KEEP ON GROWING

2014 Interim Report

COMINAR REAL ESTATE INVESTMENT TRUST
Quarter ended September 30, 2014

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MESSAGE TO UNITHOLDERS

Our third-quarter results of fiscal 2014 continue to show our team's solid performance in achieving our business plan. Our recurring funds from operations per unit on a fully diluted basis increased from $0.45 to $0.47, up 4.4% from the corresponding period of 2013, while our operating revenues rose 7.4%, our net operating income 6.2% and our recurring distributable income 4.3% compared to the third quarter of 2013.

The highlight of this third quarter is without a doubt the closing, on September 30, of the second largest acquisition in our history, resulting in an increase of our total assets by 20.5%, reaching more than $7.9 billion at the end of the third quarter. The closing of this acquisition of $1.4 billion in the retail segment from Ivanhoé Cambridge Inc., a real estate subsidiary of Caisse de dépôt et placement du Québec that became one of the largest unitholders of the REIT, constitutes a major achievement for Cominar! For several months now we wished to increase our market share in the retail segment to better balance the diversification of our portfolio. This transaction enhanced our portfolio with 10 shopping centres, including the Mail Champlain in Brossard, the Galeries Rive Nord in Repentigny, the Centropolis in Laval, the Galeries de Hull in Gatineau and the Dixie Outlet Mall in the Toronto Area.

On October 17, after the failure by a third party to exercise a right of first refusal, we managed to complete the acquisition originally planned of the Centre Rockland, located in the heart of the Greater Montreal Area, for a purchase price of $271.7 million. This allowed us to increase the total value of our assets to $8.2 billion.

It is noted that with these acquisitions, the retail segment contribution to net operating income increased from 24% to 38%, while the contribution of office properties stands at 44% and industrial and mixed-use properties, at 18%. This acquisition contributes to our operating segments diversification improvement.

With this important transaction, we also accomplished two things at once by continuing our penetration of the Toronto market. For the very first time, Cominar makes Downtown Toronto home by becoming the owner of an office property with a leasable area of 258,000 square feet. Strengthened by our conservative and dynamic acquisition strategy, we have increased our leasable area in Ontario by 2.9 million square feet, since the beginning of the fiscal year, through acquisitions of quality properties while benefiting from favourable growth conditions.

Regarding our same property portfolio net operating income, this quarter represents our second consecutive quarter of positive organic growth, up 0.9% compared to the 2013 comparative period.

Our financial position remains healthy and strong, our debt ratio, excluding convertible debentures, stood at 52.6% and our annualized interest coverage ratio at 2.71:1 as at September 30, 2014.

Since the beginning of 2014, we invested in strategic acquisitions, which increased our total leasable area by 8.0 million square feet. In total, we acquired $2.0 billion in income properties at a weighted average capitalization rate of 6.6%. Cominar's unencumbered assets increased to over $3.6 billion, which represents approximately 155% of the aggregate principal amount of its senior unsecured indebtedness, providing us great financial flexibility.

We continue to invest in our profitable growth strategy, both internally and through acquisitions. Since the beginning, our employees are the key of our success. I sincerely thank each and every one of them, existing and new, and welcome the new colleagues who joined our team. I am proud to rely on a committed team, with strong diversified expertise!

Michel Dallaire, Eng.
President and Chief Executive Officer
November 4, 2014

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Interim Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the quarter ended September 30, 2014, in comparison with the corresponding quarter of 2013, as well as its financial position at that date and its outlook. Dated November 4, 2014, this interim MD&A reflects all significant information available as of that date and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes included in this report, as well as the consolidated financial statements, accompanying notes and MD&A appearing in Cominar's most recent Annual Report.

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

BASIS OF PRESENTATION

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

The adoption of IFRS 11 has had an impact on the presentation of the Trust's condensed interim consolidated financial statements only in 2014. The financial information in this interim MD&A presents the consolidated balance sheets and interim consolidated statements of comprehensive income prepared using proportionate consolidation, which are non-IFRS measures. Management believes that presenting the operating and financial results of Cominar's joint ventures using proportionate consolidation provides more useful information to current and prospective investors to assist them in understanding Cominar's financial performance. Therefore, the discussion of the Trust's operating results in this interim MD&A is based on financial information prepared using proportionate consolidation for the Trust's joint ventures. The reader is invited to refer to the section *Reconciliation of Information Prepared Using Proportionate Consolidation* (pages 13 and 14) for a complete reconciliation of the Trust's condensed interim consolidated financial statements to the financial information prepared using proportionate consolidation presented in this interim MD&A.

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

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

2014 HIGHLIGHTS
OF THE THIRD QUARTER ENDED SEPTEMBER 30, 2014

INCREASES

7.4%
IN OPERATING REVENUES

6.2%
IN NET OPERATING INCOME

7.9%
IN RECURRING FUNDS FROM OPERATIONS

3.4%
IN RECURRING ADJUSTED FUNDS FROM OPERATIONS

2.7%
IN THE AVERAGE NET RENT OF RENEWED LEASES
(year-to-date as at September 30, 2014)

OF THE OCCUPANCY RATE TO
94.1%

OF THE RETENTION RATE TO
61.7%

PAYOUT RATIO OF RECURRING DISTRIBUTABLE INCOME
89.0%

DEBT RATIO
52.6%
(excluding convertible debentures)

INTEREST COVERAGE RATIO
2.71:1
(annualized)

SENIOR UNSECURED DEBTS-TO-TOTAL-DEBT RATIO
47.4%

UNENCUMBERED INCOME PROPERTIES
$3,319,807
(in thousands of dollars)

UNENCUMBERED ASSETS TO UNSECURED DEBT RATIO
1.61:1

2014 HIGHLIGHTS OF THE QUARTER ENDED SEPTEMBER 30, 2014 (continued)

Acquisition of a landmark property portfolio from Ivanhoé Cambridge Inc.

On September 30, 2014, Cominar closed the acquisition of a property portfolio from Ivanhoé Cambridge Inc., a real estate subsidiary of Caisse de dépôt et placement du Québec, for a total purchase price of $1.4 billion. The acquired portfolio represents a gross leasable area of approximately 4.9 billion square feet and consists of 10 shopping centers (4.2 million square feet), 3 office properties (0.6 million square feet), 1 industrial and mixed-used property (0.1 million square feet), a property under development and land held for future development. The acquired portfolio includes the participation of the co-owners of Mail Champlain and Galeries de Hull, which were both acquired by Cominar at that date, with 50% and 15% respectively, but did not include Centre Rockland because of the right of first refusal still in effect then.

The acquisition resulted in an increase of Cominar's total assets by 20.5%, which, following the acquisition, reached a value of over $7.9 billion and represented a total leasable area of more than 44.7 million square feet as at September 30, 2014. Furthermore, the acquisition enhanced Cominar's diversification by categories of assets with an increased contribution of the retail segment to the net operating income.

Subsequent to September 30, 2014, Cominar completed the acquisition of Centre Rockland, located in the heart of the Greater Montreal Area, for $271.7 million, increasing our total assets to $8.2 billion. The weighted average capitalization rate for these transactions is 6.5%.

Financing of the transaction

On September 16, 2014, Cominar closed a public offering of 15,131,700 units at a price of $19.00 per unit. The total net proceeds received by Cominar amounted to $276.0 million, after deducting the Underwriters' fee.

On September 22, 2014, Cominar closed the public offering of its Series 6 floating rate senior unsecured debentures of $250.0 million and of its 3.62% Series 7 senior unsecured debentures in the principal amount of $300.0 million. The Series 6 Debentures bear interest at a rate equal to the 3-month CDOR plus 108 basis points payable quarterly, and will mature on September 22, 2016. The 3-month CDOR rate at the emission is fixed at 2.353%. The Series 7 Debentures bear interest at a rate equal to 3.62% payable semi-annually, and will mature on June 21, 2019. The total net proceeds from these offerings amounted to $548.0 million.

On September 30, 2014, Cominar contracted two new 10-year mortgages payable totalling $250.0 million provided by Otéra Capital, the commercial real estate financing subsidiary of Caisse de dépôt et placement du Québec. These mortgages payable bear interest at a fixed rate of 4.088%.

Concurrently with the closing of the acquisition, Cominar has completed a private placement with Ivanhoé Cambridge Inc., pursuant to which Ivanhoé Cambridge Inc. has purchased 13,158,000 units at $19.00 per trust unit for gross proceeds to Cominar of $250.0 million.

Lastly, Cominar used part of its unsecured revolving credit facility to finance the residual net purchase price of the acquisition as well as the related transaction costs.

SUBSEQUENT EVENT

On October 17, 2014, Cominar completed the purchase transaction of a property portfolio from Ivanhoé Cambridge Inc. with the acquisition of Centre Rockland, a retail property with a total leasable area of approximately 649,000 square feet, located in the heart of the Greater Montreal Area, for a purchase price of $271.7 million, paid using an unsecured bridge loan entered into on August 26, 2014, and bearing interest at a variable rate increasing over the duration of the bridge loan. The initial interest rate is at bankers' acceptance rate plus 200 basis points.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among other things, statements with respect to our medium-term and 2014 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," and "intend," and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

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

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

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

NON-IFRS FINANCIAL MEASURES

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

		Quarter			Year-to-date (nine months)		
For the periods ended September 30	Page	2014	2013	Δ%	2014	2013	Δ%
FINANCIAL PERFORMANCE							
Operating revenues	16	**173,497**	161,470	7.4	**528,948**	498,903	6.0
Net operating income[(1)]	16	**99,131**	93,338	6.2	**289,663**	274,993	5.3
Same property net operating income[(1)]	16	**86,222**	85,490	0.9	**256,400**	257,003	(0.2)
Net income	19	**38,997**	58,348	(33.2)	**153,626**	180,401	(14.8)
Adjusted net income[(1)(7)]	19	**61,022**	56,620	7.8	**175,651**	166,696	5.4
Recurring distributable income[(1)]	21	**53,579**	51,369	4.3	**154,639**	147,711	4.7
Recurring funds from operations[(1)]	24	**61,713**	57,193	7.9	**177,721**	167,380	6.2
Recurring adjusted funds from operations[(1)]	26	**52,331**	50,593	3.4	**151,822**	145,732	4.2
Distributions	21	**51,211**	45,886	11.6	**144,176**	136,639	5.5
Total assets	15				**7,921,192**	5,885,485	34.6
PER UNIT FINANCIAL PERFORMANCE							
Net income (basic)	19	**0.30**	0.46	(34.8)	**1.19**	1.44	(17.4)
Recurring distributable income (basic)[(1)]	21	**0.41**	0.41	—	**1.20**	1.18	1.7
Recurring funds from operations (FD)[(1)(2)]	24	**0.47**	0.45	4.4	**1.37**	1.31	4.6
Recurring adjusted funds from operations (FD)[(1)(2)]	26	**0.40**	0.40	—	**1.17**	1.16	0.9
Distributions	21	**0.365**	0.36	1.4	**1.085**	1.08	0.5
Payout ratio of recurring DI	21	**89.0%**	87.8%		**90.4%**	91.5%	
Payout ratio of recurring adjusted funds from operations	26	**91.3%**	90.0%		**91.9%**	92.3%	
Cash payout ratio of recurring adjusted funds from operations	26	**62.5%**	67.5%		**64.4%**	70.9%	
FINANCING							
Overall debt ratio[(3)]	30				**54.9%**	50.9%	
Debt ratio (excluding convertible debentures)	30				**52.6%**	47.8%	
Interest coverage ratio[(4)]	30				**2.71:1**	2.71:1	
Weighted average interest rate on total debt	30				**4.42%**	4.89%	
Residual weighted average term of debts (years)	30				**4.3**	4.2	
Senior unsecured debts-to-total-debt ratio[(5)]	27				**47.4%**	24.9%	
Unencumbered income properties	27				**3,319,807**	896,074	
Unencumbered assets ratio[(6)]	27				**1.61:1**	1.19:1	
OPERATIONAL DATA							
Number of investment properties	31				**561**	493	
Leasable area (in thousands of sq. ft.)	31				**44,718**	36,788	
Occupancy rate	35				**94.1%**	93.3%	
Retention rate	35				**61.7%**	50.3%	
Growth in the average net rent of renewed leases	37				**2.7%**	7.9%	
ACQUISITIONS							
Number of income properties	31				**64**	21	
Leasable area (in thousands of sq. ft.)	33				**7,391**	1,989	
Total investment (including land for future development)	31				**1,732,580**	168,900	
Weighted average capitalization rate					**6.6%**	7.1%	
DEVELOPMENT ACTIVITIES							
Value of properties under development	13				**50,107**	23,765	

(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(2) Fully diluted.
(3) Total of cash and cash equivalents, bank borrowings, mortgages payable, debentures and convertible debentures divided by total assets less cash and cash equivalents.
(4) Net operating income less Trust administrative expenses divided by finance charges.
(5) Senior unsecured debts divided by total debt.
(6) Fair value of unencumbered income properties divided by the unsecured debt (excluding convertible debentures).
(7) The adjusted net income takes into account non-recurring transaction costs of $21.5 million resulting from the acquisition of a property portfolio from Ivanhoé Cambridge Inc. for a purchase price of $1.4 billion on September 30, 2014.

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, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	March 31, 2013	Dec. 31, 2012
Operating revenues	**173,497**	179,625	175,826	163,150	161,470	167,840	169,593	157,312
Net operating income	**99,131**	98,539	91,993	93,217	93,338	91,733	89,922	90,334
Net income	**38,997**(3)	59,559	55,070	74,568(1)	58,348	62,356	59,697	231,859(1)
Adjusted net income	**61,022**	59,559	55,070	57,418	56,620	54,741	55,335	56,524
Net income per unit (basic)	**0.30**(3)	0.47	0.43	0.59(1)	0.46	0.50	0.48	1.87(1)
Net income per unit (diluted)	**0.30**(3)	0.45	0.42	0.58(1)	0.46	0.48	0.47	1.73(1)
Recurring distributable income	**53,579**	52,051	49,009	50,768	51,369	48,473	47,869	48,717
Recurring DI per unit (basic)	**0.41**	0.41	0.39	0.40	0.41	0.39	0.38	0.39
Recurring funds from operations	**61,713**	60,308	55,700	58,475	57,193	54,797	55,390	57,071
Recurring FFO per unit (FD)(2)	**0.47**	0.47	0.44	0.46	0.45	0.43	0.44	0.45
Recurring AFFO	**52,331**	51,172	48,319	49,044	50,593	47,765	47,374	47,025
Recurring AFFO per unit (FD)(2)	**0.40**	0.40	0.38	0.39	0.40	0.38	0.38	0.38
Distributions	**51,211**	46,688	46,277	46,338	45,886	45,598	45,155	45,287
Distributions per unit	**0.365**	0.36	0.36	0.36	0.36	0.36	0.36	0.36

(1) Includes the change in fair value adjustment of income properties.
(2) Fully diluted
(3) Includes non-recurring transaction costs of $21.5 million resulting from the acquisition of a property portfolio from Ivanhoé Cambridge Inc. for a purchase price of $1.4 billion on September 30, 2014.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the third-largest diversified REIT in Canada and remains the largest commercial property owner in the province of Quebec. As at September 30, 2014, Cominar owned and managed a high-quality portfolio of 561 properties including 136 office buildings, 194 retail buildings and 231 industrial and mixed-use buildings located in Quebec, Ontario, the Atlantic Provinces and Western Canada.

Since its inception in 1998, Cominar has made a series of acquisitions and completed numerous construction and property development projects, increasing the carrying amount of its assets to $7.9 billion as at September 30, 2014.

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

PROPERTIES SUMMARY AS AT SEPTEMBER 30, 2014			
Segment	Number of buildings	Leasable space (sq. ft.)	Occupancy rate (%)
Office	136	15,085,500	93.7
Retail	194	12,199,500	95.1
Industrial and mixed-use	231	17,433,000	93.7
TOTAL	**561**	44,718,000	**94.1**

OBJECTIVES AND STRATEGY

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

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

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

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

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

PERFORMANCE INDICATORS

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

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

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

PERFORMANCE INDICATORS

		Quarter			Year-to-date (nine months)		
For the periods ended September 30	Page	2014	2013	Δ%	2014	2013	Δ%
Net operating income	16	**99,131**	93,338	6.2	**289,663**	274,993	5.3
Same property net operating income	16	**86,222**	85,490	0.9	**256,400**	257,003	(0.2)
Recurring distributable income per unit (basic)	21	**0.41**	0.41	—	**1.20**	1.18	1.7
Recurring funds from operations per unit (FD)(1)	24	**0.47**	0.45	4.4	**1.37**	1.31	4.6
Recurring adjusted funds from operations per unit (FD)(1)	26	**0.40**	0.40	—	**1.17**	1.16	0.9
Payout ratio of recurring distributable income	21	**89.0%**	87.8%		**90.4%**	91.5%	
Debt ratio (including convertible debentures)	30				**54.9%**	50.9%	
Debt ratio (excluding convertible debentures)	30				**52.6%**	47.8%	
Interest coverage ratio	30				**2.71:1**	2.71:1	
Occupancy rate	35				**94.1%**	93.3%	
Retention rate	35				**61.7%**	50.3%	
Growth in the average net rent of renewed leases	37				**2.7%**	7.9%	
Leasable area growth	31				**20.5%**	4.8%	

(1) Fully diluted.

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

RECONCILIATION OF INFORMATION PREPARED USING PROPORTIONATE CONSOLIDATION

Under IFRS 11, “Joint Arrangements,” joint ventures are accounted for under the equity method in Cominar’s consolidated financial statements. Management believes that presenting the financial and operational results of the joint ventures and the components of its assets and liabilities using proportionate consolidation provides more complete information on Cominar’s financial performance. The following table presents Cominar’s consolidated balance sheet and interim consolidated statement of comprehensive income using this method.

As at September 30, 2014	Balance as per the condensed interim consolidated financial statements	Joint ventures	Balance under the proportionate consolidation method
	$	$	$
ASSETS			
Investment properties			
Income properties	7,426,915	78,175	7,505,090
Properties under development	48,754	1,353	50,107
Land held for future development	68,181	6,251	74,432
	7,543,850	85,779	7,629,629
Investments in joint ventures	33,460	(33,460)	—
Goodwill	166,971	—	166,971
Mortgage receivable	8,250	—	8,250
Prepaid expenses and other assets	45,321	467	45,788
Accounts receivable	59,533	545	60,078
Bond investments	4,868	—	4,868
Cash and cash equivalents	5,453	155	5,608
Total assets	7,867,706	53,486	7,921,192
LIABILITIES			
Mortgages payable	2,055,321	52,623	2,107,944
Debentures	1,746,347	—	1,746,347
Convertible debentures	182,745	—	182,745
Bank borrowings	316,033	—	316,033
Accounts payable and accrued liabilities	137,176	863	138,039
Deferred tax liability	10,998	—	10,998
Distributions payable to unitholders	19,283	—	19,283
Total liabilities	4,467,903	53,486	4,521,389
UNITHOLDERS’ EQUITY			
Unitholders’ equity	3,399,803	—	3,399,803
Total liabilities and unitholders’ equity	7,867,706	53,486	7,921,192

For the periods ended September 30, 2014	Quarter: Balance as per the condensed interim consolidated financial statements	Quarter: Joint ventures	Quarter: Balance under the proportionate consolidation method	Year-to-date (nine months): Balance as per the condensed interim consolidated financial statements	Year-to-date (nine months): Joint ventures	Year-to-date (nine months): Balance under the proportionate consolidation method
	$	$	$	$	$	$
Operating revenues						
Rental revenue from investment properties	171,262	2,235	173,497	522,392	6,556	528,948
Operating expenses						
Operating costs	32,978	292	33,270	107,970	916	108,886
Realty taxes and services	37,002	560	37,562	118,485	1,680	120,165
Property management expenses	3,490	44	3,534	10,093	141	10,234
	73,470	896	74,366	236,548	2,737	239,285
Net operating income	97,792	1,339	99,131	285,844	3,819	289,663
Share of net income from investment in a joint venture	707	(707)	—	1,995	(1,995)	—
Finance charges	(34,949)	(632)	(35,581)	(102,983)	(1,824)	(104,807)
Trust administrative expenses	(2,888)	—	(2,888)	(9,254)	—	(9,254)
Transaction costs – business combination	(21,524)	—	(21,524)	(21,524)	—	(21,524)
Income before income taxes	39,138	—	39,138	154,078	—	154,078
Income taxes	(141)	—	(141)	(452)	—	(452)
Net income and comprehensive income	38,997	—	38,997	153,626	—	153,626

PERFORMANCE ANALYSIS

OPERATIONAL RESULTS

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

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Operating revenues	**173,497**	161,470	7.4	**528,948**	498,903	6.0
Operating expenses	**74,366**	68,132	9.1	**239,285**	223,910	6.9
Net operating income	**99,131**	93,338	6.2	**289,663**	274,993	5.3
Finance charges	**(35,581)**	(33,805)	5.3	**(104,807)**	(99,382)	5.5
Trust administrative expenses	**(2,888)**	(3,324)	(13.1)	**(9,254)**	(9,753)	(5.1)
Restructuring charges	**—**	(151)	(100.0)	**—**	(1,062)	(100.0)
Transaction costs – business combination	**(21,524)**	—	100.0	**(21,524)**	—	100.0
Other revenues	**—**	—	—	**—**	4,906	(100.0)
Gain on disposal of a subsidiary	**—**	—	—	**—**	8,010	(100.0)
Gain on disposal of an investment property	**—**	2,863	(100.0)	**—**	3,370	(100.0)
Income taxes	**(141)**	(573)	(75.4)	**(452)**	(681)	(33.6)
Net income	**38,997**	58,348	(33.2)	**153,626**	180,401	(14.8)

Lower net income is due to transaction costs – business combination of $21.5 million resulting from the acquisition of a property portfolio from Ivanhoé Cambridge Inc. for a purchase price of $1.4 billion. Not taking into account these non-recurring expenses, the net income for the quarter ended September 30, 2014 would have been $60.5 million and $175.2 million for the nine-month period ended September 30, 2014. These non-recurring transaction costs of $21.5 million had an impact of $0.16 per unit (basic) for the quarter ended September 30, 2014 and of $0.17 per unit (basic) for the nine-month period ended September 30, 2014.

NON-IFRS FINANCIAL MEASURES

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Adjusted net income	**61,022**	56,620	7.8	**175,651**	166,696	5.4
Recurring distributable income	**53,579**	51,369	4.3	**154,639**	147,711	4.7
Distributions	**51,211**	45,886	11.6	**144,176**	136,639	5.5
Recurring funds from operations	**61,713**	57,193	7.9	**177,721**	167,380	6.2
Recurring adjusted funds from operations	**52,331**	50,593	3.4	**151,822**	145,732	4.2

FINANCIAL POSITION

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

	September 30, 2014	December 31, 2013	Δ$	Δ%
ASSETS				
Investment properties				
Income properties	**7,505,090**	5,654,825	1,850,265	32.7
Properties under development and land held for future development	**124,539**	107,961	16,578	15.3
Goodwill	**166,971**	166,971	—	—
Other assets	**124,592**	67,573	57,019	84.4
Total	**7,921,192**	5,997,330	1,923,862	32.1
LIABILITIES				
Mortgages payable	**2,107,944**	1,794,830	313,114	17.4
Debentures	**1,746,347**	994,824	751,523	75.5
Convertible debentures	**182,745**	181,768	977	0.5
Bank borrowings	**316,033**	105,697	210,336	199.0
Other liabilities	**168,320**	94,831	73,489	77.5
Total	**4,521,389**	3,171,950	1,349,439	42.5
UNITHOLDERS' EQUITY	**3,399,803**	2,825,380	574,423	20.3
Total	**7,921,192**	5,997,330	1,923,862	32.1

RESULTS OF OPERATIONS

OPERATING REVENUES

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Same property portfolio(1)	**153,147**	150,701	1.6	**473,902**	468,728	1.1
Acquisitions and developments	**20,350**	10,769	89.0	**55,046**	30,175	82.4
Total operating revenues	**173,497**	161,470	7.4	**528,948**	498,903	6.0

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

During the third quarter of 2014, operating revenues rose 7.4% from the corresponding period in 2013. This increase resulted primarily from the contribution of acquisitions completed in 2013 and 2014.

NET OPERATING INCOME

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Same property portfolio(1)	**86,222**	85,490	0.9	**256,400**	257,003	(0.2)
Acquisitions and developments	**12,909**	7,848	64.5	**33,263**	17,990	84.9
Total net operating income	**99,131**	93,338	6.2	**289,663**	274,993	5.3

(1) See “Operating Revenues.”

Although net operating income ("NOI") is not an IFRS financial measure, it is widely used in the real estate industry to assess operating performance. We define it as operating income before the fair value adjustment of investment properties, finance charges, Trust administrative expenses, restructuring charges, transaction costs – business combination, gains on disposal of subsidiaries, gains on disposal of investment properties, other revenues and income taxes. This definition may differ from that of other entities and, therefore, Cominar’s NOI may not be comparable to similar measures presented by such other entities.

Overall NOI rose 6.2% in the third quarter of 2014, from the corresponding period of 2013, due mainly to the acquisitions completed in 2013 and 2014.

For the third quarter of 2014, the NOI of the same property portfolio increased by 0.9% compared to the same period in 2013, due mainly to the increased in the occupancy rate of the office segment.

SEGMENT NET OPERATING INCOME

BY OPERATING SEGMENT

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Operating segment						
Office	**51,384**	47,728	7.7	**151,734**	142,071	6.8
Retail	**24,121**	22,982	5.0	**70,931**	67,973	4.4
Industrial and mixed-use	**23,626**	22,628	4.4	**66,998**	64,949	3.2
Total net operating income	**99,131**	93,338	6.2	**289,663**	274,993	5.3

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2014	2013	2014	2013
Operating segment				
Office	**51.8%**	51.1%	**52.4%**	51.7%
Retail	**24.4%**	24.6%	**24.5%**	24.7%
Industrial and mixed-use	**23.8%**	24.3%	**23.1%**	23.6%
	100.0%	100.0%	**100.0%**	100.0%

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

BY GEOGRAPHIC MARKET

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Geographic market						
Quebec City	**20,278**	20,478	(1.0)	**59,204**	59,243	(0.1)
Montreal	**51,558**	50,364	2.4	**151,950**	147,264	3.2
Ontario(1)	**15,556**	10,466	48.6	**41,078**	31,125	32.0
Atlantic Provinces	**5,695**	5,536	2.9	**17,487**	17,234	1.5
Western Canada	**6,044**	6,494	(6.9)	**19,944**	20,127	(0.9)
Total net operating income	**99,131**	93,338	6.2	**289,663**	274,993	5.3

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

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2014	2013	2014	2013
Geographic market				
Quebec City	**20.5%**	21.9%	**20.4%**	21.5%
Montreal	**52.0%**	54.0%	**52.5%**	53.6%
Ontario(1)	**15.7%**	11.2%	**14.2%**	11.3%
Atlantic Provinces	**5.7%**	5.9%	**6.0%**	6.3%
Western Canada	**6.1%**	7.0%	**6.9%**	7.3%
	100.0%	100.0%	**100.0%**	100.0%

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

The net operating income of the Ontario geographic market increased 48.6% during the third quarter of 2014 compared to the same period in 2013. The Ontario geographic market now represents 15.7% of the total net operating income. This results from our focus on geographic diversification and the recent acquisitions made in the Ontario area.

FINANCE CHARGES

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Interest on mortgages payable	**22,978**	22,406	2.6	**69,404**	66,011	5.1
Interest on debentures	**12,939**	7,696	68.1	**37,076**	19,602	89.1
Interest on convertible debentures	**2,861**	2,998	(4.6)	**8,584**	11,931	(28.1)
Interest on bank borrowings	**649**	2,277	(71.5)	**1,749**	9,630	(81.8)
Net amortization of premium and discount on debenture issues	**(144)**	(45)	220.0	**(392)**	(135)	190.4
Amortization of deferred financing costs and others	**1,540**	2,497	(38.3)	**3,701**	5,488	(32.6)
Amortization of fair value adjustments on assumed indebtedness	**(2,995)**	(3,206)	(6.6)	**(9,153)**	(10,618)	(13.8)
Less: Capitalized interests(1)	**(2,247)**	(818)	174.7	**(6,162)**	(2,527)	143.8
Total finance charges	**35,581**	33,805	5.3	**104,807**	99,382	5.5
Percentage of operating revenues	**20.5%**	20.9%		**19.8%**	19.9%	
Weighted average interest rate on total debt(2)				**4.42%**	4.89%	

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

The increase in finance charges was mostly due to increased financing following the acquisition of income properties completed in 2013 and 2014. The weighted average interest rate on total debt decreased by 47 basis points since September 30, 2013.

TRUST ADMINISTRATIVE EXPENSES

Trust administrative expenses stood at $2.9 million for the third quarter of 2014, accounting for 1.7% of operating revenues, compared to 2.1% of the operating revenues for the corresponding quarter of 2013.

TRANSACTION COSTS – BUSINESS COMBINATION

During the third quarter of 2014, Cominar incurred non-recurring transaction costs of $21.5 million resulting from the acquisition of a property portfolio from Ivanhoé Cambridge Inc. for a purchase price of $1.4 billion. Under IFRS, transaction costs related to business combinations must be expensed when incurred.

OTHER REVENUES

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

GAIN ON DISPOSAL OF A SUBSIDIARY

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

GAIN ON DISPOSAL OF AN INVESTMENT PROPERTY

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

NET INCOME

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Net income	**38,997**	58,348	(33.2)	**153,626**	180,401	(14.8)
Net income per unit (basic)	**0.30**	0.46	(34.8)	**1.19**	1.44	(17.4)
Net income per unit (diluted)	**0.30**	0.46	(34.8)	**1.18**	1.41	(16.3)
Weighted average number of units (basic)	**131,129**	125,648		**128,708**	125,059	
Weighted average number of units (diluted)	**141,167**	134,015		**139,167**	136,468	

Lower net income is due to transaction costs – business combination of $21.5 million resulting from the acquisition of a property portfolio from Ivanhoé Cambridge Inc. for a purchase price of $1.4 billion. Not taking into account these non-recurring expenses, the net income for the quarter ended September 30, 2014 would have been $60.5 million and $175.2 million for the nine-month period ended September 30, 2014. These non-recurring transaction costs of $21.5 million had an impact of $0.16 per unit (basic) for the quarter ended September 30, 2014 and of $0.17 per unit (basic) for the nine-month period ended September 30, 2014.

The calculation of diluted net income per unit includes the elimination of interest at the effective rate on the convertible debentures of $3.3 million for the quarter ended September 30, 2014 [$3.0 million in 2013] and of $9.9 million for the nine-month period ended September 30, 2014 [$11.9 million in 2013].

ADJUSTED NET INCOME

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

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Net income	**38,997**	58,348	(33.2)	**153,626**	180,401	(14.8)
Write-off of deferred financing costs(1)	**501**	984	(49.1)	**501**	984	(49.1)
Restructuring charges	**—**	151	(100.0)	**—**	1,062	(100.0)
Transaction costs – business combination	**21,524**	—	100.0	**21,524**	—	100.0
Gain on disposal of a subsidiary	**—**	—	—	**—**	(8,010)	(100.0)
Gain on disposal of an investment property	**—**	(2,863)	(100.0)	**—**	(3,370)	(100.0)
Unusual item – other revenues	**—**	—	—	**—**	(4,906)	(100.0)
Unusual item – Holman Grand Hotel	**—**	—	—	**—**	535	(100.0)
Adjusted net income	**61,022**	56,620	7.8	**175,651**	166,696	5.4

(1) In 2013, $984 of deferred financing costs were written off following the redemption of Series C debentures. In 2014, the amortization of deferred financing costs included a non-recurring expense of $501 related to financing costs paid for the secured operating and acquisition that has been replaced, and have been completely expensed over the third quarter, after closing this facility.

The adjusted net income calculated by Cominar is not an IFRS financial measure. The calculation method used by Cominar might differ from the ones used by other entities. The adjusted net income of the quarter rose 7.8% from the corresponding quarter of the previous year.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

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

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

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

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

DISTRIBUTABLE INCOME

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Net income	**38,997**	58,348	(33.2)	**153,626**	180,401	(14.8)
- Net amortization of premium and discount on debenture issues	**(144)**	(45)	220.0	**(392)**	(135)	190.4
+ Amortization of deferred financing costs	**1,487**	2,380	(37.5)	**3,544**	5,250	(32.5)
- Amortization of fair value adjustments on assumed indebtedness	**(2,995)**	(3,206)	(6.6)	**(9,153)**	(10,618)	(13.8)
+ Amortization of fair value adjustments on bond investments	**19**	80	(76.3)	**57**	236	(75.8)
+ Compensation expense related to long-term incentive plan	**299**	704	(57.5)	**1,037**	2,254	(54.0)
+ Accretion of liability component of convertible debentures	**53**	116	(54.3)	**157**	238	(34.0)
+ Restructuring charges	**—**	151	(100.0)	**—**	1,062	(100.0)
+ Transaction costs – business combination	**21,524**	—	100.0	**21,524**	—	100.0
- Gain on disposal of a subsidiary	**—**	—	—	**—**	(8,010)	(100.0)
- Gain on disposal of an investment property	**—**	(2,863)	(100.0)	**—**	(3,370)	(100.0)
+ Deferred taxes	**141**	573	(75.4)	**452**	684	(33.9)
- Provision for leasing costs	**(4,850)**	(4,290)	13.1	**(14,050)**	(12,710)	10.5
+ Initial and re-leasing salary costs	**550**	—	—	**1,618**	—	—
- Change in accounts receivable – recognition of leases on a straight-line basis	**(1,502)**	(579)	159.4	**(3,781)**	(3,200)	18.2
Distributable income	**53,579**	51,369	4.3	**154,639**	152,082	1.7
- Unusual item – other revenues	**—**	—	—	**—**	(4,906)	(100.0)
+ Unusual item – Holman Grand Hotel	**—**	—	—	**—**	535	(100.0)
Recurring distributable income	**53,579**	51,369	4.3	**154,639**	147,711	4.7
DISTRIBUTIONS TO UNITHOLDERS	**51,211**	45,886	11.6	**144,176**	136,639	5.5
Distributions reinvested under the distribution reinvestment plan(1)	**16,040**	11,603	38.2	**42,700**	31,940	33.7
Cash distributions	**35,171**	34,283	2.6	**101,476**	104,699	(3.1)
Percentage of distributions reinvested	**31.3%**	25.3%		**29.6%**	23.4%	
Per unit information:						
Recurring distributable income (basic)	**0.41**	0.41	—	**1.20**	1.18	1.7
Weighted average number of units outstanding for the recurring distributable income (basic)	**131,129**	125,648		**128,708**	125,059	
DISTRIBUTIONS PER UNIT	**0.365**	0.36	1.4	**1.085**	1.08	0.5
Payout ratio(2)	**89.0%**	87.8%		**90.4%**	91.5%	
Cash payout ratio(3)	**61.0%**	65.9%		**63.3%**	70.3%	

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

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

Recurring DI for the third quarter ended September 30, 2014, amounted to $53.6 million, up 4.3% from the corresponding period of 2013. This increase was primarily due to the contribution of the acquisitions completed in 2013 and 2014. On a basic per unit basis, it totalled $0.41 for the quarter ended September 30, 2014, the same as 2013.

Distributions to unitholders during the third quarter of 2014 totalled $51.2 million, up 11.6% from the same period in 2013.

The recurring DI payout ratio for the quarter ended September 30, 2014 was 89.0%. During the third quarter of 2014, an average of 31.3% of distributions was reinvested as units under the distribution reinvestment plan [25.3 % during the third quarter of 2013]. Consequently, the recurring DI cash payout ratio stood at 61.0%, down 4.9% compared to the corresponding period in 2013.

TRACK RECORD OF RECURRING DI PER UNIT

For the nine-month periods ended September 30	2014	2013	2012	2011	2010
Recurring distributable income per unit (basic)	**1.20**	1.18	1.16	1.17	1.16

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

The following table presents this reconciliation:

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	2014	2013	2014	2013
Cash flows provided by operating activities as shown in the financial statements	**48,436**	77,603	**118,764**	125,060
Changes in the investments in joint ventures under the proportionate consolidation method	**177**	—	**1,114**	—
- Amortization of other assets	**(229)**	(126)	**(641)**	(455)
+ Restructuring charges	**—**	151	**—**	1,062
+ Transaction costs – business combination	**21,524**	—	**21,524**	—
- Provision for leasing costs	**(4,850)**	(4,290)	**(14,050)**	(12,710)
+ Initial and re-leasing salary costs	**550**	—	**1,618**	—
+ Change in non-cash working capital items	**(12,029)**	(21,969)	**26,310**	39,125
Distributable income	**53,579**	51,369	**154,639**	152,082

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

For the nine-month periods ended September 30	2014	2013	2012
Net income	**153,626**	180,401	110,312
Cash flows provided by operating activities as shown in the financial statements	**118,764**	125,060	61,029
Distributions to unitholders	**144,176**	136,639	118,734
Cash distributions	**101,476**	104,699	89,995
Excess (deficiency) of cash flows from operating activities over cash distributions to unitholders	**17,288**	20,361	(28,966)
Adjustments:			
+ Transaction costs – business combination	**21,524**	—	27,348
+ Restructuring charges	**—**	1,062	4,899
- Unusual item – other revenues	**—**	(4,906)	—
+ Unusual item – Holman Grand Hotel	**—**	535	—
Excess (deficiency) of adjusted cash flows from operating activities over cash distributions to unitholders	**38,812**	17,052	3,281

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

FUNDS FROM OPERATIONS

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

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

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

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

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

FUNDS FROM OPERATIONS

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	2014	2013	Δ%	2014	2013	Δ%
Net income	**38,997**	58,348	(33.2)	**153,626**	180,401	(14.8)
+ Deferred income taxes	**141**	573	(75.4)	**452**	684	(33.9)
+ Transaction costs – business combination	**21,524**	—	100,0	**21,524**	—	100,0
- Gain on disposal of a subsidiary	—	—	—	—	(8,010)	(100.0)
- Gain on disposal of an investment property	—	(2,863)	(100.0)	—	(3,370)	(100.0)
+ Initial and re-leasing salary costs	**550**	—	—	**1,618**	—	—
Funds from operations	**61,212**	56,058	9.2	**177,220**	169,705	4.4
+ Write-off of deferred financing costs(1)	**501**	984	(49.1)	**501**	984	(49.1)
+ Restructuring charges	—	151	(100.0)	—	1,062	(100.0)
- Unusual item – other revenues	—	—	—	—	(4,096)	(100.0)
+ Unusual item – Holman Grand Hotel	—	—	—	—	535	(100.0)
Recurring funds from operations	**61,713**	57,193	7.9	**177,721**	167,380	6.2
Per unit information:						
Funds from operations (basic)	**0.47**	0.45	4.4	**1.38**	1.36	1.5
Recurring funds from operations (basic)	**0.47**	0.46	2.2	**1.38**	1.34	3.0
Recurring funds from operations (FD)(2)(3)	**0.47**	0.45	4.4	**1.37**	1.31	4.6
Weighted average number of units outstanding for recurring funds from operations (basic)	**131,129**	125,648		**128,708**	125,059	
Weighted average number of units outstanding for recurring funds from operations (FD)(2)	**139,666**	134,015		**137,215**	136,468	
Payout ratio(4)	**77.7%**	78.3%		**78.6%**	80.6%	
Cash payout ratio(5)	**53.2%**	58.7%		**55.1%**	61.9%	

(1) In 2013, $984 of deferred financing costs were written off following the redemption of Series C debentures. In 2014, the amortization of deferred financing costs included a non-recurring expense of $501 related to financing costs paid for the secured operating and acquisition that has been replaced, and have been completely expensed over the third quarter, after closing this facility.
(2) Fully diluted.
(3) The calculation of fully diluted recurring funds from operations per unit includes the elimination of interest at the effective rate on the dilutive convertible debentures of $3.3 million for the quarter ended September 30, 2014 [$3.0 million in 2013] and of $9.9 million for the nine-month period ended September 30, 2014 [$11.9 million in 2013].
(4) The payout ratio corresponds to the distribution per unit, divided by basic recurring FFO per unit.
(5) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring FFO per unit.

For the third quarter of 2014, FFO calculated according to REALpac recommendations stood at $61.2 million, up 9.2% compared to the corresponding period in 2013.

Recurring FFO for the third quarter of 2014 rose 7.9% from the corresponding period of the previous year, due mainly to the acquisitions completed in 2013 and 2014. Recurring FFO per unit on a fully diluted basis stood at $0.47 for the third quarter of 2014, up 4.4% from the corresponding period of 2013. Note that this increase was negatively affected by $0.006 per unit due to the issuance of 15,131,700 units on September 16, 2014 in anticipation of the closing of the acquisition of a property portfolio from Ivanhoé Cambridge Inc. on September 30, 2014.

TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the nine-month periods ended September 30	2014	2013	2012	2011	2010
Recurring funds from operations per unit (basic)	**1.38**	1.34	1.37	1.30	1.28
Recurring funds from operations per unit (FD)(1)	**1.37**	1.31	1.33	1.24	1.22

(1) Fully diluted.

ADJUSTED FUNDS FROM OPERATIONS

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

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

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

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

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Year-to-date (nine months)		
For the periods ended September 30	**2014**	**2013**	**Δ%**	**2014**	**2013**	**Δ%**
Funds from operations	**61,212**	56,058	9.2	**177,220**	169,705	4.4
- Net amortization of premium and discount on debenture issues	**(144)**	(45)	220.0	**(392)**	(135)	190.4
+ Amortization of deferred financing costs	**1,487**	2,380	(37.5)	**3,544**	5,250	(32.5)
+ Amortization of fair value adjustment on bond investments	**19**	80	(76.3)	**57**	236	(75.8)
- Amortization of fair value adjustments on assumed indebtedness	**(2,995)**	(3,206)	(6.6)	**(9,153)**	(10,618)	(13.8)
+ Compensation expense related to long-term incentive plan	**299**	704	(57.5)	**1,037**	2,254	(54.0)
- Capital expenditures – maintenance of rental income generating capacity	**(1,248)**	(776)	60.8	**(2,817)**	(1,979)	42.3
+ Accretion of liability component of convertible debentures	**53**	116	(54.3)	**157**	238	(34.0)
+ Restructuring charges	**—**	151	(100.0)	**—**	1,062	(100.0)
- Provision for leasing costs	**(4,850)**	(4,290)	13.1	**(14,050)**	(12,710)	10.5
- Change in accounts receivable – recognition of leases on a straight-line basis	**(1,502)**	(579)	159.4	**(3,781)**	(3,200)	18.2
Adjusted funds from operations	**52,331**	50,593	3.4	**151,822**	150,103	1.1
- Unusual item – other revenues	**—**	—	—	**—**	(4,906)	(100.0)
+ Unusual item – Holman Grand Hotel	**—**	—	—	**—**	535	(100.0)
Recurring adjusted funds from operations	**52,331**	50,593	3.4	**151,822**	145,732	4.2
Per unit information:						
Adjusted funds from operations (basic)	**0.40**	0.40	—	**1.18**	1.20	(1.7)
Recurring adjusted funds from operations (basic)	**0.40**	0.40	—	**1.18**	1.17	0.9
Recurring adjusted funds from operations (FD)(1)(2)	**0.40**	0.40	—	**1.17**	1.16	0.9
Weighted average number of units outstanding for recurring adjusted funds from operations (basic)	**131,129**	125,648		**128,708**	125,059	
Weighted average number of units outstanding for recurring adjusted funds from operations (FD)(1)	**139,666**	134,015		**137,215**	136,468	
Payout ratio(3)	**91.3%**	90.0%		**91.9%**	92.3%	
Cash payout ratio(4)	**62.5%**	67.5%		**64.4%**	70.9%	

(1) Fully diluted.
(2) The calculation of fully diluted recurring adjusted funds from operations per unit includes the elimination of interest on the dilutive convertible debentures of $3.3 million for the quarter ended September 30, 2014 [$3.0 million in 2013] and $9.9 million for the nine-month period ended September 30, 2014 [$11.9 million in 2013].
(3) The payout ratio corresponds to the distribution per unit, divided by basic recurring AFFO per unit.
(4) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring AFFO per unit.

Recurring AFFO amounted to $52.3 million for the third quarter of 2014, up 3.4% from the corresponding period of 2013, mainly as a result of the acquisitions completed in 2013 and 2014.

Fully diluted recurring AFFO per unit totalled $0.40 for the quarter ended September 30, 2014, the same as 2013. Also note that they have been negatively affected by $0.007 per unit due to the issuance of 15,131,700 units on September 16, 2014 in anticipation of the closing of the acquisition of a property portfolio from Ivanhoé Cambridge Inc. on September 30, 2014.

TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the nine-month periods ended September 30	2014	2013	2012	2011	2010
Recurring adjusted funds from operations per unit (basic)	**1.18**	1.17	1.14	1.15	1.15
Recurring adjusted funds from operations per unit (FD)(1)	**1.17**	1.16	1.13	1.13	1.12

(1) Fully diluted.

LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 2014, Cominar generated $118.8 million in cash flows from operating activities. Of this amount, $101.5 million was used for cash distributions to unitholders. Cominar foresees no difficulty in meeting its short-term obligations and its commitments with funds from operations, refinancing of mortgages payable, debenture or unit issues, amounts available on its credit facility and cash and cash equivalents.

The following table presents information on unencumbered assets:

	As at September 30, 2014		As at December 31, 2013	
	Number of properties	Fair value of properties ($)	Number of properties	Fair value of properties ($)
Unencumbered income properties	**273**	**3,319,807**	144	1,181,573
Unencumbered assets ratio[(1)(2)]		**1.61:1**		1.19:1
Senior unsecured debts-to-total-debt ratio[(2)(3)]		**47.4%**		32.4%

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

As at September 30, 2014, Cominar owned unencumbered income properties whose fair value was approximately $3.3 billion. The unencumbered assets ratio stood at 1.61:1. Cominar intends to increase the total value of its unencumbered assets in subsequent quarters by replacing, when possible and financially suitable, mortgages payable with unsecured debts. Senior unsecured debts-to-total-debt ratio was 47.4% as at September 30, 2014, up 15.0% from a ratio of 32.4% as at December 31, 2013. Cominar intends to gradually increase this ratio to a target of approximately 50%.

MORTGAGES PAYABLE

As at September 30, 2014, the nominal balance of mortgages payable was $2,085.0 million, up $321.1 million from $1,763.9 million as at December 31, 2013, arising primarily from mortgages payable contracted and mortgages payable assumed through acquisitions of income properties completed in 2014. At the end of the quarter, the weighted average interest rate was 4.82%, down 24 basis points from 5.06% as at December 31, 2013.

Cominar's mortgages payable maturity dates are staggered over a number of years to reduce risks related to renewal. As at September 30, 2014, the residual weighted average term of mortgages payable was 5.1 years, compared to 5.0 years as at December 31, 2013.

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

REPAYMENTS OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal	Repayment of balances at maturity	Total	Weighted average interest rate[(1)]
2014 (period from October 1 to December 31)	14,667	69,842	84,509	5.81%
2015	55,231	272,174	327,405	4.86%
2016	47,966	146,409	194,375	4.69%
2017	43,941	183,885	227,826	4.70%
2018	32,786	409,003	441,789	5.17%
2019 and thereafter	133,170	675,964	809,134	4.60%
Total	327,761	1,757,277	2,085,038	4.82%

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

Subsequent to September 30, 2014, Cominar repaid mortgages payable with balances at maturity of $33.0 million and whose weighted average contractual interest rate was 6.2%. These loans were secured by immovable hypothecs on properties having a value of approximately $93.7 million.

DEBENTURES

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

DEBENTURES

	Series 1	Series 2	Series 3	Series 4	Series 5	Series 6	Series 7	Weighted average interest rate
Contractual interest rate	4.274%	4.23%	4.00%	4.941%	3.323% (4)	2.353%(5)	3.62%	3.84%
Effective interest rate	4.32%	4.37%	4.24%	4.81%	3.52%	2.50%	3.70%	3.93%
Date of issuance	June 2012(1)	Dec. 2012(2)	May 2013	July 2013(3)	Oct. 2013	Sept. 2014	Sept. 2014	
Dates of interest payments	June 15 and Dec. 15	June 4 and Dec. 4	May 2 and Nov. 2	July 27 and Jan. 27	Jan. 9, April 9, July 9 and Oct. 9	Sept. 22, Dec. 22, Mar. 22 and June 22	Dec. 21 and June 21	
Maturity date	June 2017	Dec. 2019	Nov. 2020	July 2020	Oct. 2015	Sept. 2016	June 2019	
								Total
	$	$	$	$	$	$	$	$
Balance as at Sept. 30, 2014	250,000	300,000	100,000	300,000	250,000	250,000	300,000	1,750,000

(1) Re-opened in September 2012.
(2) Re-opened in February 2013.
(3) Re-opened in January and March 2014.
(4) Quarterly variable interest rate fixed for the period from July 10, 2014 to October 9, 2014 (corresponding to the CDOR three-month rate plus 205 basis points).The rate for the period from October 10, 2014 to January 9, 2015 was fixed at 3.323%.
(5) Quarterly variable interest rate fixed for the period from September 22, 2014 to December 21, 2014 (corresponding to the CDOR three-month rate plus 108 basis points).

As at September 30, 2014, the residual weighted average term of debentures was 3.9 years.

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

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

On September 17, 2014, Cominar issued $250.0 million in Series 6 senior unsecured debentures bearing a variable interest rate and maturing in September 2016, and issued $300.0 million in Series 7 senior unsecured debentures bearing an interest rate of 3.62% and maturing in June 2019.

These issues allowed Cominar to move closer to its long-term objective of increasing the senior unsecured portion of its total debt to approximately 50%, from 32.4% as at December 31, 2013 to 47.4% as at September 30, 2014.

CONVERTIBLE DEBENTURES

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

CONVERTIBLE DEBENTURES

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

			Total
	$	$	$
Balance as at September 30, 2014	**99,786**	**86,250**	**186,036**

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

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

BANK BORROWINGS

As at September 30, 2014, Cominar had an unsecured operating and acquisition credit facility of up to $550.0 million which will mature in August 2017. This facility bears interest at prime rate plus 70 basis points or at bankers' acceptance rate plus 170 basis points. As at September 30, 2014, bank borrowings totalled $316.0 million. Cominar also had an available unsecured bridge loan of $275.0 million as at September 30, 2014.

SUMMARY OF DEBTS

The following table presents a comparative summary of debts:

	At September 30, 2014			At December 31, 2013		
	$	Weighted average interest rate	Residual weighted average term	$	Weighted average interest rate	Residual weighted average term
Mortgages payable	**2,107,944**	**4.82%**	**5.1 years**	1,794,830	5.06%	5.0 years
Debentures	**1,746,347**	**3.84%**	**3.9 years**	994,824	4.06%	4.5 years
Convertible debentures	**182,745**	**6.15%**	**2.4 years**	181,768	6.15%	3.1 years
Bank borrowings	**316,033**	**3.95%**	**2.8 years**	105,697	3.91%	1.1 year
Total debts	**4,353,069**	**4.42%**	**4.3 years**	3,077,119	4.76%	4.6 years

During the nine-month ended September 30, 2014, the weighted average interest rate of Cominar's debts decreased by 34 basis points from 4.76% as at December 31, 2013 to 4.42% as at September 30, 2014.

DEBT RATIO

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

DEBT RATIO

	September 30, 2014	December 31, 2013
Cash and cash equivalents	**(5,608)**	(9,742)
Mortgages payable	**2,107,944**	1,794,830
Debentures	**1,746,347**	994,824
Convertible debentures	**182,745**	181,768
Bank borrowings	**316,033**	105,697
Total debt	**4,347,461**	3,067,377
Total assets less cash and cash equivalents	**7,915,584**	5,987,588
Overall debt ratio(1)(2)	**54.9%**	51.2%
Debt ratio (excluding convertible debentures)(2)	**52.6%**	48.2%

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

As at September 30, 2014, the debt ratio (excluding convertible debentures) was 52.6%. The increase in the debt ratio since December 31, 2013 was due to acquisitions of income properties.

INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income less Trust administrative expenses by finance charges. The interest coverage ratio is used to assess Cominar's ability to pay interest on its total debt from operating revenues. As at September 30, 2014, Cominar's annualized interest coverage ratio stood at 2.71:1 [2.70:1 as at December 31, 2013], evidence of its capacity to meet its interest payment obligations.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

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

PROPERTY PORTFOLIO

The following table presents information on the property portfolio:

	September 30, 2014	December 31, 2013	Δ%
Income properties ($000)	**7,505,090**	5,654,825	32.7
Properties under development and land held for future development ($000)	**124,539**	107,961	15.3
Number of income properties	**561**	497	
Leasable area (sq. ft.)	**44,718,000**	37,123,000	20.5

SUMMARY BY OPERATING SEGMENT

	September 30, 2014		December 31, 2013	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**136**	**15,085,500**	120	13,017,500
Retail	**194**	**12,199,500**	160	7,901,500
Industrial and mixed-use	**231**	**17,433,000**	217	16,204,000
Total	**561**	**44,718,000**	497	37,123,000

SUMMARY BY GEOGRAPHIC MARKET

	September 30, 2014		December 31, 2013	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Quebec City	**132**	**10,220,500**	122	8,358,500
Montreal	**300**	**24,929,000**	268	22,130,000
Ontario(1)	**55**	**5,750,000**	32	2,801,000
Atlantic Provinces	**60**	**2,705,500**	61	2,720,500
Western Canada	**14**	**1,113,000**	14	1,113,000
Total	**561**	**44,718,000**	497	37,123,000

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

ACQUISITIONS AND INVESTMENTS

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

During the nine-month period ended September 30, 2014, Cominar focused on strategic acquisitions resulting in the addition of 64 buildings to its property portfolio and representing a total of 7.4 million square feet.

ACQUISITION OF A PROPERTY PORTFOLIO FROM IVANHOÉ CAMBRIDGE INC. FOR A PURCHASE PRICE OF $1.4 BILLION

On September 30, 2014, Cominar acquired 34 income properties, one property under development and land held for future development from Ivanhoé Cambridge Inc. This acquisition consists of:

- 30 retail properties, of which 1.9 million square feet are located in the Montreal area, 1.6 million square feet in the Quebec City area, and 725,000 square feet in the Greater Toronto area.

- 3 office properties, of which 284,000 square feet are located in the Quebec City area, 258,000 square feet in the Greater Toronto area, and 64,000 square feet in the Montreal area.

- 1 industrial property of 99,000 square feet located in the Quebec City area.

Subsequent to September 30, 2014, following the expiry of the right of first refusal, Cominar completed the acquisition of Centre Rockland from Ivanhoé Cambridge Inc. with a total leasable area of approximately 649,000 square feet, for a purchase price of $271.7 million. The weighted average capitalization rate for both of these transactions is 6.5%.

ACQUISITIONS OF INCOME PROPERTIES

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

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

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

The following table presents additional information on these acquisitions:

Investment properties	City/Province	Business segment[(1)]	Leasable area
			sq. ft.
Acquisition from February 26, 2014:			
3100 Côte-Vertu Boulevard	Montreal, QC	O	95,000
3773-3777 Côte-Vertu Boulevard	Montreal, QC	O	53,000
7405 Trans-Canada Highway	Montreal, QC	O	80,000
9800 Cavendish Boulevard	Montreal, QC	O	103,000
3900 Côte-Vertu Boulevard	Montreal, QC	O	29,000
3950 Côte-Vertu Boulevard	Montreal, QC	O	24,000
7355 Trans-Canada Highway	Montreal, QC	O	23,000
5500 North Service Road	Burlington, ON	O	221,000
95 Moatfield Drive	Toronto, ON	O	156,000
105 Moatfield Drive	Toronto, ON	O	249,000
225 Duncan Mill Road	Toronto, ON	O	156,000
			1,189,000
Acquisition from February 27, 2014:			
400 Montée des Pionniers	Terrebonne, QC	R	6,000
330-334 Montée des Pionniers	Terrebonne, QC	R	6,000
310-322 Montée des Pionniers	Terrebonne, QC	R	19,000
250-302 Montée des Pionniers	Terrebonne, QC	R	77,000
216-220 Montée des Pionniers	Terrebonne, QC	R	13,000
			121,000
Acquisition from May 1, 2014:			
6300 Northwest Drive	Mississauga, ON	I	26,000
6280 Northwest Drive	Mississauga, ON	I	21,000
3415 American Drive	Mississauga, ON	I	31,000
3405 American Drive	Mississauga, ON	I	20,000
3403 American Drive	Mississauga, ON	I	19,000

Investment properties	City/Province	Business segment[1]	Leasable area
			sq. ft.
3397 American Drive	Mississauga, ON	I	46,000
3395 American Drive	Mississauga, ON	I	16,000
3355 American Drive	Mississauga, ON	I	113,000
6295 Northam Drive	Mississauga, ON	I	42,000
6325 Northam Drive	Mississauga, ON	I	77,000
6305 Northam Drive	Mississauga, ON	I	34,000
6285 Northam Drive	Mississauga, ON	O	54,000
6275 Northam Drive	Mississauga, ON	I	50,000
400 Nugget Avenue	Toronto, ON	I	635,000
			1,184,000
Acquisitions from Ivanhoé Cambridge Inc. on September 30, 2014:			
505 Parc-Technologique Boulevard	Québec city, QC	I	99,000
805 Frontenac Boulevard East	Thetford Mines, QC	R	180,000
8585 Lacroix Boulevard	Saint-Georges-de-Beauce, QC	R	311,000
298 Armand-Thériault Boulevard	Rivière-du-Loup, QC	R	298,000
252 Hôtel-de-Ville Boulevard	Rivière-du-Loup, QC	R	8,000
95 Cerisiers Street	Rivière-du-Loup, QC	R	6,000
419 Jessop Boulevard	Rimouski, QC	R	345,000
4125-4575 des Forges Boulevard	Trois-Rivières, QC	R	380,000
3925 des Forges Boulevard	Trois-Rivières, QC	R	42,000
690-700 René-Lévesque Boulevard East	Québec, QC	O	284,000
2151-2153 Lapinière Boulevard	Brossard, QC	R	718,000
100 Brien Boulevard	Repentigny, QC	R	569,000
2968-3000 Pierre-Péladeau Avenue	Laval, QC	O	64,000
2888 Cosmôdome Avenue	Laval, QC	R	74,000
1731-1799 Pierre-Péladeau Avenue and 2777 Saint-Martin Boulevard West	Laval, QC	R	68,000
2900-2940 Pierre-Péladeau Avenue and 101 Centropolis Promenade	Laval, QC	R	23,000
105-165 Centropolis Promenade	Laval, QC	R	21,000
1820-1880 Pierre-Péladeau Avenue	Laval, QC	R	19,000
100-140 Centropolis Promenade	Laval, QC	R	15,000
1730-1798 Pierre-Péladeau Avenue and 2929-2981 Saint-Martin Boulevard West	Laval, QC	R	57,000
175-245 Centropolis Promenade	Laval, QC	R	40,000
485-575 Centropolis Promenade	Laval, QC	R	46,000
150-190 Centropolis Promenade	Laval, QC	R	15,000
200-250 Centropolis Promenade	Laval, QC	R	20,000
450-510 Centropolis Promenade	Laval, QC	R	20,000
580-590 Centropolis Promenade and 1825-1955 Daniel-Johnson Boulevard	Laval, QC	R	26,000
520-572 Centropolis Promenade	Laval, QC	R	15,000
595-655 Centropolis Promenade and 2005-2105 Daniel-Johnson Boulevard	Laval, QC	R	51,000
2800 du Cosmodôme Avenue	Laval, QC	R	100,000
55 University Avenue	Toronto, ON	O	258,000
320 Saint-Joseph Boulevard	Gatineau, QC	R	298,000
350 Saint-Joseph Boulevard	Gatineau, QC	R	8,000
1250 South Service Road	Mississauga, ON	R	416,000
1490 Dixie Road	Mississauga, ON	R	3,000
			4,897,000
			7,391,000

(1) O: Office; R: Retail; I: Industrial and mixed-use.

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

DISPOSAL OF AN INVESTMENT PROPERTY

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

INVESTMENTS IN INCOME PROPERTIES

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

During the third quarter of 2014, Cominar incurred $31.3 million [$25.2 million in 2013] in capital expenditures in order to increase the rental income generating capacity of its properties or to reduce the related operating expenses. Of this amount, $4.8 million has been invested in three major revitalization projects that are currently underway in our shopping centres, i.e., Alexis Nihon, Centre Laval and Place Longueuil. These investments allowed Cominar to sign leases with commercial clients in these three shopping centres. During the quarter, Cominar also incurred $1.2 million [$0.8 million in 2013] in capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements, which will garner benefits for Cominar over the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invests in leasehold improvements that increase the value of its properties through higher lease rates, as well as in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required may vary from quarter to quarter since it closely depends on lease renewals and the signing of new leases. It also depends on increases in rental space due to newly acquired, expanded or upgraded properties, or rental space transferred from properties under development. During the third quarter of 2014, Cominar made investments of $7.3 million in this respect [$8.3 million in 2013].

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECT

During the third quarter of 2014, Cominar completed the construction of an office building that is part of the Place Laval complex which was transferred from properties under development to income properties. This 14-story, 310,000 square-foot building will be 100% occupied by a Quebec government agency under a long-term lease. The capitalization rate for this property is 8.1%.

As part of the acquisition of a property portfolio from Ivanhoé Cambridge Inc., Cominar acquired an office property in development with a leasable area of approximately 118,000 square feet located in Laval and part of the Centropolis complex, for which the project cost is estimated at $28.2 million, including leasing cost and leasehold improvements. This building will soon be completed, with a gradual occupancy by the end of 2014 and in 2015. The capitalization rate of this property is estimated at 7.1%.

Cominar owns jointly with Groupe Dallaire Inc. a 50% interest in a joint venture, which wants to realize a real estate development project in several phases on land located on the Highway 40, Quebec City’s main artery. It is foreseen that this project will consist primarily of commercial space, the first phase being an office building of approximately 76,000 square feet on six floors. The capitalization rate of this property is estimated at 8.5%.

INVESTMENT IN A MORTGAGE RECEIVABLE

Cominar entered into a loan agreement with a related party regarding the realization of a future real estate development project on Laurier Boulevard, in Quebec City, adjacent to the Complexe Jules-Daillaire. The neighbouring land is subject to a mortgage guarantee in favour of Cominar. As at September 30, 2014, the mortgage receivable of $8.3 million bears interest at bankers’ acceptance rate plus 250 basis points, payable monthly. The construction plans and the terms of Cominar’s participation in this project still need to be finalized. Once that is done, Cominar can choose either to have the mortgage receivable repaid in full or to participate in the construction of the project. The joint agreement provides Cominar with the opportunity to participate in the realization of this large-scale project, in Quebec City, while reducing the risk associated with the development of such project.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at September 30, 2014, the average occupancy rate of our properties increased to 94.1% compared to 93.3% as at September 30, 2013.

OCCUPANCY RATE TRACK RECORD

	September 30, 2014	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Operating segment (%)					
Office	**93.7**	93.3	94.3	95.2	95.2
Retail	**95.1**	94.2	94.6	96.9	96.1
Industrial and mixed-use	**93.7**	92.4	93.1	91.8	92.3
Portfolio total	**94.1**	93.1	93.9	93.6	93.8

LEASING ACTIVITY

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

LEASING ACTIVITY(1)

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2014				
Number of tenants	442	339	266	1,047
Leasable area (sq. ft.)	2,457,000	849,000	2,386,000	5,692,000
Average net rent ($/sq. ft.)	13.22	12.96	5.89	10.11
Renewed leases				
Number of tenants	225	204	151	580
Leasable area (sq. ft.)	1,619,000	586,000	1,309,000	3,514,000
Average net rent ($/sq. ft.)	12.34	13.53	6.15	10.23
Growth in the average net rent (%)	1.4	4.4	3.4	2.7
Retention rate (%)	**65.9**	**69.0**	**54.9**	**61.7**
New leases				
Number of tenants	111	63	108	282
Leasable area (sq. ft.)	425,000	161,000	865,000	1,451,000
Average net rent ($/sq. ft.)	13.42	14.08	5.84	8.98

(1) Excluding leases acquired from the transaction with Ivanhoé Cambridge Inc.

During 2014, 14.4% of leasable area expired or will expire. Of these leases, 61.7% were renewed during the nine-month period ended September 30, 2014 and new leases were also signed, representing 1.5 million square feet of leasable area.

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

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES[1]

	For the nine-month period ended September 30, 2014	For the year ended December 31, 2013
	%	%
Operating segment		
Office	**1.4**	7.6
Retail	**4.4**	4.9
Industrial and mixed-use	**3.4**	4.0
Total portfolio	**2.7**	5.9

(1) Excluding leases acquired from the transaction with Ivanhoé Cambridge Inc.

Average net rent of renewed leases rose in all our operating segments by a growth rate of 2.7% overall: 1.4% (office), 4.4% (retail), and 3.4% (industrial and mixed-use).

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

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

LEASE MATURITIES[1]

	2015	2016	2017	2018	2019
Office					
Leasable area (sq. ft.)	2,555,000	2,072,000	1,675,000	1,813,000	1,473,000
Average net rent ($/sq. ft.)	12.96	14.30	14.30	13.77	13.52
% of portfolio – Office	16.9	13.7	11.1	12.0	9.8
Retail					
Leasable area (sq. ft.)	1,172,000	1,318,000	1,537,000	2,079,000	1,395,000
Average net rent ($/sq. ft.)	17.50	16.90	14.05	12.75	15.27
% of portfolio – Retail	9.6	10.8	12.6	17.0	11.4
Industrial and mixed-use					
Leasable area (sq. ft.)	3,355,000	2,136,000	2,148,000	2,045,000	1,029,000
Average net rent ($/sq. ft.)	5.68	5.93	6.67	6.57	6.81
% of portfolio – Industrial and mixed-use	19.2	12.3	12.3	11.7	5.9
Portfolio total					
Leasable area (sq. ft.)	7,082,000	5,526,000	5,360,000	5,937,000	3,897,000
Average net rent ($/sq. ft.)	10.26	11.68	11.17	10.93	12.38
% of portfolio	15.8	12.4	12.0	13.3	8.7

(1) Including leases acquired from the transaction with Ivanhoé Cambridge Inc.

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

	Average remaining lease term	Average leased area per tenant	Average net rent/ sq. ft.
	years	sq. ft.	$
Office	4.2	7,000	14.00
Retail	4.3	4,200	15.20
Industrial and mixed-use	4.6	13,300	6.07
Portfolio average	**4.3**	**7,000**	**11.32**

Including leases acquired from the transaction with Ivanhoé Cambridge Inc.

Cominar has a broad, highly diversified retail client base consisting of about 6,000 tenants occupying an average of approximately 7,000 square feet each. Our top three tenants, Public Works Canada, *Société québécoise des infrastructures*, and Canadian National Railway Company account for approximately 5.3%, 3.8% and 3.3% of our net operating income, respectively, stemming from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 9.1% come from government agencies.

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

Tenant	% of net operating income
Public Works Canada	5.3
Société québécoise des infrastructures	3.8
Canadian National Railway Company	3.3
Ericsson Canada	1.4
Jean Coutu Group	1.4
Target Canada	1.0
Scotiabank	0.9
Cinram Canada	0.8
Co-op Atlantic	0.7
Shoppers Drug Mart	0.7
Total	**19.3**

ISSUED AND OUTSTANDING UNITS

	For the nine-month period ended September 30, 2014	For the year ended December 31, 2013
Units issued and outstanding, beginning of period	**127,051,095**	124,349,608
+ Units issued under a public offering	**15,131,700**	—
+ Units issued under a private placement	**13,158,000**	—
+ Exercise of options	**78,000**	456,500
+ Distribution reinvestment plan	**1,988,183**	2,243,459
+ Conversion of deferred units	**8,811**	—
+ Conversion of convertible debentures	**—**	1,528
Units issued and outstanding, end of period	**157,415,789**	127,051,095

Additional information	As at November 4, 2014
Issued and outstanding units	157,712,827
Outstanding unit options	7,241,700
Potential units – conversion of convertible debentures	10,344,816
Deferred units and restricted units	80,411

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of Cominar's management team, exercise indirect control over Dallaire Group Inc. and Dalcon Inc. During the third quarter of 2014, Cominar recorded $86 in net rental income from Dalcon Inc. and Dallaire Group Inc. Cominar also incurred costs of $3.3 million for leasehold improvements performed by Dalcon Inc. on its behalf and costs of $16.9 million for the construction and development of investment properties.

Cominar recorded $175 in interest income from Dallaire Group Inc. during the quarter.

Cominar and Dallaire Group Inc. each own 50% of two joint ventures for a total investment of $33.5 million. The business objective of these two joint ventures is the ownership and development of real estate projects.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

Investment properties

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

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

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

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

Capitalization of costs

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

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

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

Leasing costs

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

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are recognized on the consolidated balance sheet and are subsequently amortized on a straight-line basis over the related lease term.

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

Financial instruments

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

Cominar has used the following classifications for its financial instruments:

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

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

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

Revenue recognition

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

Long-term incentive plan

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

Unit options

Cominar recognizes a compensation expense on unit options granted, based on their fair value, which is calculated using an option valuation model. The compensation expense is amortized using the graded vesting method.

Restricted units

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

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

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

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

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

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

NEW ACCOUNTING POLICY

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

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

FUTURE ACCOUNTING POLICY CHANGE

IFRS 15, "Revenue from Contracts with Customers"
In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers." IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. Adoption of IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

RISKS AND UNCERTAINTIES

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

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

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

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
September 30, 2014

Unaudited

CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of Canadian dollars]

	Note	September 30, 2014	December 31, 2013
		$	$
ASSETS			
Investment properties			
Income properties	4	**7,426,915**	5,654,825
Properties under development	5	**48,754**	53,414
Land held for future development	5	**68,181**	54,547
		7,543,850	5,762,786
Investments in joint ventures	6	**33,460**	—
Goodwill		**166,971**	166,971
Mortgage receivable	7	**8,250**	—
Prepaid expenses and other assets		**45,321**	8,203
Accounts receivable		**59,533**	43,230
Bond investments		**4,868**	6,398
Cash and cash equivalents		**5,453**	9,742
Total assets		**7,867,706**	5,997,330
LIABILITIES			
Mortgages payable	8	**2,055,321**	1,794,830
Debentures	9	**1,746,347**	994,824
Convertible debentures		**182,745**	181,768
Bank borrowings	10	**316,033**	105,697
Accounts payable and accrued liabilities		**137,176**	84,285
Deferred tax liabilities		**10,998**	10,546
Distributions payable to unitholders		**19,283**	—
Total liabilities		**4,467,903**	3,171,950
UNITHOLDERS' EQUITY			
Unitholders' equity		**3,399,803**	2,825,380
Total liabilities and unitholders' equity		**7,867,706**	5,997,330

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

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

	Note	Unitholders' contributions	Year-to-date net income	Year-to-date distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2014		2,251,974	1,533,573	(966,563)	4,972	1,424	2,825,380
Net income and comprehensive income		—	153,626	—	—	—	153,626
Distributions to unitholders		—	—	(144,176)	—	—	(144,176)
Unit issues	11	576,239	—	—	—	—	576,239
Unit issue expenses		(12,434)	—	—	—	—	(12,434)
Long-term incentive plan		—	149	—	1,019	—	1,168
Balance as at September 30, 2014		2,815,779	1,687,348	(1,110,739)	5,991	1,424	3,399,803

	Note	Unitholders' contributions	Year-to-date net income	Year-to-date distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2013		2,197,826	1,278,292	(783,586)	2,627	1,736	2,696,895
Net income and comprehensive income		—	180,401	—	—	—	180,401
Distributions to unitholders		—	—	(136,639)	—	—	(136,639)
Unit issues	11	36,633	—	—	—	—	36,633
Unit issue expenses		(106)	—	—	—	—	(106)
Long-term incentive plan		—	—	—	1,939	—	1,939
Redemption of convertible debentures		—	312	—	—	(312)	—
Balance as at September 30, 2013		2,234,353	1,459,005	(920,225)	4,566	1,424	2,779,123

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

		Quarter		Year-to-date (nine months)	
	Note	2014	2013	2014	2013
		$	$	$	$
Operating revenues					
Rental revenue from investment properties		**171,262**	161,470	**522,392**	498,903
Operating expenses					
Operating costs		**32,978**	29,443	**107,970**	99,294
Realty taxes and services		**37,002**	35,636	**118,485**	115,012
Property management expenses		**3,490**	3,053	**10,093**	9,604
		73,470	68,132	**236,548**	223,910
Net operating income		**97,792**	93,338	**285,844**	274,993
Share of net income from investment in a joint venture		**707**	—	**1,995**	—
Finance charges		**(34,949)**	(33,805)	**(102,983)**	(99,382)
Trust administrative expenses		**(2,888)**	(3,324)	**(9,254)**	(9,753)
Restructuring charges		**—**	(151)	**—**	(1,062)
Transaction costs – business combination	3	**(21,524)**	—	**(21,524)**	—
Gain on disposal of a subsidiary		**—**	—	**—**	8,010
Gain on disposal of an investment property		**—**	2,863	**—**	3,370
Other revenues		**—**	—	**—**	4,906
Income before income taxes		**39,138**	58,921	**154,078**	181,082
Income taxes		**(141)**	(573)	**(452)**	(681)
Net income and comprehensive income		**38,997**	58,348	**153,626**	180,401
Basic net income per unit	12	**0.30**	0.46	**1.19**	1.44
Diluted net income per unit	12	**0.30**	0.46	**1.18**	1.41

See accompanying notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

		Quarter		Year-to-date (nine months)	
	Note	**2014**	**2013**	**2014**	**2013**
		$	**$**	**$**	**$**
OPERATING ACTIVITIES					
Net income		**38,997**	58,348	**153,626**	180,401
Adjustments for:					
Excess of share of net income over distributions received from the investment in a joint venture		**(232)**	—	**(1,270)**	—
Amortizations		**(1,336)**	(549)	**(5,135)**	(4,574)
Compensation expense related to long-term incentive plan		**299**	704	**1,037**	2,254
Gain on disposal of a subsidiary		**—**	—	—	(8,010)
Gain on disposal of an investment property		**—**	(2,863)	—	(3,370)
Deferred income taxes		**141**	573	**452**	684
Change in accounts receivable – recognition of leases on a straight-line basis		**(1,462)**	(579)	**(3,636)**	(3,200)
Changes in non-cash working capital items	13	**12,029**	21,969	**(26,310)**	(39,125)
Cash flows provided by operating activities		**48,436**	77,603	**118,764**	125,060
INVESTING ACTIVITIES					
Acquisitions of and investments in income properties	4	**(37,956)**	(28,288)	**(321,186)**	(196,029)
Acquisitions of and investments in properties under development and land held for future development	5	**(13,888)**	(8,434)	**(42,309)**	(42,342)
Cash consideration paid upon business combination	3	**(1,347,404)**	—	**(1,347,404)**	—
Mortgage receivable	7	**—**	—	**(8,250)**	—
Return of capital from a joint venture – net proceeds from a mortgage payable	6	**—**	—	**53,116**	—
Net proceeds from disposal of a portion of the investment in a joint venture	6	**—**	—	**20,150**	—
Contribution to the capital of a joint venture	6	**(7,606)**	—	**(7,606)**	—
Net proceeds from the sale of investment properties		**—**	7,177	**2,000**	10,351
Change in bond investments		**88**	2,514	**1,473**	3,086
Acquisitions of other assets		**(256)**	(200)	**(1,245)**	(841)
Cash flows used in investing activities		**(1,407,022)**	(27,231)	**(1,651,261)**	(225,775)
FINANCING ACTIVITIES					
Distributions to unitholders		**(31,950)**	(33,806)	**(87,548)**	(92,811)
Bank borrowings		**119,095**	(36,908)	**210,349**	(139,912)
Mortgages payable		**248,851**	54,766	**248,607**	206,284
Net proceeds from issue of debentures		**548,031**	99,369	**750,787**	296,400
Net proceeds from issue of units	11	**526,380**	198	**526,251**	7,480
Redemption of convertible debentures		**—**	(109,986)	**—**	(109,986)
Repayments of balances at maturity of mortgages payable	8	**(40,195)**	(12,764)	**(80,978)**	(33,601)
Monthly repayments of mortgages payable	8	**(13,273)**	(12,593)	**(39,260)**	(37,798)
Cash flows provided by (used in) financing activities		**1,356,939**	(51,724)	**1,528,208**	96,056
Net change in cash and cash equivalents		**(1,647)**	(1,352)	**(4,289)**	(4,659)
Cash and cash equivalents, beginning of period		**7,100**	15,335	**9,742**	18,642
Cash and cash equivalents, end of period		**5,453**	13,983	**5,453**	13,983
Other information					
Interest paid		**36,644**	32,278	**108,553**	100,657
Distributions received from a joint venture		**475**	—	**725**	—

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1) DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Quebec. As at September 30, 2014, Cominar owned and managed a real estate portfolio of 561 high-quality properties that covered a total area of 44.7 million square feet in Quebec, Ontario, the Atlantic Provinces and Western Canada.

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

The Board of Trustees approved Cominar’s condensed interim consolidated financial statements on November 4, 2014.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

b) New accounting policy

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

Investments in joint ventures

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

c) Future accounting policy change

IFRS 15, “Revenue from Contracts with Customers”

In May 2014, the International Accounting Standards Board (“IASB”) issued IFRS 15, “Revenue from Contracts with Customers.” IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, “Revenue,” IAS 11, “Construction Contracts,” and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters, and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. Adoption of

IFRS 15 will be effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

3) ACQUISITIONS

ACQUISITIONS OF INCOME PROPERTIES

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

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

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

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

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

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

BUSINESS COMBINATION

On September 30, 2014, Cominar acquired 34 income properties, one property under development and land held for future development from Ivanhoé Cambridge Inc. This acquisition consists of:

- 30 retail properties, of which 1.9 million square feet are located in the Montreal area, 1.6 million square feet in the Quebec City area, and 725,000 square feet in the Greater Toronto area.

- 3 office properties, of which 284,000 square feet are located in the Quebec City area, 258,000 square feet in the Greater Toronto area, and 64,000 square feet in the Montreal area.

- 1 industrial property of 99,000 square feet located in the Quebec City area.

Cominar accounted for this acquisition using the acquisition method, in accordance with IFRS 3 “Business Combinations.” The financial results of these properties have been included in the consolidated financial statements since the date of acquisition. As part of this transaction, Cominar incurred transaction costs of $21,524. In accordance with IFRS, transaction costs incurred as part of a business combination must be expensed as incurred.

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

	Preliminary purchase price allocation
	$
Income properties	1,323,430
Property under development	28,200
Land held for future development	8,000
Working capital	(12,226)
Total cash consideration paid for the acquisition	1,347,404

The cash consideration paid for the acquisition was financed by the net proceeds of a public offering of $275,328 in units, by the issuance of two series of unsecured debentures of $548,031, by two new mortgages payable of $250,000, by a private placement from Ivanhoé Cambridge Inc. of $249,940, and by the partial use of the unsecured revolving credit facility.

The purchase price allocation at fair value of the assets acquired and liabilities assumed has not been finalized and is subject to change.

Assuming that the acquisition occurred on January 1, 2014, Cominar's operating revenues and net income and comprehensive income would amount to approximately $640,460 and $200,633, respectively, for the nine-month period ended September 30, 2014.

4) INCOME PROPERTIES

	Note	For the nine-month period ended September 30, 2014	For the year ended December 31, 2013
		$	$
Balance, beginning of period		**5,654,825**	5,294,984
Business combination	3	**1,323,430**	—
Acquisitions and related costs		**383,984**	234,367
Fair value adjustment(1)		**—**	17,150
Capital costs		**86,608**	114,162
Disposals		**(2,000)**	(28,621)
Transfer of an income property as contribution to a joint venture	6	**(97,850)**	—
Transfer from properties under development	5	**58,353**	9,366
Change in initial direct costs		**7,883**	8,016
Change in accounts receivable – recognition of leases on a straight-line basis		**3,636**	4,101
Change in deposits on acquisition		**8,046**	1,300
Balance, end of period		**7,426,915**	5,654,825

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

5) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

	Note	For the nine-month period ended September 30, 2014 $	For the year ended December 31, 2013 $
Balance, beginning of period		**107,961**	53,234
Business combination	3	**36,200**	—
Acquisitions and related costs		**2,157**	20,500
Capital costs		**24,223**	45,321
Capitalized interest		**4,747**	3,400
Transfer to income properties	4	**(58,353)**	(9,366)
Other real estate asset		**—**	(5,128)
Balance, end of period		**116,935**	107,961
Breakdown:			
Properties under development		**48,754**	53,414
Land held for future development		**68,181**	54,547

6) INVESTMENTS IN JOINT VENTURES

The following table summarizes the financial information of the investments in two joint ventures accounted for under the equity method in accordance with IFRS 11, “Joint Arrangements:”

	For the nine-month period ended September 30, 2014 $
Investments in joint ventures, beginning of period	**—**
Contribution – transfer of an income property to a joint venture	**97,850**
Disposal of a portion of the investment in a joint venture	**(20,150)**
Share of net income from investment in a joint venture	**1,995**
Liquidities distributed by a joint venture	**(725)**
Contribution to the capital of a joint venture	**7,606**
Return of capital from a joint venture – net proceeds from a mortgage payable	**(53,116)**
Investments in joint ventures, end of period	**33,460**

The following tables summarize the cumulative financial information of the two joint ventures:

	As at September 30, 2014 $
Income property	**156,349**
Property under development	**2,706**
Land held for future development	**12,502**
Other assets	**2,334**
Mortgage payable bearing interest at a fixed rate of 4.79% and maturing in February 2024	**(105,245)**
Other liabilities	**(1,726)**
Total of net asset	**66,920**
50% Investments in joint ventures	**33,460**

For the periods ended September 30, 2014	Quarter	Year-to-date (nine months)
	$	$
Operating revenues	4,471	13,112
Operating expenses	1,793	5,474
Net operating income	2,678	7,638
Finance charges	1,265	3,649
Net income and comprehensive income	1,413	3,989
Share of net income from the 50% investment in a joint venture	707	1,995

7) MORTGAGE RECEIVABLE

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

8) MORTGAGES PAYABLE

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

	For the nine-month period ended September 30, 2014		For the year ended December 31, 2013	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of period	1,763,922	5.06	1,651,202	5.23
Net mortgages payable, contracted or assumed	388,515	3.94	633,319	4.56
Monthly repayments of principal	(39,260)	—	(50,188)	—
Repayments of balances at maturity	(80,978)	5.97	(470,411)	5.02
	2,032,199	4.82	1,763,922	5.06
Plus: Fair value adjustments on assumed mortgages payable	26,523		33,342	
Less: Deferred financing costs	(3,401)		(2,434)	
Balance, end of period	2,055,321		1,794,830	

Mortgages payable are primarily secured by immovable hypothecs on investment properties. They bear annual contractual interest rates ranging from 2.69% to 7.75% [2.77% to 7.75% as at December 31, 2013], representing a weighted average contractual rate of 4.82% as at September 30, 2014 [5.06% as at December 31, 2013], and are renewable at various dates from October 2014 to January 2039. As at September 30, 2014, the weighted average effective rate was 4.17% [4.31% as at December 31, 2013].

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

9) DEBENTURES

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

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

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

On September 17, 2014, Cominar issued $250,000 in Series 6 senior unsecured debentures bearing a variable interest rate and maturing in September 2016, and issued $300,000 in Series 7 senior unsecured debentures bearing an interest rate of 3.62% and maturing in June 2019.

Cominar used the net proceeds from the sale of these two issues to repay its credit facility and finance part of the acquisition of a property portfolio from Ivanhoé Cambridge Inc.

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

	For the nine-month period ended September 30, 2014		For the year ended December 31, 2013	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of period	**1,000,000**	**4.06**	450,000	4.25
Issues	**750,000**	**3.55**	550,000	3.91
	1,750,000	**3.84**	1,000,000	4.06
Less: Deferred financing costs	**(7,542)**		(5,578)	
Plus: Net premium and discount on issuance	**3,889**		402	
Balance, end of period	**1,746,347**		994,824	

10) BANK BORROWINGS

As at September 30, 2014, Cominar had an unsecured operating and acquisition credit facility of up to $550,000 which will mature in August 2017. This facility bears interest at prime rate plus 70 basis points or at bankers' acceptance rate plus 170 basis points.

11) ISSUED AND OUTSTANDING UNITS

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

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

	For the nine -month period ended September 30, 2014		For the year ended December 31, 2013	
	Units	**$**	**Units**	**$**
Units issued and outstanding, beginning of period	**127,051,095**	**2,251,974**	124,349,608	2,197,826
Units issued under a public offering	**15,131,700**	**275,328**	—	—
Units issued under a private placement	**13,158,000**	**249,940**	—	—
Exercise of options	**78,000**	**1,181**	456,500	8,514
Distribution reinvestment plan	**1,988,183**	**37,147**	2,243,459	45,216
Conversion of convertible debentures	**—**	**—**	1,528	34
Conversion of deferred units	**8,811**	**—**	—	—
Reversal of contributed surplus	**—**	**209**	—	384
Units issued and outstanding, end of period	**157,415,789**	**2,815,779**	127,051,095	2,251,974

12) PER UNIT CALCULATION BASIS

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

	Quarter		Year-to-date (nine months)	
For the periods ended September 30	**2014**	**2013**	**2014**	**2013**
	Units	**Units**	**Units**	**Units**
Weighted average number of units outstanding – basic	**131,129,293**	125,648,190	**128,707,611**	125,059,244
Dilutive effect related to the long-term incentive plan	**218,925**	49,576	**190,058**	186,050
Dilutive effect of convertible debentures	**10,268,871**	8,317,610	**10,268,871**	11,222,388
Weighted average number of units outstanding – diluted	**141,617,089**	134,015,345	**139,166,540**	136,467,682

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion in units of 4,844,100 outstanding options for the quarter ended September 30, 2014 [4,643,467 options in 2013] and 4,947,989 outstanding options for the nine-month period ended September 30, 2014 [3,794,022 options in 2013], since the exercise price of the options, including the unrecognized part of the related compensation expense, is higher than the average price of the units. The calculation of diluted net income per unit also includes the elimination of interest at the effective rate on the convertible debentures of $3,291 in interest on convertible debentures for the quarter ended September 30, 2014 [$2,998 in 2013] and $9,887 for the nine-month period ended September 30, 2014 [$11,931 in 2013].

13) SUPPLEMENTAL CASH FLOW INFORMATION

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

		Quarter	Year-to-date (nine months)	
For the periods ended September 30	2014	2013	2014	2013
	$	$	$	$
Prepaid expenses and other assets	**(507)**	20,372	**(30,804)**	(25,725)
Accounts receivable	**(831)**	4,593	**(16,117)**	(752)
Accounts payable and accrued liabilities	**13,367**	(2,996)	**20,611**	(12,636)
Deferred tax liabilities	**—**	—	**—**	(12)
	12,029	21,969	**(26,310)**	(39,125)
Other information				
Acquisitions of investment properties through assumption of mortgages payable	**—**	—	**138,515**	43,733
Unpaid acquisitions of and investments in investment properties	**18,227**	7,338	**18,227**	7,338
Contribution – transfer of an income property to a joint venture	**—**	—	**97,850**	
Transfer from properties under development to income properties	**58,353**	—	**58,353**	7,172

14) FINANCIAL INSTRUMENTS

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

		For the nine-month period ended September 30, 2014		For the year ended December 31, 2013	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
FINANCIAL ASSETS					
Held to maturity					
Bond investments	2	**4,868**	**4,873**	6,398	6,409
FINANCIAL LIABILITIES					
Other financial liabilities					
Mortgages payable	2	**2,055,321**	**2,099,114**	1,794,830	1,816,702
Debentures	2	**1,746,347**	**1,780,099**	994,824	990,054
Convertible debentures	1	**182,745**	**191,091**	181,768	193,727

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

15) SEGMENT INFORMATION

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

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

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

For the quarter ended	Balance as per the condensed interim consolidated financial statements	Joint ventures	Balance under the proportionate consolidation method	Office properties	Retail properties	Industrial and mixed-use properties
September 30, 2014	**$**	**$**	**$**	**$**	**$**	**$**
Rental revenue from investment properties	**171,262**	**2,235**	**173,497**	**92,667**	**43,241**	**37,589**
Net operating income	**97,792**	**1,339**	**99,131**	**51,384**	**24,121**	**23,626**
Share of net income from investment in a joint venture	**707**	**(707)**	**—**	**—**	**—**	**—**
September 30, 2013	$	$	$	$	$	$
Rental revenue from investment properties	161,470	—	161,470	85,837	40,146	35,487
Net operating income	93,338	—	93,338	47,728	22,982	22,628

For the nine-month period ended	Balance as per the condensed interim consolidated financial statements	Joint ventures	Balance under the proportionate consolidation method	Office properties	Retail properties	Industrial and mixed-use properties
September 30, 2014	**$**	**$**	**$**	**$**	**$**	**$**
Rental revenue from investment properties	**522,392**	**6,556**	**528,948**	**282,426**	**130,348**	**116,174**
Net operating income	**285,844**	**3,819**	**289,663**	**151,734**	**70,931**	**66,998**
Share of net income from investment in a joint venture	**1,995**	**(1,995)**	**—**	**—**	**—**	**—**
September 30, 2013	$	$	$	$	$	$
Rental revenue from investment properties	498,903	—	498,903	265,273	122,701	110,929
Net operating income	274,993	—	274,993	142,071	67,973	64,949

	Balance as per the condensed interim consolidated financial statements	Joint ventures	Balance under the proportionate consolidation method	Office properties	Retail properties	Industrial and mixed-use properties
As at September 30, 2014	**$**	**$**	**$**	**$**	**$**	**$**
Income properties	**7,426,915**	**78,175**	**7,505,090**	**3,357,948**	**2,778,610**	**1,368,532**
Investments in joint ventures	**33,460**	**(33,460)**	**—**	**—**	**—**	**—**
As at September 30, 2013	$	$	$	$	$	$
Income properties	5,524,697	—	5,524,697	2,947,016	1,371,663	1,206,018

16) SUBSEQUENT EVENT

On October 17, 2014, Cominar completed the purchase transaction of a property portfolio from Ivanhoé Cambridge Inc. with the acquisition of Centre Rockland, a retail property with a total leasable area of approximately 649,000 square feet, located in the heart of the Greater Montreal Area, for a purchase price of $271,685, paid using an unsecured bridge loan entered into on August 26, 2014, and bearing interest at a variable rate increasing over the duration of the bridge loan. The initial interest rate is at bankers' acceptance rate plus 200 basis points.

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, Eng., M.Sc., ASC (1)(2)
Corporate Director

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

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

Alban D'Amours, M.C., G.O.Q., FA Dma (1)(4)
Corporate Director

Pierre Gingras (4)
President, Placements Moras Inc.

Ghislaine Laberge (2)(4)
Corporate Director

Johanne M. Lépine (1)(3)
President and Chief Executive Officer
Aon Parizeau Inc.

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

OFFICERS

Michel Dallaire, Eng.
President and Chief Executive Officer

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

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

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

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

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

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

UNITHOLDERS INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

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

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

LISTING

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

TRANSFER AGENT

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

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

TAXABILITY OF DISTRIBUTIONS

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

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

PricewaterhouseCoopers LLP

UNITHOLDERS DISTRIBUTION REINVESTMENT PLAN

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

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

cominar.com