2012

INTERIM REPORT

VISION AND COMMITMENT

COMINAR

COMINAR REAL ESTATE INVESTMENT TRUST
Quarter ended September 30, 2012

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MESSAGE TO UNITHOLDERS

We had a satisfying third quarter, marked by the acquisition of 67 income properties in Québec and Ontario, the closing of two financing transactions totalling $412.5 million, and the maintaining of a healthy and solid financial position.

These accomplishments are renewed proof of our ability to implement our growth strategy mainly through profitable acquisitions, as well as a management approach based on cost savings, efficiency and control methods in order to provide unitholders with a healthy return on their investment. During the first nine months of 2012, our real estate portfolio grew from 21.2 to 35 million square feet across Québec, the Atlantic Provinces, Ontario and Western Canada — a significant and diversified expansion, both in terms of type and geographical distribution of assets.

The recent acquisition of 67 income properties added approximately 4.3 million square feet to our portfolio and represented an investment of $697 million. We are proud to have closed this acquisition, which is fully aligned with our growth strategy and should facilitate the pursuit of our expansion in Ontario. An experienced and dynamic team has joined us in Ontario, and the integration of the management and operations platform of these assets is going smoothly.

Our third quarter results mainly reflect the contribution of the acquisitions we made in 2011 and 2012, as well as the performance of our portfolio, attributable to our integrated management approach, which focuses on cost control and high-quality customer service. Our operating income increased 80.1% to $140.5 million, and we derived a net operating income of $81.6 million, up 72.6% from last year. Our recurring distributable income increased 70.2% to $44.1 million, and recurring adjusted funds from operations totalled $43.4 million, up 70.5%. Due to the increased geographical diversification of our portfolio, our assets located outside Québec represent 21.4% of the consolidated net operating income for the quarter, compared to 10.6%. Although some unusual items associated with our acquisitions and financing had an impact on our results, it is interesting to note that, once re-adjusted, the net income per unit is higher than it was on the same date in 2011 — $1.37 per unit compared to $1.30. This demonstrates the success of the growth strategy and the sectorial and geographical diversification we are undertaking and that are supported by our investors.

As at September 30, 2012, the overall occupation rate of our properties was 93.9%, a slight increase over the 93.6% on the same date last year. Thanks to the ongoing cooperation of our leasing teams, 61% of leases maturing in 2012 have been renewed, with lease rates increasing by 3.9% and, since the beginning of the fiscal year, we also signed new leases representing 1.1 million square feet.

On August 21, we proceeded to close an issue of units that generated gross proceeds of $287.5 million, and on September 11, we issued approximately $125 million in non-secured debentures. Following these transactions, our overall annualized debt ratio stood at 51.7% and our interest coverage ratio was 2.7:1, comparing favourably with those of our peers and demonstrating our ability to meet our financial obligations.

On October 31, Cominar closed the sale of its 10% minority interest in DEGI Homburg Harris Limited Partnership ─ owner of Penn West Plaza, an office building located in Calgary, Alberta ─ to Morguard Real Estate Investment Trust for gross proceeds of $37.7 million. We are satisfied with the deal we made with Morguard, as we believe that the transaction is beneficial to both parties because the agreement entered into between Morguard and DEGI (based in Germany) no longer allowed Cominar to maintain 100% management of Penn West Plaza. For these reasons, we came to the conclusion that it was preferable not to maintain this minority interest.

During the fourth quarter, we will continue with the integration of our recent acquisitions and the creation of synergies while remaining on the lookout for other opportunities that meet our criteria. Considering the growth we achieved since the beginning of the fiscal year and the quality of assets purchased, we are confident that we will close fiscal year 2012 with results that show solid growth compared to the previous year.

Michel Dallaire, Eng.
President and Chief Executive Officer
November 6, 2012

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT") for the quarter ended September 30, 2012, in comparison with the corresponding quarter of 2011, as well as its financial position at that date and its outlook. Dated November 6, 2012, 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, and with the consolidated financial statements, accompanying notes and MD&A appearing in the most recent annual report of Cominar.

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

Additional information about us, including our 2011 Annual Information Form, is available on our website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

HIGHLIGHTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2012

INCREASES OF

80.1%
IN OPERATING REVENUES

72.6%
IN NET OPERATING INCOME

70.2%
IN RECURRING DISTRIBUTABLE INCOME

79.9%
IN RECURRING FUNDS FROM OPERATIONS

70.5%
IN RECURRING ADJUSTED FUNDS FROM OPERATIONS

87.3%
IN DISTRIBUTIONS

96.7%
OF TOTAL ASSETS (FOR THE NINE-MONTH PERIOD)

OCCUPANCY RATE

93.9%

RETENTION RATE

60.9%

INTEREST COVERAGE RATIO OF

2.66: 1

ISSUE OF UNITS

On August 21, 2012, Cominar closed a public offering of 11,640,300 units, on a bought deal basis, under a short-form prospectus dated August 3, 2012, and filed with the Canadian Securities Administrators. The units were sold to a syndicate of underwriters for total gross proceeds of over $287.5 million. The proceeds from the sale of the units were used to pay down debt outstanding under current credit facilities. Indebtedness incurred under such credit facilities was used by Cominar to finance acquisitions and investments, and for general and corporate purposes.

ISSUE OF DEBENTURES

On September 11, 2012, Cominar proceeded to price a re-opening of its Series 1 investment by issuing $125 million in unsecured debentures bearing an interest rate of 4.274% and expiring on June 15, 2017. Proceeds from the sale of debentures were used to pay down debt outstanding under current credit facilities. The amounts Cominar has withdrawn from credit facilities have been used to finance acquisitions and investments as well as the general needs of the company.

BUSINESS COMBINATION

On September 14, 2012, Cominar acquired 67 income properties from GE Capital Real Estate for a total cash consideration of $662.2 million. This acquisition includes:

- 14 office buildings (1.6 million square feet) and one vacant land parcel (149,400 square feet) located in the Ottawa area, in Ontario, and in the Gatineau area, in Quebec.

- 23 office buildings (1.2 million square feet) and 23 industrial and mixed-use properties (1.3 million square feet) located in the Montreal area, in Quebec.

- 4 office buildings (201,000 square feet) and 3 industrial and mixed-use properties (54,000 square feet) located in the Quebec City area, in Quebec.

SUBSEQUENT EVENTS

On November 1, 2012, Cominar acquired an income property from *Société immobilière Investus* following the exercise of a right to first offer. This building is an industrial and mixed-use property located in Brockville, Ontario, and has a leasable area of 94,000 square feet. Acquired for an amount of $4.4 million, of which $2.8 million was financed as a mortgage payable and $1.6 million was paid in cash, this property is fully occupied by a single tenant.

On October 31, 2012, Cominar closed the sale of its 10% minority interest in DEGI Homburg Harris Limited Partnership — owner of Penn West Plaza, an office building located in Calgary, Alberta — to Morguard Real Estate Investment Trust for net proceeds of $22.4 million. No gain or loss will result from this sale, as this investment was accounted for at fair value in 2012.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2012 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective", and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

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

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Cominar, investors and others should carefully consider the foregoing factors, as well as other factors and uncertainties.

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

FINANCIAL MEASURES FOR WHICH IFRS DO NOT PROVIDE A STANDARDIZED MEANING

In this interim MD&A, we issue guidance on and report on certain non-IFRS measures, including "net operating income", “adjusted net income”, "distributable income", "funds from operations" and "adjusted funds from operations", which we use to evaluate our performance. Because non-IFRS measures do not have a standardized meaning and may differ from similar measures presented by other entities, securities regulations require that non-IFRS measures be clearly defined and qualified, reconciled with their nearest IFRS measure and given no more prominence than the closest IFRS measure. You may find such information in the sections dealing with each of these measures.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Quarter			Cumulative (nime months)		
For the periods ended September 30,	2012	2011	Δ%	2012	2011	Δ%
FINANCIAL DATA						
Operating revenues	**140,518**	78,002	80.1	**407,225**	239,758	69.8
Net operating income[(1)]	**81,566**	47,270	72.6	**227,481**	137,507	65.4
Same property net operating income growth (loss)[(1)]	**0.6%**	1.5%		**0.1%**	0.9%	
Net income	**31,824**	27,918	14.0	**110,312**	81,758	34.9
Recurring distributable income[(1)]	**44,126**	25,931	70.2	**121,188**	74,147	63.4
Recurring funds from operations[(1)]	**51,508**	28,624	79.9	**143,379**	82,261	74.3
Recurring adjusted funds from operations[(1)]	**43,375**	25,438	70.5	**119,387**	72,874	63.8
Distributions	**43,598**	23,272	87.3	**118,734**	69,138	71.7
Debt ratio				**51.7%**	54.6%	
Total assets				**5,440,014**	2,600,552	
Market capitalization				**2,985,090**	1,377,659	
PER UNIT FINANCIAL DATA						
Net income (basic)	**0.27**	0.44	(38.6)	**1.05**	1.29	(18.6)
Recurring distributable income (basic)[(1)]	**0.38**	0.41	(7.3)	**1.16**	1.17	(0.9)
Recurring distributable income (FD)[(1)(2)]	**0.37**	0.39	(5.1)	**1.14**	1.14	—
Recurring funds from operations (FD)[(1)(2)]	**0.43**	0.43	—	**1.33**	1.24	7.3
Recurring adjusted funds from operations (FD)[(1)(2)]	**0.37**	0.39	(5.1)	**1.13**	1.13	—
Distributions	**0.36**	0.36	—	**1.08**	1.08	—
Weighted average number of units outstanding (basic)	**116,793**	63,840		**104,594**	63,367	
Weighted average number of units outstanding (FD)[(2)]	**132,432**	81,412		**120,974**	81,022	
OPERATIONAL DATA						
Number of properties				**482**	269	
Leasable area (in thousands of sq. ft.)				**35,033**	20,956	
Occupancy rate				**93.9%**	93.6 %	
Retention rate				**60.9%**	67.2%	
ACQUISITIONS						
Number of properties				**213**	9	
Leasable area (in thousands of sq. ft.)				**13,836**	693	
Total investment				**2,545,749**	100,927	
Weighted average capitalization rate				**6.8%**	8.4%	

(1) Non-IFRS financial measure. See relevant sections for definition and reconciliation to closest IFRS measure.
(2) Fully diluted.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the third-largest diversified REIT in Canada and the largest commercial property owner in the Province of Québec. As at September 30, 2012, we owned and managed a high-quality portfolio of 482 properties including 123 office buildings, 158 retail buildings and 201 industrial and mixed-use buildings located in Québec, Ontario, the Atlantic Provinces and Western Canada.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects, increasing the carrying amount of its assets to over $5.4 billion as at September 30, 2012.

As a self-managed and fully integrated real estate investment trust, the asset and property management is entirely internalized. Except for some recently acquired properties whose management currently wanders from Cominar's business model, the Trust is not bound to a third party by management contracts or property management fees. This mode of operation reduces the potential for conflict between the interests of management and the Trust, while ensuring that the interests of management and employees are aligned with those of unitholders. The result is an improved financial performance for Cominar.

OBJECTIVES AND STRATEGY

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 proactive management and the durable growth of its property portfolio.

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

In this context, the Board of Trustees, in November 2011, brought some modifications to the strategic plan, namely regarding the debt ratio, the distribution ratio and the development strategy of the Fund.

In accordance with Cominar's financial management policies for maintaining a sound and solid financial position over the long-term and providing unitholders with consistent and stable distributions, the Board of Trustees revised the debt ratio that should be generally maintained at approximately 50% of the gross carrying amount, even though the Contract of Trust provides a ratio of up to 65%. In addition, the Board of Trustees resolved that the distribution ratio should progressively reach approximately 90% of distributable income

The Board of Trustees also updated Cominar's development strategy which focuses on a two-fold approach: acquiring property portfolios and carrying out development projects.

To sustain and eventually increase its growth pace, Cominar now explores new markets outside Quebec, as demonstrated by the acquisition of a property portfolio in the Atlantic Provinces in March 2010, the acquisition of Canmarc's real estate portfolio in the first quarter of 2012 and, more recently, the acquisition of 67 properties from GE Capital Real Estate's portfolio this quarter. Thanks to this strategy, Cominar has now established its presence in Québec, Ontario, the Atlantic Provinces and Western Canada.

The Board of Trustees believes that the development projects contribute only a small portion to the target growth of the Funds and that the impact of major speculative development projects on results is too diluted due to the long periods needed for the construction. From now on, Cominar therefore mainly builds its growth on acquisitions and limits the scale of its development projects to only execute those meeting 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 existing portfolio, i.e. Cominar's ability to increase revenues and reduce costs, and thereby generate added value for its unitholders;
- **(Recurring) distributable income ("DI") per unit**, which represents a benchmark for investors to judge the stability of distributions;
- **(Recurring) funds from operations ("FFO") per unit**, which represent a standard real estate benchmark to measure an entity's performance;
- **(Recurring) adjusted funds from operations ("AFFO") per unit**, which, excluding 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, represent a meaningful measure of Cominar's ability to generate stable cash flows;
- **Debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization;
- **Interest coverage ratio**, which is used to assess Cominar's ability to pay interest on its debt using its 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 of Cominar's strategy for reaching its main objectives of providing its unitholders with growing cash distributions and increasing and maximizing unit;
- **Geographic and segment diversification**, which contributes to revenue stability by spreading real estate risk.

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

SELECTED QUARTERLY INFORMATION

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

For the quarters ended	Sept. 30, 2012	June 30, 2012	March 31, 2012	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	March 31, 2011	Dec. 31, 2010
Operating revenues	**140,518**	140,419	126,288	77,983	78,002	82,103	79,653	71,264
Net operating income	**81,566**	79,035	66,880	47,202	47,270	47,054	43,183	43,197
Net income	**31,824**	45,762	32,726	95,703	27,918	28,221	25,619	34,435
Net income per unit (basic)	**0.27**	0.43	0.36	1.38	0.44	0.44	0.41	0.55
Net income per unit (diluted)	**0.27**	0.42	0.36	1.18	0.42	0.42	0.39	0.51
Distributable income	**44,126**	41,816	35,246	26,738	25,931	26,332	22,784	23,797
Recurring DI per unit (FD)	**0.37**	0.39	0.38	0.38	0.39	0.39	0.36	0.37
Recurring FFO from operations	**51,508**	49,363	42,508	29,666	28,624	27,886	25,751	27,302
Recurring FFO per unit (FD)	**0.43**	0.45	0.45	0.41	0.43	0.42	0.40	0.42
Recurring AFFO	**43,375**	40,990	35,022	26,216	25,438	25,170	22,266	23,812
Recurring AFFO per unit (FD)	**0.37**	0.38	0.38	0.37	0.39	0.39	0.35	0.37
Distributions	**43,598**	39,505	35,630	26,429	23,272	23,069	22,797	22,651
Distributions per unit	**0.36**	0.36	0.36	0.36	0.36	0.36	0.36	0.36

GROWTH OUTLOOK

Cominar's management maintains efforts to realize the Trust's objectives, ensuring that its growth is achieved in an orderly and disciplined manner, and never losing sight of its main criterion — the long-term profitability of acquired assets. The acquisition of Canmarc Real Estate Investment Trust, which increased Cominar's leasable area by approximately 44% and resulted in an optimized geographic and segment diversification of Cominar's property portfolio and, more recently, the acquisition of a 67 income-property portfolio from GE Capital Real Estate, which increased Cominar's assets by 14.8%, are in line with this strategy. Enriched by its experience, Cominar's management is confident of successfully pursuing the integration of its acquisitions during fiscal 2012 while fully benefiting from the resulting synergies. Cominar's management also plans to remain on the lookout for opportunities that may arise.

Thanks to its sound and solid financial position, Cominar is able to focus on a sustainable expansion of its property portfolio for the benefit of its unitholders.

PERFORMANCE ANALYSIS

RESULTS RELATED TO OPERATIONS

The following tables summarize our main results related to operations for the periods ended September 30, 2012 and 2011.

CONSOLIDATED STATEMENT OF NET INCOME

For the periods ended September 30,	Quarter 2012	Quarter 2011	Quarter Δ%	Cumulative (nine months) 2012	Cumulative (nine months) 2011	Cumulative (nine months) Δ%
Operating revenues	**140,518**	78,002	80.1	**407,225**	239,758	69.8
Operating expenses	**58,952**	30,732	91.8	**179,744**	102,251	75.8
Net operating income	**81,566**	47,270	72.6	**227,481**	137,507	65.4
Other revenues	**860**	—	—	**2,420**	—	—
Financial expense	**(29,290)**	(17,183)	70.5	**(85,541)**	(50,158)	70.5
Trust administrative expenses	**(2,607)**	(1,463)	78.2	**(7,656)**	(4,266)	79.5
Restructuring charges	**(2,450)**	—	—	**(4,899)**	—	—
Transaction costs – business combination	**(16,167)**	(646)	—	**(27,348)**	(646)	—
Proceeds from an investment in a public entity	**—**	—	—	**6,222**	—	—
Income taxes	**(88)**	(60)	46.7	**(367)**	(679)	(45.9)
Net income	**31,824**	27,918	14.0	**110,312**	81,758	34.9

NON-IFRS FINANCIAL MEASURES

For the periods ended September 30,	Quarter 2012	Quarter 2011	Quarter Δ%	Cumulative (nine months) 2012	Cumulative (nine months) 2011	Cumulative (nine months) Δ%
Recurring DI	**44,126**	25,931	70.2	**121,188**	74,147	63.4
Distributions	**43,598**	23,272	87.3	**118,734**	69,138	71.7
Recurring FFO	**51,508**	28,624	79.9	**143,379**	82,261	74.3
Recurring AFFO	**43,375**	25,438	70.5	**119,387**	72,874	63.8

FINANCIAL POSITION

The following table summarizes our assets and liabilities as well as our unitholders' equity as at September 30, 2012 and December 31, 2011.

	September 30, 2012	December 31, 2011	Δ$	Δ%
ASSETS				
Investment properties				
Income properties	**5,104,035**	2,515,965	2,588,070	—
Properties under development and land held for future development	**43,566**	37,444	6,122	16.3
Investments	**44,236**	134,284	(90,048)	(67.1)
Goodwill	**145,711**	9,380	136,331	—
Other assets	**102,466**	68,244	34,222	50.1
Total	**5,440,014**	2,765,317	2,674,697	96.7
LIABILITIES				
Mortgages payable	**1,693,258**	842,619	850,639	—
Debentures	**249,516**	—	249,516	—
Convertible debentures	**288,656**	382,060	(93,404)	(24.4)
Bridge loan	**173,000**	—	173,000	—
Bank indebtedness	**417,144**	16,540	400,604	—
Other liabilities	**121,990**	52,876	69,114	—
Total	**2,943,564**	1,294,095	1,649,469	—
UNITHOLDERS' EQUITY	**2,496,450**	1,471,222	1,025,228	69.7
Total	**5,440,014**	2,765,317	2,674,697	96.7

RESULTS OF OPERATIONS

OPERATING REVENUES

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	2012	2011	Δ%	2012	2011	Δ%
Same property portfolio[1]	**72,586**	71,739	1.2	**226,914**	224,073	1.3
Acquisitions and developments	**67,932**	6,263	—	**180,311**	15,685	—
Total operating revenues	**140,518**	78,002	80.1	**407,225**	239,758	69.8

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2010, except for the property sold in 2012, and it does not include the benefits of acquisitions and developments completed and integrated in the subsequent periods.

During the third quarter of 2012, our operating revenues rose 80.1% from the corresponding period of 2011. This increase resulted from the contribution of the acquisitions completed in 2011 and from the integration of Canmarc's income properties in 2012.

Our same property portfolio operating revenues showed a 1.2% increase in the third quarter of 2012, compared with the corresponding quarter of 2011.

NET OPERATING INCOME

For the periods ended September 30,	Quarter 2012	Quarter 2011	Δ%	Cumulative (nine months) 2012	Cumulative (nine months) 2011	Δ%
Same property portfolio[1]	**43,450**	43 195	0.6	**127,117**	126,932	0.1
Acquisitions and developments	**38,116**	4, 075	—	**100,364**	10,575	—
Total NOI	**81,566**	47,270	72.6	**227,481**	137,507	65.4

(1) See "Operating revenues"

Although net operating income ("NOI") is not a financial measure defined by IFRS, it is widely used in the real estate industry to assess operating performance. We defined it as operating income before other revenues, financial expense, Trust administrative expenses, restructuring charges, proceeds from an investment in a public entity, transaction costs – business combinations, fair value adjustment of investment properties 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 72.6% during the third quarter of 2012, compared to the same period in 2011, due mainly to the nine acquisitions completed in 2011 and to the integration of Canmarc's income properties in 2012.

SEGMENT NET OPERATING INCOME

BY ACTIVITY SEGMENT

For the periods ended September 30,	Quarter 2012	Quarter 2011	Δ%	Cumulative (nine months) 2012	Cumulative (nine months) 2011	Δ%
Activity segment						
Office	**39,029**	23,013	69.6	**108,394**	66,393	63.3
Retail	**23,028**	9,085	—	**65,002**	25,897	—
Industrial and mixed-use	**18,351**	15,172	21.8	**51,468**	45,217	13.8
Residential	**1,158**	—	—	**2,617**	—	—
Total NOI	**81,566**	47,270	72.6	**227,481**	137,507	65.4

For the periods ended September 30,	Quarter 2012	Quarter 2011	Cumulative (nine months) 2012	Cumulative (nine months) 2011
Activity segment				
Office	**47.9%**	48.7%	47.6%	48.3%
Retail	**28.2%**	19.2%	28.6%	18.8%
Industrial and mixed-use	**22.5%**	32.1%	22.6%	32.9%
Residential	**1.4%**	—	1.2%	—
	100.0%	100.0%	100.0%	100.0%

BY GEOGRAPHIC MARKET

For the periods ended September 30,	Quarter 2012	Quarter 2011	Δ%	Cumulative (nine months) 2012	Cumulative (nine months) 2011	Δ%
Geographic market						
Québec	**18,184**	16,899	7.6	**51,872**	48,795	6.3
Montréal	**43,705**	23,358	72.4	**123,170**	74,630	65.0
Other – Québec	**2,220**	(6)	—	**5,836**	418	—
Ottawa(1)	**3,451**	2,226	55.0	**7,992**	6,572	21.6
Other – Ontario	**1,583**	—	—	**4,362**	—	—
Atlantic provinces	**5,919**	2,793	—	**16,767**	7,093	—
Western Canada	**6,504**	—	—	**17,482**	—	—
Total NOI	**81,566**	47,270	72.6	**227,481**	137,507	65.4

For the periods ended September 30,	Quarter 2012	Quarter 2011	Cumulative (nine months) 2012	Cumulative (nine months) 2011
Geographic market				
Québec	**22.3%**	35.8%	22.8%	35.5%
Montréal	**53.6%**	53.6%	54.1%	54.2%
Other – Québec	**2.7%**	—	2.6%	0.3%
Ottawa(1)	**4.2%**	4.7%	3.5%	4.8%
Other – Ontario	**1.9%**	—	1.9%	—
Atlantic provinces	**7.3%**	5.9%	7.4%	5.2%
Western Canada	**8.0%**	—	7.7%	—
	100.0%	100.0%	100.0%	100.0%

(1) The Gatineau area is included in the Ottawa geographic market.

FINANCIAL EXPENSE

For the periods ended September 30,	Quarter 2012	Quarter 2011	Δ%	Cumulative (nine months) 2012	Cumulative (nine months) 2011	Δ%
Mortgages payable	**21,608**	11,365	90.1	**62,571**	33,495	86.8
Debentures	**1,559**	—	—	**1,781**	—	—
Convertible debentures	**5,494**	6,101	9.9	**17,149**	18,341	(6.5)
Bank indebtedness and bridge loan	**2,781**	1,151	—	**9,407**	3,073	—
Amortization of capitalized financing costs	**2,209**	848	—	**6,796**	2,549	—
Amortization of fair value adjustments on assumed indebtedness	**(4,018)**	(413)	—	**(11,030)**	(968)	—
Less: Capitalized interest	**(343)**	(1,869)	(81.6)	**(1,133)**	(6,332)	(82.1)
Total financial expense	**29,290**	17,183	70.5	**85,541**	50,158	70.5

The increase in financial expense mostly results from higher mortgages payable following the acquisition of Canmarc's income properties completed during the first quarter and from lower capitalized interest in development projects, the main one being the Complexe Jules-Dallaire. The financial expense for 2012 includes a non-recurring expense of $2.1 million recognized in the first quarter. This expense is related to financing charges paid for the unused acquisition credit facility and which were fully expensed upon closing of such facility. This also includes the write-off of $981 in capitalized financing costs following the repurchase of convertible Series A and B debentures.

TRUST ADMINISTRATIVE EXPENSES

Trust administrative expenses amounted to $2.6 million for the quarter ended September 30, 2012, compared to $1.5 million in the corresponding period of 2011. Trust administrative expenses represented 1.9% of operating income in 2012 as well as in 2011.

RESTRUCTURING CHARGES

During the first nine-month period of 2012, Cominar incurred charges related to the integration of Canmarc's activities, namely for changes in its corporate structure. These charges mainly include direct salaries of personnel that was maintained for the transition period, severance pay indemnities paid during this period, as well as consulting and legal fees. This process will continue throughout the fiscal year.

TRANSACTION COSTS – BUSINESS COMBINATION

In the third quarter of 2012, Cominar incurred costs of $16.2 million pertaining to the acquisition of 67 income properties from GE Capital Real Estate. Under IFRS, transaction costs related to a business combination must be expensed as incurred.

PROCEEDS FROM AN INVESTMENT IN A PUBLIC ENTITY

	Quarter			Cumulative (six months)		
For the periods ended September 30,	2012	2011	Δ%	2012	2011	Δ%
Proceeds from an investment in a public entity						
Distributions received	**—**	—	—	**3,640**	—	—
Fair value adjustment	**—**	—	—	**2,582**	—	—
	—	—	—	**6,222**	—	—

These proceeds are attributable to Cominar's investment in Canmarc prior to the closing of its acquisition.

NET INCOME

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	2012	2011	Δ%	2012	2011	Δ%
Net income	**31,824**	27,918	14.0	**110,312**	81,758	34.9
Net income per unit (basic)[1]	**0.27**	0.44	(38.6)	**1.05**	1.29	(18.6)
Net income per unit (diluted)[1]	**0.27**	0.42	(35.7)	**1.06**	1.24	(15.3)

(1) See "Per unit calculations" in this MD&A.

Cominar reported $31.8 million in net income for the third quarter of 2012, up 14.0% from the corresponding period of 2011. Net income per unit stood at $0.27, down 38.6% from the comparative period in 2011.

ADJUSTED NET INCOME

For the periods ended September 30,	Quarter		Cumulative (nine months)	
	2012	2011	2012	2011
Net income (GAAP)	**31,824**	27,918	**110,312**	81,758
Transaction costs – business combination	**16,167**	646	**27,348**	646
Restructuring charges	**2,450**	—	**4,899**	—
Write-off of capitalized financing costs	**981**	—	**3,072**	—
Change in fair value of an investment in a public entity	**—**	—	**(2,582)**	—
Adjusted net income	**51,422**	28,564	**143,049**	82,404
Adjusted net income per unit (basic)	**0.44**	0.45	**1.37**	1.30

Net income for the third quarter of 2012 includes a charge of $981 million [$0 in 2011] related to the write-off of capitalized financing costs following the repurchase of convertible debentures, restructuring charges of $2.5 million [$0 in 2011], and transaction costs – business combination of $16.2 million [$0.6 million in 2011]. Consequently, adjusted net income stood at $51.4 million, or $0.44 per unit (basic), which is similar to the 2011 result.

Cumulative net income for 2012 includes restructuring charges of $4.9 million [$0 in 2011], transaction costs – business combination of $27.3 million [$0.6 million in 2011], amortization of non-recurring capitalized financing costs of $3.1 million [$0 in 2011] and a change in fair value of an investment in a public entity of $2.6 million [$0 in 2011]. Consequently, net income adjusted to account for these unusual items amounted to $143.0 million, i.e., $1.37 per unit (basic) [$1.30 in 2011], which is higher than the adjusted cumulative result for 2011.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

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

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

In 2012, Cominar modified its calculation of DI to include the amortization of financing costs related to its debt instruments, which are non-cash items. Comparative figures have been restated further to this adjustment.

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

DISTRIBUTABLE INCOME

For the periods ended September 30,	Quarters 2012	2011	Δ%	Cumulative (nine months) 2012	2011	Δ%
Net income (IFRS)	**31,824**	27,918	14.0	**110,312**	81,758	34.9
- Amortization of fair value adjustments on assumed indebtedness	**(4,018)**	(413)	—	**(11,030)**	(968)	—
+ Amortization of fair value adjustments on bond investments	**79**	—	—	**203**	—	—
+ Amortization of capitalized financing costs	**2,209**	848	—	**6,796**	2,549	—
+ Compensation expense related to unit options	**262**	195	34.4	**746**	737	1.2
+ Accretion of liability component of convertible debentures	**58**	61	(4.9)	**172**	179	(3.9)
+ Restructuring charges	**2,450**	—	—	**4,899**	—	—
+ Transaction costs – business combination	**16,167**	646	—	**27,348**	646	—
+ Deferred taxes	**86**	60	43.3	**330**	757	(56.4)
- Provision for leasing costs	**(3,221)**	(2,964)	8.7	**(11,170)**	(8,636)	29.3
- Change in fair value of an investment in a public entity	**—**	—	—	**(2,582)**	—	—
- Change in accounts receivable – recognition of leases on a straight-line basis	**(1,770)**	(420)	—	**(4,836)**	(1,975)	—
Distributable income	**44,126**	25,931	70.2	**121,188**	75,047	63.4
Unusual item – lease termination penalty	**—**	—	—	**—**	(900)	—
Recurring DI	**44,126**	25,931	70.2	**121,188**	74,147	63.4
DISTRIBUTIONS TO UNITHOLDERS	**43,598**	23,272	87.3	**118,734**	69,138	71.7
Distributions reinvested under the distribution reinvestment plan[1]	**10,916**	2,834	—	**28,739**	11,329	—
Cash distributions	**32,682**	20,438	59.9	**89,995**	57,809	55.7
Percentage of distributions reinvested	**25.0%**	12.2%		**24.2%**	16.4%	
Per unit information:						
Recurring DI (basic)	**0.38**	0.41	(7.3)	**1.16**	1.17	(0.9)
Recurring DI (FD)[2]	**0.37**	0.39	(5.1)	**1.14**	1.14	—
DISTRIBUTIONS PER UNIT	**0.36**	0.36	—	**1.08**	1.08	—
Payout ratio[3]	**94.7%**	87.8%		**93.1%**	92.3%	
Cash payout ratio[4]	**73.6%**	78.1%		**74.2%**	78.0%	

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

Recurring DI for the quarter ended September 30, 2012, amounted to $44.1 million, up 70.2% from the comparative period in 2011. This increase is mostly due to the contribution of the nine acquisitions completed in 2011 and to the integration of Canmarc's income properties in 2012. Recurring DI per fully diluted unit totalled $0.37, which is 5.1% lower than the comparative period last year.

Distributions to unitholders in the third quarter of 2012 totalled $43.6 million, up 87.3% from the comparative period in 2011. This increase is mainly attributable to the unit issues made in the fourth quarter of 2011 and in the first nine months of 2012 in connection with initial public offerings and the issuance of 16 million units upon the acquisition of Canmarc. Per unit distributions were at $0.36 for both 2011 and 2012 reporting quarters.

Results per unit decreased slightly in 2012 due to the significant increase in new units issued for the financing of the acquisitions made in 2012 and Cominar has not yet benefitted from their full contribution. For example, synergies associated with the acquisition of Canmarc will not be totally in force until 2013.

The decrease in debt ratio also affected per unit results. We experienced lower leverage in 2012, compared to 2011 and previous quarters, which negatively affected per unit results for 2012.

Finally, the synchronization of the issuance and use of proceeds generated from the issue of units also created a negative effect on per unit results. In fact, in compliance with its cautious management approach, Cominar's management always ensures that financing is fully obtained prior to making acquisitions or transactions that entail cash flows, such as the repurchase of a large amount of convertible debentures.

The recurring DI ratio for the nine-month period ended September 30, 2012, was established at 93.1%, a slight increase over the corresponding period in 2011.

The cash payout ratio of the recurring DI for the nine-month period ended September 30, 2012, decreased, going from 78.0% in 2011 to 74.2% in 2012.

TRACK RECORD OF RECURRING DI PER UNIT

For the nine-month periods ended September 30,	2012	2011	2010	2009(2)	2008(2)
Recurring DI per unit (basic)	**1.16**	1.17	1.16	1.20	1.20
Recurring DI per unit (FD)(1)	**1.14**	1.14	1.14	1.18	1.17

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

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

The following table presents this reconciliation:

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	2012	2011	2012	2011
Cash flows provided from operating activities (IFRS)	**41,127**	42,983	**61,029**	67,886
- Amortization of other assets	**(76)**	(127)	**(435)**	(311)
+ Restructuring charges	**2,450**	—	**4,899**	—
+ Transaction costs – business combination	**16,167**	646	**27,348**	646
- Provision for leasing costs	**(3,221)**	(2,964)	**(11,170)**	(8,636)
+ Change in non-cash working capital items	**(12,321)**	(14,607)	**39,517**	15,462
Distributable income	**44,126**	25,931	**121,188**	75,047

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

For the nine-month periods ended September 30,	2012	2011	2010
Net income (IFRS)	**110,312**	81,758	74,705
Cash flows provided from operating activities	**61,029**	67,886	63,193
Distributions to unitholders	**118,734**	69,138	64,376
Cash distributions	**89,995**	57,809	62,589
Cash flows from operating activities in excess of cash distributions payable to unitholders	**(28,966)**	10,077	604
Cash flows from adjusted operating activities (AFFO) for transaction costs – business combination in excess of cash distributions	**(1,618)**	10,723	604

Cominar expects cash flows provided from operating activities, adjusted for transaction costs – business combination, for the year ending December 31, 2012, to be sufficient to fund cash distributions to unitholders.

As per IFRS accounting policies, real estate investment trusts must consider transaction costs part of its operating activities. In 2012, Cominar made over $2.6 billion in acquisitions, generating $27.3 million in transaction costs — an amount which clearly constitutes an unusual item.

FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not a financial measure defined under IFRS, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with IFRS), adjusted for fair value adjustments of investment properties, deferred taxes, transaction costs incurred upon a business combination and extraordinary items. REALpac stated that fair value adjustments of financial instruments must not be adjusted in the calculation of FFO.

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

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and FFO for the periods ended September 30, 2012 and 2011:

FUNDS FROM OPERATIONS

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	2012	2011	Δ%	2012	2011	Δ%
Net income (IFRS)	**31,824**	27,918	14.0	**110,312**	81,758	34.9
+ Deferred taxes	**86**	60	43.3	**330**	757	(56.4)
+ Transaction costs – completed business combination	**16,167**	—	—	**27,348**	—	—
Funds from operations	**48,077**	27,978	71.8	**137,990**	82,515	67.2
+ Amortization of capitalized financing costs(1)	**981**	—	—	**3,072**	—	—
+ Restructuring charges	**2,450**	—	—	**4,899**	—	—
- Change in fair value of an investment in a public entity	**—**	—	—	**(2,582)**	—	—
- Unusual item – lease termination penalty	**—**	—	—	**—**	(900)	—
+ Transaction costs – unrealized business combination	**—**	646	—	**—**	646	—
Recurring FFO	**51,508**	28,624	79.9	**143,379**	82,261	74.3
Per unit information:						
FFO (basic)	**0.41**	0.44	(6.8)	**1.32**	1.30	1.5
Recurring FFO (basic)	**0.44**	0.45	(2.2)	**1.37**	1.30	5.4
Recurring FFO (FD)(2)	**0.43**	0.43	—	**1.33**	1.24	7.3

(1) The amortization of capitalized financing costs includes a non-recurring expense of $2,091 related to financing costs paid for the unused acquisition credit facility and fully expensed during the first quarter upon closing of such facility, as well as $981 resulting from the write-off of capitalized financing costs following the repurchase of Series A and B convertible debentures.
(2) Fully diluted.

For the third quarter of 2012, recurring FFO rose 79.9% from the comparative period of 2011, due mainly to the nine acquisitions completed in 2011 and to the integration of Canmarc's income properties in 2012. Recurring FFO per unit on a fully diluted basis stood at $0.43 in the third quarter of 2012, the same as in the comparative period of 2011.

TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the nine-month periods ended September 30,	2012	2011	2010	2009(2)	2008(2)
Recurring FFO per unit (basic)	**1.37**	1.30	1.28	1.40	1.38
Recurring FFO per unit (FD)(1)	**1.33**	1.24	1.22	1.35	1.32

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

ADJUSTED FUNDS FROM OPERATIONS

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

In calculating AFFO, the Trust deducts a provision for leasing costs incurred on an ongoing basis to maintain its capacity to generate rental income. These leasing costs include among others leasehold improvements and initial direct costs, which are added to the carrying amount of investment properties in accordance with IFRS. Cominar also deducts the capital expenditures incurred in connection with its program to maintain its capacity to generate rental income from its property portfolio. These expenditures, which primarily include 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 following table presents a reconciliation of FFO and AFFO for the periods ended September 30, 2012 and 2011:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2012**	**2011**	**Δ%**	**2012**	**2011**	**Δ%**
Funds from operations	**48,077**	27,978	71.8	**137,990**	82,515	67.2
+ Amortization of fair value adjustment on bond investments	**79**	—	—	**203**	—	—
+ Amortization of capitalized financing costs	**2,209**	848	—	**6,796**	2,549	—
- Amortization of fair value adjustments on assumed indebtedness	**(4,018)**	(413)	—	**(11,030)**	(968)	—
+ Compensation expense related to unit options	**262**	195	34.4	**746**	737	1.2
- Capital expenditures – maintenance of rental income generating capacity	**(751)**	(493)	52.3	**(1,801)**	(1,273)	41.5
+ Accretion of liability component of convertible debentures	**58**	61	(4.9)	**172**	179	(3.9)
+ Restructuring charges	**2,450**	—	—	**4,899**	—	—
- Provision for leasing costs	**(3,221)**	(2,964)	8.7	**(11,170)**	(8,636)	29.3
- Change in fair value of an investment in a public entity	**—**	—	—	**(2,582)**	—	—
- Change in accounts receivable – recognition of leases on a straight-line basis	**(1,770)**	(420)	—	**(4,836)**	(1,975)	—
AFFO	**43,375**	24,792	75.0	**119,387**	73,128	63.3
Lease termination penalty	**—**	—	—	**—**	(900)	—
Transaction costs – unrealized business combination	**—**	646	—	**—**	646	—
Recurring AFFO	**43,375**	25,438	70.5	**119,387**	72,874	63.8
Per unit information:						
AFFO (basic)	**0.37**	0.39	(5.1)	**1.14**	1.15	(0.9)
Recurring AFFO (basic)	**0.37**	0.40	(7.5)	**1.14**	1.15	(0.9)
Recurring AFFO (FD)[(1)]	**0.37**	0.38	(5.1)	**1.13**	1.13	—
Distributions per unit	**0.36**	0.36	—	**1.08**	1.08	—
Payout ratio[(2)]	**97.3%**	90.0%		**94.7%**	93.9%	
Cash payout ratio[(3)]	**75.7%**	80.0%		**75.4%**	79.1%	

(1) Fully diluted.
(2) The payout ratio corresponds to distribution per unit, divided by basic recurring AFFO per unit.
(3) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring AFFO per unit.

Cominar reported $43.4 million in recurring AFFO for the third quarter of 2012, up 70.5% from the comparative period of 2011, due mostly to the nine acquisitions completed in 2011 and to the integration of Canmarc's income properties in 2012. Recurring AFFO per unit on a fully diluted basis stood at $0.37, down 5.1% versus the same period in 2011.

The cash payout ratio of the recurring AFFO for the nine-month periods ended September 30, 2012, is 75.4%, compared to 79.1% for the same period in 2011.

TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the nine-month periods ended September 30,	2012	2011	2010	2009[2]
Recurring AFFO per unit (basic)	**1.14**	1.15	1.15	1.17
Recurring AFFO per unit (FD)[1]	**1.13**	1.13	1.12	1.15

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

LIQUIDITY AND CAPITAL RESOURCES

MORTGAGES PAYABLE

As at September 30, 2012, the balance of mortgages payable amounted to $1,693.3 million, up $850.7 million from $842.6 million as at December 31, 2011, arising primarily from the assumption of Canmarc's mortgages payable. At the end of the period, the weighted average contractual interest rate was 5.32%, down 6 basis points from 5.38% as at December 31, 2011.

Cominar has staggered mortgage maturity dates over a number of years to reduce the risks related to renewal. As at September 30, 2012, the residual average term of mortgages payable was 3.8 years.

The following table shows mortgage repayments for the coming periods:

REPAYMENTS OF MORTGAGES PAYABLE

For the years ending December 31,	Repayment of principal	Repayment of balances at maturity	Total	Average contractual interest rate (%)
2012 (from October 1 to December 31)	12,153	56,260	68,413	5.81
2013	43,110	329,257	372,367	4.98
2014	35,852	161,830	197,682	5.84
2015	29,497	255,213	284,710	5.03
2016	24,779	60,303	85,082	4.79
2017 and thereafter	60,509	576,343	636,852	5.48
Total	205,900	1,439,206	1,645,106	5.32

DEBENTURES

On September 11, 2012, Cominar re-opened its Series 1 offering by issuing $125 million in senior unsecured debentures bearing an interest rate of 4.274% and expiring in 2017.

On September 19, 2012, Cominar redeemed all Series B convertible debentures still outstanding for an amount of $80.5 million.

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

CONVERTIBLE DEBENTURES

	Series C	Series D	Series E	Total
Contractual interest rate	5.80%	6.50%	5.75%	
Effective interest rate	6.60%	7.50%	6.43%	
Date of issuance	October 2007	September 2009	January 2010	
Unit conversion price	$25.25	$20.50	$25.00	
Date of interest payment	March 31 & September 30	March 31 & September 30	June 30 & December 31	
Date of redemption at Cominar's option	September 2010	September 2012	June 2013	
Maturity date	September 2014	September 2016	June 2017	
	$	$	$	$
Balance as at September 30, 2012	110,000	99,817	86,250	296,067

As at September 30, 2012, the weighted average contractual interest rate on these convertible debentures was 6.02%.

As at September 30, 2012, only series C met all the conditions necessary for an authorized redemption of convertible debentures.

BRIDGE LOANS

During the first quarter of 2012, Cominar assumed an acquisition bridge loan of $84.0 million further to the Canmarc business combination. This one-year, non-renewable credit facility bears interest at prime rate plus 1.0%, or at the bankers' acceptance rate plus 2.5%, and is secured by a first-rank lien on investment properties. In addition, on September 14, 2012, Cominar signed a new acquisition bridge loan agreement for a maximum amount of $89.0 million. This non-renewable, one-year credit facility bears interest at prime rate plus 0.5%, or the bankers' acceptance rate plus 1.5% and is secured by a first-rank lien on the income properties acquired from GE Capital Real Estate. As at September 30, bridge loans totalled $173.0 million.

BANK INDEBTEDNESS

As at September 30, 2012, Cominar had operating and acquisition credit facilities of up to $550.0 million. These facilities are reimbursable in two parts over two and three years and bear interest at prime rate plus 1.0% or at the bankers' acceptance rate plus 2.0%. These credit facilities are secured by movable and immovable hypothecs on specific assets. As at September 30, 2012, bank indebtedness totalled $417.1 million.

DEBT RATIO

The following table presents debt ratios as at September 30, 2012, and December 31, 2011:

DEBT RATIO

	September 30, 2012	December 31, 2011
Cash and cash equivalents[1]	**(7,151)**	(5,389)
Mortgages payable	**1,693,258**	842,619
Debentures	**249,516**	—
Convertible debentures	**288,656**	382,060
Bridge loans	**173,000**	—
Bank indebtedness	**417,144**	16,540
Total debt	**2,814,423**	1,235,830
Total assets	**5,440,014**	2,765,317
Overall debt ratio[2][3]	**51.7%**	44.7%
Debt ratio (excluding convertible debentures)	**46.4%**	30.9%
Additional borrowing capacity – 65% of carrying amount[4]	**2,060,000**	1,605,000

(1) Cash and cash equivalents do not include restricted cash since it cannot be used to reduce indebtedness.
(2) The overall debt ratio is equal to total cash and cash equivalents, bank indebtedness, mortgages payable, bridge loans and debentures divided by the carrying amount of the asset.
(3) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.
(4) Pursuant to its Contract of Trust, Cominar's maximum debt ratio is 60% of carrying amount (65% if convertible debentures are outstanding).

DEBT RATIO TRACK RECORD

As at September 30,	2012	2011	2010	2009[1]	2008[1]
Overall debt ratio (%)	**51.7**	54.6	52.8	58.1	57.9
Debt ratio (excluding convertible debentures) (%)	**46.4**	39.4	36.1	42.0	45.5
Maximum borrowing capacity under the Contract of Trust	**2,060,000**	776,000	829,000	384,000	322,000

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

As at September 30, 2012, Cominar maintained a debt ratio of 51.7%, which is below the maximum debt ratio of 65.0% allowed under its Contract of Trust where convertible debentures are outstanding, and which provides the Trust with the ability to borrow up to an additional $2.1 billion to fund future acquisitions and developments.

In 2011, Cominar's management proceeded to a revision of the target debt ratio, which, from now on, should be generally maintained at 50%.

INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income by the financial expense. The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As at September 30, 2012, Cominar's annualized interest coverage ratio stood at 2.66:1, proving its capacity to settle its obligations in this respect.

Management considers Cominar's current financial situation very sound and solid, and does not foresee any difficulty in renewing the mortgages maturing in the coming quarters.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

On June 12, 2012, Cominar entered into an agreement with respect to the sale of a property (located in Montreal), which was recently acquired from Canmarc for a total of $3.5 million to be paid cash. The completion of this sale remains subject to the due diligence and other customary closing conditions and there can be no assurance that it will be completed. No gain or loss will result from this transaction.

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

PROPERTY PORTFOLIO

The following table presents information about the property portfolio:

	September 30, 2012	December 31, 2011
Income properties	**5,104,035**	2,515,965
Properties under development and land held for future development	**43,566**	37,444
Number of properties	**482**	270
Leasable area (sq. ft.)	**35,033,000**	21,219,000

SUMMARY BY ACTIVITY SEGMENT

As at September 30, 2012	Number of properties	Leasable area (sq. ft.)
Office	123	13,072,000
Retail	158	7,735,000
Industrial and mixed-use	201	14,226,000
Residential(1)	—	—
Total	482	35,033,000

(1) The residential segment consists of 485 residential units located in three properties recorded in our three main activity segments.

SUMMARY BY GEOGRAPHIC MARKET

As at September 30, 2012	Number of properties	Leasable area (sq. ft.)
Québec City	106	7,623,000
Montréal	234	19,700,000
Others – Québec	26	817,000
Ottawa(1)	19	2,201,000
Others – Ontario	12	498,000
Atlantic provinces	64	2,935,000
Western Canada	21	1,259,000
Total	482	35,033,000

(1) The Gatineau area is included in the Ottawa geographic market.

PROPERTY ACQUISITION AND DEVELOPMENT PROGRAM

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

ACQUISITION OF CANMARC

On March 1, 2012, Cominar and wholly-owned subsidiaries of Cominar (the "Cominar Acquisition Group") completed the acquisition of all of the issued and outstanding units of Canmarc Real Estate Investment Fund ("Canmarc") whose immovable property amount to $1.9 billion. Canmarc owns a portfolio of Canadian income-producing commercial properties, consisting of retail and office properties with certain industrial properties. In total, Canmarc's 143 properties comprise approximately 9.4 million square feet of commercial gross leasable area and 464 residential units. These properties are located in Quebec, the Atlantic Provinces, Western Canada and Ontario.

The acquisition of Canmarc increased Cominar's lease area by approximately 44% to slightly over 30.6 million square feet at the time of acquisition; this enhanced Cominar's footprint in the Province of Québec and established a meaningful presence in the Atlantic Provinces, Western Canada and Ontario. Furthermore, as a result of this acquisition, Cominar's portfolio benefits from enhanced diversification among the office, retail and industrial asset classes.

OVERVIEW OF CANMARC'S PROPERTY PORTFOLIO

SUMMARY BY ACTIVITY SEGMENT

As at September 30, 2012	Number of properties	Leasable area (sq. ft.)
Office	28	3,088,000
Retail	104	4,691,000
Industrial and mixed-use	11	1,633,000
Residential[1]	—	—
Total	143	9,412,000

(1) The residential segment consists of 464 residential units located in two properties recorded in our three main activity segments.

SUMMARY BY GEOGRAPHIC MARKET

As at September 30, 2012	Number of properties	Leasable area (sq. ft.)
Québec City	6	368 000
Montréal	52	4 904 000
Other – Québec	23	612 000
Ottawa[1]	1	43 000
Other – Ontario	12	498 000
Atlantic provinces	29	1 759 000
Western Canada	20	1 228 000
Total	143	9 412 000

(1) The Gatineau area is included in the Ottawa geographic market.

Cominar's management reviewed the number and classification by activity segment of the properties acquired from Canmarc in order to make the presentation consistent with the presentation used in the context of its operational activities.

ACQUISITION OF 67 BUILDINGS FROM GE CAPITAL REAL ESTATE

On September 14, 2012, Cominar acquired a portfolio of 67 office and industrial buildings located in the Montreal and Ottawa areas from GE Capital Real Estate for a purchase price of $697 million; these properties represent a total leasable area of approximately 4.3 million square feet.

This acquisition increased Cominar's assets by approximately 14%, bringing the REIT's leasable area to 35 million square feet and providing significant geographical diversification, as the Ontario market now accounts for 11% (compared to 5%) of its net operating income.

OVERVIEW OF THE PORTFOLIO PURCHASED FROM GE CAPITAL REAL ESTATE

SUMMARY BY ACTIVITY SEGMENT

As at September 30, 2012	Number of properties	Leasable area (sq. ft.)
Office	41	2,987,000
Industrial and mixed-use	26	1,331,000
Total	67	4,318,000

SUMMARY BY GEOGRAPHIC MARKET

As at September 30, 2012	Number of properties	Leasable area (sq. ft.)
Québec City	6	250,000
Montréal	46	2,513,000
Autres – Québec	1	5,000
Ottawa[(1)(2)]	14	1,550,000
Total	67	4,318,000

(1) The Gatineau area is included in the Ottawa geographic market.
(2) The Ottawa area includes a vacant land parcel of approximately 149,400 square feet.

DISPOSAL OF PROPERTIES

On March 8, 2012, Cominar, through Canmarc, sold a property located in British Columbia for an amount of $3.5 million. This property is not included in the 143 properties acquired from Canmarc, as mentioned in this MD&A.

On May 31, 2012, Cominar sold an industrial and mixed-use property in the Québec City area for $1.5 million. This property is no longer included in our same property portfolio results.

INVESTMENTS IN INCOME PROPERTIES

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

During the third quarter of 2012, Cominar incurred $6.1 million ($2.8 million in 2011) of capital expenditures to increase the rental income generating capacity of its properties, or to help reduce the related operating expenses. Cominar also incurred $0.8 million ($0.5 million in 2011) of capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements, which will garner benefits for Cominar over the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invests in leasehold improvements that increase the value of its properties through higher lease rates, and in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required could vary from quarter to quarter since it closely depends on lease renewal and signing of new leases. It also depends on the increase of rental space for newly acquired, expanded or upgraded properties, or for those transferred from properties under development. During the second quarter of 2012, Cominar made investments of $11.2 million in that respect ($5.7 million in 2011), of which $5.8 million ($2.3 million in 2011) in newly acquired, expanded or upgraded properties, or those recently transferred from properties under development.

PROPERTY DEVELOPMENT PROGRAM

As at September 30, 2012, Cominar has worked on two projects relating to properties under development.

The first project concerns a 12-floor office building of approximately 240,000 square feet to be erected at an estimated cost of $39 million. This project, adjacent to the Place Laval complex 1, 2, 3, 4, will be partially occupied by the government of Québec, under a long-term lease, for an area representing 77.0% of the building, being the current pre-rental rate. This project is expected to be completed in the second quarter of 2014. The expected capitalization rate for this project is 8.1%.

The second project relates to a retail building of approximately 9,715 square feet, adjoining the Carrefour Charlesbourg commercial complex in Quebec City, whose construction cost is estimated at approximately $1.9 million. Leased to a government-owned corporation, delivery should occur in the fourth quarter of 2012. The expected capitalization rate for this project is 9.6%.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at September 30, 2012, the average occupancy rate of our properties stood at 93.9%. During the nine-month period ended September 30, 2012, Cominar renewed 60.9% of leases maturing in 2012. In addition, we signed new leases representing an area of 1.1 million square feet. The reduction in occupancy rate is mainly attributable to the office buildings acquired from GE Capital Real Estate.

OCCUPANCY TRACK RECORD

	September 30, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008
Activity segment (%)					
Office	**94.1**	95.2	95.2	94.1	94.5
Retail	**95.2**	96.9	96.1	96.3	97.1
Industrial and mixed-use	**93.1**	91.8	92.3	92.5	94.0
Retail portfolio total	**93.9**	93.6	93.8	93.5	94.6
Residential(1)	**95.6**	—	—	—	—

(1) The residential segment consists of 485 residential units located in three retail properties. This segment results from the acquisition of Canmarc on January 27, 2012.

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity for 2012:

LEASE MATURITIES AND RENEWALS BY ACTIVITY SEGMENT

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2012				
Number of tenants	376	358	285	1,019
Leasable area (sq. ft.)	1,714,000	836,000	2,355,000	4,905,000
Average net rent ($)/sq. ft.	13.08	11.81	6.04	9.48
Renewed leases				
Number of tenants	167	206	170	543
Leasable area (sq. ft.)	870,000	531,000	1,584,000	2,985,000
Average net rent ($)/sq. ft.	12.75	12.95	6.30	9.36
Renewal %	**50.8**	**63.5**	**67.3**	**60.9**
New leases				
Number of tenants	88	61	79	228
Leasable area (sq. ft.)	308,000	126,000	627,000	1,061,000
Average net rent ($)/sq. ft.	13.25	12.89	5.29	8.51

During the first nine-month period of 2012, leasing activity reached an acceptable level across our portfolio, with 60.9% of maturing leases renewed. We also signed new leases for a total leasable area of 1.1 million square feet. Lease renewal rates rose 3.9% overall. Our three activity segments posted increases in lease renewal rates: 3.2% (office), 4.0% (retail) and 4.6% (industrial and mixed-use).

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

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

LEASE MATURITIES

	2013	2014	2015	2016	2017
Office					
Leasable area (sq. ft.)	1,482,000	1,792,000	1,945,000	1,631,000	1,193,000
Lease rate ($)/square foot	12.89	14.75	13.61	13.99	17,84
% of portfolio – Office	11.3	13.7	14.9	12.5	9,1
Retail					
Leasable area (sq. ft.)	899,000	720,000	682,000	698,000	787,000
Lease rate ($)/sq. ft.	11.44	13.25	14.48	16.87	13.60
% of portfolio – Retail	11.6	9.3	8.8	9.0	10.2
Industrial and mixed-use					
Leasable area (sq. ft.)	1,976,000	1,873,000	2,360,000	1,557,000	1,154,000
Lease rate ($)/square foot	6.33	5.69	5.72	5.84	7.20
% of portfolio – Industrial and mixed-use	13.9	13.2	16.6	10.9	8.1
Portfolio total					
Leasable area (sq. ft.)	4,357,000	4,385,000	4,988,000	3,886,000	3,134,000
Lease rate ($)/square foot	9.61	10.63	10.00	11.24	12.86
% of portfolio	12.4	12.5	14.2	11.1	8.9

The following table summarizes information about leases as at September 30, 2012:

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent/ sq. ft. ($)
Office	4.3	6,200	13.50
Retail	4.8	3,900	12.81
Industrial and mixed-use	5.1	11,700	5.82
Portfolio average	**4.8**	**6,600**	**10.26**

Cominar has a broad, highly diversified retail client base, consisting of some 5,000 tenants occupying an average of approximately 6,600 square feet each. Our top three tenants, PWGSC (Public Works Canada), Canadian National Railway Company, and *Société immobilière du Québec* account for approximately 7.9%, 4.1% and 3.9% of our revenues, respectively, stemming from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 11.8% stems from government agencies.

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

Tenant	% of revenues	Leased area (sq. ft.)
Travaux publics Canada (Public Works Canada)	7.9	1,838,000
Canadian National Railway Company	4.1	1, 562,000
Société immobilière du Québec	3.9	1,445,000
Ericsson Canada inc.	1.9	402,000
Jean Coutu Group	1.6	343,000
TAQA North Ltd.	1.0	81,000
Scotiabank	1.0	159,000
Co-op Atlantic	0.9	523,000
Hudson's Bay Company	0.9	624,000
Gowling Lafleur Henderson LLP	0.8	81,000
Total	**24.0**	**7,058,000**

ISSUED AND OUTSTANDING UNITS

	September 30, 2012	December 31, 2011
Units issued and outstanding, beginning of period	**77,051,260**	62,688,799
+ Units issued under public offerings	**28,088,750**	11,801,100
+ Units issued on exercise of options	**993,750**	863,150
+ Units issued under distribution reinvestment plan	**1,037,267**	874,807
+ Units issued on conversion of convertible debentures	**588,917**	823,404
+ Units issued under a business combination	**15,999,999**	—
Units issued and outstanding, end of period	**123,759,943**	77,051,260

Additional information	November 6, 2012
Issued and outstanding units	123,942,708
Exercisable options	962,700
Prospective units – conversion of convertible debentures	12,675,412

PER UNIT CALCULATIONS

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	2012	2011	2012	2011
Weighted average number of units outstanding, basic	**116,793,385**	63,840,009	**104,594,156**	63,367,189
Dilutive effect of unit options	**503,412**	351,899	**450,153**	387,428
Dilutive effect of convertible debentures	**—**	17,219,656	**—**	17,267,318
Weighted average number of units, diluted	**117,296,797**	81,411,564	**105,044,309**	81,021,935
Dilutive effect upon conversion	**15,135,423**	—	**15,929,709**	—
Weighted average number of units outstanding, fully diluted	**132,432,220**	81,411,564	**120,974,018**	81,021,935

The significant variance in the weighted average number of units outstanding between the periods in 2012 and the comparative periods in 2011 mainly results from the issuance of 11,801,100 units in the fourth quarter of 2011 and 28,088,750 units since the beginning of 2012 in connection with public offerings, and also from the issuance of 15,999,999 units with respect to the acquisition of Canmarc.

The calculations of the diluted weighted average number of units outstanding for 2011 do not include 30,000 options outstanding since the average price of the units was lower than the exercise price of these options. The calculations of the diluted net income per unit for 2012 do not take into account the eventual conversion of convertible debentures, as they are antidilutive for those periods.

The diluted and fully diluted net income per unit calculations include the cancellation of interest on convertible debentures in the amount of $6.1 million for the quarter ended September 30, 2011, and $18.3 million for the nine-month period ended September 30, 2011, assuming the conversion of the debentures.

The calculations of distributable income, funds from operations and fully diluted adjusted funds from operations per unit include the elimination of $5.5 million in interest on convertible debentures for the quarter ended September 30, 2012, and $17.1 million for the nine-month period ended September 30, 2012, assuming the theoretical conversion of the debentures.

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of the Trust’s management team, exercise indirect control over the Dallaire Group Inc., *Société de développement Laurier (SDL) Inc.* and Dalcon Inc. Michel Paquet, also a trustee and a member of Cominar’s management team, is a related party of these companies as their Secretary. During the third quarter of 2012, Cominar recorded $42 in net rental income from Dalcon and the Dallaire Group Inc. Cominar incurred costs of $3.9 million for leasehold improvements performed by Dalcon on its behalf and costs of $5.2 million for the construction and development of investment properties.

On June 28, 2012, Cominar aquired three single-tenant industrial properties from *Société immobilière Investus inc.* (indirect property of the Dallaire family). The purchase price of $11.6 million was paid in cash and through the assumption of debt. The Dallaire family had acquired these properties in June 2011 during the privatization of Investus. The purchase price paid by Cominar, through its initial offer, corresponds to the purchase price paid by the Dallaire family at the time, as established by an independent evaluation.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the financial statements. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of Cominar concluded that the DC&P were effective as at the end of the period ended September 30, 2012, and, more specifically, that the design of these controls and procedures provides reasonable assurance that material information about the Trust, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

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 the Trust concluded that the ICFR was effective as at the end of the period ended September 30, 2012, 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 in our internal control over financial reporting during the third quarter of 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Our interim MD&A is based upon Cominar's condensed interim consolidated financial statements, 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 December 31, 2011 audited annual financial statements. The preparation and presentation of the consolidated financial statements and any other financial information contained in this MD&A includes the proper selection and application of appropriate accounting principles and methods, which require management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments regarding the carrying amount of assets and liabilities that, in reality, would not be available from other sources. Use of other accounting policies or methods of estimation might have yielded different amounts than those presented. Actual results could differ.

Revenue recognition

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

Investment properties

Investment property is immovable property held by the Trust to earn rentals 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 adopted the recommendations of IAS 40, "Investment Property", and chose the fair value model to record its investment properties in its financial statements. Fair value is the amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in income for the period in which it arises. The fair value of investment property shall reflect market conditions at the end of the reporting period. Fair value is time-specific as of a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from management's estimates or from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews the appraisal of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment properties.

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

Properties under development in 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.

Financial Instruments

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

Convertible debentures

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

Business combinations

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

Unit options

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

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. In exercising their discretionary power regarding distributions under the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required for the Trust.

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

Impairment of goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the fair value of net identifiable assets acquired. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate that it is more likely than not that goodwill may be impaired. The recoverability of goodwill is determined based on the cash-generating unit to which it belongs. The net carrying amount of the cash-generating unit is compared to its recoverable amount, which is defined as the higher of the fair value less costs to sell and its value in use. If either value exceeds its carrying amount, goodwill is not impaired. Otherwise, the difference is charged to income for the period during which the impairment occurs.

NEW ACCOUNTING POLICIES

IAS 12 – "Income taxes"

In December 2010, the IASB published amendments to IAS 12, "Income taxes" regarding the measurement of deferred income tax liabilities and assets arising from an investment property measured using the fair value model in IAS 40, "Investment Property". Those amendments introduce, for the purpose of establishing the deferred tax consequences related to temporary differences associated with investment property, a rebuttable presumption that the carrying amount of such investment property is recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the investment property's economic benefits over time, rather than through sale.

Cominar applied these amendments to the standard, effective as of January 1, 2012. The amendments had no impact on the condensed interim consolidated financial statements of Cominar.

Some recently issued IFRS and IFRIC will be effective only from a subsequent date. Cominar is currently assessing the impact of these IFRS and IFRIC on its consolidated financial statements. Presented below are the standards that could significantly affect the financial statements during the subsequent periods.

IFRS 9 – "Financial instruments"

In November 2009, the IASB issued IFRS 9, "Financial Instruments: Classification and Measurement", a new standard on the classification and measurement of financial instruments, which will replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 presents two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. Debt instruments are measured at amortized cost only if they are held in order to collect contractual cash flows and if cash flows are solely payments of principal and interest. Otherwise, they are held at fair value through profit and loss.

Requirements for financial liabilities were added in October 2010 and most of them were carried forward unchanged from IAS 39, except for the fair value changes attributable to the credit risk of financial liabilities designated at fair value through profit or loss, which should usually be included in comprehensive income.

This new standard is effective for annual periods beginning on or after January 1, 2015.

In May 2011, the IASB issued the following standards: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27, "Separate Financial Statements", IFRS 13, "Fair Value Measurement", and IAS 28 amended, "Investments in Associates and Joint Ventures". Each of the new standards is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.

The following is a brief summary of the new standards:

IFRS 10 – "Consolidated Financial Statements"

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation—Special Purpose Entities" and parts of IAS 27, "Consolidated and Separate Financial Statements".

IFRS 11 – "Joint Arrangements"

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities—Non-monetary Contributions by Venturers".

IFRS 12 – "Disclosure of Interests in Other Entities"
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – "Fair Value Measurement"
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards
In addition, there have been amendments to existing standards, including IAS 27, "Consolidated and Separate Financial Statements", and IAS 28, "Investments in Associates and Joint Ventures". IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

RISKS AND UNCERTAINTIES

Like any real estate entity, the Cominar REIT is exposed, in the normal course of business, to certain risk factors that may have an impact on its capacity to attain its strategic objectives. Accordingly, unitholders should consider the following risks and uncertainties when assessing the Trust's outlook in terms of investment potential.

Cominar has not identified any significant changes to the risks and uncertainties that it is exposed to in its business.

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

Recent market events and conditions, including disruptions in the international and regional credit markets and other financial systems and the deterioration of global economic conditions, could impede Cominar's access to capital (including debt financing) or increase the cost of capital. Failure to raise capital in a timely basis or under favorable terms could have a material adverse effect on Cominar's financial position and results of operations, including its acquisition and development program.

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

A portion of Cominar's cash flows is devoted to servicing its debt, and there can be no assurance that Cominar will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing. The REIT's current credit facilities, of a stated amount of $550.0 million as at September 30, 2012, is repayable in two tranches over two and three years. Cominar also owns a bridge loan of an amount of $84.0 million, renewable in 2013, and an acquisition bridge loan of $89.0 million as at September 30, 2012. This last credit facility, has a duration of one year and is non-renewable. Approximately $56.3 million of the REIT's secured debt will mature by the end of 2012.

Cominar is exposed to debt financing risks, including the risk that existing hypothecary indebtedness secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In order to minimize this risk, Cominar will attempt to appropriately structure the timing of the renewal of significant tenant leases on its respective properties in relation to the time at which hypothecary indebtedness on such properties becomes due for refinancing.

OWNERSHIP OF IMMOVABLE PROPERTY

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

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

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

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

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

COMPETITION

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

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

ACQUISITIONS

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

DEVELOPMENT PROGRAM

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

RECRUITMENT AND RETENTION OF EMPLOYEES AND EXECUTIVES

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

GOVERNMENT REGULATION

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

In addition, environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, Cominar could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations or for the costs of other remedial or preventive work. The failure to remove or remediate such substances, or to effect such remedial or preventive work, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs or governmental agencies. Notwithstanding the above, Cominar is not aware of any material non-compliance, liability or other claim in connection with any of its properties, nor is Cominar aware of any environmental condition with respect to any of its properties that it believes would involve material expenditure by Cominar.

LIMIT ON ACTIVITIES

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

STATUS FOR TAX PURPOSES

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and designations for income tax purposes.

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

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

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

Exception for real estate investment trusts (REITs)

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

As at September 30, 2012, Cominar's management believes that Cominar currently meets all the criteria required to qualify for the REIT exception. As a result, Cominar's management believes that the SIFT trust tax rules do not apply to Cominar. Cominar's management intends to take all the necessary steps to meet these conditions on an on-going basis in the future.

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

INTEGRATION OF CANMARC

The combination of Cominar and Canmarc may not realize the anticipated benefits, in the expected time-frames or at all, due to unanticipated challenges or delays with integrating the two companies, or considering undisclosed or unknown obligations related to the acquisition of Canmarc.

Cominar has initiated its integration process of Cominar and Canmarc regarding, *inter alia*, the operation and accounting systems of each entity, and has already realized certain synergies. Nevertheless, the anticipated benefits and synergies of the combination of Cominar and Canmarc may not be achieved in full, as same will depend in part on whether the operations, systems, management and cultures of Canmarc and Cominar can continue to be integrated in an efficient and effective manner in the mid-to long-term, and whether the presumed bases or sources of synergies produce the benefits anticipated. The integration of the two entities will continue to present significant challenges to management, including special risks, such as possible unanticipated non-recurring liabilities and expenses, significant one-time write-offs or restructuring charges and the loss of key employees. In addition, Cominar is continuing its review of Canmarc's portfolio and this review may lead to dispositions or complementary acquisitions. There can be no assurance that there will be operational or other synergies realized by the combined entity, or that the integration of the two entities' operations, systems, management, personnel and cultures will be timely or effectively accomplished, or ultimately will be successful in achieving the anticipated benefits. The integration process may lead to greater than expected operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, client or suppliers) that may affect the ability of the combined business to realize the anticipated benefits and synergies of the combination.

In addition, following the acquisition of Canmarc, Cominar could pledge credit and be the object of potential collections regarding undeclared or unknown obligations or issues related to properties that were part of the Canmarc portfolio, namely those associated with the Holman Grand Hotel, located in Charlottetown, Prince Edward Island. See section entitled *Potential liabilities and recoveries associated with the Holman Grand Hotel and other Canmarc liabilities*, below.

MATTERS RELATING TO HOMBURG INVEST INC. IN THE CONTEXT OF THE LATTER'S PROCEEDINGS UNDER THE CCAA

Entities of the Canmarc group entered into head leases with Homburg Invest Inc. ("HII") as head tenant in connection with the initial public offering of Canmarc in May of 2010 in relation to the "Fitzroy Building" and the "Centre Court Mall" in Charlottetown, Prince Edward Island and the "CN Complex" in Montréal, Québec (the "**Canmarc IPO Head Leases**"), and in June of 2011 in relation to the acquisition of the "Centron Park Complex" in Calgary, Alberta (the "**Centron Park Complex Acquisition Head Lease**").

In addition, in connection with the initial public offering of Canmarc, HII agreed to pay certain environmental remediation costs (the "**Canmarc IPO Remediation Cost Obligations**") and to indemnify with respect to certain tax related matters (the "**Canmarc IPO Tax Indemnity Obligations**").

These obligations were secured hypothecs and pledges on the trust units of Canmarc then held by HII (including the proceeds of sale therefrom).

On September 9, 2011, HII requested CCAA protection.

These matters are described in the documents publicly filed by Canmarc (including Canmarc's annual information form for the year ended December 31, 2010 dated March 31, 2011) and which documents are available at *www.sedar.com*.

In the context of its proceedings under the CCAA, HII served Canmarc, on May 29, 2012, with notices purporting to disclaim or resiliate the above head leases, effective as at June 28, 2012. In addition, by motion on May 30, 2012, the monitor under HII's CCAA proceedings ("the Monitor") has challenged the hypothecs and pledges on the proceeds of the sale to Cominar of the trust units of Canmarc, which were held by HII (aggregate proceeds of $16.5 million from the sale of 1,000,000 trust units of Canmarc), which secure the Canmarc IPO Head Leases, the Canmarc IPO Remediation Costs Obligations and the Canmarc IPO Tax Indemnity Obligations, as the case may be. The Monitor has not, however, challenged the hypothec and pledge relating to Centron Park Complex Acquisition Head Lease. Cominar has filed a motion seeking an order that the head leases not be disclaimed or resiliated, as well as a contestation of the Monitor's motion described above. The Superior Court will hear these proceedings on the date fixed by the parties, which should be before the end of 2012. In the event that the above head leases are disclaimed or resiliated or the hypothecs and pledges are set aside in the context of HII's proceedings under the CCAA, there could be an adverse effect on the net operating income of Cominar.

POTENTIAL LIABILITIES AND RECOVERIES ASSOCIATED WITH THE HOLMAN GRAND HOTEL AND OTHER CANMARC LIABILITIES

Cominar, through the acquisition of Canmarc, is party to potential liabilities and recoveries associated with undeclared or unknown liabilities or issues regarding properties from the Canmarc portfolio, namely those relating to the Holman Grand Hotel (the "Hotel") located in Charlottetown, Prince Edward Island, which is owned and operated by HII. HII filed for protection under the Companies' Creditors Arrangement Act (Canada) on September 9, 2011. Dyne Holdings Limited ("Dyne"), acquired by Canmarc from HII in May 2010, is the owner of the land on which the Hotel was built (the "Land"). The Hotel was acquired by HII from Dyne pursuant to an agreement dated April 2010, and HII acquired a leasehold interest in respect of the Land under a ground lease entered into between Dyne and HII in May 2010. (the "Ground Lease"). Pursuant to the provisions of the Ground Lease, HII agreed to construct the Hotel on the Land.

Dyne is indebted to the Prince Edward Island Century 2000 Fund Inc. (the "Century Fund") under a secured loan contracted by Dyne in November 2008 to finance the construction of the Hotel (the "Loan"). The Loan is secured by a collateral mortgage in favour of the Century Fund over the Land. The Loan was guaranteed by HII in September 2009 and assumed by HII in April 2010 as part of the conveyance of the Hotel to HII by Dyne in connection with Canmarc's subsequent initial public offering. At such time an amount of approximately $3.7 million was drawn down under the Loan. Dyne however remained liable under the Loan and was indemnified by HII in respect thereof. HII also agreed to use its best efforts to assist Dyne to obtain a release of the obligations of Dyne from the Century Fund.

HII is in default under the Ground Lease and the assumption of the Loan. In late November 2011, Dyne received written notice from the Century Fund to the effect that Dyne was in default under the Loan. No formal enforcement proceedings have commenced under the Loan. On October 31, 2012, HII served Dyne with cancellation notices for this Ground Lease. Cominar is currently evaluating possible alternatives to find a solution to the current situation.

In addition to the Loan, liens with respect to HII's construction of the Hotel have been filed against Dyne's freehold interest in the Land. Construction related trade payables of HII alleged to be secured by a lien on Dyne's freehold interest in the Land currently aggregate approximately $4.1 million.

As a result of the events described above, Cominar has reflected the mortgage payable of approximately $14.7 million, as well as an amount of approximately $4.1 million of outstanding liens and approximately $0.6 million of unpaid interests in the accounts payable and other liabilities, and a corresponding receivable amount from HII of approximately $19.4 million, in its balance sheet, as of September 30, 2012.

Moreover, in light of the current status of the financial condition of HII, a situation which also existed on January 27, 2012, management considered that there is objective evidence of the impairment of the amounts due by HII. Consequently, Cominar's management re-adjusted the provision for impairment of $2.0 million that was previously recognized in Canmarc's balance sheet as at January 27, 2012, to the maximum possible loss amount with respect to the claim, that is, $19.4 million. No assurance as to the amounts that could be recovered from HII, and the timing of such recoveries.

On July 18, 2012, Cominar received from the City of Laval a property tax assessment for an aggregate amount of approximately $1.3 million relating to the transfer of Centre Laval in January 2010, prior to Canmarc's initial public offering. Cominar's preliminary assessment is that no transfer duties are applicable in connection with this transaction and it intends to contest the notices of assessments received. In the event transfer duties are payable as a result of the above transaction, such payment would be subject to indemnification by HII. This indemnification was secured by hypothecs and pledges of the trust units of Canmarc then held by HII (including the proceeds of sale therefrom). By motion on May 30, 2012, the Monitor has challenged the hypothecs and pledges on the proceeds of sale of trust units of Canmarc to Cominar, which secure the above mentioned tax and transfer duties indemnification and other obligations. Cominar is contesting such motion. The Superior Court will hear these proceedings on the date fixed by the parties, which should be before the end of 2012.

In management's opinion, settlement of the above-mentioned contingencies will not have a significant impact on Cominar's financial statements.

RISK FACTORS RELATED TO THE GE ACQUISITION

Although Cominar has performed its due diligence regarding the acquisition of 67 properties from GE Capital Real Estate, completed on September 14, 2012 ("GE acquisition"), there is still a certain level of inevitable risk regarding any undeclared or unknown obligations or problems related to the properties acquired from GE. Further to the GE acquisition, Cominar can discover that it acquired significant undeclared obligations. Cominar will not be able to claim any compensation from GE Capital Real Estate, as the properties part of the GE acquisition were purchased as is. The existence of undeclared obligations and Cominar's inability to claim any compensation from GE Capital Real Estate could have a negative effect on Cominar.

In order to effectively integrate the properties acquired from GE into its current portfolio, Cominar must establish appropriate operational, administrative, financial and management systems and control measures, as well as leasing and marketing activities for these properties. This process will require considerable attention from Cominar's management team at a time when it must also concentrate on the integration Canmarc. This diversion of management's attention, as well as other difficulties Cominar may have to face during the transition and integration process could have a significant negative impact on Cominar. There is no guarantee that Cominar will be able to integrate the properties acquired from GE or that the benefits expected from the GE acquisition, such as an increase in occupancy rates of acquired GE properties located in Montréal, will materialize.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
Unaudited
September 30, 2012

CONSOLIDATED BALANCE SHEETS

[Unaudited, in thousands of Canadian dollars]

	Note	As at September 30, 2012	As at December 31, 2011
		$	$
ASSETS			
Investment properties			
Income properties	3, 4	**5,104,035**	2,515,965
Properties under development	5	**12,219**	5,713
Land held for future development	5	**31,347**	31,731
		5,147,601	2,553,409
Investments	6	**44,236**	134,284
Goodwill	3	**145,711**	9,380
Prepaid expenses and other assets		**42,206**	7,084
Accounts receivable		**43,971**	55,715
Income taxes recoverable		**—**	56
Restricted cash	7	**9,138**	—
Cash and cash equivalents		**7,151**	5,389
Total assets		**5,440,014**	2,765,317
LIABILITIES			
Mortgages payable	8	**1,693,258**	842,619
Debentures	9	**249,516**	—
Convertible debentures	10	**288,656**	382,060
Bridge loans	11	**173,000**	—
Bank indebtedness	12	**417,144**	16,540
Accounts payable and accrued liabilities		**98,879**	45,083
Income taxes payable		**2**	—
Deferred tax liability		**8,258**	7,793
Distributions payable to unitholders		**14,851**	—
Total liabilities		**2,943,564**	1,294,095
UNITHOLDERS' EQUITY			
Unitholders' equity		**2,496,450**	1,471,222
Total liabilities and unitholders' equity		**5,440,014**	**2,765,317**

See accompanying notes to condensed interim consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

For the periods ended September 30,
[Unaudited, in thousands of Canadian dollars]

	Note	Unitholders' contributions	Cumulative net income	Accumulated other comprehensive income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$		$	$	$	$
Balance as at January 1, 2012		1,150,735	936,121	—	(619,565)	2,186	1,745	1,471,222
Net income and comprehensive income		—	110,312	1	—	—	—	110,313
Distributions to unitholders	13	—	—	—	(118,734)	—	—	(118,734)
Issue of units	13	1,062,257	—	—	—	—	(8)	1,062,249
Unit issue expenses		(28,536)	—	—	—	—	—	(28,536)
Unit option plan		—	—	—	—	(64)	—	(64)
Balance as at September 30, 2012		2,184,456	1,046,433	1	(738,299)	2,122	1,737	2,496,450

	Note	Unitholders' contributions	Cumulative net income	Accumulated other comprehensive income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$		$	$	$	$
Balance as at January 1, 2011		855,182	758,660	—	(523,998)	1,879	1,889	1,093,612
Net income and comprehensive income		—	81,758	—	—	—	—	81,758
Distributions to unitholders	13	—	—	—	(69,138)	—	—	(69,138)
Issue of units	13	27,844	—	—	—	—	—	27,844
Unit issue expenses		(30)	—	—	—	—	—	(30)
Unit option plan		—	—	—	—	116	—	116
Balance as at September 30, 2011		882,996	840,418	—	(593,136)	1,995	1,889	1,134,162

See accompanying notes to condensed interim consolidated financial statements

CONSOLIDATED STATEMENTS OF NET INCOME

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

	Note	Quarter		Cumulative (nine months)	
		2012	2011	2012	2011
		$	$	$	$
Operating revenues					
Rental revenue from investment properties		**140,518**	78,002	**407,225**	239,758
Operating expenses					
Operating costs		**26,054**	13,366	**80,622**	43,729
Realty taxes and services		**29,939**	16,200	**90,540**	54,883
Property management expenses		**2,959**	1,166	**8,582**	3,639
		58,952	30,732	**179,744**	102,251
Net operating income		**81,566**	47,270	**227,481**	137,507
Other revenues		**860**	—	**2,420**	—
Financial expense	14	**(29,290)**	(17,183)	**(85,541)**	(50,158)
Trust administrative expenses		**(2,607)**	(1,463)	**(7,656)**	(4,266)
Restructuring charges	15	**(2,450)**	—	**(4,899)**	—
Transaction costs – business combination	3	**(16,167)**	(646)	**(27,348)**	(646)
Proceeds from an investment in a public entity	6	**—**	—	**6,222**	—
Income before income taxes		**31,912**	27,978	**110,679**	82,437
Income taxes					
Current		**(2)**	—	**(37)**	78
Deferred		**(86)**	(60)	**(330)**	(757)
		(88)	(60)	**(367)**	(679)
Net income		**31,824**	27,918	**110,312**	81,758
Basic net income per unit	16	**0.27**	0.44	**1.05**	1.29
Diluted net income per unit	16	**0.27**	0.42	**1.05**	1.24

See accompanying notes to condensed interim consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the periods ended September 30,
[Unaudited, in thousands of Canadian dollars]

	Note	Quarter		Cumulative (nine months)	
		2012	2011	2012	2011
		$	$	$	$
Net income		**31,824**	27,918	**110,312**	81,758
Change in fair value of an investment in a limited partnership	6	**81**	—	**1**	—
Comprehensive income		**31,905**	27,918	**110,313**	81,758

See accompanying notes to condensed interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the periods ended September 30,
[Unaudited, in thousands of Canadian dollars]

	Note	Quarter		Cumulative (nine months)	
		2012	2011	2012	2011
		$	$	$	$
OPERATING ACTIVITIES					
Net income		**31,824**	27,918	**110,312**	81,758
Adjustments for:					
Amortization of fair value adjustments on assumed indebtedness		**(4,018)**	(413)	**(11,030)**	(968)
Amortization of fair value adjustments on bond investments	6	**79**	—	**203**	—
Amortization of capitalized financing costs and other assets		**2,285**	975	**7,231**	2,860
Compensation expense related to unit options		**262**	195	**746**	737
Accretion of liability component of convertible debentures		**58**	61	**172**	179
Deferred taxes		**86**	60	**330**	757
Change in accounts receivable – recognition of leases on a straight-line basis		**(1,770)**	(420)	**(4,836)**	(1,975)
Change in fair value of an investment in a public entity	3	**—**	—	**(2,582)**	—
Change in non-cash working capital items	17	**12,321**	14,607	**(39,517)**	(15,462)
Cash flows provided from operating activities		**41,127**	42,983	**61,029**	67,886
INVESTING ACTIVITIES					
Acquisition of income properties	4	**(8,581)**	(20,028)	**(37,354)**	(87,470)
Additions to properties under development and land held for future development	5	**(2,700)**	(3,531)	**(5,472)**	(19,389)
Cash consideration paid upon business combinations	3	**(662,263)**	—	**(1, 088,147)**	—
Net proceeds from the sale of immovable property		**—**	—	**44,519**	—
Change in restricted cash		**(119)**	—	**9,419**	—
Change in investments		**273**	—	**(292)**	—
Additions to other assets		**(365)**	(28,800)	**(851)**	(29,094)
Cash flows used in investing activities		**(673,755)**	(52,359)	**(1,078,178)**	(135,953)
FINANCING ACTIVITIES					
Distributions to unitholders		**(31,527)**	(18,204)	**(79,149)**	(50,120)
Bank indebtedness and bridge loans		**367,376**	25,533	**374,427**	109,274
Mortgages payable		**—**	4,849	**—**	15,884
Net proceeds from issue of debentures		**125,723**	—	**249,516**	—
Net proceeds from issue of units	13	**278,558**	3,477	**650,861**	13,888
Convertible debenture redemption		**(80,486)**	—	**(86,007)**	—
Repayments of balances at maturity of mortgage payable		**(13,420)**	—	**(57,297)**	(2,769)
Monthly repayment of mortgages payable		**(11,915)**	(6,279)	**(33,440)**	(18,090)
Cash flows provided from financing activities		**634,309**	9,376	**1,018,911**	68,067
Net change in cash and cash equivalents		**1,681**	—	**1,762**	—
Cash and cash equivalents, beginning of period		**5,470**	—	**5,389**	—
Cash and cash equivalents, end of period		**7,151**	—	**7,151**	—
Other information					
Interest paid		**31,350**	19,390	**88,079**	55,371
Income taxes paid (recovered)		**(11)**	—	**(21)**	56
Distributions cashed		**—**	—	**4,293**	—

See accompanying notes to condensed interim consolidated financial statements

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended September 30, 2012 and 2011
[Unaudited, in thousands of Canadian dollars, except per unit amounts]

1) DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998 under the laws of the Province of Québec. As at September 30, 2012, Cominar owned and managed a real estate portfolio of 482 high-quality properties that cover a total area of 35.0 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 455 du Marais Street, Québec City, Québec, Canada. Additional information about the Trust is available on Cominar's website at www.cominar.com.

The Board of Trustees has approved Cominar’s condensed interim consolidated financial statements on November 6, 2012.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Cominar’s unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, and comply notably with the requirements of IAS 34, "Interim Financial Reporting". They do not include all the disclosures that will normally be found in the Trust’s annual consolidated financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these condensed interim consolidated financial statements. These accounting policies are the same as those used in the preparation of the December 31, 2011, audited annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with Cominar’s IFRS annual financial statements for the fiscal year ended December 31, 2011.

b) Basis of preparation

Consolidation

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

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items subject to estimates and assumptions include the fair value of investment properties, financial instruments and debentures, as well as the recognition of business combinations and income taxes.

Business combinations

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

Investment properties

Investment property is immovable property held by the Trust 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 adopted the recommendations of IAS 40, "Investment Property", and chose the fair value model to record its investment properties in its financial statements. Fair value is the amount for which the properties could be exchanged between knowledgeable, willing parties in an arm's length transaction. Any change in the fair value is recognized in income for the period in which it arises. The fair value of investment property shall reflect market conditions at the end of the reporting period. Fair value is time-specific as of a given date. As market conditions could change, the amount presented as fair value could be incorrect or inadequate at another date. The fair value of investment properties is based on measurements derived from management's estimates or from independent appraisers, plus capital expenditures made since the most recent appraisal. Management regularly reviews the appraisal of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as net operating income and capitalization rates, still apply. These assumptions are compared to market data issued by independent experts. When increases or decreases are required, Cominar adjusts the carrying amount of its investment properties.

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

Properties under development in 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.

Investment in a limited partnership

The investment is classified as available for sale and is measured at fair value. Any changes in fair value of the investment in DEGI LP are included in the consolidated statement of comprehensive income.

Restricted cash

Restricted cash primarily includes amounts earmarked for the funding of capital expenditures.

Bond investments and amount receivable

Bond investments are measured at amortized cost using the effective interest rate method and the amount receivable is measured at fair value.

Revenue recognition

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

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. In exercising their discretionary power regarding distributions under the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by

Cominar to unitholders and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required for the Trust.

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

Per unit calculations

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

c) New accounting standard

IAS 12 – "Income taxes"

In December 2010, the IASB published amendments to IAS 12, "Income taxes" regarding the measurement of deferred income tax liabilities and assets arising from an investment property measured using the fair value model in IAS 40, "Investment Property". Those amendments introduce, for the purpose of establishing the deferred tax consequences related to temporary differences associated with investment property, a rebuttable presumption that the carrying amount of such investment property is recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the investment property's economic benefits over time, rather than through sale.

Cominar applied these amendments to the standard, effective as of January 1, 2012. The amendments had no impact on Cominar's condensed interim consolidated financial statements.

3) ACQUISITIONS

BUSINESS COMBINATION

Acquisition of Canmarc Real Estate Investment Fund – Description of Transaction

On November 28, 2011, Cominar announced the purchase, by way of a private agreement, of a total of 3,099,300 units of Canmarc Real Estate Investment Trust ("Canmarc"), representing 5.7% of the total issued and outstanding Canmarc units. Cominar had previously acquired 5,164,630 Canmarc units through market transactions. Consequently as of that date, Cominar owned approximately 15.1% of the total issued and outstanding Canmarc units.

On January 27, 2012, Cominar announced that 37,692,827 units of Canmarc had been deposited to the offer by Cominar to acquire all of the issued and outstanding Canmarc units. As of that date, Cominar owned approximately 83.8% of the Canmarc units outstanding and acquired control of Canmarc.

On February 7, 2012, Cominar announced that an additional 6,108,608 units of Canmarc had been acquired, following the extension of the offer to purchase all of the Canmarc units. As of that date, Cominar owned approximately 95% of the Canmarc units outstanding. Since Cominar had acquired more than 90% of the Canmarc units, it implemented a compulsory acquisition process under the declaration of trust of Canmarc.

On March 1, 2012, Cominar completed the acquisition of all of the remaining 2,756,064 issued and outstanding units of Canmarc, thus bringing the total consideration at $904,554, excluding the acquisition-related costs. The total consideration includes the issuance of 16 million units of Cominar at $21.69, representing a sum of $347,049, and the balance amounting to $557,505 was paid cash.

Acquisition of Canmarc Real Estate Investment Fund – Recognition of Transaction

The acquisition was accounted for by Cominar using the acquisition method set out in IFRS 3, "Business Combinations". Canmarc's earnings are consolidated as of January 27, 2012 with liabilities relating to redeemable units up to February 7, 2012. The acquisition of Canmarc was carried out in two steps: (1) deemed disposal of Cominar's interest in Canmarc and calculation of the gain on the disposal, and (2) acquisition of control of Canmarc at fair value and preliminary purchase price allocation.

(1) Deemed disposal and calculation of corresponding gain as at January 27, 2012

The deemed disposal was calculated at the fair value of the investment held by Cominar amounting to $136,355.

Cominar has recognized its investment at fair value since the acquisition thereof and accounted for a $2,582 adjustment from January 1 to January 27, 2012, bringing the carrying amount of the investment to $136,355.

(2) Acquisition of Canmarc

The fair value of all the units acquired was $904,554 ($16.50 per unit), and this amount was allocated to the net identifiable assets acquired as follows:

	Preliminary purchase price allocation
	$
Investment properties	1,856,249
Investments	42,084
Working capital	(18,464)
Restricted cash	18,557
Bank overdraft	(1,015)
Redeemable units held by non-controlling interests (8,864,672 parts at $16.50 per unit)	(146,267)
Mortgages payable (face value of $857,203)	(912,248)
Bank indebtedness and bridge loan	(195,000)
Net assets	643,896
Goodwill	114,391
Fair value of consideration paid as at January 27, 2012 for the acquisition of control (83.8%)	758,287
Repayment of redeemable units held by non-controlling interests	146,267
Fair value of consideration paid (100%)	904,554
Less:	
Issue of Cominar units (15,999,999 units at $21.69 per unit)	(347,049)
Value of Canmarc units held at the time of acquisition	(136,355)
Bank overdraft assumed	1,015
Additional consideration paid for units held at the time of acquisition	3,719
Total cash consideration paid for the acquisition	425,884

Acquisition of 67 income properties from GE Capital Real Estate

On September 14, 2012, Cominar acquired 67 income properties from GE Capital Real Estate. This acquisition includes:

- 14 office buildings (1.6 million square feet) and one vacant land parcel (149,400 square feet) located in the Ottawa area, in Ontario.
- 23 office buildings (1.2 million square feet) and 23 industrial and mixed-use properties (1.3 million square feet) located in the Montreal area, in Quebec.
- 4 office buildings (201,000 square feet) and 3 industrial and mixed-use properties (54,000 square feet) located in the Quebec City area, in Quebec.

The following table summarizes the estimated fair value on the date of purchase of the net assets acquired:

	Preliminary purchase price allocation
Investment properties	677,900
Mortgages payable	(31,939)
Adjustments in yield fund	(5,638)
Identifiable net assets acquired	640,323
Goodwill	21,940
Total cash consideration paid for the acquisition	662,263

Cominar accounted for these acquisitions using the acquisition method, as defined in IFRS 3, "Business Combinations". The operating income from acquired companies is included in the consolidated financial statements as of the date of acquisition.

The purchase price allocations at the fair value of assets acquired and liabilities assumed have not been finalized and are subject to change.

The amount of operating revenues and net income arising from business combinations, excluding transaction costs and restructuring charges, since their dates of acquisition, were $159,212 and $56,650, respectively, for the nine-month period ended September 30, 2012.

Assuming that the acquisition occurred on January 1, 2012, Cominar's operating revenues, net income, and comprehensive income would amount to approximately $478,803, $121,923 and $121,924, respectively, for the nine-month period ended September 30, 2012.

ACQUISITION OF INCOME PROPERTIES

On June 28, 2012, Cominar acquired three income properties from *Société immobilière Investus inc.* further to the exercise of a right to initial offer.

This acquisition includes:

- One industrial and mixed-use property (31,000 square feet) located in Winnipeg, Manitoba; this property was acquired for a cost of $4,700, of which $2,445 was an assumption of mortgage payable, $2,164 was debt, and $91 was paid in cash.

- One industrial and mixed-use property (46,000 square feet) located in Longueuil, Québec; this property was acquired for a cost of $3,700, of which $2,362 was an assumption of mortgage payable, and $1,338 was paid in cash.

- One industrial and mixed-use property (29,000 square feet) located in Halifax, Nova Scotia; this property was acquired for a cost $3,200, of which $2,136 was an assumption of mortgage payable, and $1,064 was paid in cash.

The following table summarizes the estimated fair values on the dates the net assets were acquired:

	Estimated fair value
	$
Income properties	11,600
Mortgages payable	(6,943)
Debt	(2,164)
Total cash consideration paid for these acquisitions	2,493

4) INCOME PROPERTIES

	September 30, 2012	December 31, 2011
	$	$
Balance, beginning of period	**2,515,965**	2,220,233
Business combinations	**2,534,149**	—
Acquisitions	**11,600**	100,927
Fair value adjustment	**—**	51,349
Capital costs	**35,900**	30,012
Disposals	**(4,996)**	—
Transfer of properties under development	**—**	104,494
Change in initial direct costs	**3,364**	2,585
Change in accounts receivable – recognition of leases on a straight-line basis	**5,874**	1,969
Others	**2,179**	4,396
Balance, end of period	**5,104,035**	2,515,965

5) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

	September 30, 2012	December 31, 2011
	$	$
Balance, beginning of period	**37,444**	158,113
Acquisitions	**1,296**	—
Capital costs	**3,694**	16,016
Disposal	**—**	(39,523)
Capitalized interest	**1,132**	7,332
Transfer to income properties	**—**	(104,494)
Balance, end of period	**43,566**	37,444
Breakdown:		
Properties under development	**12,219**	5,713
Land held for future development	**31,347**	31,731

6) INVESTMENTS

	Note	September 30, 2012	As at December 31, 2011
		$	$
Investment in a limited partnership		**22,300**	—
Bond investments		**21,936**	2,061
Investment in a public entity		**—**	132,223
		44,236	134,284

Investment in a limited partnership

The investment in DEGI Homburg Harris Limited Partnership ("DEGI LP") consists of 10% of the partnership units of DEGI LP, which are not traded in an active market. DEGI LP owns commercial property (Penn West Plaza in Calgary, Alberta).

Bond investments

Cominar holds Government of Canada bonds and mortgage bonds with a weighted average interest rate of 3.15% and pledged them as security, held in escrow, against the mortgages. The transactions do not qualify for defeasance accounting; therefore, both the mortgages payable and the related assets pledged as security continue to be recorded in the consolidated balance sheet. The mortgages are payable in monthly instalments and mature at various dates between 2013 and 2016. The assets pledged as security have various maturity dates which closely correspond to the monthly instalments and maturities of the mortgages. The assets and liabilities related to the mortgages are measured at amortized cost using the effective interest rate method. The carrying amount of the mortgages secured by bonds is $20,631 as at September 30, 2012 ($1,937 as at December 31, 2011).

PROCEEDS FROM THE INVESTMENT IN A PUBLIC ENTITY

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	2012	2011	2012	2011
	$	$	$	$
Distributions received	—	—	3,640	—
Change in fair value	—	—	2,582	—
	—	—	6,222	—

7) RESTRICTED CASH

Restricted cash mainly includes an amount which is held in an interest-bearing reserve account and is expected to be utilized over the next three years to fund capital expenditures and leasing costs with respect to two investment properties.

8) MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on investment properties. They bear contractual interest rates ranging from 2.68% to 8.35% per annum [3.04% to 9.13% as at December 31, 2011] representing a weighted average contractual rate of 5.32% as at September 30, 2012 [5.38% as at December 31, 2011] and are renewable at various dates between October 2012 and January 2039. As at September 30, 2012, the weighted average effective rate was 4.21% [5.36% as at December 31, 2011]. As at September 30, 2012, most mortgages payable were at fixed rates.

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

	September 30, 2012		December 31, 2011	
		Rate		Rate
	$	%	$	%
Balance, beginning of period	841,082	5.38	818,253	5.31
Mortgages payable contracted or assumed	41,016	5.07	90,500	5.17
Business combinations	857,203	5.41	—	—
Monthly repayments of principal	(33,440)	—	(24,526)	—
Repayment of balances at maturity	(60,755)	6.42	(43,145)	3.82
Balance, end of period	1,645,106	5.32	841,082	5.38
Plus: Fair value adjustments on assumed mortgages	49,154		2,689	
Less: Unamortized capitalized financing costs	(1,002)		(1,152)	
	1,693,258		842,619	

9) DEBENTURES

On June 12, 2012, Cominar proceeded to price an offering of $125,000 Series 1 senior unsecured debentures bearing an interest rate of 4.274% and expiring on June 15, 2017.

On September 11, 2012, Cominar re-opened its Series 1 offering by issuing $125,000 in senior unsecured debentures bearing an interest rate of 4.274% and expiring on June 15, 2017.

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

	September 30, 2012		December 31, 2011	
		Rate		Rate
	$	%	$	%
Balance, beginning of period	—	—	—	—
Issues	250,000	4.27	—	—
	250,000	4.27	—	—
Less				
Deferred financing costs	(1,951)		—	
Premium on issuance	1,467			
Balance, end of period	249,516		—	

10) CONVERTIBLE DEBENTURES

On June 29, 2012, Cominar redeemed all Series A convertible debentures still outstanding for an amount of $5,521.

On September 19, 2012, Cominar redeemed all Series B convertible debentures still outstanding for an amount of $80,486.

The following table presents the characteristics of the subordinate unsecured convertible debentures:

Series	Date of issuance	Contractual interest rate	Effective interest rate	Per unit conversion price	Date of redemption at holder's option	Maturity date	Nominal value as at Sept. 30, 2012
		%	%	$			$
C	October 2007	5.80	6.60	25.25	September 2010	September 2014	110,000
D	September 2009	6.50	7.50	20.50	September 2012	September 2016	99,817
E	January 2010	5.75	6.43	25.00	June 2013	June 2017	86,250
							296,067

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

	September 30, 2012		December 31, 2011	
		Rate		Rate
	$	%	$	%
Balance, beginning of period	**392,471**	**5.97**	408,950	5.99
Holders' option conversion	**(10,397)**	**6.32**	(16,479)	6.47
Redemption	**(86,007)**	**5.74**	—	—
	296,067	**6.02**	392,471	5.97
Less				
Deferred financing costs	**(6,440)**		(9,258)	
Equity component	**(971)**		(1,153)	
Balance, end of period	**288,656**		382,060	

11) BRIDGE LOANS

During the first quarter of 2012, Cominar obtained an $84,000 acquisition bridge loan following the Canmarc business combination. This one-year, non-renewable credit facility bears interest at prime rate plus 1.0%, or at the accepted bank rate plus 2.5%, and it is secured by a first-rank lien on investment properties. On September 14, 2012, Cominar signed a new credit facility agreement of a maximum amount of $89,000. This non-renewable, one-year credit facility, bears interest at prime rate plus 0.5%, or at the bankers' accepted rate plus 1.5%, and it is secured by a first-rank lien on the income properties acquired from GE Canada Real Estate. As at September 30, 2012, bridge loans totalled $173,000

12) BANK INDEBTEDNESS

As at September 30, 2012, Cominar had operating and acquisition credit facilities of up to $550,000 [$260,836 as at December 31, 2011]. These credit facilities, repayable in two tranches over two and three years, bear interest at prime plus 1.0% [1.0% in 2011] or at the bankers' acceptance rate plus 2.0% [2% in 2011]. These credit facilities are secured by movable and immovable hypothecs on specific assets. As at September 30, 2012, the prime rate was 3.0% [3.0% as at December 31, 2011].

13) 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.

On February 28, 2012, Cominar issued 9,168,950 units for gross proceeds of $201,258 under a public offering.

On May 28, 2012, Cominar issued 7,279,500 units for gross proceeds of $172,524 under a public offering.

On August 21, 2012, Cominar issued 11,640 300 units for gross proceeds of $287,515, under a public offering.

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

	Note	September 30, 2012		December 31, 2011	
		Units	$	Units	$
Units issued and outstanding, beginning of period		**77,051,260**	**1,150,735**	62,688,799	855,182
Units issued under public offerings		**28,088,750**	**633,154**	11,801,100	244,539
Units issued under a business combination	3	**15,999,999**	**347,049**	—	—
Units issued on exercise of options		**993,750**	**17, 800**	863,150	15,164
Units issued under distribution reinvestment plan		**1,037,267**	**24,649**	874,807	19,151
Units issued on conversion of convertible debentures		**588,917**	**10,259**	823,404	16,022
Reversal of contributed surplus on exercise of options		**—**	**810**	—	667
Units issued and outstanding, end of period		**123,759,943**	**2,184,456**	77,051,260	1,150,735

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

	September 30, 2012		December 31, 2011	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of period	**4,481,850**	**20.04**	4,169,900	18.96
Exercised	**(993,750)**	**18.08**	(863,150)	17.65
Granted	**450,000**	**24.14**	1,394,700	21.80
Forfeited	**(142,100)**	**21.35**	(219,600)	20.16
Outstanding, end of period	**3,796,000**	**20.99**	4,481,850	20.04
Exercisable options, end of period	**969,700**	**18.98**	1,966,250	18.53

During the quarter, Cominar granted 450,000 options to two new executives, at exercise prices corresponding to the closing price of the Cominar units on the day before the date the options were granted. These options possess various characteristics, such as the acquisition of a first portion, consisting of 50% of the rights, upon the employment start date and the second portion on the anniversary date. These options will expire in 2017.

Unitholder distribution reinvestment plan

Cominar has adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units equal to 105% of the cash distributions. For the nine-month period ended September 30, 2012,1,037,267 units [513,730 in 2011] were issued for a total net consideration of $24,649 [$11,299 in 2011] under this plan.

DISTRIBUTIONS

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

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	2012	2011	2012	2011
	$	$	$	$
Distributions to unitholders	**43,598**	23,272	**118,734**	69,138
Distributions per unit	**0.36**	0.36	**1.08**	1.08

14) FINANCIAL EXPENSE

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	2012	2011	2012	2011
	$	$	$	$
Mortgages payable	**21,608**	11,365	**62,571**	33,495
Debentures	**1,559**	—	**1,781**	—
Convertible debentures	**5,494**	6,101	**17,149**	18,341
Bank indebtedness and bridge loans	**2,781**	1,151	**9,407**	3,073
Amortization of capitalized financing costs	**2,209**	848	**6,796**	2,549
Amortization of fair value adjustments on assumed indebtedness	**(4,018)**	(413)	**(11,030)**	(968)
Less: Capitalized interest	**(343)**	(1,869)	**(1,133)**	(6,332)
Total financial expense	**29,290**	17,183	**85,541**	50,158

The amortization of capitalized financing costs includes financing initiation fees in connection with a business combination. This financing has not been used and the fees in the amount of $2,091 have been recognized in income for the first quarter. During the nine-month period ended September 30, 2012, Cominar wrote off $981 in capitalized financing costs following the repurchase of convertible Series A and B debentures.

15) RESTRUCTURING CHARGES

For the nine-month period ended September 30, 2012, Cominar incurred charges of $4,899 related to the integration of Canmarc's operations, namely for changes to its corporate structure. These charges mainly include direct salaries of personnel that was maintained for the transition period, severance pay indemnities paid during this period, as well as consulting and legal fees. This process will continue throughout the fiscal year.

16) 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		Cumulative (nine months)	
For the periods ended September 30,	2012	2011	2012	2011
Weighted average number of units outstanding – basic	**116,793,385**	63,840,009	**104,594,156**	63,367,189
Dilutive effect of unit options	**503,412**	351,899	**450,153**	387,428
Dilutive effect of convertible debentures	**—**	17,219,656	**—**	17,267,318
Weighted average number of units outstanding – diluted	**117,296,797**	81,411,564	**105,044,309**	81,021,935

The 2011 calculations of the diluted weighted average number of units outstanding do not take into account 30,000 options currently in effect as the average price of the units is lower than the exercise price of those options.

The calculations of the net dilutive effect per unit for 2012 do not take into account the eventual conversion of convertible debentures as these are anti-dilutive for those periods. The calculation of the net dilutive effect per unit also includes the cancellation of interest on convertible debentures in the amount of $6,101 for the quarter ended September 30, 2011, and $18,341 for the nine-month period ended September 30, 2011, assuming the conversion of the debentures.

17) SUPPLEMENTAL CASH FLOW INFORMATION

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

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	2012	2011	2012	2011
	$	$	$	$
Prepaid expenses	**16,773**	10,222	**20,440**	(15,568)
Accounts receivable	**(5,095)**	6,257	**(3,941)**	(430)
Income taxes recoverable	**13**	—	**58**	(54)
Accounts payable and accrued liabilities	**670**	(1,872)	**(15,194)**	670
Current deferred tax liability	**—**	—	**—**	(80)
	12,321	14,607	**(39,517)**	(15,462)
Other information				
Additions to investment properties through assumption of mortgages payable and a debt	**—**	5,045	**9,107**	39,996
Unpaid additions to investment properties	**9,095**	1,464	**9,095**	1,464
Properties under development transferred to income properties	**—**	17,748	**—**	53,693

18) RELATED PARTY TRANSACTIONS

During the nine-month period ended September 30, 2012, Cominar entered into transactions with companies controlled by unitholders who are also officers of the Trust over which they have significant influence.

On June 28, 2012, Cominar acquired three single-tenant industrial properties from *Société immobilière Investus inc*. (indirect property of the Dallaire family). The purchase price of $11,600 was paid in cash and through the assumption of debt. The Dallaire family had acquired these properties in June 2011 during the privatization of Investus. The purchase price paid by Cominar, through its initial offer, corresponds to the purchase price paid by the Dallaire family at the time of purchase, as established by an independent evaluation.

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

		Quarter		Cumulative (nine months)	
For the periods ended September 30,		2012	2011	2012	2011
	Note	$	$	$	$
Rental revenue from investment properties		**42**	122	**131**	366
Investment properties – Capital costs		**9,067**	5,923	**20,104**	18,764
Acquisition of investment properties	3	**—**	—	**11,600**	—

19) CAPITAL MANAGEMENT

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

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

Cominar's capital structure was as follows:

	As at September 30, 2012	As at December 31, 2011
	$	$
Cash and cash equivalent(1)	**(7,151)**	(5,389)
Mortgages payable	**1,693,258**	842,619
Debentures	**249,516**	—
Convertible debentures	**288,656**	382,060
Bridge loans	**173,000**	—
Bank indebtedness	**417,144**	16,540
Unitholders' equity	**2,496,450**	1,471,222
Total capital	**5,310,873**	2,707,052
Overall debt ratio(2)	**51.7%**	44.7%
Debt ratio (excluding convertible debentures)	**46.4%**	30.9%
Interest coverage ratio(3)	**2.66: 1(4)**	2.72: 1

(1) Cash and cash equivalent do not include restricted cash since it cannot be used to reduce indebtedness.
(2) The overall debt ratio is equal to total cash and cash equivalent, bank indebtedness, mortgages payable, bridge loans and debentures divided by the carrying amount of the asset.
(3) The interest coverage ratio calculated by Cominar is equal to net operating income (operating revenues less operating expenses) divided by financial expense.
(4) Last twelve months.

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, its total debt exceeds 60% of the carrying amount of its assets (65% if convertible debentures are outstanding). As at September 30, 2012, Cominar maintained an overall debt ratio of 51.7%, representing an increase compared to the ratio recorded as at December 31, 2011, due to the business combination that occurred during the first quarter and the income properties acquired during the third quarter.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As such, as at September 30, 2012, the interest coverage ratio was 2.66: 1, reflecting the Trust's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous period.

20) SEGMENT INFORMATION

Cominar's activities include four property types located in Quebec, Ontario, the Atlantic Provinces and Western Canada. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies. Cominar uses the net operating income as its main criterion to measure its operating performance, i.e. operating revenues less operating expenses related to 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.

The following table indicates the financial information related to these four property types:

For the quarter ended September 30, 2012	Office properties	Retail properties	Industrial and mixed-use properties	Residential[1]	Total
	$	$	$	$	$
Rental revenue from investment properties	**68,188**	**41,102**	**29,519**	**1,709**	**140,518**
Net operating income	**39,029**	**23,028**	**18,351**	**1,158**	**81,566**

For the quarter ended September 30, 2011	Office properties	Retail properties	Industrial and mixed-use properties	Residential[1]	Total
	$	$	$	$	$
Rental revenue from investment properties	39,538	15,141	23,323	—	78,002
Net operating income	23,013	9,085	15,172	—	47,270

For the nine-month period ended September 30, 2012	Office properties	Retail properties	Industrial and mixed-use properties	Residential[1]	Total
	$	$	$	$	$
Rental revenue from investment properties	**195,741**	**117,934**	**89,203**	**4,347**	**407,225**
Net operating income	**108,394**	**65,002**	**51,468**	**2,617**	**227,481**
Income properties	**2,726,877**	**1,292,785**	**1,031,856**	**52,517**	**5,104,035**

For the nine-month period ended September 30, 2011	Office properties	Retail properties	Industrial and mixed-use properties	Residential[(1)]	Total
	$	$	$	$	$
Rental revenue from investment properties	119,617	45,108	75,033	—	239,758
Net operating income	66,393	25,897	45,217	—	137,507
Income properties	1,201,265	445,496	758,247	—	2,405,008

(1) The residential segment consists of 485 residential units located in three retail properties. This segment results from the acquisition of Canmarc on January 27, 2012 [note 3].

21) COMMITMENTS

On June 12, 2012, Cominar entered into an agreement regarding the sale of a property (located in Montreal, Quebec) that was recently acquired from Canmarc for a total of $3,500 to be paid in cash. The completion of this sale remains subject to the due diligence and other customary closing conditions and there can be no assurance that it will be completed. No gain or loss will result from this transaction. There have been no further developments regarding this matter during the third quarter.

Cominar does not have any other major contractual commitments other than those related to its long-term debt and payments required by virtue of emphyteutic leases for land that is reserved for income properties.

22) CONTINGENCIES

Matters relating to Homburg Invest Inc. in the context of the latter's proceedings under the CCAA

Entities of the Canmarc group entered into head leases with Homburg Invest Inc. (« HII ») as head tenant in connection with the initial public offering of Canmarc in May of 2010 in relation to the "Fitzroy Building" and the "Centre Court Mall" in Charlottetown, Prince Edward Island and the "CN Complex" in Montréal, Québec (the "**Canmarc IPO Head Leases**"), and in June of 2011 in relation to the acquisition of the "Centron Park Complex" in Calgary, Alberta (the "**Centron Park Complex Acquisition Head Lease**").

In addition, in connection with the initial public offering of Canmarc, HII agreed to pay certain environmental remediation costs (the "**Canmarc IPO Remediation Cost Obligations**") and to indemnify with respect to certain tax related matters (the "**Canmarc IPO Tax Indemnity Obligations**").

These obligations were secured by hypothecs and pledges on the trust units of Canmarc then held by HII (including the proceeds of sale therefrom).

HII filed for protection under the CCAA on September 9, 2011.

In the context of its proceedings under the CCAA, HII served Canmarc, on May 29, 2012, with notices purporting to disclaim or resiliate the above head leases, effective as at June 28, 2012. In addition, by motion on May 30, 2012, the monitor under HII's CCAA proceedings (the "Monitor") has challenged the hypothecs and pledges on the proceeds of the sale to Cominar of the trust units of Canmarc, which were held by HII (aggregate proceeds of $16,500 from the sale of 1,000,000 trust units of Canmarc), which secure the Canmarc IPO Head Leases, the Canmarc IPO Remediation Costs Obligations and the Canmarc IPO Tax Indemnity Obligations, as the case may be. The Monitor has not, however, challenged the hypothec and pledge relating to Centron Park Complex Acquisition Head Lease. Cominar has filed a motion seeking an order that the head leases not be disclaimed or resiliated, as well as a contestation of the Monitor's motion described above. The Superior Court will hear these proceedings on the date that will be fixed by the parties, which should be before the end of 2012. In the event that the above head leases are disclaimed or resiliated or the hypothecs and pledges are set aside in the context of HII's proceedings under the CCAA, there could be an adverse effect on the net operating income of Cominar.

Potential liabilities and recoveries associated with the Holman Grand Hotel and other Canmarc liabilities

Cominar, through the acquisition of Canmarc, is party to potential liabilities and recoveries associated with undeclared or unknown liabilities or issues regarding properties from the Canmarc portfolio, namely those relating to the Holman Grand Hotel (the “Hotel”) located in Charlottetown, Prince Edward Island, which is owned and operated by Homburg Invest Inc. (“HII”). HII filed for protection under the Companies' Creditors Arrangement Act (Canada) on September 9, 2011. Dyne Holdings Limited (“Dyne”), acquired by Canmarc from HII in May 2010, is the owner of the land on which the Hotel was built (the “Land”). The Hotel was acquired by HII from Dyne pursuant to an agreement dated April 2010, and HII acquired a leasehold interest in respect of the Land under a ground lease entered into between Dyne and HII in May 2010. (the “Ground Lease”). Pursuant to the provisions of the Ground Lease, HII agreed to construct the Hotel on the Land.

Dyne is indebted to the Prince Edward Island Century 2000 Fund Inc. (the “Century Fund”) under a secured loan contracted by Dyne in November 2008 to finance the construction of the Hotel (the “Loan”). The Loan is secured by a collateral mortgage in favour of the Century Fund over the Land. The Loan was guaranteed by HII in September 2009 and assumed by HII in April 2010 as part of the conveyance of the Hotel to HII by Dyne in connection with Canmarc's subsequent initial public offering. At such time an amount of approximately $3,700 was drawn down under the Loan. Dyne however remained liable under the Loan and was indemnified by HII in respect thereof. HII also agreed to use its best efforts to assist Dyne to obtain a release of the obligations of Dyne from the Century Fund.

HII is in default under the Ground Lease and the assumption of the Loan. In late November 2011, Dyne received written notice from the Century Fund to the effect that Dyne was in default under the Loan. On October 31, 2012, HII served Dyne with cancellation notices for this Ground Lease. Cominar is currently evaluating possible alternatives to find a solution to the current situation.

In addition to the Loan, liens with respect to HII’s construction of the Hotel have been filed against Dyne’s freehold interest in the Land. Construction related trade payables of HII alleged to be secured by a lien on Dyne’s freehold interest in the Land currently aggregate approximately $4,100.

As a result of the events described above, Cominar has reflected the mortgage payable of approximately $14,700, as well as an amount of approximately $4,100 of outstanding liens and approximately $636 of unpaid interests in the accounts payable and other charges payable, and a corresponding receivable amount from HII of $19,436, in its balance sheet, as of September 30, 2012.

Moreover, in light of the current status of the financial condition of HII, a situation that also existed on January 27, 2012, management considered that there is objective evidence of the impairment of the amounts due by HII. Consequently, management readjusted the provision for impairment of $2,000 that was previously recognized in Canmarc’s balance sheet as at January 27, 2012, to the maximum possible loss with respect to the claim, that is, $19,436. There is no assurance as to the amounts that could be recovered from HII, and the timing of such recoveries.

On July 18, 2012, Cominar received from the City of Laval a property tax assessment for an aggregate amount of approximately $1,300 relating to the transfer preceding Canmarc’s initial public offering of Centre Laval in January 2010. Cominar’s preliminary evaluation concluded that no transfer duties are applicable in connection with this transaction and it intends to contest the notices of assessments received. In the event transfer duties are payable as a result of the above transaction, such payment would be subject to indemnification by HII. This indemnification was secured by hypothecs and pledges the trust units of Canmarc then held by HII (including the proceeds of sale therefrom). By motion on May 30, 2012, the Monitor has challenged the hypothecs and pledges the proceeds of sale of trust units of Canmarc to Cominar, which secure the above mentioned tax and transfer duties indemnifications and other obligations. Cominar is contesting such motion. The Superior Court will hear these proceedings on the date fixed by both parties, which should be before the end of 2012.

In management’s opinion, the settlement of these contingencies will not have a significant impact on Cominar’s financial statements.

23) SUBSEQUENT EVENTS

On November 1, 2012, Cominar acquired an income property from *Société immobilière Investus* following the exercise of a right of first offer. The acquired building is an industrial and mixed-use property located in Brockville, Ontario, and has a leasable area of 94,000 square feet; it was acquired at a cost of $4,400, of which $2,825 was financed by a mortgage payable and $1,575 was paid in cash. This building is fully occupied by a single client.

On October 31, 2012, Cominar completed the sale of its 10% minority interest in DEGI Homburg Harris Limited Partnership — owner of Penn West Plaza, an office building located in Calgary, Alberta — to Morguard Real Estate Investment Trust for gross proceeds of $22,444. No gain or loss will result from this sale, as the investment was accounted for at fair value in 2012.

CORPORATE INFORMATION

BOARD OF TRUSTEES

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

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

Mary-Ann Bell, ing, m.sc, ASC (1)(4)
Senior Vice-President – Quebec and Ontario
Bell Aliant Regional Communications

Me Gérard Coulombe, c.r. (2)(3)
Senior Partner
Lavery, de Billy

Alain Dallaire
Executive Vice-President, Operations — Office and Industrial Sectors
Cominar Real Estate Investment Trust

Alban D'Amours (1)(2)
Corporate Director

Pierre Gingras (4)
President, Placements Moras Inc.

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

Me Michel Paquet, LL .L.
Senior Executive Vice-President and Secretary
Cominar Real Estate Investment Trust

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

OFFICERS

Michel Dallaire, Eng.
President and Chief Executive Officer

Sylvain Cossette
Executive Vice-President and Chief Operating Officer

Michel Berthelot, CPA, CA
Executive Vice-President and Chief Financial Officer

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

Michel Ouellette, É.A.
Executive Vice-President, Acquisitions and Development

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

Todd Bechard, CMA, CFA
Executive Vice-President, Atlantic Provinces

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

UNITHOLDER INFORMATION

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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.C, CUF.DB.D and CUF.DB.E.

TRANSFER AGENT

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TAXABILITY OF DISTRIBUTIONS

In 2011, 73.04% 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 have their monthly distributions reinvested in additional units of Cominar. In addition, participants will be entitled to receive an additional distribution equal to 5% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.

For further information about the DRIP, please refer to the DRIP section of our website at www.cominar.com or contact us by email at info@cominar.com or contact the Plan agent: Computershare Trust Company of Canada, 1500 University St., Suite 700, Montréal (QC) Canada, H3A 3S8

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