Cominar Real Estate Investment Trust

Interim Report

Quarter ended June 30, 2019

Unaudited

Cominar

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Interim Management's Discussion and Analysis

The following Interim Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the quarter ended June 30, 2019, in comparison with the corresponding quarter of 2018, as well as its financial position as at that date and its outlook. Dated August 6, 2019, this Interim MD&A reflects all significant information available as of that date and should be read in conjunction with the condensed interim consolidated financial statements and accompanying notes included in this report, as well as the consolidated financial statements, accompanying notes and MD&A appearing in Cominar's most recent Annual Report.

Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square-foot amounts, and are based on the condensed interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Basis of Presentation

Certain financial information in this Interim MD&A present the consolidated balance sheets and interim consolidated statements of comprehensive income, including Cominar's proportionate share in the assets, liabilities, revenues and charges of its joint ventures, hereinafter referred to as "Cominar's proportionate share", which are non-IFRS measures. Management believes that presenting the operating and financial results of Cominar, including its proportionate share in the assets, liabilities, revenues and charges of its joint ventures, provides more useful information to current and prospective investors to assist them in understanding Cominar's financial performance. Readers are referred to the section Reconciliations to Cominar's Proportionate Share for a complete reconciliation of Cominar's condensed interim consolidated financial statements prepared in accordance with IFRS to the financial information including its proportionate share in the assets, liabilities, revenues and charges of its joint ventures presented in this Interim MD&A.

Additional information on Cominar, including its 2018 Annual Information Form, is available on Cominar's website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

Message to Unitholders

Our start to 2019 has consisted of introspection, analysis and action. We have taken a hard look at what we can do to position Cominar for the future, dug deep into the analysis of our culture, operations, processes and portfolio have taken significant steps to put us on a path to growth. Six months into the year, we see that these initiatives are having a direct effect on our performance. In Q2 we delivered solid operating metrics including 2.2% organic growth and we are increasing our guidance to 1.5% to 2.5% based on the confidence we have in our plan and our team's ability to deliver.

Our operations continue to improve driven by strength in the industrial portfolio where lease-up and our aggressive push to drive rents delivered SPNOI growth of 7.1%. In the retail portfolio, SPNOI was negative at -1.6%, however, less so than in previous quarters. We expect our focus on bringing more entertainment and food offerings to our shopping centres, lease-up of Sears vacancy, densification opportunities, digital transformation strategies and select dispositions will drive positive SPNOI by the end of 2019. In the office portfolio SPNOI increased 2.5% which was in line with expectations on higher occupancy and rent growth.

The first half of 2019 has been very active on the financing front and we have made great strides in enhancing our liquidity position and solidifying our balance sheet. Year to date we have originated $1.0 billion of new debt including the issue of $200 million of unsecured debentures, closing $382 M of new mortgages on 52 properties and closing a $400 M unsecured credit facility. We also expect to close on an up to $300 million secured line in the coming weeks which will further enhance our liquidity position and ensure we have ample financial resources to repay upcoming debt maturities.

We have completed our strategic assessment announced earlier in 2019 and have begun to implement numerous initiatives to accelerate our NOI and AFFO growth, create value in our portfolio and create a culture of real estate investing excellence.

Our plan is the result of a comprehensive review of our business undertaken over the last quarters to better understand the reasons for our past underperformance and to identify how core issues can be rectified in order to unlock unitholder value. We have created a transformation plan structured to deliver operating efficiencies, accelerate NOI growth and crystallize untapped portfolio value in order to generate short term and long-term value for unitholders.

The plan includes:

- A series of concrete actions to add additional revenue streams, reduce operating costs and streamline G&A, which are to have a collective positive impact on FFO and materially accelerate our organic growth. Initiatives include new sources of revenue, workforce optimization, outsourcing arrangements, operating cost reductions, process automation, leveraging technology and lease auditing among others.
- Creation of a dedicated asset management platform to maximize portfolio returns and enhance the investment decision-making process. We are currently executing a full asset management review of the REIT's portfolio, commencing with our top 20 properties, to formalize business plans for each asset in order to optimize investment decisions and maximize the value of our assets. Our business plans include value creation strategies for each asset through NOI maximization, intensification of sites with excess density and repositioning/reconfiguration as well as rigorous investment analysis upon which our hold, recapitalize or sell decisions are based.
- A disciplined reduction in leverage to a targeted approximate 50% debt-to-asset value by the end of 2021 through growing EBITDA, higher retained cash flow, driving growth in our portfolio value and selective dispositions. Our portfolio is located in strong markets where we believe that driving EBITDA and portfolio value can make a positive contribution to leverage reduction.

In connection with our strategic initiatives, we have taken a $3.9 million provision in Q2 2019 consisting primarily of severance payments related to the reduction of our workforce by 67 employees since the beginning of the year.

In order to de-risk the execution of our transformation, we have also undertaken a number of steps to ensure seamless execution of the plan:

- We have implemented a Change Management Office to oversee execution of the plan and bring focus, support and accountability to our initiatives.
- We have explicit accountability. We have created a management report card that tracks progress towards our goals with Board oversight.

The plan is already being executed, we are building momentum through quick wins and our team of seasoned leaders is committed to our new strategic direction.

In recent weeks, we have added two experienced and highly qualified executives with a demonstrated ability to effect change and create value; Mélanie Vallée as Vice-President Data and Technology and Alexandra Faciu as Executive Director Asset Management. Over the past twelve months, we have transformed our senior management team to put the right talent in the right roles in order to create a culture of excellence, improve capital allocation, drive operating performance and create value for unitholders. The result is a dynamic and talented management team that bring a wealth of industry experience, new perspectives and a commitment to excellence.

Communication with our stakeholders is an important component of our plan and we look forward to presenting the full extent of our strategic initiatives at our investor day in Toronto on September 26th, 2019.

René Tremblay
Chairman of the Board of Trustees

Sylvain Cossette
President and Chief Executive Officer

August 6, 2019

Highlights

Quarter ended June 30, 2019

Growth in same property net operating income
(six-month period: 2.1%)

2.2%

Growth in the average net rent of renewed leases

2.8%

Increase in the committed occupancy rate from 93.6% to

93.9%

Retention rate

57.9%

Reduction in leverage
from 55.3% to

54.2%

Payout ratio
(excluding restructuring costs)

90.0%

Subsequent Events

On July 11, 2019, Cominar entered into a 10-year mortgage of $32.8 million at an interest rate of 3.46%.

On July 16, 2019, Cominar declared a monthly distribution of $0.06 per unit, payable on August 15, 2019.

On July 19, 2019, Cominar completed the sale of an industrial and flex property located in the Montréal area, for an amount of $14.0 million.

On July 23, 2019, Cominar entered into a 2-year agreement for a new unsecured credit facility of up to $400.0 million maturing in July 2021 and which replaced the current $500.0 million unsecured renewable credit facility as of that date. This new credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points.

On July 25, 2019, Cominar entered in a 6-year mortgage of $125.0 million at an interest rate of 3.45%.

On July 31, 2019, Cominar entered in two 5-year mortgages totaling $66.6 million at an interest rate of 3.527%.

On August 1, 2019, Cominar entered in a 10-year mortgage of $37.8 million at an interest rate of 3.28%.

Caution Regarding Forward-Looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other reports filed with Canadian regulators, in reports to unitholders or in other communications. By their nature, forward-looking statements involve risks, uncertainties and assumptions. Such forward-looking statements reflect our intentions, plans, expectations and opinions regarding our future growth, operating results, performance and business prospects and opportunities. Forward-looking statements are often identified by words and expressions such as "plans," "expects," "is expected," "budgeted," "scheduled," "estimated," "seeks," "aims," "forecasts," "intends," "anticipates," "believes," or by statements that certain actions, events or results "may," "could," "would," "might" or "will" be taken, occur, or be achieved, and other variants and similar expressions, as well as the negative and conjugated forms, as they relate to Cominar.

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

Forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause our actual results or performance to be materially different from the outlook or any future results or performance implied by such statements.

We caution readers that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Cominar, investors and others should carefully consider the foregoing factors, as well as other factors and uncertainties. Unless otherwise stated, all forward-looking statements are valid only as at the date of this Interim MD&A. We do not assume any obligation to update the aforementioned forward-looking statements, except as required by applicable laws.

Additional information about these factors can be found in the "Risks and Uncertainties" section of this Interim MD&A, as well as in the "Risk Factors" section of Cominar's 2018 Annual Information Form.

Non-IFRS Financial Measures

In this Interim MD&A, we provide guidance and report on certain non-IFRS measures, including “net operating income,” “adjusted net income,” “funds from operations,” “adjusted funds from operations,” “adjusted cash flows from operations”, “adjusted Trust administrative expenses”, and “proportionate share in joint ventures adjustments”, 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. You may find such information in the sections dealing with each of these measures.

Performance Indicators

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

- **Net operating income (“NOI”)**, which Cominar calculates 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. Management considers NOI to be a valuable measure for evaluating the operating performance of its properties;
- **Same property NOI**, which provides an indication of the operating profitability of the same property portfolio, that is, Cominar’s ability to increase revenues, manage costs, and generate organic growth. The same property NOI includes the results of properties owned by Cominar as at December 31 2017, with the exception of results from the properties sold, acquired and under development in 2018 and 2019, as well as the rental income arising from the recognition of leases on a straight-line basis;
- **Funds from operations ("FFO") per unit**, 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;
- **Adjusted funds from operations ("AFFO") per unit**, 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 REALpac and provides a meaningful measure of Cominar’s capacity to generate steady profits;
- **Adjusted cash flow from operations (“ACFO”) per unit** is calculated by Cominar as defined by REALpac and provides a helpful real estate benchmark to measure Cominar’s ability to generate stable cash flows;
- **Debt ratio**, which is used to assess the financial balance essential to the prudent running of an organization;
- **Debt to earnings before interest, income taxes, depreciation and amortization (“EBITDA”) ratio**, which is widely used in the real estate industry, measures Cominar’s ability to pay down its debts;
- **Interest coverage ratio**, which is used to assess Cominar’s ability to pay interest on its debt from operating revenues;
- **Committed occupancy rate**, which gives 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**, which gives 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**, which helps assess client satisfaction and loyalty;
- **Growth in the average net rent on renewed leases**, which is a measure of organic growth and gives an indication of Cominar’s capacity to increase its rental income.

The above-mentioned performance indicators are not IFRS financial measures. Definitions and other relevant information regarding these performance indicators are provided in the appropriate sections of this Interim MD&A.

Financial and Operational Highlights

For the periods ended June 30	Quarter			Year-to-date (six months)			
	2019 $	2018 $	%Δ	2019 $	2018[1] $	%Δ	Page
Financial performance							
Operating revenues – Financial statements	**176,627**	177,047	(0.2)	**358,571**	385,912	(7.1)	17
Operating revenues – Cominar's proportionate share[2]	**180,946**	181,280	(0.2)	**367,190**	394,159	(6.8)	17
NOI[2] – Financial statements	**88,983**	89,813	(0.9)	**175,668**	190,359	(7.7)	18
NOI[2] – Cominar's proportionate share	**91,468**	92,256	(0.9)	**180,546**	194,883	(7.4)	18
Same property NOI[2]	**90,330**	88,401	2.2	**176,829**	173,151	2.1	18
Changes in fair value of investment properties – Financial statements	**8,291**	—	100,0	**8,070**	(4,331)	286.3	22
Net income	**51,474**	46,445	10.8	**95,783**	76,422	25.3	22
Adjusted net income[2]	**50,250**	51,401	(2.2)	**97,162**	104,263	(6.8)	22
Funds from operations (FFO)[2][3]	**47,273**	49,063	(3.6)	**94,160**	102,800	(8.4)	23
Adjusted funds from operations (AFFO)[2][3]	**33,441**	37,576	(11.0)	**66,968**	79,855	(16.1)	23
Cash flows provided by operating activities – Financial Statements	**14,126**	1,437	883.0	**37,577**	20,772	80.9	25
Adjusted cash flows from operations (ACFO)[2][3]	**40,497**	34,327	18.0	**78,303**	74,656	4.9	25
Distributions	**32,768**	32,749	0.1	**65,526**	78,232	(16.2)	26
Total assets				**6,507,098**	6,873,107	(5.3)	14
Per unit financial performance							
Net income (basic)	**0.28**	0.26	7.7	**0.53**	0.42	26.2	22
Net income (diluted)	**0.28**	0.25	12.0	**0.53**	0.42	26.2	22
Adjusted net income (diluted)[2]	**0.28**	0.28	—	**0.53**	0.57	(7.0)	23
Funds from operations (FFO)(FD)[2][3][4]	**0.26**	0.27	(3.7)	**0.52**	0.56	(7.1)	23
Adjusted funds from operations (AFFO)(FD)[2][3][4]	**0.18**	0.21	(14.3)	**0.37**	0.44	(15.9)	23
Adjusted cash flows from operations (ACFO)(FD)[2][3][4]	**0.22**	0.19	15.8	**0.43**	0.41	4.9	26
Distributions	**0.18**	0.18	—	**0.36**	0.43	(16.3)	26
Payout ratio of adjusted cash flows from operations (ACFO)[2][3][4]	**81.8 %**	94.7 %	(13.6)	**83.7 %**	104.9 %	(20.2)	29
Payout ratio of adjusted funds from operations (AFFO)[2][3][4]	**100.0 %**	85.7 %	16.7	**97.3 %**	97.7 %	(0.4)	29
Financing							
Debt ratio[5]				**54.2%**	52.0%		30
Debt/EBITDA ratio				**10,4x**	9,3x		20
Interest coverage ratio[6]				**2,33 : 1**	2,33 : 1		26
Weighted average interest rate on total debt				**4.18%**	4.11%		30
Residual weighted average term of total debt (years)				**3.6**	4.0		30
Unsecured debts-to-total-debt ratio[7]				**48.0%**	49.0%		30
Unencumbered income properties				**2,535,943**	2,808,278		30
Unencumbered assets to unsecured debt ratio[8]				**1,50 : 1**	1,61 : 1		30
Operational data							
Number of investment properties[9]				**334**	430		30
Leasable area (in thousands of sq. ft.)				**36,641**	38,353		30
Committed occupancy rate				**93.9%**	93.1%		34
In-place occupancy rate				**89.9%**	86.5%		34
Retention rate				**57.9%**	57.0%		36
Growth in the average net rent of renewed leases				**2.8%**	0.4%		36
Development activities							
Properties under development – Cominar's proportionate share[2]				**52,782**	56,113		14

(1) The six-month period ended June 30, 2018 includes results of 95 non-core properties sold for total consideration of $1.14 billion during the first quarter of 2018.
(2) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(3) Includes $3.9 million of restructuring costs in Q2-2019 and a $1.0 million severance allowance paid in Q1-2019 following the departure of an executive officer.
(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 net debt.
(8) Fair value of unencumbered income properties divided by the unsecured net debt.
(9) During the first quarter of 2019, Cominar reassessed its number of properties by grouping individual addresses within the same plot of land or related plots of land as one property.

Selected Quarterly Information

For the quarters ended	June 30, 2019 $	March 31, 2019 $	Dec. 31, 2018 $	Sept. 30, 2018 $	June 30, 2018 $	March 31, 2018[1] $	Dec. 31, 2017[1] $	Sept. 30, 2017[1] $
Operating revenues – Financial statements	**176,627**	181,944	176,073	172,665	177,047	208,865	207,418	204,160
Operating revenues – Cominar's proportionate share[2]	**180,946**	186,244	180,116	176,820	181,280	212,879	211,197	207,753
NOI[2] – Financial statements	**88,983**	86,685	91,128	90,977	89,813	100,546	110,487	110,180
NOI[2] – Cominar's proportionate share	**91,468**	89,078	93,526	93,548	92,256	102,627	112,654	112,247
Changes in fair value of investment properties – Financial statements	**8,291**	(221)	(276,160)	13,393	—	(4,331)	(616,354)	—
Adjustments to Goodwill - Financial statements	**—**	—	(120,389)	—	—	—	—	—
Net income (net loss)	**51,474**	44,309	(353,353)	64,649	46,445	29,977	(581,256)	63,981
Adjusted net income[2]	**50,250**	46,912	50,684	51,850	51,401	52,862	68,551	63,981
FFO[2]	**47,273**[3]	46,887[4]	50,883	52,733	49,063	53,737	58,492	65,287
AFFO[2]	**33,441**[3]	33,527[4]	39,047	41,249	37,576	42,279	46,228	55,414
Cash flows provided by operating activities – Financial statements	**14,126**	23,451	74,118	88,049	1,437	19,335	81,471	100,702
ACFO[2]	**40,497**	37,806	38,372	41,453	34,327	40,329	46,717	54,924
Distributions	**32,768**	32,758	32,749	32,749	32,749	45,483	52,792	58,006
Per unit								
Net income (net loss) (basic)	**0.28**	0.24	(1.94)	0.36	0.26	0.16	(3.14)	0.35
Net income (net loss) (diluted)	**0.28**	0.24	(1.94)	0.35	0.25	0.16	(3.14)	0.35
Adjusted net income (diluted)[2]	**0.28**	0.26	0.28	0.28	0.28	0.29	0.37	0.35
FFO (FD)[2][5]	**0.26**[3]	0.26[4]	0.28	0.29	0.27	0.29	0.32	0.35
AFFO (FD)[2][5]	**0.18**[3]	0.18[4]	0.21	0.23	0.21	0.23	0.25	0.30
ACFO (FD)[2][5]	**0.22**	0.21	0.21	0.23	0.19	0.22	0.25	0.30
Distributions	**0.1800**	0.1800	0.1800	0.1800	0.1800	0.2500	0.2850	0.3125

(1) Quarters ended March 31, 2018 and prior include results of 95 non-core properties sold for total consideration of $1.14 billion.
(2) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(3) Includes $3.9 million of restructuring costs.
(4) Includes a $1.0 million severance allowance paid in 2019 following the departure of an executive officer.
(5) 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, 2019, Cominar owned a diversified portfolio of 334[(1)] properties, composed of office, retail and industrial and flex buildings, of which 205 were located in the Montreal area, 110 in the Québec City area and 19 in the Ottawa area. Cominar's portfolio consisted of approximately 11.2 million square feet of office space, 9.9 million square feet of retail space and 15.5 million square feet of industrial and flex space, representing total leasable area of 36.6 million square feet.

Cominar's focus is on growing NOI and 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; and (iii) sound management of operating costs.

Real Estate Portfolio Summary As At June 30, 2019

The properties in the portfolio are generally situated in prime locations along or in proximity of major traffic arteries and generally benefit from high visibility while providing easy access for both Cominar's customers and clients.

Property type	Number of properties[(1)]	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate
Office	83	11,215,000	92.0%	87.9%
Retail	58	9,889,000	93.1%	85.0%
Industrial and flex	193	15,537,000	95.6%	94.3%
Total	**334**	**36,641,000**	**93.9%**	**89.9%**

Geographic market	Number of properties[(1)]	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate
Montreal	205	23,949,000	93.4%	90.0%
Québec City	110	10,216,000	95.1%	91.3%
Ottawa	19	2,476,000	92.9%	82.4%
Total	**334**	**36,641,000**	**93.9%**	**89.9%**

(1) During the first quarter of 2019, Cominar reassessed its number of properties by grouping individual addresses within the same plot of land or related plots of land as one property.

Our Objectives and Strategy

Objectives and strategy

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. Management is primarily focused on the following objectives:

Improving our organic growth: Initiatives to drive the revenue line include focusing on properties with the greatest growth potential, increasing the speed with which new space is delivered to tenants, lease-up of vacant space in the retail and office portfolios, focusing on rent growth in our industrial and flex portfolio, and identifying ancillary revenue opportunities. We are currently implementing numerous initiatives to reduce expenses including through internal cost optimization measures, staffing levels, outsourcing arrangements, and process automation.

Strengthening and de-risking Cominar's balance sheet, and prudent management of the Cominar's capital structure: As at June 30, 2019, the debt ratio was 54.2%, down from 55.3% as at December 31, 2018 primarily as a result of property dispositions. Cominar's objective is to improve its credit metrics in order to enhance financial flexibility and decrease borrowing costs. Our debt risk mitigation strategies include lowering leverage, staggering debt maturities and, building and maintaining broad lending relationships.

Portfolio optimization: Cominar continues to target dispositions in order to improve portfolio quality, reduce our retail exposure, downweight certain regional exposures, streamline the portfolio with respect to smaller properties which are more costly to manage, and focus on properties with the highest growth potential. In 2018, Cominar sold a total of $1.2 billion of properties and is currently targeting $300.0 million of dispositions in 2019.

Value creation through intensification and development opportunities: Cominar is currently conducting a review of potential intensification and development opportunities, primarily within its retail portfolio. At present, the fair value estimates recorded on the balance sheet provide no value for potential density. Cominar owns numerous properties, including properties located along or in proximity to the proposed Réseau express métropolitain de Montréal (REM) light rail line, which it believes could benefit from intensification opportunities. Management will seek to unlock value within these sites through re-zoning, where required, dispositions and partnerships.

Overview of the Second Quarter of 2019

Adjusted Net Income: For the quarter ended June 30, 2019, Cominar generated adjusted net income of $50.3 million compared to $51.4 million for the quarter ended June 30, 2018. Adjusted Net Income declined year over year due primarily to the sale of $201.2 million of properties between June 30, 2018 and June 30, 2019 and a $0.7 million increase in finance charges, partially offset by a $1.9 million increase in same property net operating income.

FFO: Fully diluted funds from operations ("FFO") for the quarter ended June 30, 2019 was $0.26 per unit compared to $0.27 for the previous year's comparable period. The decrease was due mainly to the decrease of $3.7 million in Trust administrative expenses, offset by a decrease in NOI related to dispositions and an increase in restructuring costs.

AFFO: Fully diluted adjusted funds from operations ("AFFO") for the quarter ended June 30, 2019 was $0.18 per unit compared to $0.21 for the previous year's comparable period. AFFO decreased for the same reasons as FFO and due to a $0.9 million increase in the provision for leasing costs and a $1.7 million increase in maintenance capital expenditures.

Same Property NOI: Same property NOI ("SPNOI") increased 2.2% for the quarter ended June 30, 2019. The increase reflected growth of 2.5% in the office portfolio and 7.1% in the industrial and flex portfolio partially offset by a 1.6% decline in the retail portfolio. The increase in SPNOI was mainly related to an increase in average in place occupancy for all property types and for all geographic markets.

Occupancy: As at June 30, 2019, Cominar's in-place occupancy was 89.9% compared to 89.2% at year-end 2018 and 86.5% at June 30, 2018. The sequential increase in occupancy was related to increases in the office and industrial and flex portfolios, while the year over year increase was driven by all property types. As at June 30, 2019 the committed occupancy rate was 93.9%, up 30 basis points from 93.6% at year-end 2018 and up 80 basis points from 93.1% at June 30, 2018.

Leasing Activity: The retention rate for the six-month period ended June 30, 2019 improved to 57.9%, up from 57.0% for the six-month period ended June 30, 2018. Average net rent on 2.9 million sq.ft. of lease renewals increased 2.8% (2.3% for the office portfolio, (1.4%) for the retail portfolio and 9.8% for the industrial portfolio). New leasing totalled 1.5 million sq.ft. at an average minimum rental rate of $12.30. New and renewal leasing for the six-month period ended June 30, 2019 represented 87.3% of 2019 lease maturities.

Disposition Activity: For the quarter ended June 30, 2019, Cominar completed asset sales totalling $115.8 million ($8.0 million office, $106.0 million retail and $1.8 million industrial) at pricing in line with our IFRS values. Subsequent to quarter end, a $14.0 million of property was sold bringing year to date sales to $204.2 million. Cominar continues to target approximately $300 million of dispositions for 2019.

Balance Sheet: As at June 30, 2019, Cominar's debt ratio was 54.2%, down from 55.3% at year-end 2018 and up from 52.0% as at June 30, 2018. The year over year increase in debt ratio reflects writedowns in assets of $387.5 million taken in 2018. The debt to EBITDA ratio at the end of the second quarter of 2019 was 10.4x, up from 10.3x at December 31, 2018 and 9.3x at June 30, 2018. As at June 30, 2019 our unencumbered asset pool totaled $2.5 billion and our unencumbered asset ratio was 1.50x, down from 1.53x at year-end 2018 and down from 1.61x at June 30, 2018.

Our available liquidity of $434.0 million consists of $423.9 million of availability under our credit facility and $10.1 million of cash and cash equivalents at June 30, 2019.

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. Management considers that presenting operating and financial results including Cominar's proportionate share of the assets, liabilities, revenues and charges of its joint ventures, provides more complete information on Cominar's financial performance.

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

	As at June 30, 2019			As at December 31, 2018		
	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	**6,096,069**	**167,355**	**6,263,424**	6,058,191	166,765	6,224,956
Properties under development	**45,038**	**7,744**	**52,782**	34,293	7,392	41,685
Land held for future development	**90,784**	**8,560**	**99,344**	93,750	8,400	102,150
	6,231,891	**183,659**	**6,415,550**	6,186,234	182,557	6,368,791
Investment properties held for sale	**46,715**	**—**	**46,715**	188,727	—	188,727
Investments in joint ventures	**94,384**	**(94,384)**	**—**	92,468	(92,468)	—
Goodwill	**15,721**	**—**	**15,721**	15,721	—	15,721
Accounts receivable	**42,250**	**246**	**42,496**	41,162	424	41,586
Prepaid expenses and other assets	**65,993**	**193**	**66,186**	17,901	97	17,998
Cash and cash equivalents	**10,144**	**691**	**10,835**	1,498	461	1,959
Total assets	**6,507,098**	**90,405**	**6,597,503**	6,543,711	91,071	6,634,782
Liabilities						
Mortgages payable	**1,836,518**	**84,263**	**1,920,781**	1,742,104	85,534	1,827,638
Mortgages payable related to the investment properties held for sale	**—**	**—**	**—**	123	—	123
Debentures	**1,620,335**	**—**	**1,620,335**	1,722,586	—	1,722,586
Bank borrowings	**76,053**	**4,201**	**80,254**	152,950	4,000	156,950
Accounts payable and accrued liabilities	**115,707**	**1,941**	**117,648**	103,347	1,537	104,884
Deferred tax liabilities	**142**	**—**	**142**	142	—	142
Current tax liabilities	**—**	**—**	**—**	6,763	—	6,763
Distributions payable to unitholders	**10,923**	**—**	**10,923**	—	—	—
Total liabilities	**3,659,678**	**90,405**	**3,750,083**	3,728,015	91,071	3,819,086
Unitholders' equity						
Unitholders' equity	**2,847,420**	**—**	**2,847,420**	2,815,696	—	2,815,696
Total liabilities and unitholders' equity	**6,507,098**	**90,405**	**6,597,503**	6,543,711	91,071	6,634,782

(1) Non-IFRS financial measure.

For the quarters ended June 30	2019 Condensed interim consolidated financial statements $	2019 Joint ventures $	2019 Cominar's proportionate share[1] $	2018 Condensed interim consolidated financial statements $	2018 Joint ventures $	2018 Cominar's proportionate share[1] $
Operating revenues	**176,627**	**4,319**	**180,946**	177,047	4,233	181,280
Operating expenses	**(87,644)**	**(1,834)**	**(89,478)**	(87,234)	(1,790)	(89,024)
NOI[1]	**88,983**	**2,485**	**91,468**	89,813	2,443	92,256
Finance charges	**(36,398)**	**(995)**	**(37,393)**	(35,669)	(984)	(36,653)
Trust administrative expenses	**(3,838)**	**13**	**(3,825)**	(7,580)	(11)	(7,591)
Change in fair value of investment properties	**8,291**	**—**	**8,291**	—	—	—
Share of joint ventures' net income	**1,503**	**(1,503)**	**—**	1,448	(1,448)	—
Transaction costs	**(3,151)**	**—**	**(3,151)**	(1,427)	—	(1,427)
Restructuring costs	**(3,916)**	**—**	**(3,916)**	—	—	—
Net income before income taxes	**51,474**	**—**	**51,474**	46,585	—	46,585
Income taxes						
Current	**—**	**—**	**—**	(140)	—	(140)
Deferred	**—**	**—**	**—**	—	—	—
	—	**—**	**—**	(140)	—	(140)
Net income and comprehensive income	**51,474**	**—**	**51,474**	**46,445**	**—**	**46,445**

(1) Non-IFRS financial measure.

For the six-month periods ended June 30	2019 Condensed interim consolidated financial statements $	2019 Joint ventures $	2019 Cominar's proportionate share[2] $	2018[1] Condensed interim consolidated financial statements $	2018[1] Joint ventures $	2018[1] Cominar's proportionate share[2] $
Operating revenues	**358,571**	**8,619**	**367,190**	385,912	8,247	394,159
Operating expenses	**(182,903)**	**(3,741)**	**(186,644)**	(195,553)	(3,723)	(199,276)
NOI[2]	**175,668**	**4,878**	**180,546**	190,359	4,524	194,883
Finance charges	**(73,149)**	**(1,987)**	**(75,136)**	(79,471)	(1,973)	(81,444)
Trust administrative expenses	**(9,291)**	**—**	**(9,291)**	(12,835)	(18)	(12,853)
Change in fair value of investment properties	**8,070**	**—**	**8,070**	(4,331)	—	(4,331)
Share of joint ventures' net income	**2,891**	**(2,891)**	**—**	2,533	(2,533)	—
Transaction costs	**(4,490)**	**—**	**(4,490)**	(19,981)	—	(19,981)
Restructuring costs	**(3,916)**	**—**	**(3,916)**	—	—	—
Net income before income taxes	**95,783**	**—**	**95,783**	76,274	—	76,274
Income taxes						
Current	**—**	**—**	**—**	(6,391)	—	(6,391)
Deferred	**—**	**—**	**—**	6,539	—	6,539
	—	**—**	**—**	148	—	148
Net income and comprehensive income	**95,783**	**—**	**95,783**	76,422	—	76,422

(1) The six-month period ended June 30, 2018 includes results of 95 non-core properties sold for a total consideration of $1.14 billion during the first quartier of 2018.
(2) Non-IFRS financial measure.

Performance Analysis

FINANCIAL POSITION

The following table indicates the changes in assets and liabilities as well as in unitholders’ equity as at June 30, 2019, and December 31, 2018, as shown in our condensed interim consolidated financial statements:

	As at June 30, 2019 $	As at December 31, 2018 $	$Δ	%Δ
Assets				
Investment properties				
Income properties	**6,096,069**	6,058,191	37,878	0.6
Properties under development	**45,038**	34,293	10,745	31.3
Land held for future development	**90,784**	93,750	(2,966)	(3.2)
	6,231,891	6,186,234	45,657	0.7
Investment properties held for sale	**46,715**	188,727	(142,012)	(75.2)
Investments in joint ventures	**94,384**	92,468	1,916	2.1
Goodwill	**15,721**	15,721	—	—
Accounts receivable	**42,250**	41,162	1,088	2.6
Prepaid expenses and other assets	**65,993**	17,901	48,092	268.7
Cash and cash equivalents	**10,144**	1,498	8,646	577.2
Total assets	**6,507,098**	6,543,711	(36,613)	(0.6)
Liabilities				
Mortgages payable	**1,836,518**	1,742,104	94,414	5.4
Mortgages payable related to the investment properties held for sale	**—**	123	(123)	(100.0)
Debentures	**1,620,335**	1,722,586	(102,251)	(5.9)
Bank borrowings	**76,053**	152,950	(76,897)	(50.3)
Accounts payable and accrued liabilities	**115,707**	103,347	12,360	12.0
Deferred tax liabilities	**142**	142	—	—
Current tax liabilities	**—**	6,763	(6,763)	(100.0)
Distributions payable to unitholders	**10,923**	—	10,923	100.0
Total liabilities	**3,659,678**	3,728,015	(68,337)	(1.8)
Unitholders' equity				
Unitholders' equity	**2,847,420**	2,815,696	31,724	1.1
Total liabilities and unitholders' equity	**6,507,098**	6,543,711	(36,613)	(0.6)

Results of Operations

The following table highlights our results of operations for the periods ended June 30, 2019 and 2018, as shown in our condensed interim consolidated financial statements:

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018[(1)] $	%Δ
Operating revenues	**176,627**	177,047	(0.2)	**358,571**	385,912	(7.1)
Operating expenses	**(87,644)**	(87,234)	0.5	**(182,903)**	(195,553)	(6.5)
NOI[(2)]	**88,983**	89,813	(0.9)	**175,668**	190,359	(7.7)
Finance charges	**(36,398)**	(35,669)	2.0	**(73,149)**	(79,471)	(8.0)
Trust administrative expenses	**(3,838)**	(7,580)	(49.4)	**(9,291)**	(12,835)	(27.6)
Change in fair value of investment properties	**8,291**	—	100.0	**8,070**	(4,331)	286.3
Share of joint ventures' net income	**1,503**	1,448	3.8	**2,891**	2,533	14.1
Transaction costs	**(3,151)**	(1,427)	120.8	**(4,490)**	(19,981)	(77.5)
Restructuring costs	**(3,916)**	—	(100.0)	**(3,916)**	—	(100.0)
Net income before income taxes	**51,474**	46,585	10.5	**95,783**	76,274	25.6
Income taxes						
Current	**—**	(140)	(100.0)	**—**	(6,391)	(100.0)
Deferred	**—**	—	—	**—**	6,539	(100.0)
	—	(140)	(100.0)	**—**	148	(100.0)
Net income and comprehensive income	**51,474**	46,445	10.8	**95,783**	76,422	25.3

(1) The six-month period ended June 30, 2018 includes results of 95 non-core properties sold to Slate for total consideration of $1.14 billion during the first quarter of 2018.
(2) Non-IFRS financial measure.

Operating Revenues

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018[(1)] $	%Δ
Operating revenues – Financial statements	**176,627**	177,047	(0.2)	**358,571**	385,912	(7.1)
Operating revenues – Joint ventures	**4,319**	4,233	2.0	**8,619**	8,247	4.5
Operating revenues – Cominar's proportionate share[(2)]	**180,946**	181,280	(0.2)	**367,190**	394,159	(6.8)

(1) Operating revenues for the six-month period ended June 30, 2018 includes results of 95 non-core properties sold for total consideration of $1.14 billion during the first quarter of 2018.
(2) Non-IFRS financial measure.

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018 $	%Δ
Same property portfolio – Financial statements	**174,304**	169,586	2.8	**351,391**	343,138	2.4
Same property portfolio – Joint ventures	**4,211**	4,246	(0.8)	**8,442**	8,291	1.8
Same property portfolio[(1)] – Cominar's proportionate share[(2)]	**178,515**	173,832	2.7	**359,833**	351,429	2.4

(1) The same property operating revenues includes the results of properties owned by Cominar as at December 31 2017, with the exception of results from the properties sold, acquired and under development in 2018 and 2019, as well as the rental income arising from the recognition of leases on a straight-line basis.
(2) Non-IFRS financial measure.

The $0.4 million decrease in operating revenues according to the condensed interim consolidated financial statements resulted mainly from a $5.1 million decrease attributable to properties sold in 2018 and 2019 and $4.7 million of growth in same property operating revenues.

The second quarter increase in same property operating revenues according to the financial statements compared with the corresponding quarter of 2018 is mainly due to a $1.1 million increase in the office portfolio, a $3.0 million increase in the industrial and flex portfolio and a $0.5 million increase in the retail portfolio attributable to an increase in the average in-place occupancy rate in all portfolios.

Net Operating Income

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018[1] $	%Δ
NOI[2] – Financial statements	**88,983**	89,813	(0.9)	**175,668**	190,359	(7.7)
NOI[2] – Joint ventures	**2,485**	2,443	1.7	**4,878**	4,524	7.8
NOI – Cominar's proportionate share[2]	**91,468**	92,256	(0.9)	**180,546**	194,883	(7.4)

(1) Net operating income for the six-month period ended June 30, 2018 includes results of 95 non-core properties sold for total consideration of $1.14 billion during the first quarter of 2018.
(2) Non-IFRS financial measure.

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018 $	%Δ
Same property portfolio – Financial statements	**87,922**	85,939	2.3	**172,062**	168,576	2.1
Same property portfolio – Joint ventures	**2,408**	2,462	(2.2)	**4,767**	4,575	4.2
Same property portfolio[1] – Cominar's proportionate share[2]	**90,330**	88,401	2.2	**176,829**	173,151	2.1

(1) The same property NOI includes the results of properties owned by Cominar as at December 31 2017, with the exception of results from the properties sold, acquired and under development in 2018 and 2019, as well as the rental income arising from the recognition of leases on a straight-line basis.
(2) Non-IFRS financial measure.

NOI by Property type and Geographic market

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 and pays particular attention to the performance of its same property portfolio. The same property NOI includes the results of properties owned by Cominar as at December 31 2017, with the exception of results from the properties sold, acquired and under development in 2018 and 2019, as well as the rental income arising from the recognition of leases on a straight-line basis.

Net Operating Income

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018[1] $	%Δ
Property type						
Office	**36,770**	37,043	(0.7)	**71,310**	79,289	(10.1)
Retail	**31,700**	33,146	(4.4)	**63,626**	70,255	(9.4)
Industrial and flex	**22,998**	22,067	4.2	**45,610**	45,339	0.6
NOI – Cominar's proportionate share[2]	**91,468**	92,256	(0.9)	**180,546**	194,883	(7.4)

(1) Net operating income for the six-month period ended June 30, 2018 includes results of 95 non-core properties sold for total consideration of $1.14 billion during the first quarter of 2018.
(2) Non-IFRS financial measure.

The $0.8 million decrease in NOI on a proportionate basis resulted mainly from a $2.6 million decrease attributable to properties sold in 2018 and 2019 combined with growth of $1.9 million in the same property portfolio.

Same Property NOI by Property type

For the periods ended June 30	Quarter			Year-to-date (six months)		
	2019	2018		2018	2018	
	$	$	%Δ	$	$	%Δ
Property type						
Office	**36,960**	36,068	2.5	**70,988**	69,360	2.3
Retail	**30,513**	30,996	(1.6)	**60,545**	61,670	(1.8)
Industrial and flex	**22,857**	21,337	7.1	**45,296**	42,121	7.5
Same property NOI – Cominar's proportionate share(1)	**90,330**	88,401	2.2	**176,829**	173,151	2.1

(1) Non-IFRS financial measure.

Weighting to same property NOI by Property type

For the periods ended June 30	Quarter		Year-to-date (six months)	
	2019	2018	2019	2018
Property type				
Office	**40.9%**	40.8%	**40.2%**	40.1%
Retail	**33.8%**	35.1%	**34.2%**	35.6%
Industrial and flex	**25.3%**	24.1%	**25.6%**	24.3%
Same property NOI – Cominar's proportionate share(1)	**100.0%**	100.0%	**100.0%**	100.0%

(1) Non-IFRS financial measure.

Year over year, Cominar's weighting to retail same property NOI decreased 130 basis points to 33.8% while industrial increased 120 basis points to 25.3% and office was essentially stable at 40.9%.

Same property NOI by Geographic market

For the periods ended June 30	Quarter			Year-to-date (six months)		
	2019	2018		2019	2018	
	$	$	%Δ	$	$	%Δ
Geographic market						
Montreal	**55,712**	55,767	(0.1)	**110,359**	109,490	0.8
Québec City	**28,120**	26,173	7.4	**54,312**	51,011	6.5
Ottawa(1)	**6,498**	6,461	0.6	**12,158**	12,650	(3.9)
Same property NOI – Cominar's proportionate share(2)	**90,330**	88,401	2.2	**176,829**	173,151	2.1

(1) For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
(2) Non-IFRS financial measure.

Weighting to same property NOI by Geographic market

For the periods ended June 30	Quarter		Year-to-date (six months)	
	2019	2018	2019	2018
Geographic Market				
Montreal	**61.7%**	63.1%	**62.4%**	63.2%
Québec City	**31.1%**	29.6%	**30.7%**	29.5%
Ottawa(1)	**7.2%**	7.3%	**6.9%**	7.3%
Same property NOI – Cominar's proportionate share(2)	**100.0%**	100.0%	**100.0%**	100.0%

(1) For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
(2) Non-IFRS financial measure.

Second quarter increase 2.2% in same property NOI according to Cominar's proportionate share is attributable to the increase, in all property types and in all geographic markets, of the average in-place occupancy rate for the quarter ended June 30, 3019 when compared to the corresponding period of 2018.

Same Property average in-place occupancy by Property type

For the periods ended June 30	Quarter 2019	Quarter 2018	Δ	Year-to-date (six months) 2019	Year-to-date (six months) 2018	Δ
Property type						
Office	**88.1%**	86.2%	1.9	**88.0%**	86.2%	1.8
Retail	**85.5%**	83.3%	2.2	**85.6%**	83.3%	2.3
Industrial and flex	**94.4%**	90.2%	4.2	**94.1%**	90.5%	3.6
Total	**90.1%**	87.2%	2.9	**89.9%**	87.3%	2.6

Same Property average in-place occupancy by Geographic market

For the periods ended June 30	Quarter 2019	Quarter 2018	Δ	Year-to-date (six months) 2019	Year-to-date (six months) 2018	Δ
Geographic market						
Montreal	**90.1%**	87.0%	3.1	**90.1%**	87.1%	3.0
Québec City	**92.0%**	89.9%	2.1	**91.8%**	90.0%	1.8
Ottawa(1)	**81.8%**	77.9%	3.9	**80.8%**	78.1%	2.7
Total	**90.1%**	87.2%	2.9	**89.9%**	87.3%	2.6

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

Finance Charges

For the periods ended June 30	Quarter 2019 $	Quarter 2018 $	%Δ	Year-to-date (six months) 2019 $	Year-to-date (six months) 2018 $	%Δ
Interest on mortgages payable	**17,919**	18,083	(0.9)	**35,296**	41,312	(14.6)
Interest on debentures	**19,085**	18,269	4.5	**37,353**	36,539	2.2
Interest on bank borrowings	**506**	486	4.1	**2,692**	5,300	(49.2)
Amortization of deferred financing costs and other costs	**880**	753	16.9	**1,637**	1,486	10.2
Amortization of fair value adjustments on assumed indebtedness	**(66)**	(65)	1.5	**(132)**	(1,304)	(89.9)
Less: Capitalized interest(1)	**(1,926)**	(1,857)	3.7	**(3,697)**	(3,862)	(4.3)
Total finance charges – Financial statements	**36,398**	35,669	2.0	**73,149**	79,471	(8.0)
Percentage of operating revenues	**20.6%**	20.1%		**20.4%**	20.6%	
Weighted average interest rate on total debt				**4.18%**	4.11%	

(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 increase in finance charges during the second quarter of 2019, compared with the corresponding quarter of 2018, is mainly due to the new Series 11 senior unsecured debentures contracted on May 15, 2019, the net proceeds from which were used for the Series 7 senior unsecured debentures repayment on June 21, 2019.

Trust Administrative Expenses

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018 $	%Δ
Salaries and other benefits	**2,455**	2,733	(10.2)	**6,379**	6,049	5.5
Compensation expense related to long-term incentive plan	**710**	509	39.5	**1,480**	1,147	29.0
Professional fees	**139**	164	(15.2)	**375**	413	(9.2)
Costs associated with public companies	**154**	168	(8.3)	**339**	304	11.5
Governance and strategic alternatives consulting fees	**—**	3,529	(100.0)	**—**	3,529	(100.0)
Other fees	**380**	477	(20.3)	**718**	1,393	(48.5)
Total	**3,838**	7,580	(49.4)	**9,291**	12,835	(27.6)
Adjusted Trust administrative expenses(1)(2)	**3,838**	4,051	(5.3)	**8,248**	9,306	(11.4)

(1) Excludes severance allowances and governance and strategic alternatives consulting fees.
(2) Non-IFRS financial measure.

During the second quarter of 2019, Trust administrative expenses decreased due to a $3.5 million decrease in governance and strategic alternatives consulting fees and to a $0.3 million decrease in salaries and other benefits, attributable mainly to a reduction in our workforce. Excluding governance and strategic alternatives consulting fees, Trust administrative expenses would have decreased $0.2 million, mainly due to decreases in salaries and other benefits.

Transaction Costs

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018 $	%Δ
Brokerage fees	**986**	—	100.0	**1,497**	5,700	(73.7)
Professional fees	**21**	—	100.0	**263**	2,374	(88.9)
Assumed head leases	**217**	—	100.0	**217**	4,201	(94.8)
Penalties on debt repayment	**—**	—	—	**—**	945	(100.0)
Closing adjustments	**1,927**	1,427	35.0	**2,513**	6,161	(59.2)
Others	**—**	—	—	**—**	600	(100.0)
Total	**3,151**	1,427	120.8	**4,490**	19,981	(77.5)

These transaction costs relate to the sales of properties. Refer to the section “Acquisitions, Investments and Dispositions” for more information on property sales.

Restructuring Costs

During the quarter ended June 30, 2019, Cominar announced an organizational restructuring to streamline and enhance the effectiveness of operations which the outcome, among others, has been the reduction of its workforce. During the quarter ended June 30, 2019, Cominar recorded a provision of $3.9 million related to this organizational restructuring, primarily related to severance benefits. From this amount, $1.8 million was paid during the quarter.

Net Income

For the periods ended June 30	Quarter 2019 $	Quarter 2018 $	%Δ	Year-to-date (six months) 2019 $	Year-to-date (six months) 2018[(1)] $	%Δ
Net income	**51,474**	46,445	10.8	**95,783**	76,422	25.3
Net income per unit (basic)	**0.28**	0.26	7.7	**0.53**	0.42	26.2
Net income per unit (diluted)	**0.28**	0.25	12.0	**0.53**	0.42	26.2
Weighted average number of units outstanding (basic)	**182,191,343**	182,053,311		**182,147,225**	182,253,419	
Weighted average number of units outstanding (diluted)	**182,332,532**	182,197,342		**182,279,623**	182,427,900	

(1) Net income for the six-month period ended June 30, 2018 includes results of 95 non-core properties sold to Slate for total consideration of $1.14 billion during the first quarter of 2018.

Net income for the second quarter of 2019 amounted to $51.5 million compared to $46.4 million in 2018. This reflects a decrease of $3.7 million in trust administrative expenses and an increase of $8.3 million in change in fair value of investment properties, offset by increases of $1.7 million in transaction costs and $3.9 million in restructuring costs.

Adjusted Net Income

Adjusted net income is not an IFRS financial measure. The calculation method used by Cominar may differ from those used by other entities. Cominar calculates an adjusted net income to eliminate the change in fair value of investment properties, which is non-monetary and have no impact on cash flows, as well as for severance allowances, transaction costs, restructuring costs and governance and strategic alternatives consulting fees which are unusual.

For the periods ended June 30	Quarter 2019 $	Quarter 2018 $	%Δ	Year-to-date (six months) 2019 $	Year-to-date (six months) 2018[(1)] $	%Δ
Net income	**51,474**	46,445	10.8	**95,783**	76,422	25.3
Change in fair value of investment properties[(2)]	**(8,291)**	—	100.0	**(8,070)**	4,331	(286.3)
Transaction costs	**3,151**	1,427	120.8	**4,490**	19,981	(77.5)
Severance allowance	**—**	—		**1,043**	—	100.0
Restructuring costs	**3,916**	—	100.0	**3,916**	—	100.0
Governance and strategic alternatives consulting fees	**—**	3,529	(100.0)	**—**	3,529	(100.0)
Adjusted net income[(3)]	**50,250**	51,401	(2.2)	**97,162**	104,263	(6.8)
Adjusted net income per unit (diluted)[(3)]	**0.28**	0.28		**0.53**	0.57	(7.0)
Weighted average number of units outstanding (diluted)	**182,332,532**	182,197,342		**182,279,623**	182,427,900	

(1) Adjusted net income for the six-month period ended June 30, 2018 includes results of 95 non-core properties sold to Slate for total consideration of $1.14 billion during the first quarter of 2018.
(2) Includes Cominar's proportionate share in joint ventures
(3) Non-IFRS financial measure.

The decrease in adjusted net income for the second quarter of 2019 was due mainly to a $2.6 million decrease in net operating income resulting from the sale of properties in 2018 and 2019 and a $0.7 million increase in finance charges, partially offset by a $1.9 million increase in same property NOI and a $0.2 million decrease in adjusted Trust administrative expenses.

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.

REALpac defines FFO 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, 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

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018[1] $	%Δ
Net income	**51,474**	46,445	10.8	**95,783**	76,422	25.3
Taxes on dispositions of properties	**—**	140	(100.0)	**—**	6,391	(100.0)
Deferred income taxes	**—**	—	—	**—**	(6,539)	(100.0)
Initial and re-leasing salary costs	**758**	897	(15.5)	**1,602**	1,906	(15.9)
Change in fair value of investment properties[2]	**(8,291)**	—	100.0	**(8,070)**	4,331	(286.3)
Capitalizable interest on properties under development – joint ventures	**181**	154	17.5	**355**	308	15.3
Transaction costs	**3,151**	1,427	120.8	**4,490**	19,981	(77.5)
FFO[2][3]	**47,273**	49,063	(3.6)	**94,160**	102,800	(8.4)
Provision for leasing costs	**(8,020)**	(7,153)	12.1	**(16,449)**	(14,306)	15.0
Recognition of leases on a straight-line basis[2]	**37**	(234)	(115.8)	**(126)**	(857)	(85.3)
Capital expenditures – maintenance of rental income generating capacity	**(5,849)**	(4,100)	42.7	**(10,617)**	(7,782)	36.4
AFFO[2][3]	**33,441**	37,576	(11.0)	**66,968**	79,855	(16.1)
Per unit information:						
FFO (FD)[3][4]	**0.26**	0.27	(3.7)	**0.52**	0.56	(7.1)
AFFO (FD)[3][4]	**0.18**	0.21	(14.3)	**0.37**	0.44	(15.9)
Weighted average number of units outstanding (FD)[4]	**182,332,532**	182,197,342		**182,279,623**	182,427,900	
Payout ratio of AFFO[3][4]	**100.0%**	85.7%		**97.3%**	97.7%	

(1) FFO and AFFO for the six-month period ended June 30, 2018 include results of 95 non-core properties sold for total consideration of $1.14 billion during the first quarter of 2018.
(2) Including Cominar's proportionate share in joint ventures.
(3) Non-IFRS financial measure.
(4) Fully diluted.

FFO and AFFO for the six-month period ended June 30, 2019 include a severance allowance paid following the departure of an executive officer and restructuring costs. Excluding these adjustments, FFO and AFFO would have been as follows:

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018[1] $	%Δ
FFO[2][3]	**47,273**	49,063	(3.6)	**94,160**	102,800	(8.4)
Severance allowance	**—**	—	—	**1,043**	—	100,0
Restructuring costs	**3,916**	—	100,0	**3,916**	—	100,0
Governance and strategic alternatives consulting fees	**—**	3,529	(100.0)	**—**	3,529	(100.0)
FFO adjusted[2][3]	**51,189**	52,592	(2.7)	**99,119**	106,329	(6.8)
AFFO[2][3]	**33,441**	37,576	(11.0)	**66,968**	79,855	(16.1)
Severance allowance	**—**	—	—	**1,043**	—	100,0
Restructuring costs	**3,916**	—	100,0	**3,916**	—	100,0
Governance and strategic alternatives consulting fees	**—**	3,529	(100.0)	**—**	3,529	(100.0)
AFFO adjusted[2][3]	**37,357**	41,105	(9.1)	**71,927**	83,384	(13.7)

(1) FFO and AFFO for the six-month period ended June 30, 2018 include results of 95 non-core properties sold for total consideration of $1.14 billion during the first quarter of 2018.
(2) Including Cominar's proportionate share in joint ventures.
(3) Non-IFRS financial measure.

FFO for the second quarter of 2019 decreased from the corresponding quarter of 2018, due mainly to the decrease in net operating income resulting from the sale of properties in 2018 and 2019, to a $3.9 million increase in restructuring costs and to a $0.7 million increase in finance charges, partially offset by the decrease of $3.7 million in Trust administrative expense. Excluding 2019 restructuring costs and the governance and strategic alternatives consulting fees paid in 2018, FFO would have decreased by 2.7%.

AFFO for the second quarter decreased from the corresponding quarter of 2018 due to the decrease in FFO, to a $0.9 million increase in the provision for leasing costs and a $1.7 million increase in capital expenditures to maintain rental income generating capacity. Excluding 2019 restructuring costs and the governance and strategic alternatives consulting fees paid in 2018, AFFO would have decreased by 9.1% and AFFO payout ratio would have been 90.0%.

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 2019, the actual costs incurred by Cominar were $9.7 million in leasehold improvements and $2.6 million in initial direct costs, while the provision for leasing costs amounted to $8.0 million.

	Quarter		Year-to-date (six months)	
For the periods ended June 30	2019 $	2018 $	2019 $	2018 $
Leasehold improvements	**9,690**	21,394	**16,792**	38,465
Initial direct costs	**2,609**	2,938	**4,742**	5,500
Actual leasing costs – Cominar's proportionate share[1][2]	**12,299**	24,332	**21,534**	43,965
Provision for leasing costs in the calculation of AFFO[3]	**8,020**	7,153	**16,449**	14,306

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

Capital Expenditures – Maintenance of Rental Income Generating Capacity

The $5.8 million of capital expenditures related to maintenance of rental income generating capacity for the quarter ended June 30, 2019 ($4.1 million in 2018) corresponds to management's estimate of the non-income generating portion of actual expenditures incurred primarily for major repair and maintenance expenditures, for example, some common areas, roofing, parking, as well as the replacement of equipment. In order to establish the allocation of capital expenditures between maintenance of rental income generating capacity and increase of rental income generating capacity, Cominar analyzes the work carried out according to its nature (common areas, roofing, parking, equipment, etc.), the age and location of the properties, the property type, market conditions as well as historical data. Capital expenditures related to maintenance of rental income generating capacity do not include current repair and maintenance costs, as they are already included in determining NOI.

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

Adjusted Cash Flow from Operations

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

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

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

	Quarter		Year-to-date (six months)	
For the periods ended June 30	2019 $	2018 $	2019 $	2018[1] $
Cash flows provided by operating activities as per the condensed interim consolidated financial statements	**14,126**	1,437	**37,577**	20,772
Adjustments – investments in joint ventures	**1,422**	1,443	**1,781**	2,559
Provision for leasing costs	**(8,020)**	(7,153)	**(16,449)**	(14,306)
Initial and re-leasing salary costs	**758**	897	**1,602**	1,906
Changes in adjusted non-cash working capital items[2]	**35,542**	40,910	**61,069**	51,400
Capital expenditures – maintenance of rental income generating capacity	**(5,849)**	(4,100)	**(10,617)**	(7,782)
Amortization of deferred financing costs and other costs	**(880)**	(753)	**(1,637)**	(1,486)
Amortization of fair value adjustments on assumed mortgages payable	**66**	65	**132**	1,304
Transaction costs	**3,151**	1,427	**4,490**	19,981
Capitalizable interest on properties under development – joint ventures	**181**	154	**355**	308
ACFO[3][4]	**40,497**	34,327	**78,303**	74,656
Per unit information:				
ACFO (FD)[4][5]	**0.22**	0.19	**0.43**	0.41
Weighted average number of units outstanding (FD)[5]	**182,332,532**	182,197,342	**182,279,623**	182,427,900
Payout ratio[4][5]	**81.8 %**	94.7 %	**83.7 %**	104.9 %

(1) Adjusted cash flow from operations for the six-month period ended June 30, 2018 includes results of 95 non-core properties sold for total consideration of $1.14 billion during the first quarter of 2018.
(2) Includes working capital changes that, in management's view and based on the REALpac February 2017 whitepaper, are not indicative of sustainable cash flow available for distribution. Examples include, but are not limited to, working capital changes relating to prepaid realty taxes and insurance, interest payable, sales taxes and other indirect taxes payable to or receivable from applicable governments, income taxes and transaction cost accruals relating to acquisitions and dispositions of investment properties.
(3) Including Cominar's proportionate share in joint ventures.
(4) Non-IFRS financial measure.
(5) Fully diluted.

Distributions

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

Distributions to Unitholders

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2019 $	2018 $	%Δ	2019 $	2018 $	%Δ
Distributions to unitholders	**32,768**	32,749	0.1	**65,526**	78,232	(16.2)
Per unit distributions	**0.18**	0.18		**0.36**	0.43	

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:

For the periods ended June 30	2019 (three months) $	2019 (six months) $	2018 (six months) $	2017 (six months) $
Net income	**51,474**	95,783	76,422	125,550
Cash flows provided by operating activities – Financial statements	**14,126**	37,577	20,772	47,299
Distributions to unitholders	**32,768**	65,526	78,232	135,725
Deficit of cash flows provided by operating activities compared with distributions to unitholders	**(18,642)**	(27,949)	(57,460)	(88,426)

For the three-month and six-month periods ended June 30, 2019, cash flows provided by operating activities presented a $18.6 million and a $27.9 million shortfall, respectively, over distributions to unitholders, due mainly to the seasonal nature of some expenses, such as property taxes. This deficit in cash flows provided by operating activities against the distributions was financed with the credit facility. Cominar expects that its cash flows provided by operating activities for fiscal 2019 will be higher than the distributions to unitholders.

Liquidity and Capital Resources

During the second quarter of 2019, Cominar generated $18.9 million in cash flows provided by operating activities (financial statements). Cominar foresees no difficulty in meeting its short-term obligations and its commitments, including the monthly payment of distributions and the repayment of debentures at maturity, using funds from operations, asset sales, proceeds from new mortgages payable and amounts available on its credit facility which stood at $423.9 million as at June 30, 2019.

Debt Management

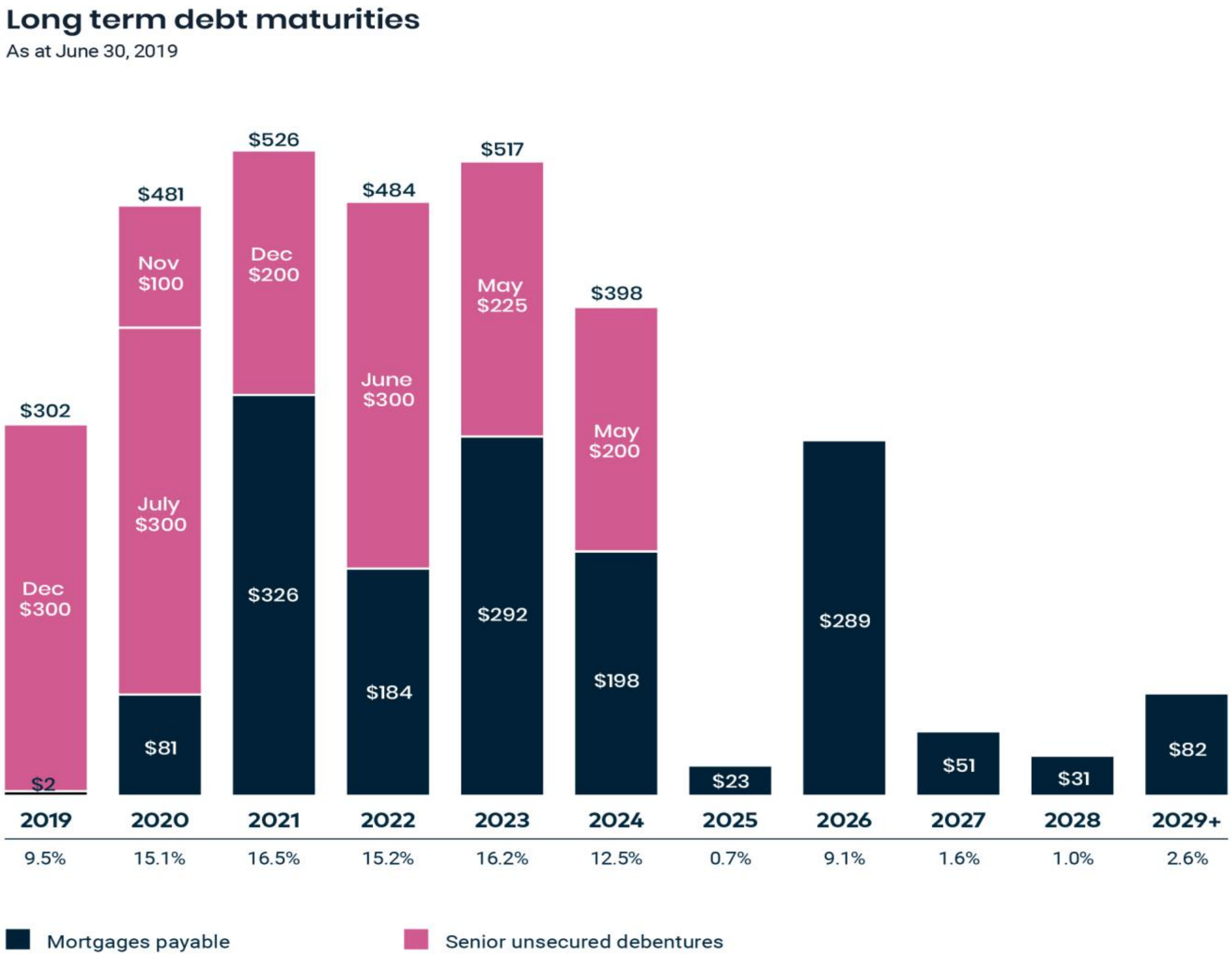
Cominar spreads the maturities of its debt instruments over a number of years to manage interest rate and refinancing risk, and to provide flexibility in maintaining the overall debt level of the portfolio, taking into account availability of financing, market conditions, as well as the financial terms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

As at June 30, 2019, Cominar's debt ratio stood at 54.2% consisting of mortgages, senior unsecured debentures and bank loans less cash and cash equivalents. Mortgages represented approximately 51.9% of total debt, senior unsecured debentures represented approximately 45.8%, while bank borrowings represented approximately 2.3%. As at June 30, 2019, the weighted average annual contractual rate was 4.18% and the residual weighted average remaining term was 3.6 years.

As at June 30, 2019, 96.6% of Cominar's total debt was fixed rate and 3.4% was variable rate.

Debt Summary

	As at June 30, 2019			As at December 31, 2018		
	$	Weighted average contractual rate	Residual weighted average term	$	Weighted average contractual rate	Residual weighted average term
Mortgages payable	**1,836,518**	**4.01%**	**4.8 years**	1,742,227	4.03%	5.0 years
Debentures	**1,620,335**	**4.37%**	**2.4 years**	1,722,586	4.23%	2.2 years
Bank borrowings	**76,053**	**4.07%**	**0.2 year**	152,950	4.40%	0.7 year
Total debt	**3,532,906**	**4.18%**	**3.6 years**	3,617,763	4.14%	3.5 years
Cash and cash equivalents	**(10,144)**	**1.70%**		(1,498)	1.70%	
Net debt	**3,522,762**			3,616,265		



Mortgages Payable

As at June 30, 2019, the balance of mortgages payable was $1,836.5 million, up $94.3 million from $1,742.2 million as at December 31, 2018. This increase is explained by new mortgages payable contracted of $119.0 million, offset by monthly repayments of capital totalling $24.2 million for the period. As at June 30, 2019, the weighted average contractual rate was 4.01%, down 2 basis points from 4.03% as at December 31, 2018. As at June 30, 2019, the effective weighted average interest rate was 4.11%, stable since December 31, 2018.

Contractual Maturities of Mortgages Payable

For the years ending December 31	Repayment of principal $	Balances at maturity $	Total $	Weighted average contractual rate
2019 (Period from July 1 to December 31)	**25,826**	**2,143**	**27,969**	**6.61%**
2020	**53,180**	**80,974**	**134,154**	**4.34%**
2021	**47,528**	**326,177**	**373,705**	**4.25%**
2022	**40,452**	**184,248**	**224,700**	**3.35%**
2023	**36,649**	**292,489**	**329,138**	**4.61%**
2024	**28,074**	**198,059**	**226,133**	**4.02%**
2025	**20,918**	**23,234**	**44,152**	**3.58%**
2026	**10,082**	**288,510**	**298,592**	**3.52%**
2027	**8,349**	**50,968**	**59,317**	**3.85%**
2028	**5,152**	**30,836**	**35,988**	**4.48%**
2029 and thereafter	**6,756**	**82,138**	**88,894**	**3.77%**
Total	**282,966**	**1,559,776**	**1,842,742**	**4.01%**

Cominar's mortgages payable contractual maturities are staggered over a number of years to reduce risks related to renewal. As at June 30, 2019, the residual weighted average term of mortgages payable was 4.8 years, compared to 5.0 years as at December 31, 2018.

Senior Unsecured Debentures

	Date of issuance	Contractual interest rate	Effective interest rate	Dates of interest payments	Maturity date	Nominal value as at June 30, 2019 $
Series 2	**December 2012(1)**	**4.23%**	**4.37%**	**June 4 and December 4**	**December 2019**	**300,000**
Series 3	**May 2013**	**4.00%**	**4.24%**	**May 2 and November 2**	**November 2020**	**100,000**
Series 4	**July 2013(2)**	**4.941%**	**4.81%**	**July 27 and January 27**	**July 2020**	**300,000**
Series 8	**December 2014**	**4.25%**	**4.34%**	**June 8 and December 8**	**December 2021**	**200,000**
Series 9	**June 2015**	**4.164%**	**4.25%**	**June 1 and December 1**	**June 2022**	**300,000**
Series 10	**May 2016**	**4.247%**	**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**
Weighted average interest rate		**4.37%**	**4.47%**			
Total						**1,625,000**

(1) Re-opened in February 2013 ($100.0 million).
(2) Re-opened in January 2014 ($100.0 million) and March 2014 ($100.0 million).

As at June 30, 2019, the residual weighted average term of senior unsecured debentures was 2.4 years.

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

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

Bank Borrowings

As at June 30, 2019, Cominar had an unsecured renewable credit facility of up to $500.0 million maturing in August 2019. During the first quarter of 2019, at Cominar's request, the maximum amount available under the credit facility was reduced from $700.0 million as at December 31, 2018 to $500.0 million. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2019 and December 31, 2018. As at June 30, 2019, bank borrowings totalled $76.1 million and availability on the credit facility was $423.9 million.

On July 23, 2019, Cominar entered into a 2-year agreement for a new unsecured credit facility of up to $400.0 million maturing in July 2021 and which replaced the current $500.0 million unsecured renewable credit facility as of that date. This new credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points.

Debt Ratio

	As at June 30, 2019 $	As at December 31, 2018 $
Cash and cash equivalents	**(10,144)**	(1,498)
Mortgages payable	**1,836,518**	1,742,227
Debentures	**1,620,335**	1,722,586
Bank borrowings	**76,053**	152,950
Total net debt	**3,522,762**	3,616,265
Total assets less cash and cash equivalents	**6,496,954**	6,542,213
Debt ratio(1)(2)	**54.2%**	55.3%

(1) The debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable and debentures, divided by total assets less cash and cash equivalents.
(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.

The decrease in the debt ratio is due mainly to the use of the $190.2 million proceeds from the sale of properties during the first six months of 2019 to repay debt.

Debt/EBITDA Ratio

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

	As at June 30, 2019 $	As at December 31, 2018 $
Mortgages payable	**1,836,518**	1,742,227
Debentures	**1,620,335**	1,722,586
Bank borrowings	**76,053**	152,950
Total debt	**3,532,906**	3,617,763
NOI (last 12 months)	**357,773**	372,464
Adjusted Trust administrative expenses (last 12 months)(1)	**(17,623)**	(18,681)
Recognition of leases on a straight-line basis (last 12 months)	**(1,288)**	(2,030)
EBITDA (last 12 months)	**338,862**	351,753
Debt/EBITDA ratio(2)	**10,4x**	10,3x

(1) Excludes severance allowances paid to executive officers and governance and strategic alternatives consulting fees.
(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.

Interest Coverage Ratio

	As at June 30, 2019 $	As at December 31, 2018 $
NOI (last 12 months)	**357,773**	372,464
Adjusted Trust administrative expenses (last 12 months)[1]	**(17,623)**	(18,681)
	340,150	353,783
Finance charges (last 12 months)	**145,915**	152,237
Interest coverage ratio[2]	**2.33:1**	2.32:1

(1) Excludes the severance allowances paid to executive officers and governance and strategic alternatives consulting fees.
(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.

Unencumbered Assets and Unsecured Debt

	As at June 30, 2019		As at December 31, 2018	
	Number of properties	Fair value of properties ($)	Number of properties	Fair value of properties ($)
Unencumbered income properties[1]	**212**[5]	**2,535,943**	291	2,864,637
Unencumbered assets to unsecured net debt ratio[2][3]		**1,50 : 1**		1,53 : 1
Unsecured debts-to-net-debt ratio[3][4]		**48.0%**		51.8%

(1) Includes investment properties held for sale.
(2) Fair value of unencumbered income properties divided by unsecured net debt.
(3) These ratios are not defined by IFRS and may differ from similar measures presented by other entities.
(4) Unsecured debt divided by net debt.
(5) During the first quarter of 2019, Cominar reassessed its number of properties by grouping individual addresses within the same plot of land or related plots of land as one property.

As at June 30, 2019, the unencumbered assets to unsecured net debt ratio stood at 1.50:1, well above the required ratio of 1.30:1 contained in the restrictive covenant of the outstanding debentures.

Off-Balance Sheet Arrangements and Contractual Commitments

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

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

Property Portfolio

	As at June 30, 2019 $	As at December 31, 2018 $	%Δ
Income properties – Cominar's proportionate share[1]	**6,263,424**	6,224,956	0.6
Properties under development and land held for future development – Cominar's proportionate share[1]	**152,126**	143,835	5.8
Investment properties held for sale	**46,715**	188,727	(75.2)
Number of income properties[2][3]	**334**	428	
Leasable area (sq. ft.)[2]	**36,641,000**	38,127,000	

(1) Non-IFRS financial measure.
(2) Includes investment properties held for sale.
(3) During the first quarter of 2019, Cominar reassessed its number of properties by grouping individual addresses within the same plot of land or related plots of land as one property.

Summary by Property Type

	As at June 30, 2019		As at December 31, 2018	
	Number of properties(1)	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**83**	**11,215,000**	96	11,707,000
Retail	**58**	**9,889,000**	136	10,714,000
Industrial and flex	**193**	**15,537,000**	196	15,706,000
Total	**334**	**36,641,000**	428	38,127,000

(1) During the first quarter of 2019, Cominar reassessed its number of properties by grouping individual addresses within the same plot of land or related plots of land as one property.

Summary by Geographic market

	As at June 30, 2019		As at December 31, 2018	
	Number of properties(2)	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Montreal	**205**	**23,949,000**	281	25,327,000
Québec City	**110**	**10,216,000**	126	10,264,000
Ontario - Ottawa(1)	**19**	**2,476,000**	20	2,476,000
New Brunswick	**—**	**—**	1	60,000
Total	**334**	**36,641,000**	428	38,127,000

(1) For presentation purposes, the Gatineau area is included in the Ottawa geographic market.
(2) During the first quarter of 2019, Cominar reassessed its number of properties by grouping individual addresses within the same plot of land or related plots of land as one property.

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 2019, Cominar incurred $13.5 million [$32.1 million in 2018] in capital expenditures specifically to increase the rental income generating capacity of its properties. These capital expenditures include, among others, investments of $5.7 million in revitalization and redevelopment, $0.5 million in property expansion, $6.8 million in structural work and $0.5 million in facade renovation. Cominar also incurred $5.8 million [4.1 million in 2018] 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 first quarter of 2019, Cominar made investments of $9.8 million in leasehold improvements and $2.6 million in leasing costs [$21.4 million in leasehold improvements and $2.9 million in leasing costs in 2018].

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

For the periods ended June 30	Quarter			Year-to-date (six months)		
	2019 $	2018 $	%Δ	2019 $	2018 $	Δ %
Revitalization and redevelopment	**5,737**	9,291	(38.3)	**11,939**	15,926	(25.0)
Property expansion	**441**	240	83.8	**774**	1,144	(32.3)
Structural work for common areas, parking, preparation of base building, etc.	**6,767**	20,216	(66.5)	**18,029**	44,855	(59.8)
Facade renovation	**541**	1,292	(58.1)	**729**	3,028	(75.9)
Others	**—**	1,097	(100.0)	**—**	5,069	(100.0)
Capital expenditures – increase of rental income generating capacity	**13,486**	32,136	(58.0)	**31,471**	70,022	(55.1)
Capital expenditures – maintenance of rental income generating capacity	**5,849**	4,100	42.7	**10,617**	7,782	36.4
Leasehold improvements	**9,690**	21,394	(54.7)	**16,792**	38,465	(56.3)
Total Capital costs – Financial statements(1)	**29,025**	57,630	(49.6)	**58,880**	116,269	(49.4)
Change in initial direct costs – Financial statements(1)	**2,609**	2,938	(11.2)	**4,742**	5,500	(13.8)

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

Dispositions of Investment Properties Held for Sale

Address	Area	Property type	Leasable area sq. ft.	Transaction date	Selling price $
768-790, boulevard Décarie, Montreal, Quebec	Montreal	Office	35,000	January 11, 2019	4,100
4600, boulevard Sainte-Anne, Québec, Quebec	Quebec	Industrial and flex	39,000	January 14, 2019	1,200
170, boulevard Curé-Labelle, Rosemère, Quebec	Montreal	Retail	3,000	January 16, 2019	1,841
3773, boulevard de la Côte-Vertu, Montreal, Quebec	Montreal	Office	53,000	February 15, 2019	4,600
7405, autoroute Transcanadienne, Montreal, Quebec	Montreal	Office	82,000	February 15, 2019	8,350
3900, boulevard de la Côte-Vertu, Montreal, Quebec	Montreal	Office	29,000	February 15, 2019	2,000
3950, boulevard de la Côte-Vertu, Montreal, Quebec	Montreal	Office	24,000	February 15, 2019	2,000
7355, autoroute Transcanadienne, Montreal, Quebec	Montreal	Office	23,000	February 15, 2019	1,500
5101, rue Buchan, Montreal, Quebec	Montreal	Office	117,000	February 15, 2019	10,200
1059-1095, boulevard Jean-Baptiste-Rolland Ouest, Saint-Jérôme, Quebec	Montreal	Retail	78,000	February 15, 2019	3,150
1035-1049, boulevard Jean-Baptiste-Rolland Ouest, Saint-Jérôme, Quebec	Montreal	Retail	24,000	February 15, 2019	3,150
1105-1135, boulevard Jean-Baptiste-Rolland Ouest, Saint-Jérôme, Quebec	Montreal	Retail	77,000	February 15, 2019	3,150
1051-1055, boulevard Jean-Baptiste-Rolland Ouest, Saint-Jérôme, Quebec	Montreal	Retail	17,000	February 15, 2019	3,150
2400, autoroute Transcanadienne, Pointe-Claire, Quebec	Montreal	Industrial and flex	121,000	March 26, 2019	26,000
1199 St-George Boulevard, Moncton , New-Brunswick	New-Brunswick	Office	60,000	April 18, 2019	8,020
1950, rue Léonard-De Vinci, Sainte-Julie, Quebec	Montreal	Retail	4,000	April 29, 2019	750
933, boulevard Armand Frappier, Sainte-Julie, Quebec	Montreal	Retail	14,000	May 30, 2019	4,135
484, 25e Avenue, Saint-Eustache, Quebec	Montreal	Retail	4,000	May 30, 2019	1,725
101, boulevard Arthur-Sauvé, Saint-Eustache, Quebec	Montreal	Retail	3,000	May 30, 2019	925
1200, Place Nobel, Boucherville, Quebec, Quebec	Montreal	Retail	64,000	May 30, 2019	10,435
324, boulevard Curé-Labelle, Sainte-Thérèse, Quebec	Montreal	Retail	4,000	May 30, 2019	1,870
255, boulevard Crémazie Ouest, Montreal, Quebec	Montreal	Retail	4,000	May 30, 2019	1,255
2986, boulevard Saint-Charles, Montreal, Quebec	Montreal	Retail	2,000	May 30, 2019	1,175
7, Place du Commerce, Montreal, Quebec	Montreal	Retail	17,000	May 30, 2019	5,505
4211-4219, rue Wellington, Montreal, Quebec	Montreal	Retail	7,000	May 30, 2019	975
3005, rue King Ouest, Sherbrooke, Quebec	Montreal	Retail	6,000	June 6, 2019	850
1479-1481-1483-1485, boulevard Saint-Bruno, Saint-Bruno, Quebec	Montreal	Retail	13,000	June 20, 2019	76,324
			924,000		**188,335**

Property type	Number of properties	Leasable area sq. ft	Fair value $
Office	8	423,000	40,770
Retail	17	341,000	120,365
Industrial and flex	2	160,000	27,200
Total	**27**	**924,000**	**188,335**

Disposition of Income Property

On June 14, 2019, Cominar completed the sale of an indusial and flex property located in Québec City, for a total selling price of $1.8 million

Investment Properties Held for Sale

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

During the quarter ended March 31, 2019, Cominar transferred 3 income properties having a value of $18.5 million to investment properties held for sale.

During the quarter ended June 30, 2019, Cominar transferred 4 income properties and 2 lands held for future development having a value of $24.2 million to investment properties held for sale.

	For the six-month period ended June 30, 2019				For the year ended December 31, 2018
	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties					
Balance, beginning of period	**50,486**	**111,041**	**27,200**	**188,727**	1,143,500
Transfers from income properties	**17,700**	**4,113**	**14,000**	**35,813**	191,241
Transfers from properties under development and land held for future development	**—**	**6,840**	**—**	**6,840**	—
Capitalized costs	**3,606**	**154**	**—**	**3,760**	7,070
Change in fair value	**(937)**	**847**	**—**	**(90)**	(4,934)
Dispositions	**(49,736)**	**(111,399)**	**(27,200)**	**(188,335)**	(1,148,150)
Balance, end of period	**21,119**	**11,596**	**14,000**	**46,715**	188,727

The following table presents detailed information on the investment properties held for sale as at June 30, 2019:

Address	Area	Property type	Leasable area sq. ft.
325, boulevard Honorius-Charbonneau, Mont Saint-Hilaire, Quebec	Montreal	Office	19,000
1400, boulevard de la Rive-Sud, Levis, Quebec	Québec	Office	77,000
1156, boulevard de la Rive-Sud, Levis, Quebec	Québec	Office	33,000
736, rue King Est, Sherbrooke, Quebec	Montreal	Retail	4,000
670, rue Principale, Sainte-Agathe-des-monts, Quebec	Montreal	Retail	4,000
920, rue Douglas, St-Jean-sur-Richelieu,, Quebec	Montreal	Retail	4,000
1837, chemin Gascon, Terrebonne,, Quebec	Montreal	Retail	4,000
950, boulevard Jutras Est, Victoriaville, Quebec	Quebec	Retail	4,000
19701, avenue Clark-Graham, Baie-d'Urfe,, Quebec (1)	Montreal	Industrial and flex	145,000
			294,000

(1) Sold in July 2019.

Properties Under Construction and Development Projects

Société en commandite Bouvier-Bertrand (Québec City)

Cominar and Groupe Dallaire, each having a 50% ownership interest, are in joint venture for the purpose of developing retail land located on Highway 40, one of the main arteries of Québec City. It is expected that upon completion, this project, Espace Bouvier, will consist of an 80,000 square foot office building and five retail buildings totalling approximately 191,500 square feet with more than 900 parking spaces. The office building was transferred to income properties at the end of the previous fiscal year. Its committed occupancy rate is currently 99%. The first retail building, which totals 65,000 square feet and is 100% leased by a single tenant, was delivered in December 2015. The second retail building, which totals 25,000 square feet and is 100% leased by a single tenant, was delivered in May 2016. The third retail building, which totals 9,000 square feet and is 100% leased by a single tenant, was completed and delivered to the tenant at the end of 2016. The fourth retail building, which was completed during the first quarter of 2018 is 56% leased. Its total leasable area is 34,500 square feet and its construction cost was $4.9 million. It is expected that the fifth building to be constructed (potentially mixed-use retail and office) will have a total leasable area of approximately 58,000 square feet.

Société en commandite Chaudière-Duplessis – Ilot Mendel

During the first quarter of 2017, Cominar commenced the development of Ilot Mendel, a 2.0 million square foot retail development site located at the intersection of Highways 40 and 540, two of the main arteries of Québec City, Ilôt Mendel is located next to the Swedish banner IKEA, which occupies just over 1 million square feet, including the parking areas. IKEA is already a major attraction at the new site. As announced by the competent authorities, the site will eventually be served by the new public transit network (Tramway) with a station on site.

The first phase includes a 57,000 square feet Decathlon sporting goods store, with an expected opening in the fall of 2019. The Decathlon store is expected to cost approximately $12.6 million.

A densification study is ongoing to evaluate the possibility of adding other uses at the site. Further development of this site will depend on market conditions, tenant demand and zoning changes, if necessary.

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.

Société en commandite Marais (Québec City)

Cominar and Groupe Dallaire are limited partners in Société en commandite Marais in which the REIT owns a 75% interest and Groupe Dallaire owns a 25% interest. The limited partnership was created to carry out the development of 1.5 million square feet of retail land in Québec City at the junction of the Robert-Bourassa and Félix-Leclerc highways. The development of this site will depend on market conditions and zoning changes, if required.

Real Estate Operations

Occupancy Rate

Occupancy Rate Track Record

	Committed		In-place			
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	December 31, 2018	December 31, 2017
Property Type						
Office	**92.0%**	90.5%	**87.9%**	85.5%	86.5%	84.4%
Retail	**93.1%**	93.0%	**85.0%**	83.2%	85.5%	87.3%
Industrial and flex	**95.6%**	95.0%	**94.3%**	89.5%	93.7%	91.4%
Portfolio total	**93.9%**	93.1%	**89.9%**	86.5%	89.2%	87.9%
Committed occupancy rate			**93.9%**	93.1%	93.6%	92.6%

As at June 30, 2019	Montreal		Québec City		Ottawa		Total	
	Committed	In-place	Committed	In-place	Committed	In-place	Committed	In-place
Property Type								
Office	**89.1%**	**85.3%**	**97.7%**	**95.3%**	**93.9%**	**87.3%**	**92.0%**	**87.9%**
Retail	**94.4%**	**86.7%**	**92.2%**	**85.6%**	**84.9%**	**55.0%**	**93.1%**	**85.0%**
Industrial and flex	**95.4%**	**94.0%**	**96.4%**	**95.3%**	**N/A**	**N/A**	**95.6%**	**94.3%**
Portfolio total	**93.4%**	**90.0%**	**95.1%**	**91.3%**	**92.9%**	**82.4%**	**93.9%**	**89.9%**

As at June 30, 2019	Numerator sq.ft. A	Denominator sq.ft B	Occupancy A/B
In-place occupancy	**32,922,000**	**36,641,000**	**89.9%**
Space under redevelopment	**—**	**(719,000)**	
Signed leases that will begin in the next few quarters	**797,000**	**—**	
Committed occupancy	**33,719,000**	**35,922,000**	**93.9%**

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

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

The spread between the committed occupancy rate and the in-place occupancy rate for the portfolio was 4.0% as at June 30, 2019. For the retail portfolio, this spread was 8.1% and consisted of several signed leases with a total area of approximately 145,000 square feet, of which 64% will come into force in the next two quarters and 705,000 square feet of space under redevelopment. For the office portfolio, this spread was 4.1% and represents signed leases of which approximately 63% will come into force in the next two quarters. As for the industrial and flex portfolio, the variance was 1.3%, representing 205,000 square feet of signed leases, which will come into force in the next two quarters.

The following table shows changes in the leasable space of the signed leases that began during the quarter or that will begin in the next few quarters:

Signed leases that will begin in the next few quarters

	For the six-month period ended June 30, 2019 sq. ft.
Balance, beginning of period	**950,000**
New signed leases	**658,000**
Leases that began in the period	**(811,000)**
Balance, end of period	**797,000**

The 0.8 million square feet of signed leases will commence during the next four quarters and will, in the end, contribute approximately $16.8 million to net operating income on an annualized basis. Of this amount, $10.3 million comes from the office segment, $4.2 million from the retail segment and $2.2 million from the industrial and flex segment. This contribution to net operating income will be partially offset over the coming quarters by expiring leases that will not be renewed as well as by unanticipated departures and rent reductions.

Leasing Activity

	Office	Retail	Industrial and flex	Total
Leases maturing in 2019				
Number of clients	213	503	193	909
Leasable area (sq. ft.)	1,527,000	1,626,000	1,883,000	5,036,000
Average minimum rent ($/sq. ft.)	19.24	18.94	7.37	14.70
Renewed leases				
Number of clients	110	169	82	361
Leasable area (sq. ft.)	793,000	951,000	1,171,000	2,915,000
Average minimum rent ($/sq. ft.)	19.14	16.13	7.56	13.51
Retention rate	**51.9%**	**58.5%**	**62.2%**	**57.9%**
New leases				
Number of clients	60	50	59	169
Leasable area (sq. ft.)	581,000	333,000	569,000	1,483,000
Average minimum rent ($/sq. ft.)	15.22	18.21	6.44	12.30
Unexpected departures				
Number of clients	9	19	15	43
Leasable area (sq. ft.)	62,000	27,000	125,000	214,000
Average minimum rent ($/sq. ft.)	24.69	23.53	5.22	13.16

During the six-month period ended June 30, 2019, 57.9% [57.0% in 2018] of the leasable area maturing in 2019 was renewed. During the period, new leases were also signed, representing 1.5 million square feet of leasable area, while tenants whose leases were not expiring that left before the end of their lease, totaled leasable area of 0.2 million square feet.

Growth in the Average Net Rent of Renewed Leases

	For the six-month period ended June 30, 2019	For the year ended December 31, 2018
Property Type		
Office	**2.3%**	0.3%
Retail	**(1.4%)**	(1.8%)
Industrial and flex	**9.8%**	5.6%
Growth in the average net rent of renewed leases	**2.8%**	0.6%

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

For the office portfolio, the average net rent on renewed leases in the Montreal, Québec City and Ottawa markets increased by 2.5%, 2.0% and 2.3% respectively.

For the industrial and flex portfolio, the average net rent on renewed leases in the Montreal and Québec City markets increased by 10.1% and 8.7% respectively.

For the retail portfolio, the average net rent of renewed leases in the Québec City and Ottawa markets increased by 2.7% and 4.1% respectively, while the Montreal market decreased by 4.3%.

Sears Update

Location	Leasable area	Signed leases	Area in advanced discussions	Area in preliminary discussions	Available area	Common area planned
	Area (square feet)					
Quartier Laval, Laval	43,147	43,147	—	—	—	—
Carrefour Saint-Georges, Saint-Georges	54,221	43,859	—	—	6,034	4,328
Galeries de Hull, Gatineau	128,040	14,000	21,612	47,224	21,047	24,157
Mail Champlain, Brossard	153,600	—	115,071	6,525	12,253	19,751
Galeries Rive Nord, Repentigny	125,471	38,817	24,872	35,762	7,387	18,633
Les Rivières shopping centre, Trois-Rivières(1)	144,398(1)	—	83,027	20,999	8,909	31,463
Pierre-Bertrand Boulevard, Québec City (industrial segment)	23,947	23,947	—	—	—	—
Total	**672,824**	**163,770**	**244,582**	**110,510**	**55,630**	**98,332**
	100.0%	24.3%	36.4%	16.4%	8.3%	14.5%

(1) Shadow tenant for which Cominar acquired the building during the second quarter of 2018.

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

Lease Maturities

For the years ending December 31	2020	2021	2022	2023	2024
Office					
Leasable area (sq. ft.)	1,467,000	1,374,000	923,000	1,116,000	1,141,000
Average minimum rent ($/sq. ft.)	17.53	18.56	17.12	19.66	18.75
% of portfolio – Office	13.1%	12.3%	8.2%	10.0%	10.2%
Retail					
Leasable area (sq. ft.)	1,472,000	963,000	788,000	951,000	876,000
Average minimum rent ($/sq. ft.)	20.71	21.81	23.20	16.64	18.61
% of portfolio – Retail	14.9%	9.7%	8.0%	9.6%	8.9%
Industrial and flex					
Leasable area (sq. ft.)	3,110,000	1,854,000	2,200,000	1,863,000	1,233,000
Average minimum rent ($/sq. ft.)	6.62	6.71	6.36	7.59	8.17
% of portfolio – Industrial and flex	20.0%	11.9%	14.2%	12.0%	7.9%
Portfolio total					
Leasable area (sq. ft.)	6,049,000	4,191,000	3,911,000	3,930,000	3,250,000
Average minimum rent ($/sq. ft.)	12.70	14.07	12.29	13.21	14.70
% of portfolio	16.5%	11.4%	10.7%	10.7%	8.9%

The following table summarizes information on leases as at June 30, 2019:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Minimum rent ($/sq. ft.)
Property Type				
Office	5.0	8.2	11,400	17.85
Retail	5.3	8.1	4,600	20.10
Industrial and flex	5.2	8.4	16,200	6.84
Weighted average of total portfolio	**5.1**	**8.2**	**9,100**	**13.47**

Cominar has a broad, highly diversified client base consisting of approximately 3,700 tenants occupying an average of 9,100 square feet each. The top three clients, Société québécoise des infrastructures, Public Works Canada and Canadian National Railway Company, account respectively for approximately 6.1%, 4.5% and 3.4% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 14.6% of operating revenues come from government agencies, representing over 100 leases.

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

Client	% of operating revenues
Société québécoise des infrastructures	6.1%
Public Works Canada	4.5%
Canadian National Railway Company	3.4%
Infra MTL Inc.(1)	2.1%
Desjardins Property Management	0.8%
Winners	0.7%
Marie-Claire Boutiques Inc.(2)	0.7%
Dollarama	0.7%
Société des alcools du Québec	0.7%
Shoppers Drug Mart	0.7%
Total	**20.4%**

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

Issued and Outstanding Units

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

	For the six-month period ended June 30, 2019	For the year ended December 31, 2018
Units issued and outstanding, beginning of period	**181,956,349**	184,629,497
Repurchase of units under NCIB	**—**	(2,709,500)
Exercise of options, conversion of restricted units and deferred units	**90,338**	36,352
Units issued and outstanding, end of period	**182,046,687**	181,956,349

On November 9, 2018, Cominar announced the renewal of the NCIB for an additional year. Under its NCIB, Cominar will be entitled to repurchase up to a maximum of 18,112,182 Cominar units. As at June 30, 2019, no units had been repurchased under its NCIB.

Additional information	August 6, 2019
Issued and outstanding units	182,046,687
Outstanding unit options	7,217,600
Deferred units, restricted units and performance units	673,221

Long-Term Incentive Plan

				Unit options	
For the six-month period ended June 30, 2019	Performance units	Deferred units	Restricted units	Quantity	Weighted average exercise price $
Outstanding, beginning of period	164,425	315,435	2,946	8,689,400	14.86
Granted	174,972	95,981	—	—	—
Converted	—	(90,338)	—	—	—
Forfeited or cancelled	(7,789)	(3,315)	—	(1,371,100)	14.35
Expired	—	(2,024)	(224)	—	—
Accrued distributions	8,752	8,631	48	—	—
Balance, end of period	**340,360**	**324,370**	**2,770**	**7,318,300**	**14.88**
Vested units/options, end of period	**—**	**148,293**	**1,538**	**5,557,000**	**15.20**

As at June 30, 2019, the maximum number of units that may be issued under the long-term incentive plan is 16,460,216 units.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

Evaluations are performed regularly to assess the effectiveness of DC&P, including this Interim MD&A and the condensed interim consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the DC&P were effective as at the end of the quarter ended June 30, 2019, and that the current controls and procedures provide reasonable assurance that material information about Cominar, including its consolidated subsidiaries, is made known to them during the period in which these reports are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar concluded that ICFR was effective as at the end of the quarter ended June 30, 2019, and, more specifically, that the financial reporting is reliable and that the condensed interim consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

No changes were made to the Trust's internal controls over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Significant Accounting Policies and Estimates

a) Basis of presentation

Our Interim MD&A is based upon Cominar's condensed interim consolidated financial statements, which have been prepared in accordance with IFRS applicable to the preparation of interim financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements and are the same as those used in the preparation of the audited annual financial statements as at December 31, 2018, with the exception of IFRS 16 – "Leases", which came into effect on January 1, 2019 and for which Cominar has recorded a right-of-use asset in income properties and a corresponding lease liability in accounts payable and accrued liabilities as of that date. The preparation and presentation of the condensed interim consolidated financial statements and any other financial information contained in this Interim MD&A includes the proper selection and application of appropriate accounting principles and policies, which require management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments to establish the carrying amounts of assets and liabilities which, in reality, could not have come from anywhere else. Use of other accounting policies or methods of estimation might have yielded different amounts than those presented. Actual results could differ.

b) Basis of preparation

Consolidation

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

Use of estimates, assumptions and judgments

The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the period. The critical accounting estimates and judgments have been set out in note 2 to Cominar's consolidated financial statements for the year ended December 31, 2018. There have been no changes to the critical accounting estimates and judgments during the six-month period ended June 30, 2019.

c) New accounting policy

On January 1, 2019, Cominar adopted the following standard:

IFRS 16, “Leases”
Following the adoption of this new accounting standard, Cominar has recorded a right-of-use asset in income properties and a corresponding lease liability in accounts payable and accrued liabilities for emphyteutic leases on land held for income-producing properties using the modified retrospective approach. The accounting standard IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 cancels and replaces the previous standard, IAS 17, “Leases”, and related interpretations.

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:

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

To obtain a complete description of the risks and uncertainties identified by Cominar, the reader is referred to our 2018 Annual Report, as well as our 2018 Annual Information Form.

Condensed Interim Consolidated Financial Statements

Cominar Real Estate Investment Trust

Quarter ended June 30, 2019

Unaudited

Consolidated Balance Sheets

[unaudited, in thousands of Canadian dollars]

	Note	June 30, 2019 $	December 31, 2018 $
Assets			
Investment properties			
Income properties	4	**6,096,069**	6,058,191
Properties under development	5	**45,038**	34,293
Land held for future development	5	**90,784**	93,750
		6,231,891	6,186,234
Investment properties held for sale	6	**46,715**	188,727
Investments in joint ventures	7	**94,384**	92,468
Goodwill		**15,721**	15,721
Accounts receivable		**42,250**	41,162
Prepaid expenses and other assets		**65,993**	17,901
Cash and cash equivalents		**10,144**	1,498
Total assets		**6,507,098**	6,543,711
Liabilities			
Mortgages payable	8	**1,836,518**	1,742,104
Mortgages payable related to investment properties held for sale	6, 8	**—**	123
Debentures	9	**1,620,335**	1,722,586
Bank borrowings	10	**76,053**	152,950
Accounts payable and accrued liabilities		**115,707**	103,347
Deferred tax liabilities		**142**	142
Current tax liabilities		**—**	6,763
Distributions payable to unitholders		**10,923**	—
Total liabilities		**3,659,678**	3,728,015
Unitholders' equity			
Unitholders' equity		**2,847,420**	2,815,696
Total liabilities and unitholders' equity		**6,507,098**	6,543,711

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, 2019		3,226,929	1,649,516	(2,065,942)	5,193	2,815,696
Net income and comprehensive income		—	95,783	—	—	95,783
Distributions to unitholders	11	—	—	(65,526)	—	(65,526)
Unit issuances	11	1,122	—	—	(1,135)	(13)
Long-term incentive plan		—	226	—	1,254	1,480
Balance as at June 30, 2019		**3,228,051**	**1,745,525**	**(2,131,468)**	**5,312**	**2,847,420**

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2018		3,265,995	1,861,029	(1,922,212)	3,949	3,208,761
Net income and comprehensive income		—	76,422	—	—	76,422
Distributions to unitholders	11	—	—	(78,232)	—	(78,232)
Unit issuances		258	—	—	(138)	120
Repurchase of units under NCIB	11	(39,530)	—	—	—	(39,530)
Long-term incentive plan		—	41	—	1,106	1,147
Balance as at June 30, 2018		3,226,723	1,937,492	(2,000,444)	4,917	3,168,688

See accompanying notes to the condensed interim consolidated financial statements.

Interim Consolidated Statements of Comprehensive Income

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

		Quarter		Year-to-date (six months)	
	Note	2019 $	2018 $	2019 $	2018 $
Operating revenues					
Rental revenue from investment properties	12	**176,627**	177,047	**358,571**	385,912
Operating expenses					
Operating costs		**(39,262)**	(38,966)	**(85,133)**	(92,861)
Realty taxes and services		**(44,610)**	(44,655)	**(89,767)**	(94,673)
Property management expenses		**(3,772)**	(3,613)	**(8,003)**	(8,019)
		(87,644)	(87,234)	**(182,903)**	(195,553)
Net operating income		**88,983**	89,813	**175,668**	190,359
Finance charges	13	**(36,398)**	(35,669)	**(73,149)**	(79,471)
Trust administrative expenses	14	**(3,838)**	(7,580)	**(9,291)**	(12,835)
Change in fair value of investment properties	4, 5, 6	**8,291**	—	**8,070**	(4,331)
Share in joint ventures' net income	7	**1,503**	1,448	**2,891**	2,533
Transaction costs	15	**(3,151)**	(1,427)	**(4,490)**	(19,981)
Restructuring costs	16	**(3,916)**	—	**(3,916)**	—
Net income before income taxes		**51,474**	46,585	**95,783**	76,274
Income taxes					
Current		**—**	(140)	**—**	(6,391)
Deferred		**—**	—	**—**	6,539
		—	(140)	**—**	148
Net income and comprehensive income		**51,474**	46,445	**95,783**	76,422
Basic net income per unit	17	**0.28**	0.26	**0.53**	0.42
Diluted net income per unit	17	**0.28**	0.25	**0.53**	0.42

See accompanying notes to the condensed interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

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

		Quarter		Year-to-date (six months)	
	Note	2019 $	2018 $	2019 $	2018 $
Operating activities					
Net income		**51,474**	46,445	**95,783**	76,422
Adjustments for:					
Excess of share of net income over distributions received from the joint ventures	7	**(1,203)**	(1,448)	**(1,766)**	(2,533)
Change in fair value of investment properties	4, 5, 6	**(8,291)**	–	**(8,070)**	4,331
Depreciation and amortization		**1,162**	1,040	**2,244**	923
Compensation expense related to long-term incentive plan		**710**	509	**1,480**	1,147
Deferred income taxes		**–**	–	**–**	(6,539)
Recognition of leases on a straight-line basis	4, 6	**38**	(229)	**(141)**	(883)
Changes in non-cash working capital items	18	**(29,764)**	(44,880)	**(51,953)**	(52,096)
Cash flows provided by operating activities		**14,126**	1,437	**37,577**	20,772
Investing activities					
Acquisitions and investments in income properties	4, 18	**(31 471)**	(58 440)	**(69 257)**	(116 854)
Acquisitions and investments in properties under development and land held for future development	5, 18	**(5 141)**	(4 902)	**(7 955)**	(13 851)
Net proceeds from the sale of investment properties	3, 6	**115 769**	–	**190 160**	1 026 430
Contributions to the capital of a joint venture	7	**(150)**	(1 000)	**(150)**	(1 800)
Change in other assets		**51**	(543)	**(1 054)**	(462)
Cash flows provided (used in) by investing activities		**79 058**	(64 885)	**111 744**	893 463
Financing activities					
Cash distributions to unitholders	11	**(32,764)**	(32,749)	**(54,603)**	(67,316)
Bank borrowings		**(64,300)**	(325,973)	**(76,897)**	(590,339)
Mortgages payable	8	**117,912**	(294)	**117,912**	135,129
Net proceeds from issuance of debentures	9	**197,175**	–	**197,175**	–
Unit issuance net proceeds		**(6)**	(17)	**(13)**	120
Repurchase of units under NCIB		**–**	–	**–**	(39,530)
Repayment of debentures at maturity	9	**(300,000)**	–	**(300,000)**	–
Repayments of mortgages payable	8	**–**	(36,659)	**–**	(329,294)
Monthly repayments of mortgages payable	8	**(12,203)**	(12,370)	**(24,249)**	(26,476)
Cash flows used in financing activities		**(94,186)**	(408,062)	**(140,675)**	(917,706)
Net change in cash and cash equivalents		**(1,002)**	(471,510)	**8,646**	(3,471)
Cash and cash equivalents, beginning of period		**11,146**	474,967	**1,498**	6,928
Cash and cash equivalents, end of period		**10,144**	3,457	**10,144**	3,457
Other information					
Interest paid		**47,114**	47,139	**74,121**	82,719
Cash distributed by a joint venture	7	**300**	–	**1,125**	–

See accompanying notes to the condensed interim consolidated financial statements.

Notes to Condensed Interim Consolidated Financial Statements

For the periods ended June 30, 2019 and 2018
[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, 2019, Cominar owned and managed a real estate portfolio of 334 high-quality properties that covered a total area of 36.6 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 6, 2019.

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, with the exception of IFRS 16 – “Leases”, which came into effect on January 1, 2019 and for which Cominar has recorded a right-of-use asset in income properties and a corresponding lease liability in accounts payable and accrued liabilities as of that date. 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, 2018.

b) Basis of preparation

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

Use of estimates, assumptions and judgments
The preparation of the condensed interim consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as at the date of the financial statements and the reported amounts of revenues and expenses during the period. The critical accounting estimates and judgments have been set out in note 2 to Cominar’s consolidated financial statements for the year ended December 31, 2018. There have been no changes to the critical accounting estimates and judgments during the six-month period ended June 30, 2019.

c) New accounting policy

On January 1, 2019, Cominar adopted the following standard:

IFRS 16, “Leases”
Following the adoption of this new accounting standard, Cominar has recorded a right-of-use asset in income properties and a corresponding lease liability in accounts payable and accrued liabilities for emphyteutic leases on lands held for income-producing properties using modified retrospective approach. The accounting standard IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 cancels and replaces the previous standard, IAS 17, “Leases”, and related interpretations.

3) Dispositions

Dispositions of Income Properties Held for Sale for the six-month period ended June 30, 2019

Date	Property type	Number of properties	Geographic market	Total selling price $
January 11, 2019	Office	1	Montreal	4 100
January 14, 2019	Industrial and flex	1	Québec City	1 200
January 16, 2019	Retail	1	Montreal	1 841
February 15, 2019	Office and Retail	10	Montreal	41 250
March 26, 2019	Industrial and flex	1	Montreal	26 000
April 18, 2019	Office	1	Moncton, New Brunswick	8 020
April 29, 2019	Retail	1	Montreal	750
May 30, 2019	Retail	9	Montreal	28 000
June 6, 2019	Retail	1	Montreal	850
June 20, 2019	Retail	1	Montreal	76 324
		27		**188 335**

Disposition of an Income Property for the six-month period ended June 30, 2019

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

4) Income Properties

	Note	For the six-month period ended June 30, 2019 $	For the year ended December 31, 2018 $
Balance, beginning of period		**6,058,191**	6,239,383
Acquisitions and related costs		**539**	39,710
Change in fair value		**7,042**	(242,307)
Right-of-use assets		**9,757**	—
Capital costs		**54,589**	204,325
Dispositions	3	**(1,825)**	(3,014)
Transfers to investment properties held for sale	6	**(35,813)**	(191,241)
Transfers to properties under development and land held for future development	5	**(1,317)**	—
Change in initial direct costs		**4,742**	9,819
Recognition of leases on a straight-line basis		**164**	1,516
Balance, end of period		**6,096,069**	6,058,191

5) Properties Under Development and Land Held for Future Development

	Note	For the six-month period ended June 30, 2019 $	For the year ended December 31, 2018 $
Balance, beginning of period		**128,043**	129,272
Change in fair value		**1,118**	(19,857)
Capital costs		**9,027**	15,382
Disposition of a portion of land		**—**	(2,400)
Transfer from Income Properties	4	**1,317**	—
Transfer to investment properties held for sale	6	**(6,840)**	—
Capitalized interests		**3,147**	5,546
Change in initial direct costs		**10**	100
Balance, end of period		**135,822**	128,043
Breakdown:			
Properties under development		**45,038**	34,293
Land held for future development		**90,784**	93,750

6) Investment Properties Held for Sale

During the quarter ended March 31, 2019, Cominar transferred 3 income properties having a value of $18,450 to investment properties held for sale.

During the quarter ended June 30, 2019, Cominar transferred 4 income properties and 2 land held for future development having a value of $24,203 to investment properties held for sale.

		For the six-month period ended June 30, 2019				For the year ended December 31, 2018
	Note	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties held for sale and goodwill						
Balance, beginning of period		**50,486**	**111,041**	**27,200**	**188,727**	1,143,500
Transfers from income properties	4	**17,700**	**4,113**	**14,000**	**35,813**	191,241
Transfers from properties under development and land held for future development	5	**—**	**6,840**	**—**	**6,840**	—
Capitalized costs(1)		**3,606**	**154**	**—**	**3,760**	7,070
Change in fair value		**(937)**	**847**	**—**	**(90)**	(4,934)
Dispositions	3	**(49,736)**	**(111,399)**	**(27,200)**	**(188,335)**	(1,148,150)
Transfer of goodwill		**—**	**—**	**—**	**—**	3,872
Derecognition of goodwill		**—**	**—**	**—**	**—**	(3,872)
Balance, end of period		**21,119**	**11,596**	**14,000**	**46,715**	188,727

(1) Includes ($23) of recognition of leases on a straight-line basis.

	Note	For the six-month period ended June 30, 2019				For the year ended December 31, 2018
		Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Mortgages payable related to investment properties held for sale						
Balance, beginning of period		**123**	**–**	**–**	**123**	276,350
Monthly repayments of principal		**(123)**	**–**	**–**	**(123)**	(2,400)
Repayments of balances		**–**	**–**	**–**	**–**	(167,958)
Mortgages payable assumed by the purchaser	8	**–**	**–**	**–**	**–**	(105,992)
Transfer of mortgages payable related to investment properties held for sale		**–**	**–**	**–**	**–**	123
Balance, end of period		**–**	**–**	**–**	**–**	123

7) Joint Ventures

As at June 30			2019	2018
Joint ventures	Address	City/province	Ownership interest	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	**75%**	75%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Quebec	**50%**	50%
Société en commandite Marais	Du Marais Street	Québec, Quebec	**75%**	75%

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

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

	For the six-month period ended June 30, 2019 $	For the year ended December 31, 2018 $
Investments in joint ventures, beginning of period	**92,468**	86,299
Contributions to the capital of the joint ventures	**150**	1,931
Share of joint ventures' net income and comprehensive income	**2,891**	5,176
Cash distributions by a joint venture	**(1,125)**	(938)
Investments in joint ventures, end of period	**94,384**	92,468

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

	Joint ventures		Cominar's proportionate share	
	As at June 30, 2019 $	As at December 31, 2018 $	As at June 30, 2019 $	As at December 31, 2018 $
Income properties	**238,458**	237,400	**167,355**	166,765
Properties under development	**15,489**	14,782	**7,744**	7,392
Land held for future development	**11,430**	11,200	**8,560**	8,400
Other assets	**1,598**	1,481	**1,130**	983
Mortgages payable	**(121,919)**	(123,762)	**(84,263)**	(85,534)
Bank borrowings(1)	**(8,401)**	(8,000)	**(4,201)**	(4,000)
Other liabilities	**(3,050)**	(2,412)	**(1,941)**	(1,538)
Net assets of joint ventures	**133,605**	130,689	**94,384**	92,468

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

For the periods ended June 30	Quarter				Year-to-date (six months)			
	Joint Ventures		Cominar's proportionate share		Joint Ventures		Cominar's proportionate share	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Operating revenues	**6,211**	6,073	**4,319**	4,233	**12,391**	11,838	**8,619**	8,247
Operating expenses	**(2,611)**	(2,571)	**(1,834)**	(1,790)	**(5,328)**	(5,339)	**(3,741)**	(3,723)
Net operating income	**3,600**	3,502	**2,485**	2,443	**7,063**	6,499	**4,878**	4,524
Finance charges	**(1,427)**	(1,388)	**(995)**	(984)	**(2,846)**	(2,785)	**(1,987)**	(1,973)
Administrative expenses	**25**	(22)	**13**	(11)	**—**	(37)	**—**	(18)
Net income	**2,198**	2,092	**1,503**	1,448	**4,217**	3,677	**2,891**	2,533

8) Mortgages Payable

		For the six-month period ended June 30, 2019		For the year ended December 31, 2018	
	Note	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of period		**1,747,991**	**4.03%**	2,153,896	4.22%
Mortgages payable contracted		**119,000**	**3.63%**	347,500	4.02%
Monthly repayments of principal		**(24,249)**	**—**	(50,805)	—
Repayments of balances		**—**	**—**	(596,608)	4.66%
Mortgages payable assigned	6	**—**	**—**	(105,992)	3.72%
		1,842,742	**4.01%**	1,747,991	4.03%
Plus: Fair value adjustments on assumed mortgages payable		**595**		727	
Less: Deferred financing costs		**(6,819)**		(6,491)	
Balance, end of period(1)		**1,836,518**		1,742,227	

(1) As at December 31, 2018, includes $123 in mortgages payable related to the properties held for sale at that date.

Mortgages payable are secured by immovable hypothecs on investment properties with a book value of $3,600,451 [$3,505,827 as at December 31, 2018]. They bear annual contractual interest rates ranging from 3.00% to 6.61% as at June 30, 2019 [2.52% to 6.94% as at December 31, 2018], representing a weighted average contractual rate of 4.01% as at June 30, 2019 [4.03% as at December 31, 2018], and mature at various dates from July 2019 to April 2034. As at June 30, 2019, the weighted average effective interest rate was 4.11% [4.11% as at December 31, 2018].

As at June 30, 2019, nearly all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include restrictive covenants, with which Cominar was in compliance as at both June 30, 2019 and December 31, 2018.

9) Debentures

	For the six-month period ended June 30, 2019		For the year ended December 31, 2018	
	$	Weighted average contractual rate	$	Weighted average contractual rate
Balance, beginning of period	**1,725,000**	**4.23%**	1,725,000	4.23%
Issuance	**200,000**	**4.50%**	—	—
Repayment at maturity	**(300,000)**	**3.62%**	—	—
	1,625,000	**4.37%**	1,725,000	4.23%
Less: Deferred financing costs	**(5,341)**		(3,350)	
Plus: Net premium and discount on issuance	**676**		936	
Balance, end of period	**1,620,335**		1,722,586	

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

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

The following table presents characteristics of outstanding debentures as at June 30, 2019:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at June 30, 2019 $
Series 2	December 2012[(1)]	4.23%	4.37%	December 2019	**300,000**
Series 3	May 2013	4.00%	4.24%	November 2020	**100,000**
Series 4	July 2013[(2)]	4.941%	4.81%	July 2020	**300,000**
Series 8	December 2014	4.25%	4.34%	December 2021	**200,000**
Series 9	June 2015	4.164%	4.25%	June 2022	**300,000**
Series 10	May 2016	4.247%	4.34%	May 2023	**225,000**
Series 11	May 2019	4.50%	4.82%	May 2024	**200,000**
		4.37%	**4.47%**		**1,625,000**

(1) Re-opened in February 2013 ($100,000).
(2) Re-opened in January 2014 ($100,000) and March 2014 ($100,000).

10) Bank Borrowings

As at June 30, 2019, Cominar had an unsecured renewable operating and acquisition credit facility of up to $500,000 maturing in August 2019. During the first quarter of 2019, at Cominar's request, the maximum amount available under the credit facility was reduced from $700,000 as at December 31, 2018 to $500,000. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at June 30, 2019 and December 31, 2018. As at June 30, 2019, bank borrowings totalled $76,053 and availability was $423,947.

On July 23, 2019, Cominar entered into a 2-year agreement for a new unsecured credit facility of up to $400,000 maturing in July 2021 and which replaced the current $500,000 unsecured renewable credit facility as of that date. This new credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points.

11) Issued and Outstanding Units

	For the six-month period ended June 30, 2019		For the year ended December 31, 2018	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**181,956,349**	**3,226,929**	184,629,497	3,265,995
Repurchase of units under NCIB	**—**	**—**	(2,709,500)	(39,530)
Exercise of options, conversion of restricted units and deferred units	**90,338**	**1,122**	36,352	464
Units issued and outstanding, end of period	**182,046,687**	**3,228,051**	181,956,349	3,226,929

Long Term Incentive Plan

For the six-month period ended June 30, 2019	Performance units	Deferred units	Restricted units	Unit options Quantity	Unit options Weighted average exercise price $
Outstanding, beginning of period	164,425	315,435	2,946	8,689,400	14.86
Granted	174,972	95,981	—	—	—
Converted	—	(90,338)	—	—	—
Forfeited or cancelled	(7,789)	(3,315)	—	(1,371,100)	14.35
Expired	—	(2,024)	(224)	—	—
Accrued distributions	8,752	8,631	48	—	—
Outstanding, end of period	**340,360**	**324,370**	**2,770**	**7,318,300**	**14.88**
Vested units/options, end of period	**—**	**148,293**	**1,538**	**5,557,000**	**15.20**

As at June 30, 2019, the maximum number of units that may be issued under the long-term incentive plan is 16,460,216 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.

For the periods ended June 30	Quarter 2019 $	Quarter 2018 $	Year-to-date (six months) 2019 $	Year-to-date (six months) 2018 $
Distributions to unitholders	**32,768**	32,749	**65,526**	78,232
Distributions per unit	**0.18**	0.18	**0.36**	0.43

On March 7, 2018, Cominar decreased the monthly distribution from $0.095 per unit to $0.06 per unit, beginning with the distribution of March 2018 paid in April 2018.

12) Operating Revenues

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

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

For the periods ended June 30, 2018	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	61,989	60,777	36,910	159,676	136,321	130,253	78,058	344,632
Parking revenues	4,787	105	3	4,895	10,048	237	13	10,298
Revenues from other services	5,632	4,869	1,975	12,476	13,926	12,494	4,562	30,982
Total	**72,408**	**65,751**	**38,888**	**177,047**	**160,295**	**142,984**	**82,633**	**385,912**

13) Finance Charges

For the periods ended June 30	Quarter		Year-to-date (six months)	
	2019 $	2018 $	2019 $	2018 $
Interest on mortgages payable	**17,919**	18,083	**35,296**	41,312
Interest on debentures	**19,085**	18,269	**37,353**	36,539
Interest on bank borrowings	**506**	486	**2,692**	5,300
Net amortization of premium and discount on debenture issues	**(130)**	(130)	**(260)**	(260)
Amortization of deferred financing costs and other costs	**1,010**	883	**1,897**	1,746
Amortization of fair value adjustments on assumed borrowings	**(66)**	(65)	**(132)**	(1,304)
Less: Capitalized interest[(1)]	**(1,926)**	(1,857)	**(3,697)**	(3,862)
Total	**36,398**	35,669	**73,149**	79,471

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 2019 was 4.30% [4.00% in 2018].*

14) Trust Administrative Expenses

For the periods ended June 30	Quarter		Year-to-date (six months)	
	2019 $	2018 $	2019 $	2018 $
Salaries and other benefits	**2,455**	2,733	**6,379**	6,049
Compensation related to the long-term incentive plan	**710**	509	**1,480**	1,147
Professional fees	**139**	164	**375**	413
Public company costs	**154**	168	**339**	304
Governance and strategic alternatives consulting fees	**—**	3,529	**—**	3,529
Other expenses	**380**	477	**718**	1,393
Total	**3,838**	7,580	**9,291**	12,835

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

15) Transaction Costs

For the periods ended June 30	Quarter		Year-to-date (six months)	
	2019 $	2018 $	2019 $	2018 $
Brokerage fees	**986**	–	**1,497**	5,700
Professional fees	**21**	–	**263**	2,374
Assumed head leases	**217**	–	**217**	4,201
Penalties on debt repayment	**—**	–	**—**	945
Closing adjustments	**1,927**	1,427	**2,513**	6,161
Others	**—**	–	**—**	600
Total	**3,151**	1,427	**4,490**	19,981

16) Restructuring costs

During the quarter ended June 30, 2019, Cominar announced an organizational restructuring to streamline and enhance the effectiveness of operations which the outcome, among others, has been the reduction of its workforce. During the quarter ended June 30, 2019, Cominar recorded a provision of $3,916 related to this organizational restructuring, primarily related to severance benefits. From this amount, $1,845 was paid during the quarter.

17) Per Unit Calculation Basis

For the periods ended June 30	Quarter		Year-to-date (six months)	
	2019 Parts	2018 Parts	2019 Parts	2018 Parts
Weighted average number of units outstanding – basic	**182,191,343**	182,053,311	**182,147,225**	182,253,419
Dilutive effect related to the long-term incentive plan	**141,189**	144,031	**132,398**	174,481
Weighted average number of units outstanding – diluted	**182,332,532**	182,197,342	**182,279,623**	182,427,900

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 7,835,969 options and unvested performance units, deferred units and restricted units outstanding at the end of the quarter ended June 30, 2019 [12,267,593 in 2018], due to the fact that their conversion or exercise price, including the unrecognized portion of the related compensation expense, is higher than the average price of the units.

18) Supplemental Cash Flow Information

For the periods ended June 30	Quarter 2019 $	Quarter 2018 $	Year-to-date (six months) 2019 $	Year-to-date (six months) 2018 $
Accounts receivable	**2,608**	(300)	**(1,088)**	1,086
Prepaid expenses	**(21,461)**	(29,118)	**(47,380)**	(59,006)
Accounts payable and accrued liabilities	**(10,911)**	(15,602)	**3,278**	(567)
Current tax liabilities	**—**	140	**(6,763)**	6,391
Changes in non-cash working capital items	**(29,764)**	(44,880)	**(51,953)**	(52,096)
Other information				
Accounts payable and accrued liabilities relating to investing activities	**12,398**	16,920	**12,398**	16,920
Accounts receivable relating to investing activities	**4,014**	11,814	**4,014**	11,814

19) 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, 2019 and fiscal year 2018.

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	As at June 30, 2019 Carrying amount $	As at June 30, 2019 Fair value $	As at December 31, 2018 Carrying amount $	As at December 31, 2018 Fair value $
Recurring valuations of non-financial assets					
Income properties	3	**6,096,069**	**6,096,069**	6,058,191	6,058,191
Investment properties held for sale	3	**46,715**	**46,715**	188,727	188,727
Land held for future development	3	**90,784**	**90,784**	93,750	93,750
Financial liabilities					
Mortgages payable	2	**1,836,518**	**1,884,901**	1,742,227	1,764,084
Debentures	2	**1,620,335**	**1,692,272**	1,722,586	1,703,866

20) Segmented Information

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

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

For the quarter ended June 30, 2019	Office Properties $	Retail Properties $	Industrial and flex properties $	Cominar's proportionate share $	Joint ventures $	Condensed interim consolidated financial statements $
Rental revenue from investment properties	**75,023**	**65,042**	**40,881**	**180,946**	**(4,319)**	**176,627**
Change in fair value of investment properties	**(778)**	**2,194**	**6,875**	**8,291**	**—**	**8,291**
Net operating income	**36,770**	**31,700**	**22,998**	**91,468**	**(2,485)**	**88,983**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**1,503**	**1,503**

June 30, 2018	$	$	$	$	$	$
Rental revenue from investment properties	76,687	65,842	38,751	181,280	(4,233)	177,047
Change in fair value of investment properties	—	—	—	—	—	—
Net operating income	37,043	33,146	22,067	92,256	(2,443)	89,813
Share of joint ventures' net income	—	—	—	—	1,448	1,448

For the six-month period ended June 30, 2019	Office Properties $	Retail Properties $	Industrial and flex properties $	Cominar's proportionate share $	Joint ventures $	Condensed interim consolidated financial statements $
Rental revenue from investment properties	**151,238**	**132,979**	**82,973**	**367,190**	**(8,619)**	**358,571**
Change in fair value of investment properties	**(938)**	**2,133**	**6,875**	**8,070**	**—**	**8,070**
Net operating income	**71,310**	**63,626**	**45,610**	**180,546**	**(4,878)**	**175,668**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**2,891**	**2,891**

June 30, 2018	$	$	$	$	$	$
Rental revenue from investment properties	168,184	143,478	82,497	394,159	(8,247)	385,912
Change in fair value of investment properties	(3,132)	(643)	(556)	(4,331)	—	(4,331)
Net operating income	79,289	70,255	45,339	194,883	(4,524)	190,359
Share of joint ventures' net income	—	—	—	—	2,533	2,533

As at June 30, 2019	Office Properties $	Retail Properties $	Industrial and flex properties $	Cominar's proportionate share $	Joint ventures $	Condensed interim consolidated financial statements $
Income properties	**2,463,527**	**2,366,146**	**1,433,751**	**6,263,424**	**(167,355)**	**6,096,069**
Investment properties held for sale	**19,306**	**13,409**	**14,000**	**46,715**	**—**	**46,715**
Investments in joint ventures	**—**	**—**	**—**	**—**	**94,384**	**94,384**

As at December 31, 2018	$	$	$	$	$	$
Income properties	2,452,567	2,340,041	1,432,348	6,224,956	(166,765)	6,058,191
Investment properties held for sale	50,486	111,041	27,200	188,727	—	188,727
Investments in joint ventures	—	—	—	—	92,468	92,468

21) Subsequent Events

On July 11, 2019, Cominar entered into a 10-year mortgage of $32,760 at an interest rate of 3.46%.

On July 16, 2019, Cominar declared a monthly distribution of $0.06 per unit, payable on August 15, 2019.

On July 19, 2019, Cominar completed the sale of an industrial and flex property located in the Montréal area, for an amount of $14,000.

On July 23, 2019, Cominar entered into a 2-year agreement for a new unsecured credit facility of up to $400,000 maturing in July 2021 and which replaced the current $500,000 unsecured renewable credit facility as of that date. This new credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points.

On July 25, 2019, Cominar entered in a 6-year mortgage of $125,000 at an interest rate of 3.45%.

On July 31, 2019, Cominar entered in two 5-year mortgages totaling $66,640 at an interest rate of 3.527%.

On August 1, 2019, Cominar entered in a 10-year mortgage of $37,800 at an interest rate of 3.28%.

Corporate Information

Board of Trustees

Key Officers

Sylvain Cossette
President and Chief Executive Officer

Alain Dallaire
Executive Vice President and
Chief Operating Officer

Heather C. Kirk, B. Com., CFA
Executive Vice President and
Chief Financial Officer

Marie-Andrée Boutin, MBA
Executive Vice President,
Retail Strategy and Operations

Wally Commisso
Executive Vice President,
Operations and Property Management

Jean Laramée, Eng.
Executive Vice President, Development

Michael Racine
Executive Vice President,
Leasing – Office and Industrial

Unitholders Information

Cominar Real Estate Investment Trust

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

Tel.: 418 681-8151
Fax: 418 681-2946
Toll-free: 1-866 COMINAR
Email: info@cominar.com
Website: www.cominar.com

Listing

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

Transfer Agent

Computershare Trust Company of Canada
1500 Robert-Bourassa Blvd., Suite 700
Montreal, Quebec, Canada H3A 3S8

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

Taxability of Distributions

In 2018, 51.23% 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 LLP

Unitholders Distribution Reinvestment Plan

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

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

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

Cominar