

Interim Report

Quarter ended June 30, 2021
Unaudited



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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, 2021, in comparison with the corresponding quarter of 2020, as well as its financial position as at that date and its outlook. Dated August 4, 2021, 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 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 2020 Annual Information Form, is available on Cominar's website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

The Board of Trustees, under the recommendation of the Audit Committee, approved the contents of this Interim MD&A on August 4, 2021.

Message to Unitholders

Dear Unitholders,

As these lines are published, life is slowly resuming its normal course and vaccination is in full swing. We are happily reuniting with family, friends and colleagues and enjoying activities and events that are making a much-appreciated comeback. The reopening plan is benefiting all commercial activity and at Cominar, our restaurants and gyms have finally been able to welcome their customers again, in accordance with the protocols still in place. The results of our second quarter show the positive momentum of this recovery, following a year full of pitfalls due to the impact of the pandemic on our portfolio and our operations.

The growth of our same property net operating income by 15.1% in the second quarter and 7.2% for the six-month period ended June 30, 2021, compared to the same periods last year, demonstrate that the challenges associated with the pandemic are fading in this new year and that we work hard to return to the pre-pandemic financial results. In addition, the increase in net rent for expiring and renewed leases in 2021 is 8.9% in total and positive in all three asset classes.

The market fundamentals for the industrial sector remain strong, giving us exceptional results across all operational and financial parameters. The same property net operating income in our industrial portfolio increased by 13.1%, while growth of net rent for new leases was 24.8%, both up sharply from the first quarter. The committed occupancy rate is 97.1%, which continues to put upward pressure on rents due to the lack of space in the market combined with the strong demand for them. In addition, we are continuing our efforts in connection with the 515,000 square foot development project on Curé-Labelle Boulevard in Laval, a project offering a prime location in the Greater Montreal area, providing quick access to major highways, where we have entered into a lease with a large, high-quality retailer.

While the retail sector suffered greatly during 2020, the impacts of the pandemic are being felt in the office sector in 2021, with a decline in our same property net operating income of 4.0% for the second quarter. It should be noted, however, that this result is mainly explained by lower parking revenues. With the gradual return to the office allowed since the end of June and a majority of companies expecting their workers to return to the office on a regular basis as early as September, the situation should improve in the coming quarters. In addition, we have renewed 71.8% of the leases expiring in 2021 in this asset class, demonstrating that employers are still interested in offering their employees an office. These leases are renewed at 7.5% higher net rents, reiterating that the office market is still active.

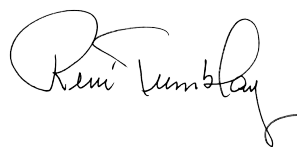
On the retail side, we continue to announce new openings that contribute to our strategy of diversifying uses and reducing our exposure to riskier and underperforming sectors. In addition to well-known and popular banners such as the Aubainerie at Galeries de Hull and Éconofitness at Alexis Nihon, we have also announced the arrival of new, unique and innovative vocations. These openings include a brand new complex at Mail Champlain that combines the fun climbing world of Clip'n climb with unparalleled Ninja courses under the Maestrem Ninja Gym banner, making it the largest center of its kind in North America. In Rockland Centre, Montreal-based ELNA Medical, the largest network of medical clinics in Canada, will open its doors by the end of 2021. This clinic will provide a greater range of high-quality care services in an ultra-modern, high-tech facility. These arrivals are perfectly in line with our desire to transform our shopping centres into everyday destinations and demonstrate that shopping centres are still sought after by high quality retailers. For Cominar, this translates into 81% of

our leases expiring in 2021 being covered by renewals or new leases as at June 30, 2021. As an indicator of the renewed momentum in this segment, net rental rates on lease expired and renewed during the quarter increased by 5.3%.

On the financial front, we signed a new credit facility to replace the one expiring in July, which received the unanimous support of the seven banks in our banking syndicate. At the end of the quarter, we had \$355 million of liquidity, coupled with potential liquidity from our \$1.7 billion portfolio of unencumbered assets.

On the human front, this second quarter was punctuated by the lockdown lifting plan put in place by the Quebec government, to the great delight of our customers, our employees and the entire population, we are sure! It was from June 28 that we were able to return to our offices in a progressive manner and in compliance with all the directives still in place. To celebrate this reunion and to invite all businesses to return to their spaces, we have published our video on "the joys of working at work" which we invite you to view on our website. We look forward to the opportunity for our Ontario colleagues to meet in person as well. Finally, we are very proud to have presented a check for \$100,000 during the 34th Opération Enfant Soleil Telethon which took place on May 30th. This contribution is the result of year-round fundraising in our shopping centres and the generous contributions of our employees and customers, creating an invaluable bond for the health of our children.

Finally, our strategic review is still ongoing. As soon as we have information to share with you, we will. In the meantime, our teams continue to work on a daily basis to deliver the expected results on the operational, financial and human levels. You can continue to count on our commitment.



René Tremblay
Chairman of the Board of Trustees



Sylvain Cossette
President and Chief Executive Officer

August 4, 2021

Highlights

Quarter ended June 30, 2021

Financial Highlights

FFO^{1,2} per unit

\$0.25

Growth in same property net operating income^{1,2}

15.1%

Six-month period ended June 30, 2021 : 7.2%

Growth in the average net rent of renewed leases

13.3%

Committed occupancy rate

93.2%

In-place occupancy rate

91.0%

Rent collection³

96.3%

Debt ratio^{1,2}

55.6%

Change in fair value

\$(130)M

AFFO¹ payout ratio²

56.3%

Six-month period ended June 30, 2021 : 50.0%

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

² Includes estimated financial impact of COVID-19.

³ Including amounts to be collected from government agencies.

Office

Reduction in same property net operating income^{1 2} **(4.0)%**

Six-month period ended June 30, 2021 : (1.7)%

Growth in the average net rent of renewed leases **7.3%**

Committed occupancy rate **90.4%**

In-place occupancy rate **88.6%**

Change in fair value **\$(81)M**

Retail

Growth in same property net operating income^{1 2} **54.4%**

Six-month period ended June 30, 2021 : 17.4%

Growth in the average net rent of renewed leases **5.3%**

Committed occupancy rate **89.9%**

In-place occupancy rate **85.7%**

Change in fair value **\$(276)M**

Industrial and flex

Growth in same property net operating income^{1 2} **13.1%**

Six-month period ended June 30, 2021 : 9.8%

Growth in the average net rent of renewed leases **24.8%**

Committed occupancy rate **97.1%**

In-place occupancy rate **96.0%**

Change in fair value **\$228M**

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

² Includes estimated financial impact of COVID-19.

Subsequent Events

On July 5, 2021, Cominar completed the sale of a land held for future development for a total amount of \$4.1 million.

On July 21, 2021, Cominar declared a monthly distribution of \$0.03 per unit.

Caution Regarding Forward-Looking Statements

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

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

Given the current level of uncertainties arising from the COVID-19 pandemic, there can be no assurance regarding the impact of COVID-19 on the business, operations, and financial performance of Cominar and its tenants, as well as on consumer behaviors and the economy in general. General risks and uncertainties related to the COVID-19 pandemic also include, but are not limited to, the length, spread and severity of the pandemic; the spreading of variants, the timing of the roll out and efficacy of the vaccines, the nature and length of the restrictive measures, implemented or to be implemented by the various levels of government in Canada; Cominar's tenants' ability to pay rents as required under their leases; the availability of various support programs that are or may be offered by the various levels of government in Canada; the introduction or extension of temporary or permanent rent control or other form of regulation or legislation that may limit the Cominar's ability or its extent to raise rents based on market conditions upon lease renewals or restrict existing landlord rights or landlord's ability to reinforce such landlord rights; domestic and global supply chains; the pace of property lease-up and rents and yields achieved upon development completion; potential changes in leasing activities, market rents and property valuations; the capitalization rates that arm's length buyers and sellers are willing to transact on properties; the availability and extent of rent deferrals offered or to be offered by Cominar; domestic and global credit and capital markets, and the Cominar's ability to access capital on favorable terms or at all; the total return and dividend yield of Cominar's Units; and the health and safety of our employees, tenants and people in the communities that our properties serve. For further details on the risks related to COVID-19 and its potential impact on Cominar, refer to the *Risks and Uncertainties - COVID-19 Health Crisis* section of the 2020 annual report. 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 2020 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 interim 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 ("SPNOI"):** SPNOI 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. SPNOI includes the results of properties owned by Cominar as at December 31 2019, with the exception of results for properties sold, acquired or under development in 2020 and 2021, 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;
- **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			Year-to-Date (six months) ³			Page
	2021	2020	% Δ	2021	2020	% Δ	
	\$	\$		\$	\$		
Financial performance							
Operating revenues – Financial statements	164,278	160,550	2.3	333,999	332,659	0.4	16
Operating revenues – Cominar's proportionate share ¹	168,325	164,829	2.1	342,081	341,340	0.2	16
NOI – Financial statements	85,438	72,590	17.7	171,909	158,315	8.6	20
NOI – Cominar's proportionate share ¹	87,710	75,077	16.8	176,495	163,358	8.0	20
Same property NOI ¹	86,151	74,854	15.1	173,391	161,770	7.2	20
Change in fair value of investment properties	(129,565)	(320,631)	(59.6)	(129,630)	(319,423)	(59.4)	18
Net loss	(91,390)	(318,119)	(71.3)	(41,126)	(273,145)	(84.9)	25
Funds from operations (FFO) ¹	45,406	34,217	32.7	96,917	79,258	22.3	25
Adjusted funds from operations (AFFO) ¹	29,581	21,117	40.1	66,635	53,898	23.6	25
Cash flows provided by operating activities	29,117	25,076	16.1	108,072	41,519	160.3	28
Distributions	16,421	32,840	(50.0)	32,842	65,667	(50.0)	28
Total assets				6,276,472	6,543,229	(4.1)	15
Per unit financial performance							
Net loss (basic and diluted)	(0.50)	(1.74)	(71.3)	(0.23)	(1.50)	(84.7)	25
Funds from operations (FFO)(FD) ^{1,4}	0.25	0.19	31.6	0.53	0.43	23.3	25
Adjusted funds from operations (AFFO)(FD) ^{1,4}	0.16	0.12	33.3	0.36	0.29	24.1	25
Distributions	0.09	0.18	(50.0)	0.18	0.36	(50.0)	28
Payout ratio of adjusted funds from operations (AFFO) (FD) ^{1,4}	56.3 %	150.0 %	(62.5)	50.0 %	124.1 %	(59.7)	25
Net asset value per unit				14.54	15.44	(5.8)	
Financing							
Debt ratio ^{1,5}				55.6 %	54.5 %		32
Debt/EBITDA ratio ¹				10.7 x	11.0 x		32
Interest coverage ratio ^{1,6}				2.42:1	2.31:1		33
Weighted average interest rate on total debt				3.78 %	3.89 %		29
Residual weighted average term of total debt (years)				3.4	4.1		29
Unsecured debt-to-total-debt ratio ⁷				32.0 %	32.7 %		33
Secured debt to gross book value ⁸				37.9 %	35.3 %		
Unencumbered income properties				1,714,517	2,008,662		33
Unencumbered assets to unsecured net debt ratio ⁹				1.55:1	1.77:1		33
Operational data							
Number of investment properties				310	315		34
Leasable area (in thousands of sq. ft.)				35,671	35,887		34
Committed occupancy rate				93.2 %	93.9 %		36
In-place occupancy rate				91.0 %	90.4 %		36
Retention rate				62.5 %	51.7 %		36
Growth in the average net rent of renewed leases				7.0 %	12.7 %		36
Development activities							
Properties under development – Cominar's proportionate share ¹				65,387	51,110		15

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

² Quarter ended June 30, 2021 includes the estimated financial impact of COVID-19 and \$2.5 million of strategic alternatives consulting fees (quarter ended June 30, 2020 includes the estimated financial impact of COVID-19 and \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption).

³ In addition to the quarter events explained above, the six-month period ended June 30, 2021 includes \$1.4 million of strategic alternatives consulting fees and a \$2.7 million distribution received in respect of a claim settlement regarding Sears Canada (the six-month period ended June 30, 2020 includes \$4.6 million of penalties paid on mortgage repayments before maturity).

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 Total secured bank borrowings and mortgages payable, divided by total assets.

⁹ Fair value of unencumbered income properties divided by the unsecured net debt.

Selected Quarterly Information

Quarters ended	Jun. 2021 ²	Mar. 2021 ³	Dec. 2020 ⁴	Sept. 2020 ⁵	Jun. 2020 ⁶	Mar. 2020 ⁷	Dec. 2019 ⁸	Sept. 2019 ⁹
	\$	\$	\$	\$	\$	\$	\$	\$
Financial performance								
Operating revenues — Financial statements	164,278	169,721	166,156	162,505	160,550	173,885	173,931	171,539
Operating revenues — Cominar's proportionate share	168,325	173,756	170,675	166,711	164,829	178,287	178,161	175,884
NOI — Financial statements	85,438	86,471	87,956	80,916	72,590	85,725	91,216	91,438
NOI — Cominar's proportionate share ¹	87,710	88,785	90,413	83,445	75,077	88,281	93,695	93,914
Change in fair value of investment properties	(129,565)	(65)	(150,295)	(45)	(320,631)	1,208	270,964	(2,559)
Net income (loss)	(91,390)	50,264	(100,277)	44,145	(318,119)	44,974	319,265	47,456
FFO ¹	45,406	51,511	50,943	45,437	34,217	45,041	49,165	51,802
AFFO ¹	29,581	37,054	44,268	31,758	21,117	32,781	35,622	38,370
Cash flows provided by operating activities	29,117	78,955	92,626	30,321	25,076	16,443	79,712	74,579
Distributions	16,421	16,421	16,420	21,894	32,840	32,827	32,773	32,769
Per unit financial performance								
Net income (loss) (basic)	(0.50)	0.28	(0.55)	0.24	(1.74)	0.25	1.75	0.26
Net income (loss) (diluted)	(0.50)	0.27	(0.55)	0.24	(1.74)	0.25	1.75	0.26
FFO (FD) ^{1,10}	0.25	0.28	0.28	0.25	0.19	0.25	0.27	0.28
AFFO (FD) ^{1,10}	0.16	0.20	0.24	0.17	0.12	0.18	0.20	0.21
Distributions	0.09	0.09	0.09	0.12	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 of strategic alternatives consulting fees

³ Includes the estimated financial impact of COVID-19, \$1.4 million of strategic alternatives consulting fees and \$2.7 million distribution received in respect of a claim settlement regarding Sears Canada.

⁴ Includes the estimated financial impact of COVID-19 and \$1.7 million of strategic alternatives consulting fees.

⁵ Includes the estimated financial impact of COVID-19 and \$0.3 million of strategic alternatives consulting fees.

⁶ Includes the estimated financial impact of COVID-19 and \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption.

⁷ Includes \$4.6 million of penalties paid on mortgage repayments before maturity.

⁸ Includes \$5.2 million of penalties paid on mortgage repayments before maturity.

⁹ 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.

¹⁰ 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, 2021, Cominar owned a diversified portfolio of 310 properties, composed of office, retail and industrial and flex buildings, of which 193 were located in the Montreal area, 97 in the Quebec City area and 20 in the Ottawa area. Cominar's portfolio consisted of approximately 11.1 million square feet of office space, 9.4 million square feet of retail space and 15.3 million square feet of industrial and flex space, representing a total leasable area of 35.7 million square feet.

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

Cominar's 2020 and 2021 financial performance has been negatively impacted by the ongoing COVID-19 pandemic.

Real Estate Portfolio Summary as at June 30, 2021

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	SPNOI % quarter ended June 30, 2021
Office	79	11,065,000	90.4 %	88.6 %	38.6 %
Retail	41	9,354,000	89.9 %	85.7 %	32.2 %
Industrial and flex	190	15,252,000	97.1 %	96.0 %	29.2 %
Total	310	35,671,000	93.2 %	91.0 %	100.0 %

Geographic market	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate	SPNOI % quarter ended June 30, 2021
Montreal	193	23,493,000	93.3 %	91.3 %	64.0 %
Quebec City	97	9,637,000	93.9 %	91.5 %	30.5 %
Ottawa	20	2,541,000	88.5 %	85.9 %	5.5 %
Total	310	35,671,000	93.2 %	91.0 %	100.0 %

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 the implementation of our strategic plan. On March 27th, 2020 we withdrew our guidance.

Our 2019 strategic plan includes:

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

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

Overview of the Second Quarter of 2021

Cominar's second quarter of 2021 financial performance has been negatively impacted by the COVID-19 pandemic.

Same Property NOI¹ ("SPNOI"): 2021 second quarter SPNOI increased by \$11.3 million or 15.1% when compared with the corresponding quarter of 2020. The increase of \$2.7 million in operating revenues compared to the same period of 2020 is mainly due to recoverable operating expense income up by \$4.9 million (due to the increase in operating costs described below) and the revenue increase from early termination fees of \$1.7 million, which was partially offset by a \$1.0 million decrease in project management revenues and a \$2.5 million increase in costs related to our vacant premises. The decrease of \$8.6 million in operating expenses compared to the same period of 2020 is mainly related to the significant decreases in the expected credit losses of \$17 million (favorably impacted by the partial reversal of \$2.2 million of the previous period expected credit losses provision), partially offset by an increase in operating costs of \$8.0 million, mainly in buildings operating and maintenance costs following the increase in the level of activities in our portfolio in general compared to the same period of 2020.

Expected credit losses: For the quarter ended June 30, 2021, expected credit losses of \$1.1 million were recorded, mainly due to COVID-19, of which \$(0.1) million is for office (\$1.6 million in 2020), \$1.4 million is for retail (\$14.6 million in 2020) and \$(0.2) million is for industrial and flex (\$2.1 million in 2020). Quarter expected credit losses were driven by a net reversal of \$0.1 million of expected credit losses on trade receivables and the Trust recorded \$3.1 million of rent reductions, of which \$1.9 million was previously included in expected credit losses provision.

Net Loss : Net loss for the quarter ended June 30, 2021 amounted to \$(91.4) million compared to net loss of \$(318.1) million for 2020. The net loss decrease is mainly due to the \$12.8 million increase in NOI, the decrease of finance charges of \$2.5 million, the decrease of the negative change in fair value of \$191.1 million and a decrease of \$15.7 million in impairment of goodwill, partially offset by an increase in Trust administrative expenses related to \$2.5 million of strategic alternative consulting fees.

FFO¹: FFO for the quarter ended June 30, 2021 amounted to \$45.4 million or \$0.25 per unit compared to \$0.19 for the previous year's comparable period due to the \$12.8 million increase in NOI (refer to the NOI section), the decrease of finance charges, partially offset by an increase in Trust administrative expenses related to \$2.5 million in strategic alternative consulting fees.

AFFO¹: AFFO for the quarter ended June 30, 2021 amounted to \$29.6 million or \$0.16 per unit compared to \$21.1 million or \$0.12 for the previous year's comparable period. AFFO increased from the corresponding quarter of 2020 due mainly to the increase in FFO, partially offset by increases in the provision for leasing costs and capital expenditures - maintenance of rental income generating capacity. **AFFO payout ratio¹** for the second quarter of 2021 was 56.3%, down from 150.0% in last year quarter, as a consequence of the increase in AFFO combined with the decrease in distributions effective since August 2020.

Balance Sheet: As at June 30, 2021, Cominar's debt ratio was 55.6%, up from 55.3% at year-end 2020. The debt to EBITDA¹ ratio at the end of the second quarter of 2021 decreased to 10.7x, from 11.3x at December 31, 2020. As at June 30, 2021 our unencumbered asset pool totaled \$1.7 billion and our unencumbered asset ratio was 1.55x, down from 1.76x at year-end 2020.

As at June 30, 2021, available liquidity of \$354.9 million consisted of \$343.3 million of availability under our credit facilities and \$11.5 million of cash and cash equivalents.

Investment properties fair value: During the first six months of 2021, management revalued the entire real estate portfolio and determined that a net decrease of \$129.6 million was necessary to adjust the carrying amount of investment properties to fair value.

Occupancy: As at June 30, 2021, Cominar's in-place occupancy was 91.0%, a decrease of 0.7% when compared to year-end 2020. As at June 30, 2021 the committed occupancy rate was 93.2%, compared to 94.0% at year-end 2020.

Leasing activity: The retention rate for 2021 was 62.5% at the end of the second quarter. Average net rent on 3.2 million square feet of lease renewals for the six-month period ended June 30, 2021 increased by 7.0% (19.1% for the industrial and flex portfolio, 3.6% for the office portfolio and (0.4)% for the retail portfolio) and average net rent on 3.4 million square feet of lease renewals for 2021 increased by 8.9% (21.5% for the industrial and flex portfolio, 7.5% for the office portfolio and 0.9% for the retail portfolio). New leasing totaled 1.5 million square feet for 2021. New and renewal leasing represented 89.7% of 2021 lease maturities.

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

COVID-19 – Impacts Analysis and Risks

In mid-March 2020 the Government of Quebec declared a provincial public health emergency and put in place during 2020 and 2021 numerous stringent measures to protect Quebecers and to slow the spread of the COVID-19 virus. These measures included among others closure of shopping malls and non-essential businesses. In the office segment, a significant number of our office tenants migrated to teleworking.

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

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

The REIT continues to work with its 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.

As announced by the Federal government, the Federal government has the intention to extend the Canada Emergency Rent Subsidy and the Canada Emergency Wage Subsidy until October 23, 2021.

Readers will find detailed information on COVID-19 impact analysis in the relevant sections of this interim MD&A.

Our collection rate for the second quarter of 2021 was 96.3% including amounts to be collected from government agencies, slightly better than the first quarter of 2021 rent collection rate of 94.7% after the same number of days post quarter end. As an indication, as of today, rent collection for the first quarter of 2021 now stands at 98.1%.

The following table highlights expected credit losses for the periods ended June 30, 2021 and 2020:

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expected credit losses on trade receivables	2,081	6,798	7,367	8,574
Expected credit losses - forgiven portion of the CECRA programs	—	3,016	—	3,016
Expected credit losses - prior period provisions reversal	(2,165)	—	(6,022)	—
Expected credit losses - conversion of provisions to rent reductions	(1,948)	—	(1,948)	—
Expected credit losses - rent reductions	3,148	8,401	4,178	8,401
Total expected credit losses	1,116	18,215	3,575	19,991
Percentage of operating revenues	0.7 %	11.3 %	1.1 %	6.0 %

The second quarter of 2021 was favorably impacted by a partial reversal of previous expected credit losses provisions in the amount of \$2.2 million. During that quarter, Cominar also recorded \$3.1 million of rent reductions, of which \$1.9 million was previously included in the expected credit losses provision.

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.

	June 30, 2021			December 31, 2020		
	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	5,961,014	157,543	6,118,557	6,077,025	161,885	6,238,910
Properties under development	54,852	10,535	65,387	26,315	10,850	37,165
Land held for future development	47,948	6,150	54,098	87,910	8,029	95,939
	6,063,814	174,228	6,238,042	6,191,250	180,764	6,372,014
Investment properties held for sale	44,897	—	44,897	20,990	—	20,990
Investments in joint ventures	90,326	(90,326)	—	97,497	(97,497)	—
Accounts receivable	47,266	299	47,565	51,816	1,529	53,345
Prepaid expenses and other assets	18,626	—	18,626	19,132	75	19,207
Cash and cash equivalents	11,543	1,072	12,615	13,594	1,204	14,798
Total assets	6,276,472	85,273	6,361,745	6,394,279	86,075	6,480,354
Liabilities						
Mortgages payable	2,075,981	79,125	2,155,106	2,105,906	80,499	2,186,405
Debentures	1,071,165	—	1,071,165	1,070,491	—	1,070,491
Bank borrowings	345,880	4,100	349,980	366,958	4,100	371,058
Accounts payable and accrued liabilities	125,972	2,048	128,020	126,443	1,476	127,919
Distributions payable to unitholders	5,474	—	5,474	—	—	—
Total liabilities	3,624,472	85,273	3,709,745	3,669,798	86,075	3,755,873
Unitholders' equity						
Unitholders' equity	2,652,000	—	2,652,000	2,724,481	—	2,724,481
Total liabilities and unitholders' equity	6,276,472	85,273	6,361,745	6,394,279	86,075	6,480,354

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

Quarters ended June 30	2021 ¹			2020 ¹		
	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	164,278	4,047	168,325	160,550	4,279	164,829
Operating expenses	(78,840)	(1,775)	(80,615)	(87,960)	(1,792)	(89,752)
NOI	85,438	2,272	87,710	72,590	2,487	75,077
Finance charges	(34,399)	(936)	(35,335)	(36,912)	(962)	(37,874)
Trust administrative expenses	(7,310)	(7)	(7,317)	(4,038)	(3)	(4,041)
Change in fair value of investment properties	(129,565)	(6,817)	(136,382)	(320,631)	(10,003)	(330,634)
Share of joint ventures' net loss	(5,488)	5,488	—	(8,481)	8,481	—
Transaction costs	(66)	—	(66)	(4,991)	—	(4,991)
Impairment of goodwill	—	—	—	(15,721)	—	(15,721)
Net loss before income taxes	(91,390)	—	(91,390)	(318,184)	—	(318,184)
Current income taxes	—	—	—	65	—	65
Net loss and comprehensive loss	(91,390)	—	(91,390)	(318,119)	—	(318,119)

¹ Quarter ended June 30, 2021 includes the estimated financial impact of COVID-19 and \$2.5 million of strategic alternatives consulting fees (quarter ended June 30, 2020 includes the estimated financial impact of COVID-19 and \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption).

² Refer to section "Non-IFRS Financial Measures".

Six-month periods ended June 30	2021 ¹			2020 ¹		
	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	333,999	8,082	342,081	332,659	8,681	341,340
Operating expenses	(162,090)	(3,496)	(165,586)	(174,344)	(3,638)	(177,982)
NOI	171,909	4,586	176,495	158,315	5,043	163,358
Finance charges	(66,219)	(1,859)	(68,078)	(76,164)	(1,931)	(78,095)
Trust administrative expenses	(12,853)	(33)	(12,886)	(8,182)	(7)	(8,189)
Change in fair value of investment properties	(129,630)	(6,817)	(136,447)	(319,423)	(10,003)	(329,426)
Share of joint ventures' net loss	(4,123)	4,123	—	(6,898)	6,898	—
Transaction costs	(210)	—	(210)	(5,137)	—	(5,137)
Impairment of goodwill	—	—	—	(15,721)	—	(15,721)
Net loss before income taxes	(41,126)	—	(41,126)	(273,210)	—	(273,210)
Current income taxes	—	—	—	65	—	65
Net loss and comprehensive loss	(41,126)	—	(41,126)	(273,145)	—	(273,145)

¹ Six-month period ended June 30, 2021 includes the estimated financial impact of COVID-19, \$3.9 million of strategic alternatives consulting fees and a \$2.7 million distribution received in respect of a claim settlement regarding Sears Canada (six-month period ended June 30, 2020 includes the estimated financial impact of COVID-19, \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption and \$4.6 million of penalties paid on mortgage repayments before maturity).

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, 2021, and December 31, 2020, as shown in our condensed interim consolidated financial statements:

	June 30, 2021	December 31, 2020	\$ Δ	% Δ
	\$	\$		
Assets				
Investment properties				
Income properties	5,961,014	6,077,025	(116,011)	(1.9)
Properties under development	54,852	26,315	28,537	108.4
Land held for future development	47,948	87,910	(39,962)	(45.5)
	6,063,814	6,191,250	(127,436)	(2.1)
Investment properties held for sale	44,897	20,990	23,907	113.9
Investments in joint ventures	90,326	97,497	(7,171)	(7.4)
Accounts receivable	47,266	51,816	(4,550)	(8.8)
Prepaid expenses and other assets	18,626	19,132	(506)	(2.6)
Cash and cash equivalents	11,543	13,594	(2,051)	(15.1)
Total assets	6,276,472	6,394,279	(117,807)	(1.8)
Liabilities				
Mortgages payable	2,075,981	2,105,906	(29,925)	(1.4)
Debentures	1,071,165	1,070,491	674	0.1
Bank borrowings	345,880	366,958	(21,078)	(5.7)
Accounts payable and accrued liabilities	125,972	126,443	(471)	(0.4)
Distributions payable to unitholders	5,474	—	5,474	100.0
Total liabilities	3,624,472	3,669,798	(45,326)	(1.2)
Unitholders' equity				
Unitholders' equity	2,652,000	2,724,481	(72,481)	(2.7)
Total liabilities and unitholders' equity	6,276,472	6,394,279	(117,807)	(1.8)

Results of Operations

The following table highlights our results of operations for the periods ended June 30, 2021 and 2020, as shown in our condensed interim consolidated financial statements:

Periods ended June 30	Quarter ¹			Year-to-date (six months) ²		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
Operating revenues	164,278	160,550	2.3	333,999	332,659	0.4
Operating expenses	(78,840)	(87,960)	(10.4)	(162,090)	(174,344)	(7.0)
NOI	85,438	72,590	17.7	171,909	158,315	8.6
Finance charges	(34,399)	(36,912)	(6.8)	(66,219)	(76,164)	(13.1)
Trust administrative expenses	(7,310)	(4,038)	81.0	(12,853)	(8,182)	57.1
Change in fair value of investment properties	(129,565)	(320,631)	(59.6)	(129,630)	(319,423)	(59.4)
Share of joint ventures' net loss	(5,488)	(8,481)	(35.3)	(4,123)	(6,898)	(40.2)
Transaction costs	(66)	(4,991)	(98.7)	(210)	(5,137)	(95.9)
Impairment of goodwill	—	(15,721)	100.0	—	(15,721)	100.0
Net loss before income taxes	(91,390)	(318,184)	(71.3)	(41,126)	(273,210)	(84.9)
Current income taxes	—	65	(100.0)	—	65	(100.0)
Net loss and comprehensive loss	(91,390)	(318,119)	(71.3)	(41,126)	(273,145)	(84.9)

¹ Quarter ended June 30, 2021 includes the estimated financial impact of COVID-19 and \$2.5 million of strategic alternatives consulting fees (quarter ended June 30, 2020 includes the estimated financial impact of COVID-19 and \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption).

² In addition to the quarter events explained above, the six-month period ended June 30, 2021 includes \$1.4 million of strategic alternatives consulting fees and a \$2.7 million distribution received in respect of a claim settlement regarding Sears Canada (the six-month period ended June 30, 2020 includes \$4.6 million of penalties paid on mortgage repayments before maturity).

The increase in operating revenues according to the condensed interim consolidated financial statements in the second quarter of 2021 compared with the corresponding quarter of 2020 resulted mainly from a better performance in 2021 of our global portfolio which was severely impacted by COVID-19 in 2020. Despite the fact that vacancies weighed on our results following a slight decrease in our in-place occupancy rate when compared to the pre-COVID-19 occupancy level, rents and revenues from recoveries increased compared to the second quarter of 2020.

The decrease in operating expenses according to the condensed interim consolidated financial statements in the second quarter of 2021 compared with the corresponding quarter of 2020 resulted mainly from a decrease of \$16.9 million in the expected credit losses, partly offset by an increase of \$6.9 million in operating expense and property maintenance, mainly due to a higher level activity in our retail and office portfolio.

Finance charges were down \$2.5 million in the second quarter of 2021 mainly due to a decrease in interest on debentures related to the net redemption of \$250.0 million of debentures since May 2020, \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption paid in the second quarter of 2020 and a lower interest rate environment, partially offset by an increase in interest on bank borrowings related to the \$120.0 million secured credit facility which was only drawn in June 2020. Interest on mortgages payable for the quarter ended June 30, 2021 includes \$0.9 million of retroactive adjustments.

Finally, Trust administrative expenses increased by \$3.3 million when compared to the corresponding 2020 period due to \$2.5 million in strategic alternatives consulting fees and an increase in professional fees related to several consulting matters not related to the strategic alternatives review process, which include legal fees in connection with the management of tenants related matters.

The following tables highlights our results of operations for the periods ended June 30, 2021 by property type:

Quarter ended June 30, 2021	Office Properties ¹ \$	Retail Properties ¹ \$	Industrial and flex properties ¹ \$	Corporate ¹ \$	TOTAL \$
Operating revenues	64,029	59,970	40,279	—	164,278
Operating expenses	(31,950)	(32,203)	(14,687)	—	(78,840)
NOI	32,079	27,767	25,592	—	85,438
Finance charges	(7,963)	(6,631)	(4,646)	(15,159)	(34,399)
Trust administrative expenses	(599)	(797)	(359)	(5,555)	(7,310)
Change of fair value of investment properties	(81,338)	(276,127)	227,900	—	(129,565)
Share of joint ventures' net loss	(3,109)	(2,379)	—	—	(5,488)
Transaction costs	(57)	(5)	(4)	—	(66)
Net income (loss) and comprehensive income (loss)	(60,987)	(258,172)	248,483	(20,714)	(91,390)

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

Six-month period ended June 30, 2021	Office Properties ¹ \$	Retail Properties ¹ \$	Industrial and flex properties ¹ \$	Corporate ¹ \$	TOTAL \$
Operating revenues	129,809	122,324	81,866	—	333,999
Operating expenses	(65,507)	(65,703)	(30,880)	—	(162,090)
NOI	64,302	56,621	50,986	—	171,909
Finance charges	(13,992)	(13,964)	(8,767)	(29,496)	(66,219)
Trust administrative expenses	(1,230)	(1,636)	(738)	(9,249)	(12,853)
Change in fair value of investment properties	(81,283)	(276,247)	227,900	—	(129,630)
Share of joint ventures' net loss	(1,727)	(2,396)	—	—	(4,123)
Transaction costs	(176)	(30)	(4)	—	(210)
Net income (loss) and comprehensive income (loss)	(34,106)	(237,652)	269,377	(38,745)	(41,126)

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

Net Operating Income

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

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

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020 ¹		2021 ¹	2020 ¹	
	\$	\$	% Δ	\$	\$	% Δ
NOI – Financial statements	85,438	72,590	17.7	171,909	158,315	8.6
NOI – Joint ventures	2,272	2,487	(8.6)	4,586	5,043	(9.1)
NOI – Cominar's proportionate share ²	87,710	75,077	16.8	176,495	163,358	8.0

¹ The quarter and six-month periods ended June 30, 2021 and 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".

NOI by Property Type

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020 ¹		2021 ¹	2020 ¹	
	\$	\$	% Δ	\$	\$	% Δ
Property type						
Office	34,276	34,845	(1.6)	68,746	69,364	(0.9)
Retail	27,842	17,608	58.1	56,763	47,672	19.1
Industrial and flex	25,592	22,624	13.1	50,986	46,322	10.1
NOI – Cominar's proportionate share ²	87,710	75,077	16.8	176,495	163,358	8.0

¹ The quarter and six-month periods ended June 30, 2021 and 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, 2019, with the exception of results from the properties sold, acquired or under development in 2020 and 2021, 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)		
	2021 ¹	2020 ¹		2021 ¹	2020 ¹	
	\$	\$	% Δ	\$	\$	% Δ
Same property operating revenues - Cominar's proportionate share ²	165,932	163,282	1.6	336,863	338,832	(0.6)
Same property operating expenses - Cominar's proportionate share ²	(79,782)	(88,428)	(9.8)	(163,472)	(177,062)	(7.7)
SPNOI - Cominar's proportionate share ²	86,150	74,854	15.1	173,391	161,770	7.2

¹ The quarter and six-month periods ended June 30, 2021 and 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 of 2021 SPNOI increased 15.1% when compared with the corresponding quarter of 2020 mainly due to the financial impact of the complete lock down in the second quarter of 2020 compared to less restrictive government pandemic guidelines in the second quarter of 2021 and the decrease of expected credit losses.

The increase in same property operating revenues in the second quarter of 2021 compared with the corresponding quarter of 2020 resulted mainly from a better performance in 2021 of our global portfolio which was severely impacted by COVID-19 in 2020. The increase of \$2.7 million in operating revenues compared to the same period of 2020 is mainly due to recoverable operating expense income up by \$4.9 million (due to the increase in operating expenses described below) and the revenue increase from early

termination fees of \$1.7 million, which was partially offset by a \$1.0 million decrease in project management revenues and a \$2.5 million increase in cost related to our vacant premises.

The decrease in same property operating expenses in the second quarter of 2021 compared with the corresponding quarter of 2020 is mainly related to the significant decrease in expected credit losses of \$17 million (favorably impacted by the partial reversal of \$2.2 million of the previous period expected credit losses provision), partially offset by an increase in operating costs of \$8.0 million, mainly in buildings operating and maintenance costs following the increase in the level of activities in our portfolio in general compared to the same period of 2020.

Net Operating Income – Same Property Portfolio

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020 ¹		2021 ¹	2020 ¹	
	\$	\$	% Δ	\$	\$	%Δ
NOI – Financial statements	85,438	72,590	17.7	171,909	158,315	8.6
NOI – Joint ventures	2,272	2,487	(8.6)	4,586	5,043	(9.1)
NOI – Cominar's proportionate share ²	87,710	75,077	16.8	176,495	163,358	8.0
Acquisitions, developments and dispositions – Cominar's proportionate share ³	(1,560)	(223)	599.6	(3,104)	(1,588)	95.5
SPNOI – Cominar's proportionate share ²	86,150	74,854	15.1	173,391	161,770	7.2

¹ The quarter and six-month periods ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".

² Refer to section "Non-IFRS Financial Measures".

³ Also includes rental income arising from the recognition of leases on a straight-line basis.

NOI by Property Type and Geographic Market – Same Property Portfolio

Same property NOI by property type

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020 ¹		2021 ¹	2020 ¹	
	\$	\$	% Δ	\$	\$	%Δ
Property type						
Office	33,257	34,653	(4.0)	67,513	68,655	(1.7)
Retail	27,779	17,987	54.4	55,881	47,597	17.4
Industrial and flex	25,114	22,214	13.1	49,997	45,518	9.8
SPNOI – Cominar's proportionate share ²	86,150	74,854	15.1	173,391	161,770	7.2

¹ The quarter and six-month periods ended June 30, 2021 and 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".

Growth of 15.1% in SPNOI was driven by 54.4% growth in the retail segment (mainly related to the decrease of expected credit losses) and 13.1% growth in the industrial and flex segment partially offset by a (4.0)% decline in the office segment mainly related to the decrease of the in-place occupancy.

Same property NOI weighting by property type

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
Property type				
Office	38.6 %	46.3 %	39.0 %	42.5 %
Retail	32.2 %	24.0 %	32.2 %	29.4 %
Industrial and flex	29.2 %	29.7 %	28.8 %	28.1 %
SPNOI – Cominar's proportionate share ¹	100.0 %	100.0 %	100.0 %	100.0 %

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

For the second quarter of 2021 Cominar's weighting to retail SPNOI increased 820 basis points to 32.2% while industrial and flex SPNOI decreased (50) basis points to 29.2% and office SPNOI decreased (770) basis points to 38.6%. The retail increase was mostly due to COVID-19 related expected credit losses in 2020 which were higher than usual. Compared to the pre-COVID-19 retail weighting level of 34.0%, the decrease was (180) basis points.

Same property NOI by geographic market

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020 ¹		2021 ¹	2020 ¹	
	\$	\$	% Δ	\$	\$	% Δ
Geographic market						
Montreal	55,193	47,262	16.8	110,106	102,037	7.9
Quebec City	26,246	21,958	19.5	50,405	48,305	4.3
Ottawa ²	4,711	5,633	(16.4)	12,880	11,428	12.7
SPNOI — Cominar's proportionate share ³	86,150	74,853	15.1	173,391	161,770	7.2

¹ The quarter and six-month periods ended June 30, 2021 and 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)	
	2021	2020	2021	2020
Geographic market				
Montreal	64.0 %	63.2 %	63.5 %	63.0 %
Quebec City	30.5 %	29.3 %	29.1 %	29.9 %
Ottawa ¹	5.5 %	7.5 %	7.4 %	7.1 %
SPNOI — 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)		
	2021	2020	Δ	2021	2020	Δ
Property type						
Office	89.0 %	90.5 %	(1.5)	89.5 %	90.1 %	(0.6)
Retail	85.9 %	85.8 %	0.1	86.1 %	86.3 %	(0.2)
Industrial and flex	95.4 %	94.5 %	0.9	95.6 %	95.3 %	0.3
Total	91.0 %	91.0 %	—	91.2 %	91.3 %	(0.1)

Same property average in-place occupancy by geographic market

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020	Δ	2021	2020	Δ
Geographic market						
Montreal	91.1 %	90.5 %	0.6	91.4 %	90.9 %	0.5
Quebec City	92.2 %	93.0 %	(0.8)	92.2 %	93.2 %	(1.0)
Ottawa ¹	84.4 %	87.4 %	(3.0)	85.1 %	87.2 %	(2.1)
Total	91.0 %	91.0 %	—	91.2 %	91.3 %	(0.1)

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 2021, 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, and determined that a net decrease of \$129.6 million was necessary to adjust the carrying amount of investment properties to fair value [net decrease of \$319.4 million in 2020]. For the six-month period ended June 30, 2021, 19% of the fair value of investment properties was reassessed 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 2021:

Property type	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 \$
Office	(81,289)	54	(48)	(81,283)	(4,436)	(85,719)
Retail	(275,387)	(115)	(745)	(276,247)	(2,381)	(278,628)
Industrial and flex	231,112	—	(3,212)	227,900	—	227,900
Total	(125,564)	(61)	(4,005)	(129,630)	(6,817)	(136,447)

¹ Non-IFRS financial measure.

The \$85.7 million decrease in fair value of the office portfolio is mainly due to the uncertainty of the COVID-19 impact on a mid to long term basis, which resulted in an increase in the vacancy absorption period, reduced market growth in the first years and increased bad debt provisions, and also increased discount rates.

The \$278.6 million decrease in fair value of the retail portfolio is mainly related to the increase of the vacancy absorption period, the adjustment of market rents and an important bad debt reserve ranging between 10% and 20%.

The \$227.9 million increase in fair value of the industrial and flex portfolio is mainly due to yields compression combined with significant rental growth.

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

Property type	Income properties %	Investment properties available for sale %	Properties under development and land held for future development %	Total according to financial statements %	Share in joint ventures %	Total - Cominar's proportionate share ¹ %
Office	(3.6%)	1.8%	(0.1%)	(3.5%)	(2.9%)	(3.5%)
Retail	(14.6%)	(0.6%)	(1.7%)	(14.2%)	(9.0%)	(14.1%)
Industrial and flex	12.0%	—%	(12.3%)	11.6%	—%	11.6%
Total	(2.1%)	(0.3%)	(3.5%)	(2.1%)	(3.8%)	(2.1%)

¹ Non-IFRS financial measure.

Weighted Average Discount Rates and Terminal Capitalization Rates

	June 30, 2021		December 31, 2020	
	Range	Weighted average	Range	Weighted average
Office properties				
Discounted cash flow method				
Discount rate	5.6% - 8.8%	6.7 %	5.6% - 8.8%	6.9 %
Terminal capitalization rate	5.0% - 7.8%	6.0 %	5.0% - 7.8%	6.1 %
Retail properties				
Discounted cash flow method				
Discount rate	6.2% - 9.5%	7.7 %	6.2% - 9.5%	7.7 %
Terminal capitalization rate	5.4% - 8.8%	7.0 %	5.4% - 8.0%	6.9 %
Industrial and flex properties				
Discounted cash flow method				
Discount rate	5.3% - 8.5%	6.1 %	5.5% - 9.0%	6.6 %
Terminal capitalization rate	4.5% - 7.8%	5.4 %	5.0% - 8.3%	5.9 %
Total				
Discounted cash flow method				
Discount rate		6.8 %		7.0 %
Terminal capitalization rate		6.1 %		6.3 %

Finance Charges

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
Interest on mortgages payable ¹	19,253	19,563	(1.6)	36,757	43,590	(15.7)
Interest on debentures ²	12,117	16,648	(27.2)	24,250	31,278	(22.5)
Interest on bank borrowings	2,937	2,078	41.3	6,201	3,618	71.4
Amortization of deferred financing costs and other costs	1,396	1,103	26.6	2,662	2,128	25.1
Less: Capitalized interest ³	(1,304)	(2,480)	(47.4)	(3,651)	(4,450)	(18.0)
Total finance charges – Financial statements	34,399	36,912	(6.8)	66,219	76,164	(13.1)
Adjusted finance charges ⁴	34,399	34,425	(0.1)	66,219	69,054	(4.1)
Percentage of operating revenues	20.9 %	23.0 %		19.8 %	22.9 %	
Weighted average interest rate on total debt				3.78 %	3.89 %	

¹ Six-month period ended June 30, 2020 includes \$4.6 million of penalties paid on mortgage repayments before maturity

² Quarter ended June 30, 2020 includes \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption

³ Capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time.

⁴ Excludes penalties on mortgage repayments before maturity and yield management fees paid in connection with the Series 4 debenture redemption.

The decrease in finance charges during the second quarter of 2021, compared with the corresponding quarter of 2020, is mainly due to a decrease in interest on debentures related to the net redemption of \$250.0 million of debentures since May 2020, \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption paid in the second quarter of 2020 and a lower interest rate environment, partially offset by an increase in interest on bank borrowings related to the \$120.0 million secured credit facility which was only drawn in June 2020. Interest on mortgages payable for the quarter ended June 30, 2021 includes \$0.9 million of retroactive adjustments.

Trust Administrative Expenses

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
Salaries and other benefits	2,495	2,420	3.1	5,025	5,168	(2.8)
Compensation expense related to long-term incentive plan	980	840	16.7	1,487	1,657	(10.3)
Professional fees	720	311	131.5	1,322	480	175.4
Costs associated with public companies	264	184	43.5	479	408	17.4
Strategic alternatives consulting fees	2,512	—	100.0	3,888	—	100.0
Other fees	339	283	19.8	652	469	39.0
Total Trust administrative expenses — Financial statements	7,310	4,038	81.0	12,853	8,182	57.1
Adjusted Trust administrative expenses ¹	4,798	4,038	18.8	8,965	8,182	9.6

¹ The quarter and the six-month period ended June 30, 2021 exclude strategic alternatives consulting fees of \$2.5 million and \$3.9 million respectively.

During the second quarter of 2021, Trust administrative expenses increased compared with the corresponding quarter of 2020 due to \$2.5 million in strategic alternatives consulting fees and an increase in professional fees related to several consulting matters not related to the strategic alternatives review process, which include legal fees in connection with the management of tenants related matters.

Net Loss

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
Net loss	(91,390)	(318,119)	(71.3)	(41,126)	(273,145)	(84.9)
Net loss per unit (basic and diluted)	(0.50)	(1.74)	(71.3)	(0.23)	(1.50)	(84.7)
Weighted average number of units outstanding (basic)	182,744,485	182,635,565		182,737,210	182,565,912	
Weighted average number of units outstanding (diluted)	182,744,485	182,635,565		182,737,210	182,565,912	

The net loss decrease for the second quarter of 2021 compared to the corresponding period of 2020 is mainly due to the \$12.8 million increase in NOI, the decrease of finance charges of \$2.5 million, the decrease of the negative change in fair value of \$191.1 million and a decrease of \$15.7 million in impairment of goodwill, partially offset by an increase in Trust administrative expenses related to \$2.5 million of strategic alternative consulting fees.

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)		
	2021 ¹	2020 ¹		2021 ²	2020 ²	
	\$	\$	% Δ	\$	\$	% Δ
Net loss	(91,390)	(318,119)	(71.3)	(41,126)	(273,145)	(84.9)
Initial and re-leasing salary costs	300	854	(64.9)	1,290	1,846	(30.1)
Change in fair value of investment properties ³	136,382	330,634	(58.8)	136,447	329,426	(58.6)
Capitalizable interest on properties under development — joint ventures	48	136	(64.7)	96	273	(64.8)
Transaction costs	66	4,991	(98.7)	210	5,137	(95.9)
Impairment of goodwill	—	15,721	(100.0)	—	15,721	(100.0)
FFO ^{3,4}	45,406	34,217	32.7	96,917	79,258	22.3
Provision for leasing costs	(8,400)	(7,500)	12.0	(16,433)	(14,429)	13.9
Recognition of leases on a straight-line basis ³	(425)	445	(195.5)	(599)	(26)	2,203.8
Capital expenditures — maintenance of rental income generating capacity	(7,000)	(6,045)	15.8	(13,250)	(10,905)	21.5
AFFO ^{3,4}	29,581	21,117	40.1	66,635	53,898	23.6
Per unit information:						
FFO (FD) ^{4,5}	0.25	0.19	31.6	0.53	0.43	23.3
AFFO (FD) ^{4,5}	0.16	0.12	33.3	0.36	0.29	24.1
Weighted average number of units outstanding (FD) ⁵	182,967,372	182,802,565		182,951,612	182,883,814	
Payout ratio of AFFO ^{4,5}	56.3 %	150.0 %		50.0 %	124.1 %	

¹ Quarter ended June 30, 2021 includes the estimated financial impact of COVID-19 and \$2.5 million of strategic alternatives consulting fees (quarter ended June 30, 2020 includes the estimated financial impact of COVID-19 and \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption).

² In addition to the quarter events explained above, the six month period ended June 30, 2021 includes \$1.4 million of strategic alternatives consulting fees and a \$2.7 million distribution received in respect of a claim settlement regarding Sears Canada (the six-month period ended June 30, 2020 includes \$4.6 million of penalties paid on mortgage repayments before maturity).

³ Including Cominar's proportionate share in joint ventures.

⁴ Refer to section "Non-IFRS Financial Measures".

⁵ Fully diluted.

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
FFO - Office properties ¹	20,567	20,628	(0.3)	48,037	46,398	3.5
FFO - Retail properties ¹	18,040	3,976	353.7	38,974	25,848	50.8
FFO - Industrial and flex properties ¹	20,647	17,045	21.1	41,740	36,336	14.9
FFO - Corporate ¹	(13,848)	(7,432)	86.3	(31,834)	(29,324)	8.6
FFO	45,406	34,217	32.7	96,917	79,258	22.3
AFFO - Office properties ¹	12,653	13,340	(5.1)	37,172	33,128	12.2
AFFO - Retail properties ¹	13,131	993	1,222.4	30,238	18,709	61.6
AFFO - Industrial and flex properties ¹	17,645	14,200	24.3	37,279	31,417	18.7
AFFO - Corporate ¹	(13,848)	(7,416)	86.7	(38,054)	(29,356)	29.6
AFFO	29,581	21,117	40.1	66,635	53,898	23.6

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

FFO for the quarter ended June 30, 2021 amounted to \$45.4 million or \$0.25 per unit compared to \$0.19 for the previous year's comparable period due to the \$12.8 million increase in NOI (refer to the NOI section), the decrease of finance charges, partially offset by an increase in Trust administrative expenses related to \$2.5 million in strategic alternative consulting fees.

AFFO for the quarter ended June 30, 2021 amounted to \$29.6 million or \$0.16 per unit compared to \$21.1 million or \$0.12 for the previous year's comparable period. AFFO increased from the corresponding quarter of 2020 due mainly to the increase in FFO, partially offset by increases in the provision for leasing costs and capital expenditures - maintenance of rental income generating capacity.

FFO adjusted and AFFO adjusted

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

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
FFO ^{1,2} (Realpac definition)	45,406	34,217	32.7	96,917	79,258	22.3
Penalties on mortgage repayments before maturity	—	—	—	0	4,623	(100.0)
Sears Canada settlement	—	—	—	(2,715)	—	(100.0)
Debenture redemption costs	—	2,487	(100.0)	—	2,487	(100.0)
Strategic alternatives consulting fees	2,512	—	100.0	3,888	—	100.0
Interest on mortgages payable retroactive adjustments	900	—	100.0	—	—	—
FFO adjusted ^{1,2}	48,818	36,704	33.0	98,090	86,368	13.6
FFO adjusted (FD) per unit ^{2,3}	0.27	0.20		0.54	0.47	
AFFO ^{1,2}	29,581	21,117	40.1	66,635	53,898	23.6
Penalties on mortgage repayments before maturity	—	—	—	—	4,623	(100.0)
Sears Canada settlement	—	—	—	(2,715)	—	(100.0)
Debenture redemption costs	—	2,487	(100.0)	—	2,487	(100.0)
Strategic alternatives consulting fees	2,512	—	100.0	3,888	—	100.0
Interest on mortgages payable retroactive adjustments	900	—	100.0	0	—	—
AFFO adjusted ^{1,2}	32,993	23,604	39.8	67,808	61,008	11.1
AFFO adjusted (FD) per unit ^{2,3}	0.18	0.13		0.37	0.33	

¹ Including Cominar's proportionate share in joint ventures.

² Refer to section "Non-IFRS Financial Measures".

³ Fully diluted.

FFO adjusted and AFFO adjusted for the second quarter of 2021 and 2020 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 2021, the actual costs incurred by Cominar were \$8.7 million in leasehold improvements and \$1.8 million in leasing costs, while the provision for leasing costs amounted to \$8.4 million.

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Leasehold improvements	8,696	3,998	16,726	9,528
Leasing costs	1,829	1,542	3,440	3,748
Actual leasing costs — Cominar's proportionate share ^{1,2}	10,525	5,540	20,167	13,275
Provision for leasing costs in the calculation of AFFO ³	8,400	7,500	16,433	14,429

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 – maintenance of rental income generating capacity, which Cominar deducts in computing AFFO, corresponds to management's estimate of the non-income generating portion of 2021 projected expenditures that have to 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 deducted in determining NOI.

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

During the second quarter of 2021, the actual costs incurred by Cominar were \$2.9 million, while the deduction in the calculation of AFFO amounted to \$7.0 million. Year to date, actual costs incurred were \$6.9 million and management expects capital expenditures related to maintenance of rental income generating capacity for the year 2021 to be at usual annual levels.

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

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	%Δ
Distributions to unitholders	16,421	32,840	(50.0)	32,842	65,667	(50.0)
Per unit distribution	0.09	0.18		0.18	0.36	

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

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

Periods ended June 30	2021 (three months)	2021 (six months)	2020 (six months)	2019 (six months)
	\$	\$	\$	\$
Net income (loss)	(91,390)	(41,126)	(273,145)	95,783
Cash flows provided by operating activities - Financial statements	29,117	108,072	41,519	37,577
Distributions to unitholders	16,421	32,842	65,667	65,526
Surplus (deficit) of cash flows provided by operating activities compared with distribution to unitholders	12,696	75,230	(24,148)	(27,949)

For the first six months of 2021, cash flows provided by operating activities presented a \$75.2 million surplus over distributions to unitholders. The surplus of cash of \$75.2 million after six months compared to \$(27.9) million in 2020 resulted mainly from a stronger NOI, a favorable change in non-cash working capital items, namely in accounts receivable, and from the 2020 decrease in distributions to unitholders.

Liquidity and Capital Resources

During the second quarter of 2021, Cominar generated \$29.1 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 from operations, asset sales, proceeds from new mortgages payable, proceeds from debenture issuances, cash and equivalents and amounts available on the credit facilities.

Debt Management

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

As at June 30, 2021, Cominar's debt ratio stood at 55.6% (55.3% as at December 31, 2020) consisting of mortgages, senior unsecured debentures and bank loans less cash and cash equivalents. Mortgages payable represented approximately 59.4% of total debt, senior unsecured debentures represented approximately 30.7%, while bank borrowings represented approximately 9.9%. As at June 30, 2021, the weighted average annual contractual rate was 3.78% (3.76% as at December 31, 2020) and the residual weighted average remaining term was 3.4 years (3.8 years as at December 31, 2020) .

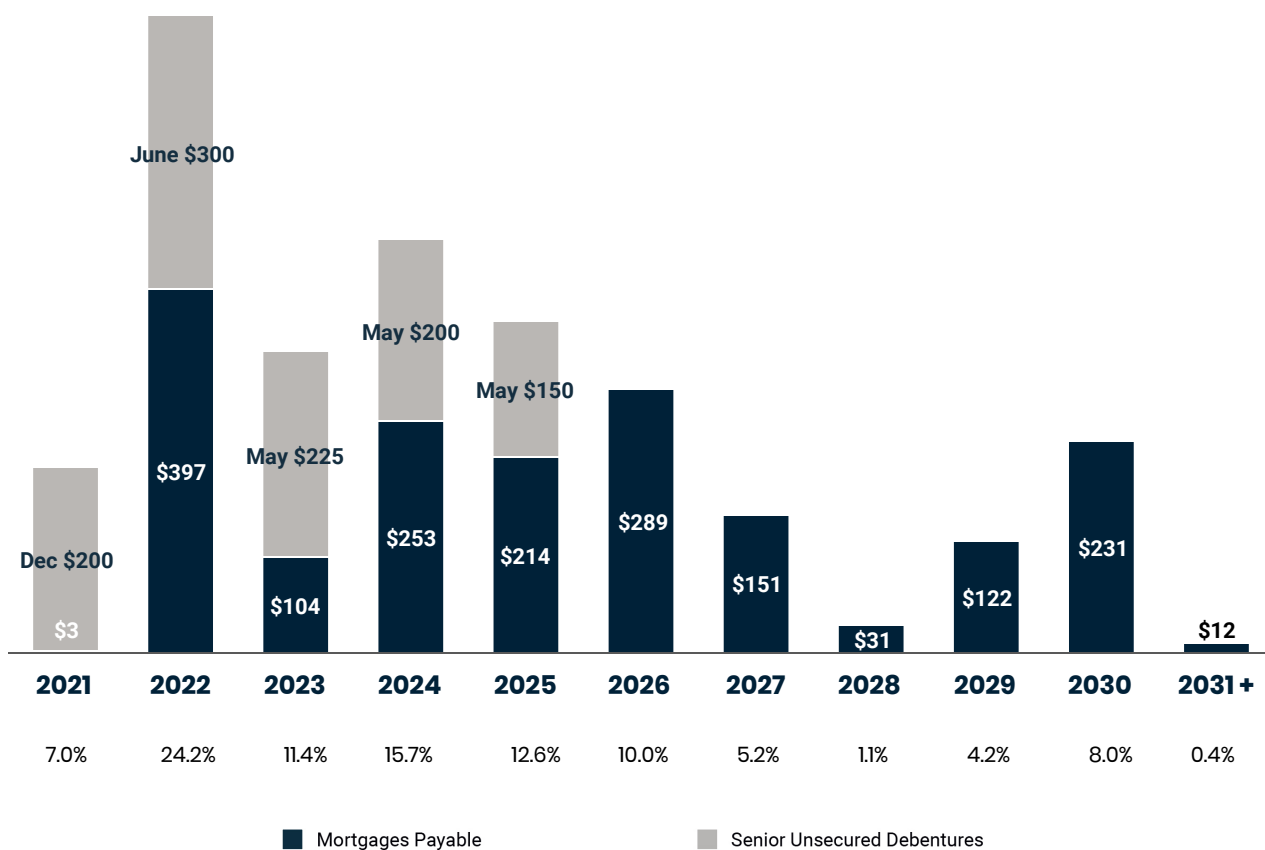
As at June 30, 2021, 88.8% of Cominar's total debt was fixed rate and 11.2% was variable rate.

Debt Summary

	June 30, 2021			December 31, 2020		
		Weighted average contractual rate	Residual weighted average term		Weighted average contractual rate	Residual weighted average term
	\$			\$		
Mortgages payable	2,075,981	3.53 %	4.6 years	2,105,906	3.54 %	4.9 years
Debentures	1,071,165	4.51 %	1.8 years	1,070,491	4.51 %	2.3 years
Bank borrowings secured	300,880	3.00 %	1.6 years	292,800	2.90 %	2.4 years
Bank borrowings unsecured	45,000	2.92 %	0.9 year	74,158	2.56 %	0.6 years
Total debt	3,493,026	3.78 %	3.4 years	3,543,355	3.76 %	3.8 years
Cash and cash equivalents	(11,543)	1.20 %		(13,594)	0.70 %	
Net debt	3,481,483			3,529,761		

Long Term Debt Maturities

As at June 30, 2021
[\$ million]



Mortgages Payable

As at June 30, 2021, the balance of mortgages payable was \$2,076.0 million, down \$29.9 million from \$2,105.9 million as at December 31, 2020. This decrease is mainly explained by monthly repayments of capital totaling \$25.3 million. As at June 30, 2021, the weighted average contractual rate was 3.53% and the effective weighted average interest rate was 3.99%, stable since December 31, 2020.

Contractual maturities of mortgages payable

Years ending December 31	Repayment of principal \$	Balances at maturity \$	Total \$	Weighted average contractual rate
2021 (period from July 1 to December 31)	24,194	2,791	26,985	5.30 %
2022	42,123	397,010	439,133	3.06 %
2023	55,951	104,292	160,243	4.17 %
2024	47,152	252,602	299,754	3.91 %
2025	37,812	213,508	251,320	3.18 %
2026	22,044	288,527	310,571	3.52 %
2027	19,367	151,199	170,566	3.25 %
2028	14,447	30,836	45,283	4.48 %
2029	11,952	122,034	133,986	3.56 %
2030	3,561	231,411	234,972	4.00 %
2031 and thereafter	2,069	11,649	13,718	4.19 %
Total	280,672	1,805,859	2,086,531	3.53 %

Cominar's contractual mortgage maturities are staggered over a number of years to reduce risks related to renewal. As at June 30, 2021, the residual weighted average term of mortgages payable was 4.6 years.

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

Senior Unsecured Debentures

	Date of issuance	Contractual interest rate	Effective interest rate	Dates of interest payments	Maturity date	Nominal value as at June 30, 2021 \$
Series 8	December 2014	4.25 %	4.34 %	June 8 and December 8	December 2021	200,000
Series 9	June 2015	4.16 %	4.25 %	June 1 and December 1	June 2022	300,000
Series 10	May 2016	4.25 %	4.34 %	May 23 and November 23	May 2023	225,000
Series 11	May 2019	4.50 %	4.82 %	May 15 and November 15	May 2024	200,000
Series 12	May 2020	5.95 %	6.24 %	May 5 and November 5	May 2025	150,000
Weighted average interest rate		4.51 %	4.67 %			
Total						1,075,000

As at June 30, 2021, the residual weighted average term of senior unsecured debentures was 1.8 years.

Bank Borrowings

On April 9, 2021, Cominar converted the \$400.0 million unsecured revolving credit facility which was maturing in July 2021 into a \$250.0 million unsecured revolving credit facility maturing in April 2022 and a \$150.0 million secured revolving credit facility maturing in April 2023. This credit facility bears interest at the prime rate plus 175 basis points for the unsecured portion and 150 basis points for the secured portion, or at the bankers' acceptance rate plus 275 basis points for the unsecured portion and 250 basis points for the secured portion. As at June 30, 2021, the \$150.0 million portion of the credit facility was secured by immovable hypothecs on investment properties with a book value of \$259.2 million. These credit facilities contain certain restrictive covenants,

with which Cominar was in compliance as at June 30, 2021. As at June 30, 2021, bank borrowings under those facilities totaled \$56.7 million and availability was \$343.3 million.

As at June 30, 2021, Cominar had a non-revolving secured credit facility of \$169.2 million maturing in September 2023. This credit facility bears interest at the prime rate plus 150 basis points or at the bankers' acceptance rate plus 250 basis points and have quarterly principal repayments of \$1.8 million. As at June 30, 2021, this credit facility was secured by immovable hypothecs on investment properties with a book value of \$283.9 million. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2021. As at June 30, 2021, this secured credit facility was fully used.

As at June 30, 2021, Cominar had a non-revolving secured credit facility of \$120.0 million maturing in September 2022. This 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, 2021, this credit facility was secured by immovable hypothecs on investment properties with a book value of \$192.0 million. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2021. As at June 30, 2021, this secured credit facility was fully used.

Debt Ratio

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

	June 30, 2021	December 31, 2020
	\$	\$
Mortgages payable	2,075,981	2,105,906
Debentures	1,071,165	1,070,491
Bank borrowings	345,880	366,958
Cash and cash equivalents	(11,543)	(13,594)
Total net debt	3,481,483	3,529,761
Total assets less cash and cash equivalents	6,264,929	6,380,685
Debt ratio ^{1,2}	55.6 %	55.3 %

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.

	June 30, 2021	December 31, 2020
	\$	\$
Mortgages payable	2,075,981	2,105,906
Debentures	1,071,165	1,070,491
Bank borrowings	345,880	366,958
Total debt	3,493,026	3,543,355
NOI (last 12 months)	340,781	327,187
Adjusted Trust administrative expenses (last 12 months) ¹	(16,062)	(15,279)
Recognition of leases on a straight-line basis (last 12 months)	926	1,485
EBITDA (last 12 months) ²	325,645	313,393
Debt/EBITDA ratio ²	10.7 x	11.3x

¹ Exclude strategic alternatives consulting fees of \$3.9 million in 2021.

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.

	June 30, 2021	December 31, 2020
	\$	\$
NOI (last 12 months)	340,781	327,187
Adjusted Trust administrative expenses (last 12 months) ¹	(16,062)	(15,279)
	324,719	311,908
Adjusted finance charges (last 12 months) ²	134,021	136,530
Interest coverage ratio ³	2.42:1	2.28 : 1

¹ Excludes strategic alternatives consulting fees of \$3.9 million in 2021.

² Excludes \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption in Q2-2020 and \$4.6 million of penalties paid on mortgage repayments before maturity in Q1-2020.

³ Refer to section "Non-IFRS Financial Measures".

Unencumbered Assets and Unsecured Debt

	June 30, 2021		December 31, 2020	
	Number of properties	Fair value of properties (\$)	Number of properties	Fair value of properties (\$)
Unencumbered income office properties ¹	36	645,562	35	709,049
Unencumbered income retail properties ¹	24	432,011	27	645,265
Unencumbered income industrial and flex properties ¹	74	636,944	78	634,715
Total unencumbered income properties ¹	134	1,714,517	140	1,989,029
Unencumbered assets to unsecured net debt ratio ^{2,3}		1.55:1		1.76:1
Unsecured debt-to-total-debt ratio ^{3,4}		32.0 %		32.2 %

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, 2021, the unencumbered assets to unsecured net debt ratio stood at 1.55:1, above the required ratios of 1.30:1 and 1.40:1 contained in the restrictive covenant of outstanding debentures (except debentures Series 11 and Series 12 which do not have that covenant) and the unsecured credit facility, respectively. The decline of this ratio from 1.76:1 as at December 31, 2020 to 1.55:1 as at June 30, 2021 is accounted for by the fact that the \$400.0 million unsecured revolving credit facility which was maturing in July 2021 was partially converted into a \$150.0 million secured revolving credit facility. Even if only \$11.7 million was drawn under the secured revolving credit facility as at June 30, 2021, the impact on the unencumbered assets to unsecured net debt ratio is the same as if the \$150.0 million line was fully drawn.

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

	June 30, 2021	December 31, 2020
	\$	\$
Income properties — Cominar's proportionate share ¹	6,118,557	6,238,910
Properties under development and land held for future development — Cominar's proportionate share	119,485	133,104
Investment properties held for sale	44,897	20,990
Number of income properties	310	314
Leasable area (sq. ft.)	35,671,000	35,821,000

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

Summary by property type

June 30, 2021	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share
	\$	\$	\$	\$
Income properties	2,313,074	1,632,906	2,172,577	6,118,557
Properties under development	—	36,885	28,502	65,387

	June 30, 2021		December 31, 2020	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	79	11,065,000	80	11,089,000
Retail	41	9,354,000	44	9,480,000
Industrial and flex	190	15,252,000	190	15,252,000
Total	310	35,671,000	314	35,821,000

Summary by geographic market

	June 30, 2021		December 31, 2020	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Montreal	193	23,493,000	194	23,517,000
Quebec City	97	9,637,000	100	9,763,000
Ontario - Ottawa ¹	20	2,541,000	20	2,541,000
Total	310	35,671,000	314	35,821,000

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 2021, Cominar incurred \$11.0 million [\$13.0 million in the corresponding quarter of 2020] in capital expenditures specifically to increase the rental income generating capacity of its properties. These capital expenditures include, among others, investments of \$7.1 million in revitalizations and redevelopments. Cominar also incurred \$2.9 million [\$0.9 million in the corresponding quarter of 2020] 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 2021, Cominar made investments of \$8.7 million in leasehold improvements and \$1.8 million in leasing costs [\$4.0 million in leasehold improvements and \$1.5 million in leasing costs in the corresponding quarter of 2020].

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

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	%Δ
Capital expenditures — increase of rental income generating capacity						
Revitalization and redevelopment	7,061	7,242	(2.5)	11,981	21,992	(45.5)
Capitalized interests on revitalization and redevelopment	591	563	5.0	1,154	935	23.4
Structural work for common areas, parking, preparation of base building etc.	3,397	5,192	(34.6)	8,804	13,831	(36.3)
Capital expenditures — increase of rental income generating capacity	11,049	12,997	(15.0)	21,939	36,758	(40.3)
Capital expenditures — maintenance of rental income generating capacity	2,939	883	232.8	6,939	3,134	121.4
Total ¹	13,988	13,880	0.8	28,878	39,892	(27.6)
Leasehold improvements	8,696	3,998	117.5	16,726	9,528	75.5
Leasing costs	1,829	1,542	18.6	3,440	3,748	(8.2)
Subtotal capital expenditures	24,513	19,420	26.2	49,044	53,168	(7.8)
Properties under development	46	6,683	(99.3)	815	13,810	(94.1)
Capitalized interests on properties under development	738	1,941	(62.0)	2,282	3,574	(36.1)
Total capital expenditures (including capitalized interests) ¹	25,297	28,044	(9.8)	52,141	70,552	(26.1)
Total capital expenditures (excluding capitalized interests) ¹	23,968	25,540	(6.2)	48,705	66,043	(26.3)

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

During the second quarter of 2021, Cominar invested \$10.5 million in office income properties, \$10.8 million in retail income properties, and \$4.0 million in industrial and flex income properties, compared to \$11.8 million, \$13.7 million and \$2.5 million respectively for the corresponding quarter of 2020.

Investment Properties Held for Sale

	Six-month period ended June 30, 2021				Year ended December 31, 2020
	Office properties	Retail properties	Industrial and flex properties	Total	Total
	\$	\$	\$	\$	\$
Investment properties					
Balance, beginning of period	3,000	17,990	—	20,990	11,730
Transfer from income properties	40,050	—	—	40,050	36,160
Transfers from properties under development and land held for future development	—	597	4,250	4,847	—
Capitalized costs ¹	(54)	115	—	61	93
Change in fair value	54	(115)	—	(61)	(2,788)
Dispositions	(3,000)	(17,990)	—	(20,990)	(24,205)
Balance, end of period	40,050	597	4,250	44,897	20,990

¹ Includes \$0 (\$50) in 2020) of recognition of leases on a straight-line basis.

During the six-month period ended June 30, 2021, Cominar sold 4 investment properties held for sale for a total sales price of \$21.0 million.

Dispositions of Investment Properties Held for Sale

Address	Area	Property type	Leasable area sq. ft.	Transaction date	Selling price \$
355, rue du Marais, Québec, Québec	Quebec	Retail	38,000	March 10, 2021	5,800
325, rue du Marais, Québec, Québec	Quebec	Retail	80,000	March 10, 2021	10,500
230, boulevard des Bois-Francis Sud, Victoriaville, Québec	Quebec	Retail	8,000	March 30, 2021	1,690
3669-3681, boulevard des Sources, Dollard-des-Ormeaux, Québec	Montreal	Office	24,000	February 15, 2021	3,000
			150,000		20,990

Dispositions of Properties Under Development and Land Held for Future Development

Date	Property type	Number of properties	Geographic market	Total selling price (\$)
June 2, 2021	Land	—	Quebec City	5,500

Real Estate Operations

Occupancy Rate

Occupancy rate track record

	Committed			In-place		
	June 30, 2021	Dec. 31, 2020	June 30, 2020	June 30, 2021	Dec. 31, 2020	June 30, 2020
Property type						
Office	90.4 %	93.1 %	93.0 %	88.6 %	91.4 %	90.3 %
Retail	89.9 %	90.8 %	91.8 %	85.7 %	86.3 %	85.3 %
Industrial and flex	97.1 %	96.7 %	95.7 %	96.0 %	95.3 %	93.5 %
Total	93.2 %	94.0 %	93.9 %	91.0 %	91.7 %	90.4 %

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

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

Leasing Activity

	Office	Retail	Industrial and flex	Total
Leases maturing in 2021				
Number of clients	169	514	186	869
Leasable area (sq. ft.)	1,716,939	1,522,920	2,156,529	5,396,388
Renewed leases				
Number of clients	78	208	95	381
Leasable area (sq. ft.)	1,232,547	853,814	1,283,736	3,370,097
Retention rate	71.8 %	56.1 %	59.5 %	62.5 %
New leases				
Number of clients	30	49	69	148
Leasable area (sq. ft.)	287,348	382,688	800,754	1,470,790
Unexpected departures				
Number of clients	14	22	7	43
Leasable area (sq. ft.)	130,000	43,000	67,000	240,000

Growth in the average net rent of renewed leases

	Quarter ended June 30, 2021		Six-month period ended June 30, 2021		Year ending December 31, 2021		Year ended December 31, 2020	
Property type	Renewed leasable area (sq. ft.)	Growth in the average net rent	Renewed leasable area (sq. ft.)	Growth in the average net rent	Renewed leasable area (sq. ft.)	Growth in the average net rent	Renewed leasable area (sq. ft.)	Growth in the average net rent
Office	294,235	7.3 %	654,287	3.6 %	1,232,547	7.5 %	1,072,000	7.6 %
Retail	129,263	5.3 %	498,841	(0.4)%	853,814	0.9 %	1,170,000	(4.3)%
Industrial and flex	428,906	24.8 %	2,039,766	19.1 %	1,283,736	21.5 %	2,306,000	18.0 %
Portfolio total	852,404	13.3 %	3,192,894	7.0 %	3,370,097	8.9 %	4,548,000	7.4 %

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

As at June 30, 2021, 62.5% [51.7% in 2020] of the leasable area maturing in 2021 was renewed representing 3.4 million square feet at 8.9% growth in the average net rent, and 60.4% of leases that matured during the second quarter of 2021 was renewed representing 0.9 million square feet at 13.3% growth in the average net rent. New leases were also signed, representing 1.5 million square feet of leasable area for 2021, while tenants whose leases were not expiring that left before the end of their lease totaled a leasable area of 0.2 million square feet. As at June 30, 2021, 89.7% of the leasable area maturing in 2021 and 89.4% of leasable area maturing in the second quarter of 2021 were covered by renewals and new leases.

Lease Maturities

Years ending December 31	2022	2023	2024	2025	2026
Office					
Leasable area (sq. ft.)	1,162,481	1,387,538	1,235,955	1,257,302	577,876
% of total portfolio – Office	10.5 %	12.5 %	11.2 %	11.4 %	5.2 %
Retail					
Leasable area (sq. ft.)	1,208,833	982,672	833,797	832,096	497,257
% of portfolio – Retail	12.9 %	10.5 %	8.9 %	8.9 %	5.3 %
Industrial and flex					
Leasable area (sq. ft.)	2,581,126	2,370,051	1,718,022	1,858,118	1,279,827
% of portfolio – Industrial and flex	16.9 %	15.5 %	11.3 %	12.2 %	8.4 %
Portfolio total					
Leasable area (sq. ft.)	4,952,440	4,740,261	3,787,774	3,947,516	2,354,960
% of portfolio – Total	13.9 %	13.3 %	10.6 %	11.1 %	6.6 %

The following table summarizes information on leases as at June 30, 2021:

	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	5.4	8.6	12,419	18.32
Retail	4.9	8.1	4,909	19.14
Industrial and flex	7.0	7.6	16,892	7.32
Weighted average of total portfolio	6.0	8.0	9,835	13.47

Cominar has a broad, highly diversified retail client base consisting of approximately 3,450 tenants occupying an average of 9,835 square feet each. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 14.1% of operating revenues come from government agencies, over 100 leases.

Top 10 clients

Top 10 clients	% of leasable area ¹	% of operating revenues ¹
Société québécoise des infrastructures	5.6 %	6.2 %
Public Works Canada	4.0 %	4.5 %
Canadian National Railway Company	1.8 %	3.4 %
Infra MTL Inc	3.1 %	2.3 %
Canadian Tire group	1.6 %	1.4 %
Winners merchants	0.8 %	1.1 %
Loblaws group	0.8 %	0.9 %
Groupe immobilier Desjardins	0.7 %	0.9 %
Ford motor company of Canada, Limited	0.5 %	0.9 %
Metro group	0.8 %	0.8 %
Total	19.7 %	22.4 %

¹ Based on tenants in-place as at June 30, 2021

Office Highlights

Quarter ended June 30, 2021

Reduction in same property net operating income^{1,2}

Six-month period ended June 30, 2021: (1.7)%

(4.0)%

Growth in the average net rent of renewed leases

7.3%

Committed occupancy rate

90.4%

In-place occupancy rate

88.6%

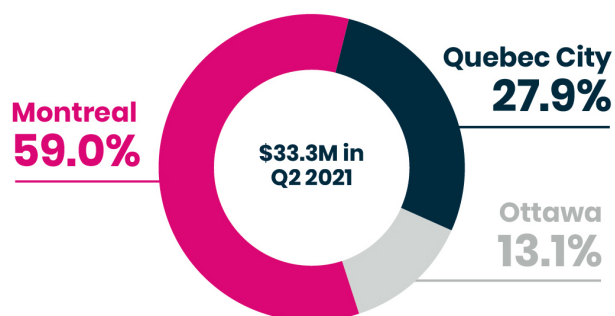
Rent collection³

98.1%

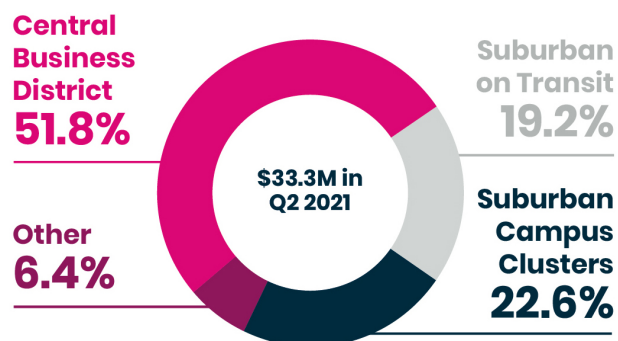
Change in fair value

\$(81)M

**Same Property NOI
by Geographic Market⁴**



**Same Property NOI
by Segment⁴**



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

² Includes estimated financial impact of COVID-19.

³ Including amounts to be collected from government agencies.

⁴ Split as per quarter ended June 30, 2021.

Office Financial and Operational Highlights

Periods ended June 30	Quarter ²			Year-to-date (six months) ²		
	2021	2020		2021 ²	2020	
	\$	\$	% Δ	\$	\$	% Δ
Financial performance						
Operating revenues — Cominar's proportionate share ¹	67,862	68,117	(0.4)	137,499	139,777	(1.6)
NOI — Cominar's proportionate share ¹	34,276	34,845	(1.6)	68,746	69,364	(0.9)
Same property NOI ¹	33,257	34,653	(4.0)	67,513	68,655	(1.7)
Change in fair value of investment properties	(81,338)	(41,376)	96.6	(81,283)	(39,931)	103.6
Net income (loss)	(60,987)	(24,491)	149.0	(34,106)	2,165	(1,675.3)
Funds from operations (FFO) ¹	20,567	20,628	(0.3)	48,037	46,398	3.5
Adjusted funds from operations (AFFO) ¹	12,653	13,340	(5.1)	37,172	33,128	12.2
Income properties fair value — Cominar's proportionate share ¹				2,313,074	2,293,122	0.9
Financing						
Mortgages payable — Cominar's proportionate share ¹				886,099	754,892	
Unencumbered income properties				645,562	813,060	
Mortgages payable to income properties ratio ^{1,3}				38.3 %	32.9 %	
Operational data						
Number of investment properties				79	80	
Leasable area (in thousands of sq. ft.)				11,065	11,056	
Committed occupancy rate				90.4 %	93.0 %	
In-place occupancy rate				88.6 %	90.3 %	
Retention rate				71.8 %	53.9 %	
Growth in the average net rent of renewed leases				3.6 %	7.9 %	
Development activities						
Properties under development — Cominar's proportionate share ¹				—	22,432	

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

² Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

³ Total of mortgages payable divided by total of income properties fair value - Cominar's proportionate share.

COVID-19 – Impact Analysis and Risks – Office

Operations

Throughout most of 2020 and since the beginning of 2021, the Quebec government has taken several measures to reduce the progression of the COVID-19 pandemic. In the office sector, teleworking has remained compulsory for people working in the public or private sectors since December 17, 2020, with the exception of workers whose employers deem their presence essential to continue the activities of the organization.

More recently, Quebec government agencies have set the tone in regards of teleworking standards by asking for the vast majority of employees to be at the office at least 2 days per week, starting in January 2022. Public servants who have been teleworking for more than 15 months now are expected to begin to gradually return to their workplaces on or about September 7, 2021.

Due to the temporary drop in traffic in our office properties, we have seen a significant reduction in parking revenues for the fifth consecutive quarter which still represents the biggest headwind impacting the office sector NOI. However, we are starting to see an increase in revenues in some of our most traffic driven properties such as Place Alexis-Nihon and Gare Centrale in Montreal. Properties with a government dominant occupancy are impacted the most for now. We are actively seeking new operating strategies and opportunities to drive higher revenues from our parking in the post-COVID-19 dynamic.

Our collection rate for the second quarter of 2021 was 96.4%, compared to 97.4% for the first quarter of 2021. Including amounts to be collected from government agencies, our collection rate for the second quarter of 2021 stood at 98.1%.

According to independent market reports, the weighted average occupancy in the combined Montreal, Ottawa and Québec City markets decreased by 2.3% since the beginning of the Pandemic. The Cominar portfolio weighted average occupancy reduction was only 1.1 % during the same period in these three markets.

The adoption of teleworking has triggered a general reflection on the needs, location and use of office space, putting on hold several expansion projects of our tenants. We have seen an increase in the vacancy rate and sublet space in all markets. However, several signs are now indicating us that the situation is improving. For example, in Montreal for the first time since the start of the

pandemic, quarter over quarter growth in vacant office space is at its lowest after increasing by only 80 basis points to 12.3% across the region.

We are currently not seeing a major impact on rents, albeit with modest increases at renewal for the office segment. Based on the increased competitiveness in our markets, we currently have to structure transactions differently with shorter terms and/or higher incentives on a case-by-case basis.

Agility measures

In response to the recent increase in construction costs, we are carefully reviewing all capex spending in order to invest strategically. With the gradual reopening of office spaces, our operations teams continue to make every effort to keep operating expenses at an optimal level while continuing to implement sanitary measures to meet government health requirements in our office buildings.

At the same time, we have strengthened our collection process and are closely monitoring the financial health of our tenants. When appropriate, and if they are available, we direct them to the applicable and pertinent government assistance programs.

Trade Receivables and Expected Credit Losses – Office

The following table presents office net trade receivables as at June 30, 2021 and December 31, 2020:

Office trade receivables	June 30, 2021	December 31, 2020
	\$	\$
Trade receivables	19,281	18,729
Provision for expected credit losses	(1,818)	(3,420)
Total net trade receivables	17,463	15,309

Office trade receivables include \$5.2 million invoiced to tenants during the second quarter of 2021 for work performed in their premises and \$5.7 million due by government agencies (up \$2.3 million from December 31, 2020) for which final leases still need to be received, a condition for rental payments to be in effect although the occupancy is already effective. Government receivables are not at risk in those circumstances.

The following table highlights expected credit losses for the periods ended June 30, 2021 and 2020 :

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expected credit losses on trade receivables	250	851	1,507	1,227
Expected credit losses - forgiven portion of the CECRA programs	—	170	—	170
Expected credit losses - prior period provisions reversal	(343)	—	(1,643)	—
Expected credit losses - rent reductions	—	564	—	564
Total expected credit losses	(93)	1,585	(136)	1,961
Percentage of operating revenues	(0.1)%	2.5 %	(0.1)%	1.5 %

Expected credit losses for the quarter ended June 30, 2021 were favorably impacted by a partial reversal of previous expected credit losses provisions in the amount of \$0.3 million.

Results of Operations – Office

The following table highlights our office results of operations as shown in our condensed interim consolidated financial statements for the periods ended June 30, 2021 and 2020:

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020		2021 ¹	2020	
	\$	\$	% Δ	\$	\$	% Δ
Operating revenues	64,029	63,846	0.3	129,809	131,864	(1.6)
Operating expenses	(31,950)	(31,347)	1.9	(65,507)	(67,162)	(2.5)
NOI	32,079	32,499	(1.3)	64,302	64,702	(0.6)
Finance charges	(7,963)	(8,628)	(7.7)	(13,992)	(16,327)	(14.3)
Trust administrative expenses	(599)	(590)	1.5	(1,230)	(1,268)	(3.0)
Change in fair value of investment properties	(81,338)	(41,376)	96.6	(81,283)	(39,931)	103.6
Share of joint ventures' net loss	(3,109)	(3,107)	0.1	(1,727)	(1,690)	2.2
Transaction costs	(57)	(3,291)	(98.3)	(176)	(3,320)	(94.7)
Net income (loss) before income taxes	(60,987)	(24,493)	149.0	(34,106)	2,166	(1,674.6)
Current income taxes	–	4	(100.0)	–	4	(100.0)
Net income (loss) and comprehensive income (loss)	(60,987)	(24,489)	149.0	(34,106)	2,170	(1,671.7)

¹ Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

NOI for the second quarter of 2021 decreased by a slight 1.3% when compared to the corresponding period of 2020 despite a full year of the financial impact of COVID-19 on operating revenues, which was counter-balanced by Cominar's efforts to reduce its operating expenses.

With the gradual reopening of office spaces, operating expenses have increased by \$0.6 million in property maintenance while expected credit losses have decreased by \$1.7 million for the quarter and \$2.1 million for the six-month period as the economy is rebuilding and our collection levels improve.

In addition, the decrease of the occupancy rate was partially offset by sustained growth in rents for leases renewed during the last twelve months. In all, over 1.2 million square feet have been renewed since July 1, 2020 with positive net rental growth in all of our 3 markets averaging 5.8% (+ \$0.66 per square foot).

Results of Operations – Same Property Office Portfolio

Cominar analyzes its results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties and pays particular attention to the performance of its same property portfolio. Same property office NOI exclude rental income arising from the recognition of leases on a straight-line basis.

Same property office portfolio NOI

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020		2021 ¹	2020	
	\$	\$	% Δ	\$	\$	% Δ
Same property operating revenues - Cominar's proportionate share ²	66,303	67,324	(1.5)	134,939	138,113	(2.3)
Same property operating expenses - Cominar's proportionate share ²	(33,046)	(32,671)	1.1	(67,426)	(69,458)	(2.9)
SPNOI - Cominar's proportionate share ²	33,257	34,653	(4.0)	67,513	68,655	(1.7)

¹ Quarter ended June 30, 2021 and 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)		
	2021 ¹	2020		2021 ¹	2020	
	\$	\$	% Δ	\$	\$	% Δ
Geographic Market						
Montreal	19,629	19,595	0.2	39,609	39,249	0.9
Quebec City	9,271	9,503	(2.4)	18,447	18,619	(0.9)
Ottawa ²	4,357	5,555	(21.6)	9,457	10,787	(12.3)
SPNOI – Cominar's proportionate share ³	33,257	34,653	(4.0)	67,513	68,655	(1.7)

¹ Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"

² For presentation purposes, the Gatineau area is included in the Ottawa geographic market.

³ Refer to section "Non-IFRS Financial Measures".

The overall 4.0% decrease of the SPNOI is mostly related to a 1.7% decrease year-over-year of the in-place occupancy rate and a \$0.4 million decrease in parking revenues year over year.

In Montreal, the SPNOI for the second quarter has remained unchanged. While our year-over-year occupancy rate for central business district (CBD) properties has decreased by 2.7% and our suburban occupancy has decreased by 1.1%, our operating revenues have decreased by 0.6%, supported by higher rental rates and more favorable than expected credit losses.

We also observed during the second quarter of 2021 our first increases in five quarters in parking revenues of over \$0.1 million at each our two most important parking properties, Place Alexis-Nihon and Gare Centrale.

The Quebec City portfolio recorded a decrease of 2.4% in SPNOI in the second quarter, mostly related to a decrease of urban parking revenues and a decrease of the in-place occupancy rate of 1.8%, which were both partially offset by a reduction of expected credit losses. The high proportion of gross leases with government tenancies (61%) played in favor of Cominar in regards of the efforts to reduce operating expenses during the pandemic.

The 21.6% decrease in SPNOI in Ottawa is explained by lower parking revenues in the downtown core and a 5.0% decrease of the in-place occupancy rate following the expiry of a 100,000 square feet at 1000 Innovation Drive in Kanata, for which we already have significant committed and prospective leasing activity.

Overall, our intensive efforts to control and optimize expenses, along with a solid rent collection rate has allowed us to compensate for an important part of the negative impact of the pandemic, namely the decrease of occupancy with a few key lease expiries and the reduction in parking revenues. With over 48% of their rents derived from governmental agencies leases, the Quebec City and Ottawa markets are expected to continue to provide a stable contribution in the coming years.

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020		2021 ¹	2020	
	\$	\$	% Δ	\$	\$	% Δ
Segment						
Central Business District	17,252	18,426	(6.4)	35,129	37,654	(6.7)
Suburban on Transit	6,376	5,951	7.1	12,108	10,775	12.4
Suburban Campus Clusters	7,506	8,331	(9.9)	15,962	15,538	2.7
Other	2,123	1,946	9.1	4,314	4,688	(8.0)
SPNOI – Cominar's proportionate share ²	33,257	34,654	(4.0)	67,513	68,655	(1.7)

¹ Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"

² Refer to section "Non-IFRS Financial Measures".

In the second quarter of 2021, our CBD properties continued to encounter a decline in parking revenues and occupancy following a few key lease expiries. We anticipate that the demand for parking facilities will gradually come back when office workers return to offices in the fall of 2021, as many workers may prefer to use their car over public transit, at least in the short term. We anticipate that the fundamentals of CBD attractiveness will return over the medium to long term and the short term performance will fluctuate until the confidence in public transit is restored and the remaining subleases and new supplies coming in the market are absorbed.

On the other hand, excluding CBD properties, our properties have shown a solid 5% growth in SPNOI versus the second quarter of 2020, more precisely in Montreal, propelled by the commencement of major leases totaling 230,000 square feet at 5100 Sherbrooke and 255 Crémazie.

Post-COVID-19, we anticipate that many organizations will consider introducing a work-from-home to work-near-home solution as workers are anxious to better work-life balance including a return to an office near their home in combination to partial work-from-home flexibility. In Montreal, the market is already showing signs of this throughout the suburban office markets as the South Shore,

West Island and Center East were among the most active markets where new tenants are migrating, likely due to the new supply and the proximity to employees' homes and access to the soon-to-be-delivered light rail transit system. Accordingly, market asking rents were on the rise in suburbs and mid towns while declining slightly in downtown core.

This context is favorable for Cominar to capture leasing opportunities as 70% of our office vacancy resides in the suburbs, while our CBD Montreal portfolio has a post-COVID 88.7% occupancy (while the market is at 88.9 %) along with a weighted average lease term of 5.3 years.

Same property office portfolio NOI weighting

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
Geographic market				
Montreal	59.0 %	56.6 %	58.7 %	57.2 %
Quebec City	27.9 %	27.4 %	27.3 %	27.1 %
Ottawa ¹	13.1 %	16.0 %	14.0 %	15.7 %
SPNOI – Cominar's proportionate share ²	100.0 %	100.0 %	100.0 %	100.0 %

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

² Refer to section "Non-IFRS Financial Measures".

The weighing of our SPNOI per geographic market remains stable year over year, despite the parking revenues decrease in Montreal.

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
Segment				
Central Business District	51.8 %	53.2 %	52.1 %	54.9 %
Suburban on Transit	19.2 %	17.2 %	17.9 %	15.7 %
Suburban Campus Clusters	22.6 %	24.0 %	23.6 %	22.6 %
Other	6.4 %	5.6 %	6.4 %	6.8 %
SPNOI – Cominar's proportionate share ¹	100.0 %	100.0 %	100.0 %	100.0 %

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

Our CBD portfolio remains a most important SPNOI driver in the office sector but its contribution reduced slightly in the first two quarters of 2021, mostly because of the temporary reduction in parking revenues and a decrease in occupancy. In the past year, the contribution of the suburbs and the outskirts of the CBD increased, assisted by a major lease with a para-governmental entity in Montreal-East. This may also be a continuing trend and an opportunity for Cominar as demand for suburban office solutions is increasing faster than for CBD in the COVID-19 environment and this is where most of our vacancy (70%) is located. Therefore, we anticipate that the suburban office contribution may continue to increase over the coming quarters.

Change in fair value of investment properties – Office portfolio

Office values have decreased by 3.5% on a proportionate basis in the first six months of 2021 due to uncertainty of the COVID-19 impact on a mid to long term basis. Leasing negotiations until the end of 2021 will allow to better assess if tenants intend to reconsider their space needs, relocate in suburban properties, maintain their location with potential upgrades for new sanitary measures, etc. As such, assumptions in appraisals have increased the vacancy absorption period, reduced market growth in the first years and increased bad debt provisions, and also increased discount rates.

Office property portfolio

Office	June 30, 2021		December 31, 2020	
	Number of properties	Leasable area sq. ft	Number of properties	Leasable area sq. ft
Geographic Market				
Montreal	48	6,464,000	50	6,554,000
Quebec City	13	2,409,000	13	2,409,000
Ottawa ¹	18	2,192,000	17	2,093,000
Office portfolio total	79	11,065,000	80	11,056,000

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

Office	June 30, 2021		December 31, 2020	
	Number of properties	Leasable area sq. ft	Number of properties	Leasable area sq. ft
Segment				
Central Business District	15	4,763,000	15	4,763,000
Suburban on Transit	21	2,288,000	22	2,354,000
Suburban Campus Clusters	29	2,681,000	28	2,582,000
Other	14	1,333,000	15	1,357,000
Office portfolio total	79	11,065,000	80	11,056,000

Investments in Office Properties

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
Capital expenditures — increase of rental income generating capacity	2,466	3,014	(18.2)	6,900	9,098	(24.2)
Capital expenditures — maintenance of rental income generating capacity	1,308	461	183.7	4,130	2,411	71.3
Leasehold improvements	6,022	1,676	259.3	9,605	2,757	248.4
Leasing costs	584	718	(18.7)	1,234	1,961	(37.1)
Properties under development	104	5,944	(98.3)	1,489	14,014	(89.4)
Total capital expenditures (including capitalized interests)¹	10,484	11,813	(11.3)	23,358	30,241	(22.8)
Total capital expenditures (excluding capitalized interests)¹	10,354	10,414	(0.6)	21,860	27,222	(19.7)

¹ Includes Cominar's share of joint ventures

Real Estate Operations – Office

Occupancy Rate

Occupancy rate track record

Office	Committed		In-place	
	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2021	Dec. 31, 2020
Geographic Market				
Montreal	88.8 %	91.7 %	86.2 %	90.1 %
Quebec City	95.9 %	97.7 %	95.4 %	97.2 %
Ottawa ¹	88.8 %	92.1 %	88.2 %	88.6 %
Office portfolio total	90.4 %	93.1 %	88.6 %	91.4 %

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

The in-place office occupancy rate decreased in all of our three markets by an average of 2.8% during the first two quarter of 2021 when compared to December 31, 2020 following the expiry of a few key leases, while our committed occupancy decreased by 2.7%. In Montreal, the decrease in occupancy is mostly related to the departure of two tenants totaling 100,000 square feet in the CBD. In Ottawa, the decrease is related to the departure of a 60,000 square foot tenant in the Kanata market for which we have significant leasing activity. Finally, the decrease in Quebec City is explained by the non-renewal of smaller sized units and space being given back, the largest one being 11,000 square feet.

Office	Committed		In-place	
	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2021	Dec. 31, 2020
Segment				
Central Business District	94.3 %	96.1 %	92.8 %	95.6 %
Suburban on Transit	92.3 %	92.1 %	91.0 %	91.7 %
Suburban Campus Clusters	86.4 %	88.0 %	85.3 %	86.5 %
Other	81.2 %	93.1 %	76.4 %	88.8 %
Office portfolio total	90.4 %	93.1 %	88.6 %	91.4 %

Approximately 70% of our office vacancy is located in the suburban area. What we considered as a challenge in the previous years may potentially be seen as an opportunity as we expect an increase in suburban office demand to continue in the post-COVID-19 reality. We anticipate that part of the office market will consider a transition from work-from-home to work-near-home solutions as workers are looking to better work-life balance, including a return to the office in combination with partial work-from-home flexibility. We also anticipate that on-going transit infrastructure projects in all of our three markets will provide additional demand in suburbs. As we deploy our suburban office strategy, an increase in occupancy in the suburban should play in favor of Cominar in the coming years while the CBD gradually regains momentum.

Office Leasing Activity

Leases maturing in 2021	
Number of clients	169
Leasable area (sq. ft.)	1,716,939
Renewed leases	
Number of clients	78
Leasable area (sq. ft.)	1,232,547
Retention rate	71.8 %
New leases	
Number of clients	30
Leasable area (sq. ft.)	287,348
Unexpected departures	
Number of clients	14
Leasable area (sq. ft.)	130,000

During the six-month period ended June 30, 2021, 71.8% of the office leasable area maturing in 2021 was renewed. New leases were also signed representing 0.3 million square feet of leasable area, while tenants whose leases were not expiring and that left before the end of their lease totaled a leasable area of 0.1 million square feet. As at June 30, 2021, 89% of the leasable area maturing in 2021 was covered by renewals and new leases.

Growth in the average net rent of renewed leases

Office	Quarter ended June 30, 2021		Six-month period ended June 30, 2021		Year ending December 31, 2021		Year ended December 31, 2020	
	leasable area (sq. ft.)	the average net rent	leasable area (sq. ft.)	the average net rent	leasable area (sq. ft.)	the average net rent	leasable area (sq. ft.)	the average net rent
Geographic Market								
Montreal	103,603	6.1 %	212,143	3.6 %	423,534	5.8 %	573,000	8.0 %
Quebec City	150,881	9.5 %	205,171	6.9 %	240,844	6.1 %	251,000	3.4 %
Ottawa ¹	42,857	3.8 %	236,972	6.0 %	568,169	9.7 %	248,000	12.8 %
Office portfolio total	294,235	7.3 %	654,287	3.6 %	1,232,547	7.5 %	1,072,000	7.6 %

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

Growth in the average net rent on renewed leases is measured by comparing the rent at the end of the lease to the rent at the beginning of the lease's renewal. Our rental growth for the leases maturing in 2021 is a solid 7.5% year to date, mostly driven by increases in Quebec City and Ottawa related to two major governmental leases totaling over 440,000 square feet.

Office Lease Maturities

Years ending December 31	2022	2023	2024	2025	2026
Leasable area (sq. ft.)	1,162,481	1,387,538	1,235,955	1,257,302	577,876
% of portfolio – Office	10.5 %	12.5 %	11.2 %	11.4 %	5.2 %

The following table summarizes information on office leases as at June 30, 2021:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent (\$/sq. ft.)
Office leases	5.4	8.6	12,419	18.32

Cominar has a broad, highly diversified office client base consisting of approximately 850 tenants occupying an average of approximately 12,419 square feet each. The top three tenants, Société Québécoise des Infrastructures, Public Works Canada and Canadian National Railway Company, account respectively for approximately 13.3%, 10.2% and 8.1% of operating revenues over several leases with staggered maturities in respect of the government portion. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 28.0% of operating revenues come from government agencies.

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

Top 10 office clients

The following table presents our top ten office clients:

Top 10 office clients	% of office leasable area ¹	% of office operating revenues ¹
Société québécoise des infrastructures	15.8 %	13.3 %
Public Works Canada	12.5 %	10.2 %
Canadian National Railway Company	6.0 %	8.1 %
Ford motor company of Canada, Limited	1.8 %	2.1 %
Institut Royal pour l'avancement des sciences (McGill)	1.2 %	1.6 %
Ville de Montréal	1.4 %	1.3 %
Centre de services scolaire de Montréal (School Board)	1.9 %	1.2 %
Desjardins Property Management	1.2 %	1.1 %
Autorité des marchés financiers (Government Agency)	1.0 %	1.0 %
HSBC Bank of Canada	0.6 %	0.9 %
Total	42.8 %	40.8 %

¹ Based on tenants in-place as at June 30, 2021

Field of activity	% of office leasable area ¹	% of office operating revenues ¹
Government and paragonovernmental institutions	33.0 %	28.0 %
Professional, scientific and technical services	16.0 %	17.0 %
Financial services, real estate and bank services	14.0 %	17.0 %
Wholesale, Distribution, transportation and logistics	12.0 %	14.0 %
Technologies	6.0 %	6.0 %
Education	5.0 %	5.0 %
Administrative services	4.0 %	5.0 %
Manufacturing	3.0 %	3.0 %
Medical services	3.0 %	3.0 %
Others	4.0 %	2.0 %
Total	100.0 %	100.0 %

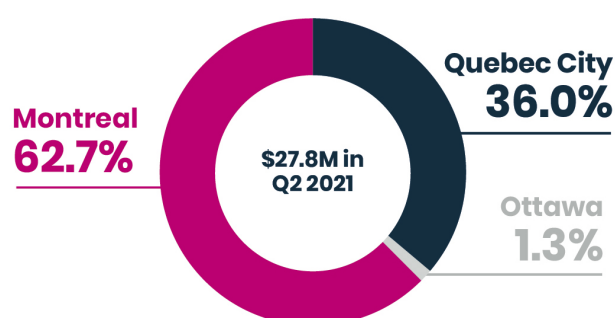
¹ Based on tenants in-place as at June 30, 2021

Retail Highlights

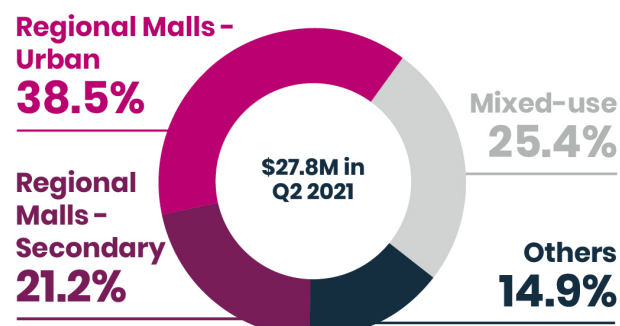
Quarter ended June 30, 2021

Growth in same property net operating income^{1,2}	54.4%
Six-month period ended June 30, 2021 : 17.4%	
Growth in the average net rent of renewed leases	5.3%
Committed occupancy rate	89.9%
In-place occupancy rate	85.7%
Rent collection	93.4%
Change in fair value	\$(276)M

**Same Property NOI
by Geographic Market³**



**Same Property NOI
by Asset Type³**



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

² Includes estimated financial impact of COVID-19.

³ Split as per quarter ended June 30, 2021.

Retail Financial and Operational Highlights

Periods ended June 30	Quarter ²			Year-to-date (six months) ²		
	2021	2020		2021 ²	2020	
	\$	\$	% Δ	\$	\$	% Δ
Financial performance						
Operating revenues — Cominar's proportionate share ¹	60,184	57,279	5.1	122,716	121,047	1.4
NOI — Cominar's proportionate share ¹	27,842	17,608	58.1	56,763	47,672	19.1
Same property NOI ¹	27,779	17,987	54.4	55,881	47,597	17.4
Change in fair value of investment properties	(276,127)	(246,049)	12.2	(276,247)	(246,286)	12.2
Net loss	(258,172)	(244,004)	5.8	(237,652)	(222,754)	6.7
Funds from operations (FFO) ¹	18,040	3,976	353.7	38,974	25,848	50.8
Adjusted funds from operations (AFFO) ¹	13,131	993	1,222.4	30,238	18,709	61.6
Income properties fair value — Cominar's proportionate share ¹				1,632,906	2,015,191	(19.0)
Financing						
Mortgages payable — Cominar's proportionate share ¹				757,837	788,773	
Unencumbered income properties				432,011	631,214	
Mortgages payable to income properties ratio ^{1,3}				46.4 %	39.1 %	
Operational data						
Number of investment properties				41	44	
Leasable area (in thousands of sq. ft.)				9,354	9,480	
Committed occupancy rate				89.9 %	91.8 %	
In-place occupancy rate				85.7 %	85.3 %	
Retention rate				56.1 %	44.4 %	
Growth in the average net rent of renewed leases				(0.4)%	1.8 %	
Development activities						
Properties under development — Cominar's proportionate share				26,350	23,679	

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

² Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

³ Total of mortgages payable divided by total of income properties fair value - Cominar's proportionate share.

COVID-19 - Impact Analysis and Risks - Retail

As a result of the pandemic, shopping centers were closed from December 24, 2020 until February 8, 2021, except for essential services (the latter representing 28% of retail operating revenues). In April and May 2021, a number of regions (Greater Quebec City area, Lower St-Lawrence, Chaudieres-Appalaches and Outaouais) were shut down again (except for essential services) for an average duration of five weeks.

Restaurants (13% of retail operating revenues) saw their dining rooms close in October 2020 and were forced to limit their operations to take-out and delivery. Table service was reinstated in June 2021, throughout the Province of Quebec, albeit with restrictions and limited capacity. fitness centres (1% of retail operating revenues) and cinemas (2% of retail operating revenues) were also shuttered across the Province, from October 2020 to June 2021, and have since been operating with restrictions and limited capacity.

The resulting impact on traffic and sales has negatively impacted our SPNOI, as percentage rent dwindled and rent relief was granted to some tenants, on a case-by-case basis. Some large format store openings (six tenants, comprising 153,000 square feet) were delayed which resulted in an operating revenue shortfall of \$0.4 million in the first quarter and \$0.3 million in the second quarter of 2021.

Our collection rate for the second quarter of 2021 was 93.4% compared to 96.5% for the first quarter of 2021.

Trade Receivables and Expected Credit Losses – Retail

The following table presents retail net trade receivables as at June 30, 2021 and December 31, 2020:

Retail trade receivables	June 30, 2021	December 31, 2020
	\$	\$
Trade receivables	13,082	15,430
Provision for expected credit losses	(5,759)	(7,356)
Total net trade receivables	7,323	8,074

The following table highlights expected credit losses for the periods ended June 30, 2021 and 2020:

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expected credit losses on trade receivables	1,514	4,675	4,915	5,839
Expected credit losses - forgiven portion of the CECRA programs	—	2,495	—	2,495
Expected credit losses - prior period provision reversal	(1,272)	—	(3,272)	—
Expected credit losses - conversion of provisions to rent reductions	(1,948)	—	(1,948)	—
Expected credit losses - rent reductions	3,148	7,398	4,178	7,398
Total expected credit losses	1,442	14,568	3,873	15,732
Percentage of operating revenues	2.4 %	25.6 %	3.2 %	13.1 %

Expected credit losses for the quarter ended June 30, 2021 were favorably impacted by the partial reversal of last quarter credit losses provisions in the amount of \$1.3 million. During the quarter ended June 30, 2021, Cominar also recorded \$3.1 million of rent reductions, of which \$1.9 million was previously included in the expected credit losses provision.

Results of Operations – Retail

The following table highlights our results of operations as shown in our condensed interim consolidated financial statements for the periods ended June 30, 2021 and 2020:

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020		2021 ¹	2020	
	\$	\$	% Δ	\$	\$	% Δ
Operating revenues	59,970	55,734	7.6	122,324	120,281	1.7
Operating expenses	(32,203)	(38,265)	(15.8)	(65,703)	(72,990)	(10.0)
NOI	27,767	17,469	59.0	56,621	47,291	19.7
Finance charges	(6,631)	(7,983)	(16.9)	(13,964)	(15,466)	(9.7)
Trust administrative expenses	(797)	(366)	117.8	(1,636)	(1,268)	29.0
Change in fair value of investment properties	(276,127)	(246,049)	12.2	(276,247)	(246,286)	12.2
Share of joint ventures' net loss	(2,379)	(5,375)	(55.7)	(2,396)	(5,209)	(54.0)
Transaction costs	(5)	(1,700)	(99.7)	(30)	(1,817)	(98.3)
Net loss and comprehensive loss	(258,172)	(244,004)	5.8	(237,652)	(222,755)	6.7

¹ Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

NOI for the second quarter of 2021 increased by 59.0% when compared with the corresponding quarter of 2020 and is mainly due to a decrease of \$13.1 million in expected credit losses.

Results of Operations – Same Property Retail Portfolio

Cominar analyzes its results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties and pays particular attention to the performance of its same property portfolio. SPNOI exclude rental income arising from the recognition of leases on a straight-line basis.

Same property retail portfolio NOI

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020 ¹		2021 ²	2020	
	\$	\$	% Δ	\$	\$	%Δ
Same property operating revenues - Cominar's proportionate share ³	59,925	57,310	4.6	121,292	121,402	(0.1)
Same property operating expenses - Cominar's proportionate share ³	(32,146)	(39,323)	(18.3)	(65,411)	(73,805)	(11.4)
SPNOI - Cominar's proportionate share ³	27,779	17,987	54.4	55,881	47,597	17.4

¹ Quarters ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

² In addition to the quarter events explained above, the six month period ended June 30, 2021 includes \$2.6 million distribution received in respect of a claim settlement regarding Sears Canada.

³ Refer to section "Non-IFRS Financial Measures".

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020 ¹		2021 ²	2020	
	\$	\$	% Δ	\$	\$	%Δ
Geographic Market						
Montreal	17,423	11,670	49.3	33,736	29,711	13.5
Quebec City	10,002	6,239	60.3	18,722	17,244	8.6
Ottawa ³	354	78	353.8	3,423	642	433.2
SPNOI - Cominar's proportionate share ⁴	27,779	17,987	54.4	55,881	47,597	17.4

¹ Quarters ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

² In addition to the quarter events explained above, the six month period ended June 30, 2021 includes a \$2.6 million distribution received in respect of a claim settlement regarding Sears Canada.

³ For presentation purposes, the Gatineau area is included in the Ottawa geographic market. Mainly, Galeries de Hull.

⁴ Refer to section "Non-IFRS Financial Measures".

Ottawa SPNOI for the six-month period ended June 30, 2021 increased by \$2.8 million mainly due to the claim settlement regarding Sears Canada in the first quarter of 2021.

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020 ¹		2021 ²	2020	
	\$	\$	% Δ	\$	\$	%Δ
Asset Type						
Regional Malls - Urban	10,705	6,132	74.6	21,912	15,710	39.5
Regional Malls - Secondary	5,876	3,517	67.1	10,461	8,665	20.7
Mixed-Use	7,066	4,835	46.1	14,000	11,040	26.8
Others	4,132	3,503	18.0	9,508	12,182	(22.0)
SPNOI - Cominar's proportionate share ³	27,779	17,987	54.4	55,881	47,597	17.4

¹ Quarters ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

² In addition to the quarter events explained above, the six month period ended June 30, 2021 includes a \$2.6 million distribution received in respect of a claim settlement regarding Sears Canada.

³ Refer to section "Non-IFRS Financial Measures".

Regional Malls - Urban SPNOI for the six-month period ended June 30, 2021 was favorably impacted by a \$2.6 million claim settlement regarding Sears Canada in the first quarter of 2021.

Same property retail portfolio NOI weighting

	Quarter		Year-to-date (six months)	
Periods ended June 30	2021	2020	2021	2020
Geographic market				
Montreal	62.7 %	64.9 %	60.4 %	62.5 %
Quebec City	36.0 %	34.7 %	33.5 %	36.2 %
Ottawa ¹	1.3 %	0.4 %	6.1 %	1.3 %
SPNOI – 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".

	Quarter		Year-to-date (six months)	
Periods ended June 30	2021	2020	2021	2020
Asset types				
Regional Malls - Urban	38.5 %	34.0 %	39.2 %	32.9 %
Regional Malls - Secondary	21.2 %	19.6 %	18.7 %	18.2 %
Mixed-Use	25.4 %	26.9 %	25.1 %	23.2 %
Others	14.9 %	19.5 %	17.0 %	25.7 %
SPNOI – Cominar's proportionate share ¹	100.0 %	100.0 %	100.0 %	100.0 %

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

Change in fair value of investment properties – Retail portfolio

Retail is the asset class where fair value has been impacted the most, especially in respect of our enclosed malls. The negative change in fair value at the end of the second quarter of 2021 in the amount of \$278.6 million on a proportionate basis represents a decrease of 14.1% from the December 31, 2020 fair value. The decrease was mostly driven by the change in cash flow assumptions. Vacancy absorption periods have been increased, market rents have been readjusted and an important bad debt reserve ranging between 10% and 20% has been considered for the year one assumptions.

Retail property portfolio

Retail	June 30, 2021		December 31, 2020	
	Number of properties	Leasable area sq. ft	Number of properties	Leasable area sq. ft
Geographic Market				
Montreal	19	5,218,000	19	5,218,000
Quebec City	20	3,787,000	23	3,913,000
Ottawa ¹	2	349,000	2	349,000
Retail portfolio total	41	9,354,000	44	9,480,000

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

Retail	June 30, 2021		December 31, 2020	
	Number of properties	Leasable area sq. ft	Number of properties	Leasable area sq. ft
Asset type				
Regional Malls - Urban	7	3,865,000	7	3,865,000
Regional Malls - Secondary	6	1,918,000	6	1,918,000
Mixed-Use	2	1,415,000	2	1,415,000
Others	26	2,156,000	29	2,282,000
Retail portfolio total	41	9,354,000	44	9,480,000

Investments in Retail Properties

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
Capital expenditures — increase of rental income generating capacity	7,950	9,470	(16.1)	13,300	25,066	(46.9)
Capital expenditures — maintenance of rental income generating capacity	451	359	25.6	1,085	442	145.5
Leasehold improvements	1,096	1,463	(25.1)	3,289	3,483	(5.6)
Leasing costs	620	279	122.2	552	698	(20.9)
Properties under development	667	2,125	(68.6)	1,592	2,779	(42.7)
Total capital expenditures (including capitalized interests)¹	10,784	13,696	(21.3)	19,818	32,468	(39.0)
Total capital expenditures (excluding capitalized interests)¹	9,584	12,907	(25.7)	17,878	30,977	(42.3)

¹ Includes Cominar's share of joint ventures

Capital expenditures - increase of rental income generating capacity totaled \$8.0 million for the quarter ended June 30, 2021.

Retail Properties Under Construction and Development Projects

Société en commandite Chaudière-Duplessis - Ilot Mendel

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

As announced by the City of Quebec, it is anticipated that the site will eventually be served by a new public transit network (Tramway) with a station directly on site. A densification study has been completed for a residential portion with a minimum of 1,000 units near the future tramway station (subject to zoning). Consequently, the size of the retail portion of the project has been reduced from our initial plans to add an additional residential area of 125,000 square feet. The City of Quebec is continuing to refine its vision for the sector which is in line with our objectives to have a mixed-use project with residential, retail and industrial uses. We

are expecting the City of Quebec to communicate the updated vision this fall. Further development of this site will depend on market conditions, tenant demand and zoning changes by the City of Quebec

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 also part of the vision discussed above.

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

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

Intensification Opportunities

Ten transit-oriented retail properties have been identified as offering intensification opportunities with potentially 13,300 residential units, subject to upzoning. We have been active in meeting various municipalities involved.

Property	Location	Zoning status	Estimated potential of doors
Quartier Laval	Greater Montreal	Full rights	2,500
Centre Laval	Greater Montreal	Full rights	500
Place du Commerce	Greater Montreal	Anticipated upzoning Q2 2022	2,300
CN Central Station	Montreal	Full rights	2,000
Mail Champlain	Greater Montreal	Anticipated upzoning Q2 2022	2,000
Place Longueuil	Greater Montreal	Anticipated upzoning Q1 2022	1,000
Îlot Mendel	Quebec City	Anticipated upzoning Q1 2022	1,000
Rockland	Montreal	Anticipated upzoning early Q2 2022	800
Galleries de Hull	Gatineau	Full rights	700
Centropolis ¹	Greater Montreal	Full rights	500
Total			13,300

¹ We have concluded a first partnership with Cogir/Divco for the development of 500 units at Centropolis, with the construction of the first phase (approximately 364 doors) expected to commence in fourth quarter of 2021 or the first quarter of 2022..

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

Real Estate Operations – Retail

Occupancy Rate

Occupancy rate track record

Retail	Committed		In-place	
	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2021	Dec. 31, 2020
Geographic market				
Montreal	89.8 %	91.3 %	86.8 %	87.8 %
Quebec City	90.1 %	90.3 %	85.3 %	86.0 %
Ottawa ¹	89.0 %	87.5 %	72.8 %	65.2 %
Retail portfolio total	89.9 %	90.8 %	85.7 %	86.3 %

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

Retail	Committed		In-place	
	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2021	Dec. 31, 2020
Asset type				
Regional Malls - Urban	89.8 %	91.6 %	84.2 %	83.5 %
Regional Malls - Secondary	93.5 %	93.4 %	89.1 %	88.5 %
Mixed-Use	90.8 %	95.0 %	90.7 %	95.0 %
Others	86.1 %	84.3 %	82.1 %	82.8 %
Retail portfolio total	89.9 %	90.8 %	85.7 %	86.3 %

Retail Leasing Activity

Leases maturing in 2021	
Number of clients	514
Leasable area (sq. ft.)	1,522,920
Renewed leases	
Number of clients	208
Leasable area (sq. ft.)	853,814
Retention rate	56.1 %
New leases	
Number of clients	49
Leasable area (sq. ft.)	382,688
Unexpected departures	
Number of clients	22
Leasable area (sq. ft.)	43,000

During the six-month period ended June 30, 2021, 56.1% of the retail leasable area maturing in 2021 was renewed. We have remained active on the leasing front with 382,688 square feet of new leases in-place for 2021. As at June 30, 2021, 81.2% of the leasable area maturing in 2021 was covered by renewals and new leases.

During the quarter ended June 30, 2021, in-place occupancy has been impacted by 165,000 square feet of new leases including:

- Clip'n Climb (Mail Champlain) 14,000 square feet
- Aubainerie (Galeries de Hull) 30,000 square feet
- Éconofitness (Alexis Nihon) 17,000 square feet

Additional sizeable leases committed that will be in-place by the end of 2021:

- Tesla (Cyrille-Duquet, Qc) 31,000 square feet, Q3-2021
- Urban Planet (Mail Champlain) 25,000 square feet, Q3-2021
- Archambault (Les Rivières) 15,000 square feet, Q3-2021
- Econofitness (Carrefour Charlesbourg) 14,000 square feet, Q4-2021
- GBI Experts-Conseils (Galeries Rive-Nord, office space) 30,000 square feet, Q4-2021
- Elna Medical clinic (Rockland) 17,000 square feet, Q4-2021
- Dollorama (Galeries Rive-Nord) 18,000 square feet, Q4-2021
- Griffon (4 leases) 20,000 square feet, Q4-2021
- Hart (Centre Rivière-du-Loup) 15,000 square feet, Q4-2021

At Place de la Cité, we recently signed a lease for a 36,000 square feet health oriented grocer with a planned opening in the second quarter of 2022.

Growth in the average net rent of renewed leases

Retail	Quarter ended June 30, 2021		Six-month period ended June 30, 2021		Year ending December 31, 2021		Year ended December 31, 2020	
	leasable area (sq. ft.)	the average net rent	leasable area (sq. ft.)	the average net rent	leasable area (sq. ft.)	the average net rent	leasable area (sq. ft.)	the average net rent
Geographic Market								
Montreal	78,449	3.7 %	346,421	(1.4)%	550,530	0.9 %	583,000	(7.8)%
Quebec City	49,710	14.4 %	148,621	1.9 %	287,438	0.7 %	544,000	(1.0)%
Ottawa ¹	1,104	— %	3,799	2.6 %	15,844	5.4 %	43,000	9.8 %
Retail portfolio total	129,263	5.3 %	498,841	(0.4)%	853,814	0.9 %	1,170,000	(4.3)%

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

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

Retail Lease Maturities

Years ending December 31	2022	2023	2024	2025	2026
Leasable area (sq. ft.)	1,208,833	982,672	833,797	832,096	497,257
% of portfolio — Retail	12.9 %	10.5 %	8.9 %	8.9 %	5.3 %

The following table summarizes information on retail leases as at June 30, 2021:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent (\$/sq. ft.)
Retail leases	4.9	8.1	4,909	19.14

Cominar has a broad, highly diversified retail client base consisting of approximately 1,700 tenants occupying an average of approximately 4,909 square feet each. The top three clients, (i) Canadian Tire group, (ii) Winners merchants and (iii) Loblaws group, account respectively for approximately 3.6%, 2.8% and 2.5% of retail operating revenues over several leases with staggered maturities.

Top 10 retail clients

The following table presents our top ten retail clients:

Top 10 retail clients	% of retail leasable area ¹	% of retail operating revenues ¹
Canadian Tire group	6.5 %	3.6 %
Winners merchants	3.1 %	2.8 %
Loblaws group	3.0 %	2.5 %
Metro group	3.3 %	2.1 %
Dollarama	2.1 %	1.9 %
Marie-Claire group	1.7 %	1.7 %
Leon's/The Brick	1.8 %	1.6 %
Sobey's	2.1 %	1.5 %
Decathlon	2.4 %	1.5 %
Famous Players	1.2 %	0.9 %
Total	27.2 %	20.1 %

¹ Based on tenants in-place as at June 30, 2021

Uses by category

Categories	% of retail leasable area ¹	% of retail operating revenues ¹
Fashion	21.0 %	19.0 %
Restaurants	8.0 %	14.0 %
Health & Beauty / Personal Care	7.0 %	11.0 %
General Merchandise & Variety Store	13.0 %	10.0 %
Grocery/Specialty food	10.0 %	7.0 %
Furniture, Home Furnishings & Decor	8.0 %	6.0 %
Sporting Goods	7.0 %	6.0 %
Value Fashion	6.0 %	5.0 %
Electronics	2.0 %	5.0 %
Office & Medical Spaces	4.0 %	3.0 %
Entertainment	6.0 %	4.0 %
Government and para-government institutions	3.0 %	3.0 %
Others	5.0 %	7.0 %
Total	100.0 %	100.0 %

¹ Based on tenants in-place as at June 30, 2021

Our objective is to decrease our exposure to mid-market fashion, replace poor performing restaurant operators and obsolete entertainment uses and increase our ratio of tenant categories that provide more resilience to economic downturns such as grocery, specialty food, general merchandise and electronics, discount/value fashion brands and medical/proximity services.

Sales performances and footfall

During the quarter ended June 30, 2021, many regions (Greater Quebec City, Lower St-Lawrence, Chaudières-Appalaches and Outaouais) were shut down again, except for essential services, for a period of approximately five weeks. June 2021 saw a footfall increase of 11.0% over prior year in all open non-urban core properties (excludes Alexis-Nihon and Place de la Cité).

June 2021 sales were only 1.0% lower than their 2019 pre pandemic level, despite an 18.0% loss in traffic in all non-urban core properties (excludes Alexis-Nihon and Place de la Cité).

Sporting goods, furniture, home furnishings & décor, general merchandise & variety store categories continue to record solid sales growth. Restaurants, fitness center and cinema categories reopened in June 2021 with restrictions and limited capacity, negatively impacting property sales performances. Fashion category sales performance also began to improve during the last weeks of the second quarter.

Industrial and Flex Highlights

Quarter ended June 30, 2021

Growth in same property net operating income^{1,2}

Six-month period ended June 30, 2021 : 9.8%

13.1%

Growth in the average net rent of renewed leases

24.8%

Committed occupancy rate

97.1%

In-place occupancy rate

96.0%

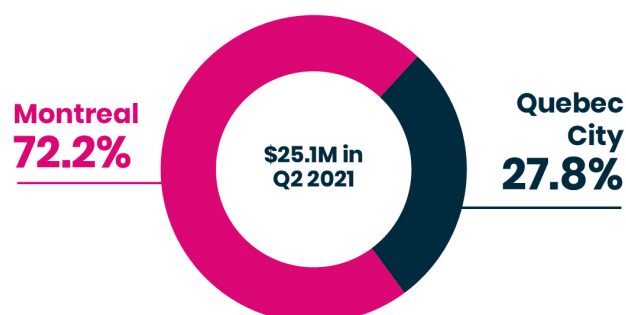
Rent collection

97.4%

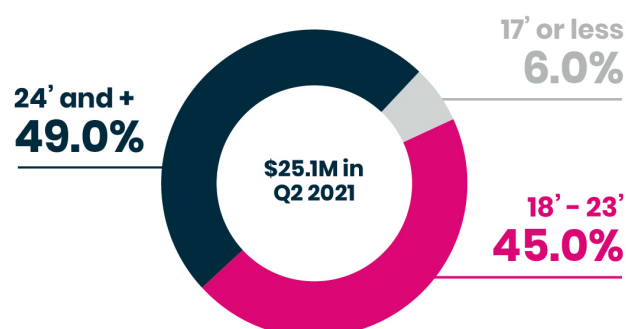
Change in fair value

\$228M

**Same Property NOI
by Geographic Market³**



**Clear Heights % of Portfolio
Leasable Area**



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

² Includes estimated financial impact of COVID-19.

³ Split as per quarter ended June 30, 2021.

Industrial and Flex Financial and Operational Highlights

Periods ended June 30	Quarter ²			Year-to-date (six months) ²		
	2021	2020		2021 ²	2020	
	\$	\$	% Δ	\$	\$	% Δ
Financial performance						
Operating revenues — Cominar's proportionate share ¹	40,279	39,433	2.1	81,866	80,516	1.7
NOI — Cominar's proportionate share ¹	25,592	22,624	13.1	50,986	46,322	10.1
Same property NOI ¹	25,114	22,214	13.1	49,997	45,518	9.8
Change in fair value of investment properties	227,900	(33,205)	(786.3)	227,900	(33,205)	(786.3)
Net income (loss)	248,483	(32,051)	(875.3)	269,377	(12,959)	(2,178.7)
Funds from operations (FFO) ¹	20,647	17,045	21.1	41,740	36,336	14.9
Adjusted funds from operations (AFFO) ¹	17,645	14,200	24.3	37,279	31,417	18.7
Income properties fair value — Cominar's proportionate share ¹				2,172,577	1,781,969	21.9
Financing						
Mortgages payable — Cominar's proportionate share ¹				512,643	523,474	
Unencumbered income properties				636,944	564,388	
Mortgages payable to income properties ratio ^{1,3}				23.6 %	29.4 %	
Operational data						
Number of investment properties				190	191	
Leasable area (in thousands of sq. ft.)				15,252	15,351	
Committed occupancy rate				97.1 %	95.7 %	
In-place occupancy rate				96.0 %	93.5 %	
Retention rate				59.5 %	54.2 %	
Growth in the average net rent of renewed leases				19.1 %	22.3 %	
Development activities						
Properties under development — Cominar's proportionate share				28,501	—	

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

² Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks".

³ Total of mortgages payable divided by the total income properties fair value - Cominar's proportionate share.

COVID-19 – Impact Analysis and Risks – Industrial and Flex

Our Industrial segment continues to perform very well in the COVID-19 environment, in line with sound industrial market fundamentals.

As we move towards a post COVID-19 environment, we expect that demand will continue to be very strong, mostly propelled by e-commerce advances, growth in last-mile logistics, food storage and an acceleration of investments in life sciences in the coming years.

Equally, the recent disruptions in supply chains, along with expectations of higher standards from customers in respect of omni-channel solutions, may push many organizations to review their inventory levels and management strategies, which in turn may offer continued growth opportunities in 3PL and re-shoring of manufacturing activities.

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

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

On the leasing front, the industrial segment remained our sector of activity least affected by the COVID-19 pandemic.

In both the greater Montreal and Quebec City markets where we dominate demand has remained strong and the adoption of e-commerce and the need for distribution space close to consumer basins continues to fuel this demand for our industrial assets. There is a shortage of quality space in many markets. The Montreal market is again breaking records for the second quarter in a row, achieving an availability rate below 2.0% with rising rents. During the second quarter of 2021, the growth in average net rents for renewals in our greater Montreal area properties reached 19.1% and currently stands at 21.5% for renewals for the year.

Our collection rate for the second quarter of 2021 stood at 97.4%, compared to 98.7% for the first quarter of 2021. The bankruptcies of our clients who were unable to weather the pandemic is again creating opportunities to solidify the portfolio with stronger and more resilient tenants at higher rental rates due to the increasing demand.

Agility measures:

In this context of strong demand, we are seeking to maximize rents, strengthen our tenant base and strategically plan the life cycle of our assets. For example, we are currently reducing our exposure to the entertainment and fitness sectors in our flex portfolio and increasing our exposure to distribution and logistics.

In response to the significant increase in construction costs, we are carefully reviewing all capex spending in order to invest strategically. Our operations teams continue to make every effort to keep operating expenses at optimal level, while ensuring the sanitary measures are in place to maintain a safe access to our buildings.

At the same time, we have strengthened our collection process and are closely monitoring the business and financial situation of our tenants. When pertinent, and while they are offered, we direct them to the appropriate resources for government assistance programs.

Trade Receivables and Expected Credit Losses – Industrial and flex

The following table presents industrial and flex net trade receivables as at June 30, 2021 and December 31, 2020:

Industrial and flex trade receivables	June 30, 2021	December 31, 2020
	\$	\$
Trade receivables	3,646	6,357
Provision for expected credit losses	(1,528)	(2,859)
Total net trade receivables	2,118	3,498

The following table highlights expected credit losses for the periods ended June 30, 2021 and 2020:

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expected credit losses on trade receivables	317	1,272	945	1,508
Expected credit losses - forgiven portion of the CECRA programs	—	351	—	351
Expected credit losses - prior period provision reversal	(550)	—	(1,107)	—
Expected credit losses - rent reductions	—	439	—	439
Total expected credit losses	(233)	2,062	(162)	2,298
Percentage of operating revenues	(0.6)%	5.2 %	(0.2)%	2.9 %

Expected credit losses for the quarter ended June 30, 2021 were favorably impacted by the partial reversal of last quarter credit losses provisions in the amount of \$0.6 million.

Results of Operations – Industrial and Flex

The following table highlights our results of operations as shown in our condensed interim consolidated financial statements for the periods ended June 30, 2021 and 2020:

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020		2021 ¹	2020	
	\$	\$	% Δ	\$	\$	%Δ
Operating revenues	40,279	39,196	2.8	81,866	80,514	1.7
Operating expenses	(14,687)	(16,571)	(11.4)	(30,880)	(34,191)	(9.7)
NOI	25,592	22,625	13.1	50,986	46,323	10.1
Finance charges	(4,646)	(4,950)	(6.1)	(8,767)	(9,149)	(4.2)
Trust administrative expenses	(359)	(861)	(58.3)	(738)	(1,268)	(41.8)
Change in fair value of investment properties	227,900	(33,205)	(786.3)	227,900	(33,205)	(786.3)
Transaction costs	(4)	—	(100.0)	(4)	—	(100.0)
Impairment of goodwill	—	(15,721)	100.0	—	(15,721)	100.0
Net income (loss) before income taxes	248,483	(32,112)	(873.8)	269,377	(13,020)	(2,168.9)
Current income taxes	—	61	(100.0)	—	61	(100.0)
Net income (loss) and comprehensive income (loss)	248,483	(32,051)	(875.3)	269,377	(12,959)	(2,178.7)

¹ Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - impact analysis and risks"

NOI for the second quarter of 2021 was 13.1% higher than the comparable period of 2020 despite the financial impact of COVID-19. The 2.8% increase in operating revenues was mainly due to a 2.2% increase in the in-place occupancy rate, to the growth of 15.0% in the average net rent of renewed leases for the last twelve months, and 21.0% higher rent on new leases vs departures.

We are in an excellent position to maintain the growth of our industrial and flex portfolio NOI through rent increases over the next quarters, as 34.0% of the portfolio expires in 2022 and 2023 with an average rent significantly below market.

Results of Operations – Same Property Industrial and Flex Portfolio

Cominar analyzes its results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties and pays particular attention to the performance of its same property portfolio. SPNOI exclude rental income arising from the recognition of leases on a straight-line basis.

Same property industrial and flex portfolio NOI

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021 ¹	2020		2021 ¹	2020	
	\$	\$	% Δ	\$	\$	%Δ
Same property operating revenues - Cominar's proportionate share ²	39,705	38,649	2.7	80,632	79,317	1.7
Same property operating expenses - Cominar's proportionate share ²	(14,591)	(16,435)	(11.2)	(30,635)	(33,799)	(9.4)
SPNOI - Cominar's proportionate share ²	25,114	22,214	13.1	49,997	45,518	9.8

¹ Quarter ended June 30, 2021 and 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)		
	2021 ¹	2020		2021 ¹	2020	
	\$	\$	% Δ	\$	\$	% Δ
Geographic Market						
Montreal	18,141	15,997	13.4	36,761	33,076	11.1
Quebec City	6,973	6,217	12.2	13,236	12,442	6.4
SPNOI – Cominar's proportionate share ²	25,114	22,214	13.1	49,997	45,518	9.8

¹ Quarter ended June 30, 2021 and 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 13.4% SPNOI growth for the second quarter of 2021 in Montreal is mainly related to a significant 2.9% increase of the in-place occupancy year-over-year and to a material decrease of expected credit losses when compared to the same period in 2020. Rents are increasing at a fast pace in the Greater Montreal market (GMA) as the shortage of available spaces broke another record with vacancy under 2.0% for the GMA. Of the 1.7 million square feet of leases maturing in 2021, 1.1 million have already been renewed with an average rent increase of 21.4%.

The Quebec City portfolio experienced a SPNOI increase of 12.2% in the second quarter of 2021 with a slight decrease of 0.1% in the occupancy rate. The increase is mostly related to substantial rent increases of over 21.0% and to a decrease of expected credit losses when compared to the same period in 2020.

As our industrial portfolio nears full occupancy, it is expected, as part of our strategy, to see short term fluctuations in SPNOI growth as we are provoking tenancy turnovers in order to capture the best opportunities in the market with net rent increases and long term SPNOI growth and value creation.

Same property industrial and flex portfolio NOI weighting

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
Geographic market				
Montreal	72.2 %	72.0 %	73.5 %	72.7 %
Quebec City	27.8 %	28.0 %	26.5 %	27.3 %
SPNOI – Cominar's proportionate share ¹	100.0 %	100.0 %	100.0 %	100.0 %

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

Single tenant vs multi-tenant properties by square foot

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

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

Industrial is the asset classes that is experiencing the highest growth whether from the tenant demand for space or from investors. As such, market rents have been adjusted to reflect strong tenant demand for space and yields have been compressed by up to 50 basis points. Adjustments have accounted for location to reflect stronger demand in Montreal and for quality of properties (age, height). Overall, values have increased by 11.6% in the first six months of 2021 compared to December 31, 2020 fair value.

Industrial and flex property portfolio

	June 30, 2021		December 31, 2020	
	Number of properties	Leasable area sq. ft	Number of properties	Leasable area sq. ft
Industrial and flex				
Geographic Market				
Montreal	126	11,811,000	126	11,811,000
Quebec City	64	3,441,000	64	3,441,000
Industrial and flex portfolio total	190	15,252,000	190	15,252,000

Investments in Industrial and Flex Properties

Periods ended June 30	Quarter			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
Capital expenditures — increase of rental income generating capacity	634	513	23.6	1,739	2,594	(33.0)
Capital expenditures — maintenance of rental income generating capacity	1,181	64	1,745.3	1,725	281	513.9
Leasehold improvements	1,579	858	84.0	3,832	3,288	16.5
Leasing costs	625	546	14.5	1,654	1,090	51.7
Properties under development	13	556	(97.7)	17	591	(97.1)
Total capital expenditures (including capitalized interests)	4,032	2,537	58.9	8,967	7,844	14.3
Total capital expenditures (excluding capitalized interests)	4,031	2,537	58.9	8,967	7,844	14.3

Industrial and flex development opportunities

We are making progress on an important industrial development site:

The Curé-Labelle Development Project is a 1.7 million square foot parcel of land strategically located at the heart of Laval. It boasts an ideal location in the greater Montreal region offering quick access to the region's main highways. Phase 1 was recently revisited by combining the two original and smaller phases into a 515,000 square foot state-of-the-art warehouse building, with an executed lease with a select retailer and strong covenant. As a result, the project was resubmitted for architectural implementation and integration plan approval at the City of Laval, with application for permit to follow before end of 2021 third quarter. Beginning of construction is planned for the first quarter of 2022, with the site preparation work planned to proceed in the third quarter of 2021 and an expected delivery for end of 2022.

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

Real Estate Operations – Industrial and Flex

Occupancy Rate

Occupancy rate track record

	Committed		In-place	
	Jun. 30, 2021	Dec. 31, 2020	Jun. 30, 2021	Dec. 31, 2020
Industrial and flex				
Geographic Market				
Montreal	97.3 %	96.6 %	96.1 %	95.2 %
Quebec City	96.5 %	96.9 %	95.7 %	95.7 %
Industrial and flex global and same property portfolio	97.1 %	96.7 %	96.0 %	95.3 %

While stable in Quebec City, the in-place occupancy has grown steadily for the past twelve months in Montreal, reaching 96.1% at June 30, 2021, which is 3.4% higher than June 30, 2020. Over the past twelve months, 700,000 square feet with rents of \$5.89 per square foot were not renewed, largely offset by 1.1 million of new leases that have commenced, with average rents of 7.11\$ per square foot, representing a 20.7% increase. Furthermore, leases that we signed since January 1, 2021 have an average net rent of 7.87\$ per square foot, which is 17.0% higher than the 2020 comparable period and 24.0% higher than 2019.

Keeping occupancy at these optimal levels is a direct result of our strategy as we strive to increase rents and provoke tenancy turnover to realize rent uplift with new tenancies. We expect this movement to continue for upcoming quarters as we capture the best opportunities in rent conversion in a highly favorable rental environment. At this moment, we consider the occupancy rate and tenancy turnovers being at their optimal level, in order to allow us to capture market opportunities while generating growing cash flow streams.

Industrial and Flex Leasing Activity

Leases maturing in 2021	
Number of clients	186
Leasable area (sq. ft.)	2,156,529
Renewed leases	
Number of clients	95
Leasable area (sq. ft.)	1,283,736
Retention rate	59.5 %
New leases	
Number of clients	69
Leasable area (sq. ft.)	800,754
Unexpected departures	
Number of clients	7
Leasable area (sq. ft.)	67,000

During the six-month period ended June 30, 2021, 1.3 million square feet or 59.5% of the industrial and flex leasable area maturing in 2021 were renewed. New leases were also signed, representing 0.8 million square feet of leasable area, while tenants whose leases were not expiring that left before the end of their lease totaled 0.1 million square feet of leasable area. As at June 30, 2021, 96.7% of the leasable area maturing in 2021 was covered by renewals and new leases. Our primary focus for the industrial portfolio remains rental growth and value creation.

Growth in the average net rent of renewed leases

Industrial and flex	Quarter ended June 30, 2021		Six-month period ended June 30, 2021		Year ending December 31, 2021		Year ended December 31, 2020	
	area (sq. ft.)	average net rent	area (sq. ft.)	average net rent	area (sq. ft.)	average net rent	area (sq. ft.)	average net rent
Geographic Market								
Montreal	315,317	26.7 %	724,670	19.1 %	1,031,365	21.4 %	1,836,000	20.3 %
Quebec City	113,589	19.1 %	161,968	18.7 %	252,371	21.8 %	450,000	10.6 %
Industrial and flex portfolio total	428,906	24.8 %	866,638	19.1 %	1,283,736	21.5 %	2,286,000	18.0 %

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

Industrial and Flex Lease Maturities

Years ending December 31	2022	2023	2024	2025	2026
Leasable area (sq. ft.)	2,581,126	2,370,051	1,718,022	1,858,118	1,279,827
% of portfolio — Industrial and flex	16.9 %	15.5 %	11.3 %	12.2 %	8.4 %

A total of 6.0 million square feet are coming to maturity by the end of 2023. Approximately 75% of these maturities are located in the greater Montreal region and show an in-place rent of \$6.37 per square foot, which is already significantly under market. As market rents are increasing at a sustained rhythm of 15% to 20% per year, the increase in rents, particularly in the Montreal area, represents a valuable value creation opportunity. Capturing the upside rent potential, even at the expense of short term NOI fluctuations with tenant departures, remains an important pillar in our industrial strategic plan.

The following table summarizes information on industrial and flex leases as at June 30, 2021:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent (\$/sq. ft.)
Industrial and flex leases	7.0	7.6	16,892	7.32

Cominar has a broad, highly diversified industrial and flex client base consisting of approximately 900 tenants occupying an average of approximately 16,892 square feet each. The top three clients, Infra MTL Inc (at la Gare Centrale), LDC Logistics Development corp. and Société québécoise des infrastructures, account respectively for approximately 9.3%, 2.2% and 1.8% of operating revenues. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 12.8% of operating revenues come from government agencies or related agencies.

Top 10 industrial and flex clients

The following table presents our top ten industrial and flex clients:

Top 10 industrial and flex clients	% of industrial and flex leasable area ²	% of industrial and flex operating revenues ²
Infra MTL Inc. 1	6.8 %	9.3 %
LDC Logistics Development corp	3.6 %	2.2 %
Société québécoise des infrastructures	1.3 %	1.8 %
Desjardins Property Management	0.9 %	1.6 %
Wolseley Canada	1.4 %	1.3 %
Groupe Colabor	1.5 %	1.2 %
Nortek Air Solutions Quebec	1.4 %	1.1 %
Englobe Corp	0.5 %	1.0 %
GTI storage & handling inc.	1.0 %	0.9 %
115161 Canada inc	1.0 %	0.9 %
Total	19.4 %	21.3 %

1 *Infra MTL inc. is a wholly owned subsidiary of the Caisse de dépôt et placement du Quebec and is related to the REM project.*

2 *Based on tenants in-place as at June 30, 2021*

Field of activity	% of industrial and flex leasable area ¹	% of industrial and flex operating revenues ¹
Wholesale, Distribution, transportation and logistics	56.0 %	52.0 %
Manufacturing	17.0 %	15.0 %
Government and paragonmental institutions	9.0 %	11.0 %
Professional, scientific and technical services	8.0 %	9.0 %
Financial services, real estate and bank services	2.0 %	4.0 %
Others	2.0 %	2.0 %
Heavy industry	1.0 %	2.0 %
Technologies	1.0 %	1.0 %
Administrative services	1.0 %	1.0 %
Retail, food and entertainment	1.0 %	1.0 %
Medical services	1.0 %	1.0 %
Education	1.0 %	1.0 %
Total	100.0 %	100.0 %

1 *Based on tenants in-place as at June 30, 2021*

Corporate Financial and Operational Highlights

Periods ended June 30	Quarter ²			Year-to-date (six months)		
	2021	2020		2021	2020	
	\$	\$	% Δ	\$	\$	% Δ
Financial performance						
Finance charges	(15,159)	(37,120)	(59.2)	(29,496)	(35,222)	(16.3)
Trust administrative expenses	(5,555)	(4,516)	23.0	(9,249)	(4,379)	111.2
Net loss	(20,714)	(40,897)	(49.4)	(38,745)	(39,602)	(2.2)
Funds from operations (FFO) ¹	(13,848)	(7,432)	86.3	(31,834)	(29,324)	8.6
Adjusted funds from operations (AFFO) ¹	(13,848)	(7,416)	86.7	(38,054)	(29,356)	29.6
Financing ³						
Unsecured credit facility				56,680	—	
Secured credit facilities				289,200	296,400	
Debentures				1,071,165	1,169,671	

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

² Quarter ended June 30, 2021 and 2020 include the estimated financial impact of COVID-19. Refer to section "COVID-19 - Impact analysis and risks".

³ Refer to section Liquidity and Capital resources.

Corporate expenses

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

Finance charges

The decrease in finance charges related to Corporate during the second quarter of 2021, compared with the corresponding quarter of 2020, is mainly due to a decrease in interest on debentures related to the net redemption of \$250.0 million of debentures since May 2020, \$2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption paid in the second quarter of 2020 and a lower interest rate environment, partially offset by an increase in interest on bank borrowings related to the \$120.0 million secured credit facility which was only drawn in June 2020. Interest on mortgages payable for the quarter ended June 30, 2021 includes \$0.9 million of retroactive adjustments.

Trust administrative expenses

During the second quarter of 2021, Trust administrative expenses related to Corporate increased compared with the corresponding quarter of 2020 due to \$2.5 million in strategic alternatives consulting fees and an increase in professional fees related to several consulting matters not related to the strategic alternatives review process, which include legal fees in connection with the management of tenants related matters.

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, 2021	Year ended December 31, 2020
	Units	Units
Units issued and outstanding, beginning of period	182,451,026	182,111,365
Exercise of options, conversion of restricted units and deferred units	—	339,661
Units issued and outstanding, end of period	182,451,026	182,451,026

Additional information	August 4, 2021
Issued and outstanding units	182,451,026
Outstanding unit options	3,150,350
Deferred units, restricted units and performance units	690,384

Long Term Incentive Plan

				Unit options	
Six-month period ended June 30, 2021	Performance units	Deferred units	Restricted units	Quantity	Weighted average exercise price \$
Outstanding, beginning of period	479,798	362,009	1,359	3,385,150	14,16
Granted	—	18,462	—	—	—
Forfeited	—	—	—	(183,000)	14,14
Accrued distributions	7,434	5,653	22	—	—
Outstanding, end of period	487,232	386,124	1,381	3,202,150	14,16
Vested units/options, end of period	188,952	301,365	1,381	3,202,150	14,16

As at June 30, 2021, the maximum number of units that may be issued under the long-term incentive plan is 16,055,878 units.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

No changes were made to the Trust's internal controls over financial reporting during the second quarter of 2021 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Significant Accounting Policies and Estimates used in the Condensed Interim Consolidated Financial Statements

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, 2020. 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 condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the 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, 2020. There have been no changes to the critical accounting estimates and judgments during the six-month period ended June 30, 2021.

- **COVID-19 related critical accounting estimates and judgments**

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

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

- **Investment properties**

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

- **Provision for expected credit losses**

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

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:

- COVID-19 Health Crisis
- 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, 2020, as well as our Annual Information Form for the year ended December 31, 2020.

Condensed Interim Consolidated Financial Statements

Cominar Real Estate Investment Trust

Quarter ended June 30, 2021
Unaudited

Consolidated Balance Sheets

[unaudited, in thousands of Canadian dollars]

	Note	June 30, 2021 \$	December 31, 2020 \$
Assets			
Investment properties			
Income properties	4	5,961,014	6,077,025
Properties under development	5	54,852	26,315
Land held for future development	5	47,948	87,910
		6,063,814	6,191,250
Investment properties held for sale	6	44,897	20,990
Investments in joint ventures	7	90,326	97,497
Accounts receivable	8	47,266	51,816
Prepaid expenses and other assets		18,626	19,132
Cash and cash equivalents		11,543	13,594
Total assets		6,276,472	6,394,279
Liabilities			
Mortgages payable		2,075,981	2,105,906
Debentures		1,071,165	1,070,491
Bank borrowings	9	345,880	366,958
Accounts payable and accrued liabilities		125,972	126,443
Distributions payable to unitholders		5,474	—
Total liabilities		3,624,472	3,669,798
Unitholders' equity			
Unitholders' equity		2,652,000	2,724,481
Total liabilities and unitholders' equity		6,276,472	6,394,279

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, 2021		3,233,486	1,783,589	(2,300,990)	8,396	2,724,481
Net loss and comprehensive loss		—	(41,126)	—	—	(41,126)
Distributions to unitholders	10	—	—	(32,842)	—	(32,842)
Long-term incentive plan		—	611	—	876	1,487
Balance as at June 30, 2021		3,233,486	1,743,074	(2,333,832)	9,272	2,652,000

	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	10	—	—	(65,667)	—	(65,667)
Unit issuances		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

See accompanying notes to the condensed interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Loss

For the periods ended June 30

[unaudited, in thousands of Canadian dollars, except per unit amounts]

	Note	Quarter		Year-to-date (six months)	
		2021	2020	2021	2020
		\$	\$	\$	\$
Operating revenues					
Rental revenue from investment properties	11	164,278	160,550	333,999	332,659
Operating expenses					
Operating costs		(34,528)	(44,656)	(74,993)	(85,974)
Realty taxes and services		(39,461)	(39,294)	(77,705)	(80,092)
Property management expenses		(4,851)	(4,010)	(9,392)	(8,278)
		(78,840)	(87,960)	(162,090)	(174,344)
Net operating income		85,438	72,590	171,909	158,315
Finance charges	13	(34,399)	(36,912)	(66,219)	(76,164)
Trust administrative expenses	14	(7,310)	(4,038)	(12,853)	(8,182)
Change in fair value of investment properties	4, 5, 6	(129,565)	(320,631)	(129,630)	(319,423)
Share in joint ventures' net loss	7	(5,488)	(8,481)	(4,123)	(6,898)
Transaction costs		(66)	(4,991)	(210)	(5,137)
Impairment of goodwill		—	(15,721)	—	(15,721)
Net loss before income taxes		(91,390)	(318,184)	(41,126)	(273,210)
Current income taxes		—	65	—	65
Net loss and comprehensive loss		(91,390)	(318,119)	(41,126)	(273,145)
Net loss per unit (basic and diluted)	15	(0.50)	(1.74)	(0.23)	(1.50)

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]

	Note	Quarter		Year-to-date (six months)	
		2021	2020	2021	2020
		\$	\$	\$	\$
Operating activities					
Net loss		(91,390)	(318,119)	(41,126)	(273,145)
Adjustments for:					
Share of net loss and distributions received from the joint ventures	7	7,511	8,481	7,196	7,385
Change in fair value of investment properties	4, 5, 6	129,565	320,631	129,630	319,423
Depreciation and amortization		1,655	1,474	3,291	2,869
Compensation expense related to long-term incentive plan		980	840	1,487	1,657
Impairment of goodwill		—	15,721	—	15,721
Recognition of leases on a straight-line basis	4, 6	(414)	469	(554)	5
Changes in non-cash working capital items	16	(18,790)	(4,421)	8,148	(32,396)
Cash flows provided by operating activities		29,117	25,076	108,072	41,519
Investing activities					
Investments in income properties	4, 16	(24,514)	(34,324)	(52,398)	(59,780)
Investments in properties under development and land held for future development	5, 16	(742)	(9,279)	(4,284)	(14,136)
Net proceeds from the sale of investment properties	3, 6	2,600	—	23,590	2,705
Contributions to the capital of a joint venture	7	(21)	—	(25)	—
Change in other assets		281	6	226	(63)
Cash flows used in investing activities		(22,396)	(43,597)	(32,891)	(71,274)
Financing activities					
Cash distributions to unitholders	10	(16,421)	(32,840)	(27,368)	(54,721)
Bank borrowings		15,862	118,200	(21,078)	116,400
Net proceeds from mortgages payable		—	21,597	—	122,319
Net proceeds from issuance of debentures		(97)	148,149	(97)	148,149
Unit issuance net proceeds		—	(4)	—	3,600
Repayments of debentures		—	(300,000)	—	(300,000)
Repayments of mortgages payable		(3,375)	(13,776)	(3,375)	(100,018)
Monthly repayments of mortgages payable		(11,557)	(12,421)	(25,314)	(24,589)
Cash flows used in financing activities		(15,588)	(71,095)	(77,232)	(88,860)
Net change in cash and cash equivalents		(8,867)	(89,616)	(2,051)	(118,615)
Cash and cash equivalents, beginning of period		20,410	123,635	13,594	152,634
Cash and cash equivalents, end of period		11,543	34,019	11,543	34,019
Other information					
Interest paid		45,314	47,663	67,430	75,538
Cash distributed by a joint venture	7	2,023	—	3,073	487

See accompanying notes to the condensed interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2021 and 2020

[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, 2021, Cominar owned and managed a real estate portfolio of 310 high-quality properties that covered a total area of 35.7 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 4, 2021.

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. 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, 2020.

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 condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the 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, 2020. There have been no changes to the critical accounting estimates and judgments during the six-month period ended June 30, 2021.

- **COVID-19 related critical accounting estimates and judgments**

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

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

- **Investment properties**

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

- **Provision for expected credit losses**

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

3) Dispositions

Dispositions of Income Properties Held for Sale

Date	Property type	Number of properties	Geographic market	Total selling price (\$)
February 15, 2021	Office	1	Montreal	3,000
March 10, 2021	Retail	2	Quebec City	16,300
March 30, 2021	Retail	1	Quebec City	1,690
		4		20,990

Dispositions of Properties Under Development and Land Held for Future Development

Date	Property type	Number of properties	Geographic market	Total selling price (\$)
June 2, 2021	Land	—	Quebec City	5,500 ¹

¹ As at June 30, 2021, \$2,600 had been cashed and \$2,900 was receivable

4) Income Properties

		Six-month period ended June 30, 2021	Year ended December 31, 2020
	Note	\$	\$
Balance, beginning of period		6,077,025	6,412,739
Change in fair value		(125,564)	(456,189)
Capital costs		45,624	119,196
Transfer to investment properties held for sale	6	(40,050)	(36,160)
Transfer from properties under development and land held for future development	5	—	30,800
Change in initial direct costs		3,425	8,124
Recognition of leases on a straight-line basis		554	(1,485)
Balance, end of period		5,961,014	6,077,025

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 2021, 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 and determined that a net decrease of \$129,630 was necessary to adjust the carrying amount of investment properties to fair

value [net decrease of \$319,423 in 2020]. The net decrease in fair value related to investment properties held as at June 30, 2021 amounts to \$129,569 [\$319,422 in 2020]. For the six-month period ended June 30, 2021, 19% of the fair value of investment properties was reassessed from external valuations.

Weighted Average Discount Rates and Terminal Capitalization Rates

	June 30, 2021		December 31, 2020	
	Range	Weighted average	Range	Weighted average
Office properties				
Discounted cash flow method				
Discount rate	5.6% - 8.8%	6.7 %	5.6% - 8.8%	6.9 %
Terminal capitalization rate	5.0% - 7.8%	6.0 %	5.0% - 7.8%	6.1 %
Retail properties				
Discounted cash flow method				
Discount rate	6.2% - 9.5%	7.7 %	6.2% - 9.5%	7.7 %
Terminal capitalization rate	5.4% - 8.8%	7.0 %	5.4% - 8.0%	6.9 %
Industrial and flex properties				
Discounted cash flow method				
Discount rate	5.3% - 8.5%	6.1 %	5.5% - 9.0%	6.6 %
Terminal capitalization rate	4.5% - 7.8%	5.4 %	5.0% - 8.3%	5.9 %
Total				
Discounted cash flow method				
Discount rate		6.8 %		7.0 %
Terminal capitalization rate		6.1 %		6.3 %

5) Properties Under Development and Land Held for Future Development

		Six-month period ended June 30, 2021	Year ended December 31, 2020
	Note	\$	\$
Balance, beginning of period		114,225	141,978
Change in fair value		(4,005)	(10,786)
Capital costs		692	17,640
Disposition		(5,500)	—
Recognition of leases on a straight-line basis		—	50
Transfer to Income Properties	4	—	(30,800)
Transfers to investment properties held for sale	6	(4,847)	—
Contribution to a joint venture		—	(11,138)
Capitalized interests		2,230	7,153
Change in initial direct costs		5	128
Balance, end of period		102,800	114,225
Breakdown:			
Properties under development		54,852	26,315
Land held for future development		47,948	87,910

6) Investment Properties Held for Sale

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

During the six-month period ended June 30, 2021, Cominar transferred 1 income property having a fair value of \$40,050 and 2 lands held for future development having a fair value of \$4,847 to investment properties held for sale.

	Six-month period ended June 30, 2021				Year ended December 31, 2020
	Note	Office properties \$	Retail properties \$	Industrial and flex properties \$	Total \$
Investment properties held for sale					
Balance, beginning of period		3,000	17,990	—	20,990
Transfer from income properties	4	40,050	—	—	40,050
Transfers from properties under development and land held for future development	5	—	597	4,250	4,847
Capitalized costs ¹		(54)	115	—	61
Change in fair value		54	(115)	—	(61)
Dispositions	3	(3,000)	(17,990)	—	(20,990)
Balance, end of period		40,050	597	4,250	44,897

¹ Includes \$0 (\$50) in 2020) of recognition of leases on a straight-line basis.

7) Investments in Joint Ventures

As at June 30			2021	2020
Joint ventures	Address	City/province	Ownership interest	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	75%	75%
Société en commandite Marais	Du Marais Street	Québec, Quebec	75%	75%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Quebec	50%	50%
Société en commandite Terrains Centropolis	Centropolis	Laval, Quebec	50%	N/A

The business objective of these joint ventures is the ownership, management and development of real estate projects.

The following table summarizes the financial information on the investments in these joint ventures accounted for under the equity method:

	Six-month period ended June 30, 2021	Year ended December 31, 2020
	\$	\$
Investments in joint ventures, beginning of period	97,497	97,456
Contributions to the capital of the joint ventures	25	5,586
Share of joint ventures' net loss and comprehensive loss	(4,123)	(5,058)
Cash distributions by a joint venture	(3,073)	(487)
Investments in joint ventures, end of period	90,326	97,497

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

	Joint ventures		Cominar's proportionate share	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
	\$	\$	\$	\$
Income properties	221,480	227,270	157,543	161,885
Properties under development	21,070	21,699	10,535	10,850
Land held for future development	8,200	10,705	6,150	8,029
Other assets	2,582	4,289	1,371	2,808
Mortgages payable	(114,615)	(116,593)	(79,125)	(80,499)
Bank borrowings ¹	(8,200)	(8,200)	(4,100)	(4,100)
Other liabilities	(3,430)	(2,346)	(2,048)	(1,476)
Net assets of joint ventures	127,087	136,824	90,326	97,497

¹ Société en commandite Bouvier-Bertrand has a \$12,500 credit facility, which is guaranteed 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	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Operating revenues	5,733	6,150	4,047	4,279	11,435	12,488	8,082	8,681
Operating expenses	(2,534)	(2,623)	(1,775)	(1,792)	(4,990)	(5,272)	(3,496)	(3,638)
Net operating income	3,199	3,527	2,272	2,487	6,445	7,216	4,586	5,043
Finance charges	(1,319)	(1,380)	(936)	(962)	(2,644)	(2,769)	(1,859)	(1,931)
Administrative expenses	(14)	(7)	(7)	(3)	(59)	(15)	(33)	(7)
Change in fair value	(9,400)	(15,900)	(6,817)	(10,003)	(9,400)	(15,900)	(6,817)	(10,003)
Net loss	(7,534)	(13,760)	(5,488)	(8,481)	(5,658)	(11,468)	(4,123)	(6,898)

8) Accounts Receivable

	Note	June 30, 2021	December 31, 2020
		\$	\$
Trade receivables		36,009	40,516
Provision for expected credit losses	12	(9,105)	(13,635)
		26,904	26,881
Interest-bearing accounts receivable		509	575
Canadian Emergency Wage Subsidy		583	4,758
Other receivables and accrued income		19,270	19,602
Total		47,266	51,816

9) Bank Borrowings

On April 9, 2021, Cominar converted the \$400,000 unsecured revolving credit facility which was maturing in July 2021 into a \$250,000 unsecured revolving credit facility maturing in April 2022 and a \$150,000 secured revolving credit facility maturing in April 2023. This credit facility bears interest at the prime rate plus 175 basis points for the unsecured portion and 150 basis points for the secured portion, or at the bankers' acceptance rate plus 275 basis points for the unsecured portion and 250 basis points for the secured portion. As at June 30, 2021, the \$150,000 portion of the credit facility was secured by immovable hypothecs on investment properties with a book value of \$259,191. These credit facilities contain certain restrictive covenants, with which Cominar was in compliance as at June 30, 2021. As at June 30, 2021, bank borrowings under those facilities totaled \$56,680 and availability was \$343,320.

As at June 30, 2021, Cominar had a non-revolving secured credit facility of \$169,200 maturing in September 2023. This credit facility bears interest at the prime rate plus 150 basis points or at the bankers' acceptance rate plus 250 basis points and have quarterly principal repayments of \$1.8 million. As at June 30, 2021, this credit facility was secured by immovable hypothecs on investment properties with a book value of \$283,889. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2021. As at June 30, 2021, this secured credit facility was fully used.

As at June 30, 2021, Cominar had a non-revolving secured credit facility of \$120,000 maturing in September 2022. This credit facility bears interest at the prime rate plus 150 basis points or at the bankers' acceptance rate plus 250 basis points. As at June 30, 2021, this credit facility was secured by immovable hypothecs on investment properties with a book value of \$192,009. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2021. As at June 30, 2021, this secured credit facility was fully used.

10) Issued and Outstanding Units

	Six-month period ended June 30, 2021		Year ended December 31, 2020	
	Units	\$	Units	\$
Units issued and outstanding, beginning of period	182,451,026	3,233,486	182,111,365	3,228,903
Exercise of options, conversion of restricted units and deferred units	—	—	339,661	4,583
Units issued and outstanding, end of period	182,451,026	3,233,486	182,451,026	3,233,486

Long Term Incentive Plan

Six-month period ended June 30, 2021	Performance units	Deferred units	Restricted units	Unit Options	
				Quantity	Weighted average exercise price \$
Outstanding, beginning of period	479,798	362,009	1,359	3,385,150	14.16
Granted	—	18,462	—	—	—
Forfeited	—	—	—	(183,000)	14.14
Accrued distributions	7,434	5,653	22	—	—
Outstanding, end of period	487,232	386,124	1,381	3,202,150	14.16
Vested units/options, end of period	188,952	301,365	1,381	3,202,150	14.16

As at June 30, 2021, the maximum number of units that may be issued under the long-term incentive plan is 16,055,878 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.

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Distributions to unitholders	16,421	32,840	32,842	65,667
Distributions per unit	0.09	0.18	0.18	0.36

11) Operating Revenues

Periods ended June 30,
2021

	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	56,906	54,880	38,822	150,608	116,060	111,764	77,807	305,631
Parking revenues	2,305	106	17	2,428	4,587	196	34	4,817
Revenues from other services ¹	4,819	4,984	1,439	11,242	9,162	10,364	4,025	23,551
Total	64,030	59,970	40,278	164,278	129,809	122,324	81,866	333,999

¹ 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 ¹	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

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

12) Expected credit losses

Provision for expected credit losses

	Six-month period ended June 30, 2021 \$	Year ended December 31, 2020 \$
Balance, beginning of period	13,635	6,482
Net provision recognized as expense	(603)	16,573
Tenant receivables written off during the period	(3,927)	(9,420)
Balance, end of period	9,105	13,635

Expected credit losses

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Expected credit losses (reversal) on trade receivables	(2,032)	6,798	(603)	8,574
Expected credit losses - forgiven portion of the CECRA programs	—	3,016	—	3,016
Expected credit losses - rent reductions	3,148	8,401	4,178	8,401
Expected credit losses expensed	1,116	18,215	3,575	19,991

13) Finance Charges

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Interest on mortgages payable	19,253	19,563	36,757	43,590
Interest on debentures	12,117	16,648	24,250	31,278
Interest on bank borrowings	2,937	2,078	6,201	3,618
Amortization of deferred financing costs and other costs	1,396	1,103	2,662	2,128
Less: Capitalized interest ¹	(1,304)	(2,480)	(3,651)	(4,450)
Total	34,399	36,912	66,219	76,164

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 2021 was 4.08% [4.10% in 2020].

14) Trust Administrative Expenses

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Salaries and other benefits	2,495	2,420	5,025	5,168
Compensation related to the long-term incentive plan	980	840	1,487	1,657
Professional fees	720	311	1,322	480
Public company costs	264	184	479	408
Strategic alternatives consulting fees	2,512	—	3,888	—
Other expenses	339	283	652	469
Total	7,310	4,038	12,853	8,182

15) Per Unit Calculation Basis

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	Units	Units	Units	Units
Weighted average number of units outstanding – basic	182,744,485	182,635,565	182,737,210	182,565,912
Dilutive effect related to the long-term incentive plan	—	—	—	—
Weighted average number of units outstanding – diluted	182,744,485	182,635,565	182,737,210	182,565,912

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 3,585,189 options and unvested performance units, deferred units and restricted units outstanding at the end of the period ended June 30, 2021 [4,997,218 in 2020], due to the fact they are antidilutive.

16) Supplemental Cash Flow Information

Periods ended June 30	Quarter		Year-to-date (six months)	
	2021	2020	2021	2020
	\$	\$	\$	\$
Accounts receivable	5,827	(39,639)	7,450	(49,887)
Prepaid expenses and other assets	(17,281)	19,785	(3,476)	3,769
Accounts payable and accrued liabilities	(7,336)	15,433	4,174	13,722
Changes in non-cash working capital items	(18,790)	(4,421)	8,148	(32,396)
Other information				
Accounts payable and accrued liabilities relating to investing activities	7,620	10,929	7,620	10,929
Accounts receivable relating to investing activities	4,772	4,014	4,772	4,014

17) 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, 2021 and fiscal year 2020.

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:

	Level	June 30, 2021		December 31, 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$	\$	\$	\$
Recurring valuations of non-financial assets					
Investment properties	3	6,053,859	6,053,859	6,185,925	6,185,925
Financial liabilities					
Mortgages payable	2	2,075,981	2,136,205	2,105,906	2,128,211
Debentures	2	1,071,165	1,196,194	1,070,491	1,104,247

18) 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.

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

Quarters ended

	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Condensed interim consolidated financial statements
June 30, 2021	\$	\$	\$	\$	\$	\$
Rental revenue from investment properties	67,862	60,184	40,279	168,325	(4,047)	164,278
Change in fair value of investment properties	(85,774)	(278,508)	227,900	(136,382)	6,817	(129,565)
Net operating income	34,276	27,842	25,592	87,710	(2,272)	85,438
Share of joint ventures' net loss	—	—	—	—	(5,488)	(5,488)
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 loss	—	—	—	—	(8,481)	(8,481)

Six-month periods ended

	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Condensed interim consolidated financial statements
June 30, 2021	\$	\$	\$	\$	\$	\$
Rental revenue from investment properties	137,499	122,716	81,866	342,081	(8,082)	333,999
Change in fair value of investment properties	(85,719)	(278,628)	227,900	(136,447)	6,817	(129,630)
Net operating income	68,746	56,763	50,986	176,495	(4,586)	171,909
Share of joint ventures' net loss	—	—	—	—	(4,123)	(4,123)
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 loss	—	—	—	—	(6,898)	(6,898)

	Office Properties	Retail Properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Condensed interim consolidated financial statements
June 30, 2021	\$	\$	\$	\$	\$	\$
Income properties	2,313,074	1,632,906	2,172,577	6,118,557	(157,543)	5,961,014
Investment properties held for sale	40,050	597	4,250	44,897	—	44,897
Investments in joint ventures	—	—	—	—	90,326	90,326
December 31, 2020	\$	\$	\$	\$	\$	\$
Income properties	2,417,676	1,889,299	1,931,935	6,238,910	(161,885)	6,077,025
Investment properties held for sale	3,000	17,990	—	20,990	—	20,990
Investments in joint ventures	—	—	—	—	97,497	97,497

19) Subsequent Events

On July 5, 2021, Cominar completed the sale of a land held for future development for a total amount of \$4,127.

On July 21, 2021, Cominar declared a monthly distribution of \$0.03 per unit.

Corporate Information

Board of Trustees

René Tremblay ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾

Corporate Director
Chair of the Board of Trustees

Luc Bachand ⁽¹⁾⁽³⁾⁽⁵⁾

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

Christine Beaubien ⁽¹⁾⁽⁴⁾

Corporate Director

Paul D. Campbell ⁽³⁾⁽⁴⁾

Project Lead, Royal York Hotel, with
Kingsett Capital

Mitchell Cohen ⁽²⁾⁽³⁾⁽⁵⁾

Chief Operating Officer of Westdale
Construction Co. Limited and President
and CEO of Urbanfund Corp.
Chair of the Nomination and Governance Committee

Sylvain Cossette

President and Chief Executive Officer of Cominar

Zachary R. George ⁽²⁾⁽³⁾

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

Karen Laflamme, FCPA, FCA ⁽¹⁾⁽⁴⁾⁽⁵⁾

Corporate Director
Chair of the Human Resources Committee

Michel Thérroux, FCPA, FCA ⁽¹⁾⁽²⁾

Corporate Director
Chair of the Audit Committee

(1) Member of the Audit Committee

(2) Member of the Nomination and Governance Committee

(3) Member of the Investment Committee

(4) Member of the Human Resources Committee

(5) Member of the Special Committee

Key Officers

Sylvain Cossette

President and Chief Executive Officer

Antoine Tronquoy

Executive Vice President
and Chief Financial Officer

Marie-Andrée Boutin, MBA

Executive Vice President,
Retail and Development

Bernard Poliquin

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

Nathalie Rousseau

Executive Vice President,
Asset Management and Transactions

Unitholders Information

Cominar Real Estate Investment Trust

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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

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

Taxability of Distributions

In 2020, 100% of the distributions made by Cominar to unitholders were returns of capital, reducing the adjusted cost base of the units.

Legal Counsel

Davies Ward Phillips & Vineberg LLP

Auditors

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

Unitholders Distribution Reinvestment Plan

In 2017, Cominar suspended the distribution reinvestment plan. If Cominar decides to resume the plan in the future, the unitholders who were registered in the plan at the time of its suspension and who are still registered at the time of its resumption shall automatically resume their participation in the plan.

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

