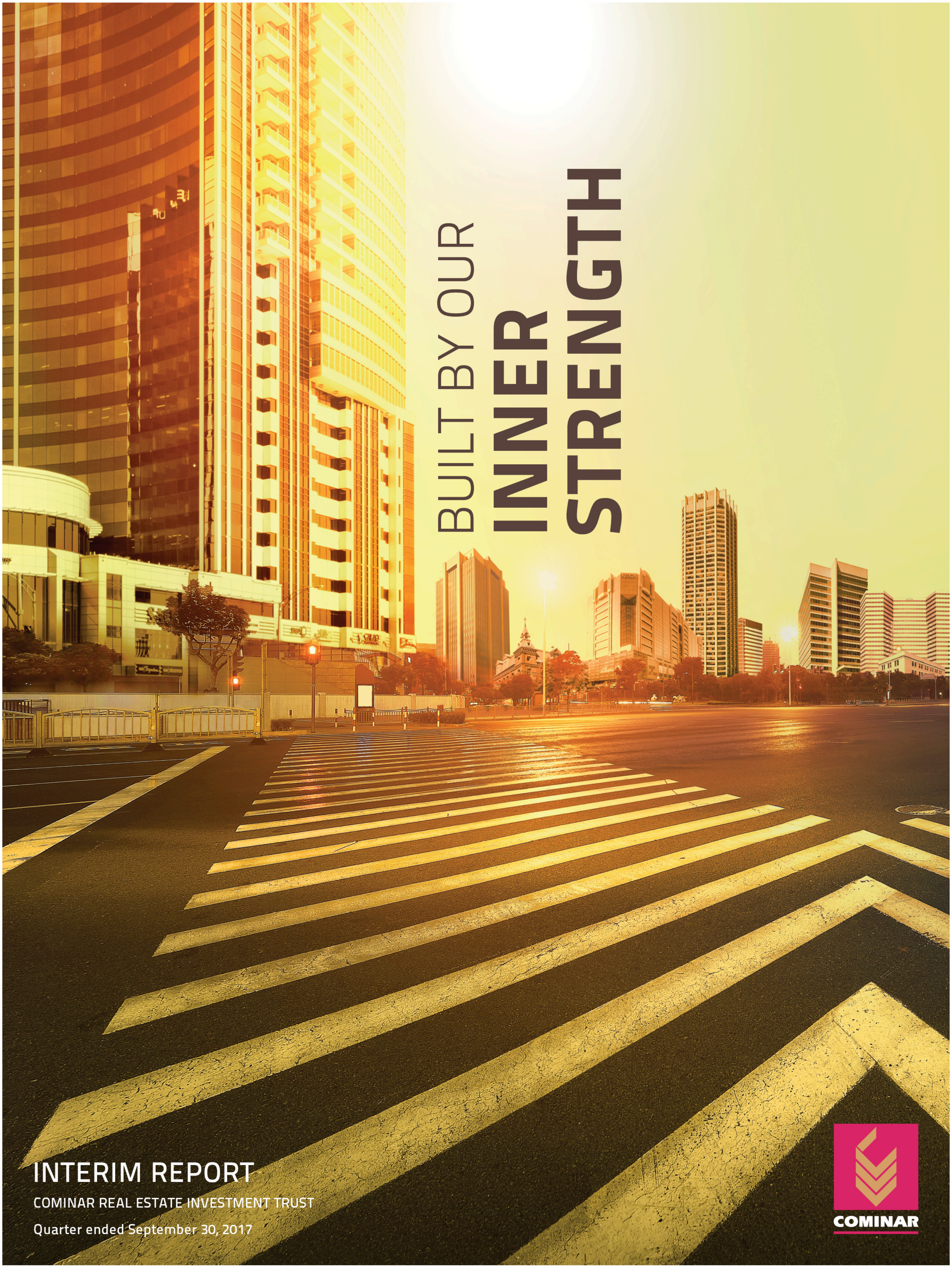

INTERIM REPORT

COMINAR REAL ESTATE INVESTMENT TRUST

Quarter ended September 30, 2017

TABLE OF CONTENTS

MESSAGE TO UNITHOLDERS

In the quarter, we implemented significant key measures, which we believe place Cominar on sounder ground for the future. In effect, two significant events, which occurred during the quarter, being the downgrade of our senior unsecured debentures to BB high, and the negative impact to our results and operations from the anticipated closing of all the Sears stores in our portfolio, required us to revise our strategy and take action, which we did promptly.

Over the past quarters, we completed various key initiatives, including property sales, to strengthen our balance sheet and enhance our flexibility. Reducing our indebtedness has been and remains a constant primary goal.

As a result of the downgrade by DBRS of our credit rating on August 4, 2017, we ceased to be constrained by the need to maintain our extra provincial geographic diversification as we were required to in support of our prior investment grade rating. Liberated from this constraint, we rapidly announced our decision to reduce our long term debt target to 48% and to sell all properties located outside the Province of Québec and Ottawa region having an estimated fair value approximating $1.2 billion, and to concentrate our business in our core market where we enjoy a dominant position and where we achieve the most synergies from our highly internalized leasing and operations platform. From the sales proceeds, we announced that $875 million would be used to reduce our debt level, and that $125 million would be used for the repurchase of units under a normal course issuer bid.

On August 3, 2017, we also announced the suspension of our distribution reinvestment plan (DRIP) and a reduction in our annual per unit distribution to $1.14. Over the months which preceded this announcement, the price of our units settled to a level where it had become unfeasible for us to continue issuing units under our DRIP in payment of our distributions. The suspension of our DRIP, combined with the impact of the Sears stores closings, led us to review the amount of our distributions in order to restore the flexibility required for our operations.

The third quarter was also marked by the continuing efforts of our leasing teams, which have since the beginning of the year, renewed 59% of the leases maturing in 2017 and signed new leases for 2.8 million square feet. These renewals and new leases cover on a combined basis at the end of the quarter 93.5% of the total leasable area maturing in 2017. We continue to maintain an aggressive leasing strategy in the regions or in respect of those properties where we are required to do so to favour our occupancy rate.

During the quarter, we also announced that Sylvain Cossette would be taking the executive helm of Cominar as President and Chief Executive Officer commencing on January 1, 2018, while I will continue to contribute to the success of Cominar through my ongoing role as Chairman of the Board of Trustees. Sylvain’s significant real estate expertise and his deep knowledge of Cominar make him the best person to ensure the continuity of Cominar.

On a personal note, I wish to thank all of our clients, unitholders, employees and other stakeholders for their extraordinary support over the years. I have been privileged to work with a talented and dedicated team, and I have every reason to believe in the future of Cominar.

Michel Dallaire, Eng.
Chief Executive Officer
and Chairman of the Board of Trustees

November 9, 2017

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Interim Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the quarter ended September 30, 2017, in comparison with the corresponding quarter of 2016, as well as its financial position as at that date and its outlook. Dated November 9, 2017, 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 2016 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.

HIGHLIGHTS OF THE QUARTER ENDED SEPTEMBER 30, 2017

INCREASE IN THE RETENTION RATE TO

59.2%

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

0.7%

COMMITTED LEASES BEGINNING IN THE COMING QUARTERS

1.3 million sq. ft.

DECREASE IN THE CASH PAYOUT RATIO

93.5%

INCREASE IN THE OCCUPANCY RATE OF CORE MARKETS TO

92.6%

INCREASE IN THE SAME PROPERTY NET OPERATING INCOME OF CORE MARKETS

1.3%

SUBSEQUENT EVENTS

On October 16, 2017, Cominar declared a monthly distribution of $0.095 per unit, payable on November 15, 2017.

On October 27, 2017, Cominar entered into a 1-year term loan of $100 million, secured by a mortgage on a property. This loan payable bears interest at prime rate plus 85 basis points or at the bankers' acceptance rate plus 185 basis points.

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 2017 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 tense, 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 2016 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, reduce 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;
- **Adjusted funds from operations ("AFFO") per unit**, which, by excluding the rental income arising from the recognition of leases on a straight-line basis, the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations and a provision for leasing costs, provides a meaningful measure of Cominar's ability to generate steady profits;
- **Adjusted cash flows 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;
- **Occupancy rate**, which gives an indication of the economic health of the geographical regions and sectors in which Cominar owns properties;
- **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 our capacity to increase our rental revenue;
- **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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Quarter			Year-to-date (nine months)			
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ	Page
FINANCIAL PERFORMANCE							
Operating revenues – Financial statements	**204,160**	217,946	(6.3)	**628,071**	656,632	(4.3)	16
Operating revenues – Cominar's proportionate share(1)	**207,753**	220,371	(5.7)	**637,643**	664,087	(4.0)	16
Net operating income(1) – Financial statements	**110,180**	124,569	(11.6)	**325,550**	354,308	(8.1)	17
Net operating income(1) – Cominar's proportionate share	**112,247**	126,055	(11.0)	**330,932**	358,564	(7.7)	17
Same property net operating income(1)	**110,706**	111,162	(0.4)	**325,882**	333,778	(2.4)	17
Net income	**63,981**	77,529	(17.5)	**189,531**	215,397	(12.0)	20
Adjusted net income	**63,981**	66,805	(4.2)	**187,247**	204,673	(8.5)	20
Recurring funds from operations(1)	**65,287**	68,511	(4.7)	**191,197**	209,147	(8.6)	21
Recurring adjusted funds from operations(1)	**55,414**	58,783	(5.7)	**164,199**	182,725	(10.1)	21
Cash flows provided by operating activities – Financial Statements	**100,702**	120,213	(16.2)	**151,754**	182,059	(16.6)	22
Recurring adjusted cash flows from operations(1)	**54,924**	54,181	1.4	**164,579**	185,385	(11.2)	22
Distributions	**58,006**	63,513	(8.7)	**193,731**	187,300	3.4	23
Total assets				**8,441,823**	8,287,785	1.9	15
PER UNIT FINANCIAL PERFORMANCE							
Net income (basic and diluted)	**0.35**	0.46	(23.9)	**1.03**	1.27	(18.9)	20
Adjusted net income (diluted)	**0.35**	0.39,	(10.3)	**1.02**	1.21	(15.7)	20
Recurring funds from operations (FD)(1)(2)	**0.35**	0.40	(12.5)	**1.04**	1.23	(15.4)	21
Recurring adjusted funds from operations (FD)(1)(2)	**0.30**	0.35	(14.3)	**0.89**	1.08	(17.6)	21
Recurring adjusted cash flows from operations (FD)(1)(2)	**0.30**	0.32	(6.3)	**0.89**	1.09	(18.3)	22
Distributions	**0.3125**	0.3675	(15.0)	**1.0475**	1.1025	(5.0)	23
Payout ratio of recurring adjusted cash flows from operations(1)	**104.2%**	114.8%	(9.2)	**117.7%**	101.1%	16.36	22
Cash payout ratio of recurring adjusted cash flows from operations(1)	**93.5%**	106.9%	(12.5)	**93.5%**	98.8%	(5.4)	22
FINANCING							
Debt ratio(3)				**52.6%**	51.8%		26
Interest coverage ratio(4)				**2.50:1**	2.71:1		26
Weighted average interest rate on total debt				**4.12%**	4.23%		25
Residual weighted average term of total debt (years)				**4.0**	4.6		25
Unsecured debts-to-total-debt ratio(5)				**53.3%**	52.4%		26
Unencumbered income properties				**3,594,842**	3,758,270		26
Unencumbered assets to unsecured debt ratio(6)				**1.52:1**	1.67:1		26
OPERATIONAL DATA							
Number of investment properties				**523**	539		27
Leasable area (in thousands of sq. ft.)				**44,075**	44,843		27
Occupancy rate				**92.2%**	92.2%		29
Retention rate				**59.2%**	55.2%		30
Growth in the average net rent of renewed leases				**0.7%**	1.0%		30
DEVELOPMENT ACTIVITIES							
Properties under development – Cominar's proportionate share(1)				**96,114**	68,980		13

(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(2) Fully diluted.
(3) Total of cash and cash equivalents, bank borrowings, mortgages payable and debentures divided by the total assets minus the total of cash and cash equivalents.
(4) Net operating income less Trust administrative expenses divided by finance charges.
(5) Unsecured debt divided by total debt.
(6) Fair value of unencumbered income properties divided by the unsecured debt.

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, 2017**	June 30, 2017	March 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015
Operating revenues – Financial statements	**204,160**	209,955	213,956	210,350	217,946	217,262	221,424	217,049
Operating revenues – Cominar's proportionate share(4)	**207,753**	213,032	216,858	213,008	220,371	219,859	223,857	219,201
Net operating income(4) – Financial statements	**110,180**	109,487	105,883	114,301	124,569	116,069	113,670	122,775
Net operating income(4) – Cominar's proportionate share	**112,247**	111,268	107,417	115,790	126,055	117,456	115,053	123,958
Net income	**63,981**	65,837	59,713	26,341(1)	77,529(2)	69,787	68,081	53,000(1)
Adjusted net income(4)	**63,981**	63,553	59,713	67,996	66,805	69,787	68,081	77,244
Recurring FFO(4)	**65,287**	64,902	61,008	69,423	68,511	71,359	69,277	78,169
Recurring AFFO(4)(5)	**55,414**	56,312	52,473	59,213	58,782	62,908	61,034	68,977
Cash flows provided by operating activities – Financial statements	**100,702**	11,546	35,753	102,031	120,213	23,214	38,632	107,679
Recurring adjusted cash flows from operations(4)	**54,924**	59,275	50,380	60,601	54,181	65,614	65,592	69,867
Distributions	**58,006**	68,079	67,646	67,156	63,513	61,817	61,970	63,198
PER UNIT								
Net income (basic and diluted)	**0.35**	0.36	0.33	0.14(1)	0.46	0.41	0.40	0.31(1)
Adjusted net income (diluted)(4)	**0.35**	0.35	0.33	0.37	0.39	0.41	0.40	0.45
Recurring FFO (FD)(3)(4)	**0.35**	0.35	0.33	0.38	0.40	0.42	0.41	0.46
Recurring AFFO (FD)(3)(4)	**0.30**	0.31	0.29	0.33	0.35	0.37	0.36	0.41
Recurring adjusted cash flows from operations (FD)(3)(4)	**0.30**	0.32	0.30	0.33	0.32	0.39	0.39	0.41
Distributions	**0.3125**	0.3675	0.3675	0.3675	0.3675	0.3675	0.3675	0.3675

(1) Includes the change in fair value of investment properties of-$46.7 million in 2016 [-$23.3 million in 2015].

(2) Includes the net proceeds of $10.7 million from the settlement approved by the court between Target Canada and its creditors.

(3) Fully diluted

(4) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.

(5) Following the publication by REALpac of a White Paper on AFFO effective January 1, 2017, the amounts for 2016 and 2015 have been restated to comply with the REALpac definition.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is one of the largest diversified REITs in Canada and remains the largest commercial property owner and manager in the province of Quebec. As at September 30, 2017, Cominar owned and managed a high-quality portfolio of 523 properties including 134 office buildings, 154 retail buildings and 235 industrial and mixed-use buildings located in Quebec, Ontario, the Atlantic Provinces and Western Canada, representing a total leasable area of 44.1 million square feet. Cominar's properties are mostly situated in prime locations and benefit from high visibility and easy access by both our tenants and their clients.

Since its inception in 1998, Cominar has made a series of acquisitions and completed numerous construction and property development projects, increasing the value of its assets to $8.4 billion as at September 30, 2017.

Cominar's asset and property management is internalized. Cominar is an integrated and self-managed real estate investment operation. This property management structure enables us to rapidly and efficiently respond to our clients' needs, while minimizing our operating cost.

PROPERTY SUMMARY AS AT SEPTEMBER 30, 2017

Segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	134	14,657,000	89.1
Retail	154	12,048,000	93.2
Industrial and mixed-use	235	17,370,000	94.2
TOTAL	**523**	**44,075,000**	**92.2**

OBJECTIVES AND STRATEGY

Cominar's primary objectives are to provide unitholders with stable and growing monthly cash distributions which are tax deferred, from investments in a diversified portfolio of properties, and to increase and maximize unit value through the proactive management of properties and the ongoing expansion of its real estate portfolio.

On August 22, 2017, Cominar announced its debt reduction plan through the sale of properties, to concentrate its activities on its core markets being the Province of Quebec and Ottawa, and to pursue the following initiatives:

1) to sell its properties located in regions outside its core markets which have an estimated fair value exceeding $1.2 billion;

2) to use the majority of the sales proceeds to reduce its debt-to-gross book value to below 48%, which becomes its new long-term target;

3) to use a portion of the sales proceeds to purchase for cancellation its units, depending on market conditions; and

4) to reinvest the balance of the sales proceeds in acquisitions and developments in its core markets.

This plan will enable Cominar to capitalize on its leading position in these core markets, and support our acquisition and development opportunities which continues to be an integral part of our growth strategy.

The Board of Trustees of Cominar has authorized a normal course issuer bid to purchase for cancellation a maximum of 9,000,000 outstanding units of the REIT. This normal course issuer bid is subject to the approval of the Toronto Stock Exchange.

Cominar is the third largest diversified real estate investment trust in Canada and its portfolio currently totals 44.1 million square feet spread out across Quebec, Ontario, the Atlantic Provinces and Western Canada. Cominar is the largest commercial property owner in the Province of Quebec in each of its three asset segments, being office, retail and industrial. While the REIT will remain diversified by asset type, it will no longer be constrained by the requirement to be geographically diversified in support of an investment grade rating. The REIT will continue to benefit from the diversification resulting from its three very distinct core markets, Montréal, Québec and Ottawa.

This focus will allow the REIT to capitalize on its leading position in its core markets. The highly internalized management platform in the core markets further enhance its competitive advantage and operating synergies. It will also allow the REIT to focus its growth and developments in the markets where the competitive advantage exists.

RECONCILIATIONS TO COMINAR'S PROPORTIONATE SHARE

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

	As at September 30, 2017			As at December 31, 2016		
	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	**7,866,151**	**150,101**	**8,016,252**	7,676,134	99,197	7,775,331
Properties under development	**78,760**	**17,354**	**96,114**	45,776	17,871	63,647
Land held for future development	**114,677**	**11,174**	**125,851**	90,820	41,288	132,108
	8,059,588	**178,629**	**8,238,217**	7,812,730	158,356	7,971,086
Income properties held for sale	**—**	**—**	**—**	143,130	—	143,130
Investments in joint ventures	**86,191**	**(86,191)**	**—**	90,194	(90,194)	—
Goodwill	**166,971**	**—**	**166,971**	166,971	—	166,971
Mortgage receivable	**—**	**—**	**—**	8,250	—	8,250
Accounts receivable	**68,149**	**(382)**	**67,767**	42,518	305	42,823
Prepaid expenses and other assets	**51,644**	**986**	**52,630**	14,139	88	14,227
Cash and cash equivalents	**9,280**	**176**	**9,456**	9,853	692	10,545
Total assets	**8,441,823**	**93,218**	**8,535,041**	8,287,785	69,247	8,357,032
LIABILITIES						
Mortgages payable	**2,073,466**	**79,825**	**2,153,291**	2,048,009	56,437	2,104,446
Debentures	**1,721,336**	**—**	**1,721,336**	1,970,566	—	1,970,566
Bank borrowings	**647,115**	**11,450**	**658,565**	332,121	10,800	342,921
Accounts payable and accrued liabilities	**117,413**	**1,943**	**119,356**	109,861	2,010	111,871
Deferred tax liabilities	**12,420**	**—**	**12,420**	11,715	—	11,715
Distributions payable to unitholders	**17,597**	**—**	**17,597**	—	—	—
Total liabilities	**4,589,347**	**93,218**	**4,682,565**	4,472,272	69,247	4,541,519
UNITHOLDERS' EQUITY						
Unitholders' equity	**3,852,476**	**—**	**3,852,476**	3,815,513	—	3,815,513
Total liabilities and unitholders' equity	**8,441,823**	**93,218**	**8,535,041**	8,287,785	69,247	8,357,032

(1) Non-IFRS financial measure.

For the quarters ended September 30	2017			2016		
	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	**204,160**	**3,593**	**207,753**	217,946	2,425	220,371
Operating expenses	**(93,980)**	**(1,526)**	**(95,506)**	(93,377)	(939)	(94,316)
Net operating income	**110,180**	**2,067**	**112,247**	124,569	1,486	126,055
Finance charges	**(41,860)**	**(983)**	**(42,843)**	(43,243)	(682)	(43,925)
Trust administrative expenses	**(5,160)**	**(20)**	**(5,180)**	(4,252)	(5)	(4,257)
Share of joint ventures' net income	**1,064**	**(1,064)**	**—**	799	(799)	—
Income before income taxes	**64,224**	**—**	**64,224**	77,873	—	77,873
Income taxes	**(243)**	**—**	**(243)**	(344)	—	(344)
Net income and comprehensive income	**63,981**	**—**	**63,981**	77,529	—	77,529

(1) Non-IFRS financial measure.

For the nine-month periods ended September 30	2017			2016		
	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	**628,071**	**9,572**	**637,643**	656,632	7,455	664,087
Operating expenses	**(302,521)**	**(4,190)**	**306,711**	(302,324)	(3,199)	(305,523)
Net operating income	**325,550**	**5,382**	**330,932**	354,308	4,256	358,564
Finance charges	**(125,913)**	**(2,460)**	**(128,373)**	(128,163)	(1,999)	(130,162)
Trust administrative expenses	**(14,569)**	**(38)**	**(14,607)**	(12,229)	(46)	(12,275)
Share of joint ventures' net income	**5,168**	**(5,168)**	**—**	2,211	(2,211)	—
Change in fair value of investment properties	**—**	**2,284**	**2,284**	—	—	—
Income before income taxes	**190,236**	**—**	**190,236**	216,127	—	216,127
Income taxes	**(705)**	**—**	**(705)**	(730)	—	(730)
Net income and comprehensive income	**189,531**	**—**	**189,531**	215,397	—	215,397

(1) 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, 2017, and December 31, 2016, as shown in our consolidated financial statements:

	September 30, 2017	December 31, 2016	$ Δ	% Δ
ASSETS				
Investment properties				
Income properties	**7,866,151**	7,676,134	190,017	2.5
Properties under development	**78,760**	45,776	32,984	72.1
Land held for future development	**114,677**	90,820	23,857	26.3
	8,059,588	7,812,730	246,858	3.2
Income properties held for sale	**—**	143,130	(143,130)	(100.0)
Investments in joint ventures	**86,191**	90,194	(4,003)	(4.4)
Goodwill	**166,971**	166,971	—	—
Mortgage receivable	**—**	8,250	(8,250)	(100.0)
Accounts receivable	**68,149**	42,518	25,631	60.3
Prepaid expenses and other assets	**51,644**	14,139	37,505	265.3
Cash and cash equivalents	**9,280**	9,853	(573)	(5.8)
Total assets	**8,441,823**	8,287,785	154,038	1.9
LIABILITIES				
Mortgages payable	**2,073,466**	2,048,009	25,457	1.2
Debentures	**1,721,336**	1,970,566	(249,230)	(12.6)
Bank borrowings	**647,115**	332,121	314,994	94.8
Accounts payable and accrued liabilities	**117,413**	109,861	7,552	6.9
Deferred tax liabilities	**12,420**	11,715	705	6.0
Distributions payable to unitholders	**17,597**	—	17,597	—
Total liabilities	**4,589,347**	4,472,272	117,075	2.6
UNITHOLDERS' EQUITY				
Unitholders' equity	**3,852,476**	3,815,513	36,963	1.0
Total liabilities and unitholders' equity	**8,441,823**	8,287,785	154,038	1.9

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table indicates the main changes in our results of operations for the periods ended September 30, 2017 and 2016, as shown in our condensed interim consolidated financial statements:

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Operating revenues	**204,160**	217,946	(6.3)	**628,071**	656,632	(4.3)
Operating expenses	**(93,980)**	(93,377)	0.6	**(302,521)**	(302,324)	0.1
Net operating income	**110,180**	124,569	(11.6)	**325,550**	354,308	(8.1)
Finance charges	**(41,860)**	(43,243)	(3.2)	**(125,913)**	(128,163)	(1.8)
Trust administrative expenses	**(5,160)**	(4,252)	21.4	**(14,569)**	(12,229)	19.1
Share of joint ventures' net income	**1,064**	799	33.2	**5,168**	2,211	133.7
Income taxes	**(243)**	(344)	(29.4)	**(705)**	(730)	(3.4)
Net income	**63,981**	77,529	(17.5)	**189,531**	215,397	(12.0)

OPERATING REVENUES

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Operating revenues – Financial statements	**204,160**	217,946	(6.3)	**628,071**	656,632	(4.3)
Operating revenues – Joint ventures	**3,593**	2,425	48.2	**9,572**	7,455	28.4
Operating revenues – Cominar's proportionate share[(1)]	**207,753**	220,371	(5.7)	**637,643**	664,087	(4.0)

(1) Non-IFRS financial measure.

During the third quarter of 2017, operating revenues according to the financial statements decreased by 6.3% [5.7% according to Cominar's proportionate share] compared with the same period of 2016, primarily due to the dispositions of income properties completed in 2016 and 2017 and to the non-recurring net proceeds of $10.7 million obtained in 2016 from the settlement of the claim against Target.

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Same property portfolio – Financial statements	**202,277**	201,885	0.2	**620,716**	626,396	(0.9)
Same property portfolio – Joint ventures	**3,411**	2,291	48.9	**9,025**	7,257	24.4
Same property portfolio[(1)] – Cominar's proportionate share[(2)]	**205,688**	204,176	0.7	**629,741**	633,653	(0.6)
Acquisitions, developments and dispositions – Financial statements	**1,883**	16,061	(88.3)	**7,355**	30,236	(75.7)
Acquisitions and developments – Joint ventures	**182**	134	35.8	**547**	198	176.3
Operating revenues – Cominar's proportionate share[(2)]	**207,753**	220,371	(5.7)	**637,643**	664,087	(4.0)

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2015, except for the properties sold in 2016 and 2017, but does not include the results of properties acquired and those under development in 2016 and 2017.
(2) Non-IFRS financial measure.

During the third quarter of 2017, operating revenues of the same property portfolio according to the financial statements increased by 0.2% [0.7% according to Cominar's proportionate share] compared with the same period of 2016. This increase is due to an increase in the in-place occupancy rate in the retail and industrial segments, partially offset by a decrease in the in-place occupancy rate in the office segment.

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, 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.

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Net operating income – Financial statements	**110,180**	124,569	(11.6)	**325,550**	354,308	(8.1)
Net operating income – Joint ventures	**2,067**	1,486	39.1	**5,382**	4,256	26.5
Net operating income – Cominar's proportionate share[(1)]	**112,247**	126,055	(11.0)	**330,932**	358,564	(7.7)

(1) Non-IFRS financial measure.

During the third quarter of 2017, NOI according to the financial statements decreased by 11.6% [11.0% according to Cominar's proportionate share] from the same period of 2016. This decrease is due mainly to the non-recurring net proceeds of $10.7 million obtained in 2016 from the settlement of the claim against Target and to the dispositions of income properties completed in 2016 and 2017.

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Same property portfolio – Financial statements	**108,758**	109,762	(0.9)	**320,857**	329,648	(2.7)
Same property portfolio – Joint ventures	**1,948**	1,400	39.1	**5,025**	4,130	21.7
Same property portfolio[(1)] – Cominar's proportionate share[(2)]	**110,706**	111,162	(0.4)	**325,882**	333,778	(2.4)
Acquisitions, developments and dispositions – Financial statements	**1,422**	14,807	(90.4)	**4,693**	24,660	(81.0)
Acquisitions and developments – Joint ventures	**119**	86	38.4	**357**	126	183.3
Net operating income – Cominar's proportionate share[(2)]	**112,247**	126,055	(11.0)	**330,932**	358,564	(7.7)

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2015, except for the properties sold in 2016 and 2017, but does not include the results of properties acquired and those under development in 2016 and 2017.

(2) Non-IFRS financial measure.

Same property net operating income according to Cominar's proportionate share decreased by 0.4% during the third quarter of 2017 from the same period of 2016. This $0.5 million decrease is due to an increase by the same amount in bad debts as a result of the bankruptcy of some tenants.

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.

Following the implementation of its new strategic plan, Cominar presents some information on its core markets.

BY OPERATING SEGMENT

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Operating segment						
Office	**45,864**	48,410	(5.3)	**137,768**	146,381	(5.9)
Retail	**41,699**	53,263	(21.7)	**121,462**	139,947	(13.2)
Industrial and mixed-use	**24,684**	24,382	1.2	**71,702**	72,236	(0.7)
Net operating income – Cominar's proportionate share(1)	**112,247**	126,055	(11.0)	**330,932**	358,564	(7.7)
Distribution:						
Core markets	**94,365**	103,454	(8.8)	**275,606**	292,581	(5.8)
Other markets	**17,882**	22,601	(20.9)	**55,326**	65,983	(16.2)
Total	**112,247**	126,055	(11.0)	**330,932**	358,564	(7.7)

(1) Non-IFRS financial measure.

The decrease in net operating income according to Cominar's proportionate share during the third quarter of 2017 compared to the same period of 2016 is due mainly to the non-recurring net proceeds of $10.7 million obtained in 2016 from the settlement of the claim against Target and to the dispositions of income properties completed in 2016 and 2017.

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Operating segment						
Office	**45,634**	46,135	(1.1)	**136,435**	142,484	(4.2)
Retail	**41,233**	42,180	(2.2)	**119,881**	123,544	(3.0)
Industrial and mixed-use	**23,839**	22,847	4.3	**69,566**	67,750	2.7
Same property net operating income – Cominar's proportionate share(1)	**110,706**	111,162	(0.4)	**325,882**	333,778	(2.4)
Distribution:						
Core markets	**93,179**	92,024	1.3	**271,994**	275,181	(1.2)
Other markets	**17,527**	19,138	(8.4)	**53,888**	58,597	(8.0)
Total	**110,706**	111,162	(0.4)	**325,882**	333,778	(2.4)

(1) Non-IFRS financial measure.

Net operating income – Cominar's proportionate share	Quarter		Year-to-date (nine months)	
For the periods ended September 30	**2017**	2016	**2017**	2016
Operating segment				
Office	**40.9%**	38.4%	**41.6%**	40.8%
Retail	**37.1%**	42.3%	**36.7%**	39.0%
Industrial and mixed-use	**22.0%**	19.3%	**21.7%**	20.2%
	100.0%	100.0%	**100.0%**	100.0%

BY GEOGRAPHIC MARKET

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Core markets						
Québec	**27,112**	31,097	(12.8)	**78,838**	83,897	(6.0)
Montréal	**60,070**	65,160	(7.8)	**175,878**	185,675	(5.3)
Ottawa(1)	**7,183**	7,197	(0.2)	**20,890**	23,009	(9.2)
Net operating income, core markets – Cominar's proportionate share(2)	**94,365**	103,454	(8.8)	**275,606**	292,581	(5.8)
Other markets						
Toronto	**8,677**	10,443	(16.9)	**27,069**	31,978	(15.4)
Atlantic Provinces	**4,330**	6,917	(37.4)	**13,599**	16,384	(17.0)
Western Canada	**4,875**	5,241	(7.0)	**14,658**	17,621	(16.8)
Total net operating income – Cominar's proportionate share(2)	**112,247**	126,055	(11.0)	**330,932**	358,564	(7.7)

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

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	**2017**	2016	**2017**	2016
Québec	**24.2%**	24.7%	**23.8%**	23.4%
Montréal	**53.5%**	51.7%	**53.1%**	51.8%
Ottawa(1)	**6.4%**	5.7%	**6.3%**	6.4%
Core markets	**84.1%**	82.1%	**83.3%**	81.6%
Toronto	**7.7%**	8.3%	**8.2%**	8.9%
Atlantic Provinces	**3.9%**	5.5%	**4.1%**	4.6%
Western Canada	**4.3%**	4.2%	**4.4%**	4.9%
Overall market	**100.0%**	100.0%	**100.0%**	100.0%

(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	**2017**	2016	% Δ	**2017**	2016	% Δ
Interest on mortgages payable	**21,712**	21,588	0.6	**66,678**	65,628	1.6
Interest on debentures	**18,296**	21,998	(16.8)	**59,654**	62,558	(4.6)
Interest on bank borrowings	**5,232**	2,213	136.4	**9,171**	7,656	19.8
Net amortization of premium and discount on debenture issues	**(152)**	(201)	(24.3)	**(567)**	(598)	(5.2)
Amortization of deferred financing costs and other costs	**792**	914	(13.3)	**2,694**	2,873	(6.2)
Amortization of fair value adjustments on assumed indebtedness	**(1,384)**	(1,547)	(10.5)	**(4,192)**	(5,033)	(16.7)
Less: Capitalized interest(1)	**(2,636)**	(1,722)	53.1	**(7,525)**	(4,921)	52.9
Total finance charges – Financial statements	**41,860**	43,243	(3.2)	**125,913**	128,163	(1.8)
Percentage of operating revenues	**20.5%**	19.8%		**20.0%**	19.5%	
Weighted average interest rate on total debt				**4.12%**	4.23%	

(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 is mainly due to a slight increase in capitalized interest on properties under development and on major revitalization projects for income properties.

TRUST ADMINISTRATIVE EXPENSES

During the third quarter of 2017, Trust administrative expenses stood at $5.2 million, accounting for 2.5% of operating revenues, compared to 2.0% during the corresponding quarter of 2016.

NET INCOME

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Net income	**63,981**	77,529	(17.5)	**189,531**	215,397	(12.0)
Net income per unit (basic and diluted)	**0.35**	0.46	(23.9)	**1.03**	1.27	(18.9)
Weighted average number of units outstanding (basic)	**185,034,392**	169,427,041		**183,850,985**	168,964,131	
Weighted average number of units outstanding (diluted)	**185,113,880**	169,945,246		**183,971,363**	169,409,130	

Net income for the third quarter of 2017 amounted to $64.0 million, down $13.5 million compared to net income for the corresponding period of 2016. This decrease resulted from the $14.4 million decrease in net operating income previously explained, a $0.9 million increase in Trust administrative expenses, a $1.4 million decrease in finance charges and a $0.3 million increase in the share of joint ventures' net income compared with the corresponding quarter of 2016.

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 to eliminate a non-recurring item.

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2017**	2016	% Δ	**2017**	2016	% Δ
Net income	**63,981**	77,529	(17.5)	**189,531**	215,397,	(12.0)
Change in fair value of investment properties – Cominar's proportionate share	**—**	—	—	**(2,284)**	—	—
Other income – non-recurring[1]	**—**	(10,724)	(100.0)	**—**	(10,724)	(100.0)
Adjusted net income	**63,981**	66,805	(4.2)	**187,247**	204,673	(8.5)
Adjusted net income per unit (diluted)	**0.35**	0.39	(10.3)	**1.02**	1.21	(15.7)
Weighted average number of units outstanding (diluted)	**185,113,880**	169,945,246		**183,971,363**	169,409,130	

(1) In 2016, net proceeds of $10.7 million were obtained in settlement of the claim against Target Canada.

Adjusted net income for the quarter decreased by $2.8 million from the corresponding period of 2016, due mainly to the decrease in net operating income following the dispositions of income properties completed in 2016 and 2017.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Although the concept 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, 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.

During the first quarter of 2017, REALpac published a White Paper on its AFFO definition. 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. Cominar adopted this new AFFO definition and adjusted the figures of comparative periods accordingly.

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 for the calculation of FFO and AFFO takes into account the potential issuance of units when converting unit options, deferred units and restricted units.

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	**2017**	2016	% Δ	**2017**	2016	% Δ
Net income	**63,981**	77,529	(17.5)	**189,531**	215,397	(12.0)
+ Deferred income taxes	**243**	344	(29.4)	**705**	730	(3.4)
+ Initial and re-leasing salary costs	**868**	862	0.7	**2,650**	2,298	15.3
- Change in fair value of investment properties	**—**	—	—	**(2,284)**	—	—
+ Capitalizable interest on properties under development – joint ventures	**195**	500	(61.0)	**595**	1,446	(58.9)
Funds from operations[1]	**65,287**	79,235	(17.6)	**191,197**	219,871	(13.0)
- Other income – non-recurring[2]	**—**	(10,724)	(100.0)	**—**	(10,724)	(100.0)
Recurring funds from operations[1]	**65,287**	68,511	(4.7)	**191,197**	209,147	(8.6)
- Provision for leasing costs	**(6,650)**	(6,100)	9.0	**(19,237)**	(17,700)	8.7
- Recognition of leases on a straight-line basis[1]	**(1,098)**	(1,583)	(30.6)	**(2,473)**	(3,238)	(23.6)
- Capital expenditures – maintenance of rental income generating capacity	**(2,125)**	(2,045)	3.9	**(5,288)**	(5,484)	(3.6)
Recurring adjusted funds from operations[1]	**55,414**	58,783	(5.7)	**164,199**	182,725	(10.1)
Per unit information:						
Recurring funds from operations (FD)[3]	**0.35**	0.40	(12.5)	**1.04**	1.23	(15.4)
Recurring adjusted funds from operations (FD)[3]	**0.30**	0.35	(14.3)	**0.89**	1.08	(17.6)
Weighted average number of units outstanding (FD)[3]	**185,113,880**	169,945,246		**183,971,363**	169,409,130	

(1) Including Cominar's proportionate share in joint ventures.
(2) In 2016, net proceeds of $10.7 million were obtained in settlement of the claim against Target Canada.
(3) Fully diluted.

The provision for leasing costs which is deducted in computing the adjusted funds from operations 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 incurred with the operating revenues generated over the terms of the leases. During the nine-month period ended September 30, 2017, the actual costs incurred by Cominar were $30.0 million in leasehold improvements and $7.8 million in initial direct costs that will be amortized over the terms of the related leases, while the provision for leasing costs amounted to $19.2 million.

Recurring FFO for the third quarter of 2017 decreased by $3.2 million from the same period of 2016, due mainly to the $2.8 million decrease in adjusted net income explained above.

Recurring AFFO for the third quarter of 2017 decreased by $3.4 million compared with the corresponding quarter of 2016, due mainly to the $2.8 million decrease in adjusted net income explained above.

TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the nine-month periods ended September 30	**2017**	2016	2015	2014	2013
Recurring funds from operations per unit (FD)[1]	**1.04**	1.23	1.33	1.37	1.31

(1) Fully diluted.

TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the nine-month periods ended September 30	2017	2016	2015	2014	2013
Recurring adjusted funds from operations per unit (FD)(1)	**0.89**	1.08	1.17	1.20	1.17

(1) Fully diluted.

ADJUSTED CASH FLOWS FROM OPERATIONS

During the first quarter of 2017, REALpac published a White Paper on the determination of adjusted cash flows 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 when converting unit options, deferred units and restricted units.

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

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	**2017**	2016	**2017**	2016
Cash flows provided by operating activities as per the condensed interim consolidated financial statements	**100,702**	120,213	**151,754**	182,059
+ Adjustments – investments in joint ventures(1)	**1,067**	798	**2,582**	2,083
- Provision for leasing costs	**(6,650)**	(6,100)	**(19,237)**	(17,700)
+ Initial and re-leasing salary costs	**868**	862	**2,650**	2,298
+ Changes in adjusted non-cash working capital items(2)	**(39,876)**	(50,143)	**29,458**	28,663
- Capital expenditures – maintenance of rental income generating capacity	**(2,125)**	(2,045)	**(5,288)**	(5,484)
- Amortization of deferred financing costs and other costs	**(640)**	(727)	**(2,127)**	(2,289)
+ Amortization of fair value adjustments on assumed mortgages payable	**1,383**	1,547	**4,192**	5,033
+ Capitalizable interest on properties under development – joint ventures	**195**	500	**595**	1,446
Adjusted cash flows from operations(1)	**54,924**	64,905	**164,579**	196,109
- Other income – non-recurring(3)	**—**	(10,724)	**—**	(10,724)
Recurring adjusted cash flows from operations(1)	**54,924**	54,181	**164,579**	185,385
Per unit information:				
Recurring adjusted cash flows from operations (FD)(4)	**0.30**	0.32	**0.89**	1.09
Weighted average number of units outstanding (FD)(4)	**185,113,880**	169,945,246	**183,971,363**	169,409,130
Payout ratio(4)	**104.2%**	114.8%	**117.7%**	101.1%
Cash payout ratio(4)(5)	**93.5%**	106.9%	**93.5%**	98.8%

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

(2) Includes working capital changes that, in management's view and based on the REALpac February 2017 whitepaper, are not indicative of sustainable cash flow available for distribution. Examples include, but are not limited to, working capital changes relating to prepaid realty taxes and insurance, interest payable and interest receivable, sales and other indirect taxes payable to or receivable from applicable governments, income taxes and transaction cost accruals relating to acquisitions and dispositions of investment properties.

(3) In 2016, net proceeds of $10.7 million were obtained in settlement of the claim against Target Canada.

(4) Fully diluted.

(5) The cash payout ratio corresponds to the cash distribution per unit divided by the fully diluted recurring adjusted cash flows from operations per unit.

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 – business combinations, 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	**2017**	2016	% Δ	**2017**	2016	% Δ
Cash distributions	**52,062**	59,094	(11.9)	**153,961**	182,881	(15.8)
Distributions reinvested under the distribution reinvestment plan(1)	**5,944**	4,419	34.5	**39,770**	4,419	800.0
Distributions to unitholders	**58,006**	63,513	(8.7)	**193,731**	187,300	3.4
Percentage of distributions reinvested	**10.2%**	7.0%		**20.5%**	2.4%	
Per unit distributions	**0.3125**	0.3675		**1,0475**	1.1025	

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

Distributions to unitholders for the third quarter of 2017 totalled $58.0 million, down 8.7% from the corresponding period of 2016, due to the decrease in distribution per unit announced on August 3, 2017. The percentage of distributions reinvested under the distribution reinvestment plan amounted to 20.5% on average, or $39.8 million, for the first nine months of 2017 and the cash distributions decreased by 15.8% compared with the first nine months of 2016.

On September 14, 2016, Cominar announced the resumption of its Distribution Reinvestment Plan, suspended since January 20, 2016.

On August 3, 2017, Cominar announced the suspension of the Distribution Reinvestment Plan and the decrease in the monthly distribution from $0.1225 per unit to $0.095 per unit, beginning with the distribution of August 2017 payable in September 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	**2017 (3 months)**	**2017 (9 months)**	2016 (9 months)	2015 (9 months)
Net income	**63,981**	**189,531**	215,397	219,434
Cash flows provided by operating activities as per the condensed interim consolidated financial statements	**100,702**	**151,754**	182,059	156,263
Distributions to unitholders	**58,006**	**193,731**	187,300	188,097
Excess (deficit) of cash flows provided by operating activities compared with distributions payable to unitholders	**42,696**	**(41,977)**	(5,241)	(31,834)

For the three-month period ended September 30, 2017, cash flows provided by operating activities were in excess of $42,696 compared with distributions to unitholders. For the nine-month period ended September 30, 2017, the $41,977 deficit of cash flows provided by operating activities compared with distributions to unitholders was partially offset by the distributions reinvested under the distribution reinvestment plan of $39,770. The difference of $2,207 was offset by the surplus cash at bank.

For the nine-month period ended September 30, 2017, 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 an annual basis, cash flows from operations have always been sufficient to finance distributions to unitholders and we expect that it will continue to be sufficient in the future.

LIQUIDITY AND CAPITAL RESOURCES

During the third quarter of 2017, Cominar generated $100.7 million in cash flows provided by operating activities, bringing year-to-date to $151.8 million. Cominar foresees no difficulty in meeting its short-term obligations and its commitments, including the regular payment of its distributions, using the funds from operations, refinancing of mortgages payable, debenture or unit issuance, amounts available on its credit facility and cash and cash equivalents.

MORTGAGES PAYABLE

As at September 30, 2017, the nominal balance of mortgages payable was $2,075.6 million, up $29.6 million from $2,046 million as at December 31, 2016. This increase is explained by a contracted mortgage payable of $181.5 million at a contractual rate of 3.16%, by the repayments of balances at maturity of $105.0 million at a weighted average contractual rate of 4.89% and by the monthly repayments of capital of $46.8 million. As at September 30, 2017, the weighted average contractual rate was 4.30%, down 7 basis points from 4.37% as at December 31, 2016. As at September 30, 2017, the effective weighted average interest rate was 4.02%, compared to 4.09% as at December 31, 2016.

Cominar's mortgages payable contractual maturity dates are staggered over a number of years to reduce risks related to renewal. As at September 30, 2017, the residual weighted average term of mortgages payable was 5.1 years, compared to 5.5 years as at December 31, 2016.

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
2017 (period from October 1 to December 31)	15,387	64,007	79,394	4.50%
2018	47,506	475,708	523,214	4.99%
2019	43,669	4,141	47,810	6.18%
2020	45,229	82,013	127,242	4.37%
2021	44,507	89,437	133,944	5.48%
2022	38,992	184,248	223,240	3.35%
2023	34,401	254,650	289,051	4.56%
2024	25,705	181,733	207,438	4.08%
2025	18,650	29,548	48,198	3.55%
2026	6,971	345,685	352,656	3.51%
2027 and thereafter	9,345	34,077	43,422	4.03%
Total	330,362	1,745,247	2,075,609	4.30%

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, 2017
						$
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).

On June 15, 2017, Cominar reimbursed at maturity its Series 1 senior unsecured debentures totalling $250.0 million and bearing interest at 4.27% using its unsecured revolving operating and acquisition credit facility.

As at September 30, 2017, the residual weighted average term of senior unsecured debentures was 3.4 years.

BANK BORROWINGS

As at September 30, 2017, Cominar had an unsecured revolving 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, 2017. As at September 30, 2017, bank borrowings totalled $647.1 million and cash available was $52.9 million.

DEBT SUMMARY

	As at September 30, 2017			As at December 31, 2016		
	$	Weighted average contractual rate	Residual weighted average term	$	Weighted average contractual rate	Residual weighted average term
Mortgages payable	2,073,466	4.30%	5.1 years	2,048,009	4.37%	5.5 years
Debentures	1,721,336	4.23%	3.4 years	1,970,566	4.23%	3.7 years
Bank borrowings	647,115	3.17%	1.9 year	332,121	2.81%	2.6 years
Total debt	4,441,917	4.12%	4.0 years	4,350,696	4.23%	4.5 years

As at September 30, 2017, the weighted average interest rate on Cominar's total debt was 4.12%, down 11 basis points from December 31, 2016.

DEBT RATIO

The following table presents the changes in the debt ratio:

	September 30, 2017	December 31, 2016	September 30, 2016
Cash and cash equivalents	**(9,280)**	(9,853)	(4,200)
Mortgages payable	**2,073,466**	2,048,009	2,045,496
Debentures	**1,721,336**	1,970,566	1,970,298
Bank borrowings	**647,115**	332,121	280,871
Total net debt	**4,432,637**	4,340,843	4,292,465
Total assets less cash and cash equivalents	**8,432,543**	8,277,932	8,284,036
Debt ratio(1)(2)	**52.6%**	52.4%	51.8%

(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.

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term, Cominar targets a long-term debt to gross book value ratio of assets that should generally be below 48%.

INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income less Trust administrative expenses by finance charges. 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, 2017, the annualized interest coverage ratio stood at 2.50:1 [2.65:1 as at December 31, 2016], evidence of its capacity to meet its interest payment obligations.

UNENCUMBERED ASSETS AND UNSECURED DEBTS

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

	As at September 30, 2017		As at December 31, 2016	
	Number of properties	**Fair value of properties ($)**	Number of properties	Fair value of properties ($)
Unencumbered income properties	**325**	**3,594,842**	322	3,736,476
Unencumbered assets to unsecured debt ratio(1)(2)		**1.52:1**		1.62:1
Unsecured debts-to-total-debt ratio(2)(3)		**53.3%**		52.9%

(1) Fair value of unencumbered income properties divided by the unsecured debt.

(2) These ratios are not defined by IFRS and may differ from similar measures presented by other entities.

(3) Unsecured debts divided by total debt.

As at September 30, 2017, Cominar owned unencumbered income properties whose fair value was approximately $3.6 billion. The unencumbered assets to unsecured debt ratio stood at 1.52:1.

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, 2017	December 31, 2016	% Δ
Income properties – Cominar's proportionate share(1)	8,016,252	7,775,331	3.1
Income properties held for sale	—	143,130	(100.0)
Properties under development and land held for future development – Cominar's proportionate share(1)	221,965	195,755	21.6
Number of income properties	523	539	
Leasable area (sq. ft.)	44,075,000	44,919,000	

(1) Non-IFRS financial measure.

SUMMARY BY OPERATING SEGMENT

	September 30, 2017	
	Number of properties	Leasable area (sq. ft.)
Office	134	14,657,000
Retail	154	12,048,000
Industrial and mixed-use	235	17,370,000
Total	**523**	**44,075,000**

SUMMARY BY GEOGRAPHIC MARKET

	September 30, 2017	
	Number of properties	Leasable area (sq. ft.)
Québec	125	10,154,000
Montréal	282	25,227,000
Ottawa(1)	20	2,473,000
Core markets total	**427**	**37,854,000**
Toronto	24	2,466,000
Atlantic Provinces	58	2,647,000
Western Canada	14	1,108,000
Overall market total	**523**	**44,075,000**

(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 mixed-use properties, and geographic diversification of its property portfolio.

ACQUISITIONS

As part of the site development for the new IKEA store in Québec, Cominar acquired, on January 13, 2017, an additional 25% ownership interest in a joint venture for an amount of $10.0 million, increasing its interest from 75% to 100%.

On May 31, 2017, Cominar acquired an additional 25% ownership interest in Société en commandite Complexe Jules-Dallaire for an amount of $21.2 million, increasing its interest to 75%.

DISPOSITIONS OF INCOME PROPERTIES

On July 19, 2017, Cominar completed the sale of a retail property located in Ontario, for a total amount of $0.9 million, at a capitalization rate of 5.2%.

On July 27, 2017, Cominar completed the sale of a retail property located in the Granby area, Quebec, for a total amount of $1.0 million, at a capitalization rate of 7.3%.

On August 17, 2017, Cominar completed the sale of a retail property located in Chicoutimi, Quebec, for a total amount of $2.3 million, at a capitalization rate of 7.9%.

The net sale proceeds of these properties were used to repay a portion of the credit facility.

DISPOSITIONS OF INCOME PROPERTIES HELD FOR SALE

On January 31, 2017, Cominar completed the sale of an industrial and mixed-use property and a retail property located in the Toronto area, for a total amount of $58.3 million, net of costs to sell, at a capitalization rate of 7.0%.

On March 3, 2017, Cominar completed the sale of a portfolio of 8 retail properties located in the Montréal area and in Ontario, for a total amount of $34.7 million, net of costs to sell, at a capitalization rate of 6.7%.

On April 19, 2017, Cominar completed the sale of a retail property located in the Québec area, for a total amount of $0.8 million, net of costs to sell, at a capitalization rate of 5.4%.

On June 26, 2017, Cominar completed the sale of a retail property located in Nova Scotia, for a total amount of $0.4 million, net of costs to sell, at a capitalization rate of 7.8%.

On July 13, 2017, Cominar completed the sale of an industrial and mixed-use property located in the Québec area, for a total amount of $2.2 million, net of costs to sell, at a capitalization rate of 6.0%.

The net sale proceeds of these properties were used to repay a portion of the credit facility.

INVESTMENTS IN INCOME PROPERTIES

Cominar continues to develop its income properties in the normal course of business. Investments made include additions, 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 2017, Cominar incurred $31.7 million [$23.0 million in 2016] in capital expenditures particularly to increase the rental income generating capacity of its properties or to reduce the related operating expenses. During the quarter, Cominar also incurred $2.1 million [$2.0 million in 2016] 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.

Finally, Cominar invests in leasehold improvements that aim to increase the value of its properties 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 due to newly acquired, expanded or upgraded properties, or rental space transferred from properties under development. During the third quarter of 2017, Cominar made investments of $11.0 million in this respect [$9.9 million in 2016].

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECTS

Cominar owns an office property currently under development with a leasable area of 118,000 square feet located in Laval as part of the Centropolis complex, for total estimated cost of $31.8 million, including leasing costs and leasehold improvements. The occupancy rate of this property is currently 88% (the in-place occupancy rate being 57.5%) and occupancy will continue in 2017 and 2018. The capitalization rate of this property is 9.0%.

Cominar and Groupe Dallaire Inc., at 50% each, are in joint venture for the purpose of developing commercial land located on Highway 40, one of the main arteries of Québec. This project, Espace Bouvier, will consist of an office building of approximately 83,000 square feet and five retail buildings totalling 194,000 square feet. The office building, the construction cost of which is estimated at $16.5 million, is currently 64% leased. The delivery is scheduled for the next quarters. 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 to the tenant 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 towards the end of 2016. The fourth retail building, whose construction has just begun with a pre-leasing rate of 34%, will have a total leasable area of 35,000 square feet and an estimated construction cost of $4.5 million and the fifth retail building to be constructed will have a total leasable area of 60,000 square feet and an estimated construction cost of $7.5 million. The expected weighted average capitalization rate of these properties is estimated at 8.8%.

Moreover, Cominar, at 75%, and Groupe Dallaire Inc., are in joint venture for the purpose of developing commercial land located on Highway 40, one of the main arteries of Québec.

During the first quarter of 2017, Cominar started the work to develop a new commercial centre located on Highway 40, one of the main arteries of Québec, which will be developed around the new IKEA store announced in the fall of 2016. This commercial complex of approximately 415,000 square feet will have 14 buildings of various sizes. The first phases will be delivered in the third quarter of 2018, when the brand new IKEA store opens. When completed, this project, worth approximately $73 million, will have a capitalization rate of approximately 8.5%.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at September 30, 2017, the average occupancy rate of our properties was 92.2%, compared to 92.4% as at December 31, 2016. The following table presents the occupancy rates by operating segment.

OCCUPANCY RATE TRACK RECORD

	September 30, 2017	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2014
Operating segment (%)					
Office	**89.1**	89.6	89.7	90.3	93.5
Retail	**93.2**	93.0	92.6	90.3	94.7
Industrial and mixed-use	**94.2**	94.3	93.9	94.3	94.9
Portfolio total	**92.2**	92.4	92.2	91.9	94.4

The following table presents the occupancy rates as at September 30, 2017 by operating segment for our core markets:

	Québec	**Montréal**	**Ottawa**	**Total**
Core markets				
Secteur d'activité (%)				
Office	95.9	87.8	86.9	89.5
Retail	93.3	92.4	96.0	92.8
Industrial and mixed-use	94.4	94.8	N/A	94.8
Portfolio total for our core markets	**94.4**	**92.3**	**88.3**	**92.6**

LEASING ACTIVITY

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2017				
Number of clients	374	646	322	1342
Leasable area (sq. ft.)	2,171,000	2,184,000	3,681,000	8,036,000
Average minimum rent ($/sq. ft.)	17.80	18.79	6.80	12.87
Renewed leases				
Number of clients	187	341	195	723
Leasable area (sq. ft.)	1,292,000	1,489,000	1,977,000	4,758,000
Average minimum rent of renewed leases ($/sq. ft.)	16.91	16.55	6.86	12.55
Retention rate (%)	59.5	68.2	53.7	59.2
New leases				
Number of clients	168	135	151	454
Leasable area (sq. ft.)	751,000	554,000	1,453,000	2,758,000
Average minimum rent ($/sq. ft.)	14.83	15.77	6.04	10.33

During the nine-month period ended September 30, 2017, 59.2% [55.2% in 2016] of the leasable area maturing in 2017 had already been renewed and new leases were also signed, representing 2.8 million square feet of leasable area. Overall, as at September 30, 2017, 93.5% [97.6% in 2016] 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, 2017	For the year ended December 31, 2016
	%	%
Operating segment		
Office	**(0.2)**	2.0
Retail	**0.2**	(1.0)
Industrial and mixed-use	**4.0**	2.5
Portfolio total	**0.7**	1.8

Growth in the average net rent of renewed leases was 0.7% for the nine-month period ended September 30, 2017.

LEASE MATURITIES

	2018	2019	2020	2021	2022
Office					
Leasable area (sq. ft.)	2,525,000	1,623,000	1,300,000	1,361,000	1,148,000
Average minimum rent ($/sq. ft.)	17.65	18.53	17.81	16.91	17.35
% of portfolio – Office	17.2	11.1	8.9	9.3	7.8
Retail					
Leasable area (sq. ft.)	2,413,000	1,777,000	1,250,000	1,191,000	1,187,000
Average minimum rent ($/sq. ft.)	16.99	18.62	22.90	22.31	18.19
% of portfolio – Retail	20.0	14.7	10.4	9.9	9.9
Industrial and mixed-use					
Leasable area (sq. ft.)	2,740,000	1,880,000	2,603,000	1,612,000	1,874,000
Average minimum rent ($/sq. ft.)	6.86	6.91	6.68	6.70	6.36
% of portfolio – Industrial and mixed-use	15.8	10.8	15.0	9.3	10.8
Portfolio total					
Leasable area (sq. ft.)	7,678,000	5,280,000	5,153,000	4,164,000	4,209,000
Average minimum rent ($/sq. ft.)	13.48	14.35	13.34	14.44	12.70
% of portfolio	17.4	12.0	11.7	9.4	9.5

The following table summarizes information on leases as at September 30, 2017:

	Residual weighted average term (years)	Weighted average term of leases (years)	Average leased area per client (sq. ft.)	Average minimum rent ($/sq. ft.)
Office	5.1	8.6	6,900	17.76
Retail	4.8	8.0	4,200	18.79
Industrial and mixed-use	4.9	8.2	13,000	6.66
Portfolio average	4.9	8.3	7,000	13.48

Cominar has a broad, highly diversified retail client base consisting of about 5,700 clients occupying an average of approximately 7,000 square feet each. The top three clients, Public Works Canada, Société québécoise des infrastructures and Canadian National Railway Company, account respectively for approximately 5.0%, 4.7% and 4.1% 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 10.8% of operating revenues come from government agencies, representing approximately 100 leases.

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

Client	% of operating revenues
Public Works Canada	5.0
Société québécoise des infrastructures	4.7
Canadian National Railway Company	4.1
Scotiabank	1.1
Thales Canada	0.9
Harvest Operations Corp.	0.8
Shoppers Drug Mart	0.7
Dollarama	0.7
Groupe Immobilier Desjardins	0.6
Kraft Canada	0.6
Total	**19.2**

ISSUED AND OUTSTANDING UNITS

On January 10, 2017, Cominar filed a short form base shelf prospectus allowing it to issue up to $1.0 billion in securities during the 25-month period that this prospectus remains valid.

On August 3, 2017, Cominar announced the suspension of the Distribution Reinvestment Plan and the implementation of a NCIB, up to 9,000,000 units. This NCIB is subject to the approval of the Toronto Stock Exchange.

	For the nine-month period ended September 30, 2017	For the year ended December 31, 2016
Units issued and outstanding, beginning of period	**182,334,562**	170,912,647
+ Public offering	**—**	12,780,000
− Repurchase of units under NCIB	**—**	(2,717,396)
+ Exercise of options	**3,900**	—
+ Distribution reinvestment plan	**2,887,370**	1,265,157
+ Conversion of deferred units and restricted units	**7,581**	94,154
Units issued and outstanding, end of period	**185,233,413**	182,334,562

Additional information	**November 9, 2017**
Issued and outstanding units	185,233,413
Outstanding unit options	14,582,450
Deferred units and restricted units	301,254

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of Cominar's management team, exercise indirect control over Dallaire Group Inc. and Dalcon Inc. During the period, Cominar completed transactions with these companies, the details of which are as follows:

		Quarter		Year-to-date (nine months)	
For the periods ended September 30	**Note**	**2017**	2016	**2017**	2016
		$	$	**$**	$
Investment properties – Capital costs		**36,304**	17,490	**94,693**	59,884
Business combination	3	**—**	—	**10,016**	—
Investment properties held by joint ventures – Acquisition		**—**	—	**—**	6,204
Investment properties held by joint ventures – Capital costs		**671**	540	**1,955**	3,012
Recovery of mortgage receivable		**—**	—	**(8,250)**	—
Acquisition of an additional interest in a joint venture	7	**—**	—	**21,190**	—
Share of joint ventures' net income	7	**1,064**	799	**5,168**	2,211
Net rental revenue from investment properties		**75**	79	**226**	226
Interest income		**—**	70	**140**	210

Balances shown in the consolidated balance sheets are detailed as follows:

	As at September 30, 2017	As at December 31, 2016
	$	$
Investments in joint ventures	**86,191**	90,194
Mortgage receivable	**—**	8,250
Accounts receivable	**870**	1,182
Accounts payable	**11,897**	7,624

These transactions were entered into in the normal course of business and were measured at the exchange amount. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant time and cost savings while providing better service to its clients.

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 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, 2017, 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 Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar concluded that ICFR was effective as at the end of the quarter ended September 30, 2017, 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 2017 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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, 2016. 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.

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, land held for future development and income properties held for sale.

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 or valuations from independent appraisers, plus capital expenditures made since the most recent appraisal. 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.

Income properties held for sale are measured at their fair value, net of estimated costs to sell.

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 value 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.

Financial instruments

Cominar groups its financial instruments into classes according to their nature and 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, the mortgage receivable and accounts receivable are classified as "Loans and receivables." 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 the cost.

- Mortgages payable, debentures, bank borrowings and accounts payable and accrued liabilities are classified as "Other financial liabilities." 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 arrangements.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgages payable and 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 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.

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 in accordance with the long-term incentive plan, if dilutive.

Segment information

Segment information is presented in accordance with IFRS 8, "Operating segments," which requires segment information to be presented and disclosed in accordance with the information that is regularly assessed by the chief operating decision makers when they determine the performance of these segments.

FUTURE ACCOUNTING POLICY CHANGES

IFRS 9, "Financial Instruments"

In July 2014, the International Accounting Standards Board ("IASB") published its final version of IFRS 9, which will replace 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. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The adoption of this new standard will have no significant impact on Cominar's consolidated financial statements.

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 will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts," and related interpretations. Adoption of the standard will be mandatory for all IFRS reporters, and will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The adoption of this new standard will have no significant impact on Cominar's consolidated financial statements.

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, and current global financial conditions
- 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 2016 Annual Report, as well as our 2016 Annual Information Form.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
September 30, 2017

Unaudited

CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of Canadian dollars]

	Note	September 30, 2017	December 31, 2016
		$	$
ASSETS			
Investment properties			
Income properties	4	**7,866,151**	7,676,134
Properties under development	5	**78,760**	45,776
Land held for future development	5	**114,677**	90,820
		8,059,588	7,812,730
Income properties held for sale	6	**—**	143,130
Investments in joint ventures	7	**86,191**	90,194
Goodwill		**166,971**	166,971
Mortgage receivable		**—**	8,250
Accounts receivable		**68,149**	42,518
Prepaid expenses and other assets		**51,644**	14,139
Cash and cash equivalents		**9,280**	9,853
Total assets		**8,441,823**	8,287,785
LIABILITIES			
Mortgages payable	8	**2,073,466**	2,048,009
Debentures	9	**1,721,336**	1,970,566
Bank borrowings	10	**647,115**	332,121
Accounts payable and accrued liabilities		**117,413**	109,861
Deferred tax liabilities		**12,420**	11,715
Distributions payable to unitholders		**17,597**	—
Total liabilities		**4,589,347**	4,472,272
UNITHOLDERS' EQUITY			
Unitholders' equity		**3,852,476**	3,815,513
Total liabilities and unitholders' equity		**8,441,823**	8,287,785

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, 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	11	39,938			(113)	39,825
Unit issuance expense	11	(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**

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Total $
Balance as at January 1, 2016		3,063,920	2,008,364	(1,421,233)	6,946	3,657,997
Net income and comprehensive income		—	215,397	—	—	215,397
Distributions to unitholders	11	—	—	(187,300)	—	(187,300)
Unit issuances	11	200,354	—	—	(347)	200,007
Unit issuance expense	11	(8,491)	—	—	—	(8,491)
Repurchase of units under NCIB(1)	11	(40,779)	—	—	—	(40,779)
Long-term incentive plan		—	100	—	690	790
Balance as at September 30, 2016		3,215,004	2,223,861	(1,608,533)	7,289	3,837,621

(1) Normal course issuer bid ("NCIB")
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)	
	Note	**2017**	**2016**	**2017**	2016
		$	$	**$**	$
Operating revenues					
Rental revenue from investment properties		**204,160**	217,946	**628,071**	656,632
Operating expenses					
Operating costs		**(42,926)**	(42,644)	**(140,829)**	(139,866)
Realty taxes and services		**(47,032)**	(46,922)	**(149,440)**	(150,423)
Property management expenses		**(4,022)**	(3,811)	**(12,252)**	(12,035)
		(93,980)	(93,377)	**(302,521)**	(302,324)
Net operating income		**110,180**	124,569	**325,550**	354,308
Finance charges	12	**(41,860)**	(43,243)	**(125,913)**	(128,163)
Trust administrative expenses		**(5,160)**	(4,252)	**(14,569)**	(12,229)
Share of joint ventures' net income	7	**1,064**	799	**5,168**	2,211
Income before income taxes		**64,224**	77,873	**190,236**	216,127
Income taxes		**(243)**	(344)	**(705)**	(730)
Net income and comprehensive income		**63,981**	77,529	**189,531**	215,397
Basic net income per unit	13	**0.35**	0.46	**1.03**	1.27
Diluted net income per unit	13	**0.35**	0.46	**1.03**	1.27

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)	
	Note	2017	2016	2017	2016
		$	$	$	$
OPERATING ACTIVITIES					
Net income		**63,981**	77,529	**189,531**	215,397
Adjustments for:					
Excess of share of net income over distributions received from the joint ventures	7	**(1,064)**	(799)	**(4,918)**	(2,211)
Depreciation and amortization		**(432)**	(536)	**(1,176)**	(1,883)
Compensation expense related to long-term incentive plan		**322**	242	**1,385**	780
Deferred income taxes		**243**	344	**705**	730
Recognition of leases on a straight-line basis	4	**(1,101)**	(1,566)	**(2,421)**	(3,108)
Changes in non-cash working capital items	14	**38,753**	44,999	**(31,352)**	(27,646)
Cash flows provided by operating activities		**100,702**	120,213	**151,754**	182,059
INVESTING ACTIVITIES					
Acquisitions of and investments in income properties	4	**(44,767)**	(45,421)	**(145,660)**	(122,941)
Acquisitions of and investments in properties under development and land held for future development	5	**(10,664)**	(4,292)	**(39,109)**	(10,055)
Mortgage receivable		**—**	—	**8,250**	—
Cash consideration paid in a business combination	3	**—**	—	**(10,016)**	—
Cash consideration paid on the acquisition of an additional interest in a joint venture	7	**—**	—	**(21,190)**	—
Net proceeds from the sale of investment properties	3	**6,238**	—	**100,372**	101,243
Contributions to the capital of the joint ventures	7	**—**	(1,500)	**—**	(10,550)
Return of capital from a joint venture		**—**	351	**—**	2,751
Change in other assets		**(457)**	1,040	**(2,480)**	118
Cash flows used in investing activities		**(49,650)**	(49,822)	**(109,833)**	(39,434)
FINANCING ACTIVITIES					
Distributions to unitholders		**(51,928)**	(61,819)	**(136,364)**	(165,000)
Bank borrowings		**(12,073)**	34,409	**314,994**	(100,295)
Mortgages payable		**31,389**	81,484	**180,744**	218,015
Debenture issuance expense		**—**	(55)	**(28)**	223,759
Unit issuance net proceeds		**(4)**	191,516	**8**	191,516
Repurchase of units under NCIB	11	**—**	—	**—**	(40,779)
Repayments of debentures at maturity	9	**—**	(250,000)	**(250,000)**	(250,000)
Repayments of mortgages payable at maturity	8	**—**	(54,339)	**(105,006)**	(180,145)
Monthly repayments of mortgages payable	8	**(15,150)**	(13,587)	**(46,842)**	(40,746)
Cash flows used in financing activities		**(47,766)**	(72,391)	**(42,494)**	(143,675)
Net change in cash and cash equivalents		**3,286**	(2,000)	**(573)**	(1,050)
Cash and cash equivalents, beginning of period		**5,994**	6,200	**9,853**	5,250
Cash and cash equivalents, end of period		**9,280**	4,200	**9,280**	4,200
Other information					
Interest paid		**34,566**	32,985	**126,018**	122,769
Distributions received from joint ventures	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, 2017 and 2016
[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, 2017, Cominar owned and managed a real estate portfolio of 523 high-quality properties that covered a total area of 44.1 million square feet in Quebec, Ontario, the Atlantic Provinces and Western Canada.

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, 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 9, 2017.

2) SIGNIFICANT ACCOUNTING POLICIES

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, 2016.

3) ACQUISITIONS AND DISPOSITIONS

BUSINESS COMBINATIONS
On January 13, 2017, Cominar acquired an additional 25% ownership interest in Société en commandite Chaudière-Duplessis for an amount of $10,016, increasing its interest in the company from 75% to 100%. On that date, Société en commandite Chaudière-Duplessis became a wholly owned subsidiary of Cominar.

Cominar accounted for this transaction using the acquisition method, in accordance with IFRS 3 "Business Combinations." IFRS 3 requires the recognition of 100% of the net assets acquired in the condensed interim consolidated financial statements as well as the derecognition of the investment in a joint venture.

The following table summarizes the acquisition-date fair value of net assets acquired and the purchase price:

As at January 13, 2017	Final purchase price allocation $
Properties under development	**40,334**
Working capital	**(207)**
Net assets of Société en commandite Chaudière-Duplessis	**40,127**
Previously held interest in the joint venture	**(30,111)**
Cash consideration	**10,016**

The results of this subsidiary are included in the condensed interim consolidated financial statements from the date of acquisition.

DISPOSITIONS OF INCOME PROPERTIES

On July 19, 2017, Cominar completed the sale of a retail property located in Ontario, for a total selling price of $850.

On July 27, 2017, Cominar completed the sale of a retail property located in the Granby area, Quebec, for a total selling price of $1,000.

On August 17, 2017, Cominar completed the sale of a retail property located in Chicoutimi, Quebec, for a total selling price of $2,250.

DISPOSITIONS OF INCOME PROPERTIES HELD FOR SALE IN 2017

On January 31, 2017, Cominar completed the sale of one industrial and mixed-use property and one retail property located in the Toronto area, for a total selling price of $58,253, net of costs to sell.

On March 3, 2017, Cominar completed the sale of a portfolio of 8 retail properties located in the Montréal area and in Ontario for a total selling price of $34,658, net of costs to sell.

On April 19, 2017, Cominar completed the sale of a retail property located in the Québec area for a total selling price of $835, net of costs to sell.

On June 26, 2017, Cominar completed the sale of a retail property located in Nova Scotia for a total selling price of $388, net of costs to sell.

On July 13, 2017, Cominar completed the sale of an industrial and mixed-use property located in the Québec area, for a total selling price of $2,183, net of costs to sell.

4) INCOME PROPERTIES

	Note	For the nine-month period ended September 30, 2017	For the year ended December 31, 2016
		$	$
Balance, beginning of period		**7,676,134**	7,614,990
Acquisitions and related costs		**454**	10,648
Change in fair value		**—**	(49,086)
Capital costs		**136,657**	149,011
Dispositions		**(4,100)**	—
Transfers from properties under development	5	**—**	27,831
Transfers from (to) income properties held for sale	6	**46,813**	(96,397)
Change in initial direct costs		**7,772**	15,206
Recognition of leases on a straight-line basis		**2,421**	3,931
Balance, end of period		**7,866,151**	7,676,134

5) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

	Note	For the nine-month period ended September 30, 2017	For the year ended December 31, 2016
		$	$
Balance, beginning of period		**136,596**	120,760
Acquisitions and related costs		**17,742**	14,818
Change in fair value of properties transferred to income properties		**—**	3,773
Capital costs		**9,454**	19,191
Disposition of a portion of land		**(16,244)**	—
Capitalized interest		**5,531**	5,252
Transfers to income properties	4	**—**	(27,831)
Business combination	3	**40,334**	—
Change in initial direct costs		**24**	633
Balance, end of period		**193,437**	136,596
Breakdown:			
Properties under development		**78,760**	45,776
Land held for future development		**114,677**	90,820

6) INCOME PROPERTIES HELD FOR SALE

For the nine-month period ended September 30, 2017	Note	Retail properties $	Industrial and mixed-use properties $	Total $
Assets				
Income properties held for sale				
Balance, beginning of period		93,630	49,500	143,130
Dispositions	3	(44,634)	(51,683)	(96,317)
Transfers from (to) income properties	4	(48,996)	2,183	(46,813)
Balance, end of period		—	—	—

During the first quarter of 2017, Cominar's management put an end to the process of selling some properties related to the capital optimization program after achieving its objectives set in this regard, and reclassified them to income properties.

7) JOINT VENTURES

As at September 30			**2017**	2016
Joint venture	**Address**	**City/province**	**Ownership interest**	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	**75%**	50%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Quebec	**50%**	50%
Société en commandite Chaudière-Duplessis	Boulevard de la Chaudière	Québec, Québec	**—**	75%
Société en commandite Marais	Du Marais Street	Québec, Quebec	**75%**	75%

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

On January 13, 2017, Cominar completed the acquisition of an additional 25% ownership interest in Société en commandite Chaudière-Duplessis, for a purchase price of $10,016. On that date, Société en commandite Chaudière-Duplessis became a wholly owned subsidiary of Cominar.

On May 31, 2017, Cominar completed the acquisition of an additional 25% ownership interest in Société en commandite Jules-Dallaire, for an amount of $21,190.

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

	Note	**For the nine-month period ended September 30, 2017** $	For the year ended December 31, 2016 $
Investments in joint ventures, beginning of period		**90,194**	74,888
Contributions to the capital of the joint ventures		**—**	10,850
Share of joint ventures' net income		**5,168**	8,006
Cash distributions by a joint venture		**(250)**	(800)
Return of capital from a joint venture		**—**	(2,750)
Acquisition of an additional interest in a joint venture		**21,190**	—
Business combination	3	**(30,111)**	—
Investments in joint ventures, end of period		**86,191**	90,194

The following tables summarize the joint ventures' net assets and net income:

	As at September 30, 2017	As at December 31, 2016
	$	$
Income properties	**207,775**	198,394
Properties under development	**34,709**	35,741
Land held for future development	**14,898**	55,050
Other assets	**1,168**	2,126
Mortgages payable	**(110,669)**	(112,873)
Bank borrowings[1]	**(22,900)**	(21,600)
Other liabilities	**(3,245)**	(3,942)
Net assets of the joint ventures	**121,736**	152,896
Proportionate share of joint ventures' net assets	**86,191**	90,194

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

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	**2017**	2016	**2017**	2016
	$	$	$	$
Operating revenues	**5,038**	4,850	**16,211**	14,910
Operating expenses	**(2,087)**	(1,877)	**(7,090)**	(6,397)
Net operating income	**2,951**	2,973	**9,121**	8,513
Finance charges	**(1,377)**	(1,364)	**(4,133)**	(3,998)
Administrative expenses	**(35)**	(12)	**(70)**	(93)
Change in fair value of an income property	**—**	—	**4,568**	—
Net income	**1,539**	1,597	**9,486**	4,422
Share of joint ventures' net income	**1,064**	799	**5,168**	2,211

8) MORTGAGES PAYABLE

	For the nine-month period ended September 30, 2017		For the year ended December 31, 2016	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of period	**2,045,957**	**4.37**	2,051,335	4.46
Mortgages payable contracted	**181,500**	**3.16**	241,555	3.50
Monthly repayments of principal	**(46,842)**	**—**	(54,954)	—
Repayments of balances at maturity or assigned	**(105,006)**	**4.89**	(191,979)	5.44
	2,075,609	**4.30**	2,045,957	4.37
Plus: Fair value adjustments on assumed mortgages payable	**3,554**		7,746	
Less: Deferred financing costs	**(5,697)**		(5,694)	
Balance, end of period	**2,073,466**		2,048,009	

Mortgages payable are secured by immovable hypothecs on investment properties having a carrying amount of $4,255,139 [$4,072,140 as at December 31, 2016]. They bear annual contractual interest rates ranging from 2.52% to 7.75% [2.52% to 7.75% as at December 31, 2016], representing a weighted average contractual rate of 4.30% as at September 30, 2017 [4.37% as at December 31, 2016], and are renewable at various dates from December 2017 to January 2039. As at September 30, 2017, the weighted average effective interest rate was 4.02% [4.09% as at December 31, 2016].

As at September 30, 2017, 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 September 30, 2017, and December 31, 2016.

9) DEBENTURES

The following table presents characteristics of outstanding debentures as at September 30, 2017:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at September 30, 2017
		%	%		$
Series 2	December 2012[1]	4.23	4.37	December 2019	**300,000**
Series 3	May 2013	4.00	4.24	November 2020	**100,000**
Series 4	July 2013[2]	4.941	4.81	July 2020	**300,000**
Series 7	September 2014	3.62	3.70	June 2019	**300,000**
Series 8	December 2014	4.25	4.34	December 2021	**200,000**
Series 9	June 2015	4.164	4.25	June 2022	**300,000**
Series 10	May 2016	4.247	4.34	May 2023	**225,000**
Total		**4.23**	**4.29**		**1,725,000**

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

On June 15, 2017, Cominar reimbursed at maturity its Series 1 senior unsecured debentures totalling $250,000 and bearing interest at 4.27% using its unsecured revolving operating and acquisition credit facility.

The following table presents changes in debentures for the periods indicated:

	For the nine-month period ended September 30, 2017		For the year ended December 31, 2016	
		Weighted average contractual rate		Weighted average contractual rate
	$	**%**	$	%
Balance, beginning of period	**1,975,000**	**4.23**	2,000,000	3.95
Issuances	**—**		225,000	4.25
Repayment at maturity	**(250,000)**	**4.274**	(250,000)	1.97
	1,725,000	**4.23**	1,975,000	4.23
Less: Deferred financing costs	**(5,244)**		(6,552)	
Plus: Net premium and discount on issuance	**1,580**		2,118	
Balance, end of period	1,721,336		1,970,566	

The debentures, under the trust indenture, contain restrictive covenants, with which Cominar was in compliance as at September 30, 2017, and December 31, 2016.

10) BANK BORROWINGS

As at September 30, 2017, 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, 2017, and December 31, 2016. As at September 30, 2017, bank borrowings totalled $647,115 and cash available was $52,885.

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, 2017		For the year ended December 31, 2016	
	Units	**$**	Units	$
Units issued and outstanding, beginning of period	**182,334,562**	**3,234,693**	170,912,647	3,063,920
Public offering	**—**	**—**	12,780,000	191,516
Repurchase of units under NCIB	**—**	**—**	(2,717,396)	(40,779)
Exercise of options	**3,900**	**55**	—	—
Distribution reinvestment plan	**2,887,370**	**39,724**	1,265,157	18,457
Conversion of deferred units and restricted units	**7,581**	**112**	94,154	1,579
Units issued and outstanding, end of period	**185,233,413**	**3,274,584**	182,334,562	3,234,693

Cominar has granted unit options to management and employees under the long-term incentive plan. The following table presents changes in the number of options for the period indicated:

	For the nine-month period ended September 30, 2017	
	Options	**Weighted average exercise price**
		$
Outstanding, beginning of period	**12,455,450**	**17.02**
Exercised	**(3,900)**	**14,15**
Granted	**3,689,400**	**13.46**
Forfeited or cancelled	**(1,007,500)**	**16.03**
Expired	**(450,000)**	**24.14**
Outstanding, end of period	**14,683,450**	**15.98**
Exercisable options, end of period	**5,627,550**	**18.48**

The compensation expense related to the options granted in 2017 was calculated using the Black-Scholes option pricing model based on the following assumptions:

Date of grant	**Volatility[(1)]**	**Exercise price[(2)]**	**Weighted average return**	**Weighted average risk-free interest rate**	**Weighted average expected life**	**Weighted average fair value per unit**
		$			**(years)**	**$**
August 24, 2017	14.06%	13.46	8.47%	1.61%	6.0	0.20

(1) The volatility is estimated by considering the historical volatility of Cominar's units' price.
(2) The exercise price of the options corresponds to the closing price of Cominar units the day before the grant.

DISTRIBUTIONS TO UNITHOLDERS

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2017	2016	2017	2016
	$	$	$	$
Distributions to unitholders	58,006	63,513	193,731	187,300
Distributions per unit	0.3125	0.3675	1.0475	1.1025

On August 3, 2017, Cominar decreased the monthly distribution from $0.1225 per unit to $0.095 per unit and temporarily suspended the distribution reinvestment plan, beginning with the distribution of August 2017 payable in September 2017.

12) FINANCE CHARGES

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2017	2016	2017	2016
	$	$	$	$
Interest on mortgages payable	21,712	21,588	66,678	65,628
Interest on debentures	18,296	21,998	59,654	62,558
Interest on bank borrowings	5,232	2,213	9,171	7,656
Net amortization of premium and discount on debenture issues	(152)	(201)	(567)	(598)
Amortization of deferred financing costs and other costs	792	914	2,694	2,873
Amortization of fair value adjustments on assumed borrowings	(1,384)	(1,547)	(4,192)	(5,033)
Less: Capitalized interest(1)	(2,636)	(1,722)	(7,525)	(4,921)
Total finance charges	41,860	43,243	125,913	128,163

(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 2017 was 4.16% [4.18% in 2016].

13) 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:

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	**2017**	2016	**2017**	2016
	Units	Units	**Units**	Units
Weighted average number of units outstanding – basic	**185,034,392**	169,427,041	**183,850,985**	168,964,131
Dilutive effect related to the long-term incentive plan	**79,488**	518,205	**120,378**	444,999
Weighted average number of units outstanding – diluted	**185,113,880**	169,945,246	**183,971,363**	169,409,130

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 13,807,317 options outstanding for the quarter ended September 30, 2017 [7,158,217 options in 2016] and of 11,868,806 options outstanding for the nine-month period ended September 30, 2017 [7,253,094 options in 2016] since the exercise price of the options, including the unrecognized portion of the related compensation expense, is higher than the average price of the units.

14) SUPPLEMENTAL CASH FLOW INFORMATION

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	**2017**	2016	**2017**	2016
	$	$	**$**	$
Accounts receivable	**1,377**	3,995	**(1,587)**	6,650
Prepaid expenses	**25,488**	23,483	**(36,490)**	(38,063)
Accounts payable and accrued liabilities	**11,888**	17,521	**6,725**	3,767
Changes in non-cash working capital items	**38,753**	44,999	**(31,352)**	(27,646)
Other information				
Accounts payable and accrued liabilities relating to investing activities	**12,728**	12,992	**12,728**	12,992
Accounts receivable relating to investing activities	**24,044**	—	**24,044**	—

15) RELATED PARTY TRANSACTIONS

During the three-month and nine-month periods ended September 30, 2017 and 2016, Cominar entered into transactions with companies controlled by unitholders who are also officers of Cominar, over which they have significant influence.

These transactions were entered into in the normal course of business and are measured at the exchange amount. They are reflected in the condensed interim consolidated financial statements as follows:

		Quarter		Year-to-date (nine months)	
For the periods ended September 30	**Note**	**2017**	2016	**2017**	2016
		$	$	**$**	$
Investment properties – Capital costs		**36,304**	17,490	**94,693**	59,884
Business combination	3	**—**	—	**10,016**	—
Investment properties held by joint ventures – Acquisition		**—**	—	**—**	6,204
Investment properties held by joint ventures – Capital costs		**671**	540	**1,955**	3,012
Recovery of mortgage receivable		**—**	—	**(8,250)**	—
Acquisition of an additional interest in a joint venture	7	**—**	—	**21,190**	—
Share of joint ventures' net income	7	**1,064**	799	**5,168**	2,211
Net rental revenue from investment properties		**75**	79	**226**	226
Interest income		**—**	70	**140**	210

	Note	As at September 30, 2017	As at December 31, 2016
		$	$
Investments in joint ventures	7	**86,191**	90,194
Mortgage receivable		**—**	8,250
Accounts receivable		**870**	1,182
Accounts payable		**11,897**	7,624

16) 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 nine-month period ended September 30, 2017, and fiscal 2016.

The fair value of cash and cash equivalents, mortgages receivable, accounts receivable, accounts payable and accrued liabilities 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, 2017		As at December 31, 2016	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
RECURRING VALUATIONS OF NON-FINANCIAL ASSETS					
Income properties	3	**7,866,151**	**7,866,151**	7,676,134	7,676,134
Income properties held for sale	3	**—**	**—**	143,130	143,130
Land held for future development	3	**114,677**	**114,677**	90,820	90,820
FINANCIAL LIABILITIES					
Mortgages payable	2	**2,073,466**	**2,089,581**	2,048,009	2,104,025
Debentures	2	**1,721,336**	**1,811,484**	1,970,566	2,019,802

17) SEGMENT INFORMATION

Cominar's activities include a diversified portfolio of three property types located in several Canadian provinces. 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 mixed-use properties**	**Cominar's proportionate share**	**Joint ventures**	**Condensed interim consolidated financial statements**
September 30, 2017	**$**	**$**	**$**	**$**	**$**	**$**
Rental revenue from investment properties	**91,244**	**77,443**	**39,066**	**207,753**	**(3,593)**	**204,160**
Net operating income	**45,865**	**41,699**	**24,683**	**112,247**	**(2,067)**	**110,180**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**1,064**	**1,064**
September 30, 2016	$	$	$	$	$	$
Rental revenue from investment properties	93,578	88,295	38,498	220,371	(2,425)	217,946
Net operating income	48,408	53,265	24,382	126,055	(1,486)	124,569
Share of joint ventures' net income	—	—	—	—	799	799

For the nine-month period ended	**Office properties**	**Retail properties**	**Industrial and mixed-use properties**	**Cominar's proportionate share**	**Joint ventures**	**Condensed interim consolidated financial statements**
September 30, 2017	**$**	**$**	**$**	**$**	**$**	**$**
Rental revenue from investment properties	**279,778**	**234,416**	**123,449**	**637,643**	**(9,572)**	**628,071**
Net operating income	**137,768**	**121,462**	**71,702**	**330,932**	**(5,382)**	**325,550**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**5,168**	**5,168**
September 30, 2016	$	$	$	$	$	$
Rental revenue from investment properties	287,945	252,959	123,183	664,087	(7,455)	656,632
Net operating income	146,381	139,947	72,236	358,564	(4,256)	354,308
Share of joint ventures' net income	—	—	—	—	2,211	2,211

As at September 30, 2017	Office properties $	Retail properties $	Industrial and mixed-use properties $	Cominar's proportionate share $	Joint ventures $	Condensed interim consolidated financial statements $
Income properties	**3,432,105**	**3,082,999**	**1,501,148**	**8,016,252**	**(150,101)**	**7,866,151**
Income properties held for sale	**—**	**—**	**—**	**—**	**—**	**—**
Investments in joint ventures	**—**	**—**	**—**	**—**	**86,191**	**86,191**

As at December 31, 2016	$	$	$	$	$	$
Income properties	3,327,390	2,974,870	1,473,071	7,775,331	(99,197)	7,676,134
Income properties held for sale	—	93,630	49,500	143,130	—	143,130
Investments in joint ventures	—	—	—	—	90,194	90,194

18) SUBSEQUENT EVENTS

On October 16, 2017, Cominar declared a monthly distribution of $0.095 per unit, payable on November 15, 2017.

On October 27, 2017, Cominar entered into a 1-year term loan of $100,000, secured by a mortgage on a property. This loan payable bears interest at prime rate plus 85 basis points or at the bankers' acceptance rate plus 185 basis points.

CORPORATE INFORMATION

BOARD OF TRUSTEES

KEY OFFICERS

Michel Dallaire, Eng.
Chief Executive Officer

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

Gilles Hamel, CPA, CA
Executive Vice President
and Chief Financial Officer

Guy Charron, CPA, CA
Executive Vice President, Operations
Retail

Alain Dallaire
Executive Vice President, Operations
Office and Industrial and Asset 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, 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
Montréal, 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 2016, 76.78% 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 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.