# INSPIRED BY PEOPLE.

# INSPIRING THE INDUSTRY.

**Interim Report**
COMINAR REAL ESTATE INVESTMENT TRUST

Quarter ended March 31, 2018

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Interim Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the quarter ended March 31, 2018, in comparison with the corresponding quarter of 2017, as well as its financial position as at that date and its outlook. Dated May 4, 2018, this Interim MD&A reflects all significant information available as of that date and should be read in conjunction with the condensed interim consolidated financial statements and accompanying notes included in this report, as well as the consolidated financial statements, accompanying notes and MD&A appearing in Cominar's most recent Annual Report.

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

**BASIS OF PRESENTATION**

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

Additional information on Cominar, including its 2017 Annual Information Form, is available on Cominar's website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

# MESSAGE TO UNITHOLDERS

As an integral part of our evolution into *"Cominar 2.0"*, we wish to highlight three important achievements completed in the first quarter of 2018:

- The stabilization of our balance sheet through the sale completed at quarter end of a portfolio of 95 properties, comprised of 6.2 million square feet, located outside of our core markets for gross proceeds of $1.14 billion. The net proceeds from this transaction were used to repay debt, stabilizing our balance sheet. As a result, Cominar's debt ratio decreased from 57.4% as at December 31, 2017 to 51.3% as at March 31, 2018.

- The refocussing of our strategy on our Montreal, Québec City and Ottawa core markets portfolio. Montreal's economy is vibrant where we have over 50% of our continuing portfolio, while Québec City continues to provide stability.

- The revitalization of our Board of Trustees with the addition in the quarter of two new trustees with significant real estate knowledge and expertise, Messrs. Paul Campbell and René Tremblay, and a third new trustee with significant real estate and capital market knowledge and expertise, Ms. Heather Kirk, being nominated for election at the upcoming annual meeting of unitholders.

During the quarter, we recorded growth in same property net operating income of 0.2% compared to the corresponding period of 2017, with a strong growth of 5.2% in the industrial segment and 1.8% growth in the office segment. We continue to see pressure in the retail segment. During the quarter, our committed occupancy rate increased to 92.9%.

In the vibrant industrial sector, we remain the largest owner in the Province of Québec of industrial leasable area. Cominar owns a 15.8 million square foot industrial portfolio and with a quarter-end occupancy rate of 95.1% with continued strong fundamentals.

During the quarter, we repurchased 2.7 million units under our normal course issuer bid for total cash consideration of $39.5 million.

We continue to review our portfolio for additional opportunities to sell assets to further stabilize our balance sheet, and to enhance and intensify our properties to increase net operating income and surface value. Our portfolio includes many well-located urban assets in close proximity with transit lines with significant potential for value creation, including our flagship property Gare Centrale de Montréal, one of Canada's most important transportation infrastructure assets.

In the quarter, we made the difficult decision to decrease our monthly distribution from $0.095 per unit to $0.06 per unit. This decision will allow us to retain cash, enhance our financial flexibility and protect our ability to make distributions on a sustainable level.

Finally, we wish to thank our unitholders for their constructive dialogue and input. Various achievements and steps forward were well served by meaningful engagement with our unitholders, for which we are deeply appreciative. The discourse and engagement between our board, management and unitholders resulted in an intensive review of the REIT's governance and strategy, and our actions and steps have been, and will continue to be, driven by thoughtful analysis, both internally and externally, in the best interests of our unitholders.

We thank you for your support.

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

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

May 4, 2018

# HIGHLIGHTS

Quarter ended March 31, 2018

**$1.14B**

DISPOSITION OF INVESTMENT PROPERTIES OUTSIDE CORE MARKETS

**51.3%**

DECREASE IN DEBT RATIO FROM 57.4%TO

**0.7%**

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

**0.2%**

GROWTH IN SAME PROPERTY NET OPERATING INCOME

**43.9%**

GROWTH IN THE RETENTION RATE OF THE RENEWED LEASES FROM 36.7% TO

## SUBSEQUENT EVENTS

At the beginning of April 2018, Cominar used the available cash to repay the entirety of the $356.0 million bank borrowings that were outstanding as at March 31, 2018.

On April 17, 2018, Cominar declared a monthly distribution of $0.06 per unit, payable on May 15, 2018.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other reports filed with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among other things, statements with respect to our medium-term and 2018 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," and "intend," and the use of the conditional and future tenses, and words and expressions of similar import are intended to identify forward-looking statements.

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

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

Additional information about these factors can be found in the “Risks and Uncertainties” section of this Interim MD&A, as well as in the “Risk Factors” section of Cominar’s 2017 Annual Information Form.

## NON-IFRS FINANCIAL MEASURES

In this Interim MD&A, we provide guidance and report on certain non-IFRS measures, including “net operating income,” “adjusted net income,” “funds from operations,” “adjusted funds from operations,” “adjusted cash flows from operations” and “proportionate share in joint ventures adjustments,” which management uses to evaluate Cominar’s performance. Because non-IFRS measures do not have standardized meanings and may differ from similar measures presented by other entities, securities regulations require that non-IFRS measures be clearly defined and qualified, reconciled with their closest IFRS measure and given no more prominence than the latter. You may find such information in the sections dealing with each of these measures.

## PERFORMANCE INDICATORS

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

- **Same property net operating income**, which provides an indication of the operating profitability of the same property portfolio, that is, Cominar’s ability to increase revenues, 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 from the calculation of FFO the rental income arising from the recognition of leases on a straight-line basis, the investments needed to maintain the property portfolio’s ability to generate rental income and a provision for leasing costs, provides a meaningful measure of Cominar’s ability to generate steady profits;
- **Adjusted cash flow from operations (“ACFO”) per unit**, which provides a helpful real estate benchmark to measure Cominar’s ability to generate stable cash flows;
- **Debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization;
- **Interest coverage ratio**, which is used to assess Cominar’s ability to pay interest on its debt from operating revenues;
- **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

| For the quarters ended March 31 | 2018 $ | 2017 $ | % Δ | Page |
|---|---|---|---|---|
| **FINANCIAL PERFORMANCE** | | | | |
| Operating revenues – Financial statements | **208,865** | 213,956 | (2.4) | 18 |
| Operating revenues – Cominar's proportionate share[1] | **212,879** | 216,858 | (1.8) | 19 |
| Net operating income[1] – Financial statements | **100,546** | 105,883 | (5.0) | 19 |
| Net operating income[1] – Cominar's proportionate share | **102,627** | 107,417 | (4.5) | 19 |
| Same property net operating income[1] | **88,481** | 88,323 | 0.2 | 19 |
| Net income | **29,977**[7] | 59,713 | (49.8) | 23 |
| Adjusted net income[1] | **52,862** | 59,713 | (11.5) | 24 |
| Recurring funds from operations (FFO)[1] | **53,737** | 61,008 | (11.9) | 25 |
| Recurring adjusted funds from operations (AFFO)[1] | **42,279** | 52,473 | (19.4) | 25 |
| Cash flows provided by operating activities – Financial Statements | **19,335** | 35,753 | (45.9) | 26 |
| Recurring adjusted cash flow from operations (ACFO)[1] | **40,329** | 50,380 | (20.0) | 26 |
| Distributions | **45,483** | 67,646 | (32.8) | 27 |
| Total assets | **7,243,551** | 8,290,848 | (12.6) | 17 |
| **PER UNIT FINANCIAL PERFORMANCE** | | | | |
| Net income (basic and diluted) | **0.16** | 0.33 | (51.5) | 23 |
| Adjusted net income (diluted)[1] | **0.29** | 0.33 | (12.1) | 24 |
| Recurring funds from operations (FFO)(FD)[1][2] | **0.29** | 0.33 | (12.1) | 25 |
| Recurring adjusted funds from operations (AFFO)(FD)[1][2] | **0.23** | 0.29 | (20.7) | 25 |
| Recurring adjusted cash flow from operations (ACFO)(FD)[1][2] | **0.22** | 0.28 | (21.4) | 26 |
| Distributions | **0.2500** | 0.3675 | (32.0) | 27 |
| Payout ratio of recurring adjusted cash flow from operations (ACFO)[1] | **113.6%** | 131.3% | (13.5) | 26 |
| Payout ratio of recurring adjusted funds from operations (AFFO)[2] | **108.7%** | 126.7% | (14.2) | 25 |
| **FINANCING** | | | | |
| Debt ratio[3] | **51.3%** | 52.0% | | 30 |
| Interest coverage ratio[4] | **2.37:1** | 2.60:1 | | 30 |
| Weighted average interest rate on total debt | **4.05%** | 4.23% | | 28 |
| Residual weighted average term of total debt (years) | **4.0** | 4.3 | | 28 |
| Unsecured debts-to-net-debt ratio[5] | **46,1%** | 50.3% | | 31 |
| Unencumbered income properties | **2,692,474** | 3,450,981 | | 31 |
| Unencumbered assets to unsecured net debt ratio[6] | **1.68:1** | 1.59:1 | | 31 |
| **OPERATIONAL DATA** | | | | |
| Number of investment properties | **430** | 530 | | 31 |
| Leasable area (in thousands of sq. ft.) | **38,209** | 44,059 | | 31 |
| Committed occupancy rate | **92.9%** | 92.3% | | 35 |
| In-place occupancy rate | **86.9%** | 86.9% | | 35 |
| Retention rate | **43.9%** | 36.7% | | 37 |
| Growth in the average net rent of renewed leases | **0.7%** | 0.8% | | 37 |
| **DEVELOPMENT ACTIVITIES** | | | | |
| Properties under development – Cominar's proportionate share[1] | **50,014** | 113,385 | | 15 |

*(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 net debt.*
*(6) Fair value of unencumbered income properties divided by the unsecured net debt.*
*(7) Includes the $4.3 million change in fair value of investment properties and $18.6 million in transaction costs incurred as part of the sale to Slate of 95 properties located outside core-markets.*

# SELECTED QUARTERLY INFORMATION

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

| For the quarters ended | March 31, 2018 $ | Dec. 31, 2017 $ | Sept. 30, 2017 $ | June 30, 2017 $ | March 31, 2017 $ | Dec. 31, 2016 $ | Sept. 30, 2016 $ | June 30, 2016 $ |
|---|---|---|---|---|---|---|---|---|
| Operating revenues – Financial statements | **208,865** | 207,418 | 204,160 | 209,955 | 213,956 | 210,350 | 217,946 | 217,262 |
| Operating revenues – Cominar's proportionate share(1) | **212,879** | 211,197 | 207,753 | 213,032 | 216,858 | 213,008 | 220,371 | 219,859 |
| Net operating income(1) – Financial statements | **100,546** | 110,487 | 110,180 | 109,487 | 105,883 | 114,301 | 124,569 | 116,069 |
| Net operating income(1) – Cominar's proportionate share | **102,627** | 112,654 | 112,247 | 111,268 | 107,417 | 115,790 | 126,055 | 117,456 |
| Net income (net loss) | **29,977**(3) | (581,256)(3) | 63,981 | 65,837 | 59,713 | 26,341(3) | 77,529 | 69,787 |
| Adjusted net income(1) | **52,862** | 68,551 | 63,981 | 63,553 | 59,713 | 67,996 | 66,805 | 69,787 |
| Recurring FFO(1) | **53,737** | 63,892 | 65,287 | 64,902 | 61,008 | 69,423 | 68,511 | 71,359 |
| Recurring AFFO(1) | **42,279** | 51,628 | 55,414 | 56,312 | 52,473 | 59,213 | 58,782 | 62,908 |
| Cash flows provided by operating activities – Financial statements | **19,335** | 81,471 | 100,702 | 15,299 | 35,753 | 102,031 | 120,213 | 23,214 |
| Recurring ACFO(1) | **40,329** | 52,117 | 54,924 | 59,275 | 50,380 | 60,601 | 54,181 | 65,614 |
| Distributions | **45,483** | 52,792 | 58,006 | 68,079 | 67,646 | 67,156 | 63,513 | 61,817 |
| **PER UNIT** | | | | | | | | |
| Net income (net loss) (basic and diluted) | **0.16**(3)(4) | (3.14)(3) | 0.35 | 0.36 | 0.33 | 0.14(3) | 0.46 | 0.41 |
| Adjusted net income (diluted)(1) | **0.29** | 0.37 | 0.35 | 0.35 | 0.33 | 0.37 | 0.39 | 0.41 |
| Recurring FFO (FD)(1)(2) | **0.29** | 0.34 | 0.35 | 0.35 | 0.33 | 0.38 | 0.40 | 0.42 |
| Recurring AFFO (FD)(1)(2) | **0.23** | 0.28 | 0.30 | 0.31 | 0.29 | 0.33 | 0.35 | 0.37 |
| Recurring ACFO (FD)(1)(2) | **0.22** | 0.28 | 0.30 | 0.32 | 0.28 | 0.33 | 0.32 | 0.39 |
| Distributions | **0.2500** | 0.2850 | 0.3125 | 0.3675 | 0.3675 | 0.3675 | 0.3675 | 0.3675 |

*(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.*
*(2) Fully diluted*
*(3) Includes the change in fair value of investment properties.*
*(4) Includes the transaction costs related to the sale of a 95 property portfolio.*

# GENERAL BUSINESS OVERVIEW

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

As at March 31, 2018, Cominar owned a diversified portfolio of 430 properties, composed of office, commercial, industrial and mixed-use buildings, of which 127 were located in the Québec City area, 282 in the Montreal area, 20 in the Ottawa area and 1 in the Atlantic Provinces. Cominar's portfolio consisted of approximately 11.8 million square feet of office space, 10.6 million square feet of commercial space and 15.8 million square feet of industrial and mixed-use space, representing a total leasable area of 38.2 million square feet.

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

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

### REAL ESTATE PORTFOLIO SUMMARY AS AT MARCH 31, 2018

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

| Operating segment | Number of properties | Leasable area (sq. ft.) | Committed occupancy rate | In-place occupancy rate |
|---|---|---|---|---|
| Office | 97 | 11,800,000 | 90.0% | 84.9% |
| Retail | 136 | 10,570,000 | 93.0% | 83.5% |
| Industrial and mixed-use | 197 | 15,839,000 | 95.1% | 90.5% |
| TOTAL | 430 | 38,209,000 | 92.9% | 86.9% |

| Geographic market | Number of properties | Leasable area (sq. ft.) | Committed occupancy rate | In-place occupancy rate |
|---|---|---|---|---|
| Québec City | 127 | 10,253,000 | 95.1% | 89.4% |
| Montreal | 282 | 25,420,000 | 92.3% | 86.7% |
| Ottawa | 20 | 2,476,000 | 90.4% | 77.9% |
| Atlantic Provinces | 1 | 60,000 | — | — |
| TOTAL | 430 | 38,209,000 | 92.9% | 86.9% |

# OBJECTIVES AND STRATEGY

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

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

**BALANCED PORTFOLIO**

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

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

**DEBT MANAGEMENT**

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

# OVERVIEW OF THE FIRST QUARTER OF 2018

At the end of fiscal 2017, Cominar set some short-term objectives for deleveraging, concentrating on the core markets, achieving better governance and reducing in an orderly manner its construction activities with Groupe Dallaire.

Following these objectives, Cominar announced, on March 7, 2018, the decrease of the monthly distribution from $0.095 per unit to $0.06 per unit, beginning with the distribution of March 2018 payable in April 2018. This measure will make it possible for Cominar to reduce the payout ratio of its cash flows from operations, to improve its financial flexibility and to maintain monthly distributions which are sustainable on the long run.

In line with its strategy of asset disposition in order to concentrate on its core markets, Cominar completed, on March 27, 2018, the sale to Slate of 95 properties located outside its core markets, of which, 24 were located in the Greater Toronto Area, 57 in the Atlantic Provinces and 14 in Western Canada for $1.14 billion. Cominar's non-core market property portfolio represented a leasable area of 6.2 million square feet. Cominar's management used the proceeds of this transaction to pay down the debt and for the general needs of the REIT, which led to a decrease in the debt ratio from 57.4% as at December 31, 2017 to 51.3% as at March 31, 2018.

In keeping with these short-term objectives, on March 8, 2018, two new members, Mr. Paul D. Campbell and Mr. René Tremblay, joined the Board of Trustees, and Cominar announced that Ms. Heather Kirk will present her candidature as trustee for election in the next annual meeting of unitholders to be held in May 2018.

Cominar has also begun a significant transition towards the internalization in Montreal of certain construction activities and the diversification of independent construction suppliers that it uses. As part of this transition, the use of Groupe Dallaire for construction services will be reduced in an orderly manner over a period of approximately twelve months. As part of this transition, Cominar plans to integrate certain resources from Groupe Dallaire's Montreal platform to ensure continuity and better meet the needs of the REIT and its clients in the most cost-effective manner, with no additional costs.

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

During the first quarter, Cominar entered into the following loans:

- a $75 million bridge loan, bearing interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This bridge loan was repaid on the closing of the $1.14 billion sale of its non-core market portfolio to Slate;
- a $42.5 million mortgage loan, maturing in ten years, bearing interest at 4.484%;
- a $45 million mortgage loan, maturing in five years, bearing interest at the prime rate plus 90 basis points or at 4.00%, whichever is greater;
- the refinancing of a $210.6 million mortgage loan that matured during the first quarter of 2018 by a $260 million mortgage loan, maturing in 3 years, bearing interest at 3.795%. This mortgage refinancing is related to the Gare Centrale de Montréal.

The net proceeds from these loans were used to repay a portion of the unsecured revolving operations and acquisition credit facility. Moreover, at the closing of the transaction with Slate, mortgage loans for $265.3 million were either assumed by the purchaser or repaid by Cominar.

# 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 March 31, 2018 | | | As at December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **Condensed interim consolidated financial statements** | **Joint ventures** | **Cominar's proportionate share[(1)]** | Condensed interim consolidated financial statements | Joint ventures | Cominar's proportionate share[(1)] |
| | **$** | **$** | **$** | $ | $ | $ |
| **ASSETS** | | | | | | |
| Investment properties | | | | | | |
| Income properties | **6,296,854** | **163,949** | **6,460,803** | 6,239,383 | 163,475 | 6,402,858 |
| Properties under development | **43,528** | **6,486** | **50,014** | 37,692 | 5,855 | 43,547 |
| Land held for future development | **93,081** | **10,178** | **103,259** | 91,580 | 10,126 | 101,706 |
| | **6,433,463** | **180,613** | **6,614,076** | 6,368,655 | 179,456 | 6,548,111 |
| Investment properties held for sale | **3,500** | **—** | **3,500** | 1,143,500 | — | 1,143,500 |
| Investments in joint ventures | **88,184** | **(88,184)** | **—** | 86,299 | (86,299) | — |
| Goodwill | **139,982** | **—** | **139,982** | 139,982 | — | 139,982 |
| Accounts receivable | **58,405** | **(829)** | **57,576** | 62,956 | 481 | 63,437 |
| Prepaid expenses and other assets | **45,050** | **1,119** | **46,169** | 16,673 | 100 | 16,773 |
| Cash and cash equivalents | **474,967** | **735** | **475,702** | 6,928 | 77 | 7,005 |
| **Total assets** | **7,243,551** | **93,454** | **7,337,005** | 7,824,993 | 93,815 | 7,918,808 |
| **LIABILITIES** | | | | | | |
| Mortgages payable | **1,871,894** | **78,740** | **1,950,634** | 1,873,776 | 79,286 | 1,953,062 |
| Mortgages payable related to the investment properties held for sale | **—** | **—** | **—** | 276,350 | — | 276,350 |
| Debentures | **1,721,829** | **—** | **1,721,829** | 1,721,577 | — | 1,721,577 |
| Bank borrowings | **356,000** | **12,510** | **368,510** | 620,366 | 11,950 | 632,316 |
| Accounts payable and accrued liabilities | **122,019** | **2,204** | **124,223** | 117,482 | 2,579 | 120,061 |
| Deferred tax liabilities | **142** | **—** | **142** | 6,681 | — | 6,681 |
| Current tax liabilities | **6,251** | **—** | **6,251** | — | — | — |
| Distributions payable to unitholders | **10,916** | **—** | **10,916** | — | — | — |
| **Total liabilities** | **4,089,051** | **93,454** | **4,182,505** | 4,616,232 | 93,815 | 4,710,047 |
| **UNITHOLDERS' EQUITY** | | | | | | |
| Unitholders' equity | **3,154,500** | **—** | **3,154,500** | 3,208,761 | — | 3,208,761 |
| **Total liabilities and unitholders' equity** | **7,243,551** | **93,454** | **7,337,005** | 7,824,993 | 93,815 | 7,918,808 |

*(1) Non-IFRS financial measure.*

| For the quarters ended March 31 | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Condensed interim consolidated financial statements** | **Joint ventures** | **Cominar's proportionate share[1]** | Condensed Interim consolidated financial statements | Joint ventures | Cominar's proportionate share[1] |
| | **$** | **$** | **$** | $ | $ | $ |
| **Operating revenues** | **208,865** | **4,014** | **212,879** | 213,956 | 2,902 | 216,858 |
| **Operating expenses** | **(108,319)** | **(1,933)** | **(110,252)** | (108,073) | (1,368) | (109,441) |
| **Net operating income[1]** | **100,546** | **2,081** | **102,627** | 105,883 | 1,534 | 107,417 |
| Finance charges | **(43,802)** | **(989)** | **(44,791)** | (42,298) | (689) | (42,987) |
| Trust administrative expenses | **(5,255)** | **(7)** | **(5,262)** | (4,484) | (14) | (4,498) |
| Change in fair value of investment properties | **(4,331)** | **—** | **(4,331)** | — | — | — |
| Share of joint ventures' net income | **1,085** | **(1,085)** | **—** | 831 | (831) | — |
| Transaction costs | **(18,554)** | **—** | **(18,554)** | — | — | — |
| **Income before income taxes** | **29,689** | **—** | **29,689** | 59,932 | — | 59,932 |
| **Income taxes** | | | | | | |
| Payable | **(6,251)** | **—** | **(6,251)** | — | — | — |
| Deferred | **6,539** | **—** | **6,539** | (219) | — | (219) |
| | **288** | **—** | **288** | (219) | — | (219) |
| **Net income and comprehensive income** | **29,977** | **—** | **29,977** | 59,713 | — | 59,713 |

*(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 March 31, 2018, and December 31, 2017, as shown in our consolidated financial statements:

| | As at March 31, 2018 $ | As at December 31, 2017 $ | $ Δ | % Δ |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Investment properties | | | | |
| Income properties | **6,296,854** | 6,239,383 | 57,471 | 0.9 |
| Properties under development | **43,528** | 37,692 | 5,836 | 15.5 |
| Land held for future development | **93,081** | 91,580 | 1,501 | 1.6 |
| | **6,433,463** | 6,368,655 | 64,808 | 1.0 |
| Investment properties held for sale | **3,500** | 1,143,500 | (1,140,000) | (99.7) |
| Investments in joint ventures | **88,184** | 86,299 | 1,885 | 2.2 |
| Goodwill | **139,982** | 139,982 | — | — |
| Accounts receivable | **58,405** | 62,956 | (4,551) | (7.2) |
| Prepaid expenses and other assets | **45,050** | 16,673 | 28,377 | 170.2 |
| Cash and cash equivalents | **474,967** | 6,928 | 468,039 | 6,755.8 |
| **Total assets** | **7,243,551** | 7,824,993 | (581,442) | (7.4) |
| **LIABILITIES** | | | | |
| Mortgages payable | **1,871,894** | 1,873,776 | (1,882) | (0.1) |
| Mortgages payable related to the investment properties held for sale | **—** | 276,350 | (276,350) | (100.0) |
| Debentures | **1,721,829** | 1,721,577 | 252 | — |
| Bank borrowings | **356,000** | 620,366 | (264,366) | (42.6) |
| Accounts payable and accrued liabilities | **122,019** | 117,482 | 4,537 | 3.9 |
| Deferred tax liabilities | **142** | 6,681 | (6,539) | (97.9) |
| Current tax liabilities | **6,251** | — | 6,251 | 100.0 |
| Distributions payable to unitholders | **10,916** | — | 10,916 | 100.0 |
| **Total liabilities** | **4,089,051** | 4,616,232 | (527,181) | (11.4) |
| **UNITHOLDERS' EQUITY** | | | | |
| Unitholders' equity | **3,154,500** | 3,208,761 | (54,261) | (1.7) |
| **Total liabilities and unitholders' equity** | **7,243,551** | 7,824,993 | (581,442) | (7.4) |

# RESULTS OF OPERATIONS

## RESULTS OF OPERATIONS

The following table highlights our results of operations for the quarters ended March 31, 2018 and 2017, as shown in our condensed interim consolidated financial statements:

| For the quarters ended March 31 | 2018 | 2017 | |
|---|---|---|---|
| | $ | $ | % Δ |
| Operating revenues | **208,865** | 213,956 | (2.4) |
| Operating expenses | **(108,319)** | (108,073) | 0.2 |
| Net operating income[1] | **100,546** | 105,883 | (5.0) |
| Finance charges | **(43,802)** | (42,298) | 3.6 |
| Trust administrative expenses | **(5,255)** | (4,484) | 17.2 |
| Change in fair value of investment properties | **(4,331)** | — | — |
| Share of joint ventures' net income | **1,085** | 831 | 30.6 |
| Transaction costs | **(18,554)** | — | — |
| **Income before income taxes** | **29,689** | 59,932 | (50.5) |
| **Income taxes** | | | |
| Payable | **(6,251)** | — | — |
| Deferred | **6,539** | (219) | (3,085.8) |
| | **288** | (219) | (231.5) |
| **Net income and comprehensive income** | **29,977** | 59,713 | (49.8) |

*(1) Non-IFRS financial measure.*

## OPERATING REVENUES

| For the quarters ended March 31 | 2018 | 2017 | |
|---|---|---|---|
| | $ | $ | % Δ |
| Operating revenues – Financial statements | **208,865** | 213,956 | (2.4) |
| Operating revenues – Joint ventures | **4,014** | 2,902 | 38.3 |
| **Operating revenues – Cominar's proportionate share[1]** | **212,879** | 216,858 | (1.8) |

*(1) Non-IFRS financial measure.*

During the first quarter of 2018, operating revenues according to the financial statements decreased by 2.4% [1.8% according to Cominar's proportionate share] compared with the same period of 2017. This $5.1 million decrease is entirely attributable to the portfolio of properties located outside core markets, including $3.0 million in Western Canada, primarily due to the departure of Scotiabank from the Scotia Center property, and $1.5 million in the Atlantic Provinces, mainly in the industrial sector. A portion of these decreases, $1.6 million, is attributable to the 5-days shortfall in the quarter due to the sale of properties in our portfolio of non-core properties on March 27, 2018.

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| Same property portfolio – Financial statements | **180,390** | 178,017 | 1.3 |
| Same property portfolio – Joint ventures | **3,798** | 2,769 | 37.2 |
| Same property portfolio[(1)] – Cominar's proportionate share[(2)] | **184,188** | 180,786 | 1.9 |
| Acquisitions, developments and dispositions – Financial statements | **28,475** | 35,939 | (20.8) |
| Acquisitions and developments – Joint ventures | **216** | 133 | 62.4 |
| **Operating revenues – Cominar's proportionate share[(2)]** | **212,879** | 216,858 | (1.8) |

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

During the first quarter of 2018, operating revenues of the same property portfolio according to the financial statements increased by 1.3% [1.9% according to Cominar's proportionate share] compared with the same period of 2017. This increase of $2.4 million is mainly due to a $2.2 million increase in the industrial and mixed-use sector, which performed well with a 1.8% increase in its average in-place occupancy rate for the quarter, compared to the same period of 2017, as well as 3.7% growth in average net rent during lease renewals.

## 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, derecognition of goodwill, share of joint ventures' net income, finance charges, transaction costs, Trust administrative expenses and income taxes. This definition may differ from that of other entities and, therefore, Cominar's NOI may not be comparable to similar measures presented by such other entities.

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| Net operating income – Financial statements | **100,546** | 105,883 | (5.0) |
| Net operating income – Joint ventures | **2,081** | 1,534 | 35.7 |
| **Net operating income – Cominar's proportionate share[(1)]** | **102,627** | 107,417 | (4.5) |

*(1) Non-IFRS financial measure.*

During the first quarter of 2018, NOI according to Cominar's proportionate share decreased by 4.5% from the same period of 2017. This $4.8 million decrease is attributable to lower net operating income from the portfolio of non-core properties which was sold on March 27, 2018, and the net operating income decrease of approximately $1.5 million from properties in our core market but that were sold in 2017 or are being redeveloped.

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| Same property portfolio – Financial statements | **86,534** | 86,875 | (0.4) |
| Same property portfolio – Joint ventures | **1,947** | 1,448 | 34.5 |
| Same property portfolio[(1)] – Cominar's proportionate share[(2)] | **88,481** | 88,323 | 0.2 |
| Acquisitions, developments and dispositions – Financial statements | **14,012** | 19,008 | (26.3) |
| Acquisitions and developments – Joint ventures | **134** | 86 | 55.8 |
| **Net operating income – Cominar's proportionate share[(2)]** | **102,627** | 107,417 | (4.5) |

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

Same property net operating income according to Cominar's proportionate share increased by 0.2% during the first quarter of 2018 from the same period of 2017. Part of this increase comes from the office sector, which performed well with a $0.6 million increase and a $1.1 million increase in the industrial and mixed-use sector, which saw its average in-place occupancy rate move from 90.4% during the first quarter of 2017 to 92.2% during the first quarter of 2018 and for which the average net rent of renewed leases grew by 3.7% for the period. On the other hand, the commercial segment decreased $1.5 million due to a 3.7% decline in the average in-place occupancy rate for the quarter when compared to the same period of 2017. This decrease is largely attributable to the closing of the Sears stores.

## SEGMENT NET OPERATING INCOME

Cominar analyzes its segmented results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties and pays particular attention to the performance of its same property portfolio. The latter includes properties held by Cominar as at December 31, 2016, with the exception of properties sold in 2017 and 2018, and does not include the results of properties acquired and those under development during 2017 and 2018.

### BY OPERATING SEGMENT

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| **Operating segment** | | | |
| Office | **42,246** | 44,234 | (4.5) |
| Retail | **37,109** | 39,635 | (6.4) |
| Industrial and mixed-use | **23,272** | 23,548 | (1.2) |
| **Net operating income – Cominar's proportionate share(1)** | **102,627** | 107,417 | (4.5) |
| **Distribution:** | | | |
| Core markets – same property portfolio | **88,481** | 88,323 | 0.2 |
| Core markets – other portfolio | **(732)** | 762 | (196.1) |
| **Total – core markets** | **87,749** | 89,085 | (1.5) |
| Other markets – other portfolio | **14,878** | 18,332 | (18.8) |
| **Total** | **102,627** | 107,417 | (4.5) |

*(1) Non-IFRS financial measure.*

Net operating income for the same property portfolio, consisting exclusively of properties located in the core markets, increased by 0.2% (explained below) while our non-same property portfolio decreased by $1.5 million. This decrease comes mainly from properties located in Québec City sold in 2017 as well as properties under development.

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| **Operating segment** | | | |
| Office | **34,239** | 33,645 | 1.8 |
| Retail | **33,005** | 34,493 | (4.3) |
| Industrial and mixed-use | **21,237** | 20,185 | 5.2 |
| **Same property net operating income – Cominar's proportionate share(1)** | **88,481** | 88,323 | 0.2 |

*(1) Non-IFRS financial measure.*

**AVERAGE IN-PLACE OCCUPANCY RATE OF SAME PROPERTY PORTFOLIO**

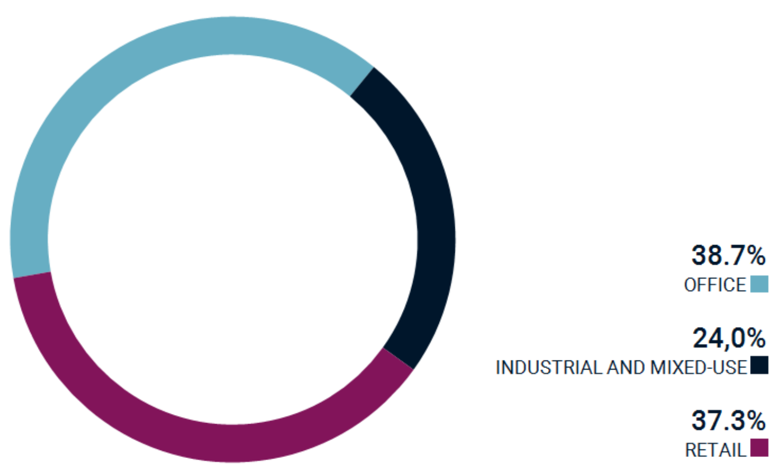
| For the quarters ended March 31 | 2018 | 2017 | % Δ |
|---|---|---|---|
| **Operating segment** | | | |
| Office | 85.3% | 85.2% | 0.1 |
| Retail | 85.9% | 89.6% | (3.7) |
| Industrial and mixed-use | 92.2% | 90.4% | 1.8 |
| **Total** | 88.3% | 88.6% | (0.3) |

| For the quarters ended March 31 | 2018 | 2017 | % Δ |
|---|---|---|---|
| **Geographic market** | | | |
| Québec City | 91.6% | 90.0% | 1.6 |
| Montreal | 87.9% | 88.2% | (0.3) |
| Ottawa | 78.5% | 85.7% | (7.2) |
| **Total** | 88.3% | 88.6% | (0.3) |

Same property net operating income according to Cominar's proportionate share increased by 0.2% during the first quarter of 2018 from the same period of 2017. Part of this increase comes from the office sector, which performed well with a $0.6 million increase and a $1.1 million increase in the industrial and mixed-use sector, which saw its average in-place occupancy rate move from 90.4% during the first quarter of 2017 to 92.2% during the first quarter of 2018 and for which the average net rent of renewed leases grew by 3.7% for the period. On the other hand, the commercial segment decreased $1.5 million due to a 3.7% decline in the average in-place occupancy rate for the quarter when compared to the same period of 2017. This decrease is largely attributable to the closing of the Sears stores.

**SAME PROPERTY NET OPERATING INCOME – COMINAR'S PROPORTIONATE SHARE**

| For the quarters ended March 31 | 2018 | 2017 |
|---|---|---|
| **Operating segment** | | |
| Office | **38.7%** | 38.1% |
| Retail | **37.3%** | 39.1% |
| Industrial and mixed-use | **24.0%** | 22.8% |
| | **100.0%** | 100.0% |




Same Property
Net Operating Income
by Operating Segment

### BY GEOGRAPHIC MARKET

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| **Core markets** | | | |
| Québec City | **25,104** | 24,609 | 2.0 |
| Montreal | **57,104** | 57,203 | (0.2) |
| Ottawa[(1)] | **6,273** | 6,511 | (3.7) |
| **Net operating income, core markets – Cominar's proportionate share[(2)]** | **88,481** | 88,323 | 0.2 |

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

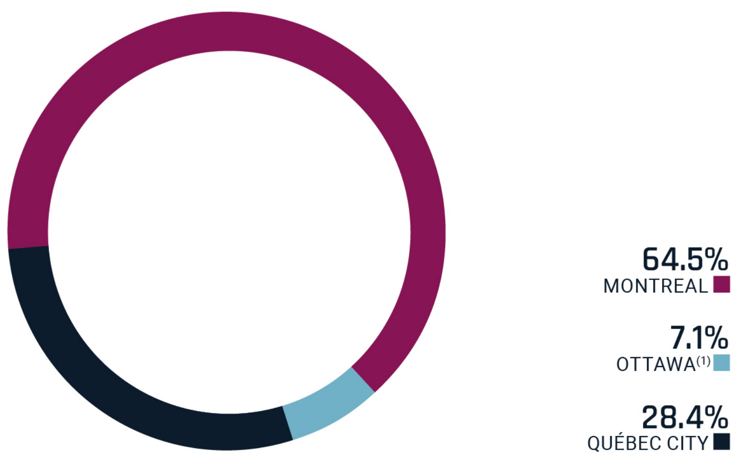
During the first quarter of 2018, the Québec City region experienced the best performance of net operating income, mainly due to the increase in its average in-place occupancy rate over the period, while the Ottawa region had a more difficult time due to a decline in in-place occupancy rate.

### SAME PROPERTY NET OPERATING INCOME – COMINAR'S PROPORTIONATE SHARE

| For the quarters ended March 31 | 2018 | 2017 |
|---|---|---|
| Québec City | **28.4%** | 27.9% |
| Montreal | **64.5%** | 64.8% |
| Ottawa[(1)] | **7.1%** | 7.3% |
| | **100.0%** | 100.0% |

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

Same Property
Net Operating Income
by Geographic Market




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

## FINANCE CHARGES

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| Interest on mortgages payable | **23,229** | 22,857 | 1.6 |
| Interest on debentures | **18,270** | 20,902 | (12.6) |
| Interest on bank borrowings | **4,814** | 1,664 | 189.3 |
| Amortization of deferred financing costs and other costs | **733** | 733 | — |
| Amortization of fair value adjustments on assumed indebtedness | **(1,239)** | (1,420) | (12.7) |
| Less: Capitalized interest(1) | **(2,005)** | (2,438) | (17.8) |
| **Total finance charges – Financial statements** | **43,802** | 42,298 | 3.6 |
| Percentage of operating revenues | **21.0%** | 19.8% | |
| Weighted average interest rate on total debt | **4.05%** | 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 increase in finance charges during the first quarter of 2018 is mainly due to a greater use of our credit facility during the period, partially offset by a decrease of the interests on debentures following the $250.0 million repayment in debentures in June 2017.

## TRANSACTION COSTS

In connection with the $1.14 billion sale of its portfolio of 95 non-core properties, Cominar incurred $18.6 million in transaction costs. The following table summarizes these costs:

| | For the quarter ended<br>March 31, 2018<br>$ |
|---|---|
| Brokerage fees | **5,700** |
| Professional fees | **2,374** |
| Assumed head leases | **4,201** |
| Penalties on debt repayment | **945** |
| Closing adjustments | **4,734** |
| Other | **600** |
| **Total** | **18,554** |

## TRUST ADMINISTRATIVE EXPENSES

During the first quarter of 2018, Trust administrative expenses amounted to $5.3 million, compared to $4.5 million for the corresponding period in 2017. This increase is due to a $0.4 million increase in sponsorship and charitable donations, a $0.1 million increase in compensation expenses related to the long-term incentive plan, and a $0.3 million increase in salaries and benefits due to the increase in the workforce of our leasing teams.

## NET INCOME

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| Net income | **29,977** | 59,713 | (49.8) |
| Net income per unit (basic and diluted) | **0.16** | 0.33 | (51.5) |
| Weighted average number of units outstanding (basic) | **182,455,751** | 182,658,420 | |
| Weighted average number of units outstanding (diluted) | **182,660,682** | 182,813,900 | |

Net income for the first quarter of 2018 amounted to $30.0 million, compared to a net income of $59.7 million for the same period of 2017. This decrease is due to a $5.3 million decrease in net operating income, a $1.5 million increase in finance charge, a $4.3 million change in fair value of investment properties and $18.6 million in transaction costs related to the sale of a 95 non-core property portfolio for $1.14 billion.

### 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 the transaction costs which are non-recurring.

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| Net income | **29,977** | 59,713 | (49.8) |
| Change in fair value of investment properties | **4,331** | — | — |
| Transaction costs | **18,554** | — | — |
| Adjusted net income[1] | **52,862** | 59,713 | (11.5) |
| Adjusted net income per unit (diluted)[1] | **0.29** | 0.33 | (12.1) |
| Weighted average number of units outstanding (diluted) | **182,660,682** | 182,813,900 | |

*(1) Non-IFRS financial measure.*

Adjusted net income for the first quarter of 2018 decreased by $6.9 million from the same quarter of 2017, due mainly to the $5.3 million decrease in net operating income and the $1.5 million increase in finance charges.

## FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Although the concepts of funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not IFRS financial measures, they are widely used in the real estate investment trust industry.

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

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

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

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

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

**FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS**

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| **Net income** | **29,977** | 59,713 | (49.8) |
| Taxes on dispositions of properties | **6,251** | — | — |
| Deferred income taxes | **(6,539)** | 219 | (3,085.8) |
| Initial and re-leasing salary costs | **1,009** | 874 | 15.4 |
| Change in fair value of investment properties | **4,331** | — | — |
| Capitalizable interest on properties under development – Joint ventures | **154** | 202 | (23.8) |
| Transaction costs | **18,554** | — | — |
| **Recurring funds from operations**(1)(3) | **53,737** | 61,008 | (11.9) |
| Provision for leasing costs | **(7,153)** | (6,251) | 14.4 |
| Recognition of leases on a straight-line basis(1) | **(623)** | (727) | (14.3) |
| Capital expenditures – maintenance of rental income generating capacity | **(3 682)** | (1 557) | 136.5 |
| **Recurring adjusted funds from operations**(1)(3) | **42,279** | 52,473 | (19.4) |
| **Per unit information:** | | | |
| Recurring funds from operations (FD)(2)(3) | **0.29** | 0.33 | (12.1) |
| Recurring adjusted funds from operations (FD)(2)(3) | **0.23** | 0.29 | (20.7) |
| Weighted average number of units outstanding (FD)(2) | **182,660,682** | 182,813,900 | |
| Payout ratio of recurring ajusted funds from operations(2) | **108.7%** | 126.7% | |

*(1) Including Cominar's proportionate share in joint ventures.*
*(2) Fully diluted.*
*(3) Non-IFRS financial measure.*

The provision for leasing costs which Cominar deducts 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 made with the operating revenues generated over the terms of the leases. During the quarter ended March 31, 2018, the actual costs incurred by Cominar were $15.7 million in leasehold improvements and $1.9 million in initial direct costs that are amortized over the terms of the related leases, while the provision for leasing costs amounted to $7.2 million.

Recurring FFO for the first quarter of 2018 decreased by $7.3 million from the corresponding period of 2017, due mainly to the $6.9 million decrease in adjusted net income explained above.

Recurring AFFO for the first quarter of 2018 decreased by $9.5 million compared with the corresponding period of 2017, due mainly to the $6.9 million decrease in adjusted net income explained above, and due to the $0.9 million increase of the provision for leasing costs and the $2.1 million increase in the capital expenditures to maintain rental income generating capacity.

# ADJUSTED CASH FLOW FROM OPERATIONS

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

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

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

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ |
|---|---|---|
| **Cash flows provided by operating activities as per the condensed interim consolidated financial statements** | **19,335** | 35,753 |
| Adjustments – investments in joint ventures[1] | **1,116** | 542 |
| Provision for leasing costs | **(7,153)** | (6,251) |
| Initial and re-leasing salary costs | **1,009** | 874 |
| Changes in adjusted non-cash working capital items[2] | **10,490** | 20,130 |
| Capital expenditures – maintenance of rental income generating capacity | **(3,682)** | (1,557) |
| Amortization of deferred financing costs and other costs | **(733)** | (733) |
| Amortization of fair value adjustments on assumed mortgages payable | **1,239** | 1,420 |
| Transaction costs | **18,554** | — |
| Capitalizable interest on properties under development – joint ventures | **154** | 202 |
| **Recurring adjusted cash flow from operations[1][4]** | **40,329** | 50,380 |
| **Per unit information:** | | |
| Recurring adjusted cash flow from operations (FD)[3][4] | **0.22** | 0.28 |
| Weighted average number of units outstanding (FD)[3] | **182,660,682** | 182,813,900 |
| Payout ratio[3] | **113.6%** | 131.3% |

*(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, sales taxes and other indirect taxes payable to or receivable from applicable governments, income taxes and transaction cost accruals relating to acquisitions and dispositions of investment properties.*
*(3) Fully diluted.*
*(4) Non-IFRS financial measure.*

# DISTRIBUTIONS

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

**DISTRIBUTIONS TO UNITHOLDERS**

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | % Δ |
|---|---|---|---|
| Cash distributions | **45,483** | 50,538 | (10.0) |
| Distributions reinvested under the distribution reinvestment plan[1] | **—** | 17,108 | (100.0) |
| Distributions to unitholders | **45,483** | 67,646 | (32.8) |
| Percentage of distributions reinvested | **—** | 25.3% | |
| Per unit distributions | **0.2500** | 0.3675 | |

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

Distributions to unitholders for the first quarter of 2018 totalled $45.5 million, down 32.8% from the corresponding period of 2017, due to the decrease in monthly distribution from $0.1225 per unit to $0.095 per unit announced on August 3, 2017 and the decrease in distribution from $0.095 per unit to $0.06 per unit announced on March 7, 2018, beginning with the distribution of March 2018 payable in April 2018. These decreases in distributions enabled Cominar to reduce its recurring adjusted funds from operations distribution ratio from 126.7% as at March 31, 2017, to 108.7% as at March 31, 2018.

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

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

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ | 2016<br>$ |
|---|---|---|---|
| **Net income** | **29,977** | 59,713 | 68,081 |
| **Cash flows provided by operating activities as per the condensed interim consolidated financial statements** | **19,335** | 35,753 | 38,632 |
| Distributions to unitholders | **45,483** | 67,646 | 61,970 |
| Surplus (deficit) of cash flows provided by operating activities compared with distributions payable to unitholders | **(26,148)** | (31,893) | (23,338) |

For the three-month period ended March 31, 2018, cash flows provided by operating activities presented a $26.1 million shortfall over distributions to unitholders, due mainly to the seasonal nature of some expenses, like land taxes. This deficit in cash flows provided by operating activities against the distributions was financed with the surplus in available cash flows. On March 7, 2018, Cominar announced a decrease in its monthly distribution per unit from $0.095 to $0.06, which represents an annualized decrease of $76.7 million. Consequently, Cominar expects that its cash flows provided by operating activities for fiscal 2018 will be higher than the distributions to unitholders.

# LIQUIDITY AND CAPITAL RESOURCES

During the first quarter of 2018, Cominar generated $19.3 million in cash flows provided by operating activities and had $475.0 million in cash surplus as at March 31, 2018. Cominar foresees no difficulty in meeting its short-term obligations and its commitments, including the monthly payment of distributions, using the funds from operations, cash surplus, refinancing of mortgages payable, debenture or unit issuance and amounts available on its credit facility.

**DEBT MANAGEMENT**

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

As at March 31, 2018, Cominar had a 51.3% debt ratio consisting of mortgages, senior unsecured debentures and bank loans less cash and cash equivalents. Mortgages represented approximately 47.4% of total debt, while senior unsecured debentures represented approximately 43.6%. As at March 31, 2018, the weighted average annual contractual rate for mortgages was 4.01% and the residual weighted average remaining term of the mortgages was 5.5 years. The weighted average contractual rate on senior unsecured debentures was 4.23%.

## DEBT SUMMARY

| | As at March 31, 2018 | | | As at December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **$** | **Weighted average contractual rate** | **Residual weighted average term** | $ | Weighted average contractual rate | Residual weighted average term |
| Mortgages payable | **1,871,894** | **4.01%** | **5.5 years** | 2,150,126 | 4.22% | 4.8 years |
| Debentures | **1,721,829** | **4.23%** | **2.9 years** | 1,721,577 | 4.23% | 3.2 years |
| Bank borrowings | **356,000** | **3.38%** | **1.4 year** | 620,366 | 3.30% | 1.7 year |
| Total debt | **3,949,723** | **4.05%** | **4.0 years** | 4,492,069 | 4.10% | 3.7 years |
| Cash and cash equivalents | **(474,967)** | **1.70%** | | (6,928) | 1.70% | |
| Net debt | **3,474,756** | | | 4,485,141 | | |

On April 2 and 12, 2018, bank loans of $42.0 million and $314.0 million respectively were repaid. The credit facility remains undrawn since then.

## MORTGAGES PAYABLE

As at March 31, 2018, the balance of mortgages payable was $1,871.9 million, down $278.2 million from $2,150.1 million as at December 31, 2017. This decrease is explained by new mortgages payable of $347.5 million at a weighted average contractual rate of 3.95%, by the repayments of $503.3 million at a weighted average contractual rate of 4.82%, by the monthly repayments of capital of $14.1 million, and by assigned mortgages payable of $106.0 million at a weighted average contractual rate of 3.72%. As at March 31, 2018, the weighted average contractual rate was 4.01%, down 21 basis points from 4.22% as at December 31, 2017. As at March 31, 2018, the effective weighted average interest rate was 4.12%, compared to 3.95% as at December 31, 2017.

Cominar's mortgages payable contractual maturity dates are staggered over a number of years to reduce risks related to renewal. As at March 31, 2018, the residual weighted average term of mortgages payable was 5.5 years, compared to 4.8 years as at December 31, 2017.

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

**CONTRACTUAL MATURITY DATES OF MORTGAGES PAYABLE**

| For the years ending December 31 | Repayment of principal $ | Balances at maturity $ | Total $ | Weighted average contractual rate |
|---|---|---|---|---|
| 2018 (period from April 1 to December 31) | **36,783** | **91,350** | **128,133** | **3.90%** |
| 2019 | **48,387** | **4,141** | **52,528** | **6.18%** |
| 2020 | **50,129** | **80,974** | **131,103** | **4.34%** |
| 2021 | **43,392** | **327,150** | **370,542** | **4.25%** |
| 2022 | **37,173** | **184,248** | **221,421** | **3.35%** |
| 2023 | **33,311** | **292,428** | **325,739** | **4.53%** |
| 2024 | **24,842** | **181,733** | **206,575** | **4.08%** |
| 2025 | **17,864** | **23,234** | **41,098** | **3.58%** |
| 2026 | **6,897** | **288,527** | **295,424** | **3.52%** |
| 2027 | **5,048** | **50,900** | **55,948** | **3.85%** |
| 2028 and thereafter | **7,071** | **42,457** | **49,528** | **4.40%** |
| **Total** | **310,897** | **1,567,142** | **1,878,039** | **4.01%** |

Cominar intends to repay the balances at maturity of its mortgages payable maturing in 2018 using available cash surplus.

## 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 March 31, 2018 $ |
|---|---|---|---|---|---|---|
| Series 2 | **December 2012(1)** | **4.23%** | **4.37%** | **June 4 and December 4** | **December 2019** | **300,000** |
| Series 3 | **May 2013** | **4.00%** | **4.24%** | **May 2 and November 2** | **November 2020** | **100,000** |
| Series 4 | **July 2013(2)** | **4.941%** | **4.81%** | **July 27 and January 27** | **July 2020** | **300,000** |
| Series 7 | **September 2014** | **3.62%** | **3.70%** | **December 21 and June 21** | **June 2019** | **300,000** |
| Series 8 | **December 2014** | **4.25%** | **4.34%** | **June 8 and December 8** | **December 2021** | **200,000** |
| Series 9 | **June 2015** | **4.164%** | **4.25%** | **June 1 and December 1** | **June 2022** | **300,000** |
| Series 10 | **May 2016** | **4.247%** | **4.34%** | **May 23 and November 23** | **May 2023** | **225,000** |
| Weighted average interest rate | | **4.23%** | **4.29%** | | | |
| **Total** | | | | | | **1,725,000** |

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

As at March 31, 2018, the residual weighted average term of senior unsecured debentures was 2.9 years.

## BANK BORROWINGS

As at March 31, 2018, Cominar had an unsecured renewable operating and acquisition credit facility of up to $700.0 million maturing in August 2019. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at March 31, 2018 and December 31, 2017. As at March 31, 2018, bank borrowings totalled $356.0 million and cash available on the credit facility was $344.0 million. These bank borrowings were composed of bankers' acceptances, of which $42.0 million were repaid on April 2, 2018 and $314.0 million were repaid on April 12, 2018, using available cash. The credit facility remains undrawn since then.

## CASH AND CASH EQUIVALENTS

As at March 31, 2018, Cominar had $475.0 million in cash and cash equivalents bearing interest at prime rate less 175 basis points, or 1.7 %. This excess cash came from the sale of a 95 property portfolio completed on March 27, 2018 and were used at the beginning of April 2018 to repay all of the $356.0 million bank borrowings.

## DEBT RATIO

The following table presents the changes in the debt ratio:

| | March 31,2018<br>$ | December 31, 2017<br>$ |
|---|---|---|
| Cash and cash equivalents | **(474,967)** | (6,928) |
| Mortgages payable | **1,871,894** | 2,150,126 |
| Debentures | **1,721,829** | 1,721,577 |
| Bank borrowings | **356,000** | 620,366 |
| Total net debt | **3,474,756** | 4,485,141 |
| Total assets less cash and cash equivalents | **6,768,584** | 7,818,065 |
| **Debt ratio(1)(2)** | **51.3%** | 57.4% |

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

As at March 31, 2018, Cominar's debt ratio stood at 51.3%, down 6.1% from December 31, 2017. This decrease is due mainly to the use of part of the net proceeds from the sale of our non-core properties for $1.140 billion which was partially used to reduce the $278.2 million mortgage loans and to repay $264.4 million in bank loans.

## INTEREST COVERAGE RATIO

The following table presents the interest coverage ratio:

| | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|
| Net operating income (last12 months) | **430,705** | 436,037 |
| Trust administrative expenses (last12 months) | **(26,749)** | (25,977) |
| | **403,956** | 410,060 |
| Finance charges (last12 months) | **170,256** | 168,752 |
| **Interest coverage ratio** | **2.37:1** | 2.43:1 |

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

The interest coverage ratio is used to assess Cominar's ability to pay interest on its total debt from operating revenues. As at March 31, 2018, the annualized interest coverage ratio stood at 2.37:1 [2.43:1 as at December 31, 2017], 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 March 31, 2018 | | As at December 31, 2017 | |
|---|---|---|---|---|
| | **Number of properties** | **Fair value of properties ($)** | Number of properties | Fair value of properties ($) |
| Unencumbered income properties | **281** | **2,692,474** | 334 | 3,347,839 |
| Unencumbered assets to unsecured net debt ratio(1)(2) | | **1.68:1** | | 1,43:1 |
| Unsecured debts-to-net-debt ratio(2)(3) | | **46.1%** | | 52.1% |

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

As at March 31, 2018, Cominar owned unencumbered income properties whose fair value was approximately $2.7 billion. The unencumbered assets to unsecured net debt ratio stood at 1.68:1, well above the required ratio of 1.30:1 contained in the restrictive covenant of the outstanding debentures.

## OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

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

# PROPERTY PORTFOLIO

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

| | March 31, 2018 | December 31, 2017 | |
|---|---|---|---|
| | $ | $ | % Δ |
| Income properties – Cominar's proportionate share(1) | **6,460,803** | 6,402,858 | 0.9 |
| Properties under development and land held for future development – Cominar's proportionate share(1) | **153,273** | 145,253 | 5.5 |
| Investment properties held for sale | **3,500** | 1,143,500 | (99.7) |
| Number of income properties | **430** | 525 | |
| Leasable area (sq. ft.) | **38,209,000** | 44,370,000 | |

*(1) Non-IFRS financial measure.*

### SUMMARY BY OPERATING SEGMENT

| | March 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | **Number of properties** | **Leasable area (sq. ft.)** | Number of properties | Leasable area (sq. ft.) |
| Office | **97** | **11,800,000** | 136 | 14,830,000 |
| Retail | **136** | **10,570,000** | 154 | 12,075,000 |
| Industrial and mixed-use | **197** | **15,839,000** | 235 | 17,465,000 |
| **Total** | **430** | **38,209,000** | 525 | 44,370,000 |

**SUMMARY BY GEOGRAPHIC MARKET**

| | March 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| | **Number of properties** | **Leasable area (sq. ft.)** | Number of properties | Leasable area (sq. ft.) |
| Québec City | **127** | **10,253,000** | 127 | 10,253,000 |
| Montreal | **282** | **25,420,000** | 282 | 25,420,000 |
| Ottawa[(1)] | **20** | **2,476,000** | 20 | 2,476,000 |
| **Total core markets** | **429** | **38,149,000** | 429 | 38,149,000 |
| Toronto | **—** | **—** | 24 | 2,466,000 |
| Atlantic Provinces | **1** | **60,000** | 58 | 2,647,000 |
| Western Canada | **—** | **—** | 14 | 1,108,000 |
| **Total overall market** | **430** | **38,209,000** | 525 | 44,370,000 |

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

# ACQUISITIONS, INVESTMENTS AND DISPOSITIONS

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

## INVESTMENTS IN INCOME PROPERTIES

Cominar continues to develop its investment properties in the normal course of business. Investments made include expansions, modernizations, modifications and upgrades to existing properties with a view to increasing or maintaining their rental income generating capacity. For example, Cominar is redeveloping the food court in Centre Rockland and incorporates the latest design and restaurant trends. With this initiative, Cominar wishes to redefine the culinary experience in Centre Rockland. The redevelopment work will be carried out during the three first quarters of 2018.

During the first quarter of 2018, Cominar incurred $36.1 million [$25.9 million in 2017] in capital expenditures specifically to increase the rental income generating capacity of its properties. These capital expenditures include, among others, investments of $6.6 million in revitalization and redevelopment, $0.9 million in property expansion, $22.9 million in structural work, and $1.7 million in facade renovation. During the quarter, Cominar also incurred $3.7 million [$1.6 million in 2017] in capital expenditures to maintain rental income generating capacity, consisting mainly of major maintenance and repair expenses, as well as property equipment replacements, which will garner benefits for Cominar for the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invested in leasehold improvements that aim to increase the value of its buildings through higher lease rates, as well as in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required may vary from quarter to quarter since it closely depends on lease renewals and the signing of new leases. It also depends on increases in rental space thanks to acquired, expanded or upgraded properties, or rental space transferred from properties under development. During the first quarter of 2018, Cominar made investments of $17.5 million [$11.7 million in 2017] in this respect.

## DISPOSITION OF INVESTMENT PROPERTIES HELD FOR SALE

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

**SUMMARY OF SOLD PROPERTIES**

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

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

| Address | Leasable area sq. ft. | Operating segment | Area |
|---|---|---|---|
| 129 Queensway East, Simcoe, Ontario | 74,000 | Retail | Greater Toronto |
| 414 Old Highway #2, Trenton, Ontario | 4,000 | Retail | Greater Toronto |
| 1571 Sandhurst Circle, Toronto, Ontario | 283,000 | Retail | Greater Toronto |
| 1201 California Avenue, Brockville, Ontario | 94,000 | Industrial and mixed-use | Greater Toronto |
| 5500 North Service Road, Burlington, Ontario | 222,000 | Office | Greater Toronto |
| 95 Moatfield Drive, Toronto, Ontario | 156,000 | Office | Greater Toronto |
| 105 Moatfield Drive, Toronto, Ontario | 249,000 | Office | Greater Toronto |
| 225 Duncan Mill Road, Toronto, Ontario | 152,000 | Office | Greater Toronto |
| 6300 Northwest Drive, Mississauga, Ontario | 26,000 | Industrial and mixed-use | Greater Toronto |
| 6280 Northwest Drive, Mississauga, Ontario | 21,000 | Industrial and mixed-use | Greater Toronto |
| 3415 American Drive, Mississauga, Ontario | 31,000 | Industrial and mixed-use | Greater Toronto |
| 3405 American Drive, Mississauga, Ontario | 20,000 | Industrial and mixed-use | Greater Toronto |
| 3403 American Drive, Mississauga, Ontario | 19,000 | Industrial and mixed-use | Greater Toronto |
| 3397 American Drive, Mississauga, Ontario | 46,000 | Industrial and mixed-use | Greater Toronto |
| 3395 American Drive, Mississauga, Ontario | 16,000 | Industrial and mixed-use | Greater Toronto |
| 3355 American Drive, Mississauga, Ontario | 113,000 | Industrial and mixed-use | Greater Toronto |
| 6295 Northam Drive, Mississauga, Ontario | 42,000 | Industrial and mixed-use | Greater Toronto |
| 6325 Northam Drive, Mississauga, Ontario | 77,000 | Industrial and mixed-use | Greater Toronto |
| 6305 Northam Drive, Mississauga, Ontario | 34,000 | Industrial and mixed-use | Greater Toronto |
| 6285 Northam Drive, Mississauga, Ontario | 54,000 | Office | Greater Toronto |
| 6275 Northam Drive, Mississauga, Ontario | 50,000 | Industrial and mixed-use | Greater Toronto |
| 55 University Avenue, Toronto, Ontario | 264,000 | Office | Greater Toronto |
| 1250 South Service Road, Mississauga, Ontario | 416,000 | Retail | Greater Toronto |
| 1490 Dixie Road, Mississauga, Ontario | 3,000 | Retail | Greater Toronto |
| 1113 Regent Street, Fredericton, New Brunswick | 11,000 | Office | Atlantic Provinces |
| 1115 Regent Street, Fredericton, New Brunswick | 16,000 | Office | Atlantic Provinces |
| 291 Industrial Drive, Saint John, New Brunswick | 33,000 | Industrial and mixed-use | Atlantic Provinces |
| 570 Queen Street, Fredericton, New Brunswick | 70,000 | Office | Atlantic Provinces |
| 385 Wilsey Road, Fredericton, New Brunswick | 32,000 | Industrial and mixed-use | Atlantic Provinces |
| 360 Pleasant Street, Miramichi, New Brunswick | 25,000 | Retail | Atlantic Provinces |
| 50-110 Crown Street, Saint-John, New Brunswick | 33,000 | Industrial and mixed-use | Atlantic Provinces |
| 371 Queen Street, Fredericton, New Brunswick | 32,000 | Office | Atlantic Provinces |
| 565 Priestman Street, Fredericton, New Brunswick | 35,000 | Office | Atlantic Provinces |
| 1133 Regent Street, Fredericton, New Brunswick | 86,000 | Office | Atlantic Provinces |
| 65 Regent Street, Fredericton, New Brunswick | 41,000 | Office | Atlantic Provinces |
| 1080 Champlain Street, Dieppe, New Brunswick | 37,000 | Industrial and mixed-use | Atlantic Provinces |
| 1149 Smythe Street, Fredericton, New Brunswick | 13,000 | Office | Atlantic Provinces |
| 115 Whiting Road, Fredericton, New Brunswick | 17,000 | Industrial and mixed-use | Atlantic Provinces |
| 140 Macnaughton Avenue, Moncton, New Brunswick | 38,000 | Industrial and mixed-use | Atlantic Provinces |
| 125 Whiting Road, Fredericton, New Brunswick | 44,000 | Industrial and mixed-use | Atlantic Provinces |
| 140 Alison Boulevard, Fredericton, New Brunswick | 47,000 | Industrial and mixed-use | Atlantic Provinces |
| 420 Wilsey Road, Fredericton, New Brunswick | 19,000 | Industrial and mixed-use | Atlantic Provinces |

| Address | Leasable area sq. ft. | Operating segment | Area |
|---|---|---|---|
| 900 Hanwell Road, Fredericton, New Brunswick | 66,000 | Retail | Atlantic Provinces |
| 440 Wilsey Road, Fredericton, New Brunswick | 45,000 | Industrial and mixed-use | Atlantic Provinces |
| 50 Macnaughton Avenue, Moncton, New Brunswick | 20,000 | Industrial and mixed-use | Atlantic Provinces |
| 245 Hilton Road, Fredericton, New Brunswick | 18,000 | Industrial and mixed-use | Atlantic Provinces |
| 146-154 Main Street, Fredericton, New Brunswick | 18,000 | Retail | Atlantic Provinces |
| 727 Wilsey Road, Fredericton, New Brunswick | 14,000 | Industrial and mixed-use | Atlantic Provinces |
| 749 Wilsey Road, Fredericton, New Brunswick | 16,000 | Industrial and mixed-use | Atlantic Provinces |
| 520 Edinburgh Drive, Moncton, New Brunswick | 38,000 | Industrial and mixed-use | Atlantic Provinces |
| 81 Albert Street, Moncton, New Brunswick | 65,000 | Office | Atlantic Provinces |
| 84 Chain Lake Drive, Halifax, Nova Scotia | 76,000 | Office | Atlantic Provinces |
| 330 Elmwood Drive, Moncton, New Brunswick | 13,000 | Office | Atlantic Provinces |
| 409 Elmwood Drive, Moncton, New Brunswick | 26,000 | Retail | Atlantic Provinces |
| 86 Chain Lake Drive, Halifax, Nova Scotia | 2,000 | Retail | Atlantic Provinces |
| 612 Windmill Road, Darmouth, Nova Scotia | 39,000 | Retail | Atlantic Provinces |
| 699 Champlain Street, Dieppe, New Brunswick | 10,000 | Industrial and mixed-use | Atlantic Provinces |
| 1 Agar Place, Saint John, New Brunswick | 41,000 | Office | Atlantic Provinces |
| 120-140 Commerce Street, Moncton, New Brunswick | 66,000 | Industrial and mixed-use | Atlantic Provinces |
| 85 and 123 Halifax Street, Moncton, New Brunswick | 79,000 | Office | Atlantic Provinces |
| 114 Price Street, Moncton, New Brunswick | 183,000 | Industrial and mixed-use | Atlantic Provinces |
| 33 Henri Dunant Street, Moncton, New Brunswick | 118,000 | Industrial and mixed-use | Atlantic Provinces |
| 1300 St-Peter Avenue, Bathurst, New Brunswick | 213,000 | Retail | Atlantic Provinces |
| 11 Wright Street, Sackville, New Brunswick | 20,000 | Retail | Atlantic Provinces |
| 1313 Barrington Street, Halifax, Nova Scotia | 29,000 | Office | Atlantic Provinces |
| 11 Akerley Boulevard, Dartmouth, Nova Scotia | 127,000 | Office | Atlantic Provinces |
| 1741 Brunswick Street, Halifax, Nova Scotia | 102,000 | Office | Atlantic Provinces |
| 118 Wyse Road, Dartmouth, Nova Scotia | 90,000 | Retail | Atlantic Provinces |
| 950 Bedford Highway, Halifax, Nova Scotia | 24,000 | Retail | Atlantic Provinces |
| 619 Sackville Drive, Sackville, Nova Scotia | 10,000 | Retail | Atlantic Provinces |
| 32 Akerley Boulevard, Dartmouth, Nova Scotia | 14,000 | Office | Atlantic Provinces |
| 24 Carr Crescent, Gander, Newfoundland | 60,000 | Industrial and mixed-use | Atlantic Provinces |
| 24 Stavanger Drive, St.John's, Newfoundland | 127,000 | Retail | Atlantic Provinces |
| 190 Alison Boulevard, Fredericton, New Brunswick | 29,000 | Industrial and mixed-use | Atlantic Provinces |
| 229 J.D. Gauthier Blvd., Shippagan, New Brunswick | 68,000 | Retail | Atlantic Provinces |
| 231 J.D. Gauthier Blvd, Shippagan, New Brunswick | 3,000 | Retail | Atlantic Provinces |
| 71 Cow Bay Road, Halifax, Nova Scotia | 5,000 | Retail | Atlantic Provinces |
| 69 Cow Bay Road, Halifax, Nova Scotia | 5,000 | Retail | Atlantic Provinces |
| 81 Cow Bay Road, Halifax, Nova Scotia | 5,000 | Retail | Atlantic Provinces |
| 667 Barnes Drive, Halifax, Nova Scotia | 29,000 | Industrial and mixed-use | Atlantic Provinces |
| 432 Queen Street, Fredericton, New Brunswick | 45,000 | Office | Atlantic Provinces |
| 720 28$^{th}$ Street N.E., Calgary, Alberta | 37,000 | Office | Western Canada |
| 640-820 28$^{th}$ Street N.E., Calgary, Alberta | 138,000 | Industrial and mixed-use | Western Canada |
| 221 62$^{nd}$ Avenue S.E., Calgary, Alberta | 8,000 | Office | Western Canada |
| 253 62$^{nd}$ Avenue S.E., Calgary, Alberta | 8,000 | Office | Western Canada |
| 6223 2$^{nd}$ Street S.E., Calgary, Alberta | 30,000 | Office | Western Canada |
| 6227 2$^{nd}$ Street S.E., Calgary, Alberta | 14,000 | Office | Western Canada |
| 4124 9$^{th}$ Street S.E., Calgary, Alberta | 47,000 | Office | Western Canada |
| 600 Manning Crossing, Edmonton, Alberta | 12,000 | Retail | Western Canada |
| 4411 6$^{th}$ Street S.E., Calgary, Alberta | 41,000 | Office | Western Canada |
| 700 2$^{nd}$ Street S.W., (Bldg 1110b) Calgary, Alberta | 609,000 | Office | Western Canada |
| 4000 4$^{th}$ Street S.E. (Bldg 200), Calgary, Alberta | 39,000 | Office | Western Canada |
| 4000 4$^{th}$ Street S.E. (Bldg 300), Calgary, Alberta | 69,000 | Office | Western Canada |
| 3600 4$^{th}$ Street S.E. (Bldg 100), Calgary, Alberta | 13,000 | Office | Western Canada |
| 560 Camiel Sys Street, Winnipeg, Manitoba | 43,000 | Industrial and mixed-use | Western Canada |
| | **6,161,000** | | |

### PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECTS

**Société en commandite Bouvier-Bertrand (Québec City)**

Cominar and Groupe Dallaire Inc., each having 50% ownership interest, are in joint venture for the purpose of developing commercial land located on Highway 40, one of the main arteries of Québec City. Upon completion, this project, Espace Bouvier, will consist of an office building of 80,000 square feet and five retail buildings totalling approximately 191,500 square feet with more than 900 parking spaces. The office building was transferred to income properties since it is currently 66% leased, and it is expected to be 96% leased by the end of the first quarter of 2018. The first retail building, a property of 65,000 square feet 100% leased by a single tenant, was delivered in December 2015. The second retail building, a property of 25,000 square feet 100% leased by a single tenant, was delivered in May 2016. The third retail building, a property of 9,000 square feet 100% leased by a single tenant, was completed and delivered to the tenant at the end of 2016. The fourth retail building, whose construction was completed during the first quarter of 2018 with a pre-leasing rate of 91%, will have a total leasable area of approximately 34,600 square feet and an estimated construction cost of $4.9 million. The fifth retail building to be constructed will have a total leasable area of approximately 58,000 square feet and an estimated construction cost of $7.3 million. The expected weighted average capitalization rate for all of these properties is estimated at 7.5%.

**Société en commandite Marais (Québec City)**

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

**Société en commandite Chaudière-Duplessis (IKEA site)**

During the first quarter of 2017, Cominar commenced the development of a new commercial centre located at the junction of Highways 40 and 540, two of the main arteries of Québec City, around the Swedish banner IKEA, which made the announcement in the fall of 2016 and which will itself occupy just over 1 million square feet, including the parking areas. This will make it a major attraction in the new area. The official opening of the IKEA store is scheduled for the end of summer 2018.

Cominar's commercial project will have 14 buildings of various sizes to welcome approximately 25 clients, which, with time, will occupy an estimated area of approximately 500,000 square feet, the first phases of which will be delivered by the end of 2018. Decathlon, a company specialized in the sale of sporting goods, is the first client to announce its arrival in the commercial complex, with an expected opening in July 2019. When completed, this project, with an investment estimated at $113 million, will have a development capitalization rate of approximately 8.1%.

## REAL ESTATE OPERATIONS

### OCCUPANCY RATE

As at March 31, 2018, the average committed occupancy rate of our properties was 92.9%, compared to 92.6% as at December 31, 2017. The following table presents the occupancy rates by operating segment.

**OCCUPANCY RATE TRACK RECORD**

| | Committed | In-Place | | | |
|---|---|---|---|---|---|
| | March 31, 2018(1) | March 31, 2018(1) | December 31, 2017 | December 31, 2016 | December 31, 2015 |
| **Operating segment** | | | | | |
| Office | **90.0%** | **84.9%** | 84.4% | 85.4% | 87.0% |
| Retail | **93.0%** | **83.5%** | 87.3% | 88.4% | 87.7% |
| Industrial and mixed-use | **95.1%** | **90.5%** | 91.4% | 89.5% | 90.2% |
| **Portfolio total** | **92.9%** | **86.9%** | **87.9%** | **87.9%** | **88.5%** |
| **Committed occupancy rate for the periods** | | **92.9%** | **92.6%** | **92.4%** | **91.9%** |

*(1) Excludes all the properties sold during the first quarter of 2018.*

During the first quarter of 2018, the in-place occupancy rate of the retail segment decreased from 87.3% as at December 31, 2017 to 83.5% as at March 31, 2018. This decrease is mainly attributable to the closing, during the quarter, of two Sears stores.

The following table presents the occupancy rates as at March 31, 2018 by operating segment for our core markets:

| | Québec City | | Montreal | | Ottawa | | Total | |
|---|---|---|---|---|---|---|---|---|
| | In-place | Committed | In-place | Committed | In-place | Committed | In-place | Committed |
| **Operating segment** | | | | | | | | |
| Office | 93.9% | 96.8% | 82.5% | 87.2% | 81.5% | 90.4% | 84.9% | 90.0% |
| Retail | 87.5% | 93.8% | 82.5% | 92.6% | 58.1% | 90.1% | 83.5% | 93.0% |
| Industrial and mixed-use | 88.3% | 95.2% | 91.2% | 95.1% | N/A | N/A | 90.5% | 95.1% |
| **Total markets** | **89.4%** | **95.1%** | **86.7%** | **92.3%** | **77.9%** | **90.4%** | **86.9%** | **92.9%** |

Committed occupancy rate refers to the leasable area occupied by clients to which we add the leasable area of signed leases which have not started yet.

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

The average difference between the in-place occupancy rate and the committed occupancy rate for the core markets was 6.0% as at March 31, 2018. For the retail segment, this difference averaged 9.5% represents several signed leases of which 40% will come into force by the end of the year 2018. For the Ottawa office segment, this difference was 8.9% and represents signed leases of which approximately 50% will come into force by the end of the year 2018.

The following table shows the evolution of the leasable space of the signed leases beginning in the next quarters:

| | For the quarter ended March 31, 2018 sq. ft. |
|---|---|
| **Signed leases that will begin in the next quarters** | |
| Balance, beginning of period | 1,230,000 |
| Leases that have begun in the quarter | (316,000) |
| New signed leases | 618,000 |
| Balance, end of period | 1,532,000 |

This 1.5 million square feet area comes from signed leases that will begin during the five next quarters and which will, in the end, contribute approximately $24.3 million in net operating income on an annualized basis.

## LEASING ACTIVITY

| | Office | Retail | Industrial and mixed-use | Total |
|---|---|---|---|---|
| **Leases maturing in 2018** | | | | |
| Number of clients | 243 | 489 | 235 | 967 |
| Leasable area (sq. ft.) | 2,110,000 | 1,889,000 | 2,884,000 | 6,883,000 |
| Average minimum rent ($/sq. ft.) | 18.58 | 16.31 | 6.85 | 13.04 |
| **Renewed leases** | | | | |
| Number of clients | 77 | 121 | 65 | 263 |
| Leasable area (sq. ft.) | 1,188,000 | 866,000 | 967,000 | 3,021,000 |
| Average minimum rent of renewed leases ($/sq. ft.) | 18.07 | 12.83 | 7.76 | 13.27 |
| **Retention rate** | 56.3% | 45.8% | 33.5% | 43.9% |
| **New leases** | | | | |
| Number of clients | 58 | 49 | 53 | 160 |
| Leasable area (sq. ft.) | 420,000 | 404,000 | 934,000 | 1,758,000 |
| Average minimum rent ($/sq. ft.) | 13.64 | 15.11 | 5.94 | 9.88 |

During the first quarter of 2018, 43.9% [36.7% in 2017] of the leasable area maturing in 2018 were renewed, while new leases were also signed, representing 1.8 million square feet of leasable area. Overall, as at March 31, 2018, 69.4% [58.4% in 2017] of the total leasable area maturing during the year was either renewed or subject to a new lease.

### GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

| | For the quarter ended March 31, 2018 | For the year ended December 31, 2017 |
|---|---|---|
| **Operating segment** | | |
| Office | **(1.0)%** | (0.2)% |
| Retail | **0.8%** | (0.7)% |
| Industrial and mixed-use | **3.7%** | 4.7% |
| **Portfolio total** | **0.7%** | 0.6% |

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

**LEASE MATURITIES**

| For the years ending December 31 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| **Office** | | | | | |
| Leasable area (sq. ft.) | 1,355,000 | 1,114,000 | 1,319,000 | 929,000 | 886,000 |
| Average minimum rent ($/sq. ft.) | 19.46 | 17.09 | 18.56 | 17.17 | 19.68 |
| % of portfolio – Office | 11.5% | 9.4% | 11.2% | 7.9% | 7.5% |
| **Retail** | | | | | |
| Leasable area (sq. ft.) | 1,490,000 | 1,165,000 | 1,044,000 | 959,000 | 800,000 |
| Average minimum rent ($/sq. ft.) | 17.74 | 21.94 | 20.44 | 19.62 | 14.11 |
| % of portfolio – Retail | 14.1% | 11.0% | 9.9% | 9.1% | 7.6% |
| **Industrial and mixed-use** | | | | | |
| Leasable area (sq. ft.) | 1,680,000 | 2,769,000 | 1,586,000 | 2,026,000 | 1,313,000 |
| Average minimum rent ($/sq. ft.) | 6.85 | 6.18 | 6.83 | 6.17 | 7.61 |
| % of portfolio – Industrial and mixed-use | 10.6% | 17.5% | 10.0% | 12.8% | 8.3% |
| **Portfolio total** | | | | | |
| Leasable area (sq. ft.) | 4,525,000 | 5,048,000 | 3,949,000 | 3,914,000 | 2,999,000 |
| Average minimum rent ($/sq. ft.) | 14.21 | 12.22 | 14.35 | 12.08 | 12.91 |
| % of portfolio | 11.8% | 13.2% | 10.3% | 10.2% | 7.8% |

The following table summarizes information on leases as at March 31, 2018:

| | Residual weighted average term (years) | Weighted average term of leases (years) | Average leased area per client (sq. ft.) | Average minimum rent ($/sq. ft.) |
|---|---|---|---|---|
| **Operating segment** | | | | |
| Office | 5.3 | 8.5 | 7 000 | 18.09 |
| Retail | 5.0 | 8.1 | 4 300 | 19.04 |
| Industrial and mixed-use | 5.1 | 8.3 | 13 400 | 6.64 |
| **Weighted average of total portfolio** | **5.2** | **8.3** | **7 300** | **13.34** |

Cominar has a broad, highly diversified retail client base consisting of approximately 4,800 clients occupying an average of 7,300 square feet each. The top three clients, Société québécoise des infrastructures, Canadian National Railway Company and Public Works Canada, account respectively for approximately 5.6%, 5.1% and 4.7% 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 11.9% of operating revenues come from government agencies, representing over 100 leases.

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

| Client | % of operating revenues |
|---|---|
| Société québécoise des infrastructures | 5.6 |
| Canadian National Railway Company | 5.1 |
| Public Works Canada | 4.7 |
| Desjardins Property Management | 0.8 |
| Marie-Claire Boutiques inc. | 0.7 |
| Dollarama | 0.7 |
| Société des alcools du Québec | 0.6 |
| Shoppers Drug Mart | 0.6 |
| Winners | 0.6 |
| National Bank of Canada | 0.5 |
| **Total** | **19.9** |

# ISSUED AND OUTSTANDING UNITS

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

| | For the quarter ended March 31, 2018 | For the year ended December 31, 2017 |
|---|---|---|
| Units issued and outstanding, beginning of period | **184,629,497** | 182,334,562 |
| Repurchase of units under NCIB | **(2,709,500)** | (730,900) |
| Exercise of options | **9,700** | 3,900 |
| Distribution reinvestment plan | **—** | 2,887,370 |
| Conversion of deferred units and restricted units | **4,402** | 134,565 |
| **Units issued and outstanding, end of period** | **181,934,099** | 184,629,497 |

| Additional information | May 4, 2018 |
|---|---|
| Issued and outstanding units | 181,937,501 |
| Outstanding unit options | 12,099,400 |
| Deferred units, restricted units and performance units | 478,178 |

# RELATED PARTY TRANSACTIONS

During fiscal 2017, Michel Dallaire and Alain Dallaire were trustees and members of Cominar's management team, and they exercised indirect control over the activities of Groupe Dallaire Inc. and Dalcon Inc. (the "related companies"). On January 1, 2018, Sylvain Cossette was appointed as President and Chief Executive Officer to replace Michel Dallaire. This appointment was part of the succession plan put in place by the Board of Trustees when Sylvain Cossette joined Cominar in 2013 as President and Chief Operating Officer. On the same day, January 1, 2018, Sylvain Cossette was appointed as a trustee of Cominar to fill the vacancy created by the departure of Alain Dallaire as trustee. On February 12, 2018, Alban D'Amours was appointed as Chairman of the Board of Cominar following the departure of Michel Dallaire. While Alain Dallaire has a passive indirect economic interest in Groupe Dallaire, Alain Dallaire is neither an employee nor a director of Groupe Dallaire. Therefore, as from that date, Groupe Dallaire Inc. and Dalcon Inc. are no longer considered related parties according to IFRS.

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

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Investment properties – Capital costs | **42,051** | 24,772 |
| Acquisition of additional ownership interest in the joint venture Société en commandite Chaudière-Duplessis | **—** | 10,016 |
| Investment properties held by joint ventures – Capital costs | **1,916** | 328 |
| Share of joint ventures' net income | **1,085** | 831 |
| Net rental revenue from investment properties | **87** | 75 |
| Interest income | **—** | 70 |

# DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Evaluations are performed regularly to assess the effectiveness of DC&P, including this Interim MD&A and the condensed interim consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the DC&P were effective as at the end of the quarter ended March 31, 2018, and that the current controls and procedures provide reasonable assurance that material information about Cominar, including its consolidated subsidiaries, is made known to them during the period in which these reports are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar concluded that ICFR was effective as at the end of the first quarter ended March 31, 2018, and, more specifically, that the financial reporting is reliable and that the condensed interim consolidated financial statements have been prepared for financial reporting purposes in accordance with IFRS.

No changes were made to the Trust’s internal controls over financial reporting during the first quarter of 2018 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

# SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

**a) Basis of preparation**

Our Interim MD&A is based upon Cominar’s condensed interim consolidated financial statements, which have been prepared in accordance with IFRS applicable to the preparation of interim financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements and are the same as those used in the preparation of the audited annual financial statements as at December 31, 2017. The preparation and presentation of the condensed interim consolidated financial statements and any other financial information contained in this Interim MD&A includes the proper selection and application of appropriate accounting principles and policies, which require management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments to establish the carrying amounts of assets and liabilities which, in reality, could not have come from anywhere else. Use of other accounting policies or methods of estimation might have yielded different amounts than those presented. Actual results could differ.

**b) Basis of presentation**

**Consolidation**

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

**Use of estimates, assumptions and judgments**

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

- ***Investment properties***

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

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

- ***Business combinations***

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

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

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

- ***Joint arrangements***

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

- ***Impairment of goodwill***

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

- ***Financial instruments***

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

- ***Unit options***

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

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

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

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

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

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

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

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

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

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

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

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

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

Cominar uses the following classifications for its financial instruments:

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

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

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

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

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

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

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

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

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

*Deferred units*
Cominar recognizes 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 (net loss) per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income (net loss) 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 recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

**c) New accounting policies**
On January 1, 2018, Cominar adopted the following accounting policies:

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

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

## FUTURE ACCOUNTING POLICY CHANGES

**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 2017 Annual Report, as well as our 2017 Annual Information Form.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**COMINAR REAL ESTATE INVESTMENT TRUST**

**March 31, 2018**

Unaudited

# CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of Canadian dollars]

| | Note | March 31, 2018 $ | December 31, 2017 $ |
|---|---|---|---|
| **ASSETS** | | | |
| Investment properties | | | |
| Income properties | 4 | **6,296,854** | 6,239,383 |
| Properties under development | 5 | **43,528** | 37,692 |
| Land held for future development | 5 | **93,081** | 91,580 |
| | | **6,433,463** | 6,368,655 |
| Investment properties held for sale | 6 | **3,500** | 1,143,500 |
| Investments in joint ventures | 7 | **88,184** | 86,299 |
| Goodwill | | **139,982** | 139,982 |
| Accounts receivable | | **58,405** | 62,956 |
| Prepaid expenses and other assets | | **45,050** | 16,673 |
| Cash and cash equivalents | 8 | **474,967** | 6,928 |
| **Total assets** | | **7,243,551** | 7,824,993 |
| **LIABILITIES** | | | |
| Mortgages payable | 9 | **1,871,894** | 1,873,776 |
| Mortgages payable related to investment properties held for sale | 6, 9 | **—** | 276,350 |
| Debentures | | **1,721,829** | 1,721,577 |
| Bank borrowings | 10 | **356,000** | 620,366 |
| Accounts payable and accrued liabilities | | **122,019** | 117,482 |
| Deferred tax liabilities | | **142** | 6 681 |
| Current tax liabilities | | **6,251** | — |
| Distributions payable to unitholders | | **10,916** | — |
| **Total liabilities** | | **4,089,051** | 4,616,232 |
| **UNITHOLDERS' EQUITY** | | | |
| Unitholders' equity | | **3,154,500** | 3,208,761 |
| **Total liabilities and unitholders' equity** | | **7,243,551** | 7,824,993 |

*See accompanying notes to the condensed interim consolidated financial statements.*

# INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

**For the quarters ended March 31**

[unaudited, in thousands of Canadian dollars]

| | Note | Unitholders' contributions $ | Cumulative net income $ | Cumulative distributions $ | Contributed surplus $ | Total $ |
|---|---|---|---|---|---|---|
| Balance as at January 1, 2018 | | 3,265,995 | 1,861,029 | (1,922,212) | 3,949 | 3,208,761 |
| Net income and comprehensive income | | — | 29,977 | — | — | 29,977 |
| Distributions to unitholders | 11 | — | — | (45,483) | — | (45,483) |
| Unit issuances | 11 | 204 | — | — | (67) | 137 |
| Repurchase of units under NCIB[(1)] | 11 | (39,530) | — | — | — | (39,530) |
| Long-term incentive plan | | — | 19 | — | 619 | 638 |
| **Balance as at March 31, 2018** | | **3,226,669** | **1,892,306** | **(1,967,695)** | **4,501** | **3,154,500** |

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

| | Note | Unitholders' contributions $ | Cumulative net income $ | Cumulative distributions $ | Contributed surplus $ | Total $ |
|---|---|---|---|---|---|---|
| Balance as at January 1, 2017 | | 3,234,693 | 2,250,944 | (1,675,689) | 5,565 | 3,815,513 |
| Net income and comprehensive income | | — | 59,713 | — | — | 59,713 |
| Distributions to unitholders | 11 | — | — | (67,646) | — | (67,646) |
| Unit issuances | 11 | 11,234 | — | — | (33) | 11,201 |
| Long-term incentive plan | | — | 38 | — | 507 | 545 |
| Balance as at March 31, 2017 | | 3,245,927 | 2,310,695 | (1,743,335) | 6,039 | 3,819,326 |

*See accompanying notes to the condensed interim consolidated financial statements.*

# INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

**For the quarters ended March 31**

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

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| **Operating revenues** | | | |
| Rental revenue from investment properties | 12 | **208,865** | 213,956 |
| **Operating expenses** | | | |
| Operating costs | | **(53,895)** | (51,864) |
| Realty taxes and services | | **(50,018)** | (52,173) |
| Property management expenses | | **(4,406)** | (4,036) |
| | | **(108,319)** | (108,073) |
| **Net operating income** | | **100,546** | 105,883 |
| Finance charges | 13 | **(43,802)** | (42,298) |
| Trust administrative expenses | | **(5,255)** | (4,484) |
| Change in fair value of investment properties | 6 | **(4,331)** | — |
| Share of joint ventures' net income | 7 | **1,085** | 831 |
| Transaction costs | 14 | **(18,554)** | — |
| **Income before income taxes** | | **29,689** | 59,932 |
| **Income taxes** | | | |
| Payable | | **(6,251)** | — |
| Deferred | | **6,539** | (219) |
| | | **288** | (219) |
| **Net income and comprehensive income** | | **29,977** | 59,713 |
| **Basic and diluted net income per unit** | 15 | **0.16** | 0.33 |

*See accompanying notes to the condensed interim consolidated financial statements.*

# INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

**For the quarters ended March 31**

[unaudited, in thousands of Canadian dollars]

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Net income | | **29,977** | 59,713 |
| Adjustments for: | | | |
| Excess of share of net income over distributions received from the joint ventures | 7 | **(1,085)** | (581) |
| Change in fair value of investment properties | 6 | **4,331** | — |
| Depreciation and amortization | | **(117)** | (398) |
| Compensation expense related to long-term incentive plan | | **638** | 544 |
| Deferred income taxes | | **(6,539)** | 219 |
| Recognition of leases on a straight-line basis | 4 | **(654)** | (688) |
| Changes in non-cash working capital items | 16 | **(7,216)** | (23,056) |
| **Cash flows provided by operating activities** | | **19,335** | 35,753 |
| INVESTING ACTIVITIES | | | |
| Acquisitions of and investments in income properties | 4 | **(58,414)** | (38,902) |
| Acquisitions of and investments in properties under development and land held for future development | 5 | **(8,949)** | (12,378) |
| Cash consideration paid in a business combination | | **—** | (10,016) |
| Net proceeds from the sale of investment properties | 3, 6 | **1,026,430** | 92,911 |
| Contributions to the capital of a joint venture | 7 | **(800)** | — |
| Change in other assets | | **81** | (775) |
| **Cash flows provided by investing activities** | | **958,348** | 30,840 |
| FINANCING ACTIVITIES | | | |
| Cash distributions to unitholders | | **(34,567)** | (33,825) |
| Bank borrowings | | **(264,366)** | (132,634) |
| Mortgages payable | | **135,423** | 149,355 |
| Debenture issuance expense | | **—** | (28) |
| Unit issuance net proceeds | 11 | **137** | (19) |
| Repurchase of units under NCIB | 11 | **(39,530)** | — |
| Repayments of mortgages payable | 9 | **(292,635)** | (33,085) |
| Monthly repayments of mortgages payable | 9 | **(14,106)** | (16,378) |
| **Cash flows used in financing activities** | | **(509,644)** | (66,614) |
| Net change in cash and cash equivalents | | **468,039** | (21) |
| Cash and cash equivalents, beginning of period | | **6,928** | 9,853 |
| Cash and cash equivalents, end of period | | **474,967** | 9,832 |
| **Other information** | | | |
| Interest paid | | **35,580** | 32,049 |
| Cash distributed by a joint venture | 7 | **—** | 250 |

*See accompanying notes to the condensed interim consolidated financial statements.*

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**For the quarters ended March 31, 2018 and 2017**

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

## 1) DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Québec. As at March 31, 2018, Cominar owned and managed a real estate portfolio of 430 high-quality properties that covered a total area of 38.2 million square feet in the Province of Québec and in Ottawa.

Cominar is listed on the Toronto Stock Exchange, and its units trade under the symbol "CUF.UN." The head office is located at Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 850, Québec City, Québec, 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 May 4, 2018.

## 2) SIGNIFICANT ACCOUNTING POLICIES

**a) Basis of presentation**

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

**b) Basis of preparation**

**Consolidation**

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

**Use of estimates, assumptions and judgments**

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

- ***Investment properties***

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

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

- ***Business combinations***

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

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

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

- ***Joint arrangements***

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

- ***Impairment of goodwill***

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

- ***Financial instruments***

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

- ***Unit options***

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

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

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

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

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

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

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

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

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

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

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

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

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

Cominar uses the following classifications for its financial instruments:

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

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

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

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

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

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

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

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

*Restricted units*

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

*Deferred units*

Cominar recognizes 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 (net loss) per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income (net loss) 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 recommends presenting and disclosing segment information in accordance with information that is regularly assessed by the chief operating decision makers in order to determine the performance of each segment.

**c) New accounting policies**

On January 1, 2018, Cominar adopted the following accounting policies:

**IFRS 9, "Financial Instruments"**

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

# 3) DISPOSITIONS

### DISPOSITIONS OF INVESTMENT PROPERTIES HELD FOR SALE IN 2018

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

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

The net proceeds of $1,026,430 were partially used to repay a $75,000 bridge loan and $284 964 in mortgages payable, to reduce the bank borrowings by $193 700, which resulted in a cash balance of $474,967 as at March 31, 2018. At the beginning of April 2018, the cash balance was used in part to repay the entirety of the $356,000 bank borrowings.

# 4) INCOME PROPERTIES

| | Note | For the quarter ended March 31, 2018<br>$ | For the year ended December 31, 2017<br>$ |
|---|---|---|---|
| Balance, beginning of period | | **6,239,383** | 7,676,134 |
| Acquisitions and related costs | | **—** | 478 |
| Change in fair value | | **—** | (592,229) |
| Capital costs | | **55,452** | 190,151 |
| Dispositions | | **—** | (8,100) |
| Transfers from properties under development | 5 | **—** | 42,600 |
| Net transfers to investment properties held for sale | 6 | **—** | (1,086,687) |
| Change in initial direct costs | | **1,875** | 13,095 |
| Recognition of leases on a straight-line basis | | **144** | 3,941 |
| Balance, end of period | | **6,296,854** | 6,239,383 |

## 5) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

| | Note | For the quarter ended March 31, 2018 $ | For the year ended December 31, 2017 $ |
|---|---|---|---|
| Balance, beginning of period | | **129,272** | 136,596 |
| Acquisitions and related costs | | **—** | 22,600 |
| Change in fair value of properties transferred to investment properties held for sale | | **—** | (24 125) |
| Capital costs | | **6,046** | 16,051 |
| Disposition of a portion of land | | **—** | (16,244) |
| Capitalized interest | | **1,291** | 6,636 |
| Transfers to income properties | 4 | **—** | (42,600) |
| Transfer to investment properties held for sale | 6 | **—** | (10,000) |
| Business combination | | **—** | 40,334 |
| Change in initial direct costs | | **—** | 24 |
| Balance, end of period | | **136,609** | 129,272 |
| Breakdown: | | | |
| Properties under development | | **43,528** | 37,692 |
| Land held for future development | | **93,081** | 91,580 |

## 6) INVESTMENT PROPERTIES HELD FOR SALE

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

| | | For the quarter ended March 31, 2018 | | | | For the year ended December 31, 2017 |
|---|---|---|---|---|---|---|
| | **Note** | **Office properties** | **Retail properties $** | **Industrial and mixed-use properties $** | **Total $** | Total $ |
| **Investment properties and goodwill** | | | | | | |
| Balance, beginning of period | | **600,552** | **381,707** | **161,241** | **1,143,500** | 143,130 |
| Capitalized costs | | **3,132** | **643** | **556** | **4,331** | — |
| Change in fair value | | **(3,132)** | **(643)** | **(556)** | **(4,331)** | — |
| Dispositions | 3 | **(597,052)** | **(381,707)** | **(161,241)** | **(1,140,000)** | (96,317) |
| Net transfers from income properties | 4 | **—** | **—** | **—** | **—** | 1,086,687 |
| Transfers from properties under development and land held for future development | 5 | **—** | **—** | **—** | **—** | 10,000 |
| Transfer of goodwill | | **—** | **—** | **—** | **—** | 26,989 |
| Derecognition of goodwill | | **—** | **—** | **—** | **—** | (26,989) |
| Balance, end of period | | **3,500** | **—** | **—** | **3,500** | 1,143,500 |

| | For the quarter ended March 31, 2018 | | | | For the year ended December 31, 2017 |
|---|---|---|---|---|---|
| | Office properties $ | Retail properties $ | Industrial and mixed-use properties $ | Total $ | Total $ |
| **Mortgages payable related to the investment properties held for sale** | | | | | |
| Balance, beginning of period | **238,312** | **3,614** | **34,424** | **276,350** | — |
| Monthly repayments of principal | **(2,112)** | **(32)** | **(256)** | **(2,400)** | — |
| Repayments of balances | **(130,208)** | **(3,582)** | **(34,168)** | **(167,958)** | — |
| Mortgages payable (assumed by the purchaser) | **(105,992)** | **—** | **—** | **(105,992)** | 276,350 |
| Balance, end of period | **—** | **—** | **—** | **—** | 276,350 |

## 7) JOINT VENTURES

| As at March 31 | | | 2018 | 2017 |
|---|---|---|---|---|
| **Joint venture** | **Address** | **City/province** | **Ownership interest** | Ownership interest |
| Société en commandite Complexe Jules-Dallaire | 2820 Laurier Boulevard | Québec City, Québec | **75%** | 50% |
| Société en commandite Bouvier-Bertrand | Espace Bouvier | Québec City, Québec | **50%** | 50% |
| Société en commandite Marais | Du Marais Street | Québec City, Québec | **75%** | 75% |

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

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

| | For the quarter ended March 31, 2018 $ | For the year ended December 31, 2017 $ |
|---|---|---|
| Investments in joint ventures, beginning of year | **86,299** | 90,194 |
| Contributions to the capital of the joint ventures | **800** | — |
| Share of joint ventures' net income | **1,085** | 5,276 |
| Cash distributions by a joint venture | **—** | (250) |
| Acquisition of an additional interest in a joint venture | **—** | 21,190 |
| Business combination | **—** | (30,111) |
| Investments in joint ventures, end of year | **88,184** | 86,299 |

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

| | Proportionate share of joint ventures' net assets as at March 31, 2018 | As at March 31, 2018 | As at December 31, 2017 |
|---|---|---|---|
| | | $ | $ |
| Income properties | **163,949** | **232,379** | 231,650 |
| Properties under development | **6,486** | **12,972** | 11,711 |
| Land held for future development | **10,178** | **13,571** | 13,501 |
| Other assets | **1,025** | **1,811** | 1,020 |
| Mortgages payable | **(78,740)** | **(109,157)** | (109,918) |
| Bank borrowings[(1)] | **(12,510)** | **(25,020)** | (23,900) |
| Other liabilities | **(2,204)** | **(3,809)** | (4,502) |
| Net assets of the joint ventures | **88,184** | **122,747** | 119,562 |

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

| For the quarters ended March 31 | Cominar's Proportionate share | 2018 | 2017 |
|---|---|---|---|
| | $ | $ | $ |
| Operating revenues | **4,014** | **5,765** | 5,803 |
| Operating expenses | **(1,933)** | **(2,768)** | (2,735) |
| Net operating income | **2,081** | **2,997** | 3,068 |
| Finance charges | **(989)** | **(1,397)** | (1,379) |
| Administrative expenses | **(7)** | **(15)** | (27) |
| Net income | **1,085** | **1,585** | 1,662 |

## 8) CASH AND CASH EQUIVALENTS

As at March 31, 2018, Cominar had $474,967 in cash and cash equivalents bearing interest at prime rate less 175 basis points, or 1.7%. These liquidities come from the sale of a 95 property portfolio completed on March 27, 2018 and were used in the beginning of April 2018 to repay the entirety of the $356,000 bank borrowings.

# 9) MORTGAGES PAYABLE

| | Note | For the quarter ended March 31, 2018 | | For the year ended December 31, 2017 | |
|---|---|---|---|---|---|
| | | | **Weighted average contractual rate** | | Weighted average contractual rate |
| | | **$** | | $ | |
| Balance, beginning of period | | **2,153,896** | **4.22%** | 2,045,957 | 4.37% |
| Mortgages payable contracted | | **347,500** | **3.95%** | 321,800 | 3.27% |
| Monthly repayments of principal | | **(14,106)** | **—** | (63,727) | — |
| Repayments of balances | | **(503,259)** | **4.82%** | (150,134) | 4.94% |
| Mortgages payable assigned | 6 | **(105,992)** | **3.72%** | — | — |
| | | **1,878,039** | **4.01%** | 2,153,896 | 4.22% |
| Plus: Fair value adjustments on assumed mortgages payable | | **929** | | 2,167 | |
| Less: Deferred financing costs | | **(7,074)** | | (5,937) | |
| Balance, end of period [(1)] | | **1,871,894** | | 2,150,126 | |

*1) As at December 31, 2017, includes $276,350 in mortgages payable related to the properties held for sale.*

Mortgages payable are secured by immovable hypothecs on investment properties having a carrying amount of $3,595,216 [$4,025,062 as at December 31, 2017]. They bear annual contractual interest rates ranging from 2.52% to 6.94% [2.52% to 7.75% as at December 31, 2017], representing a weighted average contractual rate of 4.01% as at March 31, 2018 [4.22% as at December 31, 2017], and are renewable at various dates from April 2018 to April 2034. As at March 31, 2018, the weighted average effective interest rate was 4.12% [3.95% as at December 31, 2017].

As at March 31, 2018, nearly all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include restrictive covenants, with which Cominar was in compliance as at both March 31, 2018 and December 31, 2017.

# 10) BANK BORROWINGS

As at March 31, 2018, Cominar had an unsecured renewable operating and acquisition credit facility of up to $700,000 maturing in August 2019. This credit facility bears interest at the prime rate plus 110 basis points or at the bankers' acceptance rate plus 210 basis points. This credit facility contains certain restrictive covenants, with which Cominar was in compliance as at March 31, 2018 and December 31, 2017. As at March 31, 2018, bank borrowings totalled $356,000 and cash available was $344,000. These bank borrowings consisted of bankers' acceptations, of which $42,000 was repaid on April 2, 2018, and $314,000 was repaid on April 12, 2018 using cash surpluses. The credit facility remains unused since that date.

# 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 quarter ended March 31, 2018 | | For the year ended December 31, 2017 | |
|---|---|---|---|---|
| | **Units** | **$** | Units | $ |
| Units issued and outstanding, beginning of period | **184,629,497** | **3,265,995** | 182,334,562 | 3,234,693 |
| Repurchase of units under NCIB | **(2,709,500)** | **(39,530)** | (730,900) | (10,380) |
| Exercise of options | **9,700** | **137** | 3,900 | 57 |
| Distribution reinvestment plan | **—** | **—** | 2,887,370 | 39,717 |
| Conversion of deferred units and restricted units | **4,402** | **67** | 134,565 | 1,908 |
| Units issued and outstanding, end of period | **181,934,099** | **3,226,669** | 184,629,497 | 3,265,995 |

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

## DISTRIBUTIONS TO UNITHOLDERS

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

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Distributions to unitholders | **45,483** | 67,646 |
| Distributions per unit | **0.2500** | 0.3675 |

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

# 12) OPERATING REVENUES

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

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Lease revenues | **184,956** | 191,450 |
| Parking revenues | **5,403** | 5,085 |
| Revenues from other services | **18,506** | 17,421 |
| **Total of operating revenues** | **208,865** | 213,956 |

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

# 13) FINANCE CHARGES

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Interest on mortgages payable | **23,229** | 22,857 |
| Interest on debentures | **18,270** | 20,902 |
| Interest on bank borrowings | **4,814** | 1,664 |
| Net amortization of premium and discount on debenture issues | **(130)** | (206) |
| Amortization of deferred financing costs and other costs | **863** | 939 |
| Amortization of fair value adjustments on assumed borrowings | **(1,239)** | (1,420) |
| Less: Capitalized interest(1) | **(2,005)** | (2,438) |
| Total finance charges | **43,802** | 42,298 |

*(1) Includes capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time. The weighted average interest rate used in 2018 was 4.00% [4.30% in 2017].*

# 14) TRANSACTION COSTS

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

| | For the quarter ended March 31, 2018 |
|---|---|
| Brokerage fees | **5,700** |
| Professional fees | **2,374** |
| Assumed head leases | **4,201** |
| Penalties on debt repayment | **945** |
| Closing adjustments | **4,734** |
| Others | **600** |
| **Total** | **18,554** |

# 15) PER UNIT CALCULATION BASIS

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

| For the quarters ended March 31 | 2018<br>Units | 2017<br>Units |
|---|---|---|
| Weighted average number of units outstanding – basic | **182,455,751** | 182,658,420 |
| Dilutive effect related to the long-term incentive plan | **204,931** | 155,480 |
| Weighted average number of units outstanding – diluted | **182,660,682** | 182,813,900 |

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 9,349,367 options outstanding as at March 31, 2018 [9,463,650 options as at March 31, 2017] due to the fact that the exercise price of the options, including the unrecognized portion of the related compensation expense, is higher than the average price of the units.

# 16) SUPPLEMENTAL CASH FLOW INFORMATION

| For the quarters ended March 31 | 2018<br>$ | 2017<br>$ |
|---|---|---|
| Accounts receivable | **1,386** | (5,410) |
| Prepaid expenses | **(29,888)** | (27,038) |
| Accounts payable and accrued liabilities | **15,035** | 9,392 |
| Tax liabilities to be paid | **6,251** | — |
| Changes in non-cash working capital items | **(7,216)** | (23,056) |
| **Other information** | | |
| Accounts payable and accrued liabilities relating to investing activities | **11,331** | 12,580 |
| Accounts receivable relating to investing activities | **11,814** | — |

# 17) RELATED PARTY TRANSACTIONS

During fiscal 2017, Michel Dallaire and Alain Dallaire were members of Cominar's management team and trustees, and exercised indirect control over the activities of Groupe Dallaire Inc. and Dalcon Inc. (the "related companies"). On January 1, 2018, Sylvain Cossette was appointed as President and Chief Executive Officer of Cominar to replace Michel Dallaire. This appointment was part of the succession plan set up by the Board of Trustees when Sylvain Cossette joined Cominar in 2013 as President and Chief Operating Officer. On the same day, Sylvain Cossette was appointed as trustee of Cominar to fill the vacancy created by the resignation of Alain Dallaire. On February 12, 2018, Alban D'Amours was appointed as Chairman of Cominar's Board of Trustees following the departure of Michel Dallaire. While Alain Dallaire has a passive indirect economic interest in Groupe Dallaire, he is neither an employee nor a director of Groupe Dallaire. Therefore, as from that date, Groupe Dallaire Inc. and Dalcon Inc. are no longer considered related parties according to IFRS.

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

| | Note | Period ended February 11, 2018<br>$ | Quarter ended March 31, 2017<br>$ |
|---|---|---|---|
| Investment properties – Capital costs | | **28,098** | 24,772 |
| Acquisition of an additional ownership interest in the joint venture Société en commandite Chaudière-Duplessis | | **—** | 10,016 |
| Investment properties held by joint ventures – Capital costs | | **558** | 328 |
| Share of joint ventures' net income | 8 | **506** | 831 |
| Net rental revenue from investment properties | | **40** | 75 |
| Interest income | | **—** | 70 |

# 18) 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 first quarter of 2018 and fiscal year 2017.

The fair value of cash and cash equivalents, 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 March 31, 2018 | | As at December 31, 2017 | |
|---|---|---|---|---|---|
| | **Level** | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | | **$** | **$** | $ | $ |
| **Recurring valuations of non-financial assets** | | | | | |
| Income properties | 3 | **6,296,854** | **6,296,854** | 6,239,383 | 6,239,383 |
| Investment properties held for sale | 3 | **3,500** | **3,500** | 1,143,500 | 1,143,500 |
| Land held for future development | 3 | **93,081** | **93,081** | 91,580 | 91,580 |
| **Financial liabilities** | | | | | |
| Mortgages payable | 2 | **1,871,894** | **1,868,724** | 2,150,126 | 2,153,043 |
| Debentures | 2 | **1,721,829** | **1,730,386** | 1,721,577 | 1,739,278 |

# 19) SEGMENT INFORMATION

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

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

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

| For the quarter ended | Office properties | Retail properties | Industrial and mixed-use properties | Cominar's proportionate share | Joint ventures | Condensed interim consolidated financial statements |
|---|---|---|---|---|---|---|
| March 31, 2018 | $ | $ | $ | $ | $ | $ |
| Rental revenue from investment properties | **91,497** | **77,636** | **43,746** | **212,879** | **(4,014)** | **208,865** |
| Net operating income | **42,246** | **37,109** | **23,272** | **102,627** | **(2,081)** | **100,546** |
| Share of joint ventures' net income | **—** | **—** | **—** | **—** | **1,085** | **1,085** |
| March 31, 2017 | $ | $ | $ | $ | $ | $ |
| Rental revenue from investment properties | 93,908 | 79,547 | 43,403 | 216,858 | (2,902) | 213,956 |
| Net operating income | 44,234 | 39,635 | 23,548 | 107,417 | (1,534) | 105,883 |
| Share of joint ventures' net income | — | — | — | — | 831 | 831 |

| | Office properties | Retail properties | Industrial and mixed-use properties | Cominar's proportionate share | Joint ventures | Condensed interim consolidated financial statements |
|---|---|---|---|---|---|---|
| As at March 31, 2018 | $ | $ | $ | $ | $ | $ |
| Income properties | **2,525,423** | **2,581,456** | **1,353,924** | **6,460,803** | **(163,949)** | **6,296,854** |
| Investment properties held for sale | **3,500** | **—** | **—** | **3,500** | **—** | **3,500** |
| Investments in joint ventures | **—** | **—** | **—** | **—** | **88,184** | **88,184** |
| As at December 31, 2017 | $ | $ | $ | $ | $ | $ |
| Income properties | 2,515,974 | 2,540,651 | 1,346,233 | 6,402,858 | (163,475) | 6,239,383 |
| Investment properties held for sale | 600,552 | 381,707 | 161,241 | 1,143,500 | — | 1,143,500 |
| Investments in joint ventures | — | — | — | — | 86,299 | 86,299 |

## 20) SUBSEQUENT EVENTS

At the beginning of April 2018, Cominar used the available cash to repay the entirety of the $356,000 bank borrowings that were outstanding as at March 31, 2018.

On April 17, 2018, Cominar declared a monthly distribution of $0.06 per unit, payable on May 15, 2018.

# CORPORATE INFORMATION

## BOARD OF TRUSTEES

**Alban D'Amours, CM, GOQ, LH, Fellow Adm.A.** [5]

Corporate Director
Chairman of the Board of Trustees

**Luc Bachand** [1][4]

Corporate Director

**Mary-Ann Bell, Eng., M.Sc., ASC** [2][4]

Corporate Director

**Sylvain Cossette, B.C.L.**

President and Chief Executive Officer
Cominar Real Estate Investment Trust

**Johanne M. Lépine** [2][3]

President and Chief Executive Officer
Aon Parizeau Inc.

**Michel Théroux, FCPA, FCA** [1][3]

Corporate Director

**Claude Dussault, B. Sc.** [1][2]

President
Placements ACVA Inc.

**Paul Campbell** [3][4]

Corporate Director

**René Tremblay** [2][4]

Corporate Director

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

## KEY OFFICERS

**Sylvain Cossette, B.C.L.**

President and Chief Executive Officer

**Alain Dallaire**

Executive Vice President and
Chief Operating Officer

**Gilles Hamel, CPA, CA**

Executive Vice President and
Chief Financial Officer

**Guy Charron, CPA, CA**

Executive Vice President, Operations
Retail

**Wally Commisso**

Executive Vice President,
Operations and Property Management

**Todd Bechard, CPA, CMA, CFA**

Executive Vice President, Acquisitions

**Jean Laramée, Eng.**

Executive Vice President, Development

**Michael Racine**

Executive Vice President, Leasing
Office and Industrial

**Manon Deslauriers**

Vice President, Legal Affairs and
Corporate Secretary

# UNITHOLDERS INFORMATION

## COMINAR REAL ESTATE INVESTMENT TRUST

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

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

## LISTING

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

## TRANSFER AGENT

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

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

## TAXABILITY OF DISTRIBUTIONS

In 2017, 89.72% of the distributions made by Cominar to unitholders were returns of capital, reducing the adjusted cost base of the units.

## LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

## AUDITORS

PricewaterhouseCoopers LLP

## ANNUAL MEETING OF UNITHOLDERS

May 16, 2018
11:00 a.m. (HAE)
Hôtel Plaza Québec
3031 Laurier Boulevard
Québec City (Québec)

## UNITHOLDERS DISTRIBUTION REINVESTMENT PLAN

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

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

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

COMINAR