Nord, Repentigny	125,471	40,517	67,160	—	3,042	14,752
Les Rivières shopping centre, Trois-Rivières [2]	144,398	51,818	14,766	12,156	33,527	32,131
Pierre-Bertrand Boulevard, Québec City (industrial segment)	23,947	23,947	—	—	—	—
Total	**672,824**	**313,282**	**99,578**	**44,023**	**103,064**	**112,877**
	100.0 %	46.6 %	14.8 %	6.5 %	15.3 %	16.8 %

1 Common areas have been removed from leasable area as at December 31, 2019.
2 Shadow tenant for which Cominar acquired the building during the third quarter of 2018.

As at June 30, 2020, the area previously occupied by Sears for which leases were signed or in advanced discussions was 61.4% (60.7% as at June 30, 2019).

Lease Maturities

Years ending December 31	2021	2022	2023	2024	2025
Office					
Leasable area (sq. ft.)	1,596,795	1,023,282	1,141,395	1,254,894	1,021,205
Average minimum rent ($/sq. ft.)	19.02	17.23	20.20	18.57	17.83
% of portfolio — Office	14.4 %	9.3 %	10.3 %	11.4 %	9.2 %
Retail					
Leasable area (sq. ft.)	1,152,066	861,699	862,894	919,977	692,584
Average minimum rent ($/sq. ft.)	20.77	22.48	16.98	19.63	19.97
% of portfolio — Retail	12.2 %	9.1 %	9.1 %	9.7 %	7.3 %
Industrial and flex					
Leasable area (sq. ft.)	1,893,016	2,429,173	2,203,957	1,655,694	1,402,799
Average minimum rent ($/sq. ft.)	6.84	6.68	7.79	7.96	7.74
% of portfolio — Industrial and flex	12.3 %	15.8 %	14.4 %	10.8 %	9.1 %
Portfolio total					
Leasable area (sq. ft.)	4,641,877	4,314,154	4,208,246	3,830,565	3,116,588
Average minimum rent ($/sq. ft.)	14.49	12.34	13.04	14.24	13.77
% of portfolio	12.9 %	12.0 %	11.7 %	10.7 %	8.7 %

The following table summarizes information on leases as at June 30, 2020:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent ($/sq. ft.)
Property type				
Office	5.6	8.6	11,760	17.80
Retail	5.3	8.3	4,790	20.14
Industrial and flex	7.2	7.8	16,367	7.12
Weighted average of total portfolio	**6.2**	**8.1**	**9,465**	**13.55**

Cominar has a broad, highly diversified client base consisting of approximately 3,600 tenants occupying an average of 9,300 square feet each. The top three clients, Société québécoise des infrastructures, Public Works Canada and Canadian National Railway Company, account respectively for approximately 6.1%, 4.2% and 3.3% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 14.5% of operating revenues come from government agencies, representing over 100 leases.

Top 10 clients

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

Client	% of operating revenues
Société québécoise des infrastructures	6.1 %
Public Works Canada	4.2 %
Canadian National Railway Company	3.3 %
Infra MTL Inc. [1]	2.2 %
Desjardins Property Management	0.8 %
Marie-Claire Boutiques Inc. [2]	0.8 %
Winners	0.8 %
Dollarama	0.7 %
Shoppers Drug Mart	0.7 %
Société des alcools du Québec	0.7 %
Total	**20.3 %**

1 *Infra MTL inc. is a wholly owned subsidiary of the Caisse de dépôt et placement du Québec.*
2 *Approximately 40 leases.*

Issued and Outstanding Units

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

	Six-month period ended June 30, 2020	Year ended December 31, 2019
	Units	Units
Units issued and outstanding, beginning of period	**182,111,365**	181,956,349
Exercise of options, conversion of restricted units and deferred units	**330,832**	155,016
Units issued and outstanding, end of period	**182,442,197**	182,111,365

Additional information	August 5, 2020
Issued and outstanding units	182,442,197
Outstanding unit options	4,101,550
Deferred units, restricted units and performance units	878,646

Long Term Incentive Plan

Six-month period ended June 30, 2020	Performance units	Deferred units	Restricted units	Unit options Quantity	Unit options Weighted average exercise price $
Outstanding, beginning of period	349,766	334,115	2,311	5,235,900	14.15
Granted	141,403	86,686	—	—	—
Converted or exercised	—	(69,643)	(1,038)	(260,150)	13.93
Forfeited or cancelled	—	—	—	(848,700)	14.14
Accrued distributions	15,865	10,663	40	—	—
Outstanding, end of period	**507,034**	**361,821**	**1,313**	**4,127,050**	**14.16**
Vested units/options, end of period	**—**	**195,855**	**—**	**3,665,350**	**14.25**

As at June 30, 2020, the maximum number of units that may be issued under the long-term incentive plan is 16,064,706 units.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The President and Chief Executive Officer and the Vice President Capital Markets and Interim Chief Financial Officer of Cominar are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in Canadian Securities Administrators' Multilateral Instrument 52-109.

No changes were made to the Trust's internal controls over financial reporting during the second quarter of 2020 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Significant Accounting Policies and Estimates

a) Basis of presentation

Our Interim MD&A is based upon Cominar's condensed interim consolidated financial statements, which have been prepared in accordance with IFRS applicable to the preparation of interim financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements and are the same as those used in the preparation of the audited annual financial statements as at December 31, 2019, except as noted below. The preparation and presentation of the condensed interim consolidated financial statements and any other financial information contained in this Interim MD&A includes the proper selection and application of appropriate accounting principles and policies, which require management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments to establish the carrying amounts of assets and liabilities which, in reality, could not have come from anywhere else. Use of other accounting policies or methods of estimation might have yielded different amounts than those presented. Actual results could differ.

b) Basis of preparation

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

Use of estimates, assumptions and judgments
The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of 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 period. The critical accounting estimates and judgments have been set out in note 2 to Cominar's consolidated financial statements for the year ended December 31, 2019. There have been no changes to the critical accounting estimates and judgments during the six-month period ended June 30, 2020, except as noted below.

Critical accounting estimates and judgments and COVID-19
The continued global spread of COVID-19 has materially and adversely impacted Cominar and its tenants' businesses and operations and could continue to impact Cominar and its tenants' business and operations in the short term and in the long term. Certain aspects of Cominar's business and operations that have been impacted or could be potentially impacted in the

future include, without limitation, employee health, rental income, occupancy, tenant improvements, demand for space and market rents, which all ultimately affect the current and future valuation of our portfolio of properties and other factors that depend on future developments beyond Cominar’s control. Expected credit losses related to tenant's financial strength during this pandemic are also subject to significant uncertainty.

Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where critical accounting estimates and judgments have changed from Cominar’s consolidated financial statements for the year ended December 31, 2019 are described below:

- ***Canada Emergency Commercial Rent Assistance (CECRA)***
  CECRA provides relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, it allows property owners to reduce rent by 75 % from April to August 2020 for their small business tenants. CECRA will cover 50 % of the rent, with the tenant paying 25 % and the property owner forgiving 25 %. The Quebec government announced a program which will cover 50% of the owner's forgiveness of 25% of the second quarter rent. Following a detailed analysis of the CECRA guidelines published by the federal government, Cominar concluded that the tenant acts as the principal and Cominar acts as the agent and consequently, Cominar records the CECRA (and the Quebec provincial government program) portion of the rent as a rent to be paid by the federal and the provincial governments. Since the eligibility of each tenant was determined in late June, and given that April, May and June rents were already invoiced, the property owner portion to be forgiven is considered as an expected credit loss. The tenant portion of the program is recorded as usual. Cominar estimated CECRA's amounts to be recorded in its financial statements based on the program criteria prequalification form received from tenants who made a request for financial assistance. Actual results may differ and depend on the government's assessment of tenant's eligibility to the program.

- ***Investment properties***
  Investment properties are recorded at fair value at the balance sheet date. There have been no changes to the techniques used which include the direct capitalized net operating income method that involves stabilized net operating income and overall capitalization rates, and the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates. Estimates regarding stabilized net operating income, expected future cash flows, overall capitalization rates, discount and terminal capitalization rates have all been impacted by the current COVID-19 and impacts have been considered in these condensed interim consolidated financial statements. To reflect the estimated current impacts of COVID-19 on it's entire portfolio, Cominar used data by property type and geographic market from internal and external valuations and available market data and recorded the related fair value adjustments in the interim consolidated statements of comprehensive income.

- ***Provision for expected credit losses***
  Cominar's provision for expected credit losses as of June 30, 2020 includes estimates for the uncertainty of the recoverability of April, May and June rents related to tenants not part of the CECRA program, for the uncertainty of the recoverability on short-term rent deferrals and for the uncertainty of the recoverability of all other trade receivables. Actual results may differ.

Risks and Uncertainties

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

- Disease and Epidemics
- 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 securities
- Risk factors related to the ownership of senior debenture

To obtain a complete description of the risks and uncertainties identified by Cominar, the reader is referred to our Annual Report for the year ended December 31, 2019, as well as our Annual Information Form for the year ended December 31, 2019.

Condensed Interim Consolidated Financial Statements

Cominar Real Estate Investment Trust

Quarter ended June 30, 2020
Unaudited

Consolidated Balance Sheets

[unaudited, in thousands of Canadian dollars]

	Note	June 30, 2020 $	December 31, 2019 $
Assets			
Investment properties			
Income properties	3	**5,925,182**	6,412,739
Properties under development	4	**46,110**	41,471
Land held for future development	4	**97,459**	100,507
		6,068,751	6,554,717
Investment properties held for sale	5	**245,475**	11,730
Investments in joint ventures	6	**90,071**	97,456
Goodwill	7	**—**	15,721
Accounts receivable	8	**87,817**	37,930
Prepaid expenses and other assets		**17,096**	22,232
Cash and cash equivalents		**34,019**	152,634
Total assets		**6,543,229**	6,892,420
Liabilities			
Mortgages payable	9	**2,011,151**	2,114,021
Mortgages payable related to investment properties held for sale	5, 9	**101,435**	—
Debentures	10	**1,169,671**	1,320,962
Bank borrowings	11	**296,400**	180,000
Accounts payable and accrued liabilities		**136,287**	126,543
Deferred tax liabilities		**93**	93
Distributions payable to unitholders		**10,946**	—
Total liabilities		**3,725,983**	3,741,619
Unitholders' equity			
Unitholders' equity		**2,817,246**	3,150,801
Total liabilities and unitholders' equity		**6,543,229**	6,892,420

See accompanying notes to the condensed interim consolidated financial statements.

Interim Consolidated Statements of Unitholders' Equity

For the periods ended June 30
[unaudited, in thousands of Canadian dollars]

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2020		3,228,903	2,112,583	(2,197,010)	6,325	3,150,801
Net loss and comprehensive loss		—	(273,145)	—	—	(273,145)
Distributions to unitholders	12	—	—	(65,667)	—	(65,667)
Unit issuances	12	4,470	—	—	(870)	3,600
Long-term incentive plan		—	151	—	1,506	1,657
Balance as at June 30, 2020		**3,233,373**	**1,839,589**	**(2,262,677)**	**6,961**	**2,817,246**

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2019		3,226,929	1,649,516	(2,065,942)	5,193	2,815,696
Net income and comprehensive income		—	95,783	—	—	95,783
Distributions to unitholders	12	—	—	(65,526)	—	(65,526)
Unit issuances		1,122	—	—	(1,135)	(13)
Long-term incentive plan		—	226	—	1,254	1,480
Balance as at June 30, 2019		3,228,051	1,745,525	(2,131,468)	5,312	2,847,420

See accompanying notes to the condensed interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income (loss)

For the periods ended June 30
[unaudited, in thousands of Canadian dollars, except per unit amounts]

		Quarter		Year-to-date (six months)	
		2020	2019	2020	2019
	Note	$	$	$	$
Operating revenues					
Rental revenue from investment properties	13	**160,550**	176,627	**332,659**	358,571
Operating expenses					
Operating costs		**(44,656)**	(39,262)	**(85,974)**	(85,133)
Realty taxes and services		**(39,294)**	(44,610)	**(80,092)**	(89,767)
Property management expenses		**(4,010)**	(3,772)	**(8,278)**	(8,003)
		(87,960)	(87,644)	**(174,344)**	(182,903)
Net operating income		**72,590**	88,983	**158,315**	175,668
Finance charges	15	**(36,912)**	(36,398)	**(76,164)**	(73,149)
Trust administrative expenses	16	**(4,038)**	(3,838)	**(8,182)**	(9,291)
Change in fair value of investment properties	3, 4, 5	**(320,631)**	8,291	**(319,423)**	8,070
Share in joint ventures' net income (loss)	6	**(8,481)**	1,503	**(6,898)**	2,891
Transaction costs	17	**(4,991)**	(3,151)	**(5,137)**	(4,490)
Restructuring costs	18	**—**	(3,916)	**—**	(3,916)
Impairment of goodwill	7	**(15,721)**	—	**(15,721)**	—
Net income (loss) before income taxes		**(318,184)**	51,474	**(273,210)**	95,783
Current income taxes		**65**	—	**65**	—
Net income (loss) and comprehensive income (loss)		**(318,119)**	51,474	**(273,145)**	95,783
Net income (loss) per unit (basic and diluted)	19	**(1.74)**	0.28	**(1.50)**	0.53

See accompanying notes to the condensed interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

For the periods ended June 30
[unaudited, in thousands of Canadian dollars]

		Quarter		Year-to-date (six months)	
		2020	2019	2020	2019
	Note	$	$	$	$
Operating activities					
Net income (loss)		**(318,119)**	51,474	**(273,145)**	95,783
Adjustments for:					
Deficit (excess) of share of net income (loss) over distributions received from the joint ventures	6	**8,481**	(1,203)	**7,385**	(1,766)
Change in fair value of investment properties	3, 4, 5	**320,631**	(8,291)	**319,423**	(8,070)
Depreciation and amortization		**1,474**	1,162	**2,869**	2,244
Compensation expense related to long-term incentive plan		**840**	710	**1,657**	1,480
Impairment of goodwill	7	**15,721**	—	**15,721**	—
Recognition of leases on a straight-line basis	3, 5	**469**	38	**5**	(141)
Changes in non-cash working capital items	20	**(4,421)**	(29,764)	**(32,396)**	(51,953)
Cash flows provided by operating activities		**25,076**	14,126	**41,519**	37,577
Investing activities					
Acquisitions and investments in income properties	3, 20	**(34,324)**	(31,471)	**(59,780)**	(69,257)
Acquisitions and investments in properties under development and land held for future development	4, 20	**(9,279)**	(5,141)	**(14,136)**	(7,955)
Net proceeds from the sale of investment properties	3, 5	**—**	115,769	**2,705**	190,160
Contributions to the capital of a joint venture	6	**—**	(150)	**—**	(150)
Change in other assets		**6**	51	**(63)**	(1,054)
Cash flows provided by (used in) investing activities		**(43,597)**	79,058	**(71,274)**	111,744
Financing activities					
Cash distributions to unitholders	12	**(32,840)**	(32,764)	**(54,721)**	(54,603)
Bank borrowings		**118,200**	(64,300)	**116,400**	(76,897)
Mortgages payable	9	**21,597**	117,912	**122,319**	117,912
Net proceeds from issuance of debentures	10	**148,149**	197,175	**148,149**	197,175
Unit issuance net proceeds		**(4)**	(6)	**3,600**	(13)
Repayment of debentures	10	**(300,000)**	(300,000)	**(300,000)**	(300,000)
Repayments of mortgages payable	9	**(13,776)**	—	**(100,018)**	—
Monthly repayments of mortgages payable	9	**(12,421)**	(12,203)	**(24,589)**	(24,249)
Cash flows used in financing activities		**(71,095)**	(94,186)	**(88,860)**	(140,675)
Net change in cash and cash equivalents		**(89,616)**	(1,002)	**(118,615)**	8,646
Cash and cash equivalents, beginning of period		**123,635**	11,146	**152,634**	1,498
Cash and cash equivalents, end of period		**34,019**	10,144	**34,019**	10,144
Other information					
Interest paid		**47,663**	47,114	**75,538**	74,121
Cash distributed by a joint venture	6	**—**	300	**487**	1,125

See accompanying notes to the condensed interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2020 and 2019
[unaudited, in thousands of Canadian dollars, except per unit amounts]

1) Description of the Trust

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment Trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Quebec. As at June 30, 2020, Cominar owned and managed a real estate portfolio of 315 high-quality properties that covered a total area of 35.9 million square feet in the Province of Quebec and in Ottawa.

Cominar is listed on the Toronto Stock Exchange, and its units trade under the symbol "CUF.UN." The head office is located at Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 850, Québec City, Quebec, Canada, G1V 0C1. Additional information about the Trust is available on Cominar's website at www.cominar.com.

The Board of Trustees approved Cominar's condensed interim consolidated financial statements on August 5, 2020.

2) Significant Accounting Policies

a) Basis of presentation

Cominar's unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, and comply notably with the requirements of IAS 34, "Interim Financial Reporting." They do not include all the disclosures that will normally be found in the Trust's annual consolidated financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements, except as noted below. These condensed interim consolidated financial statements should be read in conjunction with Cominar's annual consolidated financial statements prepared in accordance with IFRS for the fiscal year ended December 31, 2019.

b) Basis of preparation

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

Use of estimates, assumptions and judgments
The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of 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 period. The critical accounting estimates and judgments have been set out in note 2 to Cominar's consolidated financial statements for the year ended December 31, 2019. There have been no changes to the critical accounting estimates and judgments during the six-month period ended June 30, 2020, except as noted below.

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

Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where critical accounting estimates and judgments have changed from Cominar's consolidated financial statements for the year ended December 31, 2019 are described below:

- ***Canada Emergency Commercial Rent Assistance (CECRA)***
  CECRA provides relief for small businesses experiencing financial hardship due to COVID-19. Over the course of the program, it allows property owners to reduce rent by 75 % from April to August 2020 for their small business tenants. CECRA will cover 50 % of the rent, with the tenant paying 25 % and the property owner forgiving 25 %. The Quebec government announced a program which will cover 50% of the owner's forgiveness of 25% of the second quarter rent. Following a detailed analysis of the CECRA guidelines published by the federal government, Cominar concluded that the tenant acts as the principal and Cominar acts as the agent and consequently, Cominar records the CECRA (and the Quebec provincial government program) portion of the rent as a rent to be paid by the federal and the provincial governments. Since the eligibility of each tenant was determined in late June, and given that April, May and June rents were already invoiced, the property owner portion to be forgiven is considered as an expected credit loss. The tenant portion of the program is recorded as usual. Cominar estimated CECRA's amounts to be recorded in its financial statements based on the program criteria prequalification form received from tenants who made a request for financial assistance. Actual results may differ and depend on the government's assessment of tenant's eligibility to the program.

- ***Investment properties***
  Investment properties are recorded at fair value at the balance sheet date. There have been no changes to the techniques used which include the direct capitalized net operating income method that involves stabilized net operating income and overall capitalization rates, and the discounted cash flow method that involves estimating expected future cash flows, as well as discount and terminal capitalization rates. Estimates regarding stabilized net operating income, expected future cash flows, overall capitalization rates, discount and terminal capitalization rates have all been impacted by the current COVID-19 and impacts have been considered in these condensed interim consolidated financial statements. To reflect the estimated current impacts of COVID-19 on it's entire portfolio, Cominar used data by property type and geographic market from internal and external valuations and available market data and recorded the related fair value adjustments in the interim consolidated statements of comprehensive income.

- ***Provision for expected credit losses***
  Cominar's provision for expected credit losses as of June 30, 2020 includes estimates of the uncertainty of the recoverability of April, May and June rents related to tenants not part of the CECRA program, for the uncertainty of the recoverability on short-term rent deferrals and for the uncertainty of the recoverability of all other trade receivables. Actual results may differ.

3) Income Properties

	Note	Six-month period ended June 30, 2020 $	Year ended December 31, 2019 $
Balance, beginning of period		**6,412,739**	6,058,191
Acquisitions and related costs		**—**	538
Change in fair value		**(301,241)**	278,580
Right-of-use assets		**—**	9,409
Capital costs		**48,540**	120,284
Dispositions		**—**	(2,550)
Transfers to investment properties held for sale	5	**(238,600)**	(75,934)
Transfers from properties under development and land held for future development	4	**—**	14,932
Change in initial direct costs		**3,749**	8,974
Recognition of leases on a straight-line basis		**(5)**	315
Balance, end of period		**5,925,182**	6,412,739

During the six-month period ended June 30, 2020, Cominar transferred 4 income properties having a fair value of $238,600 to investment properties held for sale.

Change in Fair Value of Investment Properties

Cominar opted to present its investment properties in the condensed interim consolidated financial statements according to the fair value model.

During the first six months of 2020, management revalued its entire real estate portfolio using internal and external valuations or by using estimates based on data by property type and geographic market from internal and external valuations and available market data to reflect the impact of COVID-19 and determined that a net decrease of $319,423 was necessary to adjust the carrying amount of investment properties to fair value [increase of $8,070 in 2019]. The change in fair value related to investment properties held as at June 30, 2020 amounts to $319,422 [$0 in 2019]. For the six-month period ended June 30, 2020, the fair value of all investment properties was reassessed, including 30% from external valuations.

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

	As at June 30, 2020		As at December 31, 2019	
	Range	Weighted average	Range	Weighted average
Office properties				
Direct capitalized net operating income method				
Overall capitalization rate [1]	**N/A**	**N/A**	4.7% - 7.5%	5.7 %
Discounted cash flow method				
Discount rate	**6.0% - 8.0%**	**6.9 %**	5.5% - 8.5%	6.6 %
Terminal capitalization rate	**5.5% - 7.3%**	**6.2 %**	5.0% - 7.8%	6.0 %
Retail properties				
Direct capitalized net operating income method				
Overall capitalization rate [1]	**N/A**	**N/A**	4.7% - 8.5%	6.3 %
Discounted cash flow method				
Discount rate	**6.5% - 9.3%**	**7.6 %**	5.5% - 8.8%	7.0 %
Terminal capitalization rate	**6.0% - 8.5%**	**6.8 %**	5.0% - 8.3%	6.4 %
Industrial and flex properties				
Direct capitalized net operating income method				
Overall capitalization rate [1]	**N/A**	**N/A**	4.8% - 8.0%	6.4 %
Discounted cash flow method				
Discount rate	**6.0% - 8.3%**	**7.0 %**	5.5% - 8.3%	6.8 %
Terminal capitalization rate	**5.5% - 7.5%**	**6.4 %**	5.0% - 7.5%	6.1 %
Total				
Direct capitalized net operating income method				
Overall capitalization rate [1]		**N/A**		6.0 %
Discounted cash flow method				
Discount rate		**7.2 %**		6.8 %
Terminal capitalization rate		**6.5 %**		6.2 %

1 The direct capitalized net operating income method was not used in 2020 valuations

4) Properties Under Development and Land Held for Future Development

	Note	Six-month period ended June 30, 2020	Year ended December 31, 2019
		$	$
Balance, beginning of period		**141,978**	128,043
Change in fair value		**(15,862)**	(1,301)
Capital costs		**13,810**	24,776
Net transfers to Income Properties	3	**—**	(14,932)
Transfer to investment properties held for sale	5	**—**	(1,855)
Capitalized interests		**3,515**	6,634
Change in initial direct costs		**128**	613
Balance, end of period		**143,569**	141,978
Breakdown:			
Properties under development		**46,110**	41,471
Land held for future development		**97,459**	100,507

5) Investment Properties Held for Sale

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

During the six-month period ended June 30, 2020, Cominar transferred 4 income properties having a fair value of $238,600 to investment properties held for sale.

During the quarter ended March 31, 2020, Cominar sold 2 investment properties held for sale and 1 land for a total selling price of $2,705.

		Six-month period ended June 30, 2020				Year ended December 31, 2019
	Note	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties held for sale						
Balance, beginning of period		**—**	**11,730**	**—**	**11,730**	188,727
Transfers from income properties	3	**230,250**	**1,100**	**7,250**	**238,600**	75,934
Transfers from properties under development and land held for future development	4	**—**	**—**	**—**	**—**	1,855
Capitalized costs [1]		**32**	**138**	**—**	**170**	4,074
Change in fair value		**(32)**	**(2,288)**	**—**	**(2,320)**	(804)
Dispositions		**—**	**(2,705)**	**—**	**(2,705)**	(258,056)
Balance, end of period		**230,250**	**7,975**	**7,250**	**245,475**	11,730

1 Includes $0 ($(27) in 2019) of recognition of leases on a straight-line basis.

		Six-month period ended June 30, 2020				Year ended December 31, 2019
	Note	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Mortgages payable related to investment properties held for sale						
Balance, beginning of period		**—**	**—**	**—**	**—**	123
Monthly repayments of principal		**—**	**—**	**—**	**—**	(123)
Transfer of mortgages payable related to investment properties held for sale	9	**101,435**	**—**	**—**	**101,435**	—
Balance, end of period		**101,435**	**—**	**—**	**101,435**	—

6) Joint Ventures

As at June 30			2020	2019
Joint ventures	Address	City/province	Ownership interest	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	**75 %**	75 %
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Quebec	**50 %**	50 %
Société en commandite Marais	Du Marais Street	Québec, Quebec	**75 %**	75 %

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

	Six-month period ended June 30, 2020	Year ended December 31, 2019
	$	$
Investments in joint ventures, beginning of period	**97,456**	92,468
Contributions to the capital of the joint ventures	**—**	150
Share of joint ventures' net income (loss) and comprehensive income (loss)	**(6,898)**	7,200
Cash distributions by a joint venture	**(487)**	(2,362)
Investments in joint ventures, end of period	**90,071**	97,456

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	
	As at June 30, 2020	As at December 31, 2019	As at June 30, 2020	As at December 31, 2019
	$	$	$	$
Income properties	**233,200**	243,680	**165,100**	171,573
Properties under development	**10,000**	11,800	**5,000**	5,900
Land held for future development	**8,041**	10,181	**6,031**	7,631
Other assets	**2,519**	1,716	**1,680**	1,164
Mortgages payable	**(118,270)**	(120,071)	**(81,713)**	(82,981)
Bank borrowings [1]	**(8,200)**	(8,200)	**(4,100)**	(4,100)
Other liabilities	**(3,086)**	(2,782)	**(1,927)**	(1,731)
Net assets of joint ventures	**124,204**	136,324	**90,071**	97,456

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

	Quarter				Year-to-date (six months)			
	Joint Ventures		Cominar's proportionate share		Joint Ventures		Cominar's proportionate share	
Periods ended June 30	2020	2019	2020	2019	2020	2019	2020	2019
	$	$	$	$	$	$	$	$
Operating revenues	**6,150**	6,211	**4,279**	4,319	**12,488**	12,391	**8,681**	8,619
Operating expenses	**(2,623)**	(2,611)	**(1,792)**	(1,834)	**(5,272)**	(5,328)	**(3,638)**	(3,741)
Net operating income	**3,527**	3,600	**2,487**	2,485	**7,216**	7,063	**5,043**	4,878
Finance charges	**(1,380)**	(1,427)	**(962)**	(995)	**(2,769)**	(2,846)	**(1,931)**	(1,987)
Administrative expenses	**(7)**	25	**(3)**	13	**(15)**	—	**(7)**	—
Change in fair value	**(15,900)**	—	**(10,003)**	—	**(15,900)**	—	**(10,003)**	—
Net income	**(13,760)**	2,198	**(8,481)**	1,503	**(11,468)**	4,217	**(6,898)**	2,891

7) Goodwill

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

	Office properties	Retail properties	Industrial and flex properties	Total
	$	$	$	$
Balance as at December 31, 2019	—	—	15,721	15,721
Impairment of goodwill	—	—	(15,721)	(15,721)
Balance as at June 30, 2020	**—**	**—**	**—**	**—**

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

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

8) Accounts Receivable

	Note	Six-month period ended June 30, 2020	Year ended December 31, 2019
		$	$
Trade receivables			
Governments - CECRA program		**15,006**	—
Short-term rent deferrals		**5,715**	—
Other trade receivables		**44,851**	26,518
Total		**65,572**	26,518
Provision for expected credit losses	**14**	**(12,516)**	(6,482)
		53,056	20,036
Interest-bearing accounts receivable		**601**	543
Security deposits		**506**	482
Other receivables and accrued income		**33,654**	16,869
Total		**87,817**	37,930

9) Mortgages Payable

	Six-month period ended June 30, 2020		Year ended December 31, 2019	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of period	**2,121,777**	**3.84 %**	1,747,991	4.03 %
Mortgages payable contracted	**125,360**	**2.83 %**	666,200	3.72 %
Monthly repayments of principal	**(24,589)**	**— %**	(54,231)	— %
Repayments of balances	**(100,018)**	**4.53 %**	(238,183)	4.82 %
	2,122,530	**3.70 %**	2,121,777	3.84 %
Plus: Fair value adjustments on assumed mortgages payable	**312**		463	
Less: Deferred financing costs	**(10,256)**		(8,219)	
Balance, end of period [1]	**2,112,586**		2,114,021	

1 Including the $101,435 mortgages payable related to the properties held for sale as at June 30, 2020

Mortgages payable are secured by immovable hypothecs on investment properties with a book value of $3,679,631 [$4,009,348 as at December 31, 2019]. As at June 30, 2020, they bear annual contractual interest rates ranging from 2.55% to 5.95% [3.00% to 6.61% as at December 31, 2019], representing a weighted average contractual rate of 3.70% [3.84% as at December 31, 2019], and mature at various dates from July 2020 to April 2034. As at June 30, 2020, the weighted average effective interest rate was 3.89% [3.95% as at December 31, 2019].

As at June 30, 2020, nearly all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include restrictive covenants, with which Cominar was in compliance as at both June 30, 2020 and December 31, 2019.

10) Debentures

	Six-month period ended June 30, 2020		Year ended December 31, 2019	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of period	**1,325,000**	**4.41 %**	1,725,000	4.23 %
Issuance	**150,000**	**5.95 %**	200,000	4.50 %
Repayment	**(300,000)**	**4.94 %**	(600,000)	3.93 %
	1,175,000	**4.47 %**	1,325,000	4.41 %
Less: Deferred financing costs	**(5,384)**		(4,423)	
Plus: Net premium and discount on issuance	**55**		385	
Balance, end of period	**1,169,671**		1,320,962	

The following table presents characteristics of outstanding debentures as at June 30, 2020:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at June 30, 2020 ($)
Series 3	May 2013	4.00 %	4.24 %	November 2020	**100,000**
Series 8	December 2014	4.25 %	4.34 %	December 2021	**200,000**
Series 9	June 2015	4.16 %	4.25 %	June 2022	**300,000**
Series 10	May 2016	4.25 %	4.34 %	May 2023	**225,000**
Series 11	May 2019	4.50 %	4.82 %	May 2024	**200,000**
Series 12	May 2020	5.95 %	6.13 %	May 2025	**150,000**
		4.47 %	**4.62 %**		**1,175,000**

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

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

11) Bank Borrowings

As at June 30, 2020, Cominar had an unsecured renewable credit facility of up to $400,000 maturing in July 2021. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2020. As at June 30, 2020, the credit facility was undrawn and availability was $400,000.

As at June 30, 2020, Cominar had a secured credit facility of $176,400 maturing in September 2023. This credit facility bears interest at the prime rate plus 70 basis points or at the bankers' acceptance rate plus 170 basis points and have quarterly principal repayments of $1,800. As at June 30, 2020, this credit facility was secured by immovable hypothecs on investment properties with a book value of $277,188. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2020.

On June 9, 2020, Cominar entered into a 27-month agreement for a new secured credit facility of $120,000 maturing in September 2022. This new credit facility bears interest at the prime rate plus 250 basis points or at the bankers' acceptance rate plus 350 basis points. As at June 30, 2020, this credit facility was secured by immovable hypothecs on investment properties with a book value $206,369. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2020.

12) Issued and Outstanding Units

	Six-month period ended June 30, 2020		Year ended December 31, 2019	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**182,111,365**	**3,228,903**	181,956,349	3,226,929
Exercise of options, conversion of restricted units and deferred units	**330,832**	**4,470**	155,016	1,974
Units issued and outstanding, end of period	**182,442,197**	**3,233,373**	182,111,365	3,228,903

Long Term Incentive Plan

				Unit options	
Six-month period ended June 30, 2020	Performance units	Deferred units	Restricted units	Quantity	Weighted average exercise price $
Outstanding, beginning of period	349,766	334,115	2,311	5,235,900	14.15
Granted	141,403	86,686	—	—	—
Converted or exercised	—	(69,643)	(1,038)	(260,150)	13.93
Forfeited or cancelled	—	—	—	(848,700)	14.14
Accrued distributions	15,865	10,663	40	—	—
Outstanding, end of period	**507,034**	**361,821**	**1,313**	**4,127,050**	**14.16**
Vested units/options, end of period	**—**	**195,855**	**—**	**3,665,350**	**14.25**

As at June 30, 2020, the maximum number of units that may be issued under the long-term incentive plan is 16,064,706 units.

Distributions to Unitholders

Cominar is governed by a Contract of Trust whereby the Trustees, under the discretionary power attributed to them, intend to distribute a portion of its distributable income to unitholders. Distributable income generally means net income determined in accordance with IFRS, before fair value adjustments, transaction costs, rental revenue derived from the recognition of leases on a straight-line basis, provision for leasing costs, gains on disposal of investment properties and certain other items not affecting cash, if applicable.

	Quarter		Year-to-date (six months)	
Periods ended June 30	2020	2019	2020	2019
	$	$	$	$
Distributions to unitholders	**32,840**	32,768	**65,667**	65,526
Distributions per unit	**0.18**	0.18	**0.36**	0.36

13) Operating Revenues

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

Periods ended June 30, 2020	Quarter				Year-to-date (six months)			
	Office properties	Retail properties	Industrial and flex properties	Total of operating revenues	Office properties	Retail properties	Industrial and flex properties	Total of operating revenues
	$	$	$	$	$	$	$	$
Lease revenues	57,996	54,410	38,174	150,580	114,880	111,615	76,755	303,250
Parking revenues	2,711	100	15	2,826	7,714	216	24	7,954
Revenues from other services	3,514	2,388	1,242	7,144	9,269	8,451	3,735	21,455
Total	**64,221**	**56,898**	**39,431**	**160,550**	**131,863**	**120,282**	**80,514**	**332,659**

Periods ended June 30, 2019	Quarter				Year-to-date (six months)			
	Office properties	Retail properties	Industrial and flex properties	Total of operating revenues	Office properties	Retail properties	Industrial and flex properties	Total of operating revenues
	$	$	$	$	$	$	$	$
Lease revenues	60,333	59,841	39,288	159,462	121,458	120,567	79,068	321,093
Parking revenues	5,384	113	5	5,502	10,734	229	17	10,980
Revenues from other services	5,350	4,725	1,588	11,663	11,185	11,424	3,889	26,498
Total	71,067	64,679	40,881	176,627	143,377	132,220	82,974	358,571

14) Expected credit loss

Cominar records the expected credit loss to comply with IFRS 9's simplified approach for amounts receivable where its expected credit loss provision is measured at initial recognition and throughout the life of the receivables at an amount equal to lifetime expected credit loss.

To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Cominar has identified the COVID-19 situation and the government's management and actions in regards to the pandemic to be relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. Cominar's expected credit loss as of June 30, 2020 includes estimates of the property owner portion of the CECRA program which represents 12.5% of the eligible tenant's rent for April, May and June, of the uncertainty of the recoverability of April, May and June rents related to tenants not part of the CECRA program, of the uncertainty of the recoverability on short-term rent deferrals, of rent reductions provided to tenants related to rents already recognized as a receivable when the tenant made a request for financial assistance and of the uncertainty of the recoverability of all other 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 June 30, 2020 and December 31, 2019 was determined as follows:

June 30, 2020	Current	More than 30 days past due	More than 120 days pas due	Total
Expected loss rate	6.09 %	12.54 %	45.58 %	
Gross carrying amount - trade receivables	14,045	35,790	15,737	65,572
Provision for expected credit loss	855	4,488	7,173	12,516

December 31, 2019	Current	More than 30 days past due	More than 120 days pas due	Total
Expected loss rate	4.40 %	8.58 %	42.71 %	
Gross carrying amount - trade receivables	6,111	7,332	13,075	26,518
Provision for expected credit loss	269	629	5,584	6,482

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

	Six-month period ended June 30, 2020	Year ended December 31, 2019
	$	$
Balance, beggining of period	**6,482**	6,326
Additional provision recognized as expense	**8,574**	2,753
Tenant receivables written off during the period	**(2,540)**	(2,597)
Balance, end of period	**12,516**	6,482

Periods ended June 30	Quarter		Year-to-date (six months)	
	2020	2019	2020	2019
	$	$	$	$
Office	**1,585**	95	**1,961**	166
Retail	**14,568**	326	**15,732**	887
Industrial and flex	**2,062**	70	**2,298**	213
Expected credit losses	**18,215**	491	**19,991**	1,266
Percentage of operating revenues	**11.3 %**	0.3 %	**6.0 %**	0.4 %

15) Finance Charges

Periods ended June 30	Quarter		Year-to-date (six months)	
	2020	2019	2020	2019
	$	$	$	$
Interest on mortgages payable	**19,563**	17,919	**43,590**	35,296
Interest on debentures	**16,648**	19,085	**31,278**	37,353
Interest on bank borrowings	**2,078**	506	**3,618**	2,692
Net amortization of premium and discount on debenture issues	**(165)**	(130)	**(330)**	(260)
Amortization of deferred financing costs and other costs	**1,331**	1,010	**2,584**	1,897
Amortization of fair value adjustments on assumed borrowings	**(63)**	(66)	**(126)**	(132)
Less: Capitalized interest [1]	**(2,480)**	(1,926)	**(4,450)**	(3,697)
Total	**36,912**	36,398	**76,164**	73,149

1 *Includes capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time. The weighted average interest rate used in 2020 was 4.10% [4.30% in 2019].*

Interest on mortgages payable for the six-month period ended June 30, 2020 includes $4,623 associated with penalties on mortgage repayments before maturity.

Interest on debenture for the quarter ended June 30, 2020 includes $2,487 associated to the yield maintenance fee paid for the Series 4 senior unsecured debentures redemption.

16) Trust Administrative Expenses

Periods ended June 30	Quarter		Year-to-date (six months)	
	2020	2019	2020	2019
	$	$	$	$
Salaries and other benefits [1]	**2,420**	2,455	**5,168**	6,379
Compensation related to the long-term incentive plan	**840**	710	**1,657**	1,480
Professional fees	**311**	139	**480**	375
Public company costs	**184**	154	**408**	339
Other expenses	**283**	380	**469**	718
Total	**4,038**	3,838	**8,182**	9,291

1 *Salaries and other benefits for the six-month period ended June 30, 2019 include $1,043, associated with the departure of an executive.*

17) Transaction Costs

Periods ended June 30	Quarter		Year-to-date (six months)	
	2020	2019	2020	2019
	$	$	$	$
Brokerage fees	**—**	986	**48**	1,497
Professional fees	**3**	21	**36**	263
Assumed head leases	**—**	217	**—**	217
Closing adjustments	**4,988**	1,927	**5,053**	2,513
Total	**4,991**	3,151	**5,137**	4,490

18) Restructuring Costs

During 2019, Cominar announced an organizational restructuring to streamline and enhance the effectiveness of operations which the outcome, among others, has been the reduction of its workforce. Cominar recorded a provision of $4,774 related to this organizational restructuring, primarily related to severance benefits. As of June 30, 2020, the entire $4,774 had been paid in connection with the restructuring.

19) Per Unit Calculation Basis

	Quarter		Year-to-date (six months)	
Periods ended June 30	2020	2019	2020	2019
	Units	Units	Units	Units
Weighted average number of units outstanding – basic	**182,635,565**	182,191,343	**182,565,912**	182,147,225
Dilutive effect related to the long-term incentive plan	**—**	141,189	**—**	132,398
Weighted average number of units outstanding – diluted	**182,635,565**	182,332,532	**182,565,912**	182,279,623

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 4,997,218 options and unvested performance units, deferred units and restricted units outstanding at the end of the quarter ended June 30, 2020 [7,835,969 in 2019], due to the fact they are antidilutive.

20) Supplemental Cash Flow Information

	Quarter		Year-to-date (six months)	
Periods ended June 30	2020	2019	2020	2019
	$	$	$	$
Accounts receivable	**(39,639)**	2,608	**(49,887)**	(1,088)
Prepaid expenses	**19,785**	(21,461)	**3,769**	(47,380)
Accounts payable and accrued liabilities	**15,433**	(10,911)	**13,722**	3,278
Current tax liabilities	**—**	—	**—**	(6,763)
Changes in non-cash working capital items	**(4,421)**	(29,764)	**(32,396)**	(51,953)
Other information				
Accounts payable and accrued liabilities relating to investing activities	**10,929**	12,398	**10,929**	12,398
Accounts receivable relating to investing activities	**4,014**	4,014	**4,014**	4,014

21) Fair Value

Cominar uses a three-level hierarchy to classify its financial instruments measured at fair value. The hierarchy reflects the relative weight of inputs used in the valuation. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs)

Cominar's policy is to recognize transfers between hierarchy levels on the date of changes in circumstances that caused the transfer. There were no transfers made between hierarchy levels during the six-month period ended June 30, 2020 and fiscal year 2019.

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

The fair value of mortgages payable and debentures has been estimated based on current market rates for financial instruments with similar terms and maturities.

Classification

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

		As at June 30, 2020		As at December 31, 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
	Level	$	$	$	$
Recurring valuations of non-financial assets					
Income properties	3	**5,925,182**	**5,925,182**	6,412,739	6,412,739
Investment properties held for sale	3	**245,475**	**245,475**	11,730	11,730
Land held for future development	3	**97,459**	**97,459**	100,507	100,507
Financial liabilities					
Mortgages payable	2	**2,112,586**	**2,138,367**	2,114,021	2,164,680
Debentures	2	**1,169,671**	**1,177,703**	1,320,962	1,368,398

22) Segmented Information

Cominar’s activities include a diversified portfolio of three property types located in the Province of Quebec and in Ottawa, Ontario. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies in the audited annual financial statements of the Trust. Cominar uses net operating income as its main criterion to measure operating performance, that is, the operating revenues less the operating expenses of its investment properties. Management of expenses, such as interest and administrative expenses, is centralized and, consequently, these expenses have not been allocated to Cominar’s segments.

The segments include Cominar’s proportionate share in joint ventures. The Joint ventures column reconciles the segment information including the proportionate share in assets, liabilities, revenues and charges, to the information presented in these consolidated financial statements, where the investments in joint ventures are accounted for using the equity method.

	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Condensed interim consolidated financial statements
Quarter ended June 30, 2020	$	$	$	$	$	$
Rental revenue from investment properties	**68,117**	**57,279**	**39,433**	**164,829**	**(4,279)**	**160,550**
Change in fair value of investment properties	**(45,938)**	**(251,491)**	**(33,205)**	**(330,634)**	**10,003**	**(320,631)**
Net operating income	**34,845**	**17,608**	**22,624**	**75,077**	**(2,487)**	**72,590**
Share of joint ventures’ net income	**—**	**—**	**—**	**—**	**(8,481)**	**(8,481)**

Quarter ended June 30, 2019	$	$	$	$	$	$
Rental revenue from investment properties	75,023	65,042	40,881	180,946	(4,319)	176,627
Change in fair value of investment properties	(778)	2,194	6,875	8,291	—	8,291
Net operating income	36,770	31,700	22,998	91,468	(2,485)	88,983
Share of joint ventures’ net income	—	—	—	—	1,503	1,503

Six-months period ended	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Condensed interim consolidated financial statements
June 30, 2020	$	$	$	$	$	$
Rental revenue from investment properties	**139,777**	**121,047**	**80,516**	**341,340**	**(8,681)**	**332,659**
Change in fair value of investment properties	**(44,493)**	**(251,728)**	**(33,205)**	**(329,426)**	**10,003**	**(319,423)**
Net operating income	**69,364**	**47,672**	**46,322**	**163,358**	**(5,043)**	**158,315**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**(6,898)**	**(6,898)**
June 30, 2019	$	$	$	$	$	$
Rental revenue from investment properties	151,238	132,979	82,973	367,190	(8,619)	358,571
Change in fair value of investment properties	(938)	2,133	6,875	8,070	—	8,070
Net operating income	71,310	63,626	45,610	180,546	(4,878)	175,668
Share of joint ventures' net income	—	—	—	—	2,891	2,891

	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Condensed interim consolidated financial statements
As at June 30, 2020	$	$	$	$	$	$
Income properties	**2,293,122**	**2,015,191**	**1,781,969**	**6,090,282**	**(165,100)**	**5,925,182**
Investment properties held for sale	**230,250**	**7,975**	**7,250**	**245,475**	**—**	**245,475**
Investments in joint ventures	**—**	**—**	**—**	**—**	**90,071**	**90,071**
As at December 31, 2019	$	$	$	$	$	$
Income properties	2,547,654	2,237,849	1,798,809	6,584,312	(171,573)	6,412,739
Investment properties held for sale	—	11,730	—	11,730	—	11,730
Investments in joint ventures	—	—	—	—	97,456	97,456

23) Subsequent Events

On July 16 , 2020, Cominar declared a monthly distribution of $0.06 per unit.

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

Corporate Information

Board of Trustees

René Tremblay [5]
Corporate Director

Luc Bachand [1,4]
Corporate Director

Christine Beaubien [1,2]
Corporate Director

Paul Campbell [2,4]
Corporate Director

Mitchell Cohen [3,4]
Corporate Director

Sylvain Cossette
President and Chief Executive Officer
Cominar Real Estate Investment Trust

Zachary R. George [3,4]
Co-Founder, Portfolio Manager
FrontFour Capital Group

Karen Laflamme [1,2]
Corporate Director

Johanne M. Lépine [2,3]
Corporate Director

Michel Théroux, FCPA, FCA [1,3]
Corporate Director

1 *Member of the Audit Committee*
2 *Member of the Human Ressources Committee*
3 *Member of the Nomination and Governance Committee*
4 *Member of the Investment Committee*
5 *Systematically attends all committee meeting*

Key Officers

Sylvain Cossette
President and Chief Executive Officer

Antoine Tronquoy
Vice President, Capital Markets and
Interim Chief Financial Officer

Marie-Andrée Boutin, MBA
Executive Vice President,
Retail and Development

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

Wally Commisso
Executive Vice President,
Operations and Property Management

Jean Laramée, Eng.
Executive Vice President, Development

Michael Racine
Executive Vice President,
Leasing - Office and Industrial

Unitholders Information

Cominar Real Estate Investment Trust

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

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Listing

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

Transfer Agent

Computershare Trust Company of Canada
1500 Robert-Bourassa Boulevard, Suite 700
Montreal (Quebec) Canada H3A 3S8

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

Taxability of Distributions

In 2019, 10.65% of the distributions made by Cominar to unitholders were returns of capital, reducing the adjusted cost base of the units.

Legal Counsel

Davies Ward Phillips & Vineberg LLP

Auditors

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

Unitholders Distribution Reinvestment Plan

Cominar Real Estate Investment Trust offers unitholders the opportunity to participate in its Unitholders Distribution Reinvestment Plan (the "DRIP"). The DRIP allows participants to receive their monthly distributions as additional units of Cominar. In addition, participants will be entitled to receive an additional distribution equal to 3% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.

On August 3, 2017, Cominar suspended the distribution reinvestment plan, starting with the distribution of August 2017, which was payable in September 2017. If Cominar decides to resume the plan in the future, the unitholders who were registered in the plan at the time of its suspension and who are still registered at the time of its resumption shall automatically resume their participation in the plan.

For further information about the DRIP, please refer to the DRIP section of our website at www.cominar.com or contact us by email at info@cominar.com or contact the Transfer Agent.

Cominar