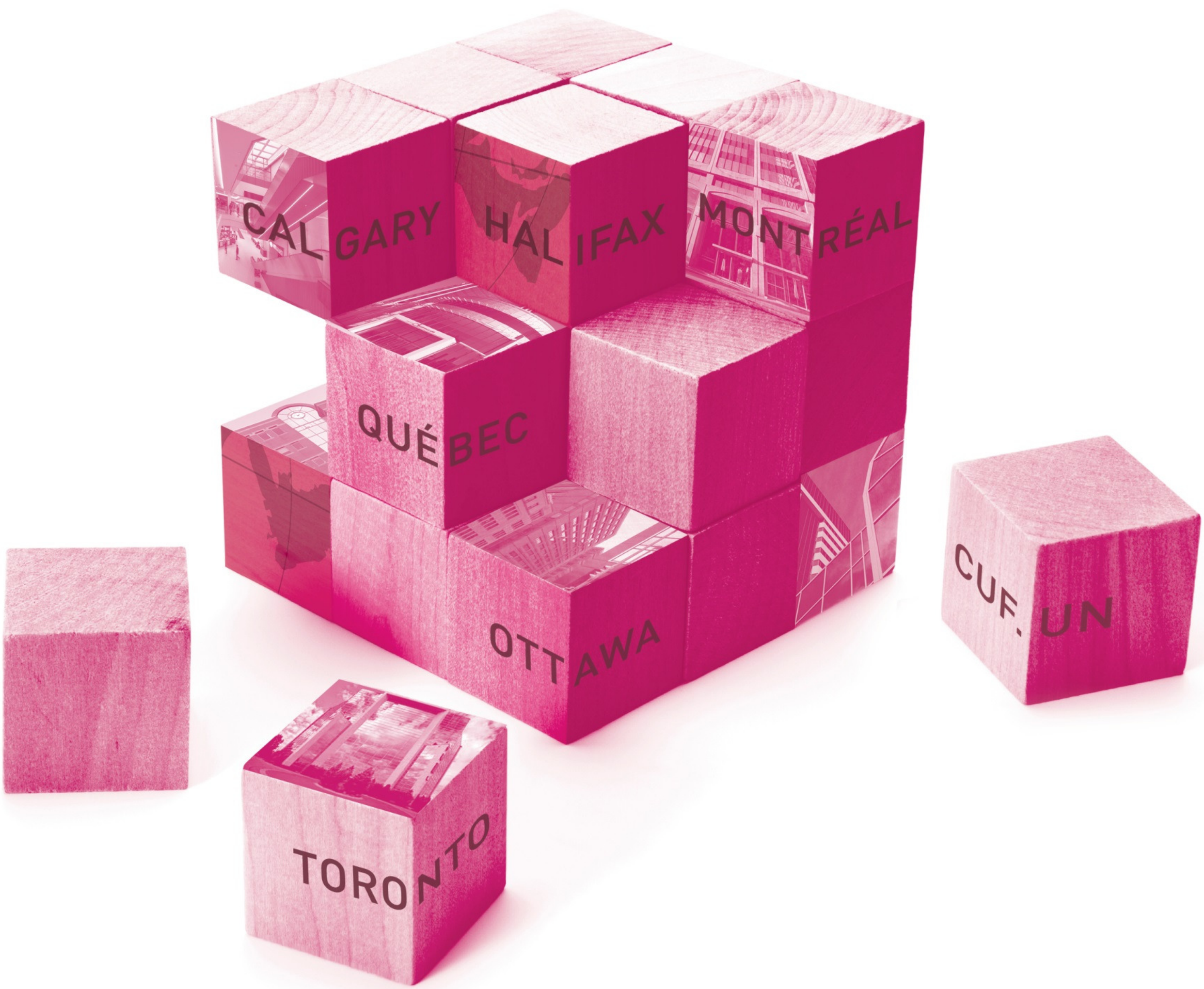
COMINAR

KEEP ON GROWING

2014 Interim Report



COMINAR REAL ESTATE INVESTMENT TRUST
Quarter ended June 30, 2014

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MESSAGE TO UNITHOLDERS

Our second-quarter results of fiscal 2014 show solid growth with 7.0% increase in operating revenues and 7.4% increase in net operating income while our recurring distributable income also rose 7.4%, or 5.1% per unit (basic), during this period compared to the corresponding quarter of 2013.

We are pleased to emphasize that the contribution of acquisitions combined with operating performance of the second quarter has increased our recurring funds from operations by 10.1%. For the second quarter, recurring funds from operations per unit on a fully diluted basis increased from $0.43 to $0.47, up 9.3% from the corresponding period of 2013. Fully diluted recurring adjusted funds from operations per unit for the quarter increased from $0.38 to $0.40, up 5.3% compared to the same period of 2013.

Our leasing teams have focused their efforts on promoting organic growth in each of our markets, which have been supported by an increase in overall occupancy rate from 93.1% at the end of the previous quarter to 93.9% as at June 30, 2014.

These excellent results complement our efforts of the past few years to improve the payout ratio below our target of 90% of distributable income and allow us to increase our monthly distribution by 2.1% to reach $0.1225 per unit as of September 15, 2014.

Our financial position remained healthy and strong, our debt ratio, excluding convertible debentures, stood at 50.9% and our annualized interest coverage ratio at 2.70:1 as at June 30, 2014.

We are always on the lookout for acquisition opportunities that allow us to optimize the geographical diversification of our assets with profitability and value creation for our unitholders as our main criteria. Accordingly, during the second quarter of 2014, we have acquired a portfolio of 14 mainly industrial and mixed-use properties in the Greater Toronto Area for a purchase price of $100.7 million with an excellent capitalization rate of 7.1%. This ensures continuity in the acquisitions made in the Greater Toronto Area during the first quarter for $164.6 million. With a conservative dynamism, we continue our penetration of the Toronto market while benefiting from favorable growth conditions.

Since the beginning of 2014, we invested in strategic acquisitions, which increased our total leasable area by 2.5 million square feet. In total, we acquired approximately $358 million in income properties at a weighted average capitalization rate of 7.0%.

The quality of our assets, our expertise in operational and financial management and our high standards of client service are the strengths with which we will continue to build up growth and value. With strong support from our unitholders, we are proud and eager to continue further with this in mind.

Michel Dallaire, Eng.
President and Chief Executive Officer
August 5, 2014

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Interim Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the quarter ended June 30, 2014, in comparison with the corresponding quarter of 2013, as well as its financial position at that date and its outlook. Dated August 5, 2014, this interim MD&A reflects all significant information available as of that date and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes included in this report, as well as the consolidated financial statements, accompanying notes and MD&A appearing in Cominar's most recent Annual Report.

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

BASIS OF PRESENTATION

On January 1, 2013, Cominar adopted IFRS 11, "Joint Arrangements" ("IFRS 11") and such standard has been applied to a joint venture, as defined by IFRS 11, that must be accounted for using the equity method.

The adoption of IFRS 11 has had an impact on the presentation of the Trust's condensed interim consolidated financial statements only in 2014. The financial information in this interim MD&A presents the consolidated balance sheets and interim consolidated statements of comprehensive income prepared using proportionate consolidation, which are non-IFRS measures. Management believes that presenting the operating and financial results of Cominar's joint venture using proportionate consolidation provides more useful information to current and prospective investors to assist them in understanding Cominar's financial performance. Therefore, the discussion of the Trust's operating results in this interim MD&A is based on financial information prepared using proportionate consolidation for the Trust's joint venture. The reader is invited to refer to the section *Reconciliation of Information Prepared Using Proportionate Consolidation* (pages 11 and 12) for a complete reconciliation of the Trust's condensed interim consolidated financial statements to the financial information prepared using proportionate consolidation presented in this interim MD&A.

Additional information on the Trust, including its 2013 Annual Information Form, is available on Cominar's website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

2014 HIGHLIGHTS OF THE QUARTER ENDED JUNE 30, 2014

INCREASES

7.0%
IN OPERATING REVENUES

7.4%
IN NET OPERATING INCOME

10.1%
IN RECURRING FUNDS FROM OPERATIONS

7.1%
IN RECURRING ADJUSTED FUNDS FROM OPERATIONS

2.4%
IN DISTRIBUTIONS PAID

3.0%
IN THE AVERAGE NET RENT OF RENEWED LEASES
(cumulatively as at June 30, 2014)

OF THE OCCUPANCY RATE TO
93.9%

DEBT RATIO
50.9%
(excluding convertible debentures)

RETENTION RATE
49.7%
(cumulatively as at June 30, 2014)

INTEREST COVERAGE RATIO
2.70:1
(annualized)

PAYOUT RATIO OF RECURRING DISTRIBUTABLE INCOME
87.8%

Acquisition of a portfolio of 14 mainly industrial and mixed-use properties in the Greater Toronto Area for a purchase price of $100.7 million.

SUBSEQUENT EVENT

Subsequent to June 30, 2014, Cominar replaced its current credit facility of up to $300.0 million, which was secured by income properties having a fair value of $474.0 million. The new credit facility is unsecured and the authorized amount is $350.0 million plus an accordion feature for an additional amount of $200.0 million. The new credit facility will mature in August 2017 and bears interest at the bankers' acceptance rate plus 1.70%, down 0.30% compared to the previous credit facility. Consequently, the unencumbered income properties are valued at $2.2 billion.

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 other things, statements with respect to our medium-term and 2014 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," and "intend," and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include 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 plans and to raise capital to finance 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. Unless otherwise stated, all forward-looking statements are valid only as at the date of this interim MD&A. We do not assume any obligation to update the aforementioned forward-looking statements, except as required by applicable laws.

Additional information about these factors can be found in the “Risks and Uncertainties” section of this interim MD&A, as well as in the “Risk Factors” section of Cominar’s 2013 Annual Information Form.

NON-IFRS FINANCIAL MEASURES

In this interim MD&A, we issue guidance on and report on certain non-IFRS measures, including “net operating income”, “adjusted net income,” “recurring distributable income,” “recurring funds from operations” and “recurring adjusted funds from operations”, which management uses to evaluate Cominar’s performance. Because non-IFRS measures do not have standardized meanings and may differ from similar measures presented by other entities, securities regulations require that non-IFRS measures be clearly defined and qualified, reconciled with their 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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

		Quarter			Year-to-date (six months)		
For the periods ended June 30	**Page**	**2014**	**2013**	**Δ%**	**2014**	**2013**	**Δ%**
FINANCIAL PERFORMANCE							
Operating revenues	14	**179,625**	167,840	7.0	**355,451**	337,433	5.3
Net operating income(1)	14	**98,539**	91,733	7.4	**190,532**	181,655	4.9
Same property net operating income(1)	14	**86,603**	85,931	0.8	**170,178**	171,513	(0.8)
Net income	17	**59,559**	62,356	(4.5)	**114,629**	122,053	(6.1)
Recurring distributable income(1)	18	**52,051**	48,473	7.4	**101,060**	96,342	4.9
Recurring funds from operations(1)	21	**60,308**	54,797	10.1	**116,008**	110,187	5.3
Recurring adjusted funds from operations(1)	23	**51,172**	47,765	7.1	**99,491**	95,139	4.6
Distributions	18	**46,688**	45,598	2.4	**92,965**	90,753	2.4
Total assets	13				**6,493,552**	5,878,889	10.5
PER UNIT FINANCIAL PERFORMANCE							
Net income (basic)	17	**0.47**	0.50	(6.0)	**0.90**	0.98	(8.2)
Recurring distributable income (basic)(1)	18	**0.41**	0.39	5.1	**0.79**	0.77	2.6
Recurring funds from operations (FD)(1)(2)	21	**0.47**	0.43	9.3	**0.90**	0.87	3.4
Recurring adjusted funds from operations (FD)(1)(2)	23	**0.40**	0.38	5.3	**0.78**	0.76	2.6
Distributions	18	**0.36**	0.36	—	**0.72**	0.72	—
Payout ratio of recurring DI	18	**87.8%**	92.3%		**91.1%**	93.5%	
Payout ratio of recurring adjusted funds from operations	23	**90.0%**	94.7%		**92.3%**	94.7%	
Cash payout ratio of recurring adjusted funds from operations	23	**65.0%**	71.1%		**65.4%**	73.7%	
FINANCING							
Overall debt ratio(3)	27				**53.7%**	51.3%	
Debt ratio (excluding convertible debentures)	27				**50.9%**	46.4%	
Interest coverage ratio(4)	27				**2.70:1**	2.72:1	
Weighted average interest rate on total debt	27				**4.69%**	4.89%	
Residual weighted average term of debts (years)	27				**4.2**	3.9	
Senior unsecured debts-to-total-debt ratio(5)	24				**34.4%**	21.4%	
Unencumbered income properties	24				**1,755,663**	918,044	
Unencumbered assets ratio(6)	24				**1.47:1**	1.42:1	
OPERATIONAL DATA							
Number of investment properties	28				**526**	499	
Leasable area (in thousands of sq. ft.)	28				**39,511**	36,868	
Occupancy rate	30				**93.9%**	93.4%	
Retention rate	31				**49.7%**	38.8%	
Growth in the average net rent of renewed leases	31				**3.0%**	6.5%	
ACQUISITIONS							
Number of income properties	28				**30**	21	
Leasable area (in thousands of sq. ft.)	29				**2,494**	1,989	
Total investment (including land for future development)	28				**372,950**	189,400	
Weighted average capitalization rate					**7.0%**	7.1%	
DEVELOPMENT ACTIVITIES							
Number of properties under development	30				**2**	2	
Value of properties under development	11				**77,375**	24,989	

(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(2) Fully diluted.
(3) Total of cash and cash equivalents, bank borrowings, mortgages payable, debentures and convertible debentures divided by total assets less cash and cash equivalents.
(4) Net operating income less Trust administrative expenses divided by finance charges.
(5) Senior unsecured debts divided by total debt.
(6) Fair value of unencumbered income properties (including $395.0 million to be released) divided by the unsecured debt (excluding convertible debentures).

SELECTED QUARTERLY INFORMATION

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

For the quarters ended	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012
Operating revenues	**179,625**	175,826	163,150	161,470	167,840	169,593	157,312	140,518
Net operating income	**98,539**	91,993	93,217	93,338	91,733	89,922	90,334	81,566
Net income	**59,559**	55,070	74,568(1)	58,348	62,356	59,697	231,859(1)	31,824
Net income per unit (basic)	**0.47**	0.43	0.59(1)	0.46	0.50	0.48	1.87(1)	0.27
Net income per unit (diluted)	**0.45**	0.42	0.58(1)	0.46	0.48	0.47	1.73(1)	0.27
Recurring distributable income	**52,051**	49,009	50,768	51,369	48,473	47,869	48,717	44,126
Recurring DI per unit (basic)	**0.41**	0.39	0.40	0.41	0.39	0.38	0.39	0.38
Recurring funds from operations	**60,308**	55,700	58,475	57,193	54,797	55,390	57,071	51,508
Recurring FFO per unit (FD)	**0.47**	0.44	0.46	0.45	0.43	0.44	0.45	0.43
Recurring AFFO	**51,172**	48,319	49,044	50,593	47,765	47,374	47,025	43,375
Recurring AFFO per unit (FD)	**0.40**	0.38	0.39	0.40	0.38	0.38	0.38	0.37
Distributions	**46,688**	46,277	46,338	45,886	45,598	45,155	45,287	43,598
Distributions per unit	**0.36**	0.36	0.36	0.36	0.36	0.36	0.36	0.36

(1) Includes the change in fair value adjustment of income properties.
DI: Distributable income
FD: Fully diluted
FFO: Funds from operations
AFFO: Adjusted funds from operations

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the third-largest diversified REIT in Canada and remains the largest commercial property owner in the province of Quebec. As at June 30, 2014, Cominar owned and managed a high-quality portfolio of 526 properties including 132 office buildings, 164 retail buildings and 230 industrial and mixed-use buildings located in Quebec, Ontario, the Atlantic Provinces and Western Canada.

Since its inception in 1998, Cominar has made a series of acquisitions and completed numerous construction and property development projects, increasing the carrying amount of its assets to $6.5 billion as at June 30, 2014.

As a self-managed and fully integrated real estate investment trust, asset and property management is entirely internalized. Except for some recently acquired properties whose management currently does not match Cominar's business model, the Trust is not bound to any third party by management contracts or property management fees. This method of operating enables more direct, faster and more efficient contact with our clientele. The result is improved efficiency for Cominar.

PROPERTIES SUMMARY AS AT JUNE 30, 2014			
Segment	Number of buildings	Leasable space (sq. ft.)	Occupancy rate (%)
Office	132	14,169,500	93.5
Retail	164	8,007,500	94.4
Industrial and mixed-use	230	17,334,000	93.9
TOTAL	**526**	**39,511,000**	**93.9**

OBJECTIVES AND STRATEGY

Cominar's primary objectives are to provide its unitholders with growing cash distributions, sustainable over the long-term and payable monthly, as well as to increase and maximize unit value through integrated management and the sustained growth of its property portfolio.

To reach its objectives, Cominar continues to manage growth, operational risks and debt in a flexible and prudent manner.

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term and providing unitholders with consistent and stable distributions, Cominar generally aims to maintain a debt ratio of approximately 50% of the gross carrying amount, even though the Contract of Trust provides for a ratio of up to 65%. In addition, Cominar is targeting a payout ratio that should gradually attain approximately 90% of distributable income.

Cominar's growth strategy consists of a two-fold approach: acquiring properties or property portfolios and carrying out development projects.

To sustain and eventually increase the pace of its growth, Cominar is developing new markets outside the province of Quebec, as demonstrated by certain large acquisitions realized over the past three years. Through this strategy, Cominar has enhanced its geographical diversification. Cominar also intends to keep investing in Quebec in order to benefit from the competitive advantage it has in this market.

Cominar will mainly grow through acquisitions and will limit the scale of development projects, executing only those that meet demand and the needs of its clients.

PERFORMANCE INDICATORS

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

- **Same property net operating income**, which provides an indication of the operating profitability of the same property portfolio, i.e. Cominar's ability to increase revenues, reduce costs, and generate organic growth;
- **Recurring distributable income ("DI") per unit**, which represents a benchmark that investors can use to evaluate the stability of distributions;
- **Recurring funds from operations ("FFO") per unit**, which represents a standard real estate benchmark used to measure an entity's performance;
- **Recurring adjusted funds from operations ("AFFO") per unit**, which, by excluding the items not affecting cash flows and the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations, provides a meaningful measure of Cominar's ability to generate stable cash flows;
- **Payout ratio of recurring distributable income**, which allows investors to assess the stability of distributions;
- **Debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization;
- **Interest coverage ratio**, which is used to assess Cominar's ability to pay interest on its debt from operating revenues;
- **Occupancy rate**, which gives an indication of the economic health of the geographical regions and sectors in which Cominar owns properties;
- **Retention rate**, which helps assess client satisfaction and loyalty;
- **Leasable area growth**, a decisive factor in Cominar's strategy for reaching its main objectives of providing unitholders with growing cash distributions and increasing and maximizing unit value;
- **Growth in the average net rent of renewed leases**, which is a measure of organic growth and gives an indication of our capacity to increase our rental revenue;
- **Segment and geographic diversification**, which contributes to revenue stability by spreading real estate risk (refer to the *Results of Operations* section).

The following table summarizes our main performance indicators for the periods ended June 30, 2014 and 2013:

PERFORMANCE INDICATORS

		Quarter			Year-to-date (six months)		
For the periods ended June 30	Page	2014	2013	Δ%	2014	2013	Δ%
Net operating income	14	**98,539**	91,733	7.4	**190,532**	181,655	4.9
Same property net operating income	14	**86,603**	85,931	0.8	**170,178**	171,513	(0.8)
Recurring distributable income per unit (basic)	18	**0.41**	0.39	5.1	**0.79**	0.77	2.6
Recurring funds from operations per unit (FD)(1)	21	**0.47**	0.43	9.3	**0.90**	0.87	3.4
Recurring adjusted funds from operations per unit (FD)(1)	23	**0.40**	0.38	5.3	**0.78**	0.76	2.6
Payout ratio of recurring distributable income	18	**87.8%**	92.3%		**91.1%**	93.5%	
Debt ratio (including convertible debentures)	27				**53.7%**	51.3%	
Debt ratio (excluding convertible debentures)	27				**50.9%**	46.4%	
Interest coverage ratio	27				**2.70:1**	2.72:1	
Occupancy rate	30				**93.9%**	93.4%	
Retention rate	31				**49.7%**	38.8%	
Growth in the average net rent of renewed leases	31				**3.0%**	6.5%	
Leasable area growth	28				**6.4%**	5.1%	

(1) Fully diluted.

The abovementioned performance indicators are not IFRS financial measures. Definitions and other relevant information regarding these performance indicators are provided in the appropriate sections.

RECONCILIATION OF INFORMATION PREPARED USING PROPORTIONATE CONSOLIDATION

Since January 13, 2014, following the merger of the ownership interests in a previously co-owned investment property (Complexe Jules-Dallaire), Cominar has owned a 50% interest in the Complex. Under IFRS 11, “Joint Arrangements”, this building held in partnership shall be considered a joint venture and is accounted for under the equity method. Management believes that presenting the financial and operational results of the joint venture and the components of its assets and liabilities using proportionate consolidation provides more complete information on Cominar’s financial performance. The following table presents Cominar’s consolidated balance sheet and interim consolidated statement of comprehensive income using this method.

As at June 30, 2014	Balance as per the condensed interim consolidated financial statements	Joint venture	Balance under the proportionate consolidation method
	$	$	$
ASSETS			
Investment properties			
Income properties	5,993,500	78,121	6,071,621
Properties under development	77,375	—	77,375
Land held for future development	58,886	—	58,886
	6,129,761	78,121	6,207,882
Investment in a joint venture	25,622	(25,622)	—
Goodwill	166,971	—	166,971
Mortgage receivable	8,250	—	8,250
Prepaid expenses and other assets	38,552	894	39,446
Accounts receivable	58,516	208	58,724
Bond investments	4,975	—	4,975
Cash and cash equivalents	7,100	204	7,304
Total assets	**6,439,747**	**53,805**	**6,493,552**
LIABILITIES			
Mortgages payable	1,862,767	52,905	1,915,672
Debentures	1,198,059	—	1,198,059
Convertible debentures	182,413	—	182,413
Bank borrowings	196,951	—	196,951
Accounts payable and accrued liabilities	103,437	900	104,337
Deferred tax liability	10,857	—	10,857
Distributions payable to unitholders	15,388	—	15,388
Total liabilities	**3,569,872**	**53,805**	**3,623,677**
UNITHOLDERS’ EQUITY			
Unitholders’ equity	2,869,875	—	2,869,875
Total liabilities and unitholders’ equity	**6,439,747**	**53,805**	**6,493,552**

	Quarter			Year-to-date (six months)		
	Balance as per the condensed interim consolidated financial statements	Joint venture	Balance under the proportionate consolidation method	Balance as per the condensed interim consolidated financial statements	Joint venture	Balance under the proportionate consolidation method
For the periods ended June 30, 2014				$	$	$
Operating revenues						
Rental revenue from investment properties	177,459	2,166	179,625	351,130	4,321	355,451
Operating expenses						
Operating costs	35,356	289	35,645	74,992	624	75,616
Realty taxes and services	41,549	562	42,111	81,483	1,120	82,603
Property management expenses	3,280	50	3,330	6,603	97	6,700
	80,185	901	81,086	163,078	1,841	164,919
Net operating income	97,274	1,265	98,539	188,052	2,480	190,532
Share of net income from investment in a joint venture	630	(630)	—	1,288	(1,288)	—
Finance charges	(34,798)	(635)	(35,433)	(68,034)	(1,192)	(69,226)
Trust administrative expenses	(3,391)	—	(3,391)	(6,366)	—	(6,366)
Income before income taxes	59,715	—	59,715	114,940	—	114,940
Income taxes	(156)	—	(156)	(311)	—	(311)
Net income and comprehensive income	59,559	—	59,559	114,629	—	114,629

PERFORMANCE ANALYSIS

OPERATIONAL RESULTS

The following table summarizes our main operating results for the periods ended June 30, 2014 and 2013.

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Operating revenues	**179,625**	167,840	7.0	**355,451**	337,433	5.3
Operating expenses	**81,086**	76,107	6.5	**164,919**	155,778	5.9
Net operating income	**98,539**	91,733	7.4	**190,532**	181,655	4.9
Finance charges	**(35,433)**	(33,598)	5.5	**(69,226)**	(65,577)	5.6
Trust administrative expenses	**(3,391)**	(3,586)	(5.4)	**(6,366)**	(6,429)	(1.0)
Restructuring charges	—	(657)	(100.0)	—	(911)	(100.0)
Other revenues	—	—	—	—	4,906	(100.0)
Gain on disposal of a subsidiary	—	8,010	(100.0)	—	8,010	(100.0)
Gain on disposal of an investment property	—	507	(100.0)	—	507	(100.0)
Income taxes	**(156)**	(53)	194.3	**(311)**	(108)	188.0
Net income	**59,559**	62,356	(4.5)	**114,629**	122,053	(6.1)

NON-IFRS FINANCIAL MEASURES

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Recurring distributable income	**52,051**	48,473	7.4	**101,060**	96,342	4.9
Distributions	**46,688**	45,598	2.4	**92,965**	90,753	2.4
Recurring funds from operations	**60,308**	54,797	10.1	**116,008**	110,187	5.3
Recurring adjusted funds from operations	**51,172**	47,765	7.1	**99,491**	95,139	4.6

FINANCIAL POSITION

The following table summarizes assets and liabilities as well as unitholders' equity as at June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013	Δ$	Δ%
ASSETS				
Investment properties				
Income properties	**6,071,621**	5,654,825	416,796	7.4
Properties under development and land held for future development	**136,261**	107,961	28,300	26.2
Goodwill	**166,971**	166,971	—	—
Other assets	**118,699**	67,573	51,126	75.7
Total	**6,493,552**	5,997,330	496,222	8.3
LIABILITIES				
Mortgages payable	**1,915,672**	1,794,830	120,842	6.7
Debentures	**1,198,059**	994,824	203,235	20.4
Convertible debentures	**182,413**	181,768	645	0.4
Bank borrowings	**196,951**	105,697	91,254	86.3
Other liabilities	**130,582**	94,831	35,751	37.7
Total	**3,623,677**	3,171,950	451,727	14.2
UNITHOLDERS' EQUITY	**2,869,875**	2,825,380	44,495	1.6
Total	**6,493,552**	5,997,330	496,222	8.3

RESULTS OF OPERATIONS

OPERATING REVENUES

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Same property portfolio[(1)]	**159,443**	157,188	1.4	**320,755**	318,027	0.9
Acquisitions and developments	**20,182**	10,652	89.5	**34,696**	19,406	78.8
Total operating revenues	**179,625**	167,840	7.0	**355,451**	337,433	5.3

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2012, except for properties sold in 2013 and 2014, but does not include the results of properties acquired and those under development in the subsequent periods.

During the second quarter of 2014, operating revenues rose 7.0% from the corresponding period in 2013. This increase resulted primarily from the contribution of acquisitions completed in 2013 and 2014.

NET OPERATING INCOME

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Same property portfolio[(1)]	**86,603**	85,931	0.8	**170,178**	171,513	(0.8)
Acquisitions and developments	**11,936**	5,802	105.7	**20,354**	10,142	100.7
Total net operating income	**98,539**	91,733	7.4	**190,532**	181,655	4.9

(1) See "Operating Revenues."

Although net operating income ("NOI") is not an IFRS financial measure, it is widely used in the real estate industry to assess operating performance. We define it as operating income before the fair value adjustment of investment properties, finance charges, Trust administrative expenses, restructuring charges, gains on disposal of subsidiaries, gains on disposal of investment properties, other revenues 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.

Overall NOI rose 7.4% in the second quarter of 2014, from the corresponding period of 2013, due mainly to the acquisitions completed in 2013 and 2014.

For the second quarter of 2014, the NOI of the same property portfolio increased by 0.8% compared to the same period in 2013, due mainly to the overall occupancy rate increasing from 93.4% as at June 30, 2013 to 93.9% as at June 30, 2014.

SEGMENT NET OPERATING INCOME

BY OPERATING SEGMENT

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Operating segment						
Office	**52,305**	47,195	10.8	**100,350**	94,343	6.4
Retail	**23,779**	22,494	5.7	**46,810**	44,991	4.0
Industrial and mixed-use	**22,455**	22,044	1.9	**43,372**	42,321	2.5
Total net operating income	**98,539**	91,733	7.4	**190,532**	181,655	4.9

	Quarter		Year-to-date (six months)	
For the periods ended June 30	2014	2013	2014	2013
Operating segment				
Office	**53.1%**	51.5%	**52.7%**	52.0%
Retail	**24.1%**	24.5%	**24.6%**	24.8%
Industrial and mixed-use	**22.8%**	24.0%	**22.7%**	23.2%
	100.0%	100.0%	**100.0%**	100.0%

Net operating income increased in all operating segments during the second quarter of 2014 compared to the same period in 2013.

BY GEOGRAPHIC MARKET

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Geographic market						
Quebec City	**19,878**	19,637	1.2	**38,926**	38,765	0.4
Montreal	**51,420**	48,985	5.0	**100,392**	96,900	3.6
Ontario[(1)]	**14,465**	10,198	41.8	**25,522**	20,659	23.5
Atlantic Provinces	**6,225**	6,282	(0.9)	**11,792**	11,698	0.8
Western Canada	**6,551**	6,631	(1.2)	**13,900**	13,633	2.0
Total net operating income	**98,539**	91,733	7.4	**190,532**	181,655	4.9

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

	Quarter		Year-to-date (six months)	
For the periods ended June 30	2014	2013	2014	2013
Geographic market				
Quebec City	**20.2%**	21.4%	**20.4%**	21.3%
Montreal	**52.2%**	53.4%	**52.7%**	53.4%
Ontario[(1)]	**14.7%**	11.1%	**13.4%**	11.4%
Atlantic Provinces	**6.3%**	6.9%	**6.2%**	6.4%
Western Canada	**6.6%**	7.2%	**7.3%**	7.5%
	100.0%	100.0%	**100.0%**	100.0%

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

The net operating income of the Ontario geographic market has increased 41.8% during the second quarter of 2014 compared to the same period in 2013. The Ontario geographic market now represents 14.7% of the total net operating income. This results from our focus on geographic diversification and the recent acquisitions made in the Ontario area.

FINANCE CHARGES

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Interest on mortgages payable	**23,590**	21,840	8.0	**46,426**	43,605	6.5
Interest on debentures	**12,585**	6,528	92.8	**24,137**	11,906	102.7
Interest on convertible debentures	**2,862**	4,467	(35.9)	**5,723**	8,933	(35.9)
Interest on bank borrowings	**701**	3,914	(82.1)	**1,100**	7,353	(85.0)
Net amortization of premium and discount on debenture issues	**(181)**	(45)	302.2	**(248)**	(90)	175.6
Amortization of deferred financing costs and others	**976**	1,428	(31.7)	**2,161**	2,991	(27.7)
Amortization of fair value adjustments on assumed indebtedness	**(3,132)**	(3,455)	(9.3)	**(6,158)**	(7,412)	(16.9)
Less: Capitalized interests(1)	**(1,968)**	(1,079)	82.4	**(3,915)**	(1,709)	129.1
Total finance charges	**35,433**	33,598	5.5	**69,226**	65,577	5.6
Percentage of operating revenues	**19.7%**	20.0%		**19.5%**	19.4%	
Weighted average interest rate on total debt(2)				**4.69%**	4.89%	

(1) Includes capitalized interest on properties under development and on major revitalization projects for income properties that take place over a substantial period of time.
(2) At the end of the period.

The increase in finance charges was mostly due to increased financing following the acquisition of income properties completed in 2013 and 2014. The weighted average interest rate on total debt decreased by 20 basis points since June 30, 2013.

TRUST ADMINISTRATIVE EXPENSES

Trust administrative expenses stood at $3.4 million for the second quarter of 2014, accounting for 1.9% of operating revenues, compared to 2.1% of the operating revenues for the corresponding quarter of 2013.

OTHER REVENUES

In connection with the restructuring of Homburg Invest Inc. (“HII”) under the Companies’ Creditors Arrangement Act (Canada), Cominar filed a number of proofs of claim against HII. On February 5, 2013, Cominar and HII entered into a memorandum of understanding related to, among other things, the settlement of these proofs of claim. Under this arrangement, Cominar received a cash payment of $6.3 million in settlement of various claims. A portion of the payment was recognized against the accounts receivables recorded in the balance sheet, and the excess was recorded as revenue in the results for 2013.

GAIN ON DISPOSAL OF A SUBSIDIARY

On May 22, 2013, Cominar sold its interest in Hardegane Investments Limited (“Hardegane”), which held 100% of the shares of Dyne Holdings Limited (“Dyne”), to Homburg International Limited (“Homburg”), for a nominal consideration and the reimbursement of certain Cominar advances. Dyne owned three income properties, two of which were classified as office properties and one as retail property, as well as an unexploited hotel. This transaction allowed Cominar to remove Dyne’s liabilities from its balance sheet and to record a gain of $8.0 million on this disposal.

GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

On June 28, 2013, Cominar disposed of an office building in Levis, Quebec, following the exercise of a purchase option included in the sole tenant’s lease.

NET INCOME

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Net income	**59,559**	62,356	(4.5)	**114,629**	122,053	(6.1)
Net income per unit (basic)	**0.47**	0.50	(6.0)	**0.90**	0.98	(8.2)
Net income per unit (diluted)	**0.45**	0.48	(6.3)	**0.88**	0.95	(7.4)
Weighted average number of units (basic)	**127,809**	125,040		**127,477**	124,760	
Weighted average number of units (diluted)	**138,397**	137,977		**138,027**	137,689	

The calculation of diluted net income per unit includes the elimination of interest at the effective rate on the convertible debentures of $3.3 million for the quarter ended June 30, 2014 [$4.5 million in 2013] and of $6.6 million for the six-month period ended June 30, 2014 [$8.9 million in 2013].

Cominar reported $59.6 million in net income for the second quarter of 2014, compared to $62.4 million for the corresponding period of 2013. The decrease is mainly attributable to the gain on disposal of a subsidiary and the gain on disposal of an investment property recorded during the second quarter of 2013, which are not recurring.

ADJUSTED NET INCOME

The following table presents net income adjusted to eliminate non-recurring gains and losses:

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Net income	**59,559**	62,356	(4.5)	**114,629**	122,053	(6.1)
Restructuring charges	—	657	(100.0)	—	911	(100.0)
Gain on disposal of a subsidiary	—	(8,010)	(100.0)	—	(8,010)	(100.0)
Gain on disposal of an investment property	—	(507)	(100.0)	—	(507)	(100.0)
Unusual item – other revenues	—	—	—	—	(4,906)	(100.0)
Unusual item – Holman Grand Hotel	—	245	(100.0)	—	535	(100.0)
Adjusted net income	**59,559**	54,741	8.8	**114,629**	110,076	4.1

The adjusted net income calculated by Cominar is not an IFRS financial measure. The calculation method used by Cominar might differ from the ones used by other entities. The adjusted net income of the quarter rose 8.8% from the corresponding quarter of the previous year.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Although the concept of distributable income (DI) is not an IFRS financial measure, it is used by some investors in the field of income trusts. We consider DI an excellent tool for assessing Cominar'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 fair value adjustments, rental income arising from the recognition of leases on a straight-line basis, gains on disposal of subsidiaries, gains on disposal of investment properties, the provision for leasing costs and certain other items not affecting cash, if applicable.

During the first quarter of 2014, following the revision by the Real Property Association of Canada ("REALpac") of the definition of funds from operations, Cominar reviewed prospectively its definition of distributable income to include an adjustment for internal initial and re-leasing salary costs that would have been capitalized if incurred externally.

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

DISTRIBUTABLE INCOME

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Net income	**59,559**	62,356	(4.5)	**114,629**	122,053	(6.1)
- Net amortization of premium and discount on debenture issues	**(181)**	(45)	302.2	**(248)**	(90)	175.6
+ Amortization of deferred financing costs	**924**	1,444	(36.0)	**2,057**	2,870	(28.3)
- Amortization of fair value adjustments on assumed indebtedness	**(3,132)**	(3,455)	(9.3)	**(6,158)**	(7,412)	(16.9)
+ Amortization of fair value adjustments on bond investments	**19**	78	(75.6)	**38**	156	(75.6)
+ Compensation expense related to long-term incentive plan	**335**	881	(62.0)	**738**	1,550	(52.4)
+ Accretion of liability component of convertible debentures	**52**	63	(17.5)	**104**	122	(14.8)
+ Restructuring charges	**—**	657	(100.0)	**—**	911	(100.0)
- Gain on disposal of a subsidiary	**—**	(8,010)	(100.0)	**—**	(8,010)	(100.0)
- Gain on disposal of an investment property	**—**	(507)	(100.0)	**—**	(507)	(100.0)
+ Deferred taxes	**156**	56	178.6	**311**	111	180.2
- Provision for leasing costs	**(4,800)**	(4,131)	16.2	**(9,200)**	(8,420)	9.3
+ Initial and re-leasing salary costs	**593**	—	—	**1,068**	—	—
- Change in accounts receivable – recognition of leases on a straight-line basis	**(1,474)**	(1,159)	27.2	**(2,279)**	(2,621)	(13.0)
Distributable income	**52,051**	48,228	7.9	**101,060**	100,713	0.3
- Unusual item – other revenues	**—**	—	—	**—**	(4,906)	(100.0)
+ Unusual item – Holman Grand Hotel	**—**	245	(100.0)	**—**	535	(100.0)
Recurring distributable income	**52,051**	48,473	7.4	**101,060**	96,342	4.9
DISTRIBUTIONS TO UNITHOLDERS	**46,688**	45,598	2.4	**92,965**	90,753	2.4
Distributions reinvested under the distribution reinvestment plan(1)	**13,156**	11,229	17.2	**26,660**	20,337	31.1
Cash distributions	**33,532**	34,369	(2.4)	**66,305**	70,416	(5.8)
Percentage of distributions reinvested	**28.2%**	24.6%		**28.7%**	22.4%	
Per unit information:						
Recurring distributable income (basic)	**0.41**	0.39	5.1	**0.79**	0.77	2.6
Weighted average number of units outstanding for the recurring distributable income (basic)	**127,809**	125,040		**127,477**	124,760	
DISTRIBUTIONS PER UNIT	**0.36**	0.36		**0.72**	0.72	
Payout ratio(2)	**87.8%**	92.3%		**91.1%**	93.5%	
Cash payout ratio(3)	**63.4%**	69.2%		**64.6%**	72.7%	

(1) This amount includes units to be issued under the plan upon payment of distributions.
(2) The payout ratio corresponds to the distribution per unit, divided by the basic recurring DI per unit.
(3) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring DI per unit.

For the periods ended June 30, 2013, Cominar adjusted the distributable income calculation to take into account two unusual items. The first was the gain resulting from the settlement of claims against HII, and the second was an adjustment to exclude the impact of the retrocession of the Holman Grand Hotel to Cominar as part of HII's restructuring.

Recurring DI for the second quarter ended June 30, 2014, amounted to $52.1 million, up 7.9% from the corresponding period of 2013. This increase was primarily due to the contribution of the acquisitions completed in 2013 and 2014. On a basic, per unit basis, it totalled $0.41 for the quarter ended June 30, 2014, up 5.1% from 2013.

Distributions to unitholders during the second quarter of 2014 totalled $46.7 million, up 2.4% from the same period in 2013.

The recurring DI payout ratio for the quarter ended June 30, 2014 was 87.8%, a decline from 2013. During the second quarter of 2014, an average of 28.2% of distributions was reinvested as units under the distribution reinvestment plan [24.6 % during the second quarter of 2013]. Consequently, the recurring DI cash payout ratio stood at 63.4%, down 5.8% compared to the corresponding period in 2013.

TRACK RECORD OF RECURRING DI PER UNIT

For the six-month periods ended June 30	2014	2013	2012	2011	2010
Recurring distributable income per unit (basic)	**0.79**	0.77	0.78	0.76	0.77

The Canadian Securities Administrators ("CSA") requires Cominar to reconcile distributable income (a non-IFRS measure) with cash flows provided by operating activities as shown in the financial statements.

The following table presents this reconciliation:

	Quarter		Year-to-date (six months)	
For the periods ended June 30	2014	2013	2014	2013
Cash flows provided by operating activities as shown in the financial statements	**26,112**	13,605	**70,328**	47,457
Changes in the investment in a joint venture under the proportionate consolidation method	**543**	—	**937**	—
- Amortization of other assets	**(219)**	(186)	**(412)**	(329)
+ Restructuring charges	**—**	657	**—**	911
- Provision for leasing costs	**(4,800)**	(4,131)	**(9,200)**	(8,420)
+ Initial and re-leasing salary costs	**593**	—	**1,068**	—
+ Change in non-cash working capital items	**29,822**	38,283	**38,339**	61,094
Distributable income	**52,051**	48,228	**101,060**	100,713

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

For the six-month periods ended June 30	2014	2013	2012
Net income	**114,629**	122,053	78,488
Cash flows provided by operating activities as shown in the financial statements	**70,328**	47,457	19,902
Distributions to unitholders	**92,965**	90,753	75,135
Cash distributions	**66,305**	70,416	57,313
Excess (deficiency) of cash flows from operating activities over cash distributions to unitholders	**4,023**	(22,959)	(37,411)
Adjustments:			
+ Transaction costs – business combinations	**—**	—	11,181
+ Restructuring charges	**—**	911	2,449
- Unusual item – other revenues	**—**	(4,906)	—
+ Unusual item – Holman Grand Hotel	**—**	535	—
Excess (deficiency) of adjusted cash flows from operating activities over cash distributions to unitholders	**4,023**	(26,419)	(23,781)

For the six-month period ended June 30, 2014, adjusted cash flows from operating activities were sufficient to fund cash distributions to unitholders.

FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not an IFRS financial measure, it is widely used in the field of real estate investment trusts. REALpac defines this measure as net income (calculated in accordance with IFRS), adjusted for, among other things, fair value adjustments of investment properties, deferred taxes, gains on disposal of subsidiaries and gains on disposal of investment properties.

During the first quarter of 2014, REALpac revised its definition of funds from operations to include an adjustment for internal initial and re-leasing salary costs that would have been capitalized if incurred externally. Cominar therefore prospectively adjusted its calculation method for funds from operations to account for this revision.

FFO should not be substituted for net income or cash flows from operating activities established in accordance with IFRS when measuring Cominar’s performance. While our method of calculating FFO complies with REALpac recommendations, it may differ from methods applied by other entities. Therefore, it may not be useful for comparisons with other entities.

The fully diluted weighted average number of units outstanding for FFO is adjusted to take into account the potential issuance of units under the long-term incentive plan and the potential conversion of convertible debentures at their conversion price, if dilutive.

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and FFO for the periods ended June 30, 2014 and 2013:

FUNDS FROM OPERATIONS

	Quarter			Year-to-date (six months)		
For the periods ended June 30	2014	2013	Δ%	2014	2013	Δ%
Net income	**59,559**	62,356	(4.5)	**114,629**	122,053	(6.1)
+ Deferred income taxes	**156**	56	178.6	**311**	111	180.2
- Gain on disposal of a subsidiary	—	(8,010)	(100.0)	—	(8,010)	(100.0)
- Gain on disposal of an investment property	—	(507)	(100.0)	—	(507)	(100.0)
+ Initial and re-leasing salary costs	**593**	—	—	**1,068**	—	—
Funds from operations	**60,308**	53,895	11.9	**116,008**	113,647	2.1
+ Restructuring charges	—	657	(100.0)	—	911	(100.0)
- Unusual item – other revenues	—	—	—	—	(4,906)	(100.0)
+ Unusual item – Holman Grand Hotel	—	245	(100.0)	—	535	(100.0)
Recurring funds from operations	**60,308**	54,797	10.1	**116,008**	110,187	5.3
Per unit information:						
Funds from operations (basic)	**0.47**	0.43	9.3	**0.91**	0.91	—
Recurring funds from operations (basic)	**0.47**	0.44	6.8	**0.91**	0.88	3.4
Recurring funds from operations (FD)[(1)(2)]	**0.47**	0.43	9.3	**0.90**	0.87	3.4
Weighted average number of units outstanding for recurring funds from operations (basic)	**127,809**	125,040		**127,477**	124,760	
Weighted average number of units outstanding for recurring funds from operations (FD)[(1)]	**136,325**	137,977		**135,956**	137,689	
Payout ratio[(3)]	**76.6%**	81.8%		**79.1%**	81.8%	
Cash payout ratio[(4)]	**55.3%**	61.4%		**56.0%**	63.6%	

(1) *Fully diluted.*
(2) *The calculation of fully diluted recurring funds from operations per unit includes the elimination of interest at the effective rate on the dilutive convertible debentures of $3.3 million for the quarter ended June 30, 2014 [$4.5 million in 2013] and of $6.6 million for the six-month period ended June 30, 2014 [$8.9 million in 2013].*
(3) *The payout ratio corresponds to the distribution per unit, divided by basic recurring FFO per unit.*
(4) *The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring FFO per unit.*

For the second quarter of 2014, FFO calculated according to REALpac recommendations stood at $60.3 million, up 11.9% compared to the corresponding period in 2013.

Recurring FFO for the second quarter of 2014 rose 10.1% from the corresponding period of the previous year, due mainly to the acquisitions completed in 2013 and 2014. Recurring FFO per unit on a fully diluted basis stood at $0.47 for the second quarter of 2014, up 9.3% from the corresponding period of 2013.

TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the six-month periods ended June 30	2014	2013	2012	2011	2010
Recurring funds from operations per unit (basic)	**0.91**	0.88	0.93	0.85	0.85
Recurring funds from operations per unit (FD)[(1)]	**0.90**	0.87	0.90	0.82	0.81

(1) *Fully diluted.*

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 certain non-cash items such as the amortization of deferred financing costs, the amortization of fair value adjustments on assumed indebtedness, the compensation expense related to the long-term incentive plan, rental income arising from the recognition of leases on a straight-line basis and fair value adjustments of investments, net of investments required to maintain Cominar's ability to generate rental income from its property portfolio. AFFO is an additional indicator used to assess Cominar's financial performance and its ability to maintain and increase distributions over the long term. AFFO is not an IFRS measure and should not be substituted for net income or cash flows from operating activities established in accordance with IFRS when measuring Cominar's performance. Cominar's method of calculating AFFO may differ from the methods used by other entities, and therefore might not be appropriate for comparative analysis purposes.

In calculating AFFO, Cominar deducts a provision for leasing costs incurred on an ongoing basis in order to maintain its capacity to generate rental income. These leasing costs include, among other things, leasehold improvements and initial direct costs, which are added to the carrying amount of investment properties in accordance with IFRS. Cominar also deducts capital expenditures incurred under its program to maintain its capacity to generate rental income from its property portfolio. These expenditures, which primarily include non-recoverable 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 fully diluted weighted average number of units outstanding for AFFO is adjusted to take into account the potential issuance of units under the long-term incentive plan and the potential conversion of convertible debentures at their conversion price, if dilutive.

The following table presents a reconciliation of FFO and AFFO for the periods ended June 30, 2014 and 2013:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Year-to-date (six months)		
For the periods ended June 30	**2014**	**2013**	**Δ%**	**2014**	**2013**	**Δ%**
Funds from operations	**60,308**	53,895	11.9	**116,008**	113,647	2.1
- Net amortization of premium and discount on debenture issues	**(181)**	(45)	302.2	**(248)**	(90)	175.6
+ Amortization of deferred financing costs	**924**	1,444	(36.0)	**2,057**	2,870	(28.3)
+ Amortization of fair value adjustment on bond investments	**19**	78	(75.6)	**38**	156	(75.6)
- Amortization of fair value adjustments on assumed indebtedness	**(3,132)**	(3,455)	(9.3)	**(6,158)**	(7,412)	(16.9)
+ Compensation expense related to long-term incentive plan	**335**	881	(62.0)	**738**	1,550	(52.4)
- Capital expenditures – maintenance of rental income generating capacity	**(879)**	(708)	24.2	**(1,569)**	(1,203)	30.4
+ Accretion of liability component of convertible debentures	**52**	63	(17.5)	**104**	122	(14.8)
+ Restructuring charges	**—**	657	(100.0)	**—**	911	(100.0)
- Provision for leasing costs	**(4,800)**	(4,131)	16.2	**(9,200)**	(8,420)	9.3
- Change in accounts receivable – recognition of leases on a straight-line basis	**(1,474)**	(1,159)	27.2	**(2,279)**	(2,621)	(13.0)
Adjusted funds from operations	**51,172**	47,520	7.7	**99,491**	99,510	—
- Unusual item – other revenues	**—**	—	—	**—**	(4,906)	(100.0)
+ Unusual item – Holman Grand Hotel	**—**	245	(100.0)	**—**	535	(100.0)
Recurring adjusted funds from operations	**51,172**	47,765	7.1	**99,491**	95,139	4.6
Per unit information:						
Adjusted funds from operations (basic)	**0.40**	0.38	5.3	**0.78**	0.80	(2.5)
Recurring adjusted funds from operations (basic)	**0.40**	0.38	5.3	**0.78**	0.76	2.6
Recurring adjusted funds from operations (FD)(1)(2)	**0.40**	0.38	5.3	**0.78**	0.76	2.6
Weighted average number of units outstanding for recurring adjusted funds from operations (basic)	**127,809**	125,040		**127,477**	124,760	
Weighted average number of units outstanding for recurring adjusted funds from operations (FD)(1)	**136,325**	137,977		**135,956**	137,689	
Payout ratio(3)	**90.0%**	94.7%		**92.3%**	94.7%	
Cash payout ratio(4)	**65.0%**	71.1%		**65.4%**	73.7%	

(1) Fully diluted.
(2) The calculation of fully diluted recurring adjusted funds from operations per unit includes the elimination of interest on the dilutive convertible debentures of $3.0 million for the quarter ended June 30, 2014 [$4.5 million in 2013] and $6.0 million for the six-month period ended June 30, 2014 [$8.9 million in 2013].
(3) The payout ratio corresponds to the distribution per unit, divided by basic recurring AFFO per unit.
(4) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring AFFO per unit.

Recurring AFFO amounted to $51.2 million for the second quarter of 2014, up 7.1% from the corresponding period of 2013, mainly as a result of the acquisitions completed in 2013 and 2014.

Fully diluted recurring AFFO per unit totalled $0.40 for the quarter ended June 30, 2014, up 5.3% compared to the same period in 2013.

TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the six-month periods ended June 30	2014	2013	2012	2011	2010
Recurring adjusted funds from operations per unit (basic)	**0.78**	0.76	0.77	0.75	0.76
Recurring adjusted funds from operations per unit (FD)(1)	**0.78**	0.76	0.76	0.74	0.74

(1) Fully diluted.

LIQUIDITY AND CAPITAL RESOURCES

During the first six months of 2014, Cominar generated $70.3 million in cash flows from operating activities. Of this amount, $66.3 million was used for cash distributions to unitholders. Cominar foresees no difficulty in meeting its short-term obligations and its commitments with funds from operations, refinancing of mortgages payable, debenture or unit issues, amounts available on its credit facility and cash and cash equivalents.

The following table presents information on unencumbered assets:

	As at June 30, 2014		As at December 31, 2013	
	Number of properties	Fair value of properties ($)	Number of properties	Fair value of properties ($)
Unencumbered income properties	**186**	**1,755,663**	144	1,181,573
Unencumbered assets ratio[1][2]		**1.47:1**		1.19:1
Senior unsecured debts-to-total-debt ratio[2][3]		**34.4%**		32.4%

(1) Fair value of unencumbered income properties (including $395.0 million to be released) divided by the unsecured debt (excluding convertible debentures).
(2) These ratios are not defined by IFRS and may differ from similar measures presented by other entities.
(3) Senior unsecured debts divided by total debt.

As at June 30, 2014, Cominar owned unencumbered income properties whose fair value was approximately $1.8 billion, including income properties of approximately $395.0 million to be released following Cominar's decision not to seek renewal of the $250.0 million tranche B portion of its operating and acquisition credit facility that matured on January 27, 2014. The unencumbered assets ratio would then stand at 1.47:1. The tranche A portion of its operating and acquisition credit facility is secured by income properties having a fair value of about $474.0 million. Cominar intends to increase the total value of its unencumbered assets in subsequent quarters by replacing, when possible and financially suitable, mortgages payable or its operating and acquisition credit facilities with unsecured debts. The ratio of debt comprised of senior unsecured debentures to total debts was 34.4% as at June 30, 2014, up 2.0% from a ratio of 32.4% as at December 31, 2013. Cominar intends to gradually increase this ratio to a long-term target of approximately 50%.

Subsequent to June 30, 2014, Cominar replaced its secured operating and acquisition credit facility by an unsecured credit facility. Following this replacement, the unencumbered assets pro forma ratio stands at 1.60:1, while the senior unsecured debts-to-total-debt pro forma ratio is 40.0%.

MORTGAGES PAYABLE

As at June 30, 2014, the nominal balance of mortgages payable was $1,888.8 million, up $124.9 million from $1,763.9 million as at December 31, 2013, arising primarily from a mortgage payable contracted and mortgages payables assumed through acquisitions of income properties completed in 2014. At the end of the quarter, the weighted average interest rate was 4.95%, down 11 basis points from 5.06% as at December 31, 2013.

Cominar's mortgages payable maturity dates are staggered over a number of years to reduce risks related to renewal. As at June 30, 2014, the residual weighted average term of mortgages payable was 4.6 years, compared to 5.0 years as at December 31, 2013.

The following table shows mortgage repayments for the coming fiscal years:

REPAYMENTS OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal	Repayment of balances at maturity	Total	Weighted average interest rate(1)
2014 (period from July 1 to December 31)	26,765	110,036	136,801	5.93%
2015	49,254	272,174	321,428	4.86%
2016	41,744	146,409	188,153	4.51%
2017	37,464	183,885	221,349	4.66%
2018	26,045	409,003	435,048	5.17%
2019 and thereafter	89,042	496,970	586,012	4.81%
Total	270,314	1,618,477	1,888,791	4.95%

(1) Calculated on balances at maturity of mortgages payable.

Subsequently to June 30, 2014, Cominar repaid mortgages payable with balances at maturity of $36.7 million and whose weighted average contractual interest rate was 6.14%. These loans were secured by immovable hypothecs on properties having a value of approximately $93.0 million.

DEBENTURES

The following table presents the features of Cominar's senior unsecured debentures, as well as the balance per series, as at June 30, 2014:

DEBENTURES

	Series 1	Series 2	Series 3	Series 4	Series 5	Weighted average interest rate
Contractual interest rate	**4.274%**	**4.23%**	**4.00%**	**4.941%**	**3.316%** (4)	**4.21%**
Effective interest rate	**4.32%**	**4.37%**	**4.24%**	**4.81%**	**3.51%**	**4.28%**
Date of issuance	**June 2012**(1)	**December 2012**(2)	**May 2013**	**July 2013**(3)	**October 2013**	
Dates of interest payments	**June 15 and December 15**	**June 4 and December 4**	**May 2 and November 2**	**July 27 and January 27**	**January 9, April 9, July 9 and October 9**	
Maturity date	**June 2017**	**December 2019**	**November 2020**	**July 2020**	**October 2015**	
						Total
	$	$	$	$		$
Balance as at June 30, 2014	**250,000**	**300,000**	**100,000**	**300,000**	**250,000**	**1,200,000**

(1) Re-opened in September 2012.
(2) Re-opened in February 2013.
(3) Re-opened in January and March 2014.
(4) Quarterly variable interest rate fixed for the period from April 10, 2014 to July 9, 2014 (corresponding to the CDOR three-month rate plus 205 basis points).The rate for the period from July 10, 2014 to October 9, 2014 was fixed at 3.323%.

As at June 30, 2014, the residual weighted average term of debentures was 4.3 years.

On January 13, 2014, Cominar re-opened the Series 4 offering and issued $100.0 million in senior unsecured debentures bearing an interest rate of 4.941% and maturing in July 2020. The issue price of these unsecured debentures included a premium which resulted in an effective interest rate of 4.747% for this issuance, excluding amortization of deferred financing costs.

On March 4, 2014, Cominar re-opened the Series 4 offering and issued $100.0 million in senior unsecured debentures bearing an interest rate of 4.941% and maturing in July 2020. The issue price of these unsecured debentures included a premium which resulted in an effective interest rate of 4.425% for this issuance, excluding amortization of deferred financing costs.

These issues allowed Cominar to move closer to its long-term objective of increasing the senior unsecured portion of its total debt to approximately 50%, from 32.4% as at December 31, 2013 to 34.4% as at June 30, 2014.

CONVERTIBLE DEBENTURES

The following table presents the features of Cominar's unsecured subordinated convertible debentures and their balances by series, as at June 30, 2014.

CONVERTIBLE DEBENTURES

	Series D	Series E	Weighted average interest rate
Contractual interest rate	**6.50%**	**5.75%**	**6.15%**
Effective interest rate	**7.50%**	**6.43%**	**7.00%**
Date of issuance	**September 2009**	**January 2010**	
Amount issued	**$115,000**	**$86,250**	
Unit conversion price	**$20.50**	**$25.00**	
Dates of interest payment	**March 31 & September 30**	**June 30 & December 31**	
Date of redemption at Cominar's option – conditional(1)(2)	**September 2012**	**June 2013**	
Date of redemption at Cominar's option – unconditional(2)	**September 2014**	**June 2015**	
Maturity date	**September 2016**	**June 2017**	
			Total
	$	**$**	**$**
Balance as at June 30, 2014	**99,786**	**86,250**	**186,036**

(1) As of this date of redemption, the debentures may be redeemed by Cominar on prior notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the units on the Toronto Stock Exchange for a certain period is not less than 125% of the conversion price.

(2) Cominar may, at its option, elect to satisfy its obligation to pay the principal amount of the debentures that are to be redeemed or that have matured by issuing units to debenture holders.

BANK BORROWINGS

As at June 30, 2014, Cominar had an operating and acquisition credit facility of up to $300.0 million (secured by income properties worth approximately $508.0 million) which will mature in January 2015. This facility bears interest at the prime rate plus 1.00% or at the bankers' acceptance rate plus 2.00%. This credit facility is secured by movable and immovable hypothecs on specific assets. As at June 30, 2014, bank borrowings totalled $197.0 million.

Subsequent to June 30, 2014, Cominar replaced this secured credit facility by an unsecured credit facility.

SUMMARY OF DEBTS

The following table presents a comparative summary of debts:

	At June 30, 2014			At December 31, 2013		
	$	Weighted average interest rate	Residual weighted average term	$	Weighted average interest rate	Residual weighted average term
Mortgages payable	**1,915,672**	**4.95%**	**4.6 years**	1,794,830	5.06%	5.0 years
Debentures	**1,198,059**	**4.21%**	**4.3 years**	994,824	4.06%	4.5 years
Convertible debentures	**182,413**	**6.15%**	**2.6 years**	181,768	6.15%	3.1 years
Bank borrowings	**196,951**	**3.65%**	**0.6 year**	105,697	3.91%	1.1 years
Total debts	**3,493,095**	**4.69%**	**4.2 years**	3,077,119	4.76%	4.6 years

During the first six-month period of 2014, the weighted average interest rate of Cominar's debts decreased by 7 basis points from 4.76% as at December 31, 2013 to 4.69% as at June 30, 2014.

DEBT RATIO

The following table presents debt ratios as at June 30, 2014 and December 31, 2013:

DEBT RATIO

	June 30, 2014	December 31, 2013
Cash and cash equivalents	**(7,304)**	(9,742)
Mortgages payable	**1,915,672**	1,794,830
Debentures	**1,198,059**	994,824
Convertible debentures	**182,413**	181,768
Bank borrowings	**196,951**	105,697
Total debt	**3,485,791**	3,067,377
Total assets less cash and cash equivalents	**6,486,248**	5,987,588
Overall debt ratio(1)(2)	**53.7%**	51.2%
Debt ratio (excluding convertible debentures)(2)	**50.9%**	48.2%

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

As at June 30, 2014, the debt ratio (excluding convertible debentures) was 50.9%. The increase in the debt ratio since December 31, 2013 was due to acquisitions of income properties.

INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income less Trust administrative expenses by finance charges. The interest coverage ratio is used to assess Cominar's ability to pay interest on its total debt from operating revenues. As at June 30, 2014, Cominar's annualized interest coverage ratio stood at 2.70:1 [2.70:1 as at December 31, 2013], evidence of its capacity to meet its interest payment obligations.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

As at June 30, 2014, Cominar had contractual commitments in an amount of $6.0 million for work to be performed on a property under development (Place Laval). This work will be financed through cash flows from operating activities.

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

PROPERTY PORTFOLIO

The following table presents information on the property portfolio:

	June 30, 2014	December 31, 2013	Δ%
Income properties ($000)	**6,071,621**	5,654,825	7.4
Properties under development and land held for future development ($000)	**136,261**	107,961	26.2
Number of income properties	**526**	497	
Leasable area (sq. ft.)	**39,511,000**	37,123,000	6.4

SUMMARY BY OPERATING SEGMENT

	June 30, 2014		December 31, 2013	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**132**	**14,169,500**	120	13,017,500
Retail	**164**	**8,007,500**	160	7,901,500
Industrial and mixed-use	**230**	**17,334,000**	217	16,204,000
Total	**526**	**39,511,000**	497	37,123,000

SUMMARY BY GEOGRAPHIC MARKET

	June 30, 2014		December 31, 2013	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Quebec City	**122**	**8,267,500**	122	8,358,500
Montreal	**280**	**22,658,000**	268	22,130,000
Ontario(1)	**50**	**4,767,000**	32	2,801,000
Atlantic Provinces	**60**	**2,705,500**	61	2,720,500
Western Canada	**14**	**1,113,000**	14	1,113,000
Total	**526**	**39,511,000**	497	37,123,000

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

ACQUISITIONS AND PROPERTIES UNDER CONSTRUCTION

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

During the six-month period ended June 30, 2014, Cominar focused on strategic acquisitions resulting in the addition of 30 buildings to its property portfolio and representing a total of 2.5 million square feet.

ACQUISITION OF INCOME PROPERTIES

On February 26, 2014, Cominar acquired a portfolio of 11 office properties in the Greater Toronto Area and in Montreal, for a net purchase price of $229.3 million, with $128.3 million paid in cash and $101.0 million by assuming mortgages payable. The acquired portfolio consists of four office properties in the Greater Toronto Area with a total leasable area of 782,000 square feet, and seven office properties in Montreal, with a total leasable area of 407,000 square feet. The capitalization rate for this transaction is 7.0%. Approximately 70% of the net operating income of this acquisition comes from the Greater Toronto Area.

On February 27, 2014, Cominar acquired five retail properties with a total leasable area of 121,000 square feet located in the Greater Montreal Area for a purchase price of $26.1 million paid in cash. As part of this transaction, Cominar also acquired a vacant lot for $2.1 million. The capitalization rate for this transaction is 7.0%.

On May 1, 2014, Cominar acquired a portfolio of 14 mainly industrial and mixed-use properties in the Greater Toronto Area, with a total leasable area of approximately 1,184,000 square feet, for a purchase price of $100.7 million, with $63.2 million paid in cash and $37.5 million by assuming mortgages payable. The capitalization rate for this transaction is 7.1%.

The following table presents additional information on these acquisitions:

Investment properties	City/Province	Business segment(1)	Leasable area
			sq. ft.
3100 de la Côte-Vertu Boulevard(2)	Montreal, QC	O	95,000
3773-3777 de la Côte-Vertu Boulevard(2)	Montreal, QC	O	53,000
7405 Trans-Canada Highway(2)	Montreal, QC	O	80,000
9800 Cavendish Boulevard(2)	Montreal, QC	O	103,000
3900 de la Côte-Vertu Boulevard(2)	Montreal, QC	O	29,000
3950 de la Côte-Vertu Boulevard(2)	Montreal, QC	O	24,000
7355 Trans-Canada Highway(2)	Montreal, QC	O	23,000
5500 North Service Road(2)	Burlington, ON	O	221,000
95 Moatfield Drive(2)	Toronto, ON	O	156,000
105 Moatfield Drive(2)	Toronto, ON	O	249,000
225 Duncan Mill Road(2)	Toronto, ON	O	156,000
400 Montée des Pionniers(3)	Terrebonne, QC	R	6,000
330-334 Montée des Pionniers(3)	Terrebonne, QC	R	6,000
310-322 Montée des Pionniers(3)	Terrebonne, QC	R	19,000
250-302 Montée des Pionniers(3)	Terrebonne, QC	R	77,000
216-220 Montée des Pionniers(3)	Terrebonne, QC	R	13,000
6300 Northwest Drive(4)	Mississauga, ON	I	26,000
6280 Northwest Drive(4)	Mississauga, ON	I	21,000
3415 American Drive(4)	Mississauga, ON	I	31,000
3405 American Drive(4)	Mississauga, ON	I	20,000
3403 American Drive(4)	Mississauga, ON	I	19,000
3397 American Drive(4)	Mississauga, ON	I	46,000
3395 American Drive(4)	Mississauga, ON	I	16,000
3355 American Drive(4)	Mississauga, ON	I	113,000
6295 Northam Drive(4)	Mississauga, ON	I	42,000
6325 Northam Drive(4)	Mississauga, ON	I	77,000
6305 Northam Drive(4)	Mississauga, ON	I	34,000
6285 Northam Drive(4)	Mississauga, ON	O	54,000
6275 Northam Drive(4)	Mississauga, ON	I	50,000
400 Nugget Avenue(4)	Toronto, ON	I	635,000
			2,494,000

(1) O: Office; R: Retail; I: Industrial and mixed-use.
(2) These 11 buildings were part of the same transaction.
(3) These five buildings were part of the same transaction.
(4) These 14 buildings were part of the same transaction.

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

DISPOSAL OF AN INVESTMENT PROPERTY

On May 7, 2014, Cominar sold a commercial building in Kentville, Nova Scotia, for $2.0 million. This disposal will have no significant impact on future consolidated results. Cominar recorded no gain or loss on this disposal.

INVESTMENTS IN INCOME PROPERTIES

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

During the second quarter of 2014, Cominar incurred $16.1 million [$15.9 million in 2013] in capital expenditures in order to increase the rental income generating capacity of its properties or to reduce the related operating expenses. Of this amount, $4.7 million has been invested in three major revitalization projects that are currently underway in our shopping centres, i.e., Alexis Nihon, Centre Laval and Place Longueuil. These investments allowed Cominar to sign leases with commercial clients in these three shopping centres. During the quarter, Cominar also incurred $0.9 million [$0.7 million in 2013] in 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, as well as in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required may vary from quarter to quarter since it closely depends on lease renewals and the signing of new leases. It also depends on increases in rental space due to newly acquired, expanded or upgraded properties, or rental space transferred from properties under development. During the second quarter of 2014, Cominar made investments of $8.9 million in this respect [$6.7 million in 2013].

PROPERTY UNDER CONSTRUCTION

As at June 30, 2014, Cominar was mainly working on one office building that is part of the Place Laval complex. The construction cost of this 14-story, 284,000 square feet project will be approximately $46.0 million. This property will be 100% occupied by a Government of Quebec agency under a long-term lease. This project should be completed in the third quarter of 2014, with expected gradual occupancy until September 30, 2014. The expected capitalization rate for this project is 8.1%.

INVESTMENT IN A MORTGAGE RECEIVABLE

Cominar entered into a loan agreement with a related party regarding the realisation of a future real estate development project on Laurier Boulevard, in Quebec City, adjacent to the Complexe Jules-Daillaire. The neighbouring land is subject to a mortgage guarantee in favor of Cominar. As at June 30, 2014, the mortgage receivable of $8.3 million is bearing interest at the bankers' acceptance rate plus 2.5%, payable monthly. The construction plans and the terms of Cominar's participation in this project still need to be finalized. Once that is done, Cominar can either choose to have the mortgage receivable repaid in full or to participate in the construction of the project. The joint agreement provides Cominar with the opportunity to participate in the realisation of this large-scale project, in Quebec City, while reducing the risk associated with the development of such project.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at June 30, 2014, the average occupancy rate of our properties increased to 93.9% compared to 93.1% as at March 31, 2014.

OCCUPANCY RATE TRACK RECORD

	June 30, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Operating segment (%)					
Office	**93.5**	93.3	94.3	95.2	95.2
Retail	**94.4**	94.2	94.6	96.9	96.1
Industrial and mixed-use	**93.9**	92.4	93.1	91.8	92.3
Portfolio total	**93.9**	93.1	93.9	93.6	93.8

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity in 2014:

LEASING ACTIVITY

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2014				
Number of tenants	442	339	266	1,047
Leasable area (sq. ft.)	2,457,000	849,000	2,386,000	5,692,000
Average net rent ($/sq. ft.)	13.22	12.96	5.89	10.11
Renewed leases				
Number of tenants	184	165	109	458
Leasable area (sq. ft.)	1,347,000	456,000	1,028,000	2,831,000
Average net rent ($/sq. ft.)	12.08	12.73	6.16	10.03
Growth in the average net rent (%)	2.4	4.2	3.4	3.0
Retention rate (%)	**54.8**	**53.7**	**43.3**	**49.7**
New leases				
Number of tenants	97	51	91	239
Leasable area (sq. ft.)	385,000	132,000	729,000	1,246,000
Average net rent ($/sq. ft.)	13.32	13.41	5.85	8.96

In 2014, leases on 14.4% of Cominar's leasable area are set to expire. Of these leases, 49.7% were renewed during the six-month period ended June 30, 2014 and new leases were also signed, representing 1.2 million square feet of leasable area.

The following table presents growth in the average net rent for leases that were renewed in 2014:

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

	For the six-month period ended June 30, 2014	For the year ended December 31, 2013
	%	%
Operating segment		
Office	**2.4**	7.6
Retail	**4.2**	4.9
Industrial and mixed-use	**3.4**	4.0
Total portfolio	**3.0**	5.9

Average net rent of renewed leases rose in all our operating segments by a growth rate of 3.0% overall: 2.4% (office), 4.2% (retail), and 3.4% (industrial and mixed-use).

Given the current demand for rental space across all our geographic markets, we remain confident of renewing a substantial portion of our leases maturing in the coming quarters at a higher rate per square foot.

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

LEASE MATURITIES

	2015	2016	2017	2018	2019
Office					
Leasable area (sq. ft.)	2,303,000	1,927,000	1,541,000	1,735,000	1,311,000
Average net rent ($/sq. ft.)	13.12	14.06	13.80	13.64	13.19
% of portfolio – Office	16.3	13.6	10.9	12.2	9.3
Retail					
Leasable area (sq. ft.)	823,000	857,000	930,000	1,398,000	852,000
Average net rent ($/sq. ft.)	14.17	15.71	13.52	11.40	14.82
% of portfolio – Retail	10.3	10.7	11.6	17.5	10.6
Industrial and mixed-use					
Leasable area (sq. ft.)	3,226,000	2,153,000	2,056,000	2,018,000	761,000
Average net rent ($/sq. ft.)	5.65	5.92	6.41	6.57	7.04
% of portfolio – Industrial and mixed-use	18.6	12.4	11.9	11.6	4.4
Portfolio total					
Leasable area (sq. ft.)	6,352,000	4,937,000	4,527,000	5,151,000	2,924,000
Average net rent ($/sq. ft.)	9.46	10.80	10.39	10.26	12.06
% of portfolio	16.1	12.5	11.5	13.0	7.4

The following table summarizes information on leases as at June 30, 2014:

	Average remaining lease term	Average leased area per tenant	Average net rent/ sq. ft.
	years	sq. ft.	$
Office	4.3	6,400	13.86
Retail	4.4	4,000	13.50
Industrial and mixed-use	4.7	13,000	5.95
Portfolio average	**4.5**	**7,000**	**10.41**

Cominar has a broad, highly diversified retail client base consisting of about 5,300 tenants occupying an average of approximately 7,000 square feet each. Our top three tenants, Public Works Canada, Canadian National Railway Company, and *Société québécoise des infrastructures* account for approximately 6.3%, 4.0% and 3.3% of our net operating income, 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 9.6% come from government agencies.

The following table presents our top ten tenants by percentage of net operating income:

Tenant	% of net operating income
Public Works Canada	6.3
Canadian National Railway Company	4.0
Société québécoise des infrastructures	3.3
Ericsson Canada	1.7
Jean Coutu Group	1.5
Scotiabank	1.0
Cinram Canada	0.9
Target Canada	0.9
Gowling Lafleur Henderson	0.9
Co-op Atlantic	0.9
Total	**21.4**

ISSUED AND OUTSTANDING UNITS

	For the six-month period ended June 30, 2014	For fiscal year ended December 31, 2013
Units issued and outstanding, beginning of period	**127,051,095**	124,349,608
+ Exercise of options	**4,500**	456,500
+ Distribution reinvestment plan	**1,180,774**	2,243,459
+ Conversion of deferred units	**488**	—
+ Conversion of convertible debentures	**—**	1,528
Units issued and outstanding, end of period	**128,236,857**	127,051,095

Additional information	As at August 5, 2014
Issued and outstanding units	128,506,920
Outstanding unit options	7,474,800
Potential units – conversion of convertible debentures	10,384,313
Deferred units and restricted units	78,890

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of Cominar’s management team, exercise indirect control over Dallaire Group Inc. and Dalcon Inc. During the second quarter of 2014, Cominar recorded $89 in net rental income from Dalcon Inc. and Dallaire Group Inc. Cominar also incurred costs of $2.8 million for leasehold improvements performed by Dalcon Inc. on its behalf and costs of $12.6 million for the construction and development of investment properties.

Cominar has a mortgage receivable from a subsidiary of Dallaire Group Inc. in the amount of $8.3 million and recorded interest income of $20 with respect to this mortgage receivable during the quarter.

Cominar and Dallaire Group Inc. each own 50% of Complexe Jules-Dallaire, which is considered a joint venture.

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

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.

Evaluations are performed regularly to assess the effectiveness of DC&P, including this interim MD&A and the interim consolidated financial statements. Based on these evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer concluded that the DC&P were effective as at the end of the quarter ended June 30, 2014, and that the current controls and procedures provide reasonable assurance that material information about Cominar, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar concluded that ICFR was effective as at the end of the quarter ended June 30, 2014, and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for financial reporting purposes in accordance with IFRS.

No changes were made to the Trust's internal controls over financial reporting during the second quarter of 2014 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our interim MD&A is based upon Cominar's condensed interim consolidated financial statements, which have been prepared in accordance with IFRS applicable to the preparation of interim financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements and are the same as those used in the preparation of the audited annual financial statements as at December 31, 2013, with the exception of IFRS 11, "Joint Arrangements", which was applied for the first time during the first quarter of 2014. The preparation and presentation of the consolidated financial statements and any other financial information contained in this interim MD&A include the proper selection and application of appropriate accounting principles and policies, which require management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments to establish the carrying amount of assets and liabilities. Use of other accounting policies or methods of estimation might have yielded different amounts than those presented. Actual results could therefore differ.

Investment properties

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

Cominar presents its investment properties based on the fair value model. Fair value is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in profit or loss in the period in which it arises. The fair value of investment properties 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 valuations from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the underlying 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 values of each investment property considered individually and does not necessarily reflect the contribution of the following elements that characterize Cominar: (i) the composition of the property portfolio diversified through its client base, geographic markets and business segments; (ii) synergies among different investment properties; and (iii) a fully integrated management approach. Therefore, the fair value of Cominar's investment properties taken as a whole could differ from that appearing on the consolidated balance sheet.

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

Capitalization of costs
Cominar capitalizes into investment properties the costs incurred to increase their capacity, replace certain components and make improvements after the acquisition date. Cominar also capitalizes major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. For major revitalization projects of income properties that take place over a substantial period of time, Cominar capitalizes the borrowing costs that are directly attributable to the investments in question. When Cominar determines that the acquisition of an investment property is an asset acquisition, it capitalizes all costs that are directly related to the acquisition of the property, as well as all expenses incurred to carry out the transaction.

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

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

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are recognized on the balance sheet 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 as they are incurred.

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

Cominar has used the following classifications for its financial instruments:

– Bond investments are classified as held-to-maturity investments.

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

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

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

Long-term incentive plan

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

Unit options

Cominar recognizes a 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.

Restricted units

Cominar recognizes a compensation expense on restricted units granted, based on their fair value on the date of the grant. The fair value of restricted units is represented by the market value of Cominar units on the date of the grant. The compensation expense is amortized on a straight-line basis over the duration of the acquisition of rights.

Deferred units

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

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. 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 the taxation acts of the provinces concerned. These subsidiaries account for their current or recovered taxes at the current enacted tax rates and use the asset and liability method to account for deferred taxes. The net deferred tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities.

Per unit calculations

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

Segment information

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

NEW ACCOUNTING POLICY

During the first quarter of 2014, Cominar applied the following policy:

Investment in a joint venture

In accordance with IFRS 11, "Joint Arrangements", Cominar accounts for its investment in a joint venture using the equity method. Under the equity method, the interest in a joint venture is carried on the balance sheet at cost plus post-acquisition changes in Cominar's share of its net assets, less distributions received from a joint venture. Cominar's statement of comprehensive income reflects the share of a joint venture's net income and comprehensive income.

RISKS AND UNCERTAINTIES

Like all real estate entities, Cominar is exposed, in the normal course of business, to various risk factors that may have an impact on its ability to attain strategic objectives, despite all the measures implemented to counter them. The risks and uncertainties identified by Cominar are:

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

Therefore, unitholders should consider these risks and uncertainties when assessing the Trust's outlook in terms of investment potential. To obtain a complete description of the risks and uncertainties identified by Cominar, the reader is invited to refer to our 2013 Annual Report, as well as our 2013 Annual Information Form.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
June 30, 2014

Unaudited

CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of Canadian dollars]

	Note	June 30, 2014	December 31, 2013
		$	$
ASSETS			
Investment properties			
Income properties	4	**5,993,500**	5,654,825
Properties under development	5	**77,375**	53,414
Land held for future development	5	**58,886**	54,547
		6,129,761	5,762,786
Investment in a joint venture	6	**25,622**	—
Goodwill		**166,971**	166,971
Mortgage receivable	7	**8,250**	—
Prepaid expenses and other assets		**38,552**	8,203
Accounts receivable		**58,516**	43,230
Bond investments		**4,975**	6,398
Cash and cash equivalents		**7,100**	9,742
Total assets		**6,439,747**	5,997,330
LIABILITIES			
Mortgages payable	8	**1,862,767**	1,794,830
Debentures	9	**1,198,059**	994,824
Convertible debentures		**182,413**	181,768
Bank borrowings	10	**196,951**	105,697
Accounts payable and accrued liabilities		**103,437**	84,285
Deferred tax liability		**10,857**	10,546
Distributions payable to unitholders		**15,388**	—
Total liabilities		**3,569,872**	3,171,950
UNITHOLDERS' EQUITY			
Unitholders' equity		**2,869,875**	2,825,380
Total liabilities and unitholders' equity		**6,439,747**	5,997,330

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

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

	Note	Unitholders' contributions	Year-to-date net income	Year-to-date distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2014		2,251,974	1,533,573	(966,563)	4,972	1,424	2,825,380
Net income and comprehensive income		—	114,629	—	—	—	114,629
Distributions to unitholders		—	—	(92,965)	—	—	(92,965)
Unit issues	11	22,050	—	—	—	—	22,050
Unit issue expenses		(197)	—	—	—	—	(197)
Long-term incentive plan		—	60	—	918	—	978
Balance as at June 30, 2014		2,273,827	1,648,262	(1,059,528)	5,890	1,424	2,869,875

	Note	Unitholders' contributions	Year-to-date net income	Year-to-date distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2013		2,197,826	1,278,292	(783,586)	2,627	1,736	2,696,895
Net income and comprehensive income		—	122,053	—	—	—	122,053
Distributions to unitholders		—	—	(90,753)	—	—	(90,753)
Unit issues	11	24,242	—	—	—	—	24,242
Unit issue expenses		(11)	—	—	—	—	(11)
Long-term incentive plan		—	—	—	1,309	—	1,309
Balance as at June 30, 2013		2,222,057	1,400,345	(874,339)	3,936	1,736	2,753,735

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

		Quarter		Year-to-date (six months)	
	Note	2014	2013	2014	2013
		$	$	$	$
Operating revenues					
Rental revenue from investment properties		**177,459**	167,840	**351,130**	337,433
Operating expenses					
Operating costs		**35,356**	32,745	**74,992**	69,851
Realty taxes and services		**41,549**	40,173	**81,483**	79,376
Property management expenses		**3,280**	3,189	**6,603**	6,551
		80,185	76,107	**163,078**	155,778
Net operating income		**97,274**	91,733	**188,052**	181,655
Share of net income from investment in a joint venture		**630**	—	**1,288**	—
Finance charges		**(34,798)**	(33,598)	**(68,034)**	(65,577)
Trust administrative expenses		**(3,391)**	(3,586)	**(6,366)**	(6,429)
Restructuring charges		**—**	(657)	**—**	(911)
Gain on disposal of a subsidiary		**—**	8,010	**—**	8,010
Gain on disposal of an investment		**—**	507	**—**	507
Other revenues		**—**	—	**—**	4,906
Income before income taxes		**59,715**	62,409	**114,940**	122,161
Income taxes		**(156)**	(53)	**(311)**	(108)
Net income and comprehensive income		**59,559**	62,356	**114,629**	122,053
Basic net income per unit	12	**0.47**	0.50	**0.90**	0.98
Diluted net income per unit	12	**0.45**	0.48	**0.88**	0.95

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

		Quarter		Year-to-date (six months)	
	Note	2014	2013	2014	2013
		$	$	$	$
OPERATING ACTIVITIES					
Net income		**59,559**	62,356	**114,629**	122,053
Adjustments for:					
Excess of share of net income over distributions received from the investment in a joint venture		**(580)**	—	**(1,038)**	—
Amortizations		**(2,103)**	(1,728)	**(3,799)**	(4,025)
Compensation expense related to long-term incentive plan		**335**	881	**738**	1,550
Gain on disposal of a subsidiary		**—**	(8,010)	**—**	(8,010)
Gain on disposal of an investment property		**—**	(507)	**—**	(507)
Deferred taxes		**156**	55	**311**	111
Change in accounts receivable – recognition of leases on a straight-line basis		**(1,433)**	(1,159)	**(2,174)**	(2,621)
Change in non-cash working capital items	13	**(29,822)**	(38,283)	**(38,339)**	(61,094)
Cash flows provided by operating activities		**26,112**	13,605	**70,328**	47,457
INVESTING ACTIVITIES					
Acquisitions of and investments in income properties	4	**(94,773)**	(40,831)	**(283,230)**	(167,741)
Acquisitions of and investments in properties under development and land held for future development	5	**(6,495)**	(1,180)	**(28,421)**	(33,908)
Mortgage receivable	7	**(8,250)**	—	**(8,250)**	—
Return of capital from a joint venture – net proceeds from a mortgage payable	6	**—**	—	**53,116**	—
Net proceeds from the disposal of a portion of the investment in a joint venture	6	**—**	—	**20,150**	—
Net proceeds from the sale of investment properties		**2,000**	1,507	**2,000**	3,174
Change in bond investments		**22**	345	**1,385**	572
Acquisitions of other assets		**(296)**	(120)	**(989)**	(641)
Cash flows used in investing activities		**(107,792)**	(40,279)	**(244,239)**	(198,544)
FINANCING ACTIVITIES					
Distributions to unitholders		**(33,988)**	(34,935)	**(55,598)**	(59,005)
Bank borrowings		**155,474**	(116,452)	**91,254**	(103,004)
Mortgages payable		**(85)**	105,800	**(244)**	151,518
Net proceeds from issue of debentures		**72**	98,386	**202,756**	197,031
Net proceeds from issue of units	11	**(105)**	4,042	**(129)**	7,282
Repayments of balances at maturity of mortgages payable	8	**(26,522)**	(16,896)	**(40,783)**	(20,837)
Monthly repayment of mortgages payable	8	**(13,326)**	(12,400)	**(25,987)**	(25,205)
Cash flows provided by financing activities		**81,520**	27,545	**171,269**	147,780
Net change in cash and cash equivalents		**(160)**	871	**(2,642)**	(3,307)
Cash and cash equivalents, beginning of period		**7,260**	14,464	**9,742**	18,642
Cash and cash equivalents, end of period		**7,100**	15,335	**7,100**	15,335
Other information					
Interest paid		**41,950**	43,153	**71,909**	68,379
Distributions received from a joint venture		**50**	—	**250**	—

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2014 and 2013
[unaudited, in thousands of Canadian dollars, except per unit amounts]

1) DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Quebec. As at June 30, 2014, Cominar owned and managed a real estate portfolio of 526 high-quality properties that covered a total area of 39.5 million square feet in Quebec, Ontario, the Atlantic Provinces and Western Canada.

Cominar is listed on the Toronto Stock Exchange and its units trade under the symbol "CUF.UN." The head office is located at Complexe Jules-Dallaire – T3, 2820 Laurier Boulevard, Suite 850, Quebec City, Quebec, Canada, G1V 0C1. Additional information about the Trust is available on Cominar's website at www.cominar.com.

The Board of Trustees approved Cominar's condensed interim consolidated financial statements on August 5, 2014.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

Cominar's unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, and comply notably with the requirements of IAS 34, "Interim Financial Reporting." They do not include all the disclosures that will normally be found in the annual consolidated financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements. These condensed interim consolidated financial statements should be read in conjunction with Cominar's IFRS annual consolidated financial statements for the fiscal year ended December 31, 2013.

b) New accounting policy

During the first quarter of 2014, Cominar applied the following accounting policy:

Investment in a joint venture

In accordance with IFRS 11, "Joint Arrangements", Cominar accounts for its investment in a joint venture using the equity method. Under the equity method, the interest in a joint venture is carried on the balance sheet at cost plus post-acquisition changes in Cominar's share of the joint venture's net assets, less distributions received. Cominar's statement of comprehensive income then reflects the share of a joint venture's net income and comprehensive income.

3) ACQUISITIONS

ACQUISITIONS OF INCOME PROPERTIES

On February 26, 2014, Cominar acquired a portfolio of 11 office properties in the Greater Toronto Area and in Montreal, for a purchase price of $229,333, net of working capital adjustments of $11,167, with $128,282 paid in cash and $101,051 by assuming mortgages payable. The acquired portfolio consists of four office properties in the Greater Toronto Area, with a total leasable area of 782,000 square feet, and seven office properties in Montreal, with a total leasable area of 407,000 square feet.

On February 27, 2014, Cominar acquired five retail properties with a total leasable area of 121,000 square feet located in the Greater Montreal Area for a purchase price of $26,075 paid in cash. As part of this transaction, Cominar also acquired a vacant lot for $2,125.

On May 1, 2014, Cominar acquired a portfolio of 14 mainly industrial and mixed-use properties in the Greater Toronto Area, with a total leasable area of approximately 1,184,000 square feet, for a purchase price of $100,720, net of working capital adjustments of $3,530, with $63,256 paid in cash and $37,464 by assuming mortgages payable.

These transactions were accounted for using the acquisition method. The results of operations from the acquired income properties are included in the condensed interim consolidated financial statements as of their dates of acquisition.

The following table summarizes the estimated fair values at the acquisition date of acquired net assets:

	Estimated fair values
	$
Income properties	373,159
Land held for future development	2,125
Mortgages payable	(140,849)
Working capital adjustments	(14,697)
Total cash consideration paid for these acquisitions	219,738

4) INCOME PROPERTIES

	Note	For the six-month period ended June 30, 2014	For the year ended December 31, 2013
		$	$
Balance, beginning of period		**5,654,825**	5,294,984
Acquisitions		**383,931**	234,367
Fair value adjustment(1)		**—**	17,150
Capital costs		**48,768**	114,162
Disposals		**(2,000)**	(28,621)
Transfer of an income property as contribution to a joint venture	6	**(97,850)**	—
Transfer from properties under development	5	**—**	9,366
Change in initial direct costs		**5,952**	8,016
Change in accounts receivable – recognition of leases on a straight-line basis		**2,174**	4,101
Change in deposits on acquisition		**(2,300)**	1,300
Balance, end of period		**5,993,500**	5,654,825

(1) The total fair value adjustment was related to income properties held on the closing date.

5) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

	Note	For the six-month period ended June 30, 2014 $	For the year ended December 31, 2013 $
Balance, beginning of period		**107,961**	53,234
Acquisitions		**2,157**	20,500
Capital costs		**23,212**	45,321
Capitalized interest		**2,931**	3,400
Transfer to income properties	4	**—**	(9,366)
Other real estate asset		**—**	(5,128)
Balance, end of period		**136,261**	107,961
Breakdown:			
Properties under development		**77,375**	53,414
Land held for future development		**58,886**	54,547

6) INVESTMENT IN A JOINT VENTURE

On January 13, 2014, Cominar completed the merger of the ownership interests in a previously co-owned investment property, as planned. Prior to completion of this merger, the first phase of Complexe Jules-Dallaire, comprised of office and retail premises, was owned in undivided co-ownership by Cominar as to 95% and by a company indirectly owned by the Dallaire family ("Dallaire Co") as to 5% and the second phase of Complexe Jules-Dallaire, comprised of office premises, was owned by DallaireCo. In addition to the contribution of its pre-merger ownership interests in phases one and two, DallaireCo paid $20,150 to Cominar in connection with the merger to balance the participations of each owner to a 50% interest in Complexe Jules-Dallaire.

Under IFRS 11, "Joint Arrangements", this building held in partnership is considered as a joint venture and is accounted for under the equity method, whereas previously, the participation in the first phase of this building was considered as a participation in a joint operation and Cominar recorded its share of assets, liabilities, comprehensive income and cash flows.

The following table summarizes the financial information of the investment in a joint venture accounted for under the equity method:

	For the six-month period ended June 30, 2014 $
Investment in a joint venture, beginning of period	**—**
Contribution – transfer of an income property	**97,850**
Disposal of a portion of the investment in a joint venture	**(20,150)**
Share of net income from investment in a joint venture	**1,288**
Liquidities distributed by a joint venture	**(250)**
Return of capital from a joint venture – net proceeds from a mortgage payable	**(53,116)**
Investment in a joint venture, end of period	**25,622**

The following tables summarize the financial information of a joint venture:

	As at June 30, 2014
	$
Investment property	**156,242**
Other assets	**2,612**
Mortgage payable bearing interest at a fixed rate of 4.79% and maturing in February 2024	**(105,809)**
Other liabilities	**(1,800)**
Total of net asset	**51,245**
50% investment in a joint venture	**25,622**

For the periods ended June 30, 2014	Quarter	Year-to-date (six months)
	$	$
Operating revenues	**4,332**	**8,641**
Operating expenses	**1,802**	**3,681**
Net operating income	**2,530**	**4,960**
Finance charges	**1,270**	**2,384**
Net income and comprehensive income	**1,260**	**2,576**
Share of net income from the 50% investment in a joint venture	**630**	**1,288**

7) MORTGAGE RECEIVABLE

Cominar entered into a loan agreement with a related party regarding the realisation of a future real estate development project on Laurier Boulevard, in Quebec City, adjacent to the Complexe Jules-Daillaire. The neighbouring land is subject to a mortgage guarantee in favor of Cominar. As at June 30, 2014, the mortgage receivable of $8,250 is bearing interest at the bankers' acceptance rate plus 2.5%, payable monthly. The construction plans and the terms of Cominar's participation in this project still need to be finalized. Once that is done, Cominar can either choose to have the mortgage receivable repaid in full or to participate in the construction of the project.

8) MORTGAGES PAYABLE

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

	For the six-month period ended June 30, 2014		For the year ended December 31, 2013	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of period	**1,763,922**	**5.06**	1,651,202	5.23
Net mortgages payable, contracted or assumed	**138,515**	**3.68**	633,319	4.56
Monthly repayments of principal	**(25,987)**	**—**	(50,188)	—
Repayments of balances at maturity	**(40,783)**	**5.85**	(470,411)	5.02
	1,835,667	**4.95**	1,763,922	5.06
Plus: Fair value adjustments on assumed mortgages payable	**29,518**		33,342	
Less: Deferred financing costs	**(2,418)**		(2,434)	
Balance, end of period	**1,862,767**		1,794,830	

Mortgages payable are primarily secured by immovable hypothecs on investment properties. They bear annual contractual interest rates ranging from 2.69% to 7.75% [2.77% to 7.75% as at December 31, 2013], representing a weighted average contractual rate of 4.95% as at June 30, 2014 [5.06% as at December 31, 2013], and are renewable at various dates from July 2014 to January 2039. As at June 30, 2014, the weighted average effective rate was 4.19% [4.31% as at December 31, 2013].

As at June 30, 2014, all mortgages payable were at fixed rates. Some of the mortgages payable include covenants, with which Cominar was in compliance as at June 30, 2014.

9) DEBENTURES

On January 13, 2014, Cominar re-opened the Series 4 offering and issued $100,000 in senior unsecured debentures bearing an interest rate of 4.941% and maturing in July 2020.

On March 4, 2014, Cominar re-opened the Series 4 offering and issued $100,000 in senior unsecured debentures bearing an interest rate of 4.941% and maturing in July 2020.

Cominar used the net proceeds from the sales of the debenture issues to repay its credit facility.

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

	For the six-month period ended June 30, 2014		For the year ended December 31, 2013	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of period	**1,000,000**	**4.06**	450,000	4.25
Issues	**200,000**	**4.94**	550,000	3.91
	1,200,000	**4.21**	1,000,000	4.06
Less: Deferred financing costs	**(6,014)**		(5,578)	
Plus: Net premium and discount on issuance	**4,073**		402	
Balance, end of period	**1,198,059**		994,824	

10) BANK BORROWINGS

On January 27, 2014, Cominar decided not to renew the $250,000 tranche B portion of its operating and acquisition credit facilities, which matured on that date and allowed Cominar to add to its unencumbered property portfolio, properties valued at approximately $395,000 that are not necessary to secure the remaining $300,000 tranche A portion of the credit facility.

11) ISSUED AND OUTSTANDING UNITS

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

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

	For the six-month period ended June 30, 2014		For the year ended December 31, 2013	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**127,051,095**	**2,251,974**	124,349,608	2,197,826
Exercise of options	**4,500**	**68**	456,500	8,514
Distribution reinvestment plan	**1,180,774**	**21,772**	2,243,459	45,216
Conversion of convertible debentures	**—**	**—**	1,528	34
Conversion of deferred units	**488**	**10**	—	—
Reversal of contributed surplus on exercise of options	**—**	**3**	—	384
Units issued and outstanding, end of period	**128,236,857**	**2,273,827**	127,051,095	2,251,974

12) 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 for the periods indicated:

	Quarter		Year-to-date (six months)	
For the periods ended June 30	2014	2013	2014	2013
	Units	Units	Units	Units
Weighted average number of units outstanding – basic	**127,808,934**	125,039,993	**127,476,701**	124,759,905
Dilutive effect related to the long-term incentive plan	**198,878**	262,478	**161,190**	254,287
Dilutive effect of convertible debentures	**10,388,720**	12,674,533	**10,388,720**	12,674,777
Weighted average number of units outstanding – diluted	**138,396,532**	137,977,004	**138,026,611**	137,688,969

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion in units of 4,959,733 outstanding options for the quarter ended June 30, 2014 [2,553,500 options in 2013] and 5,053,683 outstanding options for the six-month period ended June 30, 2014 [2,620,700 options in 2013], since the exercise price of the options, including the unrecognized part of the related compensation expense, is higher than the average price of the units. The calculation of diluted net income per unit also includes the elimination of interest at the effective rate on the convertible debentures of $3,300 in interest on convertible debentures for the quarter ended June 30, 2014 [$4,466 in 2013] and $6,596 for the six-month period ended June 30, 2014 [$8,932 in 2013].

13) SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items were as follows:

	Quarter		Year-to-date (six months)	
For the periods ended June 30	2014	2013	2014	2013
	$	$	$	$
Prepaid expenses	**(18,575)**	(26,377)	**(30,297)**	(46,097)
Accounts receivable	**7,909**	4,899	**(15,286)**	(5,345)
Accounts payable and accrued liabilities	**(19,156)**	(16,805)	**7,244**	(9,640)
Income taxes payable	**—**	—	**—**	(12)
	(29,822)	(38,283)	**(38,339)**	(61,094)
Other information				
Acquisitions of investment properties through assumption of mortgages payable	**37,464**	—	**138,515**	43,733
Unpaid acquisitions of and investments in investment properties	**17,171**	4,168	**17,171**	4,168
Transfer from properties under development to income properties	**—**	7,172	**—**	7,172

14) FINANCIAL INSTRUMENTS

Financial instruments and their respective carrying amounts and fair values, when the fair values do not approximate the carrying amounts, are classified as follows:

		For the six-month period ended June 30, 2014		For the year ended December 31, 2013	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
FINANCIAL ASSETS					
Held to maturity					
Bond investments	2	**4,975**	**4,980**	6,398	6,409
FINANCIAL LIABILITIES					
Other financial liabilities					
Mortgages payable	2	**1,862,767**	**1,904,900**	1,794,830	1,816,702
Debentures	2	**1,198,059**	**1,231,339**	994,824	990,054
Convertible debentures	1	**182,413**	**193,282**	181,768	193,727

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

15) SEGMENT INFORMATION

Cominar's activities include a diversified portfolio of three property types located in several Canadian provinces. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies. Cominar uses net operating income as its main criterion to measure operating performance, i.e. operating revenues less operating expenses related to its investment properties. Management of expenses, such as interest and administrative expenses, is centralized and, consequently, these expenses have not been allocated to Cominar's various segments.

For the periods ended June 30, 2014, the segments include Cominar's proportionate share of its joint venture under the proportionate consolidation method. The *Joint venture* columns adjust these condensed interim consolidated financial statements, in which the investment in a joint venture is accounted for using the equity method, to bring segment information under the proportionate consolidation method.

The following table provides financial information on these three property types:

For the quarter ended June 30, 2014	Balance as per the condensed interim consolidated financial statements	Joint venture	Balance under the proportionate consolidation method	Office properties	Retail properties	Industrial and mixed-use properties
	$	$	$	$	$	$
Rental revenue from investment properties	**177,459**	**2,166**	**179,625**	**97,071**	**43,030**	**39,524**
Net operating income	**97,274**	**1,265**	**98,539**	**52,305**	**23,779**	**22,455**
Share of net income from investment in a joint venture	**630**	**(630)**	**—**	**—**	**—**	**—**
Income properties	**5,993,500**	**78,121**	**6,071,621**	**3,118,589**	**1,609,754**	**1,343,278**
Investment in a joint venture	**25,622**	**(25,622)**	**—**	**—**	**—**	**—**

For the quarter ended June 30, 2013	Balance as per the condensed interim consolidated financial statements	Joint venture	Balance under the proportionate consolidation method	Office properties	Retail properties	Industrial and mixed-use properties
	$	$	$	$	$	$
Rental revenue from investment properties	167,840	—	167,840	89,421	40,562	37,857
Net operating income	91,733	—	91,733	47,195	22,494	22,044

For the six-month period ended June 30, 2014	Balance as per the condensed interim consolidated financial statements	Joint venture	Balance under the proportionate consolidation method	Office properties	Retail properties	Industrial and mixed-use properties
	$	$	$	$	$	$
Rental revenue from investment properties	**351,130**	**4,321**	**355,451**	**189,759**	**87,107**	**78,585**
Net operating income	**188,052**	**2,480**	**190,532**	**100,350**	**46,810**	**43,372**
Share of net income from investment in a joint venture	**1,288**	**(1,288)**	**—**	**—**	**—**	**—**
Income properties	**5,993,500**	**78,121**	**6,071,621**	**3,118,589**	**1,609,754**	**1,343,278**
Investment in a joint venture	**25,622**	**(25,622)**	**—**	**—**	**—**	**—**

For the six-month period ended June 30, 2013	Balance as per the condensed interim consolidated financial statements	Joint venture	Balance under the proportionate consolidation method	Office properties	Retail properties	Industrial and mixed-use properties
	$	$	$	$	$	$
Rental revenue from investment properties	337,433	—	337,433	179,436	82,555	75,442
Net operating income	181,655	—	181,655	94,343	44,991	42,321
Income properties	5,487,891	—	5,487,891	2,929,592	1,352,869	1,205,430

16) SUBSEQUENT EVENT

Subsequent to June 30, 2014, Cominar replaced its current credit facility of up to $300,000, which was secured by income properties having a fair value of $474,000. The new credit facility is unsecured and the authorized amount is $350,000 plus an accordion feature for an additional amount of $200,000. The new credit facility will mature in August 2017 and bears interest at the bankers' acceptance rate plus 1.70%, down 0.30% compared to the previous credit facility. Consequently, the unencumbered income properties are valued at $2,229,663.

CORPORATE INFORMATION

BOARD OF TRUSTEES

OFFICERS

Michel Dallaire, Eng.
President and Chief Executive Officer

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

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

Me Michel Paquet, LL.L.
Senior Executive Vice-President and Secretary

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

Alain Dallaire
Executive Vice-President, Operations — Office and Industrial

Todd Bechard, CMA, CFA
Executive Vice-President, Acquisitions

UNITHOLDER INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

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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.D and CUF.DB.E.

TRANSFER AGENT

Computershare Trust Company of Canada
1500 University St., Suite 700
Montreal, Quebec, Canada H3A 3S8

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

TAXABILITY OF DISTRIBUTIONS

In 2013, 74.5% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

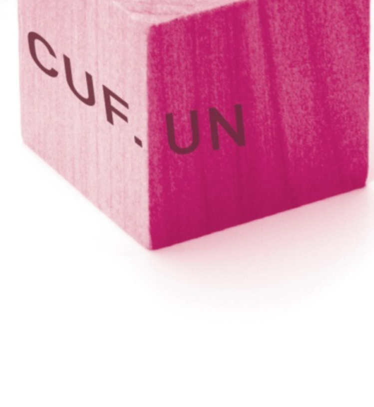
AUDITORS

PricewaterhouseCoopers LLP

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 receive their monthly distributions as 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 Transfer Agent.



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