Cominar Real Estate Investment Trust

INTERIM REPORT

Quarter Ended September 30, 2018

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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 September 30, 2018, in comparison with the corresponding quarter of 2017, as well as its financial position as at that date and its outlook. Dated November 8, 2018, 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. The reader is invited to refer 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 2017 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 focus and efforts on improving our operating performance are continuing to bear fruit. For the third quarter in a row, we reported positive same property net operating income growth. Cominar recorded growth in same property net operating income of 1.7% in the third quarter compared to the corresponding period of 2017, with a significant increase of 4.4% in the industrial and flex space segment, and a 2.1% increase in the office segment, offset by a slight decrease of 0.4% in the retail segment. Excluding the impact of the closing of the Sears stores, the retail segment recorded a 1.3% growth in same property net operating income during the quarter.

Directly correlated to this growth in same property NOI are the increase in the average in-place occupancy rate of 0.7% (office) and 0.1% (industrial and flex) for the nine-month period ended September 30, 2018, compared with the same period of 2017, and the growth of 0.9% in the average net rent of renewed leases.

The increase in same property NOI of 1.7% in the third quarter is noteworthy given that the retail segment experienced a 0.4% decline in same property net operating income compared to the corresponding period of 2017, due to the 4.6% decline in the average in-place occupancy rate for the quarter when compared to the same period of 2017. This decline is mainly attributable to the closing of the Sears stores.

In terms of our geographical markets, Québec City continued its strong performance with a 3.4% increase in net operating income, followed by the Montreal area with a 2.5% increase and the Ottawa area with an 11.8% decrease. The Ottawa area recorded a 6.0% decline in the average in-place occupancy rate mainly due to the closing of the Sears store in Galeries de Hull.

In addition to growing same property NOI for the third consecutive quarter, our committed occupancy rate increased from 92.2% as at September 30, 2017 to 93.3% as at September 30, 2018, an increase of 1.1%. This is the highest portfolio occupancy rate Cominar has recorded since Q1 2015.

The variance between the committed occupancy rate and the in-place occupancy rate represents approximately 1.6 million square feet of signed leases that will commence during the next five quarters and which will contribute approximately $22.4 million in net operating income on an annualized basis.

The net average rent on renewed leases grew by 0.9% since year end 2017, led by strong performance in the industrial segment which recorded a 4.2% increase.

Our payout ratio of recurring AFFO has declined to 78.3% for the quarter, compared to 104.2% for the same quarter of 2017. Our debt ratio stood at 51.9% at the end of the quarter, compared to 57.4% at the end of 2017. This significant decrease in the debt ratio is attributable to the sale of 95 properties completed during the first quarter of 2018 for $1.14 billion.

During the quarter, we acquired the land of a property already owned by Cominar further to the exercise of a purchase option. This acquisition immediately starts contributing to net operating income and will enable us to realize a meaningful valuation gain.

With regards to property sales, we continue to move ahead with opportunistically selling non-core assets in order to maximize value, enhance the quality of NOI and manage capital expenditures. As at September 30, 2018, we have 7 properties held for sale with a value of $44.2 million. These properties are under contract or in the process of being under contract with potential buyers and we expect to close these transactions in the coming months.

In parallel, as part of our go-forward strategy, management and the Board of Trustees continue their efforts to review guiding principles, such as the priorities and targets in terms of capital allocation and our capital structure.

Finally, we wish to thank our unitholders for their constructive dialogue and we also wish to thank our Board of Trustees and our employees for their contributions as we continue on the road to "Cominar 2.0".

We thank you for your support.

Alban D'Amours, CM, GOQ, LH, Fellow Adm.A.
Chairman of the Board of Trustees

Sylvain Cossette, B.C.L.
President and Chief Executive Officer

November 8, 2018

HIGHLIGHTS

Quarter ended September 30, 2018

Growth in same property net operating income

(Q1-2018: 0.2%, Q2-2018: 0.8%, Q3-2018: 1.7%)

1.7%

Growth in the average net rent of renewed leases

0.9%

Increase in the committed occupancy rate from 92.2% to

93.3%

Growth in the retention rate of expiring leases from 59.2% to

64.6%

Committed leases commencing in the coming quarters

1.6M sq.ft.

Decrease in payout ratio from 104.2% to

78.3%

SUBSEQUENT EVENTS

On October 15, 2018, Cominar declared a monthly distribution of $0.06 per unit, payable on November 15, 2018.

On November 5, 2018, Cominar announced the appointment of Heather C. Kirk as Executive Vice President and Chief Financial Officer effective December 3, 2018.

The current normal course issuer bid (“NCIB”) of a maximum of 17,596,591 units will expire on November 14, 2018. Cominar’s Board of Trustees authorized the application to renew for an additional year the NCIB for a maximum of 10% of the units held by the public. The renewal of this NCIB is subject to the Toronto Stock Exchange approval.

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. These forward-looking statements include, among other things, statements with respect to our medium-term and 2018 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," and "intend," and the use of the conditional and future tenses, and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include financial conditions in Canada and elsewhere in the world; the effects of competition in the markets where we operate; the impact of changes in laws and regulations, including tax laws; successful execution of our strategy; our ability to complete and integrate acquisitions successfully; our ability to attract and retain key employees and executives; the financial position of clients; our ability to refinance our debts upon maturity and to lease vacant space; our ability to complete developments according to plans and schedules and to raise capital to finance growth as well as the interest rate variations.

We caution readers that the foregoing list of important 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 2017 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” 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:

- **Same property net operating income**, 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;
- **Funds from operations ("FFO") per unit**, which represents a standard real estate benchmark used to measure an entity’s performance are defined by REALpac as adjusted net income 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 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, provides a meaningful measure of Cominar’s capacity to generate steady profits;
- **Adjusted cash flow from operations (“ACFO”) per unit**, which 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 smooth running of an organization;
- **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 of renewed leases**, which is a measure of organic growth and gives an indication of Cominar’s capacity to increase its rental income;
- **Segment and geographic diversification**, which contributes to revenue stability by spreading real estate risk.

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 MD&A.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the periods ended September 30	Quarter 2018[(1)]	Quarter 2017		Year-to-date (nine months) 2018[(1)]	Year-to-date (nine months) 2017		
	$	$	% Δ	$	$	% Δ	Page
FINANCIAL PERFORMANCE							
Operating revenues – Financial statements	**172,665**	204,160	(15.4)	**558,577**	628,071	(11.1)	18
Operating revenues – Cominar's proportionate share[(2)]	**176,820**	207,753	(14.9)	**570,979**	637,643	(10.5)	19
Net operating income[(2)] – Financial statements	**90,977**	110,180	(17.4)	**281,336**	325,550	(13.6)	19
Net operating income[(2)] – Cominar's proportionate share	**93,548**	112,247	(16.7)	**288,431**	330,932	(12.8)	20
Same property net operating income[(2)]	**93,155**	91,631	1.7	**273,911**	271,360	0.9	20
Net income	**64,649**	63,981	1.0	**141,071**[(8)]	189,531	(25.6)	25
Adjusted net income[(2)]	**51,850**	63,981	(19.0)	**156,113**	187,247	(16.6)	25
Recurring funds from operations (FFO)[(2)]	**52,733**	65,287	(19.2)	**159,062**	191,197	(16.8)	27
Recurring adjusted funds from operations (AFFO)[(2)]	**41,249**	55,414	(25.6)	**124,633**	164,199	(24.1)	27
Cash flows provided by operating activities – Financial Statements	**88,049**	100,702	(12.6)	**108,821**	151,754	(28.3)	29
Recurring adjusted cash flow from operations (ACFO)[(2)]	**41,453**	54,924	(24.5)	**119,638**	164,579	(27.3)	29
Distributions	**32,749**	58,006	(43.5)	**110,981**	193,731	(42.7)	30
Total assets				**6,938,319**	8,441,823	(17.8)	17
PER UNIT FINANCIAL PERFORMANCE							
Net income (basic)	**0.36**	0.35	2.9	**0.77**	1.03	(25.2)	25
Net income (diluted)	**0.35**	0.35	—	**0.77**	1.03	(25.2)	25
Adjusted net income (diluted)[(2)]	**0.28**	0.35	(20.0)	**0.86**	1.02	(15.7)	25
Recurring funds from operations (FFO)(FD)[(2)(3)]	**0.29**	0.35	(17.1)	**0.87**	1.04	(16.3)	27
Recurring adjusted funds from operations (AFFO)(FD)[(2)(3)]	**0.23**	0.30	(23.3)	**0.68**	0.89	(23.6)	27
Recurring adjusted cash flow from operations (ACFO)(FD)[(2)(3)]	**0.23**	0.30	(23.3)	**0.66**	0.89	(25.8)	29
Distributions	**0.1800**	0.3125	(42.4)	**0.6100**	1.0475	(41.8)	30
Payout ratio of recurring adjusted cash flow from operations (ACFO)[(2)(3)]	**78.3%**	104.2%	(24.9)	**92.4%**	117.7%	(21.5)	29
Payout ratio of recurring adjusted funds from operations (AFFO)[(2)(3)]	**78.3%**	104.2%	(24.9)	**89.7%**	117.7%	(23.8)	27
FINANCING							
Debt ratio[(4)(9)]				**51.9%**	52.6%		33
Interest coverage ratio[(5)]				**2.35:1**	2.50:1		33
Weighted average interest rate on total debt				**4.11%**	4.12%		31
Residual weighted average term of total debt (years)				**3.7**	4.0		31
Unsecured debts-to-net-debt ratio[(6)]				**49.7%**	53.3%		34
Unencumbered income properties				**2,817,704**	3,594,842		34
Unencumbered assets to unsecured net debt ratio[(7)]				**1.57:1**	1.52:1		34
OPERATIONAL DATA							
Number of investment properties				**429**	523		35
Leasable area (in thousands of sq. ft.)				**38,220**	44,075		35
Committed occupancy rate				**93.3%**	92.2%		42
In-place occupancy rate				**87.3%**	88.0%		42
Retention rate				**64.6%**	59.2%		43
Growth in the average net rent of renewed leases				**0.9%**	0.7%		43
DEVELOPMENT ACTIVITIES							
Properties under development – Cominar's proportionate share[(2)]				**59,259**	96,114		15

(1) Results for periods ended September 30, 2018 have been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(3) Fully diluted.
(4) 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.
(5) Net operating income less Trust administrative expenses divided by finance charges.
(6) Unsecured debt divided by net debt.
(7) Fair value of unencumbered income properties divided by the unsecured net debt.
(8) Includes the $4.3 million change in fair value of investment properties and $20.0 million in transaction costs incurred as part of the sale of 95 non-core properties to Slate in the first quarter of 2018, and the $13.4 million change in fair value of investment properties with respect to the properties available for sale as at September 30, 2018.
(9) As at December 31, 2017, debt ratio was 57.4%.

SELECTED QUARTERLY INFORMATION

The following table presents, in summary form, Cominar's financial information for the last eight quarters:

For the quarters ended	Sept. 30, 2018[1]	June 30, 2018[1]	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017	Dec. 31, 2016
	$	$	$	$	$	$	$	$
Operating revenues – Financial statements	**172,665**	177,047	208,865	207,418	204,160	209,955	213,956	210,350
Operating revenues – Cominar's proportionate share[2]	**176,820**	181,280	212,879	211,197	207,753	213,032	216,858	213,008
Net operating income[2] – Financial statements	**90,977**	89,813	100,546	110,487	110,180	109,487	105,883	114,301
Net operating income[2] – Cominar's proportionate share	**93,548**	92,256	102,627	112,654	112,247	111,268	107,417	115,790
Net income (net loss)	**64,649**[4]	46,445[5]	29,977[4][5]	(581,256)[4]	63,981	65,837	59,713	26,341[4]
Adjusted net income[2]	**51,850**	51,401	52,862	68,551	63,981	63,553	59,713	67,996
Recurring FFO[2]	**52,733**	52,592	53,737	63,892	65,287	64,902	61,008	69,423
Recurring AFFO[2]	**41,249**	41,105	42,279	51,628	55,414	56,312	52,473	59,213
Cash flows provided by operating activities – Financial statements	**88,049**	1,437	19,335	81,471	100,702	15,299	35,753	102,031
Recurring ACFO[2]	**41,453**	37,856	40,329	52,117	54,924	59,275	50,380	60,601
Distributions	**32,749**	32,749	45,483	52,792	58,006	68,079	67,646	67,156
PER UNIT								
Net income (net loss) (basic)	**0.36**[4]	0.26[5]	0.16[4][5]	(3.14)[4]	0.35	0.36	0.33	0.14[4]
Net income (net loss) (diluted)	**0.35**[4]	0.25[5]	0.16[4][5]	(3.14)[4]	0.35	0.36	0.33	0.14[4]
Adjusted net income (diluted)[2]	**0.28**	0.28	0.29	0.37	0.35	0.35	0.33	0.37
Recurring FFO (FD)[2][3]	**0.29**	0.29	0.29	0.34	0.35	0.35	0.33	0.38
Recurring AFFO (FD)[2][3]	**0.23**	0.23	0.23	0.28	0.30	0.31	0.29	0.33
Recurring ACFO (FD)[2][3]	**0.23**	0.21	0.22	0.28	0.30	0.32	0.28	0.33
Distributions	**0.1800**	0.1800	0.2500	0.2850	0.3125	0.3675	0.3675	0.3675

(1) Results for quarters ended September 30, 2018 and June 30, 2018 have been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(3) Fully diluted
(4) Includes the $13.4 million, the $4.3 million, the $616.4 million and the $46.7 million changes in fair value of investment properties as at September 30, 2018, March 31, 2018, December 31, 2017 and December 31, 2016, respectively.
(5) Includes the $1.4 million and $18.6 million transaction costs related to the sale of a portfolio of 95 properties for the quarters ended June 30, 2018 and March 31, 2018, respectively.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is one of the largest property owners and managers in the Province of Quebec, where it has established a leading presence and which allows it to achieve significant economies of scale in this market.

As at September 30, 2018, Cominar owned a diversified portfolio of 429 properties, composed of office, retail, industrial and flex buildings, of which 282 were located in the Montreal market, 126 in the Québec City market, 20 in the Ottawa market and 1 in the Atlantic Provinces. Cominar's portfolio consisted of approximately 11.8 million square feet of office space, 10.7 million square feet of retail space and 15.7 million square feet of industrial and flex space, representing a total leasable area of 38.2 million square feet.

Cominar manages its assets with a focus on growing net operating income and portfolio occupancy rates and exploiting, when economically viable, expansion or redevelopment opportunities that provide Cominar with an acceptable return rate adjusted to risk. The growth in cash flows from existing properties in the portfolio is expected to be achieved by: (i) increases in rental rates in existing leases of properties; (ii) improved occupancy and retention rates, as well as proactive leasing measures; and (iii) sound management of operating costs. Cominar maintains a cautious approach to its mortgage lending policies and generally seeks to spread the maturity of its debt to match the overall debt level of its portfolio, taking into account the availability of financing, credit market conditions, and the financial terms of the leases that generate cash.

In 2017, Cominar started a "Cominar 2.0" transformation phase, with the strategy of refocusing Cominar's activities towards its main markets, stabilizing its balance sheet and improving its governance practices.

REAL ESTATE PORTFOLIO SUMMARY AS AT SEPTEMBER 30, 2018

The properties in the portfolio generally occupy prime locations along major traffic arteries and benefit from their high visibility and easy access for both Cominar's customers and clients.

Operating segment	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate
Office	97	11,800,000	90.8%	85.5%
Retail	136	10,714,000	93.3%	84.1%
Industrial and flex	196	15,706,000	95.2%	90.9%
TOTAL	429	38,220,000	93.3%	87.3%

Geographic market	Number of properties	Leasable area (sq. ft.)	Committed occupancy rate	In-place occupancy rate
Montreal	282	25,420,000	92.9%	87.3%
Québec City	126	10,264,000	94.6%	89.6%
Ottawa	20	2,476,000	91.5%	77.8%
Atlantic Provinces	1	60,000	100.0%	—
TOTAL	429	38,220,000	93.3%	87.3%

OBJECTIVES AND STRATEGY

Cominar's long-term business strategy is anchored on the continuous pursuit of (i) providing Unitholders with sustainable monthly cash distributions which are partially tax deferred, from investments in a diversified portfolio of income-producing properties in core markets where Cominar has a leading position and (ii) maximizing Unit value through ongoing active management of its Investment Properties and the ongoing growth of its real estate portfolio depending on market condition and demand. Cominar remains diversified through each of its three very distinct asset segments and to continue its aggressive leasing program to promote an increase in occupancy rates.

To reach its objectives, Cominar seeks to manage growth, operational risks and its capital allocation in a flexible and prudent manner.

BALANCED PORTFOLIO

In accordance with its financial management policies on maintaining a sound and strong financial position over the long-term, Cominar developed a strategy of asset dispositions in order to focus on its core markets. The proceeds of dispositions of assets are being used to pay down debt and for general trust purposes, including the property development strategy.

The sale in March 2018 of Cominar's non-core properties to Slate Acquisitions Inc. ("Slate") allowed the REIT to narrow its focus on the Montreal, Québec City and Ottawa markets, where Cominar enjoys a competitive position. Included in the portfolio are properties that are situated in prime locations along major traffic arteries and benefit from high visibility and easy access for both clients and clients' customers. Cominar is currently reviewing its portfolio, identifying opportunities to sell some of its assets in order to reduce leverage, enhance its financial flexibility and to further concentrate its activities on the assets that are better suited to generate growth and surface value.

DEBT MANAGEMENT

Cominar spreads the maturities of its debt instruments over a number of years to manage the interest rate risk and refinance risk and to provide flexibility in maintaining the overall debt level of the portfolio, taking into account availability of financing, market conditions and the financial terms of the leases from which it derives its cash flow. Cominar's debt portfolio is made up of fixed-rate long-term mortgages and debentures and Cominar's goal is to maintain a conservative level of debt relative to Book Value for its assets.

OVERVIEW OF THE THIRD QUARTER OF 2018

During the third quarter, Cominar continued to make progress on its goals of debt reduction, focusing on its core markets and improving governance.

On November 5, 2018, Cominar announced the appointment of Heather C. Kirk as Executive Vice President and Chief Financial Officer effective December 3, 2018. During the third quarter, Cominar announced the appointment of Marie-Andrée Boutin as Executive Vice President, Strategy and Operations, Retail, who will take over from Guy Charron during the fourth quarter of 2018, and Sandra Lécuyer as Vice President, Talent and Organization to promote a more strategic approach to managing our human capital.

Leasing efforts allowed Cominar to report positive growth in same property NOI for a third consecutive quarter with a 1.7% increase, representing increases of 2.1% and 4.4% in the office and the industrial and flex segments respectively, offset by a slight decrease of 0.4% in the retail segment. Excluding the impact of the closing of the Sears stores, the retail segment recorded 1.3% growth in same property net operating income during the quarter.

As at September 30, 2018, the committed occupancy rate was 93.3%, up 110 bps from 92.2% as at September 30, 2017.. The spread between the committed occupancy rate and the in-place occupancy rate represents 1.6 million square feet of signed leases that will commence during the next five quarters and which will contribute approximately $22.4 million in net operating income on an annualized basis.

The payout ratio of recurring AFFO for the quarter decreased from 104.2% in 2017 to 78.3% in 2018, and for the nine-month period ended September 30 from 117.7% in 2017 to 89.7% in 2018.

In addition, Cominar improved its retention rate of leases expiring in 2018 of 64.6% as at September 30, 2018, up from 59.2% for the same period of 2017. The retention rate for the leasable area maturing in the first nine months of 2018 was 70.3%. This increase in retention rate comes with 0.9% of growth in the average net rent of renewed leases.

During the third quarter of 2018, Cominar acquired, for $36 million, the land and superficies rights (the equivalent of air rights in Québec) related to a property in which Cominar had been leasing the superficies rights associated with its office building. The other superficies rights are leased by the operator of a hotel that shares the site. This acquisition is the result of a purchase option Cominar acquired as part of a transaction with Ivanhoé Cambridge in 2014. The acquisition of this land contributed to increasing the value of our property for an amount greater than the acquisition cost of the land. This acquisition also allowed us to increase our NOI in two ways; firstly, by the receipt of the rent payable by the hotel operator for the lease of the superficies rights related to the hotel, and secondly, by the cancellation of the rent previously payable by Cominar for the lease of the superficies rights related to the office building.

During the third quarter of 2018, Cominar continued to transition towards the internalization of certain construction activities in Montreal, and the diversification of the independent suppliers that are used. In this respect, on October 14, 2018, Cominar completed the integration of nearly all of the resources from Groupe Dallaire's platform in Montreal into our new entity, Cominar Construction. The latter is mandated to ensure continuity of certain construction activities to better meet the needs of Cominar and its clients. This transition will essentially be completed in the first quarter of 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 September 30, 2018			As at December 31, 2017		
	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	**6,413,874**	**164,821**	**6,578,695**	6,239,383	163,475	6,402,858
Properties under development	**52,106**	**7,153**	**59,259**	37,692	5,855	43,547
Land held for future development	**93,751**	**10,189**	**103,940**	91,580	10,126	101,706
	6,559,731	**182,163**	**6,741,894**	6,368,655	179,456	6,548,111
Investment properties held for sale	**44,200**	**—**	**44,200**	1,143,500	—	1,143,500
Investments in joint ventures	**92,323**	**(92,323)**	**—**	86,299	(86,299)	—
Goodwill	**139,388**	**—**	**139,388**	139,982	—	139,982
Accounts receivable	**45,321**	**455**	**45,776**	62,956	481	63,437
Prepaid expenses and other assets	**51,225**	**952**	**52,177**	16,673	100	16,773
Cash and cash equivalents	**6,131**	**675**	**6,806**	6,928	77	7,005
Total assets	**6,938,319**	**91,922**	**7,030,241**	7,824,993	93,815	7,918,808
LIABILITIES						
Mortgages payable	**1,804,438**	**77,604**	**1,882,042**	1,873,776	79,286	1,953,062
Mortgages payable related to the investment properties held for sale	**6,476**	**—**	**6,476**	276,350	—	276,350
Debentures	**1,722,334**	**—**	**1,722,334**	1,721,577	—	1,721,577
Bank borrowings	**67,952**	**12,500**	**80,452**	620,366	11,950	632,316
Accounts payable and accrued liabilities	**118,543**	**1,818**	**120,361**	117,482	2,579	120,061
Deferred tax liabilities	**142**	**—**	**142**	6,681	—	6,681
Current tax liabilities	**6,391**	**—**	**6,391**	—	—	—
Distributions payable to unitholders	**10,916**	**—**	**10,916**	—	—	—
Total liabilities	**3,737,192**	**91,922**	**3,829,114**	4,616,232	93,815	4,710,047
UNITHOLDERS' EQUITY						
Unitholders' equity	**3,201,127**	**—**	**3,201,127**	3,208,761	—	3,208,761
Total liabilities and unitholders' equity	**6,938,319**	**91,922**	**7,030,241**	7,824,993	93,815	7,918,808

(1) Non-IFRS financial measure.

For the quarters ended September 30	2018 [1]			2017		
	Condensed interim consolidated financial statements	Joint ventures	Cominar's proportionate share[1]	Condensed Interim consolidated financial statements	Joint ventures	Cominar's proportionate share[1]
	$	$	$	$	$	$
Operating revenues	**172,665**	**4,155**	**176,820**	204,160	3,593	207,753
Operating expenses	**(81,688)**	**(1,584)**	**(83,272)**	(93,980)	(1,526)	(95,506)
Net operating income[2]	**90,977**	**2,571**	**93,548**	110,180	2,067	112,247
Finance charges	**(36,373)**	**(992)**	**(37,365)**	(41,860)	(983)	(42,843)
Trust administrative expenses	**(4,314)**	**(19)**	**(4,333)**	(5,160)	(20)	(5,180)
Change in fair value of investment properties	**13,393**	**—**	**13,393**	—	—	—
Share of joint ventures' net income	**1,560**	**(1,560)**	**—**	1,064	(1,064)	—
Transaction costs	**—**	**—**	**—**	—	—	—
Derecognition of goodwill	**(594)**	**—**	**(594)**	—	—	—
Income before income taxes	**64,649**	**—**	**64,649**	64,224	—	64,224
Income taxes						
Payable	**—**	**—**	**—**	—	—	—
Deferred	**—**	**—**	**—**	(243)	—	(243)
	—	**—**	**—**	(243)	—	(243)
Net income and comprehensive income	**64,649**	**—**	**64,649**	63,981	—	63,981

(1) Results for period ended September 30, 2018 have been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Non-IFRS financial measure.

For the nine-month periods ended September 30	2018 [1]			2017		
	Condensed interim consolidated financial statements	Joint ventures	Cominar's proportionate share[1]	Condensed Interim consolidated financial statements	Joint ventures	Cominar's proportionate share[1]
	$	$	$	$	$	$
Operating revenues	**558,577**	**12,402**	**570,979**	628,071	9,572	637,643
Operating expenses	**(277,241)**	**(5,307)**	**(282,548)**	(302,521)	(4,190)	(306,711)
Net operating income[2]	**281,336**	**7,095**	**288,431**	325,550	5,382	330,932
Finance charges	**(115,844)**	**(2,965)**	**(118,809)**	(125,913)	(2,460)	(128,373)
Trust administrative expenses	**(17,149)**	**(37)**	**(17,186)**	(14,569)	(38)	(14,607)
Change in fair value of investment properties	**9,062**	**—**	**9,062**	—	2,284	2,284
Share of joint ventures' net income	**4,093**	**(4,093)**	**—**	5,168	(5,168)	—
Transaction costs	**(19,981)**	**—**	**(19,981)**	—	—	—
Derecognition of goodwill	**(594)**	**—**	**(594)**	—	—	—
Income before income taxes	**140,923**	**—**	**140,923**	190,236	—	190,236
Income taxes						
Payable	**(6,391)**	**—**	**(6,391)**	—	—	—
Deferred	**6,539**	**—**	**6,539**	(705)	—	(705)
	148	**—**	**148**	(705)	—	(705)
Net income and comprehensive income	**141,071**	**—**	**141,071**	189,531	—	189,531

(1) Results for period ended September 30, 2018 have been impacted by the sale of 95 non-core properties to Slate in the first quarter 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 September 30, 2018, and December 31, 2017, as shown in our consolidated financial statements:

	As at September 30, 2018 $	As at December 31, 2017 $	$ Δ	% Δ
ASSETS				
Investment properties				
Income properties	**6,413,874**	6,239,383	174,491	2.8
Properties under development	**52,106**	37,692	14,414	38.2
Land held for future development	**93,751**	91,580	2,171	2.4
	6,559,731	6,368,655	191,076	3.0
Investment properties held for sale	**44,200**	1,143,500	(1,099,300)	(96.1)
Investments in joint ventures	**92,323**	86,299	6,024	7.0
Goodwill	**139,388**	139,982	(594)	(0.4)
Accounts receivable	**45,321**	62,956	(17,635)	(28.0)
Prepaid expenses and other assets	**51,225**	16,673	34,552	207.2
Cash and cash equivalents	**6,131**	6,928	(797)	(11.5)
Total assets	**6,938,319**	7,824,993	(886,674)	(11.3)
LIABILITIES				
Mortgages payable	**1,804,438**	1,873,776	(69,338)	(3.7)
Mortgages payable related to the investment properties held for sale	**6,476**	276,350	(269,874)	(97.7)
Debentures	**1,722,334**	1,721,577	757	—
Bank borrowings	**67,952**	620,366	(552,414)	(89.0)
Accounts payable and accrued liabilities	**118,543**	117,482	1,061	0.9
Deferred tax liabilities	**142**	6,681	(6,539)	(97.9)
Current tax liabilities	**6,391**	—	6,391	100.0
Distributions payable to unitholders	**10,916**	—	10,916	100.0
Total liabilities	**3,737,192**	4,616,232	(879,040)	(19.0)
UNITHOLDERS' EQUITY				
Unitholders' equity	**3,201,127**	3,208,761	(7,634)	(0.2)
Total liabilities and unitholders' equity	**6,938,319**	7,824,993	(886,674)	(11.3)

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table highlights our results of operations for the periods ended September 30, 2018 and 2017, as shown in our condensed interim consolidated financial statements:

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018 (1)	2017		2018 (1)	2017	
	$	$	% Δ	$	$	% Δ
Operating revenues	**172,665**	204,160	(15.4)	**558,577**	628,071	(11.1)
Operating expenses	**(81,688)**	(93,980)	(13.1)	**(277,241)**	(302,521)	(8.4)
Net operating income(2)	**90,977**	110,180	(17.4)	**281,336**	325,550	(13.6)
Finance charges	**(36,373)**	(41,860)	(13.1)	**(115,844)**	(125,913)	(8.0)
Trust administrative expenses	**(4,314)**	(5,160)	(16.4)	**(17,149)**	(14,569)	17.7
Change in fair value of investment properties	**13,393**	—	100.0	**9,062**	—	100.0
Share of joint ventures' net income	**1,560**	1,064	46.6	**4,093**	5,168	(20.8)
Transaction costs	**—**	—	—	**(19,981)**	—	(100.0)
Derecognition of goodwill	**(594)**	—	(100.0)	**(594)**	—	(100.0)
Income before income taxes	**64,649**	64,224	0.7	**140,923**	190,236	(25.9)
Income taxes						
Payable	**—**	—	—	**(6,391)**	—	(100.0)
Deferred	**—**	(243)	(100.0)	**6,539**	(705)	(1,027.5)
	—	(243)	(100.0)	**148**	(705)	(121.0)
Net income and comprehensive income	**64,649**	63,981	1.0	**141,071**	189,531	(25.6)

(1) Results for periods ended September 30, 2018 have been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Non-IFRS financial measure.

OPERATING REVENUES

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018 (1)	2017		2018 (1)	2017	
	$	$	% Δ	$	$	% Δ
Operating revenues – Financial statements	**172,665**	204,160	(15.4)	**558,577**	628,071	(11.1)
Operating revenues – Joint ventures	**4,155**	3,593	15.6	**12,402**	9,572	29.6
Operating revenues – Cominar's proportionate share(2)	**176,820**	207,753	(14.9)	**570,979**	637,643	(10.5)

(1) Operating revenues for periods ended September 30, 2018 have been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Non-IFRS financial measure.

During the third quarter of 2018, operating revenues according to the condensed interim consolidated financial statements decreased by 15.4% [14.9% according to Cominar's proportionate share] compared with the same period of 2017. This $31.5 million decrease resulted from $2.5 million of growth in same property operating revenues combined with a $34.0 million decrease attributable to the portfolio of 95 non-core properties sold on March 27, 2018.

For the periods ended September 30	Quarter 2018	2017		Year-to-date (nine months) 2018	2017	
	$	$	% Δ	$	$	% Δ
Same property portfolio – Financial statements	**172,037**	169,530	1.5	**528,062**	523,080	1.0
Same property portfolio – Joint ventures	**4,064**	3,593	13.1	**12,317**	9,572	28.7
Same property portfolio(1) – Cominar's proportionate share(2)	**176,101**	173,123	1.7	**540,379**	532,652	1.5
Acquisitions, developments and dispositions – Financial statements	**628**	34,630	(98.2)	**30,515**	104,991	(70.9)
Acquisitions and developments – Joint ventures	**91**	—	100.0	**85**	—	100.0
Operating revenues – Cominar's proportionate share(2)	**176,820**	207,753	(14.9)	**570,979**	637,643	(10.5)

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2016, except for the properties sold in 2017 and 2018, but does not include the results of properties acquired and those under development in 2017 and 2018.
(2) Non-IFRS financial measure.

During the third quarter of 2018, operating revenues of the same property portfolio according to the financial statements increased by 1.5% [1.7% increase according to Cominar's proportionate share] compared with the same period of 2017. These increases mainly come from a $2.3 million increase in the office segment due to the 0.8% increase in the average in-place occupancy rate, and from a $1.4 million increase in the industrial and flex segment, mainly attributable to the average growth of 4.2% in the average net rent of renewed leases. These increases were partially offset by decreased operating revenues for the retail segment, due to the 4.6% decline in the average in-place occupancy rate for the period. This decrease is largely attributable to the closing of the Sears stores.

NET OPERATING INCOME

Although net operating income ("NOI") is not an IFRS financial measure, it is widely used in the real estate industry to assess operating performance. We define it as operating income before the change in fair value of investment properties, share of joint ventures' net income, finance charges, transaction costs, Trust administrative expenses and income taxes. This definition may differ from that of other entities and, therefore, Cominar's NOI may not be comparable to similar measures presented by such other entities.

For the periods ended September 30	Quarter 2018(1)	2017		Year-to-date (nine months) 2018(1)	2017	
	$	$	% Δ	$	$	% Δ
Net operating income – Financial statements	**90,977**	110,180	(17.4)	**281,336**	325,550	(13.6)
Net operating income – Joint ventures	**2,571**	2,067	24.4	**7,095**	5,382	31.8
Net operating income – Cominar's proportionate share(2)	**93,548**	112,247	(16.7)	**288,431**	330,932	(12.8)

(1) Net operating income for periods ended September 30, 2018 has been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Non-IFRS financial measure.

During the third quarter of 2018, NOI according to Cominar's proportionate share decreased by 16.7% from the same period of 2017. This $18.7 million decrease resulted from a $1.6 million growth in same property portfolio combined with a $20.3 million decrease mainly attributable to the portfolio of 95 non-core properties which was sold on March 27, 2018.

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018	2017		2018	2017	
	$	$	% Δ	$	$	% Δ
Same property portfolio – Financial statements	**90,651**	89,561	1.2	**266,870**	265,975	0.3
Same property portfolio – Joint ventures	**2,504**	2,070	21.0	**7,041**	5,385	30.8
Same property portfolio(1) – Cominar's proportionate share(2)	**93,155**	91,631	1.7	**273,911**	271,360	0.9
Acquisitions, developments and dispositions – Financial statements	**326**	20,617	(98.4)	**14,466**	59,575	(75.7)
Acquisitions and developments – Joint ventures	**67**	(1)	(6,800.0)	**54**	(3)	(1,900.0)
Net operating income – Cominar's proportionate share(2)	**93,548**	112,247	(16.7)	**288,431**	330,932	(12.8)

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2016, except for the properties sold in 2017 and 2018, but does not include the results of properties acquired and those under development in 2017 and 2018.
(2) Non-IFRS financial measure.

Same property net operating income according to Cominar's proportionate share increased by 1.7% during the third quarter of 2018 from the same period of 2017. Part of this increase comes from the office segment, which performed well with a 2.1% increase, including 2.2% and 8.3% in the Montreal and Québec City markets respectively, partially offset by a 7.6% decrease in the Ottawa market, and the industrial and flex segment, with a 4.4% increase, including 3.2% and 7.6% in the Montreal and Québec City markets respectively. These two operating segments saw their average in-place occupancy rate for the nine-month period ended September 30, 2018 increase by 0.7% and 0.1% respectively when compared with the same period of 2017. Furthermore, the industrial and flex segment showed an average increase of 4.2% in the average net rent of renewed leases since the beginning of 2018. Conversely, the retail segment decreased by 0.4% due to a 4.6% decline in the average in-place occupancy rate for the quarter when compared to the same period of 2017. This decrease in the in-place occupancy rate is largely attributable to the closing of the Sears stores.

SEGMENT NET OPERATING INCOME

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 latter includes properties held by Cominar as at December 31, 2016, with the exception of properties sold in 2017 and 2018, and does not include the results of properties acquired and those under development during 2017 and 2018.

BY OPERATING SEGMENT

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018(1)	2017		2018(1)	2017	
	$	$	% Δ	$	$	% Δ
Operating segment						
Office	**36,002**	45,853	(21.5)	**115,291**	137,135	(15.9)
Retail	**34,492**	41,463	(16.8)	**104,747**	121,218	(13.6)
Industrial and flex	**23,054**	24,931	(7.5)	**68,393**	72,579	(5.8)
Net operating income – Cominar's proportionate share(2)	**93,548**	112,247	(16.7)	**288,431**	330,932	(12.8)
Breakdown:						
Same property portfolio	**93,155**	91,631	1.7	**273,911**	271,360	0.9
Other portfolio	**393**	20,616	(98.1)	**14,520**	59,572	(75.6)
Total	**93,548**	112,247	(16.7)	**288,431**	330,932	(12.8)

(1) Net operating income for periods ended September 30, 2018 has been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Non-IFRS financial measure.

Same property net operating income increased by 1.7% during the quarter and is distributed as follows by operating segment:

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018	2017		2018	2017	
	$	$	% Δ	$	$	% Δ
Operating segment						
Office	**36,008**	35,280	2.1	**107,557**	104,057	3.4
Retail	**34,905**	35,052	(0.4)	**101,045**	105,116	(3.9)
Industrial and flex	**22,242**	21,299	4.4	**65,309**	62,187	5.0
Same property net operating income – Cominar's proportionate share(1)	**93,155**	91,631	1.7	**273,911**	271,360	0.9

(1) Non-IFRS financial measure.

AVERAGE IN-PLACE OCCUPANCY RATE OF SAME PROPERTY PORTFOLIO

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018	2017		2018	2017	
			% Δ			% Δ
Operating segment						
Office	**85.7%**	84.9%	0.8	**85.5%**	84.8%	0.7
Retail	**84.3%**	88.9%	(4.6)	**84.2%**	89.6%	(5.4)
Industrial and flex	**90.5%**	91.2%	(0.7)	**90.9%**	90.8%	0.1
Total	**87.3%**	88.6%	(1.3)	**87.3%**	88.5%	(1.2)

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018	2017		2018	2017	
			% Δ			% Δ
Geographic market						
Montreal	**87.0%**	88.2%	(1.2)	**86.9%**	88.4%	(1.5)
Québec City	**90.1%**	90.6%	(0.5)	**90.6%**	89.7%	0.9
Ottawa	**77.9%**	83.9%	(6.0)	**78.0%**	84.7%	(6.7)
Total	**87.3%**	88.6%	(1.3)	**87.3%**	88.5%	(1.2)

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

Same property net operating income according to Cominar's proportionate share increased by 1.7% during the third quarter of 2018 from the same period of 2017. Part of this increase comes from the office segment, which performed well with a $0.7 million increase, including $0.5 million and $0.7 million in the Montreal and Québec City markets respectively, partially offset by a $0.5 million decrease in the Ottawa market, and the industrial and flex segment, with a $0.9 million increase, including $0.5 million and $0.4 million in the Montreal and Québec City markets respectively. These two operating segments saw their average in-place occupancy rate for the nine-month period ended June 30, 2018 increase by 0.7% and 0.1% respectively when compared with the same period of 2017. Furthermore, the industrial and flex segment showed an average increase of 4.2% in the average net rent of renewed leases since the beginning of 2018. Conversely, the retail segment decreased by $0.1 million due to a 4.6% decline in the average in-place occupancy rate for the quarter when compared to the same period of 2017. This decline in the average in-place occupancy rate is largely attributable to the closing of the Sears stores.

SAME PROPERTY NET OPERATING INCOME – COMINAR'S PROPORTIONATE SHARE

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
Operating segment				
Office	**38.7%**	38.5%	**39.3%**	38.4%
Retail	**37.4%**	38.3%	**36.9%**	38.7%
Industrial and flex	**23.9%**	23.2%	**23.8%**	22.9%
Same property net operating income – Cominar's proportionate share(1)	**100.0%**	100.0%	**100.0%**	100.0%

(1) Non-IFRS financial measure.

Same Property Net Operating Income by Operating Segment

Office 38.7%

Retail 37.4%

Industrial and flex space 23.9%

BY GEOGRAPHIC MARKET

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2018	2017		2018	2017	
	$	$	% Δ	$	$	% Δ
Core markets						
Montreal	**59,931**	58,474	2.5	**175,649**	174,736	0.5
Québec City	**27,027**	26,130	3.4	**79,396**	76,190	4.2
Ottawa[1]	**6,197**	7,027	(11.8)	**18,866**	20,434	(7.7)
Net operating income, core markets – Cominar's proportionate share[2]	**93,155**	91,631	1.7	**273,911**	271,360	0.9

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

During the third quarter of 2018, the Québec City market experienced the strongest growth in net operating income, mainly due to the 4.8% increase in the average net rent of renewed leases combined with a slight decrease of 0.5% in average in-place occupancy rate over the period compared to the same period last year, followed by the Montreal market with a 1.9% increase in average net rent of renewed leases combined with a 1.2% decline in the average in-place occupancy rate compared to the same period last year. The Ottawa market had a more difficult time due to a 6.0% decline in the average in-place occupancy rate compared to the same period last year. The closing of the Sears stores was responsible for a 1.3% (322,218 square foot) decrease in the average in-place occupancy rate in the Montreal market and a 5.2% (128,040 square foot) decrease in the Ottawa market.

SAME PROPERTY NET OPERATING INCOME – COMINAR'S PROPORTIONATE SHARE

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
Montreal	**64.3%**	63.8%	**64.1%**	64.4%
Québec City	**29.0%**	28.5%	**29.0%**	28.1%
Ottawa[(1)]	**6.7%**	7.7%	**6.9%**	7.5%
	100.0%	100.0%	**100.0%**	100.0%

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

Same Property Net Operating Income by Geographic Market

Montreal **64.3%**

Québec City **29.0%**

Ottawa [(1)] **6.7%**

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

FINANCE CHARGES

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2018	2017		2018	2017	
	$	$	% Δ	$	$	% Δ
Interest on mortgages payable	**18,291**	21,712	(15.8)	**59,603**	66,678	(10.6)
Interest on debentures	**18,270**	18,296	(0.1)	**54,809**	59,654	(8.1)
Interest on bank borrowings	**1,079**	5,232	(79.4)	**6,379**	9,171	(30.4)
Amortization of deferred financing costs and other costs	**757**	640	18.3	**2,243**	2,127	5.5
Amortization of fair value adjustments on assumed indebtedness	**(68)**	(1,384)	(95.1)	**(1,372)**	(4,192)	(67.3)
Less: Capitalized interest[(1)]	**(1,956)**	(2,636)	(25.8)	**(5,818)**	(7,525)	(22.7)
Total finance charges – Financial statements	**36,373**	41,860	(13.1)	**115,844**	125,913	(8.0)
Percentage of operating revenues	**21.1%**	20.5%		**20.7%**	20.0%	
Weighted average interest rate on total debt				**4,11%**	4.12%	

(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 decrease in finance charges during the third quarter of 2018, compared with the same period of 2017, is mainly due to the decrease in mortgages payable and bank borrowings following the $1.14 billion sale of a 95 non-core property portfolio on March 27, 2018.

TRUST ADMINISTRATIVE EXPENSES

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018	2017		2018	2017	
	$	$	% Δ	$	$	% Δ
Salaries and other benefits	**2,515**	3,047	(17.5)	**8,564**	9,288	(7.8)
Compensation expense related to the long-term incentive plan	**540**	322	67.7	**1,687**	1,385	21.8
Professional fees	**166**	338	(50.9)	**579**	1,105	(47.6)
Public company costs	**187**	176	6.3	**491**	545	(9.9)
Governance and strategic alternative consulting fees	**—**	—	—	**3,529**	—	100.0
Other	**906**	1,277	(29.1)	**2,299**	2,246	2.4
	4,314	5,160	(16.4)	**17,149**	14,569	17.7

During the third quarter of 2018, Trust administrative expenses amounted to $4.3 million, compared to $5.2 million for the corresponding period in 2017. This decrease is due mainly to the $0.5 million decrease in salaries and other benefits, related mainly to the sale of a portfolio of 95 non-core properties to Slate on March 27, 2018.

TRANSACTION COSTS

As part of the $1.14 billion sale of its portfolio of 95 non-core properties on March 27, 2018, Cominar incurred $20.0 million in transaction costs. The following table summarizes these costs:

	For the quarter ended September 30, 2018	For the nine-month period ended September 30, 2018
	$	$
Brokerage fees	**—**	**5,700**
Professional fees	**—**	**2,374**
Assumed head leases	**—**	**4,201**
Penalties on debt repayment	**—**	**945**
Closing adjustments	**—**	**6,161**
Other	**—**	**600**
Total	**—**	**19,981**

NET INCOME

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018[1]	2017		2018[1]	2017	
	$	$	% Δ	$	$	% Δ
Net income	**64,649**	63,981	1.0	**141,071**	189,531	(25.6)
Net income per unit (basic)	**0.36**	0.35	2.9	**0.77**	1.03	(25.2)
Net income per unit (diluted)	**0.35**	0.35	—	**0.77**	1.03	(25.2)
Weighted average number of units outstanding (basic)	**182,055,805**	185,034,392		**182,186,824**	183,850,985	
Weighted average number of units outstanding (diluted)	**182,230,018**	185,113,880		**182,361,216**	183,971,363	

(1) Net income for periods ended September 30, 2018 has been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.

Net income for the third quarter of 2018 amounted to $64.6 million, compared to a net income of $64.0 million for the same period of 2017. This result reflects the $19.2 million decrease in net operating income, the $5.5 million decrease in finance charges (all these variations are attributed mainly to the sale of a portfolio of 95 non-core properties on March 27, 2018), a $0.8 million decrease in trust administrative expenses and the $13.4 million increase in change in fair value of investment properties related mainly to the income properties transferred to investment properties held for sale.

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 has no impact on cash flows, as well as trust administrative expenses and transaction costs which are non-recurring.

For the periods ended September 30	Quarter			Year-to-date (nine months)		
	2018[1]	2017		2018[1]	2017	
	$	$	% Δ	$	$	% Δ
Net income	**64,649**	63,981	1.0	**141,071**	189,531	(25.6)
Change in fair value of investment properties – Cominar's proportionate share	**(13,393)**	—	(100.0)	**(9,062)**	(2,284)	296.8
Derecognition of goodwill	**594**	—	100.0	**594**	—	100.0
Transaction costs	**—**	—	—	**19,981**	—	100.0
Governance and strategic alternative consulting fees	**—**	—	—	**3,529**	—	100.0
Adjusted net income[2]	**51,850**	63,981	(19.0)	**156,113**	187,247	(16.6)
Adjusted net income per unit (diluted)[2]	**0.28**	0.35	(20.0)	**0.86**	1.02	(15.7)
Weighted average number of units outstanding (diluted)	**182,230,018**	185,113,880		**182,361,216**	183,971,363	

(1) Adjusted net income for periods ended September 30, 2018 has been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Non-IFRS financial measure.

Adjusted net income for the third quarter of 2018 decreased by $12.1 million from the same quarter of 2017, due mainly to a $20.3 million decrease in net operating income resulting from the sale of a portfolio of 95 non-core properties on March 27, 2018, partially offset by a $5.5 million decrease in finance charges and by the $1.6 million increase in same property net operating income.

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, the derecognition of goodwill, 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 (nine months)		
For the periods ended September 30	2018 [(1)]	2017		2018 [(1)]	2017	
	$	$	% Δ	$	$	% Δ
Net income	**64,649**	63,981	1.0	**141,071**	189,531	(25.6)
Taxes on dispositions of properties	**—**	—	—	**6,391**	—	100.0
Deferred income taxes	**—**	243	(100.0)	**(6,539)**	705	(1,027.5)
Initial and re-leasing salary costs	**729**	868	(16.0)	**2,635**	2,650	(0.6)
Change in fair value of investment properties	**(13,393)**	—	(100.0)	**(9,062)**	(2,284)	296.8
Capitalizable interest on properties under development – Joint ventures	**154**	195	(21.0)	**462**	595	(22.4)
Transaction costs	**—**	—		**19,981**	—	100.0
Derecognition of goodwill[(5)]	**594**	—	100.0	**594**	—	100.0
Funds from operations[(2)(4)]	**52,733**	65,287	(19.2)	**155,533**	191,197	(18.7)
Governance and strategic alternative consulting fees	**—**	—	—	**3,529**	—	100.0
Recurring funds from operations[(2)(4)]	**52,733**	65,287	(19.2)	**159,062**	191,197	(16.8)
Provision for leasing costs	**(7,306)**	(6,650)	9.9	**(21,612)**	(19,237)	12.3
Recognition of leases on a straight-line basis[(2)]	**(159)**	(1,098)	(85.5)	**(1,016)**	(2,473)	(58.9)
Capital expenditures – maintenance of rental income generating capacity	**(4,019)**	(2,125)	89.1	**(11,801)**	(5,288)	123.2
Recurring adjusted funds from operations[(2)(4)]	**41,249**	55,414	(25.6)	**124,633**	164,199	(24.1)
Per unit information:						
Recurring funds from operations (FD)[(3)(4)]	**0.29**	0.35	(17.1)	**0.87**	1.04	(16.3)
Recurring adjusted funds from operations (FD)[(3)(4)]	**0.23**	0.30	(23.3)	**0.68**	0.89	(23.6)
Weighted average number of units outstanding (FD)[(3)]	**182,230,018**	185,113,880		**182,361,216**	183,971,363	
Payout ratio of recurring adjusted funds from operations[(3)(4)(6)]	**78.3%**	104.2%		**89.7%**	117.7%	

(1) FFO and AFFO for periods ended September 30, 2018 have been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Including Cominar's proportionate share in joint ventures.
(3) Fully diluted.
(4) Non-IFRS financial measure.
(5) Share of goodwill associated with investment properties held for sale.
(6) The payout ratio for the periods ended September 30, 2017 included the results of the portfolio of 95 non-core properties sold to Slate on March 27, 2018.

Recurring FFO for the third quarter of 2018 decreased by $12.6 million from the corresponding period of 2017, due mainly to the $12.1 million decrease in adjusted net income explained above, that is due mainly to the sale of a portfolio of 95 non-core properties on March 27, 2018.

Recurring AFFO for the third quarter of 2018 decreased by $14.2 million compared with the corresponding period of 2017, due mainly to the $12.1 million decrease in adjusted net income explained above, and due to the $0.7 million increase of the provision for leasing costs and the $1.9 million increase in the capital expenditures to maintain rental income generating capacity.

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, mostly 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 nine-month period ended September 30, 2018, the actual costs incurred by Cominar were $39.0 million in leasehold improvements and $7.2 million in initial direct costs that are amortized over the terms of the related leases, while the amortization of leasing costs for the nine-month period ended September 30, 2018 amounted to $21.6 million.

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
	$	$	$	$
Leasehold improvements	**5,291**	11,393	**38,974**	32,965
Initial direct costs	**2,536**	2,520	**7,173**	7,772
Actual leasing costs – Financial statements	**7,827**	13,913	**46,147**	40,737
Amortization of leasing costs in the calculation of AFFO(1)	**7,306**	6,650	**21,612**	19,237

(1) Including Cominar's proportionate share in joint ventures.

CAPITAL EXPENDITURES – MAINTENANCE OF RENTAL INCOME GENERATING CAPACITY

The $11.8 million capital expenditures – maintenance of rental income generating capacity correspond to the estimate made by management for the non-income generating portion of the actual expenditures incurred primarily for major maintenance and repair expenditures, for example, some common area, roofing, parking, façades, base building preparation, as well as the replacement of equipment. In order to establish which portion of capital expenditures is considered to be for the maintenance of rental income generating capacity and which portion of capital expenditures is considered to be for the increase of rental income generating capacity, Cominar analyses the work carried out according to their nature (common areas, roofing, parking, façades, equipment, etc.), the age and location of the properties, the operating segment, market conditions as well as historical data. Capital expenditures – maintenance of rental income generating capacity do not include current repair and maintenance costs, as they are already included in determining the net operating income.

Capital expenditures incurred for our income properties designed to create, improve or increase net operating income are considered as a way of increasing rental income generating capacity and constitute investment activities for Cominar (see the "Investment in income properties" section). Therefore, Cominar does not intend to finance its investments using its cash flows provided by operating activities and excludes them from the calculation of distributable cash to unitholders. The calculations of AFFO and ACFO do not take into account these capital expenditures aiming to increase rental income generating capacity.

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
	$	$	$	$
Work for common areas, roofing, parking, base building preparation, etc.	**15,723**	14,746	**52,792**	58,377
Facade renovation	**3,312**	3,365	**6,340**	7,844
Other	**3,727**	4,174	**8,686**	10,672
Capital expenditures – increase of rental income generating capacity	**22,762**	22,285	**67,818**	76,893
Capital expenditures – maintenance of rental income generating capacity(1)	**4,019**	2,125	**11,801**	5,288

(1) Including Cominar's proportionate share in joint ventures.

ADJUSTED CASH FLOW FROM OPERATIONS

During the first quarter of 2017, REALpac published a White Paper on the determination of adjusted cash flow from operations ("ACFO"). The ACFO are intended to be used as a measure of a company's ability to generate stable cash flows. The ACFO do not replace the cash flows provided by operating activities as per the condensed interim consolidated financial statements prepared in accordance with IFRS. Our method to determine 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 recurring ACFO:

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018[1]	2017	2018[1]	2017
	$	$	$	$
Cash flows provided by operating activities as per the condensed interim consolidated financial statements	**88,049**	100,702	**108,821**	151,754
Adjustments – investments in joint ventures[2]	**1,536**	1,067	**4,095**	2,582
Provision for leasing costs	**(7,306)**	(6,650)	**(21,612)**	(19,237)
Initial and re-leasing salary costs	**729**	868	**2,635**	2,650
Changes in adjusted non-cash working capital items[3]	**(37,000)**	(39,876)	**14,400**	29,458
Capital expenditures – maintenance of rental income generating capacity	**(4,019)**	(2,125)	**(11,801)**	(5,288)
Amortization of deferred financing costs and other costs	**(758)**	(640)	**(2,244)**	(2,127)
Amortization of fair value adjustments on assumed mortgages payable	**68**	1,383	**1,372**	4,192
Transaction costs	**—**	—	**19,981**	—
Capitalizable interest on properties under development – joint ventures	**154**	195	**462**	595
Adjusted cash flow from operations[2][5]	**41,453**	54,924	**116,109**	164,579
Governance and strategic alternative consulting fees	**—**	—	**3,529**	—
Recurring adjusted cash flow from operations[2][5]	**41,453**	54,924	**119,638**	164,579
Per unit information:				
Recurring adjusted cash flow from operations (FD)[4][5]	**0.23**	0.30	**0.66**	0.89
Weighted average number of units outstanding (FD)[4]	**182,230,018**	185,113,880	**182,361,216**	183,971,363
Payout ratio[4][5][6]	**78.3%**	104.2 %	**92.4 %**	117.7%

(1) Adjusted cash flow from operations for periods ended September 30, 2018 has been impacted by the sale of 95 non-core properties to Slate in the first quarter of 2018.
(2) Including Cominar's proportionate share in joint ventures.
(3) 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.
(4) Fully diluted.
(5) Non-IFRS financial measure.
(6) The payout ratio for the periods ended September 30, 2017 included the results of the portfolio of 95 non-core properties sold to Slate on March 27, 2018.

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 its 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 and certain other items not affecting cash, if applicable.

DISTRIBUTIONS TO UNITHOLDERS

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2018	2017		2018	2017	
	$	$	% Δ	$	$	% Δ
Cash distributions	**32,749**	52,062	(37.1)	**110,981**	153,961	(27.9)
Distributions reinvested under the distribution reinvestment plan(1)	**—**	5,944	(100.0)	**—**	39,770	(100.0)
Distributions to unitholders	**32,749**	58,006	(43.5)	**110,981**	193,731	(42.7)
Percentage of distributions reinvested	**—**	10,2%		**—**	20.5%	
Per unit distributions	**0.1800**	0.3125		**0.6100**	1.0475	

(1) This amount includes units to be issued under the plan upon payment of distributions.

Distributions to unitholders for the third quarter of 2018 totalled $32.7 million, down 37.1% from the corresponding period of 2017, due to the decrease in monthly distribution from $0.1225 per unit to $0.095 per unit announced on August 3, 2017 and the decrease in distribution from $0.095 per unit to $0.06 per unit announced on March 7, 2018, beginning with the distribution of March 2018 paid in April 2018. These decreases in distributions enabled Cominar to reduce its recurring AFFO distribution ratio from 104.2% for the quarter ended September 30, 2017, to 78.3% for the quarter ended September 30, 2018, and from 117.7% for the nine-month period ended September 30, 2017, 89.7% for the nine-month period ended September 30, 2018. It is emphasized that the payout ratio for the periods ended September 30, 2017 included the results of the portfolio of 95 non-core properties sold to Slate on March 27, 2018.

The distribution reinvestment plan has been suspended since August 3, 2017.

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 September 30	2018 (three months) $	2018 (nine months) $	2017 (nine months) $	2016 (nine months) $
Net income	**64,649**	**141,071**	189,531	215,397
Cash flows provided by operating activities as per the condensed interim consolidated financial statements	**88,049**	**108,821**	151,754	182,059
Distributions to unitholders	**32,749**	**110,981**	193,731	187,300
Surplus (deficit) of cash flows provided by operating activities compared with distributions payable to unitholders	**55,300**	**(2,160)**	(41,977)	(5,241)

For the three-month period ended September 30, 2018, cash flows provided by operating activities presented a $55.3 million surplus over distributions to unitholders. For the nine-month period ended September 30, 2018, the $2.2 million deficit of cash flows provided by operating activities compared with distributions payable to unitholders was financed with surplus cash at bank. For the nine-month period ended September 30, 2018 and that of previous years, cash flows provided by operating activities were insufficient to fund distributions to unitholders, mainly due to the seasonal nature of certain disbursements, such as realty taxes. On March 7, 2018, Cominar announced a decrease in its monthly distribution per unit from $0.095 to $0.06, which represents an annualized decrease of $76.7 million. Consequently, Cominar expects that its cash flows provided by operating activities for fiscal 2018 will be higher than the distributions to unitholders.

LIQUIDITY AND CAPITAL RESOURCES

During the third quarter of 2018, Cominar generated $88.0 million in cash flows provided by operating activities, for a total of $108.8 million for the nine-month period ended September 30, 2018. Cominar foresees no difficulty in meeting its short-term obligations and its commitments, including the monthly payment of distributions, using the funds from operations, refinancing of mortgages payable and amounts available on its credit facility which stood at $632.0 million as at September 30, 2018.

DEBT MANAGEMENT

Cominar spreads the maturities of its debt instruments over a number of years to manage the interest rate and refinance 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 of its assets.

As at September 30, 2018, Cominar had a 51.9% debt ratio consisting of mortgages, senior unsecured debentures and bank loans less cash and cash equivalents. Mortgages represented approximately 50.3% of total debt, senior unsecured debentures represented approximately 47.8%, while bank borrowings represented approximately 1.9%. As at September 30, 2018, the weighted average annual contractual rate for mortgages was 4.00% and the residual weighted average remaining term of the mortgages was 5.1 years. The weighted average contractual rate on senior unsecured debentures was 4.23%.

During the first nine months of 2018, on two occasions the Bank of Canada raised its key interest rate by 0.25%. As at September 30, 2018, 96.8% of Cominar's total debt was fixed rate and 3.2% was variable rate, therefore the interest rate increases had little impact on Cominar's finance charges.

DEBT SUMMARY

	As at September 30, 2018			As at December 31, 2017		
	$	Weighted average contractual rate	Residual weighted average term	$	Weighted average contractual rate	Residual weighted average term
Mortgages payable	**1,810,914**	**4.00%**	**5.1 years**	2,150,126	4.22%	4.8 years
Debentures	**1,722,334**	**4.23%**	**2.4 years**	1,721,577	4.23%	3.2 years
Bank borrowings	**67,952**	**3.93%**	**0.9 year**	620,366	3.30%	1.7 year
Total debt	**3,601,200**	**4.11%**	**3.7 years**	4,492,069	4.10%	3.7 years
Cash and cash equivalents	**(6,131)**	**1.70%**		(6,928)	1.70%	
Net debt	**3,595,069**			4,485,141		

MORTGAGES PAYABLE

As at September 30, 2018, the balance of mortgages payable was $1,810.9 million, down $339.2 million from $2,150.1 million as at December 31, 2017. This decrease is explained by new mortgages payable of $347.5 million at a weighted average contractual rate of 3.95%, by the repayments of $539.9 million at a weighted average contractual rate of 4.79%, by the monthly repayments of capital totalling $38.6 million year-to-date, and by the transfer of mortgages payable totalling $106.0 million at a weighted average contractual rate of 3.72% as part of the sale of a portfolio of 95 non-core properties to Slate in the first quarter of 2018. As at September 30, 2018, the weighted average contractual rate was 4.00%, down 22 basis points from 4.22% as at December 31, 2017. As at September 30, 2018, the effective weighted average interest rate was 4.10%, compared to 3.95% as at December 31, 2017.

Cominar's mortgages payable contractual maturity dates are staggered over a number of years to reduce risks related to renewal. As at September 30, 2018, the residual weighted average term of mortgages payable was 5.1 years, compared to 4.8 years as at December 31, 2017.

The following table shows mortgage contractual maturity dates for the specified years:

CONTRACTUAL MATURITY DATES OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal $	Balances at maturity $	Total $	Weighted average contractual rate
2018 (period from October 1 to December 31)	**12,258**	**54,692**	**66,950**	**3.52%**
2019	**48,387**	**4,141**	**52,528**	**6.18%**
2020	**50,129**	**80,974**	**131,103**	**4.34%**
2021	**44,365**	**326,177**	**370,542**	**4.25%**
2022	**37,173**	**184,248**	**221,421**	**3.35%**
2023	**33,311**	**292,428**	**325,739**	**4.53%**
2024	**24,842**	**181,733**	**206,575**	**4.08%**
2025	**17,864**	**23,234**	**41,098**	**3.58%**
2026	**6,897**	**288,527**	**295,424**	**3.52%**
2027	**5,048**	**50,900**	**55,948**	**3.85%**
2028 and thereafter	**7,071**	**42,457**	**49,528**	**4.40%**
Total	**287,345**	**1,529,511**	**1,816,856**	**4.00%**

SENIOR UNSECURED DEBENTURES

The following table presents the features of Cominar's senior unsecured debentures:

	Date of issuance	Contractual interest rate	Effective interest rate	Dates of interest payments	Maturity date	Nominal value as at September 30, 2018 $
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 7	**September 2014**	**3.62%**	**3.70%**	**December 21 and June 21**	**June 2019**	**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**
Weighted average interest rate		**4.23%**	**4.29%**			
Total						**1,725,000**

(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 September 30, 2018, the residual weighted average term of senior unsecured debentures was 2.4 years.

BANK BORROWINGS

As at September 30, 2018, Cominar had an unsecured renewable operating and acquisition credit facility of up to $700.0 million maturing in August 2019. 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 September 30, 2018 and December 31, 2017. As at September 30, 2018, bank borrowings totalled $68.0 million and cash available on the credit facility was $632.0 million.

DEBT RATIO

The following table presents the changes in the debt ratio:

	September 30, 2018 $	December 31, 2017 $
Cash and cash equivalents	**(6,131)**	(6,928)
Mortgages payable	**1,810,914**	2,150,126
Debentures	**1,722,334**	1,721,577
Bank borrowings	**67,952**	620,366
Total net debt	**3,595,069**	4,485,141
Total assets less cash and cash equivalents	**6,932,188**	7,818,065
Debt ratio(1)(2)	**51.9%**	57.4%

(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.

As at September 30, 2018, Cominar's debt ratio stood at 51.9%, down 5.5% from December 31, 2017. This decrease is due mainly to the use of the net proceeds from the sale of 95 non-core properties on March 27, 2018, for $1.140 billion which was partially used to reduce mortgage loans by $321.6 million, while 106.0 million were assumed by the purchaser, and to repay $549.7 million in bank loans.

INTEREST COVERAGE RATIO

The following table presents the interest coverage ratio:

	As at September 30, 2018	As at December 31, 2017
Net operating income (last 12 months)	**391,827**	436,037
Trust recurring administrative expenses (last 12 months)	**(19,631)**	(20,578)
	372,196	415,459
Finance charges (last 12 months)	**158,683**	168,752
Interest coverage ratio	**2.35:1**	2.46:1

(1) Interest coverage ratio is equal to the net operating income less Trust recurring administrative expenses, divided by finance charges.
(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its total debt from operating revenues. As at September 30, 2018, the annualized interest coverage ratio stood at 2.35:1, evidence of its capacity to meet its interest payment obligations, compared to 2.46:1 as at December 31, 2017. The decline in annualized interest coverage ratio will continue over the next two quarters due to the sale of 95 non-core properties on March 27, 2018.

UNENCUMBERED ASSETS AND UNSECURED DEBTS

The following table presents information on Cominar's unencumbered income properties and unsecured debts:

	As at September 30, 2018		As at December 31, 2017	
	Number of properties	Fair value of properties $	Number of properties	Fair value of properties $
Unencumbered income properties[1]	**286**	**2,817,704**	334	3,347,839
Unencumbered assets to unsecured net debt ratio[2][3]		**1.57:1**		1,43:1
Unsecured debts-to-net-debt ratio[3][4]		**49.7%**		52.1%

(1) Includes investment properties held for sale.
(2) Fair value of unencumbered income properties divided by the unsecured net debt.
(3) These ratios are not defined by IFRS and may differ from similar measures presented by other entities.
(4) Unsecured debts divided by net debt.

As at September 30, 2018, Cominar owned unencumbered income properties whose fair value was approximately $2.8 billion. The unencumbered assets to unsecured net debt ratio stood at 1.57:1, 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 emphyteutic leases on land held for income properties.

PROPERTY PORTFOLIO

The following table presents information on the property portfolio, including Cominar's proportionate share:

	September 30, 2018 $	December 31, 2017 $	% Δ
Income properties – Cominar's proportionate share(1)	**6,578,695**	6,402,858	2.7
Properties under development and land held for future development – Cominar's proportionate share(1)	**163,199**	145,253	12.4
Investment properties held for sale	**44,200**	1,143,500	(96.1)
Number of income properties(2)	**429**	525	
Leasable area (sq. ft.)(2)	**38,220,000**	44,370,000	

(1) Non-IFRS financial measure.
(2) Includes investment properties held for sale.

SUMMARY BY OPERATING SEGMENT

	September 30, 2018		December 31, 2017	
	Number of properties	Leasable area sq. ft.	Number of properties	Leasable area sq. ft.
Office	**97**	**11,800,000**	136	14,830,000
Retail	**136**	**10,714,000**	154	12,075,000
Industrial and flex	**196**	**15,706,000**	235	17,465,000
Total	**429**	**38,220,000**	525	44,370,000

SUMMARY BY GEOGRAPHIC MARKET

	September 30, 2018		December 31, 2017	
	Number of properties	Leasable area sq. ft.	Number of properties	Leasable area sq. ft.
Montreal	**282**	**25,420,000**	282	25,420,000
Québec City	**126**	**10,264,000**	127	10,253,000
Ottawa(1)	**20**	**2,476,000**	20	2,476,000
Total core markets	**428**	**38,160,000**	429	38,149,000
Toronto	**—**	**—**	24	2,466,000
Atlantic Provinces	**1**	**60,000**	58	2,647,000
Western Canada	**—**	**—**	14	1,108,000
Total overall market	**429**	**38,220,000**	525	44,370,000

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

ACQUISITIONS, INVESTMENTS AND DISPOSITIONS

Over the years, Cominar has achieved much of its growth through the acquisition of companies and high-quality properties based on strict selection criteria, while maintaining an appropriate allocation among its three business segments, namely, office buildings, retail buildings and industrial and flex properties, and geographic diversification of its property portfolio.

INVESTMENTS IN INCOME PROPERTIES

Cominar continues to develop 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 third quarter of 2018, Cominar incurred $35.3 million [$28.8 million in 2017] in capital expenditures specifically to increase the rental income generating capacity of its properties. These capital expenditures include, among others, investments of $12.4 million in revitalization and redevelopment, $0.1 million in property expansion, $15.7 million in work for common areas, roofing, parking, base building preparation, etc. and $3.3 million in facade renovation. During the quarter, Cominar also incurred $4.0 million [$2.1 million in 2017] in capital expenditures to maintain rental income generating capacity, consisting mainly of major maintenance and repair expenses, as well as property equipment replacements, which will garner benefits for Cominar for the coming years. These expenditures do not include current repair and maintenance costs, as these were charged to the results of operation.

Finally, Cominar invested in leasehold improvements that aim to increase the value of its buildings through higher lease rates, 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 closely depends on lease renewals and the signing of new leases. It also depends on increases in rental space through to acquired, expanded or upgraded properties, or rental space transferred from properties under development. In this respect, during the third quarter of 2018, Cominar made investments of $5.3 million in leasehold improvements and $2.5 million in leasing costs [$11.4 million in leasehold improvements and $2.5 million in leasing costs in 2017].

The following table shows the details of the capital expenditures reported in the financial statements with respect to our income properties:

	Quarter			Year-to-date (nine months)		
Periods ended September 30	2018	2017		2018	2017	
	$	$	Δ%	$	$	Δ%
Capital expenditures – increase of rental income generating capacity						
Revitalization and redevelopment	**12,381**	5,638	119.6	**37,347**	15,532	140.5
Property expansion	**115**	919	(87.5)	**1,259**	5,977	(78.9)
Work for common areas, roofing, parking, preparation of base building, etc.	**15,723**	14,746	6.6	**52,792**	58,377	(9.6)
Facade renovation	**3,312**	3,365	(1.6)	**6,340**	7,844	(19.2)
Other	**3,727**	4,174	(10.7)	**8,686**	10,672	(18.6)
Capital expenditures – maintenance of rental income generating capacity	**3,983**	2,138	86.3	**11,750**	5,290	122.1
Total capital expenditures	**39,241**	30,980	26.7	**118,174**	103,692	14.0
Leasehold improvements	**5,291**	11,393	(53.6)	**38,974**	32,965	18.2
Leasing costs	**2,536**	2,520	0.6	**7,173**	7,772	(7.7)
Total – Financial statements	**47,068**	44,893	4.8	**164,321**	144,429	13.8
Capital expenditures – Financial statements	**44,532**	42,373	5.1	**157,148**	136,657	15.0
Change in initial direct costs – Financial statements	**2,536**	2,520	0.6	**7,173**	7,772	7.7

DISPOSITION OF AN INCOME PROPERTY

On August 31, 2018, Cominar completed the sale of an industrial and flex property located in Saguenay, Quebec, for an amount of $2.9 million.

DISPOSITION OF INVESTMENT PROPERTIES HELD FOR SALE

In accordance with its asset disposal strategy to focus on its core markets, Cominar completed, on March 27, 2018, the sale of 95 non-core properties to Slate for $1.14 billion, of which 24 were located in the Toronto area, 57 in the Atlantic Provinces and 14 in Western Canada. Cominar's non-core portfolio represented 6.2 million square feet

SUMMARY OF SOLD PROPERTIES

Operating segment	Number of properties	Leasable area sq. ft.	Fair value $
Office	35	2,815,000	597,052
Retail	23	1,630,000	381,707
Industrial and flex	37	1,716,000	161,241
Total	**95**	**6,161,000**	**1,140,000**

The following tables present the detailed information on the properties sold as part of this transaction:

Address	Leasable area sq. ft.	Operating segment	Area
5500 North Service Road, Burlington, Ontario	222,000	Office	Greater Toronto
95 Moatfield Drive, Toronto, Ontario	156,000	Office	Greater Toronto
105 Moatfield Drive, Toronto, Ontario	249,000	Office	Greater Toronto
225 Duncan Mill Road, Toronto, Ontario	152,000	Office	Greater Toronto
6285 Northam Drive, Mississauga, Ontario	54,000	Office	Greater Toronto
55 University Avenue, Toronto, Ontario	264,000	Office	Greater Toronto
1113 Regent Street, Fredericton, New Brunswick	11,000	Office	Atlantic Provinces
1115 Regent Street, Fredericton, New Brunswick	16,000	Office	Atlantic Provinces
570 Queen Street, Fredericton, New Brunswick	70,000	Office	Atlantic Provinces
371 Queen Street, Fredericton, New Brunswick	32,000	Office	Atlantic Provinces
565 Priestman Street, Fredericton, New Brunswick	35,000	Office	Atlantic Provinces
1133 Regent Street, Fredericton, New Brunswick	86,000	Office	Atlantic Provinces
65 Regent Street, Fredericton, New Brunswick	41,000	Office	Atlantic Provinces
1149 Smythe Street, Fredericton, New Brunswick	13,000	Office	Atlantic Provinces
81 Albert Street, Moncton, New Brunswick	65,000	Office	Atlantic Provinces
84 Chain Lake Drive, Halifax, Nova Scotia	76,000	Office	Atlantic Provinces
330 Elmwood Drive, Moncton, New Brunswick	13,000	Office	Atlantic Provinces
1 Agar Place, Saint John, New Brunswick	41,000	Office	Atlantic Provinces
85 et 123 Halifax Street, Moncton, New Brunswick	79,000	Office	Atlantic Provinces
1313 Barrington Street, Halifax, Nova Scotia	29,000	Office	Atlantic Provinces
11 Akerley Boulevard, Dartmouth, Nova Scotia	127,000	Office	Atlantic Provinces
1741 Brunswick Street, Halifax, Nova Scotia	102,000	Office	Atlantic Provinces
32 Akerley Boulevard, Dartmouth, Nova Scotia	14,000	Office	Atlantic Provinces
432 Queen Street, Fredericton, New Brunswick	45,000	Office	Atlantic Provinces
720 28th Street N.E., Calgary, Alberta	37,000	Office	Western Canada
221 62nd Avenue S.E., Calgary, Alberta	8,000	Office	Western Canada
253 62nd Avenue S.E., Calgary, Alberta	8,000	Office	Western Canada
6223 2nd Street S.E., Calgary, Alberta	30,000	Office	Western Canada
6227 2nd Street S.E., Calgary, Alberta	14,000	Office	Western Canada
4124 9th Street S.E., Calgary, Alberta	47,000	Office	Western Canada
4411 6th Street S.E., Calgary, Alberta	41,000	Office	Western Canada
700 2nd Street S.W., (Bldg 1110b) Calgary, Alberta	609,000	Office	Western Canada
4000 4th Street S.E. (Bldg 200), Calgary, Alberta	39,000	Office	Western Canada
4000 4th Street S.E. (Bldg 300), Calgary, Alberta	69,000	Office	Western Canada
3600 4th Street S.E. (Bldg 100), Calgary, Alberta	13,000	Office	Western Canada
129 Queensway East, Simcoe, Ontario	74,000	Retail	Greater Toronto

Address	Leasable area sq. ft.	Operating segment	Area
414 Old Highway #2, Trenton, Ontario	4,000	Retail	Greater Toronto
1571 Sandhurst Circle, Toronto, Ontario	283,000	Retail	Greater Toronto
1250 South Service Road, Mississauga, Ontario	416,000	Retail	Greater Toronto
1490 Dixie Road, Mississauga, Ontario	3,000	Retail	Greater Toronto
360 Pleasant Street, Miramichi, New Brunswick	25,000	Retail	Atlantic Provinces
900 Hanwell Road, Fredericton, New Brunswick	66,000	Retail	Atlantic Provinces
146-154 Main Street, Fredericton, New Brunswick	18,000	Retail	Atlantic Provinces
409 Elmwood Drive, Moncton, New Brunswick	26,000	Retail	Atlantic Provinces
86 Chain Lake Drive, Halifax, Nova Scotia	2,000	Retail	Atlantic Provinces
612 Windmill Road, Darmouth, Nova Scotia	39,000	Retail	Atlantic Provinces
1300 St-Peter Avenue, Bathurst, New Brunswick	213,000	Retail	Atlantic Provinces
11 Wright Street, Sackville, New Brunswick	20,000	Retail	Atlantic Provinces
118 Wyse Road, Dartmouth, Nova Scotia	90,000	Retail	Atlantic Provinces
950 Bedford Highway, Halifax, Nova Scotia	24,000	Retail	Atlantic Provinces
619 Sackville Drive, Sackville, Nova Scotia	10,000	Retail	Atlantic Provinces
24 Stavanger Drive, St. John's, Terre-Neuve	127,000	Retail	Atlantic Provinces
229 J.D. Gauthier Blvd., Shippagan, New Brunswick	68,000	Retail	Atlantic Provinces
231 J.D. Gauthier Blvd, Shippagan, New Brunswick	3,000	Retail	Atlantic Provinces
71 Cow Bay Road, Halifax, Nova Scotia	5,000	Retail	Atlantic Provinces
69 Cow Bay Road, Halifax, Nova Scotia	5,000	Retail	Atlantic Provinces
81 Cow Bay Road, Halifax, Nova Scotia	5,000	Retail	Atlantic Provinces
600 Manning Crossing, Edmonton, Alberta	12,000	Retail	Western Canada
1201 California Avenue, Brockville, Ontario	94,000	Industrial and flex	Greater Toronto
6300 Northwest Drive, Mississauga, Ontario	26,000	Industrial and flex	Greater Toronto
6280 Northwest Drive, Mississauga, Ontario	21,000	Industrial and flex	Greater Toronto
3415 American Drive, Mississauga, Ontario	31,000	Industrial and flex	Greater Toronto
3405 American Drive, Mississauga, Ontario	20,000	Industrial and flex	Greater Toronto
3403 American Drive, Mississauga, Ontario	19,000	Industrial and flex	Greater Toronto
3397 American Drive, Mississauga, Ontario	46,000	Industrial and flex	Greater Toronto
3395 American Drive, Mississauga, Ontario	16,000	Industrial and flex	Greater Toronto
3355 American Drive, Mississauga, Ontario	113,000	Industrial and flex	Greater Toronto
6295 Northam Drive, Mississauga, Ontario	42,000	Industrial and flex	Greater Toronto
6325 Northam Drive, Mississauga, Ontario	77,000	Industrial and flex	Greater Toronto
6305 Northam Drive, Mississauga, Ontario	34,000	Industrial and flex	Greater Toronto
6275 Northam Drive, Mississauga, Ontario	50,000	Industrial and flex	Greater Toronto
291 Industrial Drive, Saint John, New Brunswick	33,000	Industrial and flex	Atlantic Provinces
385 Wilsey Road, Fredericton, New Brunswick	32,000	Industrial and flex	Atlantic Provinces
50-110 Crown Street, Saint-John, New Brunswick	33,000	Industrial and flex	Atlantic Provinces
1080 Champlain Street, Dieppe, New Brunswick	37,000	Industrial and flex	Atlantic Provinces
115 Whiting Road, Fredericton, New Brunswick	17,000	Industrial and flex	Atlantic Provinces
140 MacNaughton Avenue, Moncton, New Brunswick	38,000	Industrial and flex	Atlantic Provinces
125 Whiting Road, Fredericton, New Brunswick	44,000	Industrial and flex	Atlantic Provinces
140 Alison Boulevard, Fredericton, New Brunswick	47,000	Industrial and flex	Atlantic Provinces
420 Wilsey Road, Fredericton, New Brunswick	19,000	Industrial and flex	Atlantic Provinces
440 Wilsey Road, Fredericton, New Brunswick	45,000	Industrial and flex	Atlantic Provinces
50 MacNaughton Avenue, Moncton, New Brunswick	20,000	Industrial and flex	Atlantic Provinces
245 Hilton Road, Fredericton, New Brunswick	18,000	Industrial and flex	Atlantic Provinces
727 Wilsey Road, Fredericton, New Brunswick	14,000	Industrial and flex	Atlantic Provinces
749 Wilsey Road, Fredericton, New Brunswick	16,000	Industrial and flex	Atlantic Provinces
520 Edinburgh Drive, Moncton, New Brunswick	38,000	Industrial and flex	Atlantic Provinces
699 Champlain Street, Dieppe, New Brunswick	10,000	Industrial and flex	Atlantic Provinces
120-140 Commerce Street, Moncton, New Brunswick	66,000	Industrial and flex	Atlantic Provinces
114 Price Street, Moncton, New Brunswick	183,000	Industrial and flex	Atlantic Provinces
33 Henri Dunant Street, Moncton, New Brunswick	118,000	Industrial and flex	Atlantic Provinces
24 Carr Crescent, Gander, Terre-Neuve	60,000	Industrial and flex	Atlantic Provinces
190 Alison Boulevard, Fredericton, New Brunswick	29,000	Industrial and flex	Atlantic Provinces

Address	Leasable area sq. ft.	Operating segment	Area
667 Barnes Drive, Halifax, Nova Scotia	29,000	Industrial and flex	Atlantic Provinces
640-820 28th Street N.E., Calgary, Alberta	138,000	Industrial and flex	Western Canada
560 Camiel Sys Street, Winnipeg, Manitoba	43,000	Industrial and flex	Western Canada
	6,161,000		

INVESTMENT PROPERTIES HELD FOR SALE

Cominar has engaged in a process to sell some income properties and expects to close these transactions within the next few months. During the quarter ended September 30, 2018, Cominar transferred 6 income properties having a value of $40.7 million to investment properties held for sale. A portion of goodwill, in the amount of $0.6 million, associated with these properties has been allocated to the assets held for sale and then has been subject to derecognition.

On March 27, 2018, Cominar completed the sale of a 95 property portfolio located in the Greater Toronto Area, the Atlantic Provinces and Western Canada for $1.14 billion.

	For the nine-month period ended September 30, 2018				For the year ended December 31, 2017
	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties and goodwill					
Balance, beginning of period	**600,552**	**381,707**	**161,241**	**1,143,500**	143,130
Capitalized costs	**3,132**	**643**	**556**	**4,331**	—
Change in fair value	**(3,132)**	**(643)**	**(556)**	**(4,331)**	—
Dispositions	**(597,052)**	**(381,707)**	**(161,241)**	**(1,140,000)**	(96,317)
Net transfers from income properties	**12,600**	**2,100**	**26,000**	**40,700**	1,086,687
Transfers from properties under development and land held for future development	**—**	**—**	**—**	**—**	10,000
Transfer of goodwill	**444**	**46**	**104**	**594**	26,989
Derecognition of goodwill	**(444)**	**(46)**	**(104)**	**(594)**	(26,989)
Balance, end of period	**16,100**	**2,100**	**26,000**	**44,200**	1,143,500

The following tables present the detailed information on the investment properties held for sale:

Address	Leasable area sq. ft.	Operating segment	Area
455 Fénelon Boulevard, Dorval, Quebec	93,000	Office	Montreal
768-790 Décarie Boulevard, Montreal, Quebec	35,000	Office	Montreal
1199 St-George Boulevard, Moncton, New Brunswick	60,000	Office	Atlantic Provinces
950 Jutras Boulevard East, Victoriaville, Quebec	4,000	Retail	Québec City
736 King Street West, Sherbrooke, Quebec	4,000	Retail	Montreal
3005 King Street West, Sherbrooke, Quebec	6,000	Retail	Montreal
2400 Trans-Canada Highway, Pointe-Claire, Quebec	121,000	Industrial and flex	Montreal
	323,000		

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECTS

Société en commandite Bouvier-Bertrand (Québec City)

Cominar and Groupe Dallaire Inc., each having 50% ownership interest, are in joint venture for the purpose of developing commercial 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 office building of 80,000 square feet 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, a property of 65,000 square feet 100% leased by a single tenant, was delivered in December 2015. The second retail building, a property of 25,000 square feet 100% leased by a single tenant, was delivered in May 2016. The third retail building, a property of 9,000 square feet 100% leased by a single tenant, was completed and delivered to the tenant at the end of 2016. The fourth retail building, whose construction was completed during the first quarter of 2018 is 56% leased. Its total leasable area is 34,500 square feet and its construction cost is $4.9 million. It is expected that the fifth retail building to be constructed will have a total leasable area of approximately 58,000 square feet and an estimated construction cost of $7.3 million. The expected weighted average capitalization rate for all of these properties is estimated at 6.75%.

Address	Activity segment	Area sq. ft.	Committed occupancy rate
1020 Bouvier Street	Office	80,000	99%
1000 des Basses-Terres Street	Retail	65,000	100%
1033 des Rocailles Street	Retail	25,000	100%
1016 Bouvier Street	Retail	9,000	100%
4825 Pierre-Bertrand Boulevard	Retail	34,500	56%
To be determined	Retail/office	58,000	N/A
		271,500	

Société en commandite Chaudière-Duplessis – Ilot Mendel (IKEA site)

During the first quarter of 2017, Cominar commenced the development of Ilot Mendel, a new commercial centre located at the junction of Highways 40 and 540, two of the main arteries of Québec City, around the Swedish banner IKEA, which itself occupies just over 1 million square feet, including the parking areas. IKEA is already a major attraction in the new site. The IKEA store officially opened on August 22, 2018. As announced by the competent authorities, the site should be served by the new public transit structuring network (Tramway) according to the current route selected by the City of Québec.

The commercial portion of the project will cover an area of over 2.0 million square feet, including the IKEA store. Cominar currently plans to develop approximately 14 buildings of various sizes to welcome approximately 25 clients, which, with time, will occupy an estimated area of approximately 500,000 square feet, the first phases of which will be delivered towards the end of 2019. Decathlon, a company specialized in the sale of sporting goods, is the first client to announce its arrival in the commercial complex, with an expected opening (57,000 square feet) in fall 2019.

In addition, Cominar owns land located south of the commercial 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, at 75%, and Groupe Dallaire Inc., at 25%, are in joint venture for the purpose of developing 1,542,000 square feet of commercial land located in Québec City, at the junction of Robert-Bourassa and Félix-Leclerc Highways, two easily accessible major arteries, giving it great visibility. The development of this site will depend on market conditions and on whether we obtain a change of zoning, if necessary.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at September 30, 2018, the average committed occupancy rate of our properties was 93.3%, compared to 92.6% as at December 31, 2017. The following table presents the occupancy rates by operating segment.

OCCUPANCY RATE TRACK RECORD

	Committed	In-Place			
	September 30, 2018	September 30, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Operating segment					
Office	**90.8%**	**85.5%**	84.4%	85.4%	87.0%
Retail	**93.3%**	**84.1%**	87.3%	88.4%	87.7%
Industrial and flex	**95.2%**	**90.9%**	91.4%	89.5%	90.2%
Portfolio total	**93.3%**	**87.3%**	**87.9%**	**87.9%**	**88.5%**
Committed occupancy rate for the periods		**93.3%**	**92.6%**	**92.4%**	**91.9%**

During the nine-month period ended September 30, 2018, the in-place occupancy rate of the retail segment decreased from 87.3% as at December 31, 2017 to 84.1% as at September 30, 2018. This decrease is mainly attributable to the closing, during the first quarter, of two Sears stores located in Mail Champlain and Galeries Rive-Nord.

The following table presents the occupancy rates as at September 30, 2018 by operating segment for our core markets:

	Montreal		Québec City		Ottawa		Total	
	Committed	In-place	Committed	In-place	Committed	In-place	Committed	In-place
Operating segment								
Office	88.0%	83.5%	96.7%	93.3%	92.5%	82.0%	90.8%	85.5%
Retail	94.1%	85.4%	92.8%	84.9%	82.9%	54.5%	93.3%	84.1%
Industrial and flex	95.3%	90.5%	95.0%	92.5%	N/A	N/A	95.2%	90.9%
Total markets	**92.9%**	**87.3%**	**94.6%**	**89.6%**	**91.5%**	**77.8%**	**93.3%**	**87.3%**

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 area of the portfolio excluding the spaces under redevelopment).

In-place occupancy rate refers to the leasable area occupied by clients. This data highlights the leasable area that currently generates rental income.

The variance between the in-place occupancy rate and the committed occupancy rate for the core markets was 6.0% as at September 30, 2018. For the retail segment, this variance was 9.2% and consisted of several signed leases with a total area of approximately 277,000 square feet, of which 61% will come into force by the end of 2018. This variance also includes 781,000 square feet of space under redevelopment mostly comprised of spaces formerly occupied by Sears. For the Ottawa office segment, this variance was 10.5% and represents signed leases of which approximately 50% will come into force by the end of 2018. As for the industrial and flex segment, the variance was 4.3%, representing 663,000 square feet of signed leases, of which approximately 72% will come into force by the end of 2018.

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

	For the quarter ended September 30, 2018 sq. ft.
Signed leases that will begin in the next few quarters	
Balance, beginning of period	1,750,000
Leases that began in the quarter	(742,000)
New signed leases	549,000
Balance, end of period	1,557,000

This 1.6 million square foot area comes from signed leases that will commence during the next five quarters and which will, in the end, contribute approximately $22.4 million in net operating income on an annualized basis. Of this amount, $12.1 million comes from the office segment, $5.6 million from the retail segment and $4.7 million from the industrial and flex segment.

LEASING ACTIVITY

	Office	Retail	Industrial and flex	Total
Leases maturing in 2018				
Number of clients	254	510	241	1,005
Leasable area (sq. ft.)	2,138,000	2,018,000	2,947,000	7,103,000
Average minimum rent ($/sq. ft.)	18.50	16.25	6.83	13.02
Renewed leases				
Number of clients	145	273	146	564
Leasable area (sq. ft.)	1,482,000	1,439,000	1,668,000	4,589,000
Average minimum rent of renewed leases ($/sq. ft.)	17.91	15.12	7.95	13.42
Retention rate	**69.3%**	**71.3%**	**56.6%**	**64.6%**
New leases				
Number of clients	92	93	92	277
Leasable area (sq. ft.)	609,000	623,000	1,443,000	2,675,000
Average minimum rent ($/sq. ft.)	13.92	15.83	5.83	10.00

During the nine-month period ended September 30, 2018, 64.6% [59.2% in 2017] of the leasable area maturing in 2018 was renewed, including 70.3% of the leasable area maturing during the first nine months of 2018, while new leases were also signed, representing 2.7 million square feet of leasable area. Overall, as at September 30, 2018, 102.3% [93.5% in 2017] of the total leasable area maturing during the year was either renewed or subject to a new lease.

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

	For the nine-month period ended September 30, 2018	For the year ended December 31, 2017
Operating segment		
Office	**(0.3)%**	(0.2)%
Retail	**0.2%**	(0.7)%
Industrial and flex	**4.2%**	4.7%
Growth in the average net rent of renewed leases	**0.9%**	0.6%

The growth in the average net rent of 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 segment, the Québec City and Montreal markets increased by 8.5% and 3.1% respectively, and the Ottawa market decreased by 6.0% in the average net rent of renewed leases, due to the renewal with the federal government of more than 636,000 square feet at lower rates than in-place leases, in order to maintain the occupancy rate.

For the industrial and flex segment, the Québec City and Montreal markets increased by 7.4% and 2.7% respectively.

For the retail segment, the Québec City and Montreal markets also increased by 2.3% and 1.1% in the average net rent of renewed leases, respectively.

SEARS UPDATE

	Area (square feet)					
Location	Leasable area	Signed leases	Area in advanced discussions	Area in preliminary discussions	Available area	Common area planned
Quartier Laval, Laval	43,147	43,147	—	—	—	—
Carrefour Saint-Georges, Saint-Georges	54,221	21,077	18,500	—	10,103	4,541
Galeries de Hull, Gatineau	128,040	—	39,513	27,038	45,683	15,806
Mail Champlain, Brossard	153,600	—	—	42,500	95,086	16,014
Galeries Rive Nord, Repentigny	125,471	—	57,669	26,743	29,762	11,297
Les Rivières shopping centre, Trois-Rivières[(1)]	144,398[(1)]	—	25,776	37,776	61,877	18,969
Boulevard Pierre-Bertrand, Québec (industrial segment)	23,947	23,947	—	—	—	—
Total	**672,824**	**88,171**	**141,458**	**134,057**	**242,511**	**66,627**
	100%	**13%**	**21%**	**20%**	**36%**	**10%**

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

LEASE MATURITIES

For the years ending December 31	2019	2020	2021	2022	2023
Office					
Leasable area (sq. ft.)	1,400,000	1,348,000	1,363,000	987,000	1,032,000
Average minimum rent ($/sq. ft.)	19.49	17.85	18.13	17.55	18.98
% of portfolio – Office	11.9%	11.4%	11.6%	8.4%	8.7%
Retail					
Leasable area (sq. ft.)	1,541,000	1,272,000	1,071,000	997,000	1,047,000
Average minimum rent ($/sq. ft.)	18.65	21.88	20.72	20.02	14.98
% of portfolio – Retail	14.4%	11.9%	10.0%	9.3%	9.8%
Industrial and flex					
Leasable area (sq. ft.)	1,890,000	2,853,000	1,711,000	2,102,000	1,752,000
Average minimum rent ($/sq. ft.)	7.20	7.00	6.84	6.17	7.56
% of portfolio – Industrial and flex	12.0%	18.2%	10.9%	13.4%	11.2%
Portfolio total					
Leasable area (sq. ft.)	4,831,000	5,473,000	4,145,000	4,086,000	3,831,000
Average minimum rent ($/sq. ft.)	14.42	13.13	14.14	12.30	12.66
% of portfolio	12.6%	14.3%	10.8%	10.7%	10.0%

The following table summarizes information on leases as at September 30, 2018:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent ($/sq. ft.)
Operating segment				
Office	5.2	8.5	11,100	17.93
Retail	5.0	8.1	4,700	19.18
Industrial and flex	5.2	8.3	16,100	6.89
Weighted average of total portfolio	**5.1**	**8.3**	**9,000**	**13.49**

Cominar has a broad, highly diversified retail client base consisting of approximately 3,900 clients occupying an average of 9,000 square feet each. The top three clients, Société québécoise des infrastructures, Public Works Canada and Canadian National Railway Company, account respectively for approximately 5.9%, 4.8% and 3.3% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows provided by operating activities are enhanced by the fact that approximately 14.2% 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	5.9
Public Works Canada	4.8
Canadian National Railway Company	3.3
Infra MTL Inc.[1]	2.0
Desjardins Property Management	0.7
Winners	0.7
Marie-Claire Boutiques inc.[2]	0.7
FGL Sports Ltd.	0.7
Dollarama	0.7
Société des alcools du Québec	0.7
Total	**20.2**

(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

On January 10, 2018, Cominar announced the modification of its normal course issuer bid ("NCIB"), in order to increase the maximum number of units that can be repurchased for cancellation from 9,000,000 units to 17,596,591 units. Since the beginning of fiscal 2018, Cominar repurchased under the NCIB, 2,709,500 units for a total cash consideration of $39.5 million, at a weighted average price of $14.58 per unit.

	For the nine-month period ended September 30, 2018	For the year ended December 31, 2017
Units issued and outstanding, beginning of period	**184,629,497**	182,334,562
Repurchase of units under NCIB	**(2,709,500)**	(730,900)
Exercise of options	**9,700**	3,900
Distribution reinvestment plan	**—**	2,887,370
Conversion of deferred units and restricted units	**10,554**	134,565
Units issued and outstanding, end of period	**181,940,251**	184,629,497

Additional information	November 8, 2018
Issued and outstanding units	181,940,251
Outstanding unit options	11,472,400
Deferred units, restricted units and performance units	491,605

TRANSACTIONS WITH GROUPE DALLAIRE INC. AND DALCON INC.

During fiscal 2017, Groupe Dallaire Inc. ("Groupe Dallaire") and Dalcon Inc. ("Dalcon") were related companies as Michel Dallaire and Alain Dallaire were trustees and members of Cominar's management team, and they exercised indirect control over the activities of Groupe Dallaire Inc. and Dalcon Inc. (the "related companies"). On January 1, 2018, Sylvain Cossette was appointed as President and Chief Executive Officer to replace Michel Dallaire. On the same day, January 1, 2018, Sylvain Cossette was appointed as a trustee of Cominar to fill the vacancy created by the departure of Alain Dallaire as trustee. On February 12, 2018, Alban D'Amours was appointed as Chairman of the Board of Cominar following the departure of Michel Dallaire. While Alain Dallaire has a passive indirect economic interest in Groupe Dallaire, Alain Dallaire is neither an employee nor a director of Groupe Dallaire. Therefore, as from that date, Groupe Dallaire and Dalcon are no longer considered related parties according to IFRS.

Cominar has developed a new business plan aimed at diversifying its sources of construction suppliers and to create new partnerships with leaders in the field, with the goal of promoting better development and increasing the value of all of its assets in the major areas in which it is active. In parallel with the implementation of this new strategy, it was also expected that the business relationships with Groupe Dallaire and Dalcon for construction services would be terminated in an orderly manner. As previously mentioned, nearly all of the resources from Groupe Dallaire in Montreal have been integrated into Cominar Construction on October 14, 2018.

The work previously carried out by Dalcon in Montreal connected to the leasing of space or the maintenance of our buildings in Montreal is now carried out internally at Cominar.

Cominar entered into transactions with Groupe Dallaire and Dalcon in the normal course of business, the details of which are as follows:

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
	$	$	$	$
Investment properties – Capital costs	**30,515**	36,304	**111,345**	94,693
Acquisition of additional ownership interest in the joint venture Société en commandite Chaudière-Duplessis	**—**	—	**—**	10,016
Acquisition of additional ownership interest in the joint venture Société en commandite Complexe Jules-Dallaire	**—**	—	**—**	21,190
Investment properties held by joint ventures – Capital costs	**44**	671	**2,044**	1,955
Collection of a mortgage receivable	**—**	—	**—**	(8,250)
Share of joint ventures' net income	**1,560**	1,064	**4,093**	5,168
Net rental revenue from investment properties	**87**	75	**261**	226
Interest income	**—**	—	**—**	140

During the nine-month period ended September 30, 2018, Cominar incurred with Groupe Dallaire and Dalcon approximately $111.3 million in capital costs for its investment properties, including $67.3 million invested in the Montreal area, $39.6 million in the Québec City area, $3.8 million in the Ottawa area, and $0.6 million in Western Canada, the Toronto area and Atlantic Provinces (for work undertaken before the sale of a portfolio of 95 properties to Slate on March 27, 2018). Of this amount, $86.7 million were invested for the work started in 2017 but which continued until 2018. Of that $86,7 million, $13,4 million were invested to complete infrastructure work at Ilot Mendel (IKEA) and $60.4 million represents improvement work connected to various leasing transactions signed before 2018, of which the work carried out in 2018 is detailed as follows:

Marshall's / Winners (Longueuil, Montenach, Laval)	$9.2 million
505 Parc Technologique (Cienna et Englobe)	$8.9 million
Decathlon (Mail Champlain)	$3.3 million
9100 du Parcours (Nortek)	$1.3 million
4 Place Laval (Public Works Canada)	$2.4 million
3300 Trans-Canada Highway (Emballage Sec)	$2.5 million
Hall Fleur-de-lys (Rossy)	$1.6 million
Avril (Laval)	$1.2 million
Galerie Rive-Nord (Walmart)	$3.9 million
Other leasehold improvements	$26.1 million
Total	**$60.4 million**

Dalcon completed approximately 964 jobs costing from $0 to $50,000, and approximately 368 jobs where the costs exceeded $50,000. These investments are allocated as follows: approximately 47% for tenant improvements, 16% for roofs, pavement and other structural work, 18% for the renovation of properties, 10% for prepping the Ilot Mendel site, 5% for work related to common areas and interiors, and finally 4% for miscellaneous maintenance and repairs.

The leasehold improvement, repair and maintenance work on properties carried out by Dalcon are invoiced to Cominar at cost plus a 5.0% markup. For construction projects, the work is invoiced at cost plus a 2.5% markup.

There is no exclusivity between Cominar and Dalcon. Cominar (or its clients) has the option to work with various sub-trades and other general contractors if it so wishes. During the first three quarters of 2018, the total amount of investments in investment properties (capital costs) amounted to $174.0 million, including $113.4 million with Groupe Dallaire and Dalcon, which represents approximately 65% of the investments.

All leasehold improvement, expansion, refurbishment or building construction work is subject to prior approval by a vice president or an executive vice president of Cominar. Execution plans as well as a detailed budget of the work must be prepared and submitted to the vice president for approval, for each project. Once approval is granted, a project manager from Cominar monitors and supervises the site to ensure compliance with the deadlines, the quality of construction and the budget. Sometimes, certain situations force us to deliver client premises as quickly as possible. In such instances, Cominar may ask Dalcon to start renovation work based on preliminary estimates without detailed construction plans, in order to meet the time constraints of its clients.

Cominar periodically checks that the hourly rates of professionals and workers charged by Dalcon are competitive compared with the market. Hourly rates of architects, engineers, designers and technicians are compared with the rates included in third party bids submitted to Cominar and also with the rates charged by different professional firms at the service of Cominar. The hourly rates of construction workers are partially regulated, and Cominar periodically validates that they are in line with the market rates, but also with the Association de la construction du Québec (the "ACQ") recommendations. The construction costs of various specialties, such as roofing, are also validated periodically and compared with the market to ensure the most competitive prices.

During the work, if Dalcon faces unexpected events on the site and/or additions are requested by Cominar, a change order is issued by Dalcon, with an estimate of the costs related to these unexpected events and/or additions. These change orders are then approved by a project manager from Cominar, and the additional costs related to these unexpected events and/or additions are still chargeable at "cost plus a markup" by Dalcon.

In order to improve efficiency and speed in performing less significant construction work, in the past, Cominar asked Dalcon to set up mobile teams made up of carpenters, plumbers, electricians and painters. Work that requires few or no professionals and that has an estimated cost lower than $20,000 is carried out by these mobile workers. This significantly reduces costs and delivery deadlines as it eliminates the time associated with the implementation of design, architecture and engineering plans as well as calls for tenders. Regarding the transition of Dalcon's construction activities to Cominar, in the Québec City market, mobile teams are set up at Cominar for this less significant construction work in order to preserve our competitive edge.

Cominar is a proactive real estate owner in terms of energy management and savings. This energy management has always been done in collaboration with our Cominar teams and various Dalcon engineers who are specialized in energy management, who have developed several energy management principles, techniques and methods that make Cominar one of the leaders in this field. However, with this transition of activities from Groupe Dallaire, we have started to integrate an energy management team within Cominar and will complete this integration in the coming months. We will continue to work partly with Dalcon teams, until our team is fully in place.

Until October 14, 2018, leasing of commercial space with Groupe Dallaire and Dalcon was carried out at the market rate for similar spaces. As at September 30, 2018, Groupe Dallaire and its affiliated companies occupied 65,425 square feet of office space in Complexe Jules-Dallaire in Québec City, 8,670 square feet of office space in the Alexis Nihon complex in Montreal, and 43,709 square feet of space at 605 Deslauriers Street in Montreal, an industrial and flex building. As part of the integration of Dalcon's activities in Montreal, Montreal spaces have been taken up by Cominar.

Integration of Dalcon's construction activities in Montreal

The transfer of Dalcon's construction activities in Montreal to Cominar Construction is now almost fully completed. We have obtained our general contractor licence as well as our plumbing licence at the end of summer and we managed to transfer all these employees in mid-October. It is expected that we will be granted our electricity contractor licence by the end of the year and we will be able to transfer these employees by then.

The management systems required for the operations of this construction entity are now fully implemented. The payroll system, the accounting systems (accounts payable, accounts receivable, job costs), the construction estimating software and other systems are all functional. As specified in the second quarter, we hired a general manager in Cominar Construction.

The construction activities that were transferred to Cominar Construction are those related to Cominar's main activities, namely those connected to leasing or building maintenance. The types of work that were integrated are leasehold improvements, refurbishment of our common areas, general repairs, plumbing and roofing. Building facade construction or renovation activities, and parking garage construction or repair activities were not transferred to Cominar Construction. It is understood that, from now on, such work will be carried out by external contractors. We expect the transition of Dalcon's construction activities in Montreal to Cominar Construction to be completed by the end of the year and at the beginning of 2019. It should be noted that the transfer of these construction activities was done at no cost to Cominar. As expected, on October 14, 2018, Cominar purchased at market value all tools, equipment and vehicles that belonged to Dalcon.

New construction work in the Montreal area will henceforth be carried out by Cominar Construction or granted to external contractors, according to the nature and extent of the work.

Transition in Québec City

Regarding the Québec City area, the transition of services provided by Groupe Dallaire and Dalcon to other external suppliers is progressing faster than expected. Cominar's Asset Management department has already granted a number of contracts to 6 external contractors. The services of other contractors will also be retained during the next few weeks. Therefore, we will be able to assess the skills of each contractor and then single out the top performers, with which we will build a stronger relationship for our future projects.

In the coming weeks, Cominar Construction will set up a mobile construction team to carry out minor repair, maintenance and construction work. In fact, it is expected that about fifteen construction employees will be hired in the Québec City area to carry out this small work, which is preferably carried out internally in order to preserve our competitive advantage in terms of timeliness and, above all, in terms of costs. Carpenters, plasterers, painters, electricians and plumbers will thus become part of the team. It is expected that a team of eight roofers from Dalcon in Québec City will also be added to the Cominar Construction team to perform the many maintenance, repair and roof replacement work in the Québec City area.

It is further expected that some designers and draftsmen who are currently part of Dalcon's Québec City team will also be transferred to Cominar in the coming weeks. These resources are needed to provide efficient service for preliminary plan drawings and estimates to quickly prepare offers to lease to potential clients.

Transition in Ottawa

All 10 construction employees in Ottawa have been transferred to Cominar Construction in mid-October. In fact, this team is anticipated to grow slightly in response to the growing demand for construction work in this area.

Contractual rights and obligations

The business objective of investments in joint ventures with Groupe Dallaire is the ownership, management and development of real estate projects.

The formation of each joint venture is recognized by limited partnership agreements and unanimous shareholder agreements of the general partner, in which the rights and obligations of each limited partner or shareholder are provided for. Among these terms and conditions, the important decisions with regard to joint ventures are taken unanimously by the limited partners for the limited partnerships, and by the shareholders for the general partners. Capital contributions are made on a pro rata basis between the limited partners. In addition, each limited partner has the right of first refusal, should the other limited partner transfer its participation in the joint venture. Recourse or purchase option mechanisms benefit each limited partner with respect of the other limited partner if it is in default under the agreements or if it becomes insolvent.

In addition, if a Triggering Event (as defined below) occurs in respect of one of the limited partners, the other limited partner shall be entitled, within a thirty (30) day period following the beginning of the Triggering Event, to provide to the limited partner subject to a Triggering Event a notice that contains a purchase offer for the entire ownership interest at fair market value of such interest upon transmission of the notice, and the limited partner in respect of which the Triggering Event occurred will be required to sell its ownership interest. "Triggering Event" means, in respect of Groupe Dallaire, the loss of control of Groupe Dallaire by the Dallaire family, and, in respect of Cominar, situations where there is a change of control resulting from a takeover bid or a business combination transaction, an acquisition of a significant equity position or an important change outside the normal course of business in the composition of the Board of Trustees during a period of eighteen (18) consecutive months.

If the parties cannot mutually agree upon the fair market value, an appraisal mechanism is provided for in the agreements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The 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 September 30, 2018, 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 third quarter ended September 30, 2018, 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 third quarter of 2018 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

a) Basis of preparation

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, 2017. 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 presentation

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

- ***Investment properties***

  Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using management's internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques, as well as a definitive agreement to sell investment properties. Techniques used include the capitalized net operating income method and the discounted cash flow method, including notably estimates of capitalization rates and standardized net operating income as well as estimates of discount rates and future cash flows applicable to investment properties, respectively.

  Management's fair value internal measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts. However, internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the balance sheet date.

- ***Business combinations***

  Business combinations are accounted for using the acquisition method. The cost of a business combination is the value, at the acquisition date, of the assets transferred, liabilities incurred and Unitholders' equity instruments issued in exchange for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

  Cominar accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that could be conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the investment properties acquisition does not correspond to the definition of a business, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination in accordance with IFRS 3 or as an acquisition of a group of assets.

  Generally, based on its judgment, when Cominar acquires a property or property portfolio without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an acquisition of a group of assets.

- ***Joint arrangements***
  Upon the creation of a joint arrangement, Cominar's management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning all relevant activities. The joint arrangements in which Cominar is involved are structured so that they provide Cominar rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

- ***Impairment of goodwill***
  Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. It is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. Goodwill resulting from business combinations is allocated to each group of cash-generating units ("CGU") expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGU, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the fair value less the cost of disposal. Should the carrying amount of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

- ***Financial instruments***
  Financial instruments must be initially measured at fair value. Cominar must also estimate and disclose the fair value of certain financial instruments for information purposes in the financial statements presented for subsequent periods. When fair value cannot be derived from active markets, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data used in these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the fair value of financial instruments.

- ***Unit options***
  The compensation expense related to unit options is measured at fair value and is amortized based on the graded vesting method using the Black-Scholes model. This model requires management to make many estimates on various data, such as expected life, volatility, the weighted average dividend yield of distributions, the weighted average risk-free interest rate and the expected forfeiture rate. Any changes to certain assumptions could have an impact on the compensation expense related to unit options recognized in the financial statements.

- ***Income taxes***
  Deferred taxes of Cominar's subsidiaries are measured at the tax rates expected to apply in the future as temporary differences between the reported carrying amounts and the tax bases of the assets and liabilities reverse. Changes to deferred taxes related to changes in tax rates are recognized in income in the period during which the rate change is substantively enacted. Any changes in future tax rates or in the timing of the reversal of temporary differences could affect the income tax expense.

Investment properties

An investment property is an immovable property held by Cominar to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services or for administrative purposes, or for sale in the ordinary course of business. Investment properties include income properties, properties under development and land held for future development.

Cominar presents its investment properties based on the fair value model. Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in profit or loss in the period in which it arises. The fair value of investment properties should reflect market conditions at the end of the reporting period. Fair value is time-specific as at a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from management's estimates and valuations from independent appraisers, plus capital expenditures made during the period, where applicable, or on a definitive agreement to sell investment properties. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as standardized net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment properties.

The fair value of Cominar's investment properties recorded on the balance sheet in accordance with IFRS is the sum of the fair values of each investment property considered individually and does not necessarily reflect the contribution of the following elements that characterize Cominar: (i) the composition of the property portfolio diversified through its client base, geographic markets and business segments; (ii) synergies among different investment properties; and (iii) a fully integrated management approach. Therefore, the fair value of Cominar's investment properties taken as a whole could differ from that appearing on the consolidated balance sheet.

Properties under development in the construction phase are measured at cost until their fair value can be reliably determined, usually when development has been completed. The fair value of land held for future development is based on recent prices derived from comparable market transactions.

Capitalization of costs

Cominar capitalizes into investment properties the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. Cominar also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. For construction, expansion or major revitalization projects of income properties that take place over a substantial period of time, Cominar capitalizes the borrowing costs that are directly attributable to the investments in question.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying amount of investment properties when incurred, and are not amortized subsequently.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development and construction. Such capitalized costs also include borrowing costs that are directly attributable to the property concerned. Cominar begins capitalizing borrowing costs when it incurs expenditures for the properties in question and when it undertakes activities that are necessary to prepare these properties for their intended use. Cominar ceases capitalizing borrowing costs when the asset is ready for management's intended use.

When Cominar determines that the acquisition of an investment property is an asset acquisition, it capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

Tenant inducements

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

Investment properties held for sale

Investment properties held for sale are classified as being held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Investment properties continue to be measured using the fair value model.

Financial instruments

Cominar groups its financial instruments into classes according to the purpose for which they were acquired and to their characteristics. Management determines such classification upon initial measurement, which is usually at the date of acquisition.

Cominar uses the following classifications for its financial instruments:

- Cash and cash equivalents and accounts receivable are classified as "Financial assets at amortized cost." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, this value generally represents cost.

– Mortgages payable, debentures, bank borrowings and accounts payable and accrued liabilities are classified as “Financial liabilities at amortized cost.” They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents consist of cash and investments that are readily convertible into a known amount of cash, that are not subject to a significant risk of change in value and that have original maturities of three months or less. Bank borrowings are considered to be financing activities.

Deferred financing costs
Issue costs incurred to obtain term loan financing, typically through mortgages payable or debentures, are applied against the borrowings and are amortized using the effective interest rate method over the term of the related debt.

Financing costs related to the operating and acquisition credit facility are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the credit facility.

Revenue recognition
Management has determined that all leases concluded between Cominar and its tenants are operating leases. Minimum lease payments are recognized using the straight-line method over the term of the related leases, and the excess of payments recognized over amounts payable is recorded on Cominar’s consolidated balance sheet under investment properties. Leases generally provide for the tenants’ payment of maintenance expenses for common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Percentage leases are recognized when the minimum sales level has been reached pursuant to the related leases. Lease cancellation fees are recognized when they are due. Lastly, incidental income is recognized when services are rendered.

Long-term incentive plan
Cominar has a long-term incentive plan in order to attract, retain and motivate its employees to attain Cominar’s objectives. This plan does not provide for any cash settlements.

Unit purchase options
Cominar recognizes a compensation expense on units granted, based on their fair value on the date of the grant, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

Restricted units
Cominar recognizes a compensation expense on restricted unit options granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the vesting period.

Deferred units
Cominar recognizes a compensation expense on deferred units granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized using the graded vesting method.

Performance units
Cominar recognizes a compensation expense on performance unit options granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the vesting period.

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

Cominar's subsidiaries that are incorporated as business corporations are subject to tax on their taxable income under the Income Tax Act (Canada) and the taxation acts of the provinces concerned. These subsidiaries account for their taxes payable or recoverable at the current enacted tax rates and use the asset and liability method to account for deferred taxes. The net deferred tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities.

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income per unit on a diluted basis considers the potential issuance of units under the long-term incentive plan, if dilutive.

Segment information

Segment information is presented in accordance with IFRS 8, "Operating segments," which recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

c) New accounting policies

On January 1, 2018, Cominar adopted the following new accounting standards:

IFRS 9, "Financial Instruments"

In July 2014, the International Accounting Standards Board ("IASB") issued its final version of IFRS 9, which replaces IAS 39, "Financial Instruments: Recognition and Measurement" and modifications to IFRS 7, "Financial Instruments: Disclosures," in order to add disclosure requirements regarding the transition to IFRS 9. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. Cominar has applied the new classification and valuation requirements retrospectively without restating the comparative periods. The adoption of this new accounting standard had no significant impact on Cominar's condensed interim consolidated financial statements. Only the terms used have changed.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers." IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, "Revenue," IAS 11, "Construction Contracts," and related interpretations. Following the adoption of this new accounting standard, Cominar added a note in its financial statements detailing the main components of the operating revenues according to their nature. Cominar has applied this standard retrospectively. The adoption of this new accounting standard had no other impact on Cominar's condensed interim consolidated financial statements.

FUTURE CHANGES IN ACCOUNTING STANDARDS

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases." 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 will cancel and replace the previous leases standard, IAS 17, "Leases," and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The adoption of this new standard will have no significant impact on Cominar's consolidated financial statements since no important changes were made to the accounting model by the lessor.

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. The risks and uncertainties identified by Cominar are:

- Access to capital and debt financing
- Debt financing
- Ownership of immovable property
- Environmental matters
- Legal risks
- Competition
- Acquisitions
- Property development program
- Recruitment and retention of employees and executives
- Government regulation
- Limits on activities
- General uninsured losses
- Potential conflicts of interest
- Cybersecurity
- Risk factors related to the ownership of units
- Risk factors related to the ownership of debentures
- Status for tax purposes

Therefore, unitholders should consider these risks and uncertainties when assessing the Trust's outlook in terms of investment potential. To obtain a complete description of the risks and uncertainties identified by Cominar, the reader is referred to our 2017 Annual Report, as well as our 2017 Annual Information Form.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Cominar Real Estate Investment Trust

September 30, 2018
Unaudited

CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of Canadian dollars]

	Note	September 30, 2018 $	December 31, 2017 $
ASSETS			
Investment properties			
Income properties	4	**6,413,874**	6,239,383
Properties under development	5	**52,106**	37,692
Land held for future development	5	**93,751**	91,580
		6,559,731	6,368,655
Investment properties held for sale	6	**44,200**	1,143,500
Investments in joint ventures	7	**92,323**	86,299
Goodwill	8	**139,388**	139,982
Accounts receivable		**45,321**	62,956
Prepaid expenses and other assets		**51,225,**	16,673
Cash and cash equivalents		**6,131**	6,928
Total assets		**6,938,319**	7,824,993
LIABILITIES			
Mortgages payable	9	**1,804,438**	1,873,776
Mortgages payable related to investment properties held for sale	6, 9	**6,476**	276,350
Debentures		**1,722,334**	1,721,577
Bank borrowings	10	**67,952**	620,366
Accounts payable and accrued liabilities		**118,543**	117,482
Deferred tax liabilities		**142**	6 681
Current tax liabilities		**6,391**	—
Distributions payable to unitholders		**10,916**	—
Total liabilities		**3,737,192**	4,616,232
UNITHOLDERS' EQUITY			
Unitholders' equity		**3,201,127**	3,208,761
Total liabilities and unitholders' equity		**6,938,319**	7,824,993

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

For the periods ended September 30

[unaudited, in thousands of Canadian dollars]

	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		—	141,071	—	—	141,071
Distributions to unitholders	11	—	—	(110,981)	—	(110,981)
Unit issuances	11	268	—	—	(150)	118
Repurchase of units under NCIB[(1)]	11	(39,530)	—	—	—	(39,530)
Long-term incentive plan		—	142	—	1,546	1,688
Balance as at September 30, 2018		**3,226,733**	**2,002,242**	**(2,033,193)**	**5,345**	**3,201,127**

(1) Normal course issuer bid ("NCIB")

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2017		3,234,693	2,250,944	(1,675,689)	5,565	3,815,513
Net income and comprehensive income		—	189,531	—	—	189,531
Distributions to unitholders	11	—	—	(193,731)	—	(193,731)
Unit issuances		39,938	—	—	(113)	39,825
Unit issuance expense		(47)	—	—	—	(47)
Long-term incentive plan		—	602	—	783	1,385
Balance as at September 30, 2017		3,274,584	2,441,077	(1,869,420)	6,235	3,852,476

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended September 30

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

		Quarter		Year-to-date (nine months)	
		2018	2017	2018	2017
	Note	$	$	$	$
Operating revenues					
Rental revenue from investment properties	12	**172,665**	204,160	**558,577**	628,071
Operating expenses					
Operating costs		**(36,787)**	(42,926)	**(129,648)**	(140,829)
Realty taxes and services		**(41,177)**	(47,032)	**(135,850)**	(149,440)
Property management expenses		**(3,724)**	(4,022)	**(11,743)**	(12,252)
		(81,688)	(93,980)	**(277,241)**	(302,521)
Net operating income		**90,977**	110,180	**281,336**	325,550
Finance charges	13	**(36,373)**	(41,860)	**(115,844)**	(125,913)
Trust administrative expenses	14	**(4,314)**	(5,160)	**(17,149)**	(14,569)
Change in fair value of investment properties	4, 6	**13,393**	–	**9,062**	–
Share of joint ventures' net income	7	**1,560**	1,064	**4,093**	5,168
Transaction costs	15	**–**	–	**(19,981)**	–
Derecognition of goodwill	8	**(594)**	–	**(594)**	–
Income before income taxes		**64,649**	64,224	**140,923**	190,236
Income taxes					
Payable		**–**	–	**(6,391)**	–
Deferred		**–**	(243)	**6,539**	(705)
		–	(243)	**148**	(705)
Net income and comprehensive income		**64,649**	63,981	**141,071**	189,531
Basic net income per unit	16	**0.36**	0.35	**0.77**	1.03
Diluted net income per unit	16	**0.35**	0.35	**0.77**	1.03

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended September 30

[unaudited, in thousands of Canadian dollars]

		Quarter		Year-to-date (nine months)	
		2018	2017	2018	2017
	Note	$	$	$	$
OPERATING ACTIVITIES					
Net income		**64,649**	63,981	**141,071**	189,531
Adjustments for:					
Excess of share of net income over distributions received from the joint ventures	7	**(1,560)**	(1,064)	**(4,093)**	(4,918)
Change in fair value of investment properties	4, 6	**(13,393)**	—	**(9,062)**	—
Depreciation and amortization		**1,070**	(432)	**1,993**	(1,176)
Compensation expense related to the long-term incentive plan		**541**	322	**1,688**	1,385
Deferred income taxes		**—**	243	**(6,539)**	705
Derecognition of goodwill	8	**594**	—, ,	**594**	—
Recognition of leases on a straight-line basis	4	**(135)**	(1,101)	**(1,018)**	(2,421)
Changes in non-cash working capital items	17	**36,283**	38,753	**(15,813)**	(31,352)
Cash flows provided by operating activities		**88,049**	100,702	**108,821**	151,754
INVESTING ACTIVITIES					
Acquisitions of and investments in income properties	4	**(83,212)**	(44,767)	**(200,066)**	(145,660)
Acquisitions of and investments in properties under development and land held for future development	5	**(5,184)**	(10,664)	**(19,035)**	(39,109)
Repayment of costs related to properties under development and land held for future development		**7,800**	—	**7,800**	—
Mortgage receivable		**—**	—	**—**	8,250
Cash consideration paid in a business combination		**—**	—	**—**	(10,016)
Cash consideration paid in the acquisition of an additional interest in a joint venture		**—**	—	**—**	(21,190)
Net proceeds from the sale of investment properties	3, 4, 6	**2,850**	6,238	**1,029,280**	100,372
Contributions to the capital of a joint venture	7	**(131)**	—	**(1,931)**	—
Change in other assets		**(445)**	(457)	**(907)**	(2,480)
Cash flows provided by (used in) investing activities		**(78,322)**	(49,650)	**815,141**	(109,833)
FINANCING ACTIVITIES					
Cash distributions to unitholders		**(32,749)**	(51,928)	**(100,065)**	(136,364)
Bank borrowings		**37,926**	(12,073)	**(552,413)**	314,994
Mortgages payable		**(73)**	31,389	**135,056**	180,744
Debenture issuance expense		**—**	—	**—**	(28)
Unit issuance net proceeds	11	**(2)**	(4)	**118**	8
Repurchase of units under NCIB	11	**—**	—	**(39,530)**	—
Repayment of debentures at maturity		**—**	—	**—**	(250,000)
Repayment of mortgages payable	9	**—**	—	**(329,294)**	(105,006)
Monthly repayments of mortgages payable	9	**(12,155)**	(15,150)	**(38,631)**	(46,842)
Cash flows used in financing activities		**(7,053)**	(47,766)	**(924,759)**	(42,494)
Net change in cash and cash equivalents		**2,674**	3,286	**(797)**	(573)
Cash and cash equivalents, beginning of period		**3,457**	5,994	**6,928**	9,853
Cash and cash equivalents, end of period		**6,131**	9,280	**6,131**	9,280
Other information					
Interest paid		**26,744**	34,566	**109,463**	126,018
Cash distributed by a joint venture	7	**—**	—	**—**	250

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2018 and 2017

[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 September 30, 2018, Cominar owned and managed a real estate portfolio of 429 high-quality properties that covered a total area of 38.2 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 November 8, 2018.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Cominar’s unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, and comply notably with the requirements of IAS 34, "Interim Financial Reporting." They do not include all the disclosures that will normally be found in the Trust’s annual consolidated financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with Cominar’s annual consolidated financial statements prepared in accordance with IFRS for the fiscal year ended December 31, 2017.

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

- ***Investment properties***

  Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using management’s internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques, as well as a definitive agreement to sell investment properties. Techniques used include the capitalized net operating income method and the discounted cash flow method, including notably estimates of capitalization rates and standardized net operating income as well as estimates of discount rates and future cash flows applicable to investment properties, respectively.

Management's fair value internal measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts. However, internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the balance sheet date.

- ***Business combinations***

  Business combinations are accounted for using the acquisition method. The cost of a business combination is the value, at the acquisition date, of the assets transferred, liabilities incurred and Unitholders' equity instruments issued in exchange for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

  Cominar accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that could be conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the investment properties acquisition does not correspond to the definition of a business, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination in accordance with IFRS 3 or as an acquisition of a group of assets.

  Generally, based on its judgment, when Cominar acquires a property or property portfolio without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an acquisition of a group of assets.

- ***Joint arrangements***

  Upon the creation of a joint arrangement, Cominar's management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning all relevant activities. The joint arrangements in which Cominar is involved are structured so that they provide Cominar rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

- ***Impairment of goodwill***

  Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. It is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. Goodwill resulting from business combinations is allocated to each group of cash-generating units ("CGU") expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGU, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the fair value less the cost of disposal. Should the carrying amount of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

- ***Financial instruments***

  Financial instruments must be initially measured at fair value. Cominar must also estimate and disclose the fair value of certain financial instruments for information purposes in the financial statements presented for subsequent periods. When fair value cannot be derived from active markets, it is determined using valuation techniques, namely the discounted cash flow method. If possible, data used in these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the fair value of financial instruments.

- ***Unit options***
  The compensation expense related to unit options is measured at fair value and is amortized based on the graded vesting method using the Black-Scholes model. This model requires management to make many estimates on various data, such as expected life, volatility, the weighted average dividend yield of distributions, the weighted average risk-free interest rate and the expected forfeiture rate. Any changes to certain assumptions could have an impact on the compensation expense related to unit options recognized in the financial statements.

- ***Income taxes***
  Deferred taxes of Cominar's subsidiaries are measured at the tax rates expected to apply in the future as temporary differences between the reported carrying amounts and the tax bases of the assets and liabilities reverse. Changes to deferred taxes related to changes in tax rates are recognized in income in the period during which the rate change is substantively enacted. Any changes in future tax rates or in the timing of the reversal of temporary differences could affect the income tax expense.

Investment properties
An investment property is an immovable property held by Cominar to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods and services or for administrative purposes, or for sale in the ordinary course of business. Investment properties include income properties, properties under development and land held for future development.

Cominar presents its investment properties based on the fair value model. Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in profit or loss in the period in which it arises. The fair value of investment properties should reflect market conditions at the end of the reporting period. Fair value is time-specific as at a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from management's estimates and valuations from independent appraisers, plus capital expenditures made during the period, where applicable, or on a definitive agreement to sell investment properties. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as standardized net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment properties.

The fair value of Cominar's investment properties recorded on the balance sheet in accordance with IFRS is the sum of the fair values of each investment property considered individually and does not necessarily reflect the contribution of the following elements that characterize Cominar: (i) the composition of the property portfolio diversified through its client base, geographic markets and business segments; (ii) synergies among different investment properties; and (iii) a fully integrated management approach. Therefore, the fair value of Cominar's investment properties taken as a whole could differ from that appearing on the consolidated balance sheet.

Properties under development in the construction phase are measured at cost until their fair value can be reliably determined, usually when development has been completed. The fair value of land held for future development is based on recent prices derived from comparable market transactions.

Capitalization of costs
Cominar capitalizes into investment properties the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. Cominar also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. For construction, expansion or major revitalization projects of income properties that take place over a substantial period of time, Cominar capitalizes the borrowing costs that are directly attributable to the investments in question.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying amount of investment properties when incurred, and are not amortized subsequently.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development and construction. Such capitalized costs also include borrowing costs that are directly attributable to the property concerned. Cominar begins capitalizing borrowing costs when it incurs expenditures for the properties in question and when it undertakes activities that are necessary to prepare these properties for their intended use. Cominar ceases capitalizing borrowing costs when the asset is ready for management's intended use.

When Cominar determines that the acquisition of an investment property is an asset acquisition, it capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

Tenant inducements

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

Investment properties held for sale

Investment properties held for sale are classified as being held for sale if their carrying amount will be recovered mainly through a sale transaction rather than through continuing use. Investment properties continue to be measured using the fair value model.

Financial instruments

Cominar groups its financial instruments into classes according to the purpose for which they were acquired and to their characteristics. Management determines such classification upon initial measurement, which is usually at the date of acquisition.

Cominar uses the following classifications for its financial instruments:

- Cash and cash equivalents and accounts receivable are classified as "Financial assets at amortized cost." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, this value generally represents cost.

- Mortgages payable, debentures, bank borrowings, accounts payable and accrued liabilities, and distributions payable are classified as "Financial liabilities at amortized cost." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments that are readily convertible into a known amount of cash, that are not subject to a significant risk of change in value and that have original maturities of three months or less. Bank borrowings are considered to be financing activities.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgages payable or debentures, are applied against the borrowings and are amortized using the effective interest rate method over the term of the related debt.

Financing costs related to the operating and acquisition credit facility are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the credit facility.

Revenue recognition

Management has determined that all leases concluded between Cominar and its tenants are operating leases. Minimum lease payments are recognized using the straight-line method over the term of the related leases, and the excess of payments recognized over amounts payable is recorded on Cominar's consolidated balance sheet under investment properties. Leases generally provide for the tenants' payment of maintenance expenses for common elements, realty taxes and other operating costs, such payment being recognized as operating revenues in the period when the right to payment vests. Percentage leases are recognized when the minimum sales level has been reached pursuant to the related leases. Lease cancellation fees are recognized when they are due. Lastly, incidental income is recognized when services are rendered.

Long-term incentive plan

Cominar has a long-term incentive plan in order to attract, retain and motivate its employees to attain Cominar's objectives. This plan does not provide for any cash settlements.

Unit purchase options

Cominar recognizes a compensation expense on unit options granted, based on their fair value on the date of the grant, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

Restricted units

Cominar recognizes a compensation expense on restricted unit options granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the vesting period.

Deferred units

Cominar recognizes a compensation expense on deferred units granted, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized using the graded vesting method.

Performance units

Cominar recognizes a compensation expense on performance units, based on their fair value, which corresponds to the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the vesting period.

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

Cominar's subsidiaries that are incorporated as business corporations are subject to tax on their taxable income under the Income Tax Act (Canada) and the taxation acts of the provinces concerned. These subsidiaries account for their taxes payable or recoverable at the current enacted tax rates and use the asset and liability method to account for deferred taxes. The net deferred tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities.

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income per unit on a diluted basis considers the potential issuance of units under the long-term incentive plan, if dilutive.

Segment information

Segment information is presented in accordance with IFRS 8, "Operating segments," which recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

c) New accounting policies

On January 1, 2018, Cominar adopted the following new accounting standards:

IFRS 9, "Financial Instruments"

Cominar has applied the new classification and valuation requirements retrospectively without restating the comparative periods. The adoption of this new accounting standard had no significant impact on Cominar's condensed interim consolidated financial statements. Only the terms used have changed.

IFRS 15, "Revenue from Contracts with Customers"

Following the adoption of this new accounting standard, Cominar added a note in its financial statements detailing the main components of the operating revenues according to their nature. Cominar has applied this standard retrospectively. The adoption of this new accounting standard had no other impact on Cominar's condensed interim consolidated financial statements.

3) DISPOSITIONS

DISPOSITION OF AN INCOME PROPERTY

On August 31, 2018, Cominar completed the sale of one industrial and flex property located in Saguenay, Quebec, for an amount of $2,850.

DISPOSITIONS OF INVESTMENT PROPERTIES HELD FOR SALE IN 2018

On March 27, 2018, Cominar completed the sale of 95 properties, comprised of 35 office properties, 23 retail properties and 37 industrial and flex properties, located in the Greater Toronto Area, Western Canada and the Atlantic Provinces, for an amount of $1,140,000 before the closing adjustments of $7,578 and $105,992 in mortgages payable that were assumed by the purchaser.

The following table summarizes this transaction:

	$
Selling price	1,140,000
Closing adjustments	(7,578)
Mortgages payable assumed by the purchaser	(105,992)
Net proceeds	1,026,430

Following the transaction, the net proceeds of $1,026,430 were used to repay a $75,000 bridge loan, $321,623 in mortgages payable, to reduce the bank borrowings by $549,700 and the balance was allocated to the Trust's general needs.

4) INCOME PROPERTIES

	Note	For the nine-month period ended September 30, 2018 $	For the year ended December 31, 2017 $
Balance, beginning of period		**6,239,383**	7,676,134
Acquisitions and related costs		**39,819**(1)	478
Change in fair value		**13,393**	(592,229)
Capital costs		**157,148**	190,151
Dispositions		**(2,850)**	(8,100)
Transfers from properties under development	5	**—**	42,600
Net transfers to investment properties held for sale	6	**(40,700)**	(1,086,687)
Change in initial direct costs		**7,173**	13,095
Recognition of leases on a straight-line basis		**508**	3,941
Balance, end of period		**6,413,874**	6,239,383

(1) As at September 30, 2018, includes the acquisition of a land related to a property already owned by Cominar for an amount of $36,000 as well as the acquisition of the Sears store in Trois-Rivières for an amount of $3,555.

5) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

	Note	For the nine-month period ended September 30, 2018 $	For the year ended December 31, 2017 $
Balance, beginning of period		**129,272**	136,596
Acquisitions and related costs		**—**	22,600
Change in fair value of properties transferred to investment properties held for sale		**—**	(24 125)
Capital costs		**12,519**	16,051
Disposition of a portion of land		**—**	(16,244)
Capitalized interest		**4,065**	6,636
Transfers to income properties	4	**—**	(42,600)
Transfer to investment properties held for sale	6	**—**	(10,000)
Business combination		**—**	40,334
Change in initial direct costs		**1**	24
Balance, end of period		**145,857**	129,272
Breakdown:			
Properties under development		**52,106**	37,692
Land held for future development		**93,751**	91,580

6) INVESTMENT PROPERTIES HELD FOR SALE

Cominar has engaged in a process to sell some income properties and expects to close these transactions within the next few months. During the quarter ended September 30, 2018, Cominar transferred 6 income properties having a value of $40,700 to investment properties held for sale. A portion of goodwill, in the amount of $594, associated with these properties has been allocated to the assets held for sale and then has been subject to derecognition.

On March 27, 2018, Cominar completed the sale of a 95 property portfolio located in the Greater Toronto Area, the Atlantic Provinces and Western Canada for $1,140,000.

		For the nine-month period ended September 30, 2018				For the year ended December 31, 2017
	Note	Office properties $	Retail properties $	Industrial and flex properties $	Total $	Total $
Investment properties and goodwill						
Balance, beginning of period		**600,552**	**381,707**	**161,241**	**1,143,500**	143,130
Capitalized costs		**3,132**	**643**	**556**	**4,331**	—
Change in fair value		**(3,132)**	**(643)**	**(556)**	**(4,331)**	—
Dispositions	3	**(597,052)**	**(381,707)**	**(161,241)**	**(1,140,000)**	(96,317)
Net transfers from income properties	4	**12,600**	**2,100**	**26,000**	**40,700**	1,086,687
Transfers from properties under development and land held for future development	5	**—**	**—**	**—**	**—**	10,000
Transfer of goodwill	8	**444**	**46**	**104**	**594**	26,989
Derecognition of goodwill		**(444)**	**(46)**	**(104)**	**(594)**	(26,989)
Balance, end of period		**16,100**	**2,100**	**26,000**	**44,200**	1,143,500

	Note	For the nine-month period ended September 30, 2018 Office properties $	Retail properties $	Industrial and flex properties $	Total $	For the year ended December 31, 2017 Total $
Mortgages payable related to the investment properties held for sale						
Balance, beginning of period		**238,312**	**3,614**	**34,424**	**276,350**	–
Monthly repayments of principal		**(2,112)**	**(32)**	**(256)**	**(2,400)**	–
Repayments of balances		**(130,208)**	**(3,582)**	**(34,168)**	**(167,958)**	–
Mortgages payable assumed by the purchaser	9	**(105,992)**	**–**	**–**	**(105,992)**	–
Transfer of mortgages payable related to investment properties held for sale	9	**6,476**	**–**	**–**	**6,476**	276,350
Balance, end of period		**6,476**	**–**	**–**	**6,476**	276,350

7) JOINT VENTURES

Joint venture	Address	City/province	September 30, 2018 Ownership interest	December 31, 2017 Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec City, Quebec	**75%**	75%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec City, Quebec	**50%**	50%
Société en commandite Marais	Du Marais Street	Québec City, 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 nine-month period ended September 30, 2018 $	For the year ended December 31, 2017 $
Investments in joint ventures, beginning of period	**86,299**	90,194
Contributions to the capital of the joint ventures	**1,931**	–
Share of joint ventures' net income	**4,093**	5,276
Cash distributions by a joint venture	**–**	(250)
Acquisition of an additional interest in a joint venture	**–**	21,190
Business combination	**–**	(30,111)
Investments in joint ventures, end of period	**92,323**	86,299

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

	Proportionate share of joint ventures' net assets as at September 30, 2018	September 30, 2018	December 31, 2017
	$	$	$
Income properties	**164,821**	**233,669**	231,650
Properties under development	**7,153**	**14,307**	11,711
Land held for future development	**10,189**	**13,585**	13,501
Other assets	**2,082**	**3,081**	1,020
Mortgages payable	**(77,604)**	**(107,561)**	(109,918)
Bank borrowings[1]	**(12,500)**	**(25,000)**	(23,900)
Other liabilities	**(1,818)**	**(2,810)**	(4,502)
Net assets of the joint ventures	**92,323**	**129,271**	119,562

(1) Société en commandite Bouvier-Bertrand has a $25,000 credit facility, which is secured by the joint venturers.

	Quarter				Year-to-date (nine months)			
	Joint ventures		Cominar's proportionate share		Joint ventures		Cominar's proportionate share	
For the periods ended September 30	2018	2017	2018	2017	2018	2017	2018	2017
	$	$	$	$	$	$	$	$
Operating revenues	**5,893**	5,038	**4,155**	3,593	**17,731**	16,211	**12,402**	9,572
Operating expenses	**(2,191)**	(2,087)	**(1,584)**	(1,526)	**(7,530)**	(7,090)	**(5,307)**	(4,190)
Net operating income	**3,702**	2,951	**2,571**	2,067	**10,201**	9,121	**7,095**	5,382
Finance charges	**(1,411)**	(1,377)	**(992)**	(983)	**(4,196)**	(4,133)	**(2,965)**	(2,460)
Administrative expenses	**(34)**	(35)	**(19)**	(20)	**(71)**	(70)	**(37)**	(38)
Change in fair value	**—**	—	**—**	—	**—**	4,568	**—**	2,284
Net income	**2,257**	1,539	**1,560**	1,064	**5,934**	9,486	**4,093**	5,168

8) GOODWILL

	Note	Office properties	Retail properties	Industrial and flex properties	Total
		$	$	$	$
Balance as at December 31, 2017		79,496	44,648	15,838	139,982
Transfer to investment properties held for sale	6	(444)	(46)	(104)	(594)
Balance as at September 30, 2018		79,052	44,602	15,734	139,388

9) MORTGAGES PAYABLE

	Note	For the nine-month period ended September 30, 2018 $	Weighted average contractual rate	For the year ended December 31, 2017 $	Weighted average contractual rate
Balance, beginning of period		**2,153,896**	**4.22%**	2,045,957	4.37%
Mortgages payable contracted		**347,500**	**3.95%**	321,800	3.27%
Monthly repayments of principal		**(38,631)**	**—**	(63,727)	—
Repayments of balances		**(539,917)**	**4.79%**	(150,134)	4.94%
Mortgages payable assigned	6	**(105,992)**	**3.72%**	—	—
		1,816,856	**4.00%**	2,153,896	4.22%
Plus: Fair value adjustments on assumed mortgages payable		**794**		2,167	
Less: Deferred financing costs		**(6,736)**		(5,937)	
Balance, end of period(1)(2)		**1,810,914**		2,150,126	

1) As at September 30, 2018, includes $6,476 in mortgages payable related to the properties held for sale at that date.
2) As at December 31, 2017, includes $276,350 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 $3,568,186 [$4,025,062 as at December 31, 2017]. They bear annual contractual interest rates ranging from 2.52% to 6.94% [2.52% to 7.75% as at December 31, 2017], representing a weighted average contractual rate of 4.00% as at September 30, 2018 [4.22% as at December 31, 2017], and mature at various dates from November 2018 to April 2034. As at September 30, 2018, the weighted average effective interest rate was 4.10% [3.95% as at December 31, 2017].

As at September 30, 2018, 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, 2018 and December 31, 2017.

10) BANK BORROWINGS

As at September 30, 2018, Cominar had an unsecured renewable operating and acquisition credit facility of up to $700,000 maturing in August 2019. 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 September 30, 2018 and December 31, 2017. As at September 30, 2018, bank borrowings totalled $67,952 and cash available was $632,048.

11) 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 nine-month period ended September 30, 2018		For the year ended December 31, 2017	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**184,629,497**	**3,265,995**	182,334,562	3,234,693
Repurchase of units under NCIB	**(2,709,500)**	**(39,530)**	(730,900)	(10,380)
Exercise of options	**9,700**	**120**	3,900	57
Distribution reinvestment plan	**—**	**—**	2,887,370	39,717
Conversion of deferred units and restricted units	**10,554**	**148**	134,565	1,908
Units issued and outstanding, end of period	**181,940,251**	**3,226,733**	184,629,497	3,265,995

During the nine-month period ended September 30, 2018, Cominar repurchased 2,709,500 units under its normal course issuer bid of a maximum of 17,596,591 units, at an average price of $14.58, for a total consideration of $39,530, including transaction costs. Since the beginning of the NCIB, Cominar repurchased 3,440,400 units at an average weighted price of $14.50 for a total consideration of $49,910, including the transaction costs.

Restricted units

Restricted units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. When the vesting period is over, each restricted unit provides the right to receive one Cominar unit on the settlement date. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested three years after the date of the grant. For each cash distribution on Cominar units, an additional number of restricted units is granted to each participant. The fair value of restricted units is represented by the market value of Cominar units on the date of the grant.

Restricted units

	For the nine-month period ended September 30, 2018	For the year ended December 31, 2017
	Units	Units
Balance, beginning of period	**5,026**	5,250
Exercised	**(3,427)**	(697)
Granted	**1,135**	—
Accrued distributions	**155**	473
Balance, end of period	**2,889**	5,026
Vested restricted units, end of period	**225**	—

Deferred units

Deferred units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. Each vested deferred unit provides the right to receive one Cominar unit when the holder ceases to be a Cominar trustee, member of management or employee. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested at a rate of 33 1/3% per anniversary year of the grant date. Once a year, the deferred unit holder can convert his or her vested deferred units into Cominar units. For each cash distribution on Cominar units, an additional number of deferred units is granted to each participant. The fair value of deferred units is represented by the market value of Cominar units on the date of the grant.

Deferred units

	For the nine-month period ended September 30, 2018 Units	For the year ended December 31, 2017 Units
Balance, beginning of period	**175,748**	161,676
Exercised	**(7,127)**	(133,868)
Waived	**(1,107)**	—
Granted	**145,432**	122,045
Accrued distributions	**12,105**	25,895
Balance, end of period	**325,051**	175,748
Vested deferred units, end of period	**116,137**	56,858

Performance units

Performance units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. When the vesting period is over, each unit granted based on performance is multiplied by an adjustment factor according to the total return for Cominar's unitholders with respect to the total return of a reference group made up of entities comparable to Cominar. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested after three years from the grant date. For each cash distribution on Cominar units, an additional number of performance units is granted to each participant. The fair value of performance units is represented by the market value of Cominar units on the date of the grant.

Performance units

	For the nine-month period ended September 30, 2018 Units	For the year ended December 31, 2017 Units
Balance, beginning of period	**—**	—
Waived	**(2,148)**	—
Granted	**158,614**	—
Accrued distributions	**4,594**	—
Balance, end of period	**161,060**	—
Vested performance units, end of period	**—**	—

DISTRIBUTIONS TO UNITHOLDERS

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

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
	$	$	$	$
Distributions to unitholders	**32,749**	58,006	**110,981**	193,731
Distributions per unit	**0.1800**	0.3125	**0.6100**	1.0475

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

The following table presents the main components of operating revenues according to their nature:

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
	$	$	$	$
Lease revenue	**156,888**	185,184	**501,521**	568,081
Parking revenues	**4,970**	5,171	**15,267**	15,426
Revenues from other services	**10,807**	13,805	**41,789**	44,564
Total of operating revenues	**172,665**	204,160	**558,577**	628,071

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

13) FINANCE CHARGES

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
	$	$	$	$
Interest on mortgages payable	**18,291**	21,712	**59,603**	66,678
Interest on debentures	**18,270**	18,296	**54,809**	59,654
Interest on bank borrowings	**1,079**	5,232	**6,379**	9,171
Net amortization of premium and discount on debenture issues	**(130)**	(152)	**(390)**	(567)
Amortization of deferred financing costs and other costs	**887**	792	**2,633**	2,694
Amortization of fair value adjustments on assumed borrowings	**(68)**	(1,384)	**(1,372)**	(4,192)
Less: Capitalized interest(1)	**(1,956)**	(2,636)	**(5,818)**	(7,525)
Total finance charges	**36,373**	41,860	**115,844**	125,913

(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 2018 was 4.16% [4.16% in 2017].

14) TRUST ADMINISTRATIVE EXPENSES

For the periods ended September 30	Quarter		Year-to-date (nine months)	
	2018	2017	2018	2017
	$	$	$	$
Salaries and other benefits	**2,515**	3,047	**8,564**	9,288
Compensation related to the long-term incentive plan	**540**	322	**1,687**	1,385
Professional fees	**166**	338	**579**	1,105
Public company costs	**187**	176	**491**	545
Governance and strategic alternatives consulting fees	**—**	—	**3,529**	—
Other	**906**	1,277	**2,299**	2,246
	4,314	5,160	**17,149**	14,569

Trust administrative expenses for the nine-month period ended September 30, 2018 include governance and strategic alternatives consulting fees. These fees are non-recurring and result from the work carried out for the implementation of various governance improvement initiatives, as well as strategic alternatives.

15) TRANSACTION COSTS

The following table presents the transaction costs related to the sale of a 95 property portfolio completed on March 27, 2018, for an amount of $1,140,000:

	For the quarter ended September 30, 2018	For the nine-month period ended September 30, 2018
	$	$
Brokerage fees	**—**	**5,700**
Professional fees	**—**	**2,374**
Assumed head leases	**—**	**4,201**
Penalties on debt repayment	**—**	**945**
Closing adjustments	**—**	**6,161**
Others	**—**	**600**
Total	**—**	**19,981**

16) PER UNIT CALCULATION BASIS

The following table provides a reconciliation of the weighted average number of units outstanding used to calculate basic and diluted net income per unit for the periods indicated:

For the periods ended September 30	Quarter		Year-to-date (nine months)	
	2018	2017	2018	2017
	Units	Units	Units	Units
Weighted average number of units outstanding – basic	**182,055,805**	185,034,392	**182,186,824**	183,850,985
Dilutive effect related to the long-term incentive plan	**174,213**	79,488	**174,392**	120,378
Weighted average number of units outstanding – diluted	**182,230,018**	185,113,880	**182,361,216**	183,971,363

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 11,656,267 options outstanding for the quarter ended September 30, 2018 [13,807,317 options in 2017] and of 12,135,111 options outstanding for the nine-month period ended September 30, 2018 [11,868,806 in 2017], due to the fact that the exercise price of the options, including the unrecognized portion of the related compensation expense, is higher than the average price of the units.

17) SUPPLEMENTAL CASH FLOW INFORMATION

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2018	2017	2018	2017
	$	$	$	$
Accounts receivable	**5,584**	1,377	**6,670**	(1,587)
Prepaid expenses	**22,896**	25,488	**(36,110)**	(36,490)
Accounts payable and accrued liabilities	**7,803**	11,888	**7,236**	6,725
Tax liabilities to be paid	**—**	—	**6,391**	—
Changes in non-cash working capital items	**36,283**	38,753	**(15,813)**	(31,352)
Other information				
Accounts payable and accrued liabilities relating to investing activities	**15,655**	12,728	**15,655**	12,728
Accounts receivable relating to investing activities	**4,014**	24,044	**4,014**	24,044

18) RELATED PARTY TRANSACTIONS

During fiscal 2017, Michel Dallaire and Alain Dallaire were members of Cominar's management team and trustees, and exercised indirect control over the activities of Groupe Dallaire Inc. and Dalcon Inc. (the "related companies"). On January 1, 2018, Sylvain Cossette was appointed as President and Chief Executive Officer of Cominar to replace Michel Dallaire. On the same day, Sylvain Cossette was appointed as trustee of Cominar to fill the vacancy created by the resignation of Alain Dallaire. On February 12, 2018, Alban D'Amours was appointed as Chairman of Cominar's Board of Trustees following the departure of Michel Dallaire. While Alain Dallaire has a passive indirect economic interest in Groupe Dallaire, he is neither an employee nor a director of Groupe Dallaire. Therefore, as from that date, Groupe Dallaire Inc. and Dalcon Inc. are no longer considered related parties according to IFRS.

In 2017 and until February 11, 2018, Cominar entered into transactions with those related companies in the normal course of business, the details of which are as follows:

	Note	For the period ended February 11, 2018	For the nine-month period ended September 30, 2018
		$	$
Investment properties – Capital costs		**28,098**	94,693
Acquisition of an additional ownership interest in the joint venture Société en commandite Chaudière-Duplessis		**—**	10,016
Investment properties held by joint ventures – Capital costs		**558**	1,955
Collection of a mortgage receivable		**—**	(8,250)
Acquisition of additional ownership interest in a joint venture		**—**	21,190
Share of joint ventures' net income	7	**506**	5,168
Net rental revenue from investment properties		**40**	226
Interest income		**—**	140

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 third quarter of 2018 and fiscal year 2017.

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

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

CLASSIFICATION

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

		As at September 30, 2018		As at December 31, 2017	
		Carrying amount	Fair value	Carrying amount	Fair value
	Level	$	$	$	$
Recurring valuations of non-financial assets					
Income properties	3	**6,413,874**	**6,413,874**	6,239,383	6,239,383
Investment properties held for sale	3	**44,200**	**44,200**	1,143,500	1,143,500
Land held for future development	3	**93,751**	**93,751**	91,580	91,580
Financial liabilities					
Mortgages payable	2	**1,810,914**	**1,815,265**	2,150,126	2,153,043
Debentures	2	**1,722,334**	**1,721,953**	1,721,577	1,739,278

20) SEGMENT INFORMATION

Cominar's activities include a diversified portfolio of three property types located in the Province of Quebec and in Ottawa. 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* columns reconcile the segment information including the proportionate share in assets, liabilities, revenues and charges, to the information presented in these condensed interim consolidated financial statements, where the investments in joint ventures are accounted for using the equity method.

The following tables provide financial information on Cominar's three property types:

For the quarter ended	Office properties	Retail properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Condensed interim consolidated financial statements
September 30, 2018	$	$	$	$	$	$
Rental revenue from investment properties	**74,495**	**64,997**	**37,328**	**176,820**	**(4,155)**	**172,665**
Net operating income	**36,002**	**34,492**	**23,054**	**93,548**	**(2,571)**	**90,977**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**1,560**	**1,560**
September 30, 2017	$	$	$	$	$	$
Rental revenue from investment properties	91,082	77,260	39,411	207,753	(3,593)	204,160
Net operating income	45,853	41,463	24,931	112,247	(2,067)	110,180
Share of joint ventures' net income	—	—	—	—	1,064	1,064

For the nine-month period ended	Office properties	Retail properties	Industrial and flex properties	Cominar's proportionate share	Joint ventures	Condensed interim consolidated financial statements
September 30, 2018	$	$	$	$	$	$
Rental revenue from investment properties	**242,679**	**208,475**	**119,825**	**570,979**	**(12,402)**	**558,577**
Net operating income	**115,291**	**104,747**	**68,393**	**288,431**	**(7,095)**	**281,336**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**4,093**	**4,093**
September 30, 2017	$	$	$	$	$	$
Rental revenue from investment properties	278,625	234,440	124,578	637,643	(9,572)	628,071
Net operating income	137,135	121,218	72,579	330,932	(5,382)	325,550
Share of joint ventures' net income	—	—	—	—	5,168	5,168

As at September 30, 2018	Office properties $	Retail properties $	Industrial and flex properties $	Cominar's proportionate share $	Joint ventures $	Condensed interim consolidated financial statements $
Income properties	**2,579,849**	**2,638,031**	**1,360,815**	**6,578,695**	**(164,821)**	**6,413,874**
Investment properties held for sale	**16,100**	**2,100**	**26,000**	**44,200**	**—**	**44,200**
Investments in joint ventures	**—**	**—**	**—**	**—**	**92,323**	**92,323**

As at December 31, 2017	$	$	$	$	$	$
Income properties	2,515,974	2,540,651	1,346,233	6,402,858	(163,475)	6,239,383
Investment properties held for sale	600,552	381,707	161,241	1,143,500	—	1,143,500
Investments in joint ventures	—	—	—	—	86,299	86,299

21) SUBSEQUENT EVENTS

On October 15, 2018, Cominar declared a monthly distribution of $0.06 per unit, payable on November 15, 2018.

On November 5, 2018, Cominar announced the appointment of Heather C. Kirk as Executive Vice President and Chief Financial Officer effective December 3, 2018.

The current normal course issuer bid ("NCIB") of a maximum of 17,596,591 units will expire on November 14, 2018. Cominar's Board of Trustees authorized the application to renew for an additional year the NCIB for a maximum of 10% of the units held by the public. The renewal of this NCIB is subject to the Toronto Stock Exchange approval.

CORPORATE INFORMATION

BOARD OF TRUSTEES

Alban D'Amours, CM, GOQ, LH, Fellow Adm.A. (5)

Corporate Director
Chairman of the Board of Trustees

Luc Bachand (1)(4)

Corporate Director

Sylvain Cossette, B.C.L., L.L.M.

President and Chief Executive Officer
Cominar Real Estate Investment Trust

Johanne M. Lépine (2)(3)

President and Chief Executive Officer
Aon Parizeau Inc.

Michel Théroux, FCPA, FCA (1)(3)

Corporate Director

Claude Dussault, B. Sc. (1)(2)

President
Placements ACVA Inc.

Paul Campbell (3)(4)

Corporate Director

René Tremblay (2)(4)

Corporate Director

Heather C. Kirk, B. Com., CFA (1)(4)

Corporate Director

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Nomination and Governance Committee
(4) Member of the Investment Committee
(5) Systematically attends all committee meetings

KEY OFFICERS

Sylvain Cossette, B.C.L., L.L.M.

President and Chief Executive Officer

Alain Dallaire

Executive Vice President and
Chief Operating Officer

Gilles Hamel, CPA, CA

Executive Vice President and
Chief Financial Officer

Marie-Andrée Boutin, MBA

Executive Vice President, Strategy and Operations
Retail

Wally Commisso

Executive Vice President,
Operations and Property Management

Todd Bechard, CPA, CMA, CFA

Executive Vice President, Acquisitions

Jean Laramée, Eng.

Executive Vice President, Development

Michael Racine

Executive Vice President, Leasing
Office and Industrial

Manon Deslauriers

Vice President, Legal Affairs and
Corporate Secretary

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 2017, 89.72% 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