TOGETHER

INTERIM REPORT

Quarter ended March 31, 2011

COMINAR REAL ESTATE INVESTMENT TRUST

PLACE DE LA CITÉ, QUÉBEC CITY

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FRONT: *Patrick Bélanger, Kristina Ingleby, Anick Paquet, Éric Bélanger, Franca Pelligrino, Anne Berthelot, Michel Lévesque, Nancy Michaud, Jean-François Ouellette, Michel Lajoie, Lyne Morin, Taïna Nelson, Michel Hornblower, Johanne Barbeau, Troy Nesbitt | **BACK:** Bruno Lebel, Micheline Dubois, Francis Charette, Jean Leclerc, Line Labbé, Jean Themens, Maryse Trépanier, Gerry McBride, Jacinthe Corriveau, Brigitte Paré, Caroline Lajoie, Katrine Girard, Frédéric Michel.*

TOGETHER

MESSAGE TO UNITHOLDERS

Fellow unitholders,

Cominar began 2011 with a performance in line with its track record of growth. For the first quarter ended March 31, we achieved very good results and closed quality acquisitions in the Atlantic Provinces and Montréal representing an investment of approximately $80 million, while maintaining our distributions at $0.36 per unit. We are well positioned to pursue our growth thanks to our strong fundamentals, our presence in resilient markets, dynamic and disciplined management, our solid financial health and a flexible and a prudent expansion strategy considering market realities.

SUSTAINED IMPROVEMENT IN OUR PERFORMANCE INDICATORS

For the first quarter, our operating revenues totaled $79.7 million, an increase of 14.5% reflecting the contribution of the property acquisitions completed in 2010 and at the beginning of 2011. We posted net operating income of $43.2 million, also up 14.5% over the first quarter of 2010. Same property net operating income grew by 1.2%, whereas recurring distributable income rose 11.4% to $22.0 million. Recurring adjusted funds from operations increased by 10.2% and distributions per unit were stable at $0.36. These results reflect the expansion and quality of our real estate portfolio, the loyalty of our client base and the sustained commitment of our teams.

STABLE OCCUPANCY RATE

As at March 31, 2011, the overall occupancy rate of Cominar's income-producing properties stood at 93.9%, a most appreciable level, up over the first quarter of last year when the occupancy rate was 92.7% at the end of a challenging economic period. Our leasing teams are pursuing their intensive efforts, especially in the industrial and mixed-use sector in the Montréal region where occupancy rates are turning around. Thus, during the first quarter, we already renewed 44.6% of all leases expiring in 2011. In addition, new leases were signed for an area of 0.8 million square feet.

HEALTHY AND SOLID FINANCIAL POSITION

As at March 31, 2011, our debt ratio was 53.9%, compared with 57.0% as at March 31, 2010, thereby remaining below the maximum of 65.0% allowed by our Contract of Trust when convertible debentures are outstanding. The annualized interest coverage ratio, which was 2.90:1 as at March 31, 2011, continues to compare favorably with that of our peers.

FURTHER EXPANSION THROUGH QUALITY ACQUISITIONS

We were proud to complete excellent acquisitions during the first quarter. On March 1, 2011, we acquired three office properties representing a total investment of $79.2 million and a weighted average capitalization rate of 8.6%. One of these acquisitions was completed in Montréal (QC), specifically an office property covering a leasable area of 372,000 square feet and representing a $54.5 million investment. Well located near major thoroughfares and subway stations, this property is 99% occupied. The other two acquisitions enabled us to increase our presence in the Atlantic Provinces, specifically two office properties, including one recent construction located in Halifax (N.S.), covering a leasable area of 78,000 square feet and acquired for a consideration of $15.0 million, and a 65,000-square-foot property in Moncton (N.B.) at a cost of $9.7 million. These two properties with a weighted average occupancy rate of 92.4% add to the real estate portfolio held in the Atlantic Provinces, a new market where we have been present since March 2010 and now own 28 properties in our three business sectors representing a total leasable area of more than one million square feet.

FOCUS ON VALUE CREATION

In upcoming quarters, we will seek further acquisition and development projects consistent with our performance and stability criteria. In the current context, we hope to take advantage of good expansion opportunities adding value for the long term, and we will maintain dynamic and disciplined operational and financial management in order to continue offering a growing and stable return to unitholders.

Michel Dallaire, Eng.
President and Chief Executive Officer

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The following interim Management's Discussion and Analysis ("MD&A") is provided to enable a 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, 2011, in comparison with the corresponding quarter of 2010, as well as its financialposition at that date and its outlook. Dated May 12, 2011, this interim MD&A reflects all significant information available as at that date and should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes included in this 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 financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

Additional information about us, including our 2010 Annual Information Form, is available on our website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

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 filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2011 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", "intend", "forecast", "objective", and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general economic 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 our plans and to raise capital to finance our growth, as well as changes in interest rates.

We caution 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.

Additional information about these factors can be found in the "Risks and Uncertainties" section of this interim MD&A.

FINANCIAL MEASURES FOR WHICH IFRS DO NOT PROVIDE A STANDARDIZED MEANING

In this interim MD&A, we issue guidance on and report on certain non-IFRS measures, including "net operating income", "distributable income", "funds from operations" and "adjusted funds from operations", which we use to evaluate our performance. Because non-IFRS measures do not have a standardized meaning 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 nearest IFRS measure and given no more prominence than the closest IFRS measure. You may find such information in the sections dealing with each of these measures.

HIGHLIGHTS FOR THE FIRST QUARTER ENDED MARCH 31, 2011

- Increases of:
  - 14.5% in operating revenues
  - 14.5% in net operating income
  - 11.4% in recurring distributable income
  - 14.0% in recurring funds from operations
  - 10.2% in recurring adjusted funds from operations
  - 15.0% in distributions

- Occupancy rate of 93.9%

- Annualized interest coverage ratio of 2.90: 1

- On February 21, 2011, the REIT entered into a revolving credit agreement for $54.6 million with interest at prime rate plus 1.0% or at the bankers' acceptance rate plus 2.0%, secured by movable and immovable hypothecs on specific assets. The closing of this agreement completes the setting-up of the operating and acquisition credit facility undertaken in June 2010.

- On March 1, 2011, the REIT acquired an office building located in Halifax, Nova Scotia, with 78,000 square feet of leasable area for a consideration of $15.0 million in cash. This recently built property is currently 86% leased. The capitalization rate related to this acquisition is 8.6%.

- On March 1, 2011, the REIT acquired an office building located in Moncton, New Brunswick, with 65,000 square feet of leasable area. This fully occupied building was acquired for a consideration of $9.8 million, consisting of $6.7 million for the assumption of a mortgage payable and $3.1 million in cash. The capitalization rate related to this acquisition is 8.3%.

- On March 1, 2011, the REIT acquired an office building located in Montréal, Québec, with 372,000 square feet of leasable area for a consideration of $54.5 million, consisting of $26.8 million for the assumption of a mortgage payable and $27.7 million in cash. The occupancy rate of this property is 99% and the related capitalization rate is 8.4%.

SUBSEQUENT EVENT

- On April 29, 2011, the REIT acquired an office building with 15,000 square feet of leasable area, and a retail property with 27,000 square feet of leasable area, both properties being located in Moncton, New Brunswick. These fully occupied properties were acquired for a consideration of $5.2 million, consisting of $1.5 million for the assumption of a mortgage payable and $3.7 million in cash. The capitalization rate related to this acquisition is 8.75%.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the quarters ended March 31,	2011	2010	Δ%
FINANCIAL DATA			
Operating revenues	**79,653**	69,581	14.5
Net operating income(1)	**43,183**	37,703	14.5
Same property net operating income growth(1)	**1.2%**	0.3%(3)	
Net income	**25,619**	22,087	16.0
Recurring distributable income(1)	**21,958**	19,705	11.4
Recurring funds from operations(1)	**25,751**	22,587	14.0
Recurring adjusted funds from operations(1)	**21,538**	19,541	10.2
Distributions	**22,797**	19,815	15.0
Debt ratio	**53.9%**	57.0%	
Debt ratio (excluding convertible debentures)	**38.3%**	39.8%	
Total assets	**2,528,126**	2,303,183	
Market capitalization	**1,436,316**	1,064,261	
PER UNIT FINANCIAL DATA			
Net income (basic)	**0.41**	0.40	2.5
Distributable income (basic)(1)	**0.35**	0.36	(2.8)
Recurring distributable income (FD)(1)(2)	**0.35**	0.36	(2.8)
Recurring funds from operations (FD)(1)(2)	**0.40**	0.40	—
Recurring adjusted funds from operations (FD)(1)(2)	**0.34**	0.35	(2.9)
Distributions	**0.36**	0.36	—
OPERATIONAL DATA			
Number of properties	**261**	241	
Leasable area (in thousands of sq. ft.)	**20,760**	19,393	
Occupancy rate	**93.9%**	92.7%	
ACQUISITIONS AND DEVELOPMENTS			
Acquisitions			
Number of properties	**3**	16	
Land lease	**—**	1	
Leasable area (in thousands of sq. ft.)	**515**	603	
Total investment	**79,225**	71,130	
Weighted average capitalization rate	**8.6%**	8.9%	
Ongoing developments			
Number of properties	**2**	1	
Estimated leasable area (in thousands of sq. ft.)	**408**	396	
Anticipated investment	**81,100**	77,000	
Forecast weighted average capitalization rate	**9.2%**	9.2%	

(1) Non-IFRS financial measure. See relevant sections for definition and reconciliation to closest IFRS measure.
(2) Fully diluted.
(3) Amount not restated under IFRS, determined in accordance with Canadian GAAP.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Québec. As at March 31, 2011, we owned and managed a high-quality portfolio of 261 properties including 51 office buildings, 51 retail buildings and 159 industrial and mixed-use buildings covering 20.8 million square feet in the Quebec City, Montréal and Ottawa areas as well as in the Atlantic provinces.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects, increasing the gross carrying amount of its assets to more than $2.5 billion as at March 31, 2011.

Our asset and property management is entirely internalized and we are a fully integrated, self-managed real estate investment trust. Thus, we are not bound to a third party by management contracts or property management fees. This mode of operation reduces the potential for conflict between the interests of management and the Trust, while ensuring that the interests of management and employees are aligned with those of unitholders. The result is an improved financial performance for Cominar.

OBJECTIVES AND STRATEGY

OBJECTIVES

Cominar's primary objectives are to provide its unitholders with growing cash distributions, payable monthly, and to increase and maximize unit value through proactive management and the growth of its property portfolio.

STRATEGY

To continue to ensure the growth of distributions and to increase return on investment for unitholders, Cominar strives to manage growth, operational risk and debt in a flexible and prudent manner. The key strategic elements for reaching these objectives are:

- **Acquisition as well as construction, redevelopment and expansion of properties offering a high potential for return**

  To increase the leasable area in its property portfolio, Cominar continues to seek acquisition, construction and development opportunities in the Quebec City, Montréal and Ottawa areas, and more recently in the Atlantic provinces. The key criterion in evaluating any acquisition or development continues to be the ratio between the acquisition or development price, the related debt and the anticipated profitability of the project over the short and long term. Cominar maintains a conservative growth strategy, based on a very strict selection of properties to be acquired and the construction and development of quality properties in locations in great demand with clients.

- **Diversification of our property portfolio**

  This strategic element encompasses the following:

  [a] **Activity segment diversification** has been an integral part of our strategy from the beginning and consists in maintaining the right balance in our property portfolio among three activity segments: office buildings, retail properties and industrial and mixed-use properties. By diversifying its activities among three types of properties, Cominar reduces the risk associated with any given sector. This diversification contributes to steady revenue and income growth;

  [b] **Geographic diversification** – While consolidating its leading position in the Quebec City region where it owns 95 properties representing 6.8 million square feet, Cominar has from the outset established a major presence in the Montréal area where it owns, as at March 31, 2011, 134 properties representing a leasable area of more than

12.3 million square feet. With four properties representing 0.6 million square feet, Cominar also has a presence in the Ottawa region. During fiscal year 2010, Cominar entered the Atlantic provinces where it currently owns 28 properties representing an area of 1.0 million square feet. Like activity segment diversification, geographic diversification allows Cominar to better spread its real estate risk;

[c] **Client diversification** – Cominar serves an extensive and diverse client base across many industries. Clients occupy an average area of 6,700 square feet. This diversification allows for the maintenance of foreseeable cash flows.

- **Proactive property management emphasizing growth of occupancy rates and net leasing income**

  Commercial real estate is a dynamic investment that requires active and experienced management. With its integrated management, Cominar exercises rigorous, preventive and cost-effective control over its operations. Expanding our property portfolio enables us to achieve economies of scale and synergies. We thereby ensure delivery of efficient, cost-effective services to our clients. The result is increased client satisfaction, and high occupancy and retention rates.

- **Prudent financial management**

  Debt management continues to be a decisive factor in growth and stability for a real estate investment trust. Cominar maintains its debt ratio below the maximum level authorized by its Contract of Trust and at a level we deem prudent. We believe that this disciplined policy contributes to the stability of future distributions and to the prudent growth of the Trust. We also take a conservative approach to managing the distributions ratio, which we regard as another key factor in the stability of future distributions. This approach provides us with greater financial flexibility for our capital expenditures and for the implementation of our leasing programs.

PERFORMANCE INDICATORS

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

OPERATIONAL PERFORMANCE

Client satisfaction is defined as client perception and judgment of service received and demonstrates loyalty to Cominar. Two indicators are used to measure client satisfaction: occupancy rate and retention rate; the latter is calculated as the leasable area of renewed leases in relation to the leasable area of leases that expired during the year. These indicators also provide an overview of the economic well-being of the areas in which Cominar owns properties.

FINANCIAL PERFORMANCE

To measure its financial performance, Cominar uses the following key indicators:

- **Same property net operating income**, which provides an indication of the operating profitability of the existing portfolio, i.e. Cominar's ability to increase revenues and reduce costs, and thereby generate added value for its unitholders;

- **Net operating income ("NOI") margin**, which provides an indication of the operating profitability of the portfolio;

- **(Recurring) distributable income ("DI") per unit**, which represents a benchmark for investors to judge the stability of distributions;

- **(Recurring) funds from operations ("FFO") per unit**, which represent a standard real estate benchmark to measure an entity's performance;

- **(Recurring) adjusted funds from operations ("AFFO") per unit**, which, excluding rental revenue derived from the recognition of leases on a straight-line basis and the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations, represent a meaningful measure of 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.

Definitions and other relevant information regarding these performance indicators are provided in the appropriate sections.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IMPACT OF IFRS ADOPTION

IFRSs are based on a conceptual framework similar to Canadian GAAP, although significant differences exist with respect to accounting, measurement and financial reporting issues. The adoption of IFRSs had no impact on the Trust's reporting net cash flows but had a significant impact on its consolidated balance sheets and statements of income. More specifically, the Trust's opening balance sheet as at January 1, 2010 under IFRS takes into account the fair value revaluation of all its properties. The impact of this adjustment on the opening balance sheet prepared in accordance with IFRS as at January 1, 2010, compared to the balance sheet prepared in accordance with Canadian GAAP as at December 31, 2009, resulted in an increase of Unitholders' equity, which increased from $583.5 million to approximately $930.6 million. In addition, the impact of this adjustment on the balance sheet prepared in accordance with IFRS as at December 31, 2010, compared with the balance sheet prepared in accordance with Canadian GAAP, resulted in an increase of Unitholders' equity, which increased from $675.8 million to $1,095.1 million.

IFRS 1, FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS adoption by the Trust required application of IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", which provides guidance for an entity's first-time adoption of IFRSs. In general, IFRS 1 requires an entity to retrospectively apply all the IFRSs effective at the end of its first IFRS reporting period. However IFRS 1 provides for some mandatory exceptions and authorizes certain limited optional exemptions regarding the retrospective application of IFRSs.

Cominar has elected to use one of the allowed exemptions from other IFRSs while taking into account one of the exceptions to the retrospective application of other IFRSs.

Exemption from other IFRSs

The Trust has elected to use the following exemption from other IFRSs:

Business combination

The Trust used the exemption related to business combinations provided for under IFRS 1, which allows not to apply IFRS 3, Business combinations, retrospectively to past business combinations. Therefore, the Trust did not restate the business combinations that occurred before the date of transition.

Exception to the retrospective application of other IFRSs

Cominar has applied the following mandatory exception to the retrospective application of other IFRSs:

Estimates

The a posteriori knowledge has not been used to create or revise estimates. Consequently, the estimates previously made by the Trust under Canadian GAAP are consistent with those applied in accordance with IFRSs.

Reconciliation of Canadian GAAP to IFRS

The prescribed reconciliations of Unitholders' equity, comprehensive income and cash flows accounted for under Canadian GAAP to Unitholders' equity, comprehensive income and cash flows accounted for under IFRS showing the impact of the transition to IFRS are disclosed in our interim consolidated financial statements attached to this interim MD&A.

The following financial statement analysis has been prepared considering the standards and interpretations which have been issued to date and which should apply at the end of the first IFRS annual reporting period of the Trust, expected for the fiscal year ending December 31, 2011. Some accounting methods whose adoption is expected under IFRS could not be adopted, or the application thereof to certain transactions or circumstances could be modified. Consequently, the impact of the Trust's conversion to IFRS could differ from these expectations.

Analysis of quantitative and qualitative effects of IFRS

The significant differences between IFRS and GAAP which had an impact on Cominar's financial statements are as follows:

- **Investment Property (IAS 40)**

  Investment property is immovable property held to earn rental revenue or for capital appreciation, or both. All of Cominar's income properties currently meet this definition. Upon the implementation of IFRS, Cominar was required to account for its investment properties using either the cost model or the fair value model in order to record them on the balance sheet. The cost model is similar to GAAP. Under the fair value model, any gain or loss arising from a change in the fair value of an investment property is recognized in the statement of income for the period in which it arises. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. With the fair value model, investment property is not depreciated. The Board of Trustees has approved the use of the fair value model to measure investment properties.

- **Summary of the impact of the adoption of IFRS on investment property**

  Cominar mainly used the direct capitalization method for measuring its income properties as at January 1, 2010. The applied capitalization rates varied from 6.5% to 10.0%, resulting in a total weighted average rate of 7.8% for our portfolio. The carrying amount of income properties as at January 1, 2010 increased by $409.5 million, including an unrealized value adjustment of $121.5 million, from $1.8 billion under GAAP to $ 2.2 billion under IFRS, representing a rise of 23.3% at the date of conversion on January 1, 2010. Total assets increased from $1.8 billion to $2.2 billion at the same date, the corresponding adjustment being recognized in the unitholders' equity opening balance. Cominar's overall debt ratio decreased to 55.9% as at January 1, 2010 according to IFRS data compared to 60.1%, as previously reported under GAAP for the same date, representing a 4.2% decrease.

  As at December 31, 2010, the applied capitalization rates varied from 6.5% to 10.4%, resulting in a total weighted average rate of 7.7% for our portfolio. The carrying amount of income properties as at December 31, 2010 increased by $490.2 million, including an unrealized value adjustment of $128.7 million, from $1.9 billion under GAAP to $ 2.4 billion under IFRS, representing a rise of 26.0%. Total assets increased from $2.0 billion to $2.4 billion at the same date. Cominar's overall debt ratio decreased to 52.9% as at December 31, 2010 according to IFRS data compared to 56.9%, as previously reported under GAAP for the same date, representing a 4.0% decrease.

The following tables break down the average capitalization rates used by activity segment and geographic area:

Average capitalization rate – January 1, 2010

	Québec	Montréal	Ottawa	Atlantic provinces	Total portfolio
Office	7.4%	7.5%	6.5%	N/A	7.4%
Retail	8.0%	7.8%	8.0%	N/A	7.9%
Industrial and mixed-use	8.3%	8.3%	S/O	N/A	8.3%
	7.8%	7.8%	6.7%	N/A	7.8%

Average capitalization rate – December 31, 2010

	Québec	Montréal	Ottawa	Atlantic provinces	Total portfolio
Office	7.2%	7.6%	6.5%	7.8%	7.3%
Retail	7.8%	7.6%	8.3%	8.4%	7.8%
Industrial and mixed-use	8.1%	8.2%	S/O	8.8%	8.2%
	7.6%	7.8%	6.7%	8.2%	7.7%

- **Investment property presentation**

  In addition to the unrealized value adjustment, the application of the fair value measurement method required reclassifying capitalized leasing costs, mainly the cost of leasehold improvements made within operating activities and other leasing-related costs, namely tenant inducements, including rental revenue derived from the recognition of leases on a straight-line basis, and initial direct costs.

  All these costs are added to the carrying amount of investment properties as they are incurred.

- **Depreciation of investment properties**

  Under the fair value model, the depreciation of investment properties is not recognized. For fiscal 2010, total depreciation therefore derecognized amounted to $66.4 million, thus increasing comprehensive income.

- **Change in the fair value of investment properties**

  Under the fair value model, any gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises.

  At the end of each of the first three quarters of fiscal 2010, no evidence of a significant change in fair value of investment properties was recognizable. Pursuant to its investment valuation policy, Cominar's management proceeded, by the end of fiscal 2010, to a complete revaluation of its property portfolio and determined that an increase of $7.2 million was required to adjust the carrying amount of these assets to their fair value.

  Therefore, the reconciliation of comprehensive income for the year ended December 31, 2010 reflects the fair value adjustment of investment properties.

- **Business Combinations (IFRS 3)**
  Under both current IFRS and GAAP, business combinations are accounted for using the acquisition method. However, there are major differences between the two standards in other areas. The most important difference is that, under IFRS, transaction costs are expensed as incurred while Canadian GAAP require these amounts to be included in the cost of the asset. Therefore, the reconciliation of comprehensive income for the year ended December 31, 2010 reflects a $0.7 million adjustment for the transaction costs related to the business combination that allowed Cominar to acquire all of Overland Realty Ltd.'s investment properties.

Internal control over financial reporting

The changeover from Canadian GAAP to IFRS modifies the basis of presentation of our financial results and the related accompanying information. We assessed the impact of this changeover on our financial reporting systems, procedures and controls and found that the most important change regarding our internal controls and disclosures results from the requirement to measure and record our investment property portfolio at fair value. Consequently, the Trust had to design and implement new internal procedures and controls on the fair value calculation, namely as regards management's consideration of any major modification to the physical condition of immovable properties or any significant change in occupancy rates, rental terms, net operating income, applicable capitalization rates and other market conditions.

PERFORMANCE ANALYSIS(1)

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the periods ended March 31, 2011 and 2010, and should be read in conjunction with the interim consolidated financial statements and accompanying notes presented in this interim MD&A.

For the quarters ended March 31,	2011	2010	Δ%
Operating revenues	**79,653**	69,581	14.5
Operating expenses	**36,470**	31,878	14.4
Net operating income	**43,183**	37,703	14.5
Financial expense	**(16,119)**	(14,075)	14.5
Trust administrative expenses	**(1,358)**	(1,041)	30.5
Income before transaction costs and income taxes	**25,706**	22,587	13.8
Transaction costs – business combination	**—**	(500)	—
Income taxes	**(87)**	—	—
Net income	**25,619**	22,087	16.0
Net income per unit (basic)	**0.41**	0.40	2.5
Net income per unit (diluted)	**0.41**	0.40	2.5

(1) Readers are invited to refer to the section entitled "International Financial Reporting Standards" in this interim MD&A, dealing with the impact of the adoption of IFRS on our results of operations and financial position.

FINANCIAL POSITION

The following table summarizes our assets and liabilities as well as unitholders' equity as at March 31, 2011 and December 31, 2010, and should be read in conjunction with the interim consolidated financial statements and accompanying notes presented in this interim MD&A.

	March 31, 2011	December 31, 2010	Δ $	Δ %
ASSETS				
Investment properties				
Income properties	**2,334,839**	2,220,233	114,606	5.2
Properties under development and land held for future development	**145,221**	158,113	(12,892)	(8.2)
Other assets	**48,066**	27,248	20,818	76.4
Total	**2,528,126**	2,405,594	122,532	5.1
LIABILITIES				
Mortgages payable	**847,324**	816,448	30,876	3.8
Convertible debentures	**394,115**	393,991	124	—
Bank indebtedness	**121,861**	61,866	59,995	97.0
Other liabilities	**56,051**	38,195	17,856	46.7
	1,419,351	1,310,500	108,851	8.3
UNITHOLDERS' EQUITY	**1,108,775**	1,095,094	13,681	1.2
Total	**2,528,126**	2,405,594	122,532	5.1

PERFORMANCE INDICATORS

The following table summarizes our performance indicators for the quarters ended March 31, 2011 and 2010. A detailed analysis of each of these performance indicators is provided on the page indicated:

Performance Indicators

For the quarters ended March 31,	Page	2011	2010	Δ %
Same property net operating income	16	**37,721**	37,286	1.2
Recurring distributable income per unit (FD)[1]	21	**0.35**	0.36	(2.8)
Recurring FFO per unit (FD)[1]	23	**0.40**	0.40	—
Recurring AFFO per unit (FD)[1]	24	**0.34**	0.35	(2.9)
NOI margin	16	**54.2%**	54.2%	
Debt ratio (including convertible debentures)	27	**53.9%**	57.0%	
Occupancy rate	30	**93.9%**	92.7%	

(1) Fully diluted.

RESULTS OF OPERATIONS

OVERALL ANALYSIS

OPERATING REVENUES

Operating revenues for the first quarter of 2010 have been restated in accordance with IFRS. The net transition impact was a decrease attributable to the cancellation of amortization of below-market leases, which are no longer amortized when the fair value method is used to measure investment properties, to the increase in amortization of accounts receivable derived from the recognition of leases on a straight-line basis due to the retrospective restatement required under the standard, and to the reclassification of amortization of tenant inducements.

The 2011 operating revenues reflect the impact of the aforementioned modifications related to the adoption of IFRS.

During the first quarter of 2011, our operating revenues rose 14.5% from the corresponding period of 2010. This increase resulted from the contribution of income property acquisitions and developments completed in 2010 and 2011.

Operating Revenues

For the quarters ended March 31,	2011	2010	Δ%
Same property portfolio(1)	**70,768**	68,829	2.8
Acquisitions and developments	**8,885**	752	—
Total operating revenues	**79,653**	69,581	14.5

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2009 and does not include the benefits of acquisitions and developments completed and integrated in 2010 and 2011.

Our same property portfolio operating revenues showed a 2.8% increase in the first quarter of 2011 compared with the corresponding quarter of 2010.

OPERATING EXPENSES

Operating expenses rose 14.4% in the first quarter of 2011 compared with the corresponding period of 2010. This increase stemmed mainly from an expanded portfolio through acquisitions and developments completed in 2010 and 2011. It should be noted that the rise in same property portfolio operating expenses is due mainly to the significant increase in real estate taxes. Such expense is however fully recovered from the clients.

Operating Expenses

For the quarters ended March 31,	2011	2010	Δ%
Same property portfolio(1)	**33,047**	31,543	4.8
Acquisitions and developments	**3,423**	335	—
Total operating expenses	**36,470**	31,878	14.4

(1) See "Operating Revenues."

NET OPERATING INCOME

Although net operating income ("NOI") is not a financial measure defined by IFRS, it is widely used in the real estate industry to assess operating performance. We define it as operating income before interest on financial expense, Trust administrative expenses, transaction costs – business combination 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.

Net Operating Income

For the quarters ended March 31,	**2011**	**2010**	**Δ %**
Same property portfolio[1]	**37,721**	37,286	1.2
Acquisitions and developments	**5,462**	417	—
Total NOI	**43,183**	37,703	14.5
NOI margin			
Same property portfolio	**53.3%**	54.2%	
Overall portfolio	**54.2%**	54.2%	

(1) See "Operating Revenues."

For the quarter ended March 31, 2011, same property NOI (a financial performance indicator) rose 1.2% from the corresponding period of 2010. Such rise mainly results from an increase in the occupancy rate, from 92.7% as at March 31, 2010 to 93.9% at the end of the first quarter of 2011.

For the quarter ended March 31, 2011, overall NOI rose 14.5% from the same period in 2010, due to acquisitions and developments completed in 2010 and 2011. The NOI margin stood at 54.2% of operating revenues, at the same level as that recorded in the first quarter of 2010.

FINANCIAL EXPENSE

For the first quarter of 2011, the financial expense rose 14.5% from the first quarter of 2010. The financial expense represented 20.2% of operating revenues as at March 31, 2011 and 2010, which compares favourably with other REITs. As at March 31, 2011, the weighted average contractual interest rate of our long-term debt stood at 5.59%, up 1 basis point from March 31, 2010.

The following table indicates the source of financial expense presented in our financial statements for the periods indicated:

Financial expense

For the quarters ended March 31,	**2011**	**2010**	**Δ %**
Mortgages and bank indebtedness	**11,623**	11,091	4.8
Convertible debentures	**6,129**	6,013	1.9
Amortization of borrowing costs and others	**704**	805	(12.5)
Less: Capitalized interest	**(2,337)**	(3,834)	(39.0)
Total financial expense	**16,119**	14,075	14.5

Capitalized interest is attributable to property development, namely the construction of Complexe Jules-Dallaire – Phase I.

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses stood at $1.4 million as at March 31, 2011 compared to $1.0 million for the same period of 2010. Trust administrative expenses represented 1.7% of operating revenues as at March 31, 2011, compared to 1.5% as at March 31, 2010. This increase is mainly attributable to the property portfolio growth, namely the acquisition of Overland Realty Limited in March 2010, and to the expense related to the unit option plan. It should be mentioned that this expense does not require any disbursement.

TRANSACTION COSTS – BUSINESS COMBINATION

Under IFRS, transaction costs related to a business combination must be expensed as incurred. In 2010, these costs were incurred upon Cominar's acquisition of all of Overland Realty Ltd.'s investment properties.

NET INCOME

Net income for the first quarter of 2010 has been restated in accordance with IFRS. The transition impact was an increase mostly attributable to the writeoff of depreciation of investment properties and capitalized leasing costs which are no longer amortized when the fair value method is used to measure investment properties, while transaction costs related to a business combination must be expensed as incurred.

Net income for 2011 reflects the impact, if applicable, of modifications resulting from the adoption of IFRS.

Cominar's reported $25.6 million in net income for the first quarter of 2011, up 16.0% from the corresponding period of 2010. Net income per unit stood at $0.41, up 2.5% from the comparative period of 2010.

Net Income

For the quarters ended March 31,	2011	2010	Δ %
Net income	**25,619**	22,087	16.0
Net income per unit (basic)	**0.41**	0.40	2.5
Net income per unit (diluted)	**0.41**	0.40	2.5

CONTINGENCY

In June 2006, an expropriation process was initiated by the *Centre hospitalier de l'Université de Montréal* (the "CHUM") for the property located at 300 Viger Street in Montréal, Québec. The expropriation procedure is currently at the definitive indemnity setting stage. Cominar was served with a property transfer notice on August 27, 2007, with an effective date of September 1, 2007, and the Administrative Tribunal of Québec awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity, amounting to $30 million, was received in 2007. The definitive indemnity will be set by the Administrative Tribunal of Québec or settled between the parties. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity and, consequently, Cominar has recognized no gain or loss in connection with this expropriation.

SEGMENT ANALYSIS

The diversification of Cominar's property portfolio by activity segment, geographical market and client base is at the heart of the strategy to attain our objectives. Such an approach allows to maintain more stable revenues.

Cominar's activities encompass three categories of real estate properties located in the Quebec City, Montréal and Ottawa areas and in the Atlantic provinces. The following tables show the contributions of these properties to NOI, by activity segment and geographic market, for the quarters ended March 31, 2011 and 2010. Variations are primarily attributable to property acquisitions and developments completed in 2010 and 2011.

SEGMENT INFORMATION BY ACTIVITY SEGMENT

Net Operating Income

For the quarters ended March 31,	2011	2010	Δ %
Activity segment			
Office	**21,101**	17,402	21.3
Retail	**8,321**	7,702	8.0
Industrial and mixed-use	**13,761**	12,599	9.2
Total NOI	**43,183**	37,703	14.5

For the quarters ended March 31,	2011	2010
Activity segment		
Office	**48.9%**	46.2%
Retail	**19.2%**	20.4%
Industrial and mixed-use	**31.9%**	33.4%
Total NOI	**100.0%**	100.0%

Office Segment

NOI from office properties for the first quarter of 2011 was up 21.3% from the comparative period of 2010.

For the quarters ended March 31,	2011	2010	Δ %
Operating revenues	**39,224**	32,599	20.3
Operating expenses	**18,123**	15,197	19.3
NOI — Office	**21,101**	17,402	21.3
NOI margin — Office	**53.8%**	53.4%	

Retail Segment

Retail segment NOI for the first quarter of 2011 rose 8.0% from the comparative period of 2010.

For the quarters ended March 31,	2011	2010	Δ%
Operating revenues	**15,371**	14,219	8.1
Operating expenses	**7,050**	6,517	8.2
NOI — Retail	**8,321**	7,702	8.0
NOI margin — Retail	**54.1%**	54.2%	

Industrial and Mixed-Use Segment

Industrial and mixed-use segment NOI for the first quarter of 2011 rose 9.2% from the comparative period of 2010.

For the quarters ended March 31,	2011	2010	Δ%
Operating revenues	**25,058**	22,763	10.1
Operating expenses	**11,297**	10,164	11.1
NOI — Industrial and mixed-use	**13,761**	12,599	9.2
NOI margin — Industrial and mixed-use	**54.9%**	55.3%	

SEGMENT INFORMATION BY GEOGRAPHIC MARKET

Following its diversification strategy to foster growth, Cominar has been able to add a fourth geographical segment in 2010. The acquisition of Overland Realty Limited in March 2010, a business fully compatible with the REIT's activities and diversification strategy, provided the opportunity to enter the Atlantic Canada market. About twelve new properties have been added since that date. Geographic diversification, like segment diversification, allows Cominar to better allocate the risk related to real estate operations.

The following tables show NOI growth and breakdown in Cominar's four geographic markets.

Net Operating Income

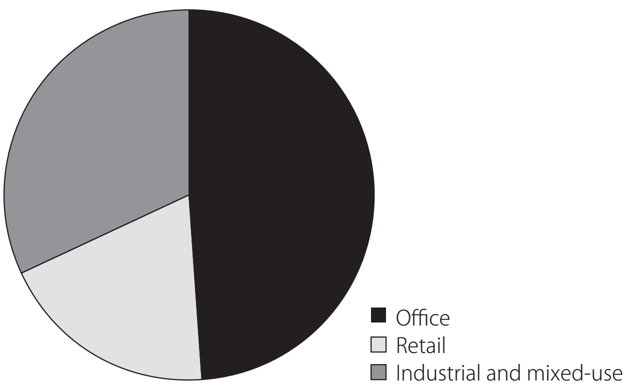
For the quarters ended March 31,	2011	2010	Δ%
Geographic market			
Québec	**15,636**	13,908	12.4
Montréal	**23,455**	21,255	10.4
Ottawa	**2,079**	2,179	(4.6)
Atlantic provinces	**2,013**	361[1]	—
Total NOI	**43,183**	37,703	14.5

(1) Only for the last 21 days of the first quarter.

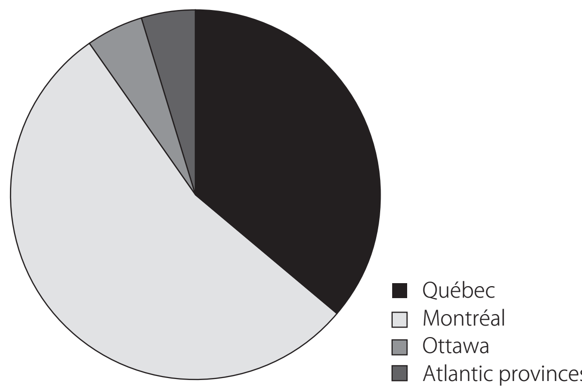
For the quarters ended March 31,	2011	2010
Geographic market		
Québec	**36.2%**	36.8%
Montréal	**54.3%**	56.4%
Ottawa	**4.8%**	5.8%
Atlantic provinces	**4.7%**	1.0%(1)
Total NOI	**100.0%**	100.0%

(1) Only for the last 21 days of the first quarter.

NOI - Activity segment



NOI - Geographic market



DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Although the concept of distributable income (DI) is not a financial measure defined under IFRS, it is a measure widely used by investors in the field of income trusts. We consider DI an excellent tool for assessing the Trust's performance. Given its historical nature, DI per unit is also a useful benchmark enabling investors to evaluate the stability of distributions.

We define distributable income as net income determined under IFRS, before unrealized fair value adjustments, transaction costs – business combinations, rental income arising from the recognition of leases on a straight-line basis, the provision for leasing costs and certain other items not affecting cash, if applicable.

Distributable income for the first quarter of 2010 has been restated to take into account the adoption of IFRS. The transition impact was a decrease mainly attributable to the writeoff of interest capitalized on land. Moreover, property depreciation has been removed from the calculation as investment properties are no longer depreciated when the fair value method is used to measure investment properties.

Since a part of leasing costs is no longer amortized under IFRS, Cominar now deducts a provision for leasing costs incurred on an ongoing basis to maintain its capacity to generate rental income. The provision for leasing costs includes among others leasehold improvements, initial direct costs and tenant inducements.

The 2011 distributable income reflects, if applicable, the modifications related to the adoption of IFRS.

The following table presents the calculation of DI as well as its reconciliation to net income calculated in accordance with IFRS:

Distributable Income

For the quarters ended March 31,	2011	2010	Δ%
Net income (IFRS)	**25,619**	22,087	16.0
+ Compensation expense related to unit options	**271**	223	21.5
+ Accretion of liability component of convertible debentures	**58**	56	3.6
- Rental income – recognition of leases on straight-line basis	**(1,096)**	(550)	99.3
- Amortization of fair value adjustments on assumed indebtedness	**(156)**	(30)	—
+ Deferred tax expense	**132**	—	—
- Provision for leasing costs	**(2,870)**	(2,581)	11.2
+ Transaction costs – business combination	**—**	500	—
Recurring DI	**21,958**	19,705	11.4
DISTRIBUTIONS TO UNITHOLDERS	**22,797**	19,815	15.0
Distributions reinvested under the distribution reinvestment plan	**(3,804)**	(534)	—
Cash distributions	**18,993**	19,281	(1.5)
Per unit information:			
Recurring DI (basic)	**0.35**	0.36	(2.8)
Recurring DI (FD)(1)	**0.35**	0.36	(2.8)
DISTRIBUTIONS PER UNIT	**0.36**	0.36	—
DI payout ratio	**102.9%**	100.0%	

(1) Fully diluted.

Recurring DI for the quarter ended March 31, 2011 amounted to $22.0 million, up 11.4% from the comparative period of 2010, due mainly to the impact of acquisitions and developments completed in 2010 and 2011. Recurring DI per fully diluted unit totalled $0.35 compared with $0.36 for the previous year. This decline in per unit income resulted primarily from the dilutive effect of the 2010 unit issues, which is expected to diminish gradually in the next quarters.

Distributions to unitholders in the first quarter of 2010 totalled $22.8 million, up 15.0% from the comparative period of 2010, with per unit distributions at $0.36 for both 2010 and 2011 reporting quarters.

Cominar drives growth through income property acquisitions and construction projects. Property development generally allows for higher returns, particularly in periods of rising property prices. Cominar also acquires land for future developments when favourable opportunities arise, both in terms of location and price, which provides the Trust with a key competitive advantage. However, these major investments have an impact on Cominar's short-term growth rate as they will contribute to results only on their integration as income properties.

Cominar takes a conservative approach to managing its distribution ratio, which it regards as a key factor in the stability of future distributions. This approach provides greater financial flexibility for its capital expenditures and the implementation of its leasing programs. The DI payout ratio as at March 31, 2011 stood at 102.9%, higher than as at March 31, 2010, owing primarily to the dilutive effect of units issued under the public offerings completed in 2010. Cominar management's long-term objective is an annual payout ratio of approximately 87%.

Track Record of DI per Unit
(Financial Performance Indicator)

For the quarters ended March 31,	2011	2010	2009(2)	2008(2)	2007(2)
DI per unit (basic)	**0.35**	0.36	0.38	0.35	0.31
Recurring DI per unit (FD)(1)	**0.35**	0.36	0.38	0.35	0.31

(1) Fully diluted.
(2) Amounts not restated under IFRS, determined in accordance with Canadian GAAP.

Cominar's recurring DI per unit is in our opinion a material measure for assessing the Trust's operating performance because it highlights per unit cash flows that are distributable to unitholders. Furthermore, given its historical nature, it is also a useful benchmark for determining the stability of distributions.

The CSA require Cominar to reconcile distributable income (a non-IFRS measure) with cash flows provided from operating activities as shown in the financial statements.

The following table presents this reconciliation:

For the quarters ended March 31,	2011	2010
Cash flows provided from operating activities (IFRS)	**15,458**	11,294
- Amortization of capitalized financing costs and other assets	**(907)**	(900)
- Provision for leasing costs	**(2,870)**	(2,581)
+ Transaction costs – business combination	**—**	500
+ Change in non-cash working capital items	**10,277**	11,392
Distributable income	**21,958**	19,705

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

For the quarters ended March 31,	2011	2010	2009(1)
Cash flows provided from operating activities	**15,458**	11,294	16,716
Net income	**25,619**	22,087	4,042
Distributions to unitholders	**22,797**	19,815	16,523
Cash flows from operating activities in excess (deficit) of distributions payable to unitholders	**(7,339)**	(8,521)	193

(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP.

Cominar's cash flows provided from operating activities for the quarter ended March 31, 2011 are lower than distributions to unitholders, as it was the case for the first quarter of 2010.

Just as in each fiscal year since the REIT's inception, Cominar expects cash flows provided from operating activities for the year ending December 31, 2011 to be sufficient to fund distributions to unitholders.

FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not a financial measure defined under IFRS, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with IFRS), adjusted for unrealized gains or losses, deferred taxes, transaction costs – business combination and extraordinary items. FFO for the first quarter have been restated to take into account the adoption of IFRS. The transition impact was a decrease mainly attributable to the cancellation of amortization of below-market leases under IFRS in the net income calculation, which provides the basis in computing FFO. Such amortization was added to operating revenues under GAAP, but was not subsequently adjusted in the calculation. FFO are also presented net of amortization of leasing costs - which were previously adjusted in the calculation of FFO and are now applied against operating revenues – and net of capitalized interest, which was cancelled.

FFO reflect, if applicable, the modifications related to the adoption of IFRS.

FFO should not be substituted for net income or cash flows from operating activities established in accordance with IFRS in measuring our performance. While our method of calculating FFO is in compliance with REALpac recommendations, it may differ from that applied by other entities. Therefore, it may not be useful for comparison with other entities.

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and FFO for the quarters ended March 31, 2011 and 2010:

Funds from Operations

For the quarters ended March 31,	2011	2010	Δ %
Net income (IFRS)	**25,619**	22,087	16.0
+ Transaction costs – business combination	**—**	500	—
+ Deferred tax expense	**132**	—	—
Recurring FFO	**25,751**	22,587	14.0
Per unit information:			
Recurring FFO (basic)	**0.41**	0.41	—
Recurring FFO (FD)(1)	**0.40**	0.40	—

(1) Fully diluted.

For the first quarter of 2011, recurring FFO rose 14.0% from the comparative period in 2010, due to acquisitions and developments completed during 2010 and 2011. Recurring FFO per unit on a fully diluted basis remained unchanged from those recorded in 2010.

Track Record of Funds from Operations per Unit (Financial Performance Indicator)

For the quarters ended March 31,	2011	2010	2009(2)	2008(2)	2007(2)
FFO per unit (basic)	**0.41**	0.41	0.45	0.41	0.37
Recurring FFO per unit (FD)(1)	**0.40**	0.40	0.44	0.40	0.36

(1) Fully diluted.
(2) Amounts not restated under IFRS, determined in accordance with Canadian GAAP.

ADJUSTED FUNDS FROM OPERATIONS

The concept of adjusted funds from operations ("AFFO") is a key financial measure in the field of real estate investment trusts. Cominar defines this measure as FFO adjusted for non-cash items such as compensation expense related to unit options; rental income arising from the recognition of leases on a straight-line basis, net of the investments required to maintain Cominar's ability to generate rental income from its property portfolio. AFFO is an additional indicator to assess Cominar's financial performance and its ability to maintain and increase distributions over the long term. AFFO is not a measure defined under IFRS and should not be substituted for net income or cash flows from operating activities established in accordance with IFRS in measuring our performance. Our method of calculating AFFO may differ from the methods used by other entities and, therefore, may not be useful for comparison.

AFFO for the first quarter of 2010 have been restated to take into account the adoption of IFRS. The transition impact was a decrease mainly attributable to the writeoff of interest capitalized on land.

Cominar had to revise the calculation of AFFO mostly to cancel adjustments to amortization of below-market leases and capitalized leasing costs, which are no longer recognized under IFRS, and to adjust income derived from the recognition of leases on a straight-line basis in order to reflect the initial adjustment required at the date of transition and the addition of lease inducements to this item.

AFFO for 2011 reflect, if applicable, the modifications related to the adoption of IFRS.

In calculating AFFO, the Trust deducts a provision for leasing costs incurred on an ongoing basis to maintain its capacity to generate rental income. These leasing costs include among others leasehold improvements and initial direct costs, which are added to the carrying amount of investment properties in accordance with IFRS. Cominar also deducts the capital expenditures incurred in connection with its program to maintain its capacity to generate rental income from its property portfolio. These expenditures, which primarily include major expenditures for maintenance and repairs, are typically incurred unevenly during a fiscal year. Therefore, AFFO could vary from quarter to quarter and such variances could be material.

The following table presents a reconciliation of FFO and AFFO for the periods ended March 31, 2011 and 2010:

Adjusted Funds from Operations

For the quarters ended March 31,	**2011**	**2010**	**Δ %**
Funds from operations	**25,751**	22,587	14.0
+ Compensation expense related to unit options	**271**	223	21.5
- Rental income – recognition of leases on a straight-line basis	**(1,096)**	(550)	99.3
- Provision for leasing costs	**(2,870)**	(2,581)	11.2
- Capital expenditures – maintenance of rental income generating capacity	**(518)**	(138)	—
Recurring AFFO	**21,538**	19,541	10.2
Per unit information:			
Recurring AFFO (basic)	**0.34**	0.36	(5.6)
Recurring AFFO (FD)[1]	**0.34**	0.35	(2.9)
Distributions per unit	**0.36**	0.36	—
AFFO payout ratio	**105.9%**	100.0%	

(1) Fully diluted.

Cominar reported $21.5 million in recurring AFFO for the first quarter of 2011, up 10.2% from 2010. Recurring AFFO per unit on a fully diluted basis stood at $0.34, down 2.9% from 2010. This decline in per unit income arises primarily from the dilutive effect of unit issues made in the beginning of 2010, which is expected to diminish gradually in the next quarters.

The following table presents the Trust's AFFO per unit for the quarters ended March 31:

Track Record of Adjusted Funds from Operations per Unit (Financial Performance Indicator)

For the quarters ended March 31,	2011	2010	2009[2]
AFFO per unit (basic)	**0.34**	0.36	0.37
Recurring AFFO per unit (FD)[1]	**0.34**	0.35	0.37

(1) Fully diluted.
(2) Amounts not restated under IFRS, determined in accordance with Canadian GAAP.

LIQUIDITY AND CAPITAL RESOURCES

LONG-TERM DEBT

The following table presents Cominar's balances of mortgages payable and convertible debentures as at March 31, 2011 by year of maturity, and weighted average contractual interest rates:

Long-Term Debt – Balances as at March 31, 2011

Maturity	Balance of convertible debentures ($)	Balance of mortgages payable ($)	Weighted average contractual interest rate (%)
Period from April 1 to December 31, 2011		8,889	6.39
2012		52,124	6.98
2013		175,939	4.66
2014	207,147	83,273	5.85
2015		139,897	4.78
2016	114,993	17,552	6.38
2017	86,250	125,710	5.53
2018		93,055	5.77
2019		14,715	6.64
2020		1,418	6.39
2021		93,665	5.57
2022		33,007	5.35
2023		5,869	7.25
Total	**408,390**	**845,113**	**5.59**

As at March 31, 2011, the weighted average contractual interest rate of our long-term debt stood at 5.59%, up 5 basis points from December 31, 2010.

MORTGAGES PAYABLE

As at March 31, 2011, the balance of mortgages payable amounted to $845.1 million, up $28.8 million from $816.3 million as at December 31, 2010, arising primarily from the assumption of mortgages payable on acquisitions of investment properties made during the quarter. At the end of the quarter, the weighted average contractual interest rate was 5.40%, up 9 basis points from 5.31% as at December 31, 2010.

Cominar has staggered mortgage maturity dates over a number of years to reduce the risks related to renewal. As at March 31, 2011, the residual average term of mortgages payable was 5.3 years.

The following table shows mortgage repayments for the coming periods:

Repayments of Mortgages Payable

For the years ending December 31,	Repayment of of principal	Repayments of balances at maturity	Total	% of total
Period from April 1 to December 31, 2011	18,560	8,623	27,183	3.2
2012	24,928	48,239	73,167	8.7
2013	22,200	162,591	184,791	21.9
2014	17,920	73,221	91,141	10.8
2015	14,814	127,256	142,070	16.8
2016	13,474	11,518	24,992	2.9
2017	12,147	109,423	121,570	14.4
2018	10,460	58,712	69,172	8.2
2019	4,685	4,141	8,826	1.0
2020	4,714	1,039	5,753	0.7
2021	3,065	67,963	71,028	8.4
2022	938	24,186	25,124	3.0
2023	296	—	296	0.0
Total	**148,201**	**696,912**	**845,113**	**100.0**

CONVERTIBLE DEBENTURES

As at March 31, 2011, Cominar had five series of convertible debentures outstanding totalling $408.4 million. These debentures bear interest at contractual rates ranging from 5.70% to 6.50% per annum and mature between 2014 and 2017. As at March 31, 2011, these debentures had a weighted average contractual interest rate of 5.99% per annum.

The following table shows the characteristics of Cominar's unsecured subordinated convertible debentures and the balance by series.

Convertible Debentures – Balances as at March 31, 2011

	Series A	Series B	Series C	Series D	Series E	Total
Contractual interest rate	**6.30%**	**5.70%**	**5.80%**	**6.50%**	**5.75%**	
Effective interest rate	**6.89%**	**6.42%**	**6.60%**	**7.50%**	**6.43%**	
Date of issuance	**September 2004**	**May 2007**	**October 2007**	**September 2009**	**January 2010**	
Unit conversion price	**17.40$**	**27.50$**	**25.25$**	**20.50$**	**25.00$**	
Date of interest payment	**June 30 & December 31**	**June 30 & December 31**	**March 31 & September 30**	**March 31 & September 30**	**June 30 & December 31**	
Date of redemption at Cominar's option	**June 2008**	**June 2010**	**September 2010**	**September 2012**	**June 2013**	
Maturity date	**June 2014**	**June 2014**	**September 2014**	**September 2016**	**June 2017**	
	$	**$**	**$**	**$**	**$**	**$**
Balance as at March 31, 2011	**16,647**	**80,500**	**110,000**	**114,993**	**86,250**	**408,390**

BANK INDEBTEDNESS

Cominar has three operating and acquisition credit facilities of up to $185.8 million. These credit facilities are renewable in June 2011 and March 2012 and bear interest at prime plus 1.0% to 1.5% or at the bankers' acceptance rate plus 2.0% to 2.5%. These credit facilities are secured by movable and immovable hypothecs on specific assets. Management believes they will remain available in the future. As at March 31, 2011, bank indebtedness totalled $121.9 million, which meant that Cominar had $63.9 million in borrowing capacity under the terms of its credit facilities.

DEBT RATIO

The following table presents debt ratios as at March 31, 2011 and 2010:

Debt to Gross Carrying Amount Ratio

As at March 31,	2011	2010
Mortgages payable	**847,324**	824,650
Convertible debentures	**394,115**	396,334
Bank indebtedness	**121,861**	91,174
Total debt	**1,363,300**	1,312,158
Portfolio gross carrying amount	**2,528,126**	2,303,184
Overall debt ratio(1) (2)	**53.9%**	57.0%
Debt ratio (excluding convertible debentures)	**38.3%**	39.8%
Borrowing capacity — 65% of gross carrying amount (3)	**800,000**	528,000

(1) The overall debt ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross carrying amount of the asset.
(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.
(3) Pursuant to its Contract of Trust, Cominar's maximum debt ratio is 60% of gross carrying amount (65% if convertible debentures are outstanding).

Debt Ratio Track Record
(Financial Performance Indicator)

For the quarters ended March 31,	2011	2010	2009(1)	2008(1)	2007(1)
Overall debt ratio	**53.9%**	57.0%	62.8%	57.3%	47.3%
Debt ratio (excluding convertible debentures)	**38.3%**	39.8%	52.0%	44.4%	43.9%
Maximum borrowing capacity under the Contract of Trust	**800,000**	528,000	118,000	346,000	288,000

(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP.

As at March 31, 2011, Cominar maintained a debt ratio of 53.9%, which is below the maximum debt ratio of 65.0% allowed under its Contract of Trust where convertible debentures are outstanding, and which provides the Trust with the ability to borrow up to an additional $800 million to fund future acquisitions and developments.

Cominar calculates its interest coverage ratio by dividing net operating income (operating revenues less operating expenses) by the financial expense. The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As at March 31, 2011, Cominar's annualized coverage ratio stood at 2.90:1, proving its capacity to settle its obligations in this respect.

Management considers Cominar's current financial situation very sound and does not foresee any difficulty in renewing the mortgages maturing in the next coming quarters. The Fund also has credit facilities sufficient to fully fund development projects currently underway.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

Cominar does not have any off-balance sheet arrangements that have or are likely to have an impact on its operating results or its financial position, including its cash flows and sources of financing.

The Trust has no significant contractual commitments other than those arising from its long-term debt and the payments due under emphyteutic leases for land held for income properties, as described in further detail in the notes to the consolidated financial statements as at December 31, 2010.

During the quarter ended March 31, 2011, Cominar complied with all of its loan commitments and was not in default with any covenant as at the balance sheet date.

PROPERTY PORTFOLIO

The following table presents information about our property portfolio:

As at March 31,	2011	2010
Income properties	**2,334,839**	2,067,777
Properties under development and land held for future development	**145,221**	189,552
Other assets	**46,454**	45,855
Portfolio gross carrying amount	**2,526,514**	2,303,184

As at March 31,	2011	2010
Number of properties	**261**	241
Leasable area (in thousands of sq. ft.)	**20,760**	19,393

Summary by Activity Segment

As at March 31, 2011	Number of properties	Leasable area (sq. ft.)
Office	51	6,589,000
Retail	51	3,057,000
Industrial and mixed-use	159	11,114,000
Total	**261**	**20,760,000**

Summary by Geographic Area

As at March 31, 2011	Number of properties	Leasable area (sq. ft.)
Québec	95	6,812,000
Montréal	134	12,333,000
Ottawa	4	610,000
Atlantic provinces	28	1,005,000
Total	**261**	**20,760,000**

ACQUISITION AND DEVELOPMENT PROGRAM

Over the years, Cominar has achieved much of its growth through high-quality acquisitions based on strict selection criteria, by maintaining an appropriate allocation among its three activity segments, i.e. office buildings, retail buildings and industrial and mixed-use properties, while aiming at geographic diversification of its property portfolio.

ACQUISITIONS

During the first quarter of 2011, Cominar continued to expand through the acquisition of three office buildings for a total investment of $79.2 million and a weighted average capitalization rate of 8.6%. These acquisitions are detailed as follows:

- On March 1, 2011, Cominar acquired an office building located in Halifax, Nova Scotia, with 78,000 square feet of leasable area for a consideration of $15.0 million in cash. The capitalization rate related to this acquisition is 8.6%.

- On March 1, 2011, Cominar acquired an office building located in Moncton, New Brunswick, with 65,000 square feet of leasable area. This building was acquired for a consideration of $9.7 million, consisting of $6.7 million for the assumption of a mortgage payable and $3.0 million in cash. The capitalization rate related to this acquisition is 8.3%.

- On March 1, 2011, Cominar acquired an office building located in Montréal, Québec, with 372,000 square feet of leasable area for a consideration of $54.5 million, consisting of $26.8 million for the assumption of a mortgage payable and $27.7 million in cash. The capitalization rate related to this acquisition is 8.4%.

The results of operations of the investment properties acquired are included in the interim consolidated financial statements from their acquisition date.

INVESTMENTS IN INCOME PROPERTIES

Cominar continues to develop its income properties in the normal course of business. Investments made included additions, expansions, modernizations, modifications and upgrades to existing properties with a view to increasing or maintaining the rental income generating capacity.

During the first quarter of 2011, Cominar incurred $2.9 million ($2.5 million in 2010) of capital expenditures to increase the rental income generating capacity of its properties, or to allow reducing the related operating expenses. Cominar also incurred $0.5 million ($0.4 million in 2010) of capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements, which will garner benefits for Cominar over the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invests in leasehold improvements that increase the value of its properties through higher lease rates, and in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required could vary from quarter to quarter since it closely depends on lease renewal and signing of new leases. It also depends on the increase of rental space for newly acquired, expanded or upgraded properties, or for those transferred from properties under development. During the first quarter of 2011, Cominar made investments of $6.7 million in that respect ($2.2 million in 2010), of which $2.2 million ($0.5 million in 2010) in newly acquired, expanded or upgraded properties, or those recently transferred from properties under development.

DEVELOPMENT PROGRAM

Consistent with its growth strategy, Cominar is going forward with its property development initiatives, which currently generate higher returns than acquisitions in the current real estate market.

The construction of phase 1 of the Complexe Jules-Dallaire for a leasable area of 396,000 square feet has been completed and the fitting out of the rental space is on the track. The office space tenants continue to gradually move in. The construction cost is estimated at approximately $77 million. The capitalization rate is expected to reach 9.2% and the leasing rate of 78% is in line with our objectives.

The "Quartier Laval" megacentre on Le Corbusier Boulevard in Laval, acquired by the REIT in December 2009, is expanding with the construction of a 12,000 square foot retail building at a cost of $4.1 million. This building is fully leased to two clients of Cominar which will move in during the spring of 2011.

The following table provides detailed information about these ongoing development projects as at March 31, 2011:

Developments	City	Activity segment [1]	Completion date	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)	Lease rate (%)
Complexe Jules-Dallaire	Québec	O, R	Q4-2011 [2]	396,000	77,000	9.2	78
Quartier Laval / Expansion	Laval	R	Q2-2011	12,000	4,100	8.9	100
Total				408,000	81,100	9.2	

(1) O = Office, R = Retail.
(2) Included to the income properties portfolio gradually, as floors as fitted out and occupied.

The expected return on these ongoing development projects is based on the estimated costs to complete the projects and the anticipated occupancy rates. Actual returns could vary based on actual costs and occupancy rates.

REAL ESTATE OPERATIONS

The following table shows our operational performance indicators as at March 31, 2011 and 2010:

As at March 31,	2011	2010
Occupancy rate	**93.9%**	92.7%
Tenant retention rate [1]	**44.6%**	53.1%

(1) Percentage of lease renewals.

OCCUPANCY RATE

Cominar continuously strives to maximize occupancy rates throughout its portfolio and has successfully maintained an average occupancy of approximately 95% since its inception. As at March 31, 2011, occupancy stood at 93.9%, representing approximately the same rate as at December 31, 2010. The decline in the overall occupancy rate noted in the beginning of fiscal 2010 has been corrected, with an upward trend to return to rates approximating the historical annual average of the REIT. With the current gradual recovery, we are confident to see more positive effects during the next quarters. During the first quarter, Cominar renewed 44.6% of leases maturing in 2011. Although this rate is lower than that recorded in the first quarter of 2010, an excellent year as regards the renewal of leases, we expect the retention rate of fiscal 2011 to reach the annual average of the last few years, i.e. approximately 75%. It should be noted that new leases representing an area of 0.8 million square feet have been signed.

Occupancy Track Record
(Operational Performance Indicator)

The following table breaks down occupancy rates of Cominar properties by activity segment as at the end of the years indicated and as at March 31, 2011:

	March 31, 2011	December31, 2010	December31, 2009	December 31, 2008	December 31, 2007
Activity segment (%)					
Office	**94.9**	95.2	94.1	94.5	94.7
Retail	**95.5**	96.1	96.3	97.1	96.0
Industrial and mixed-use	**92.8**	92.3	92.5	94.0	94.4
Portfolio total	**93.9**	93.8	93.5	94.6	94.7

The occupancy rate is regarded by Cominar's management as a key indicator of client satisfaction. Client satisfaction is defined as client perception and judgment of our ability to meet their needs and expectations. The average occupancy rate of 94.2% has held relatively steady over the past five years.

Geographic and activity segment diversification of the property portfolio provides for more stable occupancy rates.

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity as at March 31, 2011:

Lease Maturities and Renewals by Activity Segment

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2011				
Number of tenants	238	131	224	593
Leasable area (sq. ft.)	890,000	439,000	1,844,000	3,173,000
Average net rent ($)/sq. ft.	10.52	9.12	5.74	7.55
Renewed leases				
Number of tenants	75	38	66	179
Leasable area (sq. ft.)	477,000	165,000	772,000	1,414,000
Average net rent ($)/sq. ft.	12.02	11.49	5.65	8.48
Renewal%	**53.6**	**37.6**	**41.9**	**44.6**
New leases				
Number of tenants	47	33	43	123
Leasable area (sq. ft.)	182,000	145,000	504,000	831,000
Average net rent ($)/sq. ft.	13.51	9.96	5.59	8.09

As indicated in the table above, leasing activity has reached an acceptable level across our portfolio since the beginning of 2011, with 44.6% of maturing leases renewed as at March 31, 2011. We also signed new leases for a total leasable area of 0.8 million square feet. Lease renewal rates rose 5.4% overall. Our three activity segments posted increases in lease renewal rates: 3.9% (office), 12.6% (retail) and 4.4% (industrial and mixed-use).

Considering our solid lease renewal track record and demand for rental space in our four geographic markets, we remain confident that a significant portion of maturing leases will be renewed at a higher rate per square foot.

The following table profiles lease maturities in the next five years:

Lease Maturities

	2012	2013	2014	2015	2016
Office					
Leasable area (sq. ft.)	1,127,000	669,000	917,000	813,000	797,000
Lease rate ($)/square foot	10.56	11.45	10.84	13.97	14.18
% of portfolio – Office	17.1%	10.2%	13.9%	12.3%	12.1%
Retail					
Leasable area (sq. ft.)	419,000	238,000	190,000	328,000	210,000
Lease rate ($)/square foot	10.42	12.82	12.16	10.97	14.25
% of portfolio – Retail	13.7%	7.8%	6.2%	10.7%	6.9%
Industrial and mixed-use					
Leasable area (sq. ft.)	1,960,000	1,295,000	1,449,000	1,746,000	778,000
Lease rate ($)/square foot	6.06	6.40	5.92	5.79	5.51
% of portfolio – Industrial and mixed-use	17.6%	11.7%	13.0%	15.7%	7.0%
Portfolio total					
Leasable area (sq. ft.)	3,506,000	2,202,000	2,556,000	2,887,000	1,785,000
Lease rate ($)/square foot	8.02	8.63	8.15	8.68	10.41
% of portfolio	16.9%	10.6%	12.3%	13.9%	8.6%

The following table summarizes information about leases as at March 31, 2011:

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent/ sq. ft. ($)
Office	3.8	5,500	11.59
Retail	4.8	3,600	11.17
Industrial and mixed-use	3.7	10,900	5.76
Portfolio average	**3.9**	**6,700**	**8.47**

Cominar has a broad, highly diversified client base, consisting of some 2,900 tenants occupying an average of approximately 6,700 square feet each. Our three largest tenants, Public Works Canada, Société immobilière du Québec —both of which are government entities—and Ericsson Canada, account for approximately 5.6%, 4.5% and 3.9% of our revenues, respectively, stemming from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 10.1% stems from government agencies.

The following table shows our top ten tenants by percentage of revenues:

Tenant	% of revenues	Leased area (sq. ft.)
Public Works Canada	5.6	747,000
Société immobilière du Québec	4.5	1,087,000
Ericsson Canada Inc.	3.9	402,000
Bertrand distributeur en alimentation (Colabor)	1.4	345,000
LDC Logistics Development Corp.	1.3	527,000
Hudson's Bay Company	1.1	349,000
SITA (Société internationale de télécommunication aéronautique)	0.9	66,000
National Bank of Canada	0.8	132,000
Equant Canada Inc. (Orange Business)	0.7	56,000
Dessau Inc.	0.7	94,000
Total	**20.9**	**3,805,000**

ISSUED AND OUTSTANDING UNITS

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

The following table summarizes unit issues during the quarters ended March 31, 2011 and 2010:

For the quarters ended March 31,	2011	2010
Units issued and outstanding, beginning of period	**62,688,799**	54,758,271
+ Units issued on exercise of options	**440,900**	403,700
+ Units issued under distribution reinvestment plan	**111,992**	19,538
+ Units issued on conversion of convertible debentures	**32,121**	37,583
+ Units issued under the at-the-market equity distribution agreement	—	153,500
Units issued and outstanding, end of period	**63,273,812**	55,372,592

PER UNIT CALCULATIONS

The following table reconciles the weighted average number of basic units outstanding, the weighted average number of diluted units outstanding and the weighted average number of fully diluted units outstanding, used for calculations per unit:

For the quarters ended March 31,	2011	2010
Weighted average number of units outstanding, basic	**62,808,510**	54,788,288
Dilutive effect of unit options	**394,738**	376,135
Weighted average number of units outstanding, diluted	**63,203,248**	55,164,423
Dilutive effect of convertible debentures	**17,310,269**	17,151,062
Weighted average number of units outstanding, fully diluted	**80,513,517**	72,315,485

The significant variance in the weighted average number of units outstanding between 2011 and 2010 mainly results from the issuance of 6,021,400 units in April 2010 in connection with a public offering.

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of the Trust's management team, exercise indirect control over Corporation Financière Alpha (CFA) Inc. ("CFA"), Société de développement Laurier (SDL) Inc. ("SDL") and Dalcon Inc. («Dalcon»). Michel Paquet, also a trustee and a member of the Trust's management team, is a related party of these companies as their Secretary. During the first quarter of 2011, Cominar recorded $0.1 million in net rental income from Dalcon and CFA. The Trust incurred costs of $5.3 million for leasehold improvements performed by Dalcon on its behalf and costs of $2.9 million for the construction and development of income properties. These transactions were entered into in the normal course of business and are measured at the exchange amount. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant cost savings while providing better service to its clients.

UNITHOLDERS TAXATION

For Canadian unitholders, distributions are treated as follows for tax purposes:

	2010
Taxable to unitholders as other income	28.37%
Taxable to unitholders as capital gains	0.03%
Tax deferral	71.60%
Total	**100.00%**

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 2011**	**Dec. 31, 2010**	**Sept. 30, 2010**	**June 30, 2010**	**March 31, 2010**	**Dec. 31, 2009(1)**	**Sept. 30, 2009(1)**	**June 30, 2009(1)**
Operating revenues	79,653	71,312	69,064	72,428	69,581	63,690	63,133	67,373
Net operating income	43 183	43,244	41,907	41,904	37,703	39,433	39,295	39,547
Net income	25,619	34,134	26,278	26,295	22,087	8,395	8,860	7,715
Net income per unit (basic)	0.41	0.55	0.43	0.43	0.40	0.15	0.16	0.16
Net income per unit (diluted)	0.41	0.54	0.43	0.43	0.40	0.15	0.16	0.16
Distributable income	21,958	23,451	23,621	23,217	19,705	21,230	21,636	20,626
Recurring DI per unit (FD)	0.35	0.37	0.37	0.37	0.36	0.38	0.39	0.41
Funds from operations	25 751	27,202	26,598	26,745	22,587	24,311	24,967	23,835
Recurring FFO per unit (FD)	0.41	0.42	0.41	0.42	0.41	0.42	0.44	0.46
Adjusted funds from operations	21,538	23,090	23,282	22,698	19,541	20,673	21,060	20,161
Adjusted funds from operations per unit (FD)	0.34	0.36	0.37	0.37	0.35	0.37	0.38	0.40
Distributions	22,797	22,651	22,371	22,190	19,815	19,715	19,655	18,261
Distributions per unit	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36

(1) Amounts not restated under IFRS, determined in accordance with Canadian GAAP.

Historical trends show that first-quarter performance tends to be weaker due to snow removal and increased energy consumption over the winter months.

OUTLOOK

We are proud of the excellent acquisitions completed in the first quarter, resulting in investments of nearly $80 million. The upturn in the occupancy rate is being confirmed and we are confident that such trend will be maintained during the next quarters. Obviously, we will continue to be on the lookout for value-creating expansion opportunities over the long term while maintaining a dynamic and disciplined operational and financial management so as to continue generating stability and growing profitability for our unitholders.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of Cominar are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in Canadian Securities Administrators Multilateral Instrument 52-109. They are assisted in this responsibility by the Disclosure Committee, which consists of executive officers and the Internal Auditor of the Trust.

The effectiveness of DC&P, including this interim MD&A and the interim financial statements, has been evaluated. Based on that evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of Cominar concluded that the DC&P were effective as at the end of the quarter ended March 31, 2011 and, more specifically, that the design of these controls and procedures provides reasonable assurance that material information about the Trust, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

The effectiveness of ICFR has also been evaluated. Based on that evaluation, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Trust concluded that the ICFR was effective as at the end of the quarter ended March 31, 2011 and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for external purposes in accordance with IFRS.

No changes were made in our internal control over financial reporting during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CHANGES IN ACCOUNTING POLICIES

Cominar has adopted IFRS for financial reporting purposes for its first fiscal year beginning in January 2011 with restatement of prior period comparative figures using the transition date of January 1, 2011. Note 2 to our interim consolidated financial statements as at March 31, 2011 describes the significant accounting policies applied further to the adoption of IFRS. The impact of the adoption of IFRS on our financial position and operating results is detailed in Note 4 to our interim consolidated financial statements through the reconciliation of Unitholders' equity, comprehensive income and cash flows recognized under Canadian GAAP and IFRS.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our MD&A is based upon the Trust's interim consolidated financial statements, prepared in accordance with IFRS. The preparation and presentation of the 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 methods, 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 regarding the carrying amount of assets and liabilities that, in reality, would not be available from other sources. Use of other accounting policies or methods of estimation might have yielded different amounts than those presented. Actual results could differ.

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 balance sheet under investment properties. Leases generally provide for the tenants' payment of maintenance expenses of 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. Finally, incidental income is recognized when services are rendered.

Investment properties

Investment property is immovable property held by the Trust to earn rentals of 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 adopted the recommendations of IAS 40, *"Investment property"*, and chose the fair value model to record its investment properties in its financial statements. Fair value is the amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in income for the period in which it arises. The fair value of investment property shall reflect market conditions at the end of the reporting period. Fair value is time-specific as of a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from management's estimates or from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews the appraisal of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as 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 value 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 activity segments; (ii) the synergies among investment properties; (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 balance sheet.

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

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 related to these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account the liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the reported fair value of financial instruments.

Convertible debentures

Upon initial recognition, Cominar's management must estimate, if applicable, the fair value of the conversion option included in the convertible debentures. Under IFRSs, the *Unitholders' equity* component must be allocated the remaining amount obtained after deducting, from the fair value of the compound financial instrument considered as a whole, the established amount of the *Liability* component. Should this estimate be inappropriate, it would have an impact on the interest expense recognized in the financial statements.

Business combinations

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

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 the expected life, volatility, the weighted average dividend yield of distributions and the weighted average risk-free interest rate. Any changes to certain assumptions could impact 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 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 when 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.

Impairment of goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the fair value of net identifiable assets acquired. Goodwill 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. The recoverability of goodwill is determined based on the cash-generating unit to which it belongs. The net carrying amount of the cash-generating unit is compared to its recoverable amount, which is defined as the higher of the fair value less costs to sell and its value in use. If either value exceeds its carrying amount, goodwill is not impaired. Otherwise, the difference is charged to income for the period during which the impairment occurs.

NEW ACCOUNTING POLICIES

Some recently issued IFRS and IFRIC will be effective only from a subsequent date. Cominar is currently assessing the impact of these IFRS and IFRIC on its consolidated financial statements.

IFRS 9 – Financial instruments: Classification and Measurement

First phase of a new standard on the classification and measurement of financial instruments, which will replace IAS 39, *"Financial instruments: Recognition and measurement"*. IFRS 9 presents two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. Debt instruments are measured at amortized cost only if they are held in order to collect contractual cash flows and if cash flows are solely payments of principal and interest. Otherwise, they are measured at fair value through profit or loss. This standard applies for annual periods beginning on or after January 1, 2013.

RISKS AND UNCERTAINTIES

Like any real estate entity, Cominar is exposed to certain risk factors in the normal course of business including:

ACCESS TO CAPITAL AND DEBT FINANCING, AND CURRENT GLOBAL FINANCIAL CONDITIONS

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. There can be no assurance that the REIT will have access to sufficient capital (including debt financing) on terms favourable to the REIT for future property acquisitions and developments, financing or refinancing of properties, funding operating expenses or other purposes. In addition, the REIT may not be able to borrow funds under its credit facilities due to the limitations on the incurrence of debt by the REIT set forth in the Contract of Trust. Failure by the REIT to access required capital could adversely impact the REIT's financial position and results of operations and decrease the amount of cash available for distributions.

Recent market events and conditions, including disruptions in the international and regional credit markets and other financial systems, could impede the REIT's access to capital (including debt financing) or increase the cost of capital.

Many countries, including Canada, were affected by a recession in 2008 and early 2009. However, conditions have gradually eased in recent months with improvements in the main indicators pointing to an economic recovery. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the REIT's financial position and results of operations, including its acquisition and development program.

DEBT FINANCING

The REIT has and will continue to have substantial outstanding consolidated indebtedness comprised primarily of hypothecs, property mortgages, indebtedness under its acquisition facility and its debentures. The REIT intends to finance its growth strategy, including acquisitions and developments, through a combination of its working capital and liquidity resources, including its cash flows from operations, additional indebtedness and public or private sales of equity or debt securities. The REIT may not be able to renegotiate the terms of repayment of existing indebtedness at favourable rates, or to refinance such debt. In addition, the terms of the REIT's indebtedness in general contain customary provisions that, upon an event of default, result in the acceleration of repayment of amounts owed and that restrict the distributions that may be made by the REIT. Therefore, upon an event of default under such indebtedness or an inability to renew same at maturity, the REIT's ability to make distributions will be adversely affected.

A portion of the REIT's cash flows is devoted to servicing its debt, and there can be no assurance that the REIT will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing. A portion of the line of credit matures in June 2011, and the REIT has initiated negotiations with its lenders for renewal purposes. Finally, approximately $8.6 million of the REIT's secured debt matures by the end of 2011, of which an amount of $2.8 million was repaid on April 1, 2011.

The REIT is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of any such refinancing may not be as favourable as the terms of its existing indebtedness.

OWNERSHIP OF IMMOVABLE PROPERTY

All immovable property investments are subject to risk exposures. Such investments are affected by general economic conditions, real estate markets, demand for leased premises, competition from other vacant premises, municipal valuations and assessments, and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of the tenants and the economic environment in which they operate. The Trust's income and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their lease obligations or if a significant portion of vacant space in the properties in which the REIT has an interest is not able to be leased on economically favourable lease terms. In the event of default by a tenant, delays or limitations in enforcing rights as a lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. The ability to rent unleased space in the properties in which the REIT has an interest will be affected by many factors, including the level of general economic activity and the competition for tenants by other properties. Costs may be incurred in making improvements or repairs to property required by a new tenant. The failure to rent unleased space on a timely basis or at all or at rents that are equivalent or higher than current rents would likely have an adverse effect on the REIT's financial position and the value of its properties.

Certain significant expenditures, including property taxes, maintenance costs, hypothecary payments, insurance costs and related charges must be made throughout the period of ownership of immovable property regardless of whether the property is producing any income. If the REIT is unable to meet mortgage payments on any property, loss could be sustained as a result of the mortgage creditor's exercise of its hypothecary remedies.

Immovable property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with the demand for and the perceived desirability of such investments. Such illiquidity may tend to limit the REIT's ability to make changes to its portfolio promptly in response to changing economic or investment conditions. If the REIT were to be required to liquidate its immovable property investments, the proceeds to the REIT might be significantly less than the aggregate carrying value of its properties.

The REIT is exposed to debt financing risks, including the risk that existing mortgage indebtedness secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing mortgages.

Leases for the REIT's properties, including those of significant tenants, will mature from time to time over the short and long term. There can be no assurance that the REIT will be able to renew any or all of the leases upon maturity or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial position and results of operations and decrease the amount of cash available for distribution.

COMPETITION

The REIT competes for suitable immovable property investments with individuals, corporations and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future immovable property investments similar to those desired by the REIT. Many of those investors have greater financial resources than Cominar, or operate without the investment or operating restrictions of the REIT or according to more flexible conditions. An increase in the availability of investment funds and heightened interest in immovable property investments could increase competition for immovable property investments, thereby increasing purchase prices and reducing their yield.

In addition, numerous property developers, managers and owners compete with the REIT in seeking tenants. The existence of competing developers, managers and owners and competition for the Trust's tenants could have an adverse effect on the Trust's ability to lease space in its properties and on the rents charged, and could adversely affect the Trust's revenues and, consequently, its ability to meet its debt obligations.

ACQUISITIONS

The REIT's business plan focuses on growth through identifying suitable acquisition opportunities, pursuing such opportunities, completing acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial position and results of operations, and decrease the amount of cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to unitholders will increase in the future.

DEVELOPMENT PROGRAM

Information regarding our development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items including, but not limited to, tenant rents, building sizes, leasable areas, and project completion timelines and costs are updated periodically based on revised site plans, our cost tendering process, continuing tenant negotiations, demand for leasable space in our markets, obtaining required building permits, ongoing discussions with municipalities and successful property re-zonings. There can be no assurance that any assumptions in this regard will materialize as expected and changes could have a material adverse effect on our development program, asset values and financial performance.

RECRUITMENT AND RETENTION OF EMPLOYEES AND EXECUTIVES

Competition for qualified employees and executives is intense. If Cominar is unable to attract and retain qualified employees and executives, the conduct of its activities may be adversely affected.

GOVERNMENT REGULATION

The REIT and its properties are subject to various government statutes and regulations. Any change in such statutes or regulation adverse to the REIT and its properties could affect the REIT's operating results and financial performance.

In addition, environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations or for the costs of other remedial or preventive work. The failure to remove or remediate such substances, or to effect such remedial or preventive work, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs or governmental agencies.

LIMIT ON ACTIVITIES

In order to maintain its status as a "mutual fund trust" under the *Income Tax Act*, the REIT cannot carry on most active business activities and is limited in the types of investments it may make. The Contract of Trust contains restrictions to this effect.

STATUS FOR TAX PURPOSES

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 designations for income tax purposes.

Cominar's subsidiaries are subject to tax on their taxable income under the *Income Tax Act and the Taxation Act*.

Taxation of distributions of specified investment flow-through (SIFT) entities

Since 2007, SIFT entities are subject to income taxes on the distributions they make. In short, a SIFT entity is an entity (including a trust) that resides in Canada, its investments are listed on a stock exchange or other public market and it holds one or more non-portfolio properties.

Exception for real estate investment trusts (REITs)

The SIFT rules do not apply to SIFT trusts that qualify as REITs for a given taxation year. The conditions to qualify as a REIT have been amended in connection with Bill C-10, which received Royal Assent on March 12, 2009. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: [i] the only "non-portfolio properties" it owns during the year are "qualified REIT properties," [ii] at least 95% of its income for the taxation year is from one or more of the following sources: rent from "real or immovable properties"; interest; capital gains from the disposition of real or immovable properties; dividends and royalties, [iii] at least 75% of its income for the taxation year is from one or more of the following sources: rent from "real or immovable properties"; interest from mortgages on real or immovable properties and capital gains from dispositions of real or immovable properties, and [iv] at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property, a debt of a Canadian corporation represented by a banker's acceptance, cash or generally, an amount receivable from the Government of Canada or from certain other public agencies, less than 75% of the trust's net worth at that time.

As at March 31, 2011, Cominar's management believes that the REIT currently meets all the criteria required to qualify for the REIT exception. As a result, the SIFT trust tax rules do not apply to Cominar. Cominar's management intends to take all the necessary steps to meet these conditions on an on-going basis in the future.

Were the REIT exception not applicable to the REIT at any time in a year (including the current taxation year), the SIFT amendments and the SIFT regime (under which amounts deductible will no longer be deductible in computing the income of the REIT and additional taxes will be payable by the REIT) will, commencing in such year, impact materially the level of cash distributions which would otherwise be made by the REIT.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATED INVESTMENT TRUST

Unaudited
March 31, 2011

CONSOLIDATED BALANCE SHEETS

[Unaudited, in thousands of Canadian dollars]

	Note	As at March 31, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
ASSETS				
Investment properties	8, 9			
Income properties	5, 6	**2,334,839**	2,220,233	1,991,500
Properties under development	7	**104,488**	118,082	113,608
Land held for future development	7	**40,733**	40,031	60,864
		2,480,060	2,378,346	2,165,972
Goodwill		**9,380**	9,380	—
Prepaid expenses and other assets		**18,462**	3,903	3,534
Accounts receivable		**18,556**	13,965	13,572
Income taxes recoverable		**56**	—	—
Cash and cash equivalents		**1,612**	—	—
Total assets		**2,528,126**	2,405,594	2,183,078
LIABILITIES				
Mortgages payable	8	**847,324**	816,448	771,991
Convertible debentures		**394,115**	393,991	313,620
Bank indebtedness	9	**121,861**	61,866	134,809
Accounts payable and accrued liabilities		**41,218**	31,007	32,035
Current tax liability		**—**	80	—
Deferred tax liability		**7,240**	7,108	—
Distributions payable to unitholders		**7,593**	—	—
Total liabilities		**1,419,351**	1,310,500	1,252,455
UNITHOLDERS' EQUITY				
Unitholders' Equity		**1,108,775**	1,095,094	930,623
Total liabilities and unitholders' equity		**2,528,126**	2,405,594	2,183,078

See accompanying notes to interim consolidated financial statements

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 $	Equity component of convertible debentures $	Total $
Balance as at January 1, 2011		857,986	757,338	(523,998)	1,879	1,889	1,095,094
Comprehensive income		—	25,619	—	—	—	25,619
Distributions to unitholders	12	—	—	(22,797)	—	—	(22,797)
Issue of units	10	10,927	—	—	—	—	10,927
Unit option plan		—	—	—	(68)	—	(68)
Balance as at March 31, 2011		868,913	782,957	(546,795)	1,811	1,889	1,108,775

	Note	Unitholders' contributions $	Cumulative net income $	Cumulative distributions $	Contributed surplus $	Equity component of convertible debentures $	Total $
Balance as at January 1, 2010		715,593	648,543	(436,971)	1,569	1,889	930,623
Comprehensive income		—	22,087	—	—	—	22,087
Distributions to unitholders		—	—	(19,815)	—	—	(19,815)
Issue of units		10,061	—	—	—	—	10,061
Unit issue expenses		(206)	—	—	—	—	(206)
Unit option plan		—	—	—	92	—	92
Balance as at March 31, 2010		725,448	670,630	(456,786)	1,661	1,889	942,842

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the quarters ended March 31
[Unaudited, in thousands of Canadian dollars, except per unit amounts]

	Note	2011 $	2010 $
Operating revenues			
Rental revenue from investment properties		**79,653**	69,581
Operating revenues			
Operating costs		**16,176**	14,116
Realty taxes and services		**19,011**	16,807
Property management expenses		**1,283**	955
		36,470	31,878
Net operating income		**43,183**	37,703
Financial expense		**(16,119)**	(14,075)
Trust administrative expenses		**(1,358)**	(1,041)
Income before transaction costs and income taxes		**25,706**	22,587
Transaction costs – business combination		**—**	(500)
Income before income taxes		**25,706**	22,087
Income taxes			
Recoverable		**45**	—
Deferred		**(132)**	—
		(87)	—
Net income and comprehensive income		**25,619**	22,087
Basic net income per unit	11	**0.41**	0.40
Diluted net income per unit	11	**0.41**	0.40

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the quarters ended March 31
[Unaudited, in thousands of Canadian dollars]

	Note	2011	2010
		$	$
OPERATING ACTIVITIES			
Net income		**25,619**	22,087
Adjustments for:			
Amortization of capitalized financing costs and other assets		**907**	900
Amortization of fair value adjustments on assumed indebtedness		**(156)**	(30)
Accretion of liability component of convertible debentures		**58**	56
Compensation expense related to unit options		**271**	223
Deferred taxes		**132**	—
Change in accounts receivable – recognition of leases on straight-line basis		**(1,096)**	(550)
Change in non-cash working capital items	13	**(10,277)**	(11,392)
Cash flows provided from operating activities		**15,458**	11,294
INVESTING ACTIVITIES			
Business combination		**—**	(27,974)
Additions to income properties	5, 6	**(55,054)**	(6,990)
Additions to properties under development and land held for future development	7	**(8,557)**	(16,515)
Additions to other assets		**(220)**	(127)
Cash flows used in investing activities		**(63,831)**	(51,606)
FINANCING ACTIVITIES			
Mortgages payable		**1,003**	14,252
Repayment of mortgages payable		**(5,712)**	(5,248)
Bank indebtedness		**59,870**	(43,809)
Net proceeds from issue of convertible debentures		**—**	82,775
Net proceeds from issue of units	10	**7,596**	8,699
Distributions to unitholders		**(12,772)**	(12,799)
Cash flows provided from financing activities		**49,985**	43,870
Net change in cash and cash equivalents		**1,612**	3,558
Cash and cash equivalents, beginning of period		**—**	—
Cash and cash equivalents, end of period		**1,612**	3,558

See accompanying notes to interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the quarters ended March 31, 2011 and 2010
[Unaudited, in thousands of Canadian dollars except per unit amounts]

1. DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust (“Cominar” or the “Trust”) is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998 under the laws of the Province of Quebec. Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Québec. As of the date of these financial statements, Cominar owned and managed a high-quality portfolio of 261 properties including 51 office buildings, 51 retail buildings and 159 industrial and mixed-use buildings covering 20.8 million square feet in the Québec City, Montréal and Ottawa areas as well as in the Atlantic provinces.

Cominar is listed on the Toronto Stock Exchange and its units trade under the symbol “CUF.UN”. The head office is located at 455 du Marais Street, Québec City, Québec, Canada. Additional information about the Trust is available on Cominar’s website at www.cominar.com.

The Board of Trustees has approved Cominar’s interim consolidated financial statements on May 5, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

Cominar’s unaudited 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”*. Cominar has also applied IFRS 1, *“First-time Adoption of International Financial Reporting Standards”*, for the preparation of these financial statements as they are part of the period covered by the first IFRS annual consolidated financial statements for the fiscal year ending December 31, 2011. 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 interim financial statements. These interim consolidated financial statements should be read in conjunction with Cominar’s Canadian GAAP annual financial statements for the fiscal year ended December 31, 2010.

In connection with the preparation of its interim consolidated financial statements for the period ending March 31, 2011, Cominar has applied the IFRSs effective at that date. Other standards could be issued or changes to current standards could be brought and application thereof could be mandatory upon issuance of Cominar’s annual financial statements as at December 31, 2011. In addition, new standards could also be issued before the end of the current fiscal year so as to be effective in 2012 or subsequently, but whose application, without being mandatory, could be made on a retrospective basis. Upon the issuance of its annual financial statements, Cominar could therefore bring changes to its accounting policies through relevant restatements.

Note 4 provides the reconciliations and disclosures required to understand the impact of the transition of GAAP to IFRSs on Cominar’s financial position, results and cash flows.

b) Basis of presentation

Consolidation

These interim consolidated financial statements include the accounts of Cominar and its wholly-owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of the property it co-owns.

Use of estimates

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

- ***Investment properties***

  Investment properties are recorded at fair value at the balance sheet date. Fair value is determined using both management's internal measurements and valuations from independent real estate appraisers, performed in accordance with recognized valuation techniques. Techniques used include the capitalized net operating income method and the discounted cash flow method, including notably estimates of capitalization rates and future 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.

  Management's 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.

  The fair value of Cominar's investment properties recorded on the balance sheet in accordance with IFRS is the sum of the fair value 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 activity segments; (ii) the synergies among investment properties; (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 balance sheet.

- ***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 related to these models are derived from observable markets, and if not, judgment is required to determine fair value. Judgments take into account the liquidity risk, credit risk and volatility. Any changes in assumptions related to these factors could modify the reported fair value of financial instruments.

- ***Convertible debentures***

  Upon initial recognition, Cominar's management must estimate, if applicable, the fair value of the conversion option included in the convertible debentures. Under IFRSs, the *Unitholders' equity* component must be allocated the remaining amount obtained after deducting, from the fair value of the compound financial instrument considered as a whole, the established amount of the *Liability* component. Should this estimate be inappropriate, it would have an impact on the interest expense recognized in the financial statements.

- ***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 of the control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired or liabilities assumed, such excess is recorded as goodwill. Transaction-related costs are expensed as incurred.

- ***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 the expected life, volatility, the weighted average dividend yield of distributions and the weighted average risk-free interest rate. Any changes to certain assumptions could impact 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 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 when 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.

- ***Impairment of goodwill***

  Goodwill represents the excess of the purchase price of acquired businesses over the fair value of net identifiable assets acquired. Goodwill 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. The recoverability of goodwill is determined based on the cash-generating unit to which it belongs. The net carrying amount of the cash-generating unit is compared to its recoverable amount, which is defined as the higher of the fair value less costs to sell and its value in use. If either value exceeds its carrying amount, goodwill is not impaired. Otherwise, the difference is charged to income for the period during which the impairment occurs.

Investment properties

Investment property is immovable property held by the Trust to earn rentals of 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 adopted the recommendations of IAS 40, *"Investment property"*, and chose the fair value model to record its investment properties in its financial statements. Fair value is the amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in income for the period in which it arises. The fair value of investment property shall reflect market conditions at the end of the reporting period. Fair value is time-specific as of a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from management's estimates or from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews the appraisal of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as 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 value 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 activity segments; (ii) the synergies among investment properties; (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 balance sheet.

Properties under development in upgrading phase are recorded at fair value. Properties under development in construction phase are measured at cost until their fair value can be reliably determined, usually when construction 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 their acquisition date. The Trust also capitalizes the major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. The acquisition of investment property usually represents a business combination, as defined in IFRS 3, *"Business Combinations"*. Under this standard, transaction-related costs are immediately accrued as incurred. Costs that are directly related to the purchase of property are capitalized at the cost of the asset.

Concerning properties under development and land held for future development, the Trust capitalizes all direct costs incurred for their acquisition, layout and construction. Such capitalized costs also include borrowing costs that are directly attributable to the properties concerned. Cominar begins capitalizing borrowing costs when it incurs expenditures for the properties in question and 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.

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 balance sheet under investment properties. Leases generally provide for the tenants' payment of maintenance expenses of 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. Finally, incidental income is recognized when services are rendered.

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 indebtedness is considered to be a financing activity.

Deferred financing expenses

Issue expenses incurred to obtain debt financing are applied against the debt and are amortized using the effective interest rate method over the term of the related debt.

Leasing costs

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, as well as initial direct costs, mostly brokerage fees incurred for negotiating or preparing leases, are not amortized.

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are accounted for as accounts receivable and are subsequently amortized on a straight-line basis over the related lease term.

All these costs are added to the carrying amount of investment properties when they are incurred.

Other assets and depreciation

Other assets consist of furniture and office equipment, computer equipment and software as well as automotive equipment. These assets are depreciated using the straight-line method over their expected useful lives, which vary from three to five years.

Income taxes

Cominar is considered a "mutual fund trust" for income tax purposes. In exercising their discretionary power regarding distributions under 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 designations for income tax purposes. Therefore, no provision for income taxes is required for the Trust.

Cominar's subsidiaries that are incorporated as business corporations are subject to tax on their taxable income under the *Income Tax Act* (Canada) and Taxation Act of the provinces concerned. These subsidiaries account for their current or recovered taxes at the current enacted tax rates and use the 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.

Financial instruments

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

Cominar has used the following classifications for its financial instruments:

- Cash and cash equivalents and accounts receivable, including loans to certain clients, are classified as "Loans and Receivables." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, this value generally represents cost.

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

Unit option plan

Cominar has a unit option plan for the benefit of trustees, management and employees. The plan does not provide for cash settlement. The Trust recognizes compensation expense on unit options granted, based on their fair value, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit purchase options and the potential issuance of units under convertible debentures, if dilutive.

3. NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC)

Some recently issued IFRS and IFRIC will be effective only from a subsequent date. Cominar is currently assessing the impact of these IFRS and IFRIC on its consolidated financial statements.

IFRS 9 – Financial instruments: Classification and Measurement

First phase of a new standard on the classification and measurement of financial instruments, which will replace IAS 39, *"Financial instruments: Recognition and measurement"*. IFRS 9 presents two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. Debt instruments are measured at amortized cost only if they are held in order to collect contractual cash flows and if cash flows are solely payments of principal and interest. Otherwise, they are measured at fair value through profit or loss. This standard applies for annual periods beginning on or after January 1, 2013.

4. FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Transition base to IFRSs

Cominar's consolidated financial statements for the fiscal year ended December 31, 2011 will be its first annual financial statements prepared in accordance with IFRSs. These interim consolidated financial statements as at March 31, 2011, have been prepared in conformity with accounting policies described in note 2. Cominar also applied IFRS 1, "*First-time Adoption of International Financial Reporting Standards*", for the preparation of its financial statements.

Cominar's IFRS transition date is January 1, 2010, being the opening date of the first comparative period. Therefore the Trust has prepared its opening balance sheet at that date. Cominar's IFRS adoption date is January 1, 2011.

As described below, in preparing these consolidated financial statements in accordance with IFRS 1, Cominar has elected to use one of the allowed exemptions from other IFRSs while taking into account one of the exceptions to the retrospective application of other IFRSs.

Exemption from other IFRSs

The Trust has elected to use the following exemption from other IFRSs:

- **Business combination** – Business combinations that occurred before the date of transition (January 1, 2010) have not been restated and the measurement established under Canadian GAAP has been maintained.

Exception to the retrospective application of other IFRSs

Cominar has applied the following mandatory exception to the retrospective application of other IFRSs:

- **Estimates** – Estimates made in accordance with IFRSs as at January 1, 2010, are consistent with those made for the same date in accordance with Canadian GAAP.

Reconciliations of Canadian GAAP to IFRS

The following prescribed reconciliations show the impact of the transition to IFRS:

4.1 Unitholders' equity as at January 1, 2010
4.2 Unitholders' equity as at March 31, 2010
4.3 Unitholders' equity as at December 31, 2010
4.4 Comprehensive income for the quarter ended March 31, 2010
4.5 Comprehensive income for the year ended December 31, 2010
4.6 Cash flows for the quarter ended March 31, 2010
4.7 Cash flows for the year ended December 31, 2010

4.1 Reconciliation of unitholders' equity as at January 1, 2010

Description under GAAP	Note	Canadian GAAP $	Impact of transition to IFRS $	IFRS $	Description under IFRS
ASSETS					ASSETS
					Investment properties
Income properties	a	1,581,831	409,669	1,991,500	Income properties
Properties under development		113,608	—	113,608	Properties under development
Land held for future development	a	61,046	(182)	60,864	Land held for future development
			409,487	2,165,972	
Capitalized leasing costs and other assets	b	50,706	(50,706)	—	
Prepaid expenses	c	2,428	1,106	3,534	Prepaid expenses and other assets
Accounts receivable	d	26,327	(12,755)	13,572	Accounts receivable
Total assets		**1,835,946**	**347,132**	**2,183,078**	**Total assets**
LIABILITIES					LIABILITIES
Mortgages payable		771,991	—	771,991	Mortgages payable
Convertible debentures		313,620	—	313,620	Convertible debentures
Bank indebtedness		134,809	—	134,809	Bank indebtedness
Accounts payable and accrued liabilities		32,035	—	32,035	Accounts payable and accrued liabilities
Total liabilities		**1,252,455**	**—**	**1,252,455**	**Total liabilities**
UNITHOLDERS' EQUITY					UNITHOLDERS' EQUITY
Unitholders' contributions		715,593	—	715,593	Unitholders' contributions
Cumulative net income	e	301,411	347,132	648,543	Cumulative net income
Cumulative distributions		(436,971)	—	(436,971)	Cumulative distributions
Contributed surplus		1,569	—	1,569	Contributed surplus
Equity component of convertible debentures		1,889	—	1,889	Equity component of convertible debentures
Total unitholders' equity		**583,491**	**347,132**	**930,623**	**Total unitholders' equity**
Total liabilities and unitholders' equity		**1,835,946**	**347,132**	**2,183,078**	**Total liabilities and unitholders' equity**

Explanation of the impact of transition to IFRS

	$
a) Investment properties	
i. Writeoff of accumulated depreciation of investment properties	197,849
Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"*. Therefore investment properties are not depreciated.	
ii. Reclassification of Accounts receivable – recognition of leases on a straight-line basis	12,755
Cominar includes in the fair value of investment properties revenue from operating leases recognized on a straight-line basis.	
iii. Adjustment to Accounts receivable – recognition of leases on a straight-line basis	668
Under GAAP, the accounting policy relating to the recognition of leases on a straight-line basis has been applied prospectively as from January 1, 2004. Under IFRS, this policy should be applied since the inception of the leases still existing at the date of transition.	
iv. Reclassification of Net leasing costs	48,237
Leasing costs are added to the carrying amount of investment properties.	
v. Writeoff of accumulated amortization of leasehold improvements and initial direct costs	27,306
Leasehold improvements that increased the rental value of investment property as well as initial direct costs are not amortized.	
vi. Reclassification of Other assets	1,363
Some other assets have been reclassified into investment properties.	
vii. Writeoff of capitalized interest	(182)
Inclusion of borrowing costs is not eligible for this type of property when no activities have been undertaken for its preparation.	
viii. Fair value adjustment	121,491
Investment properties are measured at fair value in accordance with IAS 40, *"Investment Property"*.	
Cumulative impact – increase in investment properties	409,487
b) Capitalized leasing costs and other assets	
i. Reclassification of Net leasing costs	(48,237)
Leasing costs are added to the carrying amount of investment properties.	
ii. Reclassification of Other assets	(2,469)
Other assets, previously presented with Capitalized leasing costs under GAAP, are now presented with prepaid expenses or investment properties.	
Cumulative impact – decrease in Capitalized leasing costs and other assets	(50,706)

c) Prepaid expenses and other assets

i.	Reclassification of Other assets	1,106

A part of Other assets, previously presented with Capitalized leasing costs under GAAP, is now presented with Prepaid expenses.

d) Accounts receivable

i.	Reclassification of Accounts receivable – recognition of leases on a straight-line basis	(12,755)

Accounts receivable – recognition of leases on a straight-line basis are added to the carrying amount of investment properties.

e) Cumulative net income

All aforementioned adjustments, except for reclassifications, have been accounted for in the opening balance of Cumulative net income as at January 1, 2010.

Cumulative impact – increase in Cumulative net income	347,132

4.2 Reconciliation of unitholders' equity as at March 31, 2010

Description under GAAP	Note	Canadian GAAP $	Impact of transition to IFRS $	IFRS $	Description under IFRS
ASSETS					ASSETS
					Investment properties
Income properties	a	1,642,125	425,652	2,067,777	Income properties
Properties under development	a	126,419	(10)	126,409	Properties under development
Land held for future development	a	63,351	(208)	63,143	Land held for future development
			425,434	2,257,329	
Goodwill	b	8,049	(500)	7,549	Goodwill
Capitalized leasing costs and other assets	c	49,812	(49,812)	—	
Prepaid expenses	d	15,180	1,158	16,338	Prepaid expenses and other assets
Accounts receivable	e	31,848	(13,438)	18,410	Accounts receivable
Cash and cash equivalents		3,558	—	3,558	Cash and cash equivalents
Total assets		**1,940,342**	**362,842**	**2,303,184**	**Total assets**
LIABILITIES					LIABILITIES
Mortgages payable		824,650	—	824,650	Mortgages payable
Convertible debentures		396,334	—	396,334	Convertible debentures
Bank indebtedness		91,174	—	91,174	Bank indebtedness
Accounts payable and accrued liabilities		36,708	—	36,708	Accounts payable and accrued liabilities
Future income tax liability		4,831	—	4,831	Deferred tax liability
Distributions payable to unitholders		6,645	—	6,645	Distributions payable to unitholders
Total liabilities		**1,360,342**	**—**	**1,360,342**	**Total liabilities**
UNITHOLDERS' EQUITY					UNITHOLDERS' EQUITY
Unitholders' contributions		725,448	—	725,448	Unitholders' contributions
Cumulative net income	f	307,788	362,842	670,630	Cumulative net income
Cumulative distributions		(456,786)	—	(456,786)	Cumulative distributions
Contributed surplus		1,661	—	1,661	Contributed surplus
Equity component of convertible debentures		1,889	—	1,889	Equity component of convertible debentures
Total unitholders' equity		**580,000**	**362,842**	**942,842**	**Total unitholders' equity**
Total liabilities and unitholders' equity		**1,940,342**	**362,842**	**2,303,184**	**Total liabilities and unitholders' equity**

Explanation of the impact of transition to IFRS

		$
a)	**Investment properties**	
i.	Writeoff of accumulated depreciation of investment properties	211,631
	Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"*. Therefore investment properties are not depreciated.	
ii.	Reclassification of Accounts receivable – recognition of leases on a straight-line basis	13,438
	Accounts receivable – recognition of leases on a straight-line basis are added to the carrying amount of investment properties.	
iii.	Adjustment to Accounts receivable – recognition of leases on a straight-line basis	629
	Under GAAP, the accounting policy relating to the recognition of leases on a straight-line basis has been applied prospectively as from January 1, 2004. Under IFRS, this policy should be applied since the inception of the leases still existing at the date of transition. The balance has been adjusted to consider the change in the balance during the quarter.	
iv.	Reclassification of Net leasing costs	47,258
	Leasing costs are added to the carrying amount of investment properties.	
v.	Writeoff of accumulated amortization of leasehold improvements and initial direct costs	29,805
	Leasehold improvements that increased the rental value of investment property as well as initial direct costs are not amortized.	
vi.	Reclassification of Other assets	1,400
	Some other assets have been reclassified into investment properties.	
vii.	Writeoff of capitalized interest	(218)
	Inclusion of borrowing costs is not eligible for this type of property when no activities have been undertaken for its preparation.	
viii.	Fair value adjustment	121,491
	Investment properties are measured at fair value in accordance with IAS 40, *"Investment Property"*.	
Cumulative impact – increase in investment properties		425,434
b)	**Goodwill**	
i.	Goodwill adjustment	(500)
	Costs incurred to effect the March 2010 business combination transaction have been charged to income during the period.	

c) Capitalized leasing costs and other assets

i.	Reclassification of Net leasing costs	(47,258)
	Leasing costs are added to the carrying amount of investment properties.	
ii.	Reclassification of Other assets	(2,554)
	Other assets, previously presented with Capitalized leasing costs under GAAP, are now presented with Prepaid expenses.	

Cumulative impact – decrease in Capitalized leasing costs and other assets	(49,812)

d) Prepaid expenses and other assets

i.	Reclassification of Other assets	1,158
	A part of Other assets, previously presented with Capitalized leasing costs under GAAP, is now presented with Prepaid expenses.	

e) Accounts receivable

i.	Reclassification of Accounts receivable – recognition of leases on a straight-line basis	(13,438)
	Accounts receivable – recognition of leases on a straight-line basis are added to the carrying amount of investment properties.	

f) Cumulative net income

All aforementioned adjustments, except for reclassifications, have been accounted for in the opening balance of Cumulative net income as at March 31, 2010.

Cumulative impact – increase in Cumulative net income	362,842

4.3 Reconciliation of unitholders' equity as at December 31, 2010

Description under GAAP	Note	Canadian GAAP $	Impact of transition to IFRS $	IFRS $	Description under IFRS
ASSETS					**ASSETS**
					Investment properties
Income properties	a	1,729,839	490,394	2,220,223	Income properties
Properties under development	a	117,939	143	118,082	Properties under development
Land held for future development	a	40,362	(331)	40,031	Land held for future development
			490,206	2,378,346	
Goodwill	b	10,065	(685)	9,380	Goodwill
Capitalized leasing costs and other assets	c	55,720	(55,720)	—	
Prepaid expenses	d	2,666	1,237	3,903	Prepaid expenses and other assets
Accounts receivable	e	29,309	(15,344)	13,965	Accounts receivable
Total assets		**1,985,900**	**419,694**	**2,405,594**	**Total assets**
LIABILITIES					**LIABILITIES**
Mortgages payable		816,448	—	816,448	Mortgages payable
Convertible debentures		393,991	—	393,991	Convertible debentures
Bank indebtedness		61,866	—	61,866	Bank indebtedness
Accounts payable and accrued liabilities		31,007	—	31,007	Accounts payable and accrued liabilities
Future income tax liability	f	6,671	437	7,108	Deferred tax liability
Current income tax liability		80	—	80	Current tax liability
Total liabilities		**1,310,063**	**437**	**1,310,500**	**Total liabilities**
UNITHOLDERS' EQUITY					**UNITHOLDERS' EQUITY**
Unitholders' contributions		857,986	—	857,986	Unitholders' contributions
Cumulative net income	g	338,081	419,257	757,338	Cumulative net income
Cumulative distributions		(523,998)	—	(523,998)	Cumulative distributions
Contributed surplus		1,879	—	1,879	Contributed surplus
Equity component of convertible debentures		1,889	—	1,889	Equity component of convertible debentures
Total unitholders' equity		**675,837**	**419,257**	**1,095,094**	**Total unitholders' equity**
Total liabilities and unitholders' equity		**1,985,900**	**419,694**	**2,405,594**	**Total liabilities and unitholders' equity**

Explanation of the impact of transition to IFRS

	$
a) Investment properties	
i. Writeoff of accumulated depreciation of investment properties	253,266
Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"*. Therefore investment properties are not depreciated.	
ii. Reclassification of Accounts receivable – recognition of leases on a straight-line basis	15,344
Accounts receivable – recognition of leases on a straight-line basis are added to the carrying amount of investment properties.	
iii. Adjustment to Accounts receivable – recognition of leases on a straight-line basis	508
Under GAAP, the accounting policy relating to the recognition of leases on a straight-line basis has been applied prospectively as from January 1, 2004. Under IFRS, this policy should be applied since the inception of the leases still existing at the date of transition. The balance has been adjusted to consider the change in the balance during the year.	
iv. Reclassification of Net leasing costs	53,123
Leasing costs are added to the carrying amount of investment properties.	
v. Writeoff of accumulated amortization of leasehold improvements and initial direct costs	38,268
Leasehold improvements that increased the rental value of investment property as well as initial direct costs are not amortized.	
vi. Reclassification of Other assets	1,380
Some other assets have been reclassified into investment properties.	
vii. Writeoff of capitalized interest	(372)
Inclusion of borrowing costs is not eligible for this type of property when no activities have been undertaken for its preparation.	
viii. Fair value adjustment	128,689
Investment properties are measured at fair value in accordance with IAS 40, *"Investment Property"*.	
Cumulative impact – increase in investment properties	490,206

b) Goodwill	
i. Goodwill adjustment	(685)
Costs incurred to effect the March 2010 business combination transaction have been charged to income during the year.	

c) Capitalized leasing costs and other assets

i. Reclassification of Net leasing costs	(53,123)

Leasing costs are added to the carrying amount of investment properties.

ii. Reclassification of Other assets	(2,597)

Other assets, previously presented with Capitalized leasing costs under GAAP, are now presented with Prepaid expenses or investment properties.

Cumulative impact – decrease in Capitalized leasing costs and other assets	(55,720)

d) Prepaid expenses and other assets

i. Reclassification of Other assets	1,237

A part of Other assets, previously presented with Capitalized leasing costs under GAAP, is now presented with Prepaid expenses.

e) Accounts receivable

i. Reclassification of Accounts receivable – recognition of leases on a straight-line basis	(15,344)

Accounts receivable – recognition of leases on a straight-line basis are added to the carrying amount of investment properties.

f) Deferred tax liability

i. Adjustment to deferred tax liability	(437)

Deferred taxes have been adjusted to reflect the modifications resulting from the application of IFRS.

g) Cumulative net income

All aforementioned adjustments, except for reclassifications, have been accounted for in the opening balance of Cumulative net income as at December 31, 2010.

Cumulative impact – increase in Cumulative net income	419,257

4.4 Reconciliation of comprehensive income for the quarter ended March 31, 2010

Description under GAAP	Note	Canadian GAAP $	Impact of transition to IFRS $	IFRS $	Description under IFRS
Operating revenues					**Operating revenues**
Rental revenue from income properties	a	69,907	(326)	69,581	Rental revenue from investment properties
Operating expenses					**Operating expenses**
Operating costs	e	14,066	50	14,116	Operating costs
Realty taxes and services	e	16,807	—	16,807	Realty taxes and services
Property management expenses	e	915	40	955	Property management expenses
		31,788	90	31,878	
Operating income before the undernoted		38,119	(416)	37,703	**Net operating income**
Interest on borrowings	e	(14,094)	19	(14,075)	Financial expense
Depreciation of income properties	b	(13,985)	13,985	—	
Amortization of capitalized leasing costs and other assets	c	(2,678)	2,678	—	
Trust administrative expenses		(1,041)	—	(1,041)	Trust administrative expenses
Other revenues	e	56	(56)	—	
		6,377	16,210	22,587	**Income before transaction costs**
	d	—	(500)	(500)	Transaction costs – business combination
Net income and comprehensive income		6,377	15,710	22,087	**Net income and comprehensive income**
Basic net income per unit		**0.12**		**0.40**	**Basic net income per unit**
Diluted net income per unit		**0.12**		**0.40**	**Diluted net income per unit**

Explanation of the impact of transition to IFRS

	$
a) Rental revenue from investment properties	
i. Reclassification of amortization of tenant inducements	(82)
Tenant inducements are amortized against rental revenue over the term of the related leases.	
ii. Cancellation of amortization of below-market leases	(203)
Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"* Therefore investment properties are not depreciated.	
iii. Adjustment to change in Accounts receivable – recognition of leases on a straight-line basis	(41)
The balance of Accounts receivable – recognition of leases on a straight-line basis has been adjusted at the date of transition to reflect application of the straight-line method since the inception of the related leases. This is the quarterly variation of such adjustment.	
Cumulative impact – decrease in rental revenue from investment properties	(326)

b) Depreciation of investment properties

i.	Writeoff of depreciation of investment properties	13,985
	Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"* Therefore investment properties are not depreciated.	

c) Amortization of capitalized leasing costs and other assets

i.	Reclassification of amortization of tenant inducements	82
	Tenant inducements are amortized against rental revenue over the term of the related leases.	
ii.	Writeoff of amortization of leasehold improvements and initial direct costs	2,499
	Leasehold improvements and initial direct costs are added to the carrying amount of investment properties and are not subject to subsequent amortization due to election of fair value model.	
iii.	Reclassification of amortization of other assets	97
	A part of amortization of other assets has been reclassified into operating costs and the remaining part has been reclassified into property management expenses.	

Cumulative impact – decrease in amortization of capitalized leasing costs and other assets	2,678

d) Transaction costs – business combination

i.	Expensing of transaction costs	(500)
	Costs incurred to effect the March 2010 business combination transaction have been charged to income during the quarter.	

e) Certain GAAP figures have been reclassified to conform to IFRS presentation.

4.5 Reconciliation of comprehensive income for the year ended December 31, 2010

Description under GAAP	Note	Canadian GAAP $	Impact of transition to IFRS $	IFRS $	Description under IFRS
Operating revenues					**Operating revenues**
Rental revenue from income properties	a	283,906	(1,521)	282,385	Rental revenue from investment properties
Operating expenses					**Operating expenses**
Operating costs	g	51,485	257	51,742	Operating costs
Realty taxes and services		61,689	—	61,689	Realty taxes and services
Property management expenses	g	3,990	206	4,196	Property management expenses
		117,164	463	117,627	
Operating income before the undernoted		166,742	(1,984)	164,758	**Net operating income**
Interest on borrowings	g	(56,622)	(14)	(56,636)	Financial expense
Depreciation of income properties	b	(56,378)	56,378	—	
Amortization of capitalized leasing costs and other assets	c	(11,844)	11,844	—	
Trust administrative expenses		(5,315)	—	(5,315)	Trust administrative expenses
Other revenues	g	176	(176)	—	
		36,759	66,048	102,807	**Income before transaction costs and income taxes**
	d	—	(685)	(685)	Transaction costs – business combination
	e	—	7,198	7,198	Adjustment to investment properties at fair value
Income before income taxes		36,759	72,561	109,320	**Income before income taxes**
Income taxes					**Income taxes**
Current		(80)	—	(80)	Current
Future	f	(9)	(437)	(446)	Deferred
		(89)	(437)	(526)	
Net income and comprehensive income		36,670	72,124	108,794	**Net income and comprehensive income**
Basic net income per unit		**0.61**		**1.81**	**Basic net income per unit**
Diluted net income per unit		**0.61**		**1.80**	**Diluted net income per unit**

Explanation of the impact of transition to IFRS

		$
a)	**Rental revenue from investment properties**	
i.	Reclassification of amortization of tenant inducements	(398)
	Tenant inducements are amortized against rental revenue over the term of the related leases.	
ii.	Cancellation of amortization of below-market leases	(962)
	Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"* Therefore investment properties are not depreciated.	
iii.	Adjustment to change in Accounts receivable – recognition of leases on a straight-line basis	(161)
	The balance of Accounts receivable – recognition of leases on a straight-line basis has been adjusted at the date of transition to reflect application of the straight-line method since the inception of the related leases.	
Cumulative impact – decrease in rental revenue from investment properties		(1,521)
b)	**Depreciation of investment properties**	
i.	Writeoff of depreciation of investment properties	56,378
	Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"*. Therefore investment properties are not depreciated.	
c)	**Amortization of capitalized leasing costs and other assets**	
i.	Reclassification of amortization of tenant inducements	398
	Tenant inducements are amortized against rental revenue over the term of the related leases.	
ii.	Writeoff of accumulated amortization of leasehold improvements and initial direct costs	10,962
	Leasehold improvements and initial direct costs are added to the carrying amount of investment properties and are not subject to subsequent amortization due to election of fair value model.	
iii.	Reclassification of amortization of other assets	484
	A part of amortization of other assets has been reclassified into operating costs and the remaining part has been reclassified into property management expenses.	
Cumulative impact – decrease in amortization of capitalized leasing costs and other assets		11,844

d) Transaction costs – business combination

i. Expensing of transaction costs	(685)

Costs incurred to effect the March 2010 business combination transaction have been charged to income during the year.

e) Adjustment to investment properties at fair value

i. Adjustment to investment properties at fair value	7,198

Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"*. Any variation between the established fair value and the carrying amount of investment properties is recognized in income for the period in which it arises.

f) Deferred taxes

i. Adjustment to deferred taxes	(437)

Deferred taxes have been adjusted to reflect the modifications resulting from the application of IFRS.

g) Certain GAAP figures have been reclassified to conform to IFRS presentation.

4.6 Reconciliation of cash flows for the quarter ended March 31, 2010

Description under GAAP	Note	Canadian GAAP $	Impact of transition to IFRS $	IFRS $	Description under IFRS
OPERATING ACTIVITIES					OPERATING ACTIVITIES
Net income	a	6,377	15,710	22,087	Net income
Adjustments for:					Adjustments for:
Depreciation of income properties	b	13,985	(13,985)	—	
Amortization of below-market leases	b	(203)	203	—	
Amortization of capitalized leasing costs	c	2,581	(2,581)	—	
Amortization of capitalized financing costs and other assets		921	(21)	900	Amortization of capitalized financing costs and other assets
Amortization of fair value adjustments on assumed indebtedness		(30)	—	(30)	Amortization of fair value adjustments on assumed indebtedness
Accretion of liability component of convertible debentures		56	—	56	Accretion of liability component of convertible debentures
Compensation expense related to unit options		223	—	223	Compensation expense related to unit options
—	c, d	—	(550)	(550)	Change in Accounts receivable – recognition of leases on a straight-line basis
Change in non-cash working capital items	d	(12,075)	683	(11,392)	Change in non-cash working capital items
Cash flows provided from operating activities		11,835	(541)	11,294	**Cash flows provided from operating activities**
INVESTING ACTIVITIES					INVESTING ACTIVITIES
Business combination	e	(28,474)	500	(27,974)	Business combination
Additions to income properties	f	(3,155)	(3,835)	(6,990)	Additions to income properties
Additions to properties under development and land held for future development		(16,550)	35	(16,515)	Additions to properties under development and land held for future development
Capitalized leasing costs	f	(3,786)	3,786	—	
Other assets		(182)	55	(127)	Other assets
Cash flows used in investing activities		(52,147)	541	(51,606)	**Cash flows used in investing activities**
FINANCING ACTIVITIES					FINANCING ACTIVITIES
Mortgages payable		14,252	—	14,252	Mortgages payable
Repayment of mortgages payable		(5,248)	—	(5,248)	Repayment of mortgages payable
Bank indebtedness		(43,809)	—	(43,809)	Bank indebtedness
Net proceeds from issue of convertible debentures		82,775	—	82,775	Net proceeds from issue of convertible debentures
Net proceeds from issue of units		8,699	—	8,699	Net proceeds from issue of units
Distributions to unitholders		(12,799)	—	(12,799)	Distributions to unitholders
Cash flows provided from financing activities		43,870	—	43,870	**Cash flows provided from financing activities**
Net change in cash and cash equivalents		3,558	—	3,558	Net change in cash and cash equivalents
Cash and cash equivalents, beginning of period		—	—	—	Cash and cash equivalents, beginning of period
Cash and cash equivalents, end of period		3,558	—	3,558	Cash and cash equivalents, end of period

Explanation of the impact of transition to IFRS

a) Net income

Refer to the reconciliation of comprehensive income for the quarter ended March 31, 2010.

b) Writeoff of depreciation for the period

Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"*. Therefore investment properties are not depreciated.

c) Amortization of tenant inducements

Adjustment to leasehold improvements and initial direct costs which are added to the carrying amount of investment properties and are not subject to subsequent amortization, and reclassification of amortization of tenant inducements.

d) Change in Accounts receivable – recognition of leases on a straight-line basis

Reclassification for presentation purposes and to consider the quarterly variation of the adjustment to the balance of Accounts receivable – recognition of leases on a straight-line basis, which was made at the date of transition.

e) Reclassification of transaction-related costs

Costs incurred to effect the March 2010 business combination transaction have been charged to income during the quarter.

f) Reclassification of capitalized leasing costs

Leasing costs are added to the carrying amount of investment properties.

4.7 Reconciliation of cash flows for the year ended December 31, 2010

Description under GAAP	Note	Canadian GAAP $	Impact of transition to IFRS $	IFRS $	Description under IFRS
OPERATING ACTIVITIES					OPERATING ACTIVITIES
Net income	a	36,670	72,124	108,794	Net income
Adjustments for:					Adjustments for:
Depreciation of income properties	b	56,378	(56,378)	—	
Amortization of below-market leases	b	(962)	962	—	
—	c		(7,198)	(7,198)	Adjustment to investment properties at fair value
Amortization of capitalized leasing costs	d	11,360	(11,360)	—	
Amortization of capitalized financing costs and other assets		3,777	(90)	3,687	Amortization of capitalized financing costs and other assets
Amortization of fair value adjustments on assumed indebtedness		(439)	—	(439)	Amortization of fair value adjustments on assumed indebtedness
Accretion of liability component of convertible debentures		224	—	224	Accretion of liability component of convertible debentures
Compensation expense related to unit options		873	—	873	Compensation expense related to unit options
—		9	437	446	Deferred taxes
—	d, e	—	(2,032)	(2,032)	Change in Accounts receivable – recognition of leases on a straight-line basis
Change in non-cash working capital items	e	(747)	2,589	1,842	Change in non-cash working capital items
Cash flows provided from operating activities		107,143	(946)	106,197	**Cash flows provided from operating activities**
INVESTING ACTIVITIES					INVESTING ACTIVITIES
Business combination	f	(28,923)	685	(28,238)	Business combination
Additions to income properties	g	(73,016)	(18,582)	(91,598)	Additions to income properties
Additions to properties under development and land held for future development		(68,702)	5	(68,697)	Additions to properties under development and land held for future development
Net proceeds from disposal of fixed assets		34,258		34,258	Net proceeds from disposal of fixed assets
Capitalized leasing costs	g	(18,747)	18,747	—	
Other assets		(613)	91	(522)	Other assets
Cash flows used in investing activities		(155,743)	946	(154,797)	**Cash flows used in investing activities**
FINANCING ACTIVITIES					FINANCING ACTIVITIES
Mortgages payable		30,641	—	30,641	Mortgages payable
Repayment of mortgages payable		(41,152)	—	(41,152)	Repayment of mortgages payable
Bank indebtedness		(73,446)	—	(73,446)	Bank indebtedness
Net proceeds from issue of convertible debentures		82,695	—	82,695	Net proceeds from issue of convertible debentures
Net proceeds from issue of units		132,380	—	132,380	Net proceeds from issue of units
Distributions to unitholders		(82,518)	—	(82,518)	Distributions to unitholders
Cash flows provided from financing activities		48,600	—	48,600	**Cash flows provided from financing activities**
Net change in cash and cash equivalents		—	—	—	Net change in cash and cash equivalents
Cash and cash equivalents, beginning of year		—	—	—	Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year					Cash and cash equivalents, end of year

Explanation of the impact of transition to IFRS

a) Net income

Refer to the reconciliation of comprehensive income for the year ended December 31, 2010.

b) Writeoff of depreciation for the year

Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"*. Therefore investment properties are not depreciated.

c) Adjustment to investment properties at fair value

Investment properties are measured at fair value in accordance with IAS 40, *"Investment property"*.

d) Amortization of tenant inducements

Adjustment to leasehold improvements and initial direct costs, which are added to the carrying amount of investment properties and are not subject to subsequent amortization, and reclassification of amortization of tenant inducements.

e) Change in Accounts receivable – recognition of leases on a straight-line basis

Reclassification for presentation purposes and to consider the annual variation of the adjustment to the balance of Accounts receivable – recognition of leases on a straight-line basis, which was made at the date of transition.

f) Reclassification of transaction-related costs

Costs incurred to effect the March 2010 business combination transaction have been charged to income during the year.

g) Reclassification of capitalized leasing costs

Leasing costs are added to the carrying amount of investment properties.

5. ACQUISITIONS

- On March 1, 2011, Cominar acquired an office building located in Halifax, Nova Scotia, with 76,000 square feet of leasable area for a consideration of $15,000 in cash.

- On March 1, 2011, Cominar acquired an office building located in Moncton, New Brunswick, with 65,000 square feet of leasable area for a consideration of $9,725, consisting of $6,693 for the assumption of a mortgage payable and $3,032 in cash.

- On March 1, 2011, Cominar acquired an office building located in Montréal, Québec, with 372,000 square feet of leasable area for a consideration of $54,500, consisting of $26,089 for the assumption of a mortgage payable and $27,691 in cash.

These transactions were accounted for using the purchase method. The results of operations of the investment properties acquired are included in the interim consolidated financial statements from their acquisition date.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

	As at March 31, 2011 **$**
Income properties	
Buildings	**70,956**
Land	**8,269**
Total purchase price	**79,225**
Settled as follows:	
Cash and cash equivalents	**45,723**
Assumption of mortgages payable	**33,502**

The following table presents the amount of operating revenues and operating expenses of investment properties acquired since their date of acquisition:

	2011 **$**
Operating revenues	**1,427**
Operating expenses	**400**
Net operating income	**1,027**

6. INCOME PROPERTIES

Quarters ended March 31	**2011** **$**	**2010** **$**
Balance, beginning of period	**2,220,333**	1,991,500
Business combination	**—**	71,130
Acquisitions	**79,225**	—
Capital costs	**8,563**	4,251
Change in accounts receivable – recognition of leases on a straight-line basis	**1,026**	598
Change in initial direct costs	**488**	284
Transfer of properties under development	**21,621**	—
Others	**3,683**	14
Balance, end of period	**2,334,839**	2,067,777

7. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

Quarters ended March 31	2011 $	2010 $
Balance, beginning of period	**158,113**	174,472
Acquisitions	**—**	780
Capital expenditures	**6,523**	10,648
Capitalized interest	**2,206**	3,652
Transfer to investment properties	**(21,621)**	—
Balance, end of period	**145,221**	189,552
Breakdown:		
Properties under development	**104,488**	126,409
Land held for future development	**40,733**	63,143

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on investment properties having a net carrying amount of $1,601,941 [$1,533,772 as at December 31, 2010]. They bear contractual fixed interest rates ranging from 2.89% to 11.00% per annum [2.44% to 11.00% as at December 31, 2010] representing a weighted average contractual rate of 5.40% as at March 31, 2011 [5.31% as at December 31, 2010] and are renewable at various dates between April 2011 and May 2023. As at March 31, 2011, the weighted average effective rate was 5.37% [5.29% as at December 31, 2010]. As at March 31, 2011, all mortgages payable were at fixed rates. Some mortgages payable contain restrictive covenants that were met as at March 31, 2011.

The following table presents the changes in mortgages payable for the quarters indicated:

Quarters ended March 31	2011		2010	
	$	Rate %	$	Rate %
Balance, beginning of period	**816,256**	**5.31**	773,391	5.26
Mortgages payable contracted or assumed	**60,282**	**5.38**	110,124	5.63
Repayments of balances at maturity	**(25,699)**	**2.44**	(53,406)	4.24
Monthly repayments of principal	**(5,726)**		(5,385)	
Balance, beginning of period	**845,113**	**5.40**	824,724	5.38
Plus: fair value adjustments on assumed mortgages	**3,753**		1,697	
Less: unamortized financing costs	**(1,374)**		(1,544)	
Less: net debt reduction	**(168)**		(227)	
	847,324		824,650	

9. BANK INDEBTEDNESS

Cominar has operating and acquisition credit facilities of up to $185,836 [$131,210 as at December 31, 2010]. These credit facilities, subject to annual renewal, bear interest at prime plus 1.00% to 1.50% [1.50% in 2010] or at the bankers' acceptance rate plus 2.00% to 2.50% [2.50% in 2010]. These credit facilities are secured by movable and immovable hypothecs on specific assets, including the carrying amount of immovable property totalling $385,016 as at March 31, 2011 [$297,370 as at December 31, 2010]. As at March 31, 2011, the prime rate was 3.00% [3.00% as at December 31, 2010]. These credit facilities contain certain covenants which were met as at March 31, 2011.

10. ISSUED AND OUTSTANDING UNITS

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

The following table presents the various sources of unit issues for the quarters indicated:

Quarters ended March 31	2011		2010	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**62,688,799**	**857,986**	54,758,271	715,593
Units issued on exercise of options	**440,900**	**7,596**	403,700	5,943
Units issued under distribution reinvestment plan	**111,992**	**2,432**	19,538	372
Units issued on conversion of convertible debentures	**32,121**	**560**	37,583	654
Units issued under the at-the-market equity distribution agreement	**—**	**—**	153,500	2,756
Reversal of contributed surplus on exercise of options	**—**	**339**	—	130
Units issued and outstanding, end of period	**63,273,812**	**868,913**	55,372,592	725,448

The following table presents the changes in balances of options for the quarters indicated:

Quarters ended March 31	2011		2010	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of period	**4,169,900**	**18.96**	4,226,800	17.32
Exercised	**(440,900)**	**17.23**	(403,700)	14.72
Cancelled	**(21,500)**	**18.28**	(4,400)	17.55
Outstanding, end of period	**3,707,500**	**19.17**	3,818,700	17.59
Exercisable options, end of period	**1,254,800**	**18.21**	1,491,500	16.92

Unitholder distribution reinvestment plan

Cominar has adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units equal to 105% of the cash distributions. For the period ended March 31, 2011, 111,992 units [19,538 units in 2010] were issued for a total consideration of $2,432 [$372 in 2010] under this plan.

11. PER UNIT CALCULATIONS

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

Quarters ended March 31	2011 $	2010 $
Weighted average number of units outstanding – basic	**62,808,510**	54,788,288
Dilutive effect of unit options	**394,738**	376,135
Weighted average number of units outstanding – diluted	**63,203,248**	55,164,423

The potential issuance of units under convertible debentures has an anti-dilutive effect on the calculation of diluted net income per unit.

12. 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. The distributable income generally means net income determined in accordance with IFRS, before adjustments to unrealized fair value, transaction costs – business combinations, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs and certain other items not affecting cash, if applicable.

Quarters ended March 31	2011 $	2010 $
Distributions to unitholders	**22,797**	19,815
Distributions per unit	**0.36**	0.36

13. SUPPLEMENTAL CASH FLOW INFORMATION

The change in non-cash working capital items is as follows:

Quarters ended March 31	2011 $	2010 $
Prepaid expenses	**(14,420)**	(10,853)
Accounts receivable	**(4,590)**	(3,253)
Income taxes recoverable	**(56)**	—
Accounts payable and accrued liabilities	**8,869**	2,714
Current tax liability	**(80)**	—
	(10,277)	(11,392)
Other information		
Interest paid	**18,339**	18,066
Income taxes paid	**91**	—
Additions to income properties and properties under development through assumption of liabilities	**33,502**	—
Unpaid additions to investment properties	**4,147**	4,437
Properties under development transferred to income properties	**21,621**	—

14. RELATED PARTY TRANSACTIONS

During the first quarter of 2011, Cominar entered into transactions with companies controlled by unitholders who are also members of the Trust's management. These transactions were entered into in the normal course of business and are measured at the exchange amount. They are reflected in the interim consolidated financial statements as follows:

Quarters ended March 31	2011 $	2010 $
Rental revenue from investment properties	**122**	145
Investment properties – Capital costs	**8,162**	13,239

15. CAPITAL MANAGEMENT

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development, while maximizing returns for unitholders by maintaining the debt-to-equity ratio. Cominar's capital consists of long-term debt, bank indebtedness and unitholders' equity.

Cominar structures its capital based on expected business growth and changes in the economic environment, and is not subject to any capital requirements imposed by regulatory authorities.

Cominar's capital structure was as follows:

	As at March 31, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Mortgages payable	**847,324**	816,448	771,991
Convertible debentures	**394,115**	393,991	313,620
Bank indebtedness	**121,861**	61,866	134,809
Unitholders' equity	**1,108,775**	1,095,094	930,623
Total capital	**2,472,075**	2,367,399	2,151,043
Overall debt ratio(1)	**53.9%**	52.9%	55.9%
Debt ratio (excluding convertible debentures)	**38.3%**	36.5%	41.5%
Interest coverage ratio(2)	**2.90**(3)	2.91	N/A

(1) The overall debt ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the carrying amount of assets.
(2) The interest coverage ratio calculated by Cominar is equal to net operating income (operating revenues less operating expenses) divided by financial expense.
(3) Annualized.

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, its total debt exceeds 60% of the carrying amount of Cominar (65% if convertible debentures are outstanding). As at March 31, 2011, Cominar maintained a debt ratio of 53.9%, including convertible debentures, a slight increase compared to the ratio recorded as at December 31, 2010 due to the investment properties acquired during the period ended March 31, 2011.

The interest coverage ratio is used to measure Cominar's ability to pay interest on its debt using its operating revenues. As such, as at March 31, 2011, the annualized interest coverage ratio was 2.90:1, reflecting the Trust's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

16. SEGMENT INFORMATION

Cominar's activities include three property types located in the greater Quebec City, Montréal and Ottawa areas and in the Atlantic provinces. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies. Cominar uses the net operating income as its main criterion to measure its operating performance, i.e. revenues from properties less operating expenses related to 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 following table indicates the financial information related to these three property types:

Quarter ended March 31, 2011	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	**39,224**	**15,371**	**25,058**	**79,653**
Net operating income	**21,101**	**8,321**	**13,761**	**43,183**
Income properties	**1,155,916**	**441,417**	**737,506**	**2,334,839**

Quarter ended March 31, 2010	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	32,599	14,219	22,763	69,581
Net operating income	17,402	7,702	12,599	37,703
Income properties	993,791	429,696	644,290	2,067,777

17. SUBSEQUENT EVENT

On April 29, 2011, Cominar acquired an office building with 15,000 square feet of leasable area, and a retail property with 27,000 square feet of leasable area, both properties being located in Moncton, New Brunswick. These fully occupied properties were acquired for a consideration of $5,175, consisting of $1,450 for the assumption of a mortgage payable and $3,725 in cash.

CORPORATE INFORMATION

BOARD OF TRUSTEES

Robert Després, O.C., G.O.Q. (1)(3)
Chairman of the Board of Trustees
Cominar Real Estate Investment Trust
Corporate Director

Michel Dallaire, Eng.
President and Chief Executive Officer
Cominar Real Estate Investment Trust

Me Gérard Coulombe, Q.C. (2)(3)
Partner, Lavery

Alain Dallaire
Executive Vice President, Operations
Cominar Real Estate Investment Trust

Alban D'Amours, G.O.Q. (1)(2)
Corporate Director

Dino Fuoco, FCMA (1)(4)
President, Matvet Veterinary Equipment inc.

Pierre Gingras (4)
Corporate Director

Ghislaine Laberge, ASC (2)(3)(4)
Corporate Director

Michel Paquet, LL.L.
Senior Executive Vice President
Cominar Real Estate Investment Trust

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Governance and Nominating Committee
(4) Member of the Investment Committee

OFFICERS

Michel Dallaire, Eng.
President and Chief Executive Officer

Michel Berthelot, CA
Executive Vice President and Chief Financial Officer

Alain Dallaire
Executive Vice President, Operations

Michel Ouellette, C.App.
Executive Vice President, Acquisitions and Development

Scott McCrea
Executive Vice President, Atlantic provinces

Me Michel Paquet, LL.L.
Senior Executive Vice President

Todd Bechard, CMA, CFA
Vice President, Finances - Atlantic provinces

René Bérubé, C.App.
Vice President, Leasing - Québec City

Wally Commisso
Vice President, Property Management - Montréal

Me Andrée Dallaire, LL.L., MBA
Vice President, Corporate Affairs

Anne-Marie Dubois
Vice President, Leasing and Development - Montréal / Ottawa

Jean-Guy Moreau
Vice President, Development

Richard S. Nolin
Vice President, Retail

Carl Pepin, CA
Vice President, Accounting

Me Patrick Quigley, LL.B., MBA
Vice President and Corporate Secretary

Roger Turpin
Vice President, Treasurer

UNITHOLDER INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

455 du Marais St.
Québec City (QC) Canada G1M 3A2

Tel.: 418 681-8151 Fax: 418 681-2946
Toll free: 1 866 COMINAR

Email: info@cominar.com
Website : www.cominar.com

LISTING

The units and convertible debentures of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbols CUF.UN, CUF.DB, CUF.DB.B, CUF.DB.C, CUF.DB.D et CUF.DB.E.

TRANSFER AGENT

Computershare Trust Company of Canada
1500 University St., Suite 700
Montréal (QC) Canada H3A 3S8

Tel.: 514 982-7555
Fax: 514 982-7850 Toll free: 1 800 564-6253

Email: service@computershare.com

TAXABILITY OF DISTRIBUTIONS

In 2010, 71.60% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

PricewaterhouseCoopers LLP

ANNUAL MEETING OF UNITHOLDERS

May 17, 2011 - 11:00 a.m.

Palace Royal Hotel
775 Honoré-Mercier Avenue
Québec City (QC)

UNITHOLDER DISTRIBUTION REINVESTMENT PLAN

Cominar Real Estate Investment Trust offers unitholders the opportunity to participate in its Unitholder Distribution Reinvestment Plan (the "DRIP"). The DRIP allows participants to have their monthly distributions reinvested in additional units of Cominar. In addition, participants will be entitled to receive an additional distribution equal to 5% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.

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 Plan agent: Computershare Trust Company of Canada, 1500 University St., Suite 700, Montréal (QC) Canada, H3A 3S8.

Tel.: 514 982-7555
Toll free: 1 800 564-6253
Fax: 514 982-7850
Email: service@computershare.com

COMINAR REAL ESTATE INVESTMENT TRUST

455 du Marais St.
Québec City (QC) Canada G1M 3A2
www.cominar.com

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