MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS

2011

COMINAR

COMINAR REAL ESTATE INVESTMENT TRUST
Fiscal Year ended December 31, 2011


MICHEL DALLAIRE, Eng.

President and
Chief Executive Officer

ROBERT DESPRÉS, O.C., G.O.Q.

Chairman of the Board
of Trustees

MESSAGE TO UNITHOLDERS

In 2011, with the involvement of our entire team, we continued to act according to our long-term vision, our values and our growth strategy in order to post another solid performance and close new high-quality acquisitions, and that is what we successfully achieved. Thus, our results and portfolio expansion further enhanced Cominar's solidity and stability.

Along with the nine properties closed in 2011 for nearly $101 million, the year was also highlighted by the takeover bid of Canmarc Real Estate Investment Trust for some $1.9 billion, representing the largest purchase offer in our history.

Closed on March 1st, 2012, this acquisition raised the value of our assets to $4.6 billion, while consolidating our foothold in the Atlantic Provinces and enabling us to increase our presence in Ontario, penetrate the market in Western Canada and reinforce our dominant position in Québec, in the interests of all unitholders.

THANKS TO OUR STRONG, COMMITTED TEAM AND OUR CLIENT-ORIENTED BUSINESS CULTURE, WE ACHIEVED SOLID, BALANCED GROWTH IN 2011

Our operating revenues and net operating income increased by 12.5% and 12.1% respectively, due mainly to the contribution of the acquisitions and developments completed in 2010 and 2011. Recurring distributable income grew by 8.0% and recurring funds from operations by 8.6%. Over the past ten years, the average annual growth of our distributable income has stood at approximately 20%, reflecting the sustained growth in cash flows generated by our real estate portfolio.

During the year, we invested approximately $225 million in the acquisition of nine properties and an initial 15.1% equity in Canmarc. Distributions to unitholders totalled $95.6 million, an increase of 9.8%. Thus, within the last ten years, we have paid more than a half-billion dollars in distributions to Cominar's unitholders, while tripling the leasable area of our portfolio which covered 21.2 million square feet as at December 31, 2011.

UNDERLYING OUR STABLE OVERALL OCCUPANCY RATE ARE THE ECONOMIC STABILITY OF OUR MARKETS, OUR EFFICIENT LEASING TEAMS AND OUR GEOGRAPHIC AND SEGMENTED DIVERSIFICATION

In the Montréal area, a recovery in the office space market led to a significant decline in the vacancy rate in 2011. The same positive conditions prevailed in the retail sector, whereas the situation in the industrial sector was more difficult. Nevertheless, the efficient contribution of our leasing teams succeeded in maintaining a sound occupancy rate for our industrial and mixed-use properties, thereby comparing favourably with the market. Experts foresee that this sector could recover in 2012 thanks to a turnaround in the Montréal economy.

In the Greater Québec City Area, we further benefited from a strong economy and good job creation, supported by the provincial government and the head offices of several insurance and high-technology companies. Over the past five years, this region's gross domestic product has grown by approximately 12%, the top performance in Canada. Its unemployment rate is also one of the best in the country, at 4.2%, and the office building vacancy rate is the lowest of all major Canadian cities.

In Atlantic Canada, the real estate market remains favourable, driven by the healthy economy of the various provinces. In upcoming years, Nova Scotia, in particular, should benefit from renewed vitality and a solidified economic base following the award of a major 30-year government contract.

Our portfolio posted an overall occupancy rate of 93.6% for 2011, remaining relatively stable with a year earlier. Our leasing teams spared no effort to renew existing leases and sign new ones, and our three sectors recorded an increase in leasing rates for the renewed space. We are confident that the gradual recovery now underway should contribute to maintain good leasing rates in upcoming periods.

THE ACQUISITION OF HIGH-QUALITY PROPERTIES OR REAL ESTATE PORTFOLIOS WILL CONTINUE TO DRIVE OUR GROWTH OVER THE SHORT AND LONG TERMS

In 2011, we amended our strategic plan and the Board of Trustees approved the following three key measures: further geographic diversification of the portfolio, long-term reduction in the targeted debt to book value ratio to 50%, and limiting of the risks associated with large-scale speculative construction projects extending over lengthy development periods.

Of the nine properties covering a leasable area of 693,000 square feet acquired at a cost of $100.9 million in 2011, two are located in the Greater Montréal Area and the other seven in the Atlantic Provinces — these seven properties account for 40% of the acquired space. Thus, since April 2010, our portfolio in the Atlantic Provinces has almost doubled to approximately 1.2 million square feet at year-end. These nine high-quality properties in our three business sectors are close to fully occupied and the average capitalization rate of the transactions was 8.4%.

In the fourth quarter of 2011, we launched the takeover bid for Canmarc Real Estate Investment Trust, after acquiring a 15.1% equity in this REIT for $114 million.

THE ACQUISITION OF CANMARC POSITIONS COMINAR AS ONE OF CANADA'S LEADING DIVERSIFIED REAL ESTATE INVESTMENT TRUSTS WHILE PROVIDING UNITHOLDERS WITH GREATER LIQUIDITY

We were proud to acquire Canmarc, a REIT fully compatible with our activities and management practices. Closed on March 1st, 2012, the transaction reshapes Cominar's profile, significantly increasing its reach and geographic diversification while enhancing its positioning among Canada's diversified real estate investment trusts, along with its competitive capacity in view of future property or portfolio acquisitions.

This transaction added 9.4 million square feet to our portfolio, broken down among 115 high-quality properties, including 85 retail, 24 office and six industrial buildings. Consequently, our portfolio's leasable space grew by approximately 44%, and our asset value rose to $4.6 billion.

Today, Cominar's portfolio covers a leasable area of 30.7 million square feet. The contribution to net operating income of our assets outside Québec increased significantly from about 11% to 21%. Consequently, our Québec-based portfolio now accounts for 79% of Cominar's net operating income, the Atlantic Provinces for 7%, whereas Western Canada and Ontario represent 9% and 5%, respectively. The segmented contributions to net operating income break down as follows: 22% from industrial and mixed-use properties, 47% from office buildings and 30% from retail space. As for the residential sector, its contribution is estimated at 1.0%.

ON THE STRENGTH OF ITS BALANCE SHEET, STABILITY AND DYNAMIC ORGANIZATION, COMINAR RAISED $256 MILLION IN FINANCING IN 2011

In the fourth quarter, we closed an offering of 5.2 million units for gross proceeds of approximately $112 million, followed by another 6.6 million unit issue for about $144 million. In late February 2012, we closed an offering of 9.2 million units for gross proceeds of $201 million. These issues, which reflect the financial community's confidence in our business strategy, contributed to consolidate our financial position and increase our investment potential. They lowered our debt to book value ratio to 44.6% as at December 31, 2011. Subsequent to the acquisition of Canmarc, this ratio was 54.5%. At year-end, the interest coverage ratio stood at 2.72:1, attesting to our solidity and capacity to meet our financial obligations.

THE QUALITY OF OUR TEAMS AND THE STABILITY OF OUR MARKETS MAKE US CONFIDENT AS WE UNDERTAKE THIS MAJOR GROWTH AND TRANSFORMATION PHASE

We are enthusiastic and driven as we begin 2012. A large share of our efforts will be assigned to the integration of Canmarc; to that end, we will draw on our integration experience, take advantage of the two parties' best practices, and make efficiency gains and operational synergies a priority. We will pursue our integrated management to ensure an optimal quality of service for our clients and operational efficiency, as well as a prudent expansion strategy. Strengthened bases and new resources will enable us to further expand in our various geographic markets in order to continue creating unitholder value in the future.

We express our gratitude to all our team members following this major expansion, and in particular for their precious contribution to the upcoming integration phase. We thank our unitholders for their confidence, our trustees for their wise counsel, our clients for their loyalty and all our business partners for their trust. Together, we share core values that are key to Cominar's sustained success and creation of value.

ROBERT DESPRÉS, O.C., G.O.Q.
Chairman of the Board of Trustees

MICHEL DALLAIRE, Eng.
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT") for the year ended December 31, 2011, in comparison with the year ended December 31, 2010, as well as its financial position at that date and its outlook. Dated March 2, 2012, this MD&A reflects all significant information available as of that date and should be read in conjunction with the consolidated financial statements and accompanying notes included in this report. **Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square-foot amounts**, and are based on financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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

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

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HIGHLIGHTS FOR THE YEAR ENDED DECEMBER 31, 2011

AUGMENTATIONS DE

12.5%
IN OPERATING REVENUES

12.1%
IN NET OPERATING INCOME

8.0%
IN RECURRING DISTRIBUTABLE INCOME

8.6%
IN RECURRING FUNDS FROM OPERATIONS

8.1%
IN RECURRING ADJUSTED FUNDS FROM OPERATIONS

9.8%
IN DISTRIBUTIONS

14.9%
IN TOTAL ASSETS

OCCUPANCY RATE OF

93.6%

RETENTION RATE OF

74.4%

INTEREST COVERAGE RATIO OF

2.72:1

LEASABLE AREA GROWTH OF

0.7M sq. ft.

1ST QUARTER

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

- On March 1, 2011, the REIT acquired an office building located in Halifax, Nova Scotia, with 78,000 square feet of leasable area for a consideration of $15.0 million in cash. This recently built property is currently 89% leased. The capitalization rate related to this acquisition is 8.6 %.

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

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

2ND QUARTER

- On April 29, 2011, Cominar acquired an office building with 15,000 square feet of leasable area, and a retail property with 27,000 square feet of leasable area, both properties being located in Moncton, New Brunswick. These fully occupied properties were acquired for a consideration of $5.2 million, consisting of $1.4 million for the assumption of a mortgage payable and $3.8 million in cash. The capitalization rate related to this acquisition is 8.8%.

3RD QUARTER

- On July 29, 2011, Cominar acquired an industrial and mixed-use building located in the Greater Moncton area, New Brunswick, covering an area of 11,000 square feet, for a consideration of $1.1 million in cash. The occupancy rate of this property is 100%. The capitalization rate related to this acquisition is 9.0 %.

- On July 29, 2011, Cominar acquired an office building located in Saint John, New Brunswick, covering an area of 41,000 square feet, for a consideration of $6.5 million, consisting of $5.0 million for the assumption of a mortgage payable and $1.5 million in cash. The occupancy rate of this property is 100%. The capitalization rate related to this acquisition is 8.2%.

- On July 29, 2011, Cominar acquired a retail building located in Halifax, Nova Scotia, covering an area of 41,000 square feet, for a consideration of $5.5 million in cash. The occupancy rate of this property is 100%. The capitalization rate related to this acquisition is 8.5%.

- In July 2011, Cominar contracted a $4.9 million mortgage payable with a financial institution. The loan bears interest at 5.1% and matures in 2016. It is secured by an immovable hypothec on three specific buildings.

- On September 30, 2011, Cominar acquired an industrial and mixed-use building located in Montréal, Québec, with 43,000 square feet of leasable area for a consideration of $3.4 million, consisting of $2.6 million in cash and $0.8 million as balance of sales price. The occupancy rate of this property is 100%. The capitalization rate related to this acquisition is 8.5%.

4TH QUARTER

- In October 2011, Cominar increased its operating and acquisition credit facilities to $260.8 million, an increase of $75 million.

- On October 20, 2011, Cominar closed a public offering of 5,207,000 units, on a bought deal basis, under a short-form prospectus dated October 12, 2011 and filed with the Canadian Securities Administrators. The units were sold to a syndicate of underwriters for total gross proceeds of approximately $112 million. The proceeds from the sale of the units were used to pay down debt outstanding under current credit facilities. Indebtedness incurred under such credit facilities was used by Cominar to finance acquisitions and investments, and for general and corporate purposes.

- In November 2011, Cominar set up a credit agreement with Canadian financial institutions allowing it to fully finance the cash consideration to be paid for the acquisition of the units of Canmarc Real Estate Investment Trust and to meet refinancing and cash requirements subsequent to the closing of that transaction. Cominar's operating and credit facility will amount to $550 million.

- On November 8, 2011, Cominar and its partner in the Complexe Jules-Dallaire entered into an agreement in principle to form a partnership with the Dallaire family for developing Phase 2 of the Complexe Jules-Dallaire (CJD). Under this agreement, surface rights were sold at year-end to the Dallaire family for an aggregate consideration of $20.2 million, an amount corroborated by independent experts, thus allowing the latter to construct a ten-floor office tower above the three floors already built during the development of Phase 1, as well as approximately 200 condominium units on 15 floors. Cominar's share in the disposal proceeds amounted to $19.1 million.

  Once the development of the ten floors of office space is complete, the Dallaire family may increase its interest by up to 50% of the fair market value of the entire Complexe Jules-Dallaire, by way of a cash consideration. Subsequently, the entire property will be managed by Cominar.

- On November 10, 2011, Cominar announced an updating of its strategic plan, notably with respect to the debt ratio, distribution ratio and expansion strategy. Changes made include among others: (i) a revision of Cominar's target debt ratio in order to generally bring it to 50% of the carrying amount, even though the Contract of Trust allows a higher ratio; (ii) the decision made by Cominar's Board of Trustees to gradually increase the distribution ratio to about 90% of distributable income; (iii) the addition of Ontario to Cominar's target markets; and (iv) the decision to build Cominar's growth on acquisitions and limit the scale of its development projects to only execute those meeting the clients' demand and needs.

  Cominar also took into account the fact that, in accordance with the new Québec City guidelines, real estate developers will have to combine a mix of residential and retail premises when executing their development projects, especially those located near Laurier Boulevard. In this context, Cominar's Board of Trustees re-examined Cominar's expansion strategy of not investing in the residential segment and, subsequent to such examination, reconfirmed this strategy.

- On December 22, 2011, Cominar closed a public offering of 6,594,100 units, on a bought deal basis, under a short-form prospectus dated December 15, 2011 and filed with the Canadian Securities Administrators. The units were sold to a syndicate of underwriters for total gross proceeds of approximately $144 million. The proceeds from the sale of the units were used to pay down debt outstanding under current credit facilities. Indebtedness incurred under such credit facilities was used by Cominar to finance acquisitions and investments, and for general and corporate purposes.

- On December 31, 2011, following an agreement entered into on November 8, 2011, Cominar sold to the Dallaire family land held for future development in Québec City. The transaction amounted to $20.4 million, an amount corroborated by independent experts, which was paid in cash. This transaction is part of the modifications brought to Cominar's strategic plan, which aims to restrict the ownership of land for future development only to land associated with potential development projects for the purpose of meeting the specific needs of Cominar's clients. Moreover, such transaction is in line with the new Québec City guidelines in this sector, which require real estate developers to combine a mix of residential and retail premises, especially those located near Laurier Boulevard.

ACQUISITION OF UNITS OF CANMARC

- On November 28, 2011, Cominar announced the purchase, by way of a private agreement, of a total of 3,099,300 units of Canmarc Real Estate Investment Trust ("Canmarc"), representing 5.7% of the total issued and outstanding Canmarc units. During the period from September 27, to November 27, 2011, Cominar had acquired 5,164,630 Canmarc units through market transactions. Consequently as of that date, Cominar and its subsidiaries owned approximately 15.1% of the total issued and outstanding Canmarc units.

- On December 2, 2011, Cominar announced that wholly-owned subsidiaries of Cominar (the "Cominar Acquisition Group") had commenced an offer to purchase all of the issued and outstanding trust units of Canmarc, other than any trust units already owned directly or indirectly by Cominar and the Cominar Acquisition Group.

  Pursuant to the Offer, the unitholders of Canmarc were to receive $15.30 in cash per Canmarc unit, a sum that was not subject to proration. Alternatively, the Cominar Acquisition Group had offered unitholders the opportunity to participate in the growth of the combined entity via a unit election option pursuant to which unitholders would exchange each Canmarc unit they held for 0.7054 units of Cominar, with an aggregate maximum of 16 million Cominar units available pursuant to this option, subject to proration.

  The Offer was open to acceptance until January 12, 2012.

- On January 12, 2012, Cominar announced the extension of its offer to acquire all of the issued and outstanding units of Canmarc to January 27, 2012.

- On January 16, 2012, Cominar and Canmarc announced that they had entered into a support agreement for the acquisition by the Cominar Acquisition Group of all of the outstanding units of Canmarc.

  Under its amended offer, Cominar offered to acquire all of the Canmarc units for, at the option of unitholders of Canmarc, either $16.50 in cash per Canmarc unit or 0.7607 trust units of Cominar per Canmarc unit, with an aggregate maximum of 16 million Cominar units available pursuant to this option, subject to proration.

- On January 27, 2012, Cominar announced that 37,692,827 units of Canmarc had been deposited to the offer by the Cominar Acquisition Group to acquire all of the issued and outstanding Canmarc units, and all other conditions of the Offer had been satisfied as of that date. The Cominar Acquisition Group has taken up and accepted for payment all of such Canmarc units, which, together with the Canmarc units already owned by Cominar and the Cominar Acquisition Group, represented approximately 83.8% of the Canmarc units outstanding.

  Cominar and the Cominar Acquisition Group also delivered a notice of extension to the depositary of the Offer. The Offer was open for acceptance until February 7, 2012 to allow as many Canmarc unitholders as possible to tender into the Offer.

- On February 7, 2012, Cominar announced that an additional 6,108,608 units of Canmarc had been deposited to the Offer by the Cominar Acquisition Group to acquire all of the issued and outstanding Canmarc units. The Cominar Acquisition Group has taken up and accepted for payment all of such additional Canmarc units, which, together with the 45,956,757 Canmarc units already owned by the Cominar Acquisition Group and Cominar, represented approximately 95% of the Canmarc units outstanding.

Since the Cominar Acquisition Group had been successful in acquiring more than 90% of the Canmarc units not owned by the Cominar Acquisition Group or Cominar under the Offer, it intended to acquire all remaining Canmarc units by compulsory acquisition under the declaration of trust of Canmarc.

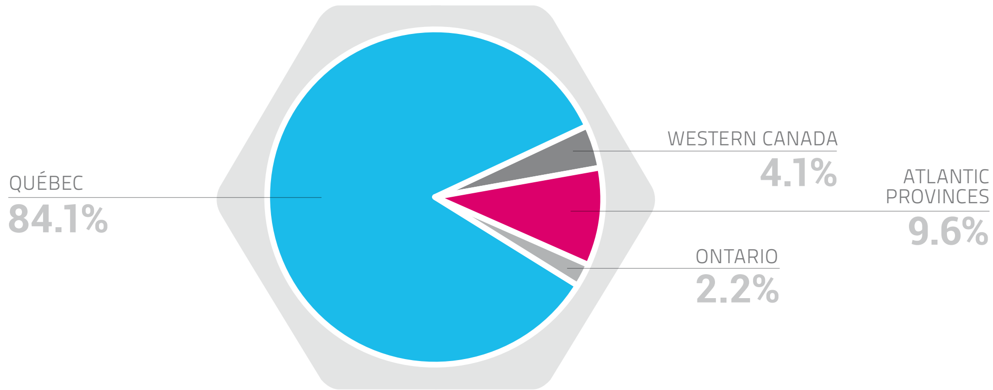
- On March 1, 2012, Cominar and the Cominar Acquisition Group completed the acquisition of all of the issued and outstanding units of Canmarc for a total consideration of $904.5 million, excluding the acquisition-related costs. The total consideration includes the issuance of 16 million units of Cominar at $21.69 and a cash amount of $557.5 million paid out of cash surplus and the new operating and acquisition credit facility (as more fully described in this MD&A).

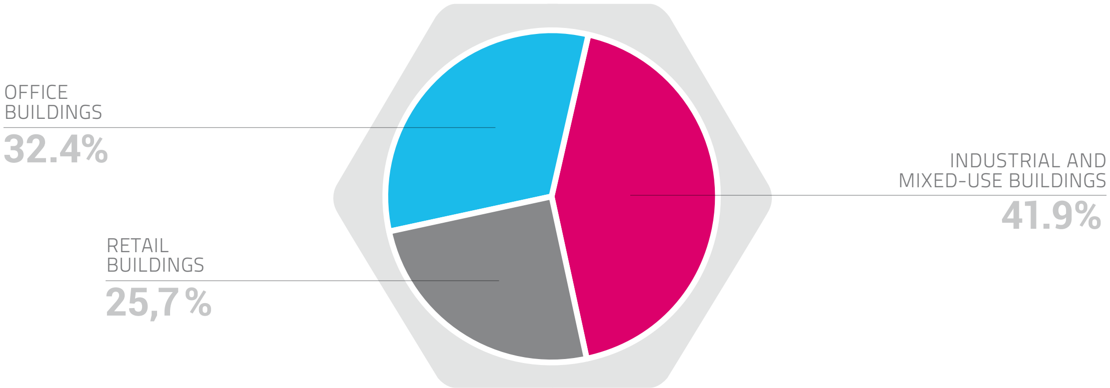
The acquisition of Canmarc will provide Cominar with an additional 9.4 million square feet of high-quality real estate that is complementary to its existing portfolio. Combined with Cominar's existing properties, the addition of Canmarc's assets will create a unique portfolio of high-quality properties including a number of landmark buildings.

Enhanced size and diversification

The acquisition of Canmarc will increase Cominar's leasable area by approximately 44% to approximately 30.7 million square feet, with an enhanced footprint in the Province of Québec and a meaningful presence in the Atlantic Provinces, western Canada and Ontario. Furthermore, Cominar's portfolio will benefit from enhanced diversification among the office, retail and industrial asset classes.

The geographic and asset class diversification of the combined entity's leasable area will be as follows:





Improved capital markets profile

The acquisition of Canmarc will increase Cominar's enterprise value to $4.6 billion, creating one of the largest diversified REITs in Canada, while increasing liquidity for Cominar unitholders. Accordingly, Cominar will benefit from stronger access to capital.

Lower cost of capital

The increased size and enhanced geographic and asset class diversification resulting from the acquisition of Canmarc is expected to allow Cominar to benefit from a lower cost of capital, thus improving its competitiveness for future asset and portfolio acquisitions.

Positioned for further growth

The combined entity will be ideally positioned to execute Cominar's continued expansion in its key markets and in the Ontario market.

Synergies

Given the scale of its existing operations in Québec, Cominar expects to realize synergies from the combination of the two entities. Cominar's knowledge of the key markets in which Canmarc operates is expected to result in lower operating costs and improved operating efficiencies, creating further synergies for Cominar.

SUBSEQUENT EVENT

On February 28, 2012, Cominar closed a public offering of 9,168,950 units, on a bought deal basis, under a short-form prospectus dated February 21, 2012 and filed with the Canadian Securities Administrators. The units were sold to a syndicate of underwriters for total gross proceeds of approximately $201 million. The proceeds from the sale of the units were used to pay down debt outstanding under current credit facilities. Indebtedness incurred under such credit facilities was used by Cominar to finance acquisitions and investments, and for general and corporate purposes.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

FINANCIAL MEASURES FOR WHICH IFRS DO NOT PROVIDE A STANDARDIZED MEANING

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the years ended December 31,	2011	2010	Δ%
FINANCIAL DATA			
Operating revenues	**317,741**	282,385	12.5
Net operating income (1)	**184,709**	164,758	12.1
Same property net operating income growth (1)	**1.0%**	—	
Net income	**177,461**	109,140	62.6
Recurring distributable income (1)	**97,577**	90,336	8.0
Recurring funds from operations (1)	**111,927**	103,073	8.6
Recurring adjusted funds from operations (1)	**99,090**	91,685	8.1
Distributions	**95,567**	87,027	9.8
Debt ratio	**44.6%**	53.0%	
Total assets	**2,763,256**	2,405,805	14.9
Market capitalization	**1,697,439**	1,305,808	30.0
PER UNIT FINANCIAL DATA			
Net income (basic)	**2.74**	1.82	50.5
Distributable income (basic) (1)	**1.52**	1.50	1.3
Recurring distributable income (FD) (1)(2)	**1.48**	1.48	—
Recurring funds from operations (FD) (1)(2)	**1.65**	1.64	0.6
Recurring adjusted funds from operations (FD) (1)(2)	**1.50**	1.49	0.7
Distributions	**1.44**	1.44	—
Weighted average number of units outstanding (basic)	**64,870,808**	60,055,248	
Weighted average number of units outstanding (FD) (2)	**82,337,164**	77,782,439	
OPERATIONAL DATA			
Number of properties	**270**	258	4.7
Leasable area (in thousands of sq. ft.)	**21,219**	20,245	4.8
Occupancy rate	**93.6%**	93.8%	
Retention rate	**74.4%**	81.3%	
ACQUISITIONS AND DEVELOPMENTS			
Acquisitions			
Number of properties	**9**	33	
Land lease	**—**	1	
Leasable area (in thousands of sq. ft.)	**693**	1,458	
Total investment	**100,927**	135,235	
Weighted average capitalization rate	**8.4%**	8.9%	
Developments completed			
Number of properties	**2**	—	
Leasable area (in thousands of sq. ft.)	**355**	—	
Total investment	**81,100**	—	
Weighted average capitalization rate	**9.2 %**	—	

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

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the largest owner and manager of commercial properties in the Province of Québec. As at December 31, 2011, we owned and managed a high-quality portfolio of 270 properties including 54 office buildings, 55 retail buildings and 161 industrial and mixed-use buildings covering 21.2 million square feet in the Québec City, Montréal and Ottawa-Gatineau areas as well as in the Atlantic Provinces.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects, increasing the carrying amount of its assets to $2.8 billion as at December 31, 2011.

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

OBJECTIVES AND STRATEGY

OBJECTIVES

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

STRATEGY

To reach its objectives, Cominar continues to manage growth, operational risk and debt in a flexible and prudent manner. In this context, the Board of Trustees brought some modifications to the strategic plan, namely regarding the debt ratio, the distribution ratio and the development strategy of the Fund.

Consistent with Cominar's financial management principles of maintaining a healthy and solid balance sheet over the long term and regularly paying stable distributions to unitholders, the Board of Trustees proceeded to revise the debt ratio in order to generally bring it to approximately 50 % of the gross carrying amount, even though the REIT's Contract of Trust allows a ratio of 65 %. The Board of Trustees also decided that the distribution ratio should gradually be brought to about 90 % of distributable income

In addition, the Board of Trustees reviewed Cominar's two-tiered expansion strategy: property or property portfolio acquisitions, and development projects.

To sustain and eventually increase its pace of growth, Cominar needs to explore new markets outside Quebec, as it did in March 2010 by acquiring a property portfolio in the Atlantic Provinces whose results are most satisfactory. The Board of Trustees therefore decided to add Ontario to the REIT's target markets. Any opportunities that arise in this market will be analyzed according to the same criteria as rigorously as Cominar has done since its inception.

As for development projects, the Board of Trustees considers first, that they account for little of the REIT's target growth, and secondly, that large-scale projects have a dilutive impact on results because of their lengthy construction period. From now on, Cominar will therefore build its growth on acquisitions and limit the scale of its development projects to only execute those meeting its clients' demand and needs.

PERFORMANCE INDICATORS

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

- **Same property net operating income**, which provides an indication of the operating profitability of the existing portfolio, i.e. Cominar's ability to increase revenues and reduce costs, and thereby generate added value for its unitholders;
- **(Recurring) distributable income ("DI") per unit**, which represents a benchmark for investors to judge the stability of distributions;
- **(Recurring) funds from operations ("FFO") per unit**, which represent a standard real estate benchmark to measure an entity's performance;
- **(Recurring) adjusted funds from operations ("AFFO") per unit**, which, excluding the items not affecting cash flows and the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations, represent a meaningful measure of Cominar's ability to generate stable cash flows;
- **Debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization;
- **Interest coverage ratio**, which is used to assess Cominar's ability to pay interest on its debt using its operating revenues;
- **Occupancy rate**, which gives an indication of the economic health of the geographical regions and sectors in which Cominar owns properties ;
- **Retention rate**, which allows to assess client satisfaction and loyalty;
- **Leasable area growth**, a decisive factor of Cominar's strategy for reaching its main objectives of providing its unitholders with growing cash distributions and increasing and maximizing unit;
- **Geographic and segment diversification**, which contributes to maintain more stable revenues by spreading real estate risk.

The following table summarizes our main performance indicators for the periods ended December 31, 2011 and 2010.

PERFORMANCE INDICATORS

		Quarter			Cumulative		
For the periods ended December 31,	Page	2011	2010	Δ%	2011	2010	Δ%
Same property net operating income	24	**39,838**	39,279	1.4	**158,053**	156,411	1.0
Recurring distributable income per unit (FD) (1)	30	**0.37**	0.37	—	**1.48**	1.48	—
Recurring FFO per unit (FD) (1)	34	**0.41**	0.42	(2.4)	**1.65**	1.64	0.6
Recurring AFFO per unit (FD) (1)	36	**0.37**	0.37	—	**1.50**	1.49	0.7
Debt ratio (including convertible debentures)	39				**44.6%**	53.0%	
Interest coverage ratio	40				**2.72**	2.93	
Occupancy rate	44				**93.6%**	93.8%	
Retention rate	44				**74.4%**	81.3%	
Leasable area growth	41				**4.8%**	7.7 %	

(1) Fully diluted.

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IMPACT OF IFRS ADOPTION

IFRS are based on a conceptual framework similar to Canadian GAAP, although significant differences exist with respect to accounting, measurement and financial reporting issues. The adoption of IFRS had no impact on the Trust's reporting net cash flows but had a significant impact on its consolidated balance sheets and statements of income. More specifically, Cominar's opening balance sheet as at January 1, 2010 under IFRS takes into account the fair value revaluation of all its properties. The impact of this adjustment on the opening balance sheet prepared in accordance with IFRS as at January 1, 2010, compared to the balance sheet prepared in accordance with Canadian GAAP as at December 31, 2009, resulted in an increase of Unitholders' equity, which increased from $583.5 million to approximately $928.9 million. In addition, the impact of this adjustment on the balance sheet prepared in accordance with IFRS as at December 31, 2010, compared with the balance sheet prepared in accordance with Canadian GAAP, resulted in an increase of Unitholders' equity, which increased from $675.8 million to $1,093.6 million.

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

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

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

Exemption from other IFRS

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

Business combination

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

Exception to the retrospective application of other IFRS

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

Estimates

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

Reconciliation of Canadian GAAP to IFRS

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

Analysis of quantitative and qualitative effects of IFRS

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

- **Investment Property (IAS 40)**

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

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

  Cominar mainly used the direct capitalization method for measuring its income properties as at January 1, 2010. The applied capitalization rates varied from 6.5 % to 10.0 %, resulting in a total weighted average rate of 7.8 % for our portfolio. The carrying amount of investment properties as at January 1, 2010 increased by $409.5 million, including an unrealized value adjustment of $121.5 million, from $1.8 billion under GAAP to $2.2 billion under IFRS, representing a rise of 23.3 % at the date of conversion on January 1, 2010. Total assets increased from $1.8 billion to $2.2 billion at the same date, the corresponding adjustment being recognized in the unitholders' equity opening balance. Cominar's overall debt ratio decreased to 56.0% as at January 1, 2010 according to IFRS data compared to 60.1%, as previously reported under GAAP for the same date, representing a 4.1% decrease.

  As at December 31, 2010, the applied capitalization rates varied from 6.5% to 10.4 %, resulting in a total weighted average rate of 7.7% for our portfolio. The carrying amount of investment properties as at December 31, 2010 increased by $490.2 million, including an unrealized value adjustment of $128.7 million, from $1.9 billion under GAAP to $ 2.4 billion under IFRS, representing a rise of 26.0%.

Total assets increased from $2.0 billion to $2.4 billion at the same date. Cominar's overall debt ratio decreased to 53.0 % as at December 31, 2010 according to IFRS data compared to 56.9 %, as previously reported under GAAP for the same date, representing a 3.9 % decrease.

- **Investment property presentation**

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

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

- **Depreciation of investment properties**

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

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

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

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

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

- **Business Combinations (IFRS 3)**

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

Internal control over financial reporting

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

PERFORMANCE ANALYSIS

RESULTS RELATED TO OPERATIONS

The following tables summarize our main results related to operations for the periods ended December 31, 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Operating revenues	**77,983**	71,264	9.4	**317,741**	282,385	12.5
Operating expenses	**30,781**	28,067	9.7	**133,032**	117,627	13.1
Net operating income	**47,202**	43,197	9.3	**184,709**	164,758	12.1
Financial expense	**(17,792)**	(14,327)	24.2	**(67,950)**	(56,290)	20.7
Trust administrative expenses	**(1,534)**	(1,488)	3.1	**(5,800)**	(5,315)	9.1
Proceeds from an investment in a public entity	**20,020**	—	—	**20,020**	—	—
Transaction costs – business combination	**(3,616)**	—	—	**(4,262)**	(685)	—
Fair value adjustment of investment properties	**51,349**	7,198	—	**51,349**	7,198	—
Income taxes	**74**	(145)	—	**(605)**	(526)	15.0
Net income	**95,703**	34,435	—	**177,461**	109,140	62.6

NON-IFRS FINANCIAL MEASURES

	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Recurring DI	**25,979**	23,797	9.2	**97,577**	90,336	8.0
Distributions	**26,429**	22,651	16.7	**95,567**	87,027	9.8
Recurring FFO	**29,666**	27,302	8.7	**111,927**	103,073	8.6
Recurring AFFO	**26,216**	23,812	10.1	**99,090**	91,685	8.1

FINANCIAL POSITION

The following table summarizes our assets and liabilities as well as our unitholders' equity as at December 31, 2011 and December 31, 2010.

As at December 31,	2011	2010	Δ$	Δ%
ASSETS				
Investment properties				
Income properties	**2,515,965**	2,220,233	295,732	13.3
Properties under development and land held for future development	**37,444**	158,113	(120,669)	(76.3)
Investment in a public entity	**132,223**	—	—	—
Other assets	**77,624**	27,459	50,165	—
Total	**2,763,256**	2,405,805	357,451	14.9
LIABILITIES				
Mortgages payable	**840,558**	816,448	24,110	3.0
Convertible debentures	**382,060**	395,472	(13,412)	(3.4)
Bank indebtedness	**16,540**	62,078	(45,538)	(73.4)
Other liabilities	**52,876**	38,195	14,681	38.4
	1,292,034	1,312,193	(20,159)	(1.5)
UNITHOLDERS' EQUITY	**1,471,222**	1,093,612	377,610	34.5
Total	**2,763,256**	2,405,805	357,451	14.9

RESULTS OF OPERATIONS

OPERATING REVENUES

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

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

During fiscal 2011, our operating revenues rose 12.5% from fiscal 2010. This increase resulted from the contribution of income property acquisitions and developments completed in 2010 and 2011.

OPERATING REVENUES

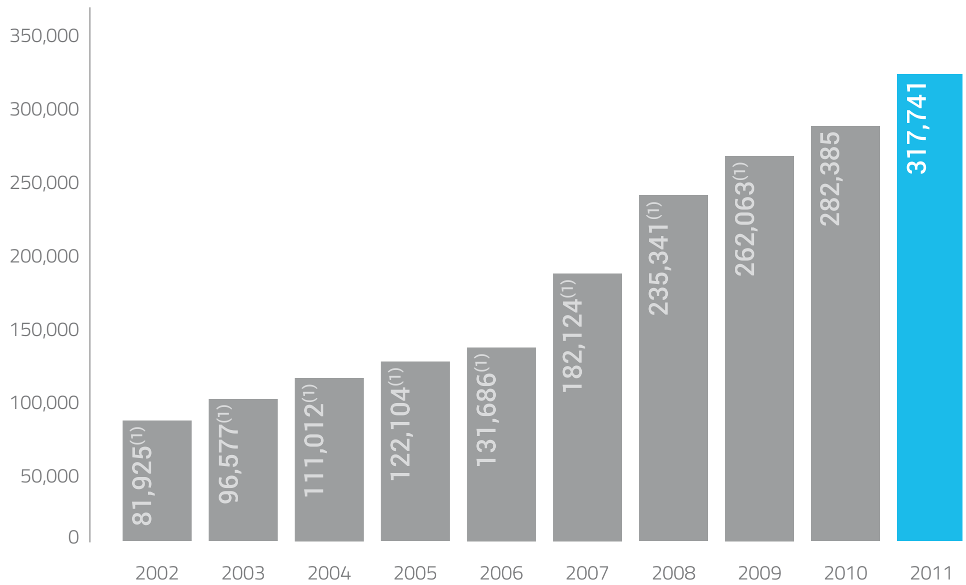
	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Same property portfolio (1)	**65,826**	65,089	1.1	**273,912**	269,136	1.8
Acquisitions and developments	**12,157**	6,175	96.9	**43,829**	13,249	—
Total operating revenues	**77,983**	71,264	9.4	**317,741**	282,385	12.5

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

Our same property portfolio operating revenues showed a 1.8 % increase in fiscal 2011 compared with fiscal 2010.

The tables below and in the following section show that Cominar has almost quadrupled its revenues and its net operating income in the last ten years. Such progression is the result of a prudent growth strategy where each acquisition of property was made after a thorough analysis based on rigorous criteria.

OPERATING REVENUES



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

NET OPERATING INCOME

Although net operating income ("NOI") is not a financial measure defined by IFRS, it is widely used in the real estate industry to assess operating performance. We defined it as operating income before financial expense, Trust administrative expenses, proceeds from an investment in a public entity, transaction costs – business combinations, fair value adjustment of investment properties and income taxes. This definition may differ from that of other entities and, therefore, Cominar's NOI may not be comparable to similar measures presented by such other entities.

For the year ended December 31, 2011, total NOI rose 12.1% from that recorded in 2010, due mainly to income property acquisitions and developments completed in 2010 and 2011.

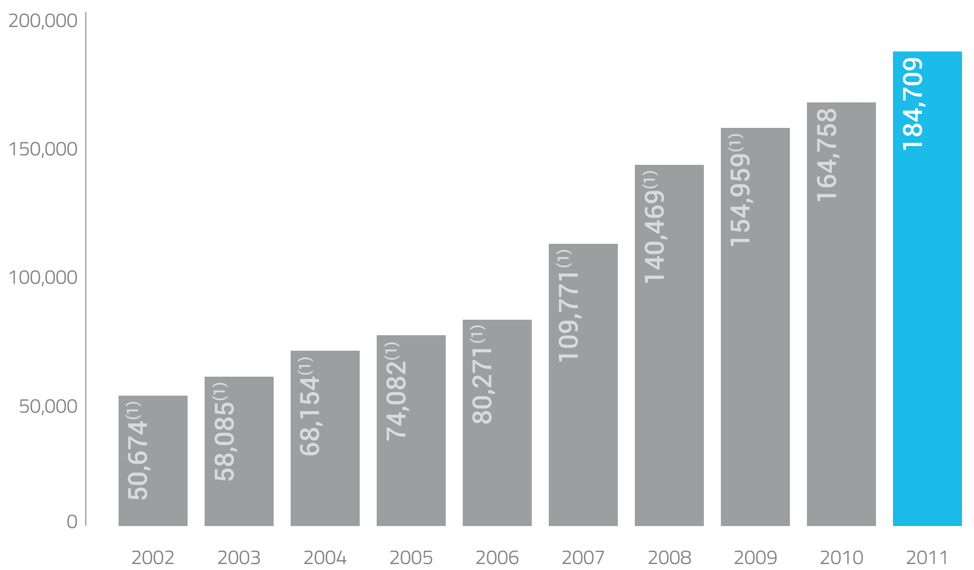
NET OPERATING INCOME

	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Same property portfolio [1]	**39,838**	39,279	1.4	**158,053**	156,411	1.0
Acquisitions and developments	**7,364**	3,918	88.0	**26,656**	8,347	—
Total NOI	**47,202**	43,197	9.3	**184,709**	164,758	12.1

(1) See "Operating Revenues."

For the year ended December 31, 2011, same property NOI (a financial performance indicator) rose 1.0% from the corresponding period of 2010. Such rise mainly results from higher lease rates upon renewal and following expected increases in existing leases.

NET OPERATING INCOME



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

SEGMENT NET OPERATING INCOME

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

NOI - ACTIVITY SEGMENT

	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Activity segment						
Office	**22,975**	19,930	15.3	**89,368**	74,866	19.4
Retail	**9,616**	8,802	9.2	**36,037**	34,107	5.7
Industrial and mixed-use	**14,611**	14,465	1.0	**59,304**	55,785	6.3
Total NOI	**47,202**	43,197	9.3	**184,709**	164,758	12.1

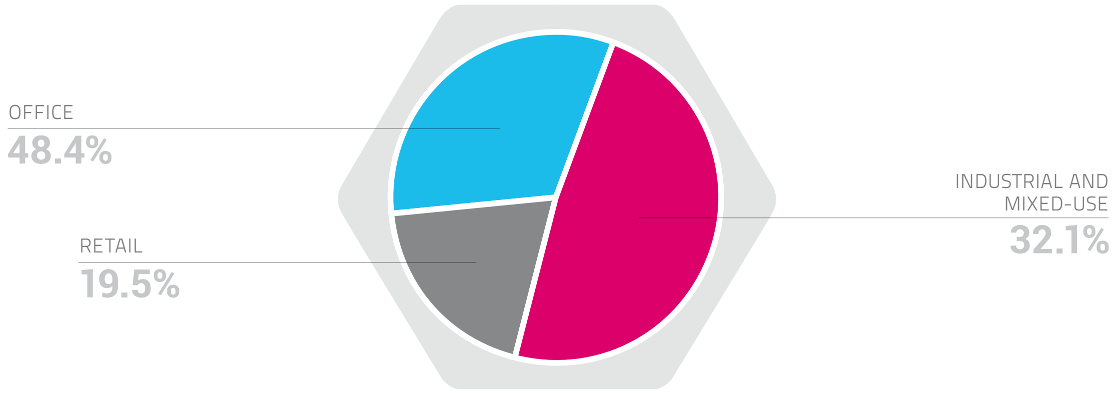
	Quarter		Cumulative	
For the periods ended December 31,	2011	2010	2011	2010
Activity segment				
Office	**48.7%**	46.1%	**48.4%**	45.4%
Retail	**20.4%**	20.4%	**19.5%**	20.7%
Industrial and mixed-use	**30.9%**	33.5%	**32.1%**	33.9%
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

NOI - GEOGRAPHIC MARKET

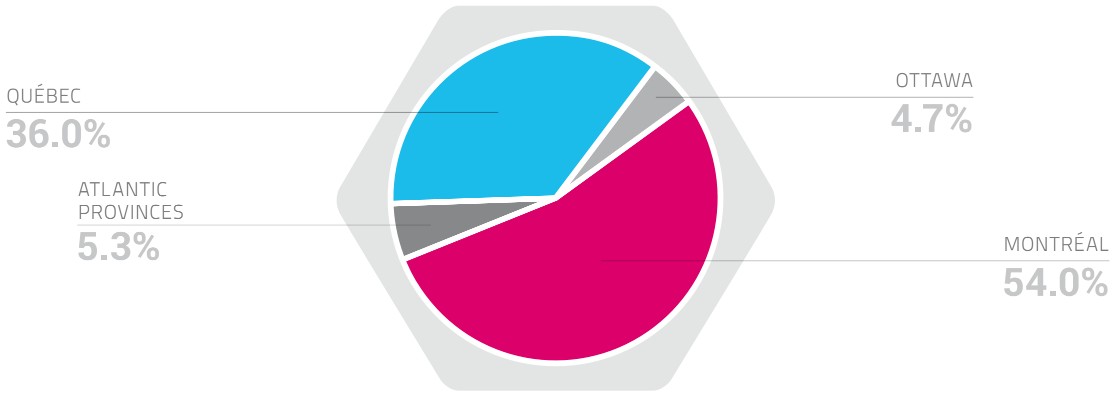
	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Geographic market						
Québec	**17,251**	15,705	9.8	**66,474**	60,269	10.3
Montréal	**25,034**	23,704	5.6	**99,653**	90,709	9.9
Ottawa	**2,124**	2,201	(3.5)	**8,696**	8,828	(1.5)
Atlantic Provinces	**2,793**	1,587	76.0	**9,886**	4,952	99.6
Total NOI	**47,202**	43,197	9.3	**184,709**	164,758	12.1

	Quarter		Cumulative	
For the periods ended December 31,	2011	2010	2011	2010
Geographic market				
Québec	**36.6%**	36.3%	**36.0%**	36.6%
Montréal	**53.0%**	54.9%	**54.0%**	55.0%
Ottawa	**4.5%**	5.1%	**4.7%**	5.4%
Atlantic Provinces	**5.9%**	3.7%	**5.3%**	3.0%
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

NOI - ACTIVITY SEGMENT



NOI - GEOGRAPHIC MARKET



FINANCIAL EXPENSE

The financial expense for fiscal 2011 rose 20.7% from fiscal 2010. The weighted average contractual interest rate of our long-term debt stood at 5.56% as at December 31, 2011, a slight increase from that recorded as at December 31, 2010.

The increase in financial expense mostly results from higher mortgages payable contracted or assumed following income property acquisitions completed in 2010 and 2011 and from lower capitalized interest in development projects, the main one being the Complexe Jules-Dallaire. The financial expense for fiscal 2011 includes a non-recurring expense of $0.7 million related to the investment held in Canmarc Real Estate Investment Trust.

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

FINANCIAL EXPENSE

	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Mortgages and bank indebtedness	**12,800**	11,409	12.2	**49,260**	45,099	9.2
Convertible debentures	**5,886**	6,140	(4.1)	**24,227**	24,497	(1.1)
Amortization of borrowing costs and others	**398**	329	21.0	**2,087**	2,571	(18.8)
Less: Capitalized interest	**(1,292)**	(3,551)	(63.6)	**(7,624)**	(15,877)	(52.0)
Total financial expense	**17,792**	14,327	24.2	**67,950**	56,290	20.7

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses stood at $5.8 million as at December 31, 2011 compared to $5.3 million for the same period of 2010. Trust administrative expenses represented 1.8% of operating revenues in 2011, compared to 1.9% in 2010.

PROCEEDS FROM AN INVESTMENT IN A PUBLIC ENTITY

As more fully described in the highlights for fiscal 2011, Cominar invested an amount of $114 million in 2011 in order to acquire approximately 15.1% of the issued and outstanding units of Canmarc as at December 31, 2011. In accordance with IFRS, such investment has been classified as a "financial asset at fair value through profit or loss". Consequently, it has been measured at fair value as at December 31, 2011, and the required adjustment has been recorded in profit or loss.

Proceeds from the investment held in Canmarc are presented in the following table:

INVESTMENT PROCEEDS

	Quarter		Cumulative	
For the periods ended December 31,	2011	2010	2011	2010
Distributions received	**1,788**	—	**1,788**	—
Fair value adjustment	**18,232**	—	**18,232**	—
	20,020	—	**20,020**	—

INVESTMENT IN A PUBLIC ENTITY

As at December 31,	2011	2010
Acquisition cost	**113,991**	—
Fair value adjustment	**18,232**	—
Balance, end of year	**132,223**	—

TRANSACTION COSTS – BUSINESS COMBINATIONS

In 2011, Cominar incurred non-recurring costs of $0.7 million related to an unconcluded transaction. Cominar also incurred non-recurring costs of $3.6 million in connection with the purchase of an investment in a public entity. In 2010, non-recurring costs were incurred with respect to the transaction that allowed Cominar to acquire all of Overland Realty Ltd.'s investment properties. Under IFRS, transaction costs related to a business combination must be expensed as incurred.

FAIR VALUE ADJUSTMENT OF INVESTMENT PROPERTIES

Cominar chose the fair value model to record its investment properties in its financial statements. The fair value is determined using both internal measurements based on management's estimates and valuations from independent real estate appraisers. Management's fair value measurement is compared with the fair value determined by independent appraisers, when available.

Pursuant to its investment valuation policy, Cominar's management proceeded, by the end of fiscal 2011, to a complete revaluation of its property portfolio and determined that an increase of $51.3 million was required to adjust the carrying amount of these assets to their fair value.

The capitalized net operating income method - Under this method, capitalization rates are applied to net operating income (proceeds from a property less operating expenses attributable to that property). The key factor is the capitalization rate for each property. Cominar regularly receives publications from national firms dealing with real estate activity and trends. Such market data reports include capitalization rate variances according to property types and geographical areas.

To the extent that the capitalization rate ranges change from one reporting period to the next, or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value or investment properties would increase or decrease accordingly.

Cominar has determined that an increase or a decrease of 0.10% in the applied capitalization rate for the whole real estate portfolio would result in an estimated decrease of $33.2 million or an estimated increase of $34.3 million in the fair value of its investment properties.

The following table breaks down the average capitalization rates used by activity segment and geographic area:

AVERAGE CAPITALIZATION RATE – DECEMBER 31, 2011

	Québec (%)	Montréal (%)	Ottawa (%)	Atlantic Provinces (%)	Average rate (%)
Office	6.8	7.7	6.5	7.9	7.3
Retail	7.3	7.4	8.3	8.4	7.4
Industrial and mixed-use	7.5	7.7	N/A	8.3	7.6
	7.1	7.6	6.6	8.1	7.4

AVERAGE CAPITALIZATION RATE – DECEMBER 31, 2010

	Québec (%)	Montréal (%)	Ottawa (%)	Atlantic Provinces (%)	Average rate (%)
Office	7.2	7.6	6.5	7.8	7.3
Retail	7.8	7.6	8.3	8.4	7.8
Industrial and mixed-use	8.1	8.2	N/A	8.8	8.2
	7.6	7.8	6.7	8.2	7.7

NET INCOME

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

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

Cominar reported $177.5 million in net income for fiscal 2011, up 62.6 % from 2010. Net income per unit stood at $2.74, up 50.5 % from the comparative period of 2010. Net income for 2011 includes a non-recurring income of $0.9 million arising from a lease termination penalty, a net income of $19.3 million derived from an investment in a public entity, and non-recurring expenses of $4.3 million ($0.7 million in 2010) resulting from business combinations. Consequently, net income for 2011 adjusted to consider those non-recurring items stood at $161.6 million compared to $109.8 million in 2010.

NET INCOME

	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Net income	**95,703**	34,435	—	**177,461**	109,140	62.6
Net income per unit (basic)	**1.38**	0.55	—	**2.74**	1.82	50.5
Net income per unit (diluted)	**1.18**	0.51	—	**2.45**	1.72	42.4

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

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

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

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

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

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

In 2011, Cominar incurred non-recurring costs of $0.7 million related to an unconcluded transaction. Cominar also incurred non-recurring costs of $3.6 million in connection with the purchase of an investment in a public entity. In 2010, costs were incurred with respect to the transaction that allowed Cominar to acquire all of Overland Realty Ltd.'s investment properties. Under IFRS, transaction costs related to a business combination must be expensed as incurred.

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

DISTRIBUTABLE INCOME

	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Net income (IFRS)	**95,703**	34,435	—	**177,461**	109,140	62.6
- Fair value adjustment of investment properties	**(51,349)**	(7,198)	—	**(51,349)**	(7,198)	—
- Fair value adjustment of an investment in a public entity	**(18,232)**	—	—	**(18,232)**	—	—
- Amortization of fair value adjustments on assumed indebtedness	**(395)**	(143)	—	**(1,363)**	(439)	—
+ Compensation expense related to unit options	**249**	209	19.1	**986**	873	12.9
+ Deferred tax expense	**(72)**	65	—	**685**	446	53.9
+ Accretion of liability component of convertible debentures	**61**	56	8.9	**240**	224	7.1
+ Transaction costs incurred upon a business combination	**3,616**	—	—	**4,262**	685	—
- Provision for leasing costs	**(2,980)**	(3,028)	(1.6)	**(11,616)**	(11,364)	2.2
- Rental income – recognition of leases on straight-line basis	**(622)**	(599)	3.8	**(2,597)**	(2,031)	27.9
Distributable income	**25,979**	23,797	9.2	**98,477**	90,336	9.0
- Unusual item – Lease termination penalty	**—**	—	—	**(900)**	—	—
Recurring DI	**25,979**	23,797	9.2	**97,577**	90,336	8.0
DISTRIBUTIONS TO UNITHOLDERS	**26,429**	22,651	16.7	**95,567**	87,027	9.8
Distributions reinvested under the distribution reinvestment plan	**(7,892)**	(2,516)	—	**(19,221)**	(4,509)	—
Cash distributions	**18,537**	20,135	(7.9)	**76,346**	82,518	(7.5)
Per unit information:						
DI (basic)	**0.38**	0.38	—	**1.52**	1.50	1.3
Recurring DI (basic)	**0.38**	0.38	—	**1.50**	1.50	—
Recurring DI (FD) (1)	**0.37**	0.37	—	**1.48**	1.48	—
DISTRIBUTIONS PER UNIT	**0.36**	0.36	—	**1.44**	1.44	—
DI payout ratio	**94.7%**	94.7%		**94.7%**	96.0%	

(1) Fully diluted.

Recurring DI for the year ended December 31, 2011 amounted to $97.6 million, up 8.0% from fiscal 2010. This increase resulted mainly from the contribution of income property acquisitions and developments completed in 2010 and 2011 Recurring DI per fully diluted unit totalled $1.48, representing the same level as for the previous year.

Distributions to unitholders in 2011 totalled $95.6 million, up 9.8% from 2010. Distributions per unit stood at $1.44 both for fiscal 2011 and 2010.

Cominar takes a conservative approach to managing its distribution ratio, which it regards as a key factor in the stability of future distributions. This approach provides greater financial flexibility for its capital expenditures and the implementation of its leasing programs. The DI payout ratio as at December 31, 2011 stood at 94.7%. The medium-term objective is to maintain the annual payout ratio at approximately 90%.

TRACK RECORD OF DI PER UNIT

For the years ended December 31,	2011	2010	2009 (2)	2008 (2)	2007 (2)
Recurring DI per unit (basic)	**1.50**	1.50	1.58	1.63	1.52
Recurring distributable income per unit (FD) (1)	**1.48**	1.48	1.55	1.59	1.48

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

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

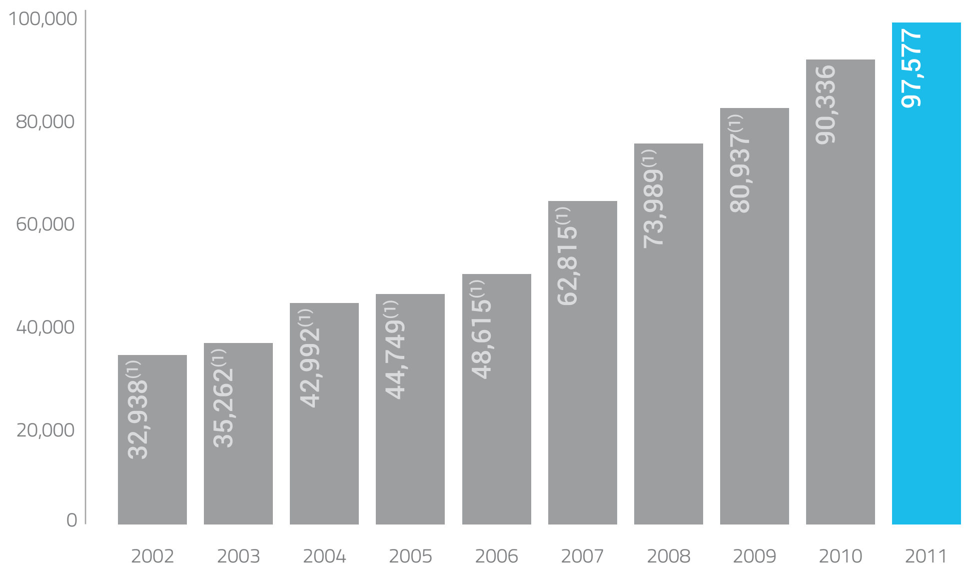
Financial leverage

Financial leverage measures the effect of debt used compared to financing through the issue of Cominar units.

During the period from 2007 to 2009, Cominar's use of debt was more significant, which had a positive direct impact on per unit profitability. As regards financing through the issue of units, Cominar's recent use of this type of financing had a dilutive effect on income per unit distributable to unitholders.

The comparison of financial results based only on per unit annual amounts without considering the debt ratio could therefore lead to a biased analysis.

(RECURRING) DISTRIBUTABLE INCOME



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

The average annual growth of Cominar's distributable income over the last ten years amounted to approximately 20%, thus reflecting the sustained growth of cash flows provided from its immovable properties.

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

The following table presents this reconciliation:

	Quarter		Cumulative	
For the periods ended December 31,	**2011**	**2010**	**2011**	**2010**
Cash flows provided from operating activities (IFRS)	**(65,952)**	42,634	**1,934**	105,827
+ Purchase of an investment in a public entity	**111,822**	—	**111,822**	—
- Amortization of capitalized financing costs and other assets	**(831)**	(607)	**(3,691)**	(3,341)
+ Unusual items – transaction costs incurred upon business combinations	**3,616**	—	**4,262**	685
- Provision for leasing costs	**(2,980)**	(3,028)	**(11,616)**	(11,364)
- Change in non-cash working capital items	**(19,696)**	(15,202)	**(4,234)**	(1,471)
Distributable income	**25,979**	23,797	**98,477**	90,336

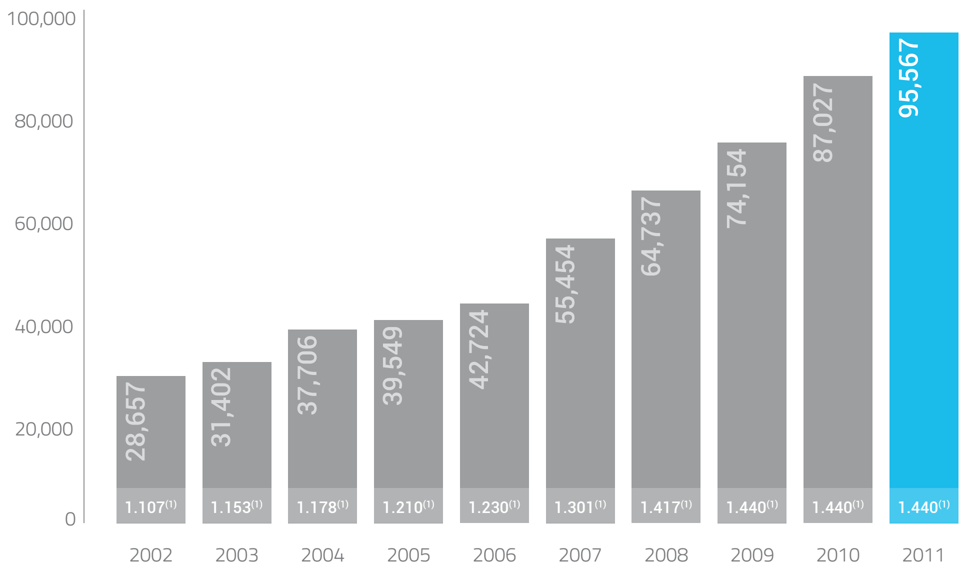
In accordance with CSA guidelines, Cominar also provides the following table to allow readers to assess the source of cash distributions and how they relate to net income:

For the years ended December 31,	2011	2010	2009[1]
Net income (IFRS)	**177,461**	109,140	29,012
Cash flows provided from operating activities	**1,934**	105,827	89,320
Distributions to unitholders	**95,567**	87,027	74,154
Cash distributions	**76,346**	82,518	72,642
Cash flows from operating activities in excess (deficit) of cash distributions payable to unitholders	**(74,412)**	23,309	16,678

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

Cominar's cash flows provided from operating activities for the year ended December 31, 2011 are lower than cash distributions payable to unitholders due to the presentation of its investment in the units of Canmarc Real Estate Investment Trust as "operating activities" in accordance with IFRS. Excluding this investment, financed through long-term loans and equity, cash flows provided from operating activities were higher than cash distributions payable to unitholders by $37,410.

DISTRIBUTIONS



In the past ten years, Cominar paid over a half billion dollars to its unitholders. During that period, distributable income per unit, increased at an annual growth of 3% on average.

FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not a financial measure defined under IFRS, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with IFRS), adjusted for fair value adjustments of investment properties, deferred taxes, transaction costs incurred upon a business combination and extraordinary items. REALpac stated that the fair value adjustment of a financial instrument and transactions resulting from an unconcluded business combination must not be adjusted to FFO. FFO for fiscal 2010 have been restated in order to conform to IFRS. The transition impact was a decrease mainly attributable to the cancellation of amortization of below-market leases under IFRS in the net income calculation, which provides the basis in computing FFO. Such amortization was added to operating revenues under GAAP, but was not subsequently adjusted in the calculation. FFO are also presented net of amortization of tenant inducements - which were previously adjusted in the calculation of FFO and are now applied against operating revenues – and net of capitalized interest, which was cancelled.

FFO for 2011 reflect the impact, if applicable, resulting from the modifications related to the adoption of IFRS.

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

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

FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31,	**2011**	**2010**	**Δ%**	**2011**	**2010**	**Δ%**
Net income (IFRS)	**95,703**	34,435	—	**177,461**	109,140	62.6
- Fair value adjustment of investment properties	**(51,349)**	(7,198)	—	**(51,349)**	(7,198)	—
+ Deferred tax expense	**(72)**	65	—	**685**	446	53.9
+ Transaction costs – completed business combination	**3,616**	—	—	**3,616**	685	—
Funds from operations	**47,898**	27,302	75.4	**130,413**	103,073	26.5
- Fair value adjustment of an investment in a public entity	**(18,232)**	—	—	**(18,232)**	—	—
+ Unusual item – Uncompleted business combination transaction costs	**—**	—	—	**646**	—	—
- Unusual item – Lease termination penalty	**—**	—	—	**(900)**	—	—
Recurring FFO	**29,666**	27,302	8.7	**111,927**	103,073	8.6
Per unit information:						
FFO (basic)	**0.69**	0.44	56.8	**2.01**	1.72	16.9
Recurring FFO (basic)	**0.43**	0.44	(2.3)	**1.73**	1.72	0.6
Recurring FFO (FD) (1)	**0.41**	0.42	(2.4)	**1.65**	1.64	0.6

(1) Fully diluted.

For fiscal 2011, recurring FFO rose 8.6 % from fiscal 2010, due mainly to income properties acquisitions and developments completed during 2010 and 2011. Recurring FFO per unit on a fully diluted basis stood at $1.65 in fiscal 2011 compared to $1.64 for the comparative period of 2010.

TRACK RECORD OF FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31,	2011	2010	2009(2)	2008(2)	2007(2)
FFO per unit (basic)	**1.73**	1.72	1.84	1.88	1.75
Recurring FFO per unit (FD) (1)	**1.65**	1.64	1.77	1.80	1.68

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

ADJUSTED FUNDS FROM OPERATIONS

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

AFFO for fiscal 2010 have been restated in order to conform to IFRS. The transition impact was a decrease mainly attributable to the writeoff of interest capitalized on land.

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

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

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

As at December 31, 2011, Cominar modified its calculation of AFFO to include certain non-cash items related to its debt instruments. Comparative figures have been restated further to this adjustment.

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

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31,	2011	2010	Δ%	2011	2010	Δ%
Funds from operations	**47,898**	27,302	75.4	**130,413**	103,073	26.5
- Fair value adjustment of an investment in a public entity	**(18,232)**	—	—	**(18,232)**	—	—
+ Amortization of capitalized financing costs	**759**	464	63.6	**3,308**	2,947	12.2
- Amortization of fair value adjustments on assumed indebtedness	**(395)**	(143)	—	**(1,363)**	(439)	—
+ Compensation expense related to unit options	**249**	209	19.1	**986**	873	12.9
- Capital expenditures – maintenance of rental income generating capacity	**(522)**	(449)	16.3	**(1,795)**	(1,598)	12.3
+ Accretion of liability component of convertible debentures	**61**	56	8.9	**240**	224	7.1
- Provision for leasing costs	**(2,980)**	(3,028)	(1.6)	**(11,616)**	(11,364)	2.2
- Rental income – recognition of leases on straight-line basis	**(622)**	(599)	3.8	**(2,597)**	(2,031)	27.9
Adjusted funds from operations	**26,216**	23,812	10.1	**99,344**	91,685	8.4
- Unusual item – Lease termination penalty	**—**	—	—	**(900)**	—	—
+ Unusual item – Uncompleted business combination transaction costs	**—**	—	—	**646**	—	—
Recurring AFFO	**26,216**	23,812	10.1	**99,090**	91,685	8.1
Per unit information:						
AFFO (basic)	**0.38**	0.38	—	**1.53**	1.53	—
Recurring AFFO (basic)	**0.38**	0.38	—	**1.53**	1.53	—
Recurring AFFO (FD) [(1)]	**0.37**	0.37	—	**1.50**	1.49	0.7
Distributions per unit	**0.36**	0.36	—	**1.44**	1.44	—
AFFO payout ratio	**94.7%**	94.7%		**94.1%**	94.1%	

(1) Fully diluted.

Cominar reported $99.1 million in recurring AFFO for fiscal 2011, up 8.1% from 2010. Recurring AFFO per unit on a fully diluted basis stood at $1.50, up 0.7% from 2010.

TRACK RECORD OF FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31,	2011	2010	2009[(2)]	2008[(2)]
AFFO per unit (basic)	**1.53**	1.53	1.60	1.61
Recurring AFFO per unit (F) [(1)]	**1.50**	1.49	1.57	1.57

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

LIQUIDITY AND CAPITAL RESOURCES

MORTGAGES PAYABLE

As at December 31, 2011, the balance of mortgages payable amounted to $839.1 million, up $22.8 million from $816.3 million as at December 31, 2010, arising primarily from the assumption of mortgages payable upon acquisitions of investment properties made during the year. At the end of the year, the weighted average contractual interest rate was 5.38%, up 7 basis points from 5.31% as at December 31, 2010.

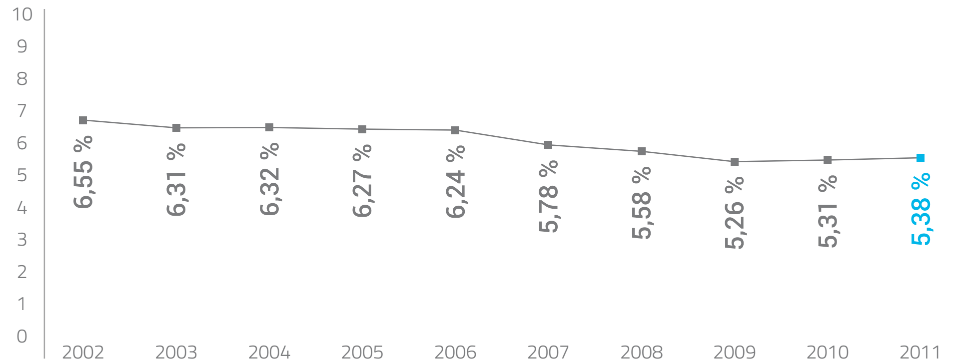
Cominar has staggered mortgage maturity dates over a number of years to reduce the risks related to renewal. As at December 31, 2011, the residual average term of mortgages payable was 4.8 years.

The following table shows mortgage repayments for the coming periods:

REPAYMENTS OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal	Repayments of balances at maturity	Total	% of total
2012	25,378	58,073	83,451	9.9
2013	22,528	162,658	185,186	22.1
2014	18,291	74,193	92,484	11.0
2015	15,124	127,256	142,380	17.0
2016	13,800	11,518	25,318	3.0
2017 and thereafter	44,862	265,464	310,326	37.0
Total	139,983	699,162	839,145	100.0

WEIGHTED AVERAGE CONTRACTUAL RATE



CONVERTIBLE DEBENTURES

As at December 31, 2011, Cominar had five series of convertible debentures outstanding totalling $392.5 million. These debentures bear interest at contractual rates ranging from 5.70% to 6.50% per annum and mature between 2014 and 2017. As at December 31, 2011, these debentures had a weighted average contractual interest rate of 5.97% per annum.

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

CONVERTIBLE DEBENTURES

	Series A	Series B	Series C	Series D	Series E	Total
Contractual interest rate	6.30%	5.70%	5.80%	6.50%	5.75%	
Effective interest rate	6.89%	6.42%	6.60%	7.50%	6.43%	
Date of issuance	September 2004	May 2007	October 2007	September 2009	January 2010	
Unit conversion price	$17.40	$27.50	$25.25	$20.50	$25.00	
Date of interest payment	June 30 & December 31	June 30 & December 31	March 31 & September 30	March 31 & September 30	June 30 & December 31	
Date of redemption at Cominar's option	June 2008	June 2010	September 2010	September 2012	June 2013	
Maturity date	June 2014	June 2014	September 2014	September 2016	June 2017	
	$	$	$	$	$	$
Balance as at December 31, 2011	**14,949**	**80,500**	**110,000**	**100,772**	**86,250**	**392,471**

As at December 31, 2011, only series A met all the conditions necessary for an authorized redemption of convertible debentures.

BANK INDEBTEDNESS

As at December 31, 2011, Cominar had three operating and acquisition credit facilities of up to $260.8 million. These credit facilities are renewable in March 2012 and June 2012 and bear interest at prime plus 1.0% or at the bankers' acceptance rate plus 2.0%. These credit facilities are secured by movable and immovable hypothecs on specific assets. As at December 31, 2011, bank indebtedness totalled $16.5 million.

In November 2011, Cominar set up a credit agreement with Canadian financial institutions allowing it to fully finance the cash consideration to be paid for the acquisition of the units of Canmarc Real Estate Investment Trust and to meet refinancing and cash requirements subsequent to the closing of that transaction. Cominar's operating and credit facility will amount to $550 million. The credit agreement also includes an equity bridge loan of a maximum amount of $415 million. However, Cominar did not use this bridge loan facility.

DEBT RATIO

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

DEBT RATIO

As at December 31,	2011	2010
Cash and cash equivalents	(5,389)	—
Mortgages payable	840,558	816,448
Convertible debentures	382,060	395,472
Bank indebtedness	16,540	62,078
Total debt	1,233,769	1,273,998
Total assets	2,763,256	2,405,805
Overall debt ratio (1) (2)	44.6%	53.0%
Debt ratio (excluding convertible debentures)	30.8%	36.5%
Borrowing capacity — 65% of carrying amount (3)	1,607,000	828,000

(1) The overall debt ratio is equal to total cash and cash equivalents, bank indebtedness, mortgages payable and convertible debentures divided by total assets.

(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.

(3) Pursuant to its Contract of Trust, Cominar's maximum debt ratio is 60 % of carrying amount (65% if convertible debentures are outstanding).

DEBT RATIO TRACK RECORD

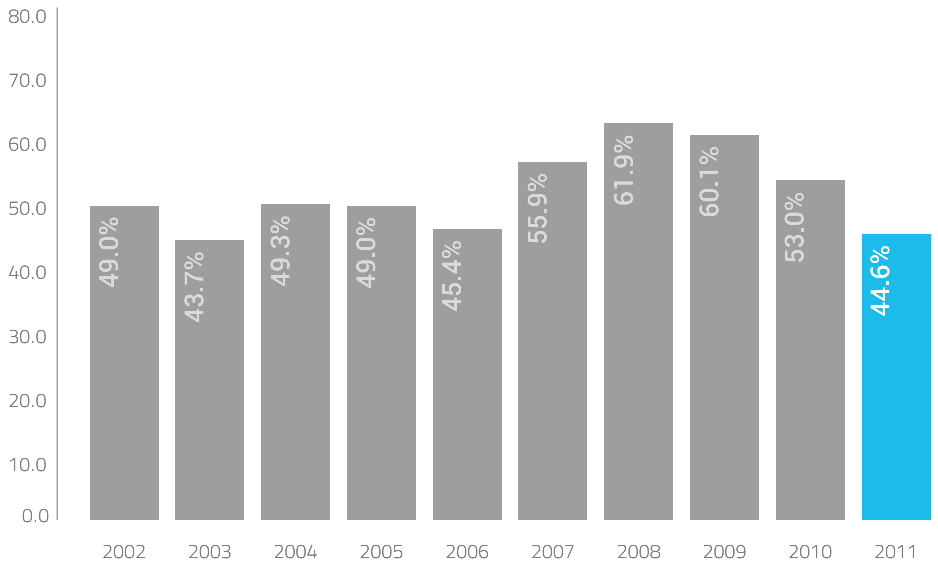
For the years ended December 31,	2011	2010	2009 (1)	2008 (1)	2007 (1)
Overall debt ratio	44.6%	53.0%	60.1%	61.9%	55.9%
Debt ratio (excluding convertible debentures)	30.8%	36.5%	44.6%	50.6%	42.7%
Maximum borrowing capacity under the Contract of Trust	1,607,000	828,000	287,000	162,000	397,000

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

As at December 31, 2011, Cominar maintained a debt ratio of 44.6%, which is below the maximum debt ratio of 65.0% allowed under its Contract of Trust where convertible debentures are outstanding, and which provides the Trust with the ability to borrow up to an additional $1,607 million to fund future acquisitions and developments.

The debt ratio reduction mainly results from the unit issues made on October 20, and December 22, 2011.

DEBT RATIO



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

INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income by the financial expense. The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As at December 31, 2011, Cominar's coverage ratio stood at 2.72:1, proving its capacity to settle its obligations in this respect.

INTEREST COVERAGE RATIO

For the years ended December 31,	2011	2010	2009(1)	2008(1)	2007(1)
Interest coverage ratio	**2.72: 1**	2.93: 1	2.73: 1	2.77: 1	3.07: 1

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

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

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

The Trust has no significant contractual commitments other than those arising from its long-term debt and the payments due under emphyteutic leases for land held for income properties, as described in further detail in the notes to the consolidated financial statements as at December 31, 2011.

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

PROPERTY PORTFOLIO

The following table presents information about the property portfolio:

As at December 31,	2011	2010
Income properties	**2,515,965**	2,220,233
Properties under development and land held for future development	**37,444**	158,113
Number of properties	**270**	258
Leasable area (sq. ft.)	**21,219,000**	20,245,000

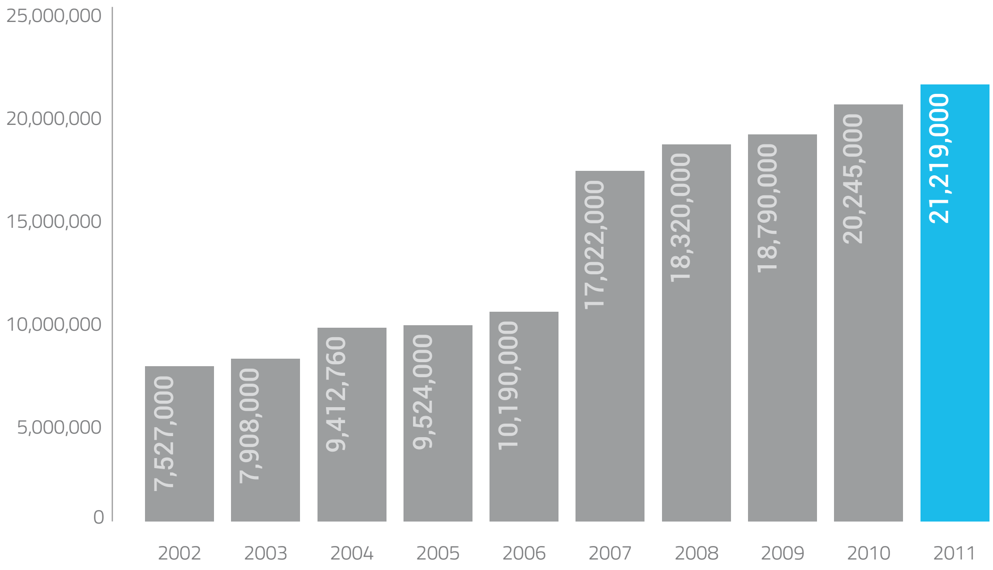
SUMMARY BY ACTIVITY SEGMENT

	As at December 31, 2011		As at December 31, 2010	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**54**	**6,997,000**	48	6,074,000
Retail	**55**	**3,150,000**	51	3,057,000
Industrial and mixed-use	**161**	**11,072,000**	159	11,114,000
Total	**270**	**21,219,000**	**258**	**20,245,000**

SUMMARY BY GEOGRAPHIC AREA

	As at December 31, 2011		As at December 31, 2010	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Québec	**96**	**7,159,000**	95	6,812,000
Montréal	**136**	**12,304,000**	133	11,961,000
Ottawa	**4**	**609,000**	4	610,000
Atlantic Provinces	**34**	**1,147,000**	26	862,000
Total	**270**	**21,219,000**	**258**	**20,245,000**

GROWTH – LEASABLE AREA (SQ. FT.)



PROPERTY ACQUISITION AND DEVELOPMENT PROGRAM

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

PROPERTY ACQUISITIONS

During fiscal 2011, Cominar continued to expand through the acquisition of nine investment properties with 693,000 square feet of total leasable area. These fully occupied properties were acquired for a consideration of $100.9 million. The weighted average capitalization rate related to these transactions is 8.4 %.

The following table presents detailed information about those acquisitions:

Investment property	City/Province	Activity segment (1)	Closing date	Leasable area (sq. ft.)	Purchase price ($)	Capitalization rate (%)	Occupancy rate (%)
84 Chain Lake Drive	Halifax, NS	O	March 2011	78,000	15.0	8.6	89.0
81 Albert Street	Moncton, NB	O	March 2011	65,000	9.7	8.3	100.0
5100 Sherbrooke East Street	Montréal, QC	O	March 2011	372,000	54.5	8.4	99.0
330 Elmwood Drive (2)	Moncton, NB	R	April 2011	15,000	5.2	8.8	100.0
409 Elmwood Drive (2)	Moncton, NB	O	April 2011	27,000	—	—	100.0
612 Windmill Road	Dartmouth, NS	R	July 2011	41,000	5.5	8.5	100.0
699 Champlain Street	Dieppe, NB	I	July 2011	11,000	1.1	9.0	100.0
1 Agar Place	Saint John, NB	O	July 2011	41,000	6.5	8.2	100.0
730 Industriel Blvd.	Blainville, QC	I	September 2011	43,000	3.4	8.5	100.0
				693,000	**100.9**	**8.4**	

(1) O = Offices, I = Industrial and Mixed-Use, R = Retail

(2) These two properties were part of the same transaction.

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

ACQUISITION OF CANMARC

On March 1, 2012, Cominar and wholly-owned subsidiaries of Cominar (the "Cominar Acquisition Group") completed the acquisition of all of the issued and outstanding units of Canmarc Real Estate Investment Fund ("Canmarc") whose immovable property amount to $1.9 billion. Managed internally, Canmarc owns a portfolio of Canadian income-producing commercial properties, consisting of retail and office properties with certain industrial properties. In total, Canmarc's 115 properties comprise approximately 9.4 million square feet and 464 residential units located in Quebec, Atlantic Canada, Western Canada and Ontario.

The acquisition of Canmarc increases Cominar's leasable area by approximately 44% to approximately 30.7 million square feet, with an enhanced footprint in the Province of Québec and a meaningful presence in the Atlantic Provinces, Western Canada and Ontario. Furthermore, Cominar's portfolio benefits from enhanced diversification among the office, retail and industrial asset classes.

INVESTMENTS IN INCOME PROPERTIES

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

During fiscal 2011, Cominar incurred $11.9 million ($17.4 million in 2010) of capital expenditures to increase the rental income generating capacity of its properties, or to allow reducing the related operating expenses. Cominar also incurred $1.8 million ($1.6 million in 2010) of capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements, which will garner benefits for Cominar over the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invests in leasehold improvements that increase the value of its properties through higher lease rates, and in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required could vary from quarter to quarter since it closely depends on lease renewal and signing of new leases. It also depends on the increase of rental space for newly acquired, expanded or upgraded properties, or for those transferred from properties under development. During fiscal 2011, Cominar made investments of $20.9 million in that respect ($18.1 million in 2010), of which $4.5 million ($4.8 million in 2010) in newly acquired, expanded or upgraded properties, or those recently transferred from properties under development.

PROPERTY DEVELOPMENT PROGRAM AND DISPOSALS

In 2011, the Board of Trustees of Cominar decided to restrict the scope of development projects to accommodation projects aiming at meeting the demand and specific needs of clients. This decision was made largely due to the dilutive effect resulting from the major projects and to their negative impact on Cominar's results during the construction and development period.

In accordance with the new Québec City guidelines, real estate developers will have to combine a mix of residential and retail premises when executing their development projects, especially those located near Laurier Boulevard. In this context, the Board of Trustees re-examined Cominar's expansion strategy of not reinvesting in the residential segment and, subsequent to such examination, reconfirmed this strategy.

This new course of action led to a revision of the terms and conditions for the ongoing Complexe Jules-Dallaire development. Consequently, under the agreement in principle entered into on November 8, 2011, Phase 2 of the Complexe will be executed in partnership with the Dallaire family. The Dallaire family acquired the surface rights for a consideration of $20.2 million, an amount corroborated by independent experts, and will build Phase 2 at its own risk, including ten storeys of office space plus some 200 condominium units on fifteen floors to be sold to individuals. Once the development of the ten storeys of office space is complete, the Dallaire family may increase its interest by up to 50% of the fair market value of the entire Complexe by way of a cash consideration. Subsequently, the entire property will be managed by Cominar. Cominar's share in the disposal proceeds, in the amount of $19.1 million, was cashed in January 2012.

On account of the foregoing, at year-end, Cominar sold land held for major mixed-use development in Québec City to the Dallaire family for a consideration of $20.4 million, an amount also corroborated by independent experts, which was paid in cash in January 2012. This agreement includes a right of first refusal in favour of Cominar in respect of the construction of the office and retail space that could be built on this land.

During fiscal 2011, Cominar integrated in its income properties a retail property located in the Quartier Laval, in Laval, as well as the Complexe Jules-Dallaire in Québec City.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at December 31, 2011, the occupancy rate of our properties stood at 93.6%, representing approximately the same rate as at December 31, 2010. With the current gradual recovery, we are confident to see more positive effects during the next quarters. During the year, Cominar renewed 74.4% of leases maturing in 2011. Although this rate is slightly lower than that recorded in fiscal 2010, an excellent year as regards the renewal of leases, we believe that the retention rate of fiscal 2011 reflects client satisfaction and loyalty. It should be noted that new leases representing an area of 1.2 million square feet have been signed in 2011.

OCCUPANCY TRACK RECORD

	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Activity segment (%)					
Office	**95.2**	95.2	94.1	94.5	94.7
Retail	**96.9**	96.1	96.3	97.1	96.0
Industrial and mixed-use	**91.8**	92.3	92.5	94.0	94.4
Portfolio total	**93.6**	93.8	93.5	94.6	94.7

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity for 2011:

LEASE MATURITIES AND RENEWALS BY ACTIVITY SEGMENT

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2011				
Number of tenants	256	136	237	629
Leasable area (sq. ft.)	953,000	450,000	1,847,000	3,250,000
Average net rent ($)/sq. ft.	10.60	9.02	5.72	7.61
Renewed leases				
Number of tenants	152	97	169	418
Leasable area (sq. ft.)	663,000	361,000	1,395,000	2,419,000
Average net rent ($)/sq. ft.	11.72	10.47	5.94	8.19
Renewal %	**69.6**	**80.2**	**75.5**	**74.4**
New leases				
Number of tenants	92	57	81	230
Leasable area (sq. ft.)	353,000	169,000	713,000	1,235,000
Average net rent ($)/sq. ft.	13.48	12.43	6.00	9.19

In 2011, leasing activity reached an acceptable level across our portfolio, with 74.4% of maturing leases renewed. We also signed new leases for a total leasable area of 1.2 million square feet. Lease renewal rates rose 3.7% overall. Our three activity segments posted increases in lease renewal rates: 3.7% (office), 3.3% (retail) and 3.8% (industrial and mixed-use).

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

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

LEASE MATURITIES

	2012	2013	2014	2015	2016
Office					
Leasable area (sq. ft.)	1,220,000	902,000	937,000	853,000	954,000
Lease rate ($)/square foot	10.52	11.84	10.72	13.87	13.87
% of portfolio – Office	17.4%	12.9%	13.4%	12.2%	13.6%
Retail					
Leasable area (sq. ft.)	441,000	272,000	199,000	332,000	310,000
Lease rate ($)/square foot	10.29	11.39	12.66	10.81	12.79
% of portfolio – Retail	14.0%	8.6%	6.3%	10.5%	9.8%
Industrial and mixed-use					
Leasable area (sq. ft.)	2,273,000	1,396,000	1,637,000	1,800,000	1,305,000
Lease rate ($)/square foot	5.90	6.34	5.91	5.81	5.73
% of portfolio – Industrial and mixed-use	20.5%	12.6%	14.8%	16.3%	11.8%
Portfolio total					
Leasable area (sq. ft.)	3,934,000	2,570,000	2,773,000	2,985,000	2,569,000
Lease rate ($)/square foot	7.82	8.81	8.02	8.67	9.60
% of portfolio	18.5%	12.1%	13.1%	14.1%	12.1%

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

	Average remaining Lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent / sq. ft. ($)
Office	4,0	5 600	12,16
Retail	4,8	3 600	11,57
Industrial and mixed-use	3.6	11,000	5.80
Portfolio average	**3.9**	**6,700**	**8.81**

Cominar has a broad, highly diversified client base, consisting of some 2,950 tenants occupying an average of approximately 6,700 square feet each. Our three largest tenants, Public Works Canada, Société immobilière du Québec – both of which are government entities – and Ericsson Canada, account for approximately 5.4%, 5.0% and 3.6% of our revenues, respectively, stemming from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 10.4 % stems from government agencies.

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

Tenant	% of revenues	Leased area (sq. ft.)
Public Works Canada	5.4	770,000
Société immobilière du Québec	5.0	1,147,000
Ericsson Canada Inc.	3.6	402,000
Bertrand distributeur en alimentation (Colabor)	1.3	345,000
LDC Logistics Development corp.	1.2	527,000
Hudson's Bay Company	1.1	349,000
SITA (Société internationale de télécommunication aéronautique)	0.8	66,000
Dessau inc.	0.8	109,000
National Bank of Canada	0.7	126,000
Equant Canada Inc. (Orange Business)	0.7	56,000
Total	**20.6**	**3,897,000**

ISSUED AND OUTSTANDING UNITS

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

The following table summarizes unit issues during the periods ended December 31, 2011 and 2010:

	Quarter		Cumulative	
For the periods ended December 31,	2011	2010	2011	2010
Units issued and outstanding, beginning of period	**64,106,572**	62,262,176	**62,688,799**	54,758,271
+ Units issued under public offerings	**11,801,100**	—	**11,801,100**	6,021,400
+ Units issued on exercise of options	**72,600**	173,050	**863,150**	1,251,700
+ Units issued under distribution reinvestment plan	**361,077**	127,427	**874,807**	220,030
+ Units issued on conversion of convertible debentures	**709,911**	126,146	**823,404**	283,898
+ Units issued under the at-the-market equity distribution agreement	**—**	—	**—**	153,500
Units issued and outstanding, end of period	**77,051,260**	62,688,799	**77,051,260**	62,688,799

Cominar has granted options to management and employees for the purchase of units under a unit option plan. As at March 2, 2012, options to purchase 4,228,550 units were outstanding.

Assuming that all convertible debentures are converted as at March 2, 2012, Cominar is expected to issue a total of 16,487,174 units.

PER UNIT CALCULATIONS

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

	Quarter		Cumulative	
For the periods ended December 31,	2011	2010	2011	2010
Weighted average number of units outstanding, basic	**69,332,633**	62,425,938	**64,870,808**	60,055,248
Dilutive effect of unit options	**327,682**	417,900	**372,491**	345,596
Dilutive effect of convertible debentures	**16,573,504**	17,358,694	**17,093,865**	17,381,595
Weighted average number of units outstanding, diluted	**86,233,819**	80,202,532	**82,337,164**	77,782,439

The significant variance in the weighted average number of units outstanding between 2011 and 2010 mainly results from the issuance of 11,801,100 units in the fourth quarter of 2011 in connection with public offerings.

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of Cominar's management team, exercise indirect control over Groupe Dallaire inc., Société de développement Laurier (SDL) Inc., Complexe Jules-Dallaire Phase 2 Inc., Les Terrasses CJD Inc., Dallaire immobilier Inc. and Dalcon Inc. ("Dalcon"). Michel Paquet, also a trustee and a member of Cominar's management team, is a related party of these companies as their Secretary. During fiscal 2011, Cominar recorded $0.2 million in net rental income from Dalcon and Groupe Dallaire inc. Cominar incurred costs of $12.1 million for leasehold improvements performed by Dalcon on its behalf and costs of $14.0 million for the construction and development of investment properties. Cominar also entered into immovable property sales transactions for an aggregate value of $39.5 million with some of these companies, as further described in the section "Property Development Program and Disposals" of this MD&A. These transactions were entered into in the normal course of business and are measured at the exchange amount. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant cost savings while providing better service to its clients.

UNITHOLDERS TAXATION

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

For the years ended December 31,	2011	2010
Taxable to unitholders as other income	**26.36%**	28.37%
Taxable to unitholders as capital gains	**0.60%**	0.03%
Tax deferral	**73.04%**	71.60%
Total	**100.00%**	**100.00%**

SELECTED QUARTERLY INFORMATION

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

For the quarters ended	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	March 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	March 31, 2010
Operating revenues	**77,983**	78,002	82,103	79,653	71,264	69,096	72,444	69,581
Net operating income	**47,202**	47,270	47,054	43,183	43,197	41,938	41,920	37,703
Net income	**95,703**	27,918	28,221	25,619	34,435	26,307	26,311	22,087
Net income per unit (basic)	**1.38**	0.44	0.44	0.41	0.55	0.43	0.43	0.40
Net income per unit (diluted)	**1.18**	0.42	0.42	0.39	0.51	0.41	0.41	0.39
Distributable income	**25,979**	25,083	25,457	21,958	23,797	23,614	23,220	19,705
Recurring DI per unit (FD)	**0.37**	0.38	0.38	0.35	0.37	0.37	0.37	0.36
Funds from operations	**47,898**	27,978	28,786	25,751	27,302	26,526	26,658	22,587
Recurring FFO per unit (FD)	**0.42**	0.43	0.42	0.40	0.42	0.41	0.42	0.40
Adjusted funds from operations	**26,216**	24,792	26,070	22,266	23,812	23,989	23,493	20,391
Recurring AFFO per unit (FD)	**0.38**	0.39	0.39	0.35	0.37	0.38	0.38	0.37
Distributions	**26,429**	23,272	23,069	22,797	22,651	22,371	22,190	19,815
Distributions per unit	**0.36**	0.36	0.36	0.36	0.36	0.36	0.36	0.36

GROWTH OUTLOOK

Since the inception of the Trust in 1998, Cominar's management has always aimed at growth in an orderly and disciplined manner while keeping in mind its main criterion, being the long-term profitability of assets acquired. The recent acquisition of Canmarc Real Estate Investment Trust is in line with this approach. This transaction, which increases the leasable area of Cominar's real estate portfolio to nearly 31 million square feet diversified among three activity segments and spread out in several Canadian provinces, will have an immediate positive effect for all Cominar unitholders.

Enriched by its past experience with the acquisition of a very large part of Alexis Nihon Real Estate Investment Trust in 2007 and the acquisition of Overland Realty in 2010, Cominar's management is confident of successfully integrating Canmarc Real Estate Investment Trust.

Cominar enters fiscal 2012 with optimism and this, thanks mainly to its sound and solid financial position, the quality of its immovable properties and their capacity to generate excellent cash flows.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Trust concluded that the ICFR was effective as at the end of the year ended December 31, 2011 and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for financial reporting purposes in accordance with IFRS.

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

CHANGES IN ACCOUNTING POLICIES

Cominar has adopted IFRS for financial reporting purposes for its first fiscal year beginning in January 2011 with restatement of prior period comparative figures using the transition date of January 1, 2010. Note 2 to our consolidated financial statements as at December 31, 2011 describes the significant accounting policies applied further to the adoption of IFRS. The impact of the adoption of IFRS on our financial position and operating results is detailed in Note 4 to our consolidated financial statements through the reconciliation of Unitholders' equity, comprehensive income and cash flows recognized under Canadian GAAP and IFRS.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

Revenue recognition

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

Investment properties

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

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

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

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

Financial instruments

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

Convertible debentures

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

Business combinations

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

Unit options

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

Income taxes

Deferred taxes of Cominar's subsidiaries are measured at the tax rates expected to apply in the future as temporary differences between the reported carrying amounts and tax bases of the assets and liabilities reverse. Changes to deferred taxes related to changes in tax rates are recognized in income in the period when the rate change is substantively enacted.

Any changes in future tax rates or in the timing of the reversal of temporary differences could affect the income tax expense.

Impairment of goodwill

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

NEW ACCOUNTING POLICIES

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

IFRS 9 – "Financial instruments"

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

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

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

IAS 12 – "Income taxes"

In December 2010, the IASB published amendments to IAS 12, "Income Taxes" regarding the measurement of deferred income tax liabilities and assets arising from an investment property measured using the fair value model in IAS 40, "Investment Property". Those amendments introduce, for the purpose of establishing the deferred tax consequences related to temporary differences associated with investment property, a rebuttable presumption that the carrying amount of such investment property is recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the investment property's economic benefits over time, rather than through sale. Amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012.

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

The following is a brief summary of the new standards:

IFRS 10 – "Consolidated Financial Statements"

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

IFRS 11 – "Joint Arrangements"

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

IFRS 12 – "Disclosure of Interests in Other Entities"

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

IFRS 13 – "Fair Value Measurement"

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

Amendments to Other Standards

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

RISKS AND UNCERTAINTIES

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

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

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

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

DEBT FINANCING

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

A portion of Cominar's cash flows is devoted to servicing its debt, and there can be no assurance that Cominar will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing. Cominar's current credit facility, of a stated amount of $550.0 million as at March 7, 2012 (refer to section "Subsequent Events"), is renewable annually. The next renewal is expected to be made in the first six-month period of 2013. Approximately $104.7 million of Cominar's secured debt (including the assumption of Canmarc's secured debt) will mature by the end of 2012.

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

OWNERSHIP OF IMMOVABLE PROPERTY

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

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

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

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

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

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

COMPETITION

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

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

ACQUISITIONS

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

DEVELOPMENT PROGRAM

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

RECRUITMENT AND RETENTION OF EMPLOYEES AND EXECUTIVES

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

GOVERNMENT REGULATION

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

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

LIMIT ON ACTIVITIES

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

STATUS FOR TAX PURPOSES

Income taxes

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

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

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

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

Exception for real estate investment trusts (REITs)

The SIFT rules do not apply to SIFT trusts that qualify as REITs for a given taxation year. The conditions to qualify as a REIT have been amended in connection with Bill C-10, which received Royal Assent on 3/12/2009. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: [i] the only "non-portfolio properties" it owns during the year are "qualified REIT properties," [ii] at least 95% of its income for the taxation year is from one or more of the following sources: rent from "real or immovable properties"; interest; capital gains from the disposition of real or immovable properties; dividends and royalties, [iii] at least 75% of its income for the taxation year is from one or more of the following sources: rent from "real or immovable properties"; interest from mortgages on real or immovable properties and capital gains from dispositions of real or immovable properties, and [iv] at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property, a debt of a Canadian corporation represented by a banker's acceptance, cash or generally, an amount receivable from the Government of Canada or from certain other public agencies, less than 75 % of the trust's net worth at that time.

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

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

CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
December 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Cominar Real Estate Investment Trust ("Cominar") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Financial information appearing throughout our MD&A is consistent with these consolidated financial statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2011, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and procedures used for the preparation of filings, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls and procedures were effective.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of Trustees who are not members of Cominar's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advising the trustees on auditing matters and financial reporting issues.

PricewaterhouseCoopers LLP, Independent Chartered Accountants appointed by the unitholders of Cominar upon the recommendation of the Board, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2011 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

MICHEL DALLAIRE, Eng.
President and Chief Executive Officer

MICHEL BERTHELOT, CA
Executive Vice President
and Chief Financial Officer

Quebec City, March 2, 2012

INDEPENDENT AUDITOR'S REPORT

TO THE UNITHOLDERS OF COMINAR REAL ESTATE INVESTMENT TRUST

We have audited the accompanying consolidated financial statements of Cominar Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of unitholders' equity, comprehensive income and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cominar Real Estate Investment Trust and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
March 2, 2012
Place de la Cité, Tour Cominar
2640 Laurier Boulevard, Suite 1700
Québec, Quebec, Canada G1V 5C2

1 Chartered accountant auditor permit No. 11070

CONSOLIDATED BALANCE SHEETS

[in thousands of Canadian dollars]

	Note	December 31, 2011	December 31, 2010	January 1, 2010
		$	$	$
ASSETS				
Investment properties				
Income properties	5, 6	**2,515,965**	2,220,233	1,991,500
Properties under development	7	**5,713**	118,082	113,608
Land held for future development	7	**31,731**	40,031	60,864
		2,553,409	2,378,346	2,165,972
Investment in a public entity	8	**132,223**	—	—
Goodwill	5	**9,380**	9,380	—
Prepaid expenses and other assets		**7,084**	4,114	3,880
Accounts receivable	9	**55,715**	13,965	13,572
Income taxes recoverable		**56**	—	—
Cash and cash equivalents		**5,389**	—	—
Total assets		**2,763,256**	2,405,805	2,183,424
LIABILITIES				
Mortgages payable	10	**840,558**	816,448	771,991
Convertible debentures	11	**382,060**	395,472	315,352
Bank indebtedness	12	**16,540**	62,078	135,155
Accounts payable and accrued liabilities	13	**45,083**	31,007	32,035
Current tax liability	18	**—**	80	—
Deferred tax liability	18	**7,793**	7,108	—
Total liabilities		**1,292,034**	1,312,193	1,254,533
UNITHOLDERS' EQUITY				
Unitholders' equity		**1,471,222**	1,093,612	928,891
Total liabilities and unitholders' equity		**2,763,256**	2,405,805	2,183,424

See accompanying notes to consolidated financial statements

Approved by the Board of Trustees

ROBERT DESPRÉS
Chairman of the Board of Trustees

MICHEL DALLAIRE
Trustee

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

For the years ended December 31
[in thousands of Canadian dollars]

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2011		855,182	758,660	(523,998)	1,879	1,889	1,093,612
Net income and comprehensive income		—	177,461	—	—	—	177,461
Distributions to unitholders	14	—	—	(95,567)	—	—	(95,567)
Issue of units	14	307,312	—	—	—	(144)	307,168
Unit issue expenses	14	(11,759)	—	—	—	—	(11,759)
Unit option plan		—	—	—	307	—	307
Balance as at December 31, 2011		1,150,735	936,121	(619,565)	2,186	1,745	1,471,222

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2010		712,884	649,520	(436,971)	1,569	1,889	928,891
Net income and comprehensive income		—	109,140	—	—	—	109,140
Distributions to unitholders	14	—	—	(87,027)	—	—	(87,027)
Issue of units	14	147,474	—	—	—	—	147,474
Unit issue expenses	14	(5,176)	—	—	—	—	(5,176)
Unit option plan		—	—	—	310	—	310
Balance as at December 31, 2010		855,182	758,660	(523,998)	1,879	1,889	1,093,612

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31
[in thousands of Canadian dollars, except per unit amounts]

	Note	2011	2010
		$	$
Operating revenues			
Rental revenue from investment properties		**317,741**	282,385
Operating expenses			
Operating costs		**57,873**	51,742
Realty taxes and services		**70,360**	61,689
Property management expenses		**4,799**	4,196
		133,032	117,627
Net operating income		**184,709**	164,758
Fair value adjustment of investment properties	6	**51,349**	7,198
Financial expense	16	**(67,950)**	(56,290)
Trust administrative expenses		**(5,800)**	(5,315)
Transaction costs – business combinations	17	**(4,262)**	(685)
Proceeds from an investment in a public entity	8	**20,020**	—
Income before income taxes		**178,066**	109,666
Income taxes			
Recoverable	18	**80**	(80)
Deferred	18	**(685)**	(446)
		(605)	(526)
Net income and comprehensive income		**177,461**	109,140
Basic net income per unit	19	**2.74**	1.82
Diluted net income per unit	19	**2.45**	1.72

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31
[in thousands of Canadian dollars]

	Note	2011	2010
		$	$
OPERATING ACTIVITIES			
Net income		**177,461**	109,140
Adjustments for:			
Purchase of an investment in a public entity		**(111,822)**	—
Fair value adjustment of investment properties		**(51,349)**	(7,198)
Fair value adjustment of an investment in a public entity		**(18,232)**	—
Amortization of capitalized financing costs and other assets		**3,691**	3,341
Amortization of fair value adjustments on assumed indebtedness		**(1,363)**	(439)
Compensation expense related to unit options		**986**	873
Accretion of liability component of convertible debentures		**240**	224
Deferred taxes		**685**	446
Change in accounts receivable – recognition of leases on a straight-line basis		**(2,597)**	(2,031)
Change in non-cash working capital items	20	**4,234**	1,471
Cash flows provided from operating activities		**1,934**	105,827
INVESTING ACTIVITIES			
Business combination		**—**	(28,238)
Acquisition of income properties	5, 6	**(95,183)**	(91,598)
Additions to properties under development and land held for future development	7	**(23,394)**	(68,697)
Net proceeds from the sale of immovable property		**—**	34,258
Additions to other assets		**(454)**	(522)
Cash flows used in investing activities		**(119,031)**	(154,797)
FINANCING ACTIVITIES			
Mortgages payable		**15,858**	30,641
Monthly repayment of mortgages payable		**(24,408)**	(23,062)
Repayments of balances at maturity of mortgages payable		**(8,623)**	(18,090)
Bank indebtedness		**(43,626)**	(73,076)
Net proceeds from issue of convertible debentures		**—**	82,695
Net proceeds from issue of units	14	**259,631**	132,380
Distributions to unitholders		**(76,346)**	(82,518)
Cash flows provided from financing activities		**122,486**	48,970
Net change in cash and cash equivalents		**5,389**	—
Cash and cash equivalents, beginning of year		**—**	—
Cash and cash equivalents, end of year		**5,389**	—
Other information			
Distributions cashed		**1,134**	—
Interest paid		**68,267**	69,434
Income taxes paid		**56**	—

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010
[in thousands of Canadian dollars except per unit amounts]

1. DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998 under the laws of the Province of Québec. Cominar is the largest owner of commercial properties in the Province of Québec. As of the date of these financial statements, Cominar owned and managed a high-quality portfolio of 270 properties including 54 office buildings, 55 retail buildings and 161 industrial and mixed-use buildings covering 21.3 million square feet in the Québec City, Montréal and Ottawa-Gatineau areas as well as in the Atlantic Provinces.

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

The Board of Trustees has approved Cominar's consolidated financial statements on March 2, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Cominar prepares its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, these are Cominar's first annual consolidated financial statements prepared in accordance with IFRS as issued by the IASB. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

Cominar's consolidated financial statements have been prepared in accordance with IFRS. Cominar also applied IFRS 1, "First-time Adoption of International Financial Reporting Standards", for the preparation of these financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the periods presented in these consolidated financial statements.

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

b) Basis of presentation

Consolidation

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

Use of estimates

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

- ***Investment properties***

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

  Management's fair value internal measurements rely on internal financial information and are corroborated by capitalization rates obtained from independent experts.

  Management's internal measurements and values obtained from independent appraisers are both subject to significant judgments, estimates and assumptions about market conditions at the balance sheet date.

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

- ***Financial instruments***

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

- ***Convertible debentures***

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

- ***Business combinations***

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

- ***Unit options***

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

- ***Income taxes***

  Deferred taxes of Cominar's subsidiaries are measured at the tax rates expected to apply in the future as temporary differences between the reported carrying amounts and tax bases of the assets and liabilities reverse. Changes to deferred taxes related to changes in tax rates are recognized in income in the period when the rate change is substantively enacted.

  Any changes in future tax rates or in the timing of the reversal of temporary differences could affect the income tax expense.

- ***Impairment of goodwill***

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

Investment properties

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

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

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

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

Capitalization of costs

Cominar capitalizes into investment properties the costs incurred to increase their capacity, replace certain components and make improvements after their acquisition date. The Trust also capitalizes the major maintenance and repair expenses providing benefits that will last far beyond the end of the reporting period. The acquisition of investment property usually represents a business combination, as defined in IFRS 3, "Business Combinations". Under this standard, transaction-related costs are immediately accrued as incurred. Costs that are directly related to the purchase of property are capitalized to the cost of the asset.

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

Revenue recognition

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

Cash and cash equivalents

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

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgage loans, and convertible debentures, are applied against the debt and are amortized using the effective interest rate method over the term of the related debt.

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

Leasing costs

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

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

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

Other assets and depreciation

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

Income taxes

Cominar is considered a mutual fund trust for income tax purposes. Furthermore, Cominar qualifies as a "real estate investment trust ("REIT") and therefore, is not subject to income tax on the distributions it makes. In exercising their discretionary power regarding distributions under the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required for the Trust.

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

Financial instruments

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

Cominar has used the following classifications for its financial instruments:

- The investment in a public entity is classified as "Financial asset at fair value through profit or loss". It is initially measured at fair value. Subsequently, it is measured at amortized cost, and the adjustment is recorded in profit or loss.

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

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

Unit option plan

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

Per unit calculations

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

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

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

IFRS 9 – "Financial instruments"

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

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

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

IAS 12 – "Income taxes"

In December 2010, the IASB published amendments to IAS 12, "Income Taxes" regarding the measurement of deferred income tax liabilities and assets arising from an investment property measured using the fair value model in IAS 40, "Investment Property". Those amendments introduce, for the purpose of establishing the deferred tax consequences related to temporary differences associated with investment property, a rebuttable presumption that the carrying amount of such investment property is recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the investment property's economic benefits over time, rather than through sale. Amendments to IAS 12 are effective for annual periods beginning on or after January 1, 2012.

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

The following is a brief summary of the new standards:

IFRS 10 – "Consolidated Financial Statements"

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

IFRS 11 – "Joint Arrangements"

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

IFRS 12 – "Disclosure of Interests in Other Entities"

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

IFRS 13 – "Fair Value Measurement"

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

Amendments to Other Standards

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

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

Transition base to IFRS

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

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

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

Exemption from other IFRS

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

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

Exception to the retrospective application of other IFRS

Cominar has applied the mandatory exceptions to the retrospective application of other IFRS, and namely the following:

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

Reconciliations of Canadian GAAP to IFRS

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

4.1. Unitholders' equity as at January 1, 2010
4.2. Unitholders' equity as at December 31, 2010
4.3. Comprehensive income for the year ended December 31, 2010
4.4. Cash flows for the year ended December 31, 2010

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

Description under GAAP	Note	Canadian GAAP $	Adjustment $	Impact of transition to IFRS $	IFRS $	Description under IFRS
ASSETS						ASSETS
						Investment properties
Income properties		1,581,831	—	409,669	1,991,500	Income properties
Properties under development		113,608	—	—	113,608	Properties under development
Land held for future development		61,046	—	(182)	60,864	Land held for future development
	a		—	409,487	2,165,972	
Capitalized leasing costs and other assets	b	50,706	—	(50,706)	—	
Prepaid expenses	c	2,428	—	1,452	3,880	Prepaid expenses and other assets
Accounts receivable	d	26,327	—	(12,755)	13,572	Accounts receivable
Total assets		**1,835,946**	**—**	**347,478**	**2,183,424**	**Total assets**
LIABILITIES						LIABILITIES
Mortgages payable		771,991	—	—	771,991	Mortgages payable
Convertible debentures	f	313,620	1,732	—	315,352	Convertible debentures
Bank indebtedness	c	134,809	—	346	135,155	Bank indebtedness
Accounts payable and accrued liabilities		32,035	—	—	32,035	Accounts payable and accrued liabilities
Total liabilities		**1,252,455**	**1,732**	**346**	**1,254,533**	**Total liabilities**
UNITHOLDERS' EQUITY						UNITHOLDERS' EQUITY
Unitholders' contributions	g	715,593	(2,709)	—	712,884	Unitholders' contributions
Cumulative net income	e, h	301,411	977	347,132	649,520	Cumulative net income
Cumulative distributions		(436,971)	—	—	(436,971)	Cumulative distributions
Contributed surplus		1,569	—	—	1,569	Contributed surplus
Equity component of convertible debentures		1,889	—	—	1,889	Equity component of convertible debentures
Total unitholders' equity		**583,491**	**(1,732)**	**347,132**	**928,891**	**Total unitholders' equity**
Total liabilities and unitholders' equity		**1,835,946**	**—**	**347,478**	**2,183,424**	**Total liabilities and unitholders' equity**

Explanation of the impact of transition to IFRS

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

c) Prepaid expenses and other assets

i. Reclassification of other assets	1,106

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

ii. Reclassification of bank loan financing costs	346

Bank loan financing costs, applied against bank loans under GAAP, are now presented with Prepaid expenses and other assets.

Cumulative impact – increase in Prepaid expenses and other assets	1,452

d) Accounts receivable

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

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

e) Cumulative net income

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

Cumulative impact – increase in Cumulative net income	347,132

Adjustment

f) Convertible debentures

i. Adjustment to overstatement of unamortized transaction costs	1,732

g) Unitholders' contributions

i. Adjustment to prior period understatement of issue expenses upon conversion of convertible debentures	(2,709)

h) Cumulative net income

i. Adjustment to prior period overstatement of amortization of transaction costs	977

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

Description under GAAP	Note	Canadian GAAP $	Adjustment $	Impact of transition to IFRS $	IFRS $	Description under IFRS
ASSETS						ASSETS
						Investment properties
Income properties		1,729,839	—	490,394	2,220,233	Income properties
Properties under development		117,939	—	143	118,082	Properties under development
Land held for future development		40,362	—	(331)	40,031	Land held for future development
	a		—	490,206	2,378,346	
Goodwill	b	10,065	—	(685)	9,380	Goodwill
Capitalized leasing costs and other assets	c	55,720	—	(55,720)	—	
Prepaid expenses	d	2,666	—	1,448	4,114	Prepaid expenses and other assets
Accounts receivable	e	29,309	—	(15,344)	13,965	Accounts receivable
Total assets		**1,985,900**	**—**	**419,905**	**2,405,805**	**Total assets**
LIABILITIES						LIABILITIES
Mortgages payable		816,448	—	—	816,448	Mortgages payable
Convertible debentures	h	393,991	1,481	—	395,472	Convertible debentures
Bank indebtedness	d	61,866	—	212	62,078	Bank indebtedness
Accounts payable and accrued liabilities		31,007	—	—	31,007	Accounts payable and accrued liabilities
Future income tax liability	f	6,671	—	437	7,108	Deferred tax liability
Current tax liability		80	—	—	80	Current tax liability
Total liabilities		**1,310,063**	**1,481**	**649**	**1,312,193**	**Total liabilities**
UNITHOLDERS' EQUITY						UNITHOLDERS' EQUITY
Unitholders' contributions	i	857,986	(2,804)	—	855,182	Unitholders' contributions
Cumulative net income	g, j	338,081	1,323	419,256	758,660	Cumulative net income
Cumulative distributions		(523,998)	—	—	(523,998)	Cumulative distributions
Contributed surplus		1,879	—	—	1,879	Contributed surplus
Equity component of convertible debentures		1,889	—	—	1 889	Equity component of convertible debentures
Total unitholders' equity		**675,837**	**(1,481)**	**419,256**	**1,093,612**	**Total unitholders' equity**
Total liabilities and unitholders' equity		1,985,900	—	419,905	2,405,805	Total liabilities and unitholders' equity

Explanation of the impact of transition to IFRS

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a) Investment properties

i. Writeoff of accumulated depreciation of investment properties — 253,266

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

ii. Reclassification of Accounts receivable – recognition of leases on a straight-line basis — 15,344

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

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

b) Goodwill

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

c) Capitalized leasing costs and other assets

i.	Reclassification of net leasing costs	(53,123)
	Leasing costs are added to the carrying amount of investment properties.	
ii.	Writeoff of accumulated amortization of leasehold improvements and initial direct costs	(2,597)
	Other assets, previously presented with Capitalized leasing costs under GAAP, are now presented with Prepaid expenses or Investment properties.	
Cumulative impact – decrease in Capitalized leasing costs and other assets		(55,720)

d) Prepaid expenses and other assets

i.	Reclassification of other assets	1,236
	A part of Other assets, previously presented with Capitalized leasing costs under GAAP, is now presented with Prepaid expenses.	
ii.	Reclassification of bank loan financing costs	212
	Bank loan financing costs, applied against bank loans under GAAP, are now presented with Prepaid expenses and other assets.	
Cumulative impact – increase in Prepaid expenses and other assets		1,448

e) Accounts receivable

i.	Reclassification of Accounts receivable – recognition of leases on a straight-line basis	(15,344)
	Accounts receivable – recognition of leases on a straight-line basis are added to the carrying amount of investment properties.	

f) Deferred tax liability

i.	Adjustment to deferred tax liability	(437)
	Deferred taxes have been adjusted to reflect the modifications resulting from the application of IFRS.	

g) Cumulative net income

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

Cumulative impact – increase in Cumulative net income	419,256

Adjustment

h) Convertible debentures

i.	Adjustment to overstatement of unamortized transaction costs	1,481

i) Unitholders' contributions

i.	Adjustment to understatement of issue expenses upon conversion of convertible debentures until December 31, 2010	(2,804)

j) Cumulative net income

i.	Adjustment to overstatement of amortization of transaction costs until December 31, 2010	1,323

4.3 Reconciliation or comprehensive income for the year ended December 31, 2010

Description under GAAP	Note	Canadian GAAP $	Adjustment $	Impact of transition to IFRS $	IFRS $	Description under IFRS
Operating revenues						**Operating revenues**
Rental revenue from income properties	a	283,906	—	(1,521)	282,385	Rental revenue from investment properties
Operating expenses						**Operating expenses**
Operating costs	g	51,485	—	257	51,742	Operating costs
Realty taxes and services		61,689	—	—	61,689	Realty taxes and services
Property management expenses	g	3,990	—	206	4,196	Property management expenses
		117,164	—	463	117,627	
Operating income before the undernoted		166,742	—	(1,984)	164,758	**Net operating income**
Interest on borrowings	g, h	(56,622)	346	(14)	(56,290)	Financial expense
Depreciation of income properties	b	(56,378)	—	56,378	—	
Amortization of capitalized leasing costs and other assets	c	(11,844)	—	11,844	—	
Trust administrative expenses		(5,315)	—	—	(5,315)	Trust administrative expenses
Other revenues	g	176	—	(176)	—	
	d	—	—	(685)	(685)	Transaction costs – business combination
	e	—	—	7,198	7,198	Fair value adjustment of investment properties
Income before income taxes		36,759	346	72,561	109,666	**Income before income taxes**
Income taxes						**Income taxes**
Current		(80)	—	—	(80)	Recoverable
Future	f	(9)	—	(437)	(446)	Deferred
		(89)	—	(437)	(526)	
Net income and comprehensive income		36,670	346	72,124	109,140	**Net income and comprehensive income**
Basic net income per unit		**0.61**			**1.82**	**Basic net income per unit**
Diluted net income per unit		**0.61**			**1.72**	**Diluted net income per unit**

Explanation of the impact of transition to IFRS

a) Rental revenue from investment properties

i.	Reclassification of amortization of tenant inducements	(398)
	Tenant inducements are amortized against rental revenue over the term of the related leases.	
ii.	Cancellation of amortization of below-market leases	(962)
	Investment properties are measured at fair value in accordance with IAS 40, "Investment property". Therefore below-market leases are not depreciated.	
iii.	Adjustment to change in Accounts receivable – recognition of leases on a straight-line basis	(161)
	The balance of Accounts receivable – recognition of leases on a straight-line basis has been adjusted at the date of transition to reflect application of the straight-line method since the inception of the related leases. This is the yearly variation of such adjustment.	
Cumulative impact – decrease in rental revenue from investment properties		(1,521)

b) Depreciation of investment properties

i.	Writeoff of depreciation of investment properties	56,378
	Investment properties are measured at fair value in accordance with IAS 40, "Investment property". Therefore investment properties are not depreciated.	

c) Amortization of capitalized leasing costs and other assets

i.	Reclassification of amortization of tenant inducements	398
	Tenant inducements are amortized against rental revenue over the term of the related leases.	
ii.	Writeoff of accumulated amortization of leasehold improvements and initial direct costs	10,962
	Leasehold improvements and initial direct costs are added to the carrying amount of investment properties and are not subject to subsequent amortization due to election of fair value model.	
iii.	Reclassification of amortization of other assets	484
	A part of amortization of other assets has been reclassified into operating costs and the remaining part has been reclassified into property management expenses.	
Cumulative impact – cancellation of Amortization of capitalized leasing costs and other assets		11,844

d) Transaction costs – business combination

i.	Expensing of transaction costs	(685)

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

e) Fair value adjustment of investment properties

i.	Fair value adjustment of investment properties	7,198

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

f) Deferred taxes

i.	Adjustment to deferred taxes	(437)

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

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

Adjustment

h) Financial expense

i.	Adjustment to overstatement of amortization of transaction costs	346

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

Description under GAAP	Note	Canadian GAAP $	Adjustment $	Impact of transition to IFRS $	IFRS $	Description under IFRS
OPERATING ACTIVITIES						OPERATING ACTIVITIES
Net income	a, h	36,670	346	72,124	109,140	Net income
Adjustments for:						Adjustments for:
Depreciation of income properties	b	56,378	—	(56,378)	—	
Amortization of below-market leases	b	(962)	—	962	—	
	c		—	(7,198)	(7,198)	Fair value adjustment of investment properties
Amortization of capitalized leasing costs	d	11,360	—	(11,360)	—	
Amortization of capitalized financing costs and other assets	i	3,777	(346)	(90)	3,341	Amortization of capitalized financing costs and other assets
Amortization of fair value adjustments on assumed indebtedness		(439)	—	—	(439)	Amortization of fair value adjustments on assumed indebtedness
Accretion of liability component of convertible debentures		224	—	—	224	Accretion of liability component of convertible debentures
Compensation expense related to unit options		873	—	—	873	Compensation expense related to unit options
Future income tax expense		9	—	437	446	Deferred taxes
	d, e	—	—	(2,031)	(2,031)	Change in Accounts receivable – recognition of leases on a straight-line basis
Change in non-cash working capital items	e, h	(747)	—	2,218	1,471	Change in non-cash working capital items
Cash flows provided from operating activities		107,143	—	(1,316)	105,827	**Cash flows provided from operating activities**
INVESTING ACTIVITIES						INVESTING ACTIVITIES
Business combination	f	(28,923)	—	685	(28,238)	Business combination
Additions to income properties	g	(73,016)	—	(18,582)	(91,598)	Additions to income properties
Additions to properties under development and land held for future development		(68,702)	—	5	(68,697)	Additions to properties under development and land held for future development
Net proceeds received from disposal of immovable property		34,258	—	—	34,258	Net proceeds from the sale of immovable property
Capitalized leasing costs	g	(18,747)	—	18,747	—	
Other assets		(613)	—	91	(522)	Additions to other assets
Cash flows used in investing activities		(155,743)	—	946	(154,797)	**Cash flows used in investing activities**
FINANCING ACTIVITIES						FINANCING ACTIVITIES
Mortgages payable		30,641	—	—	30,641	Mortgages payable
Repayment of mortgages payable		(41,152)	—	18,090	(23,062)	Monthly repayment of mortgages payable
		—	—	(18,090)	(18,090)	Repayments of balances at maturity of mortgages payable
Bank indebtedness	h	(73,446)	—	370	(73,076)	Bank indebtedness
Net proceeds from issue of convertible debentures		82,695	—	—	82,695	Net proceeds from issue of convertible debentures
Net proceeds from issue of units		132,380	—	—	132,380	Net proceeds from issue of units
Distributions to unitholders		(82,518)	—	—	(82,518)	Distributions to unitholders
Cash flows provided from financing activities		48,600	—	370	48,970	**Cash flows provided from financing activities**
Net change in cash and cash equivalents		—	—	—	—	Net change in cash and cash equivalents
Cash and cash equivalents, beginning of year		—	—	—	—	Cash and cash equivalents, beginning of year
Cash and cash equivalents, end of year		—	—	—	—	Cash and cash equivalents, end of year

Explanation of the impact of transition to IFRS

a) Net income

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

b) Writeoff of depreciation of investment properties for the year

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

c) Fair value adjustment of investment properties

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

d) Amortization of tenant inducements, leasehold improvements and initial direct costs

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

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

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

f) Reclassification of transaction-related costs

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

g) Reclassification of capitalized leasing costs

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

h) Reclassification of bank loan financing costs

Reclassification for reporting purposes of bank loan financing costs.

Adjustment

i) Net income and Amortization of capitalized financing costs

i. Adjustment to overstatement of amortization of transaction costs for the year.

5. ACQUISITIONS OF INCOME PROPERTIES

First quarter of 2011

- On March 1, 2011, Cominar acquired an office building located in Halifax, Nova Scotia, with 78,000 square feet of leasable area for a consideration of $15,000 in cash.

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

- On March 1, 2011, Cominar acquired an office building located in Montréal, Québec, with 372,000 square feet of leasable area for a consideration of $54,500, consisting of $26,809 for the assumption of a mortgage payable and $27,691 in cash.

Second quarter of 2011

- On April 29, 2011, Cominar acquired an office building with 15,000 square feet of leasable area, and a retail property with 27,000 square feet of leasable area, both properties being located in Moncton, New Brunswick. These properties were acquired for a consideration of $5,217, consisting of $1,449 for the assumption of a mortgage payable and $3,768 in cash.

Third quarter of 2011

- On July 29, 2011, Cominar acquired an industrial and mixed-use building located in the Greater Moncton area, New Brunswick, covering an area of 11,000 square feet, for a consideration of $1,145 in cash.

- On July 29, 2011, Cominar acquired an office building located in Saint John, New Brunswick, covering an area of 41,000 square feet, for a consideration of $6,485, consisting of $5,045 for the assumption of a mortgage payable and $1,440 in cash.

- On July 29, 2011, Cominar acquired a retail building located in Halifax, Nova Scotia, covering an area of 41,000 square feet, for a consideration of $5,455 in cash.

- On September 30, 2011, Cominar acquired an industrial and mixed-use building located in Montréal, Québec, with 43,000 square feet of leasable area for a consideration of $3,400, consisting of $2,600 in cash and $800 as balance of sales price.

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

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

	For the year ended December 31, 2011
	$
Income properties	
Buildings	88,518
Land	12,409
Total purchase price	100,927
Settled as follows:	
Cash and cash equivalents	60,131
Assumption of mortgages payable	39,996
Balance of sales price	800

The amount of Cominar's operating revenues and net income and comprehensive income for investment properties acquired since their date of acquisition were $11,962 and $4,528, respectively, as at December 31, 2011.

Assuming that the date of acquisition of all these investment properties is January 1, 2011, Cominar's operating revenues and net income and comprehensive income would amount to $321,406 and $178,607, respectively, as at December 31, 2011.

Business combination carried in 2010

In March 2010, Cominar acquired 100% of the common shares of Overland Realty Limited ("Overland"). Overland is a real estate corporation headquartered in Halifax, Nova Scotia, with a real estate portfolio of 16 high quality properties, consisting of seven office, three retail, six industrial and mixed-use buildings and one land lease that cover a total area of approximately 603,000 square feet in the Atlantic Provinces.

A consideration of $31,105, or $28,238, net of cash acquired of $2,867, was paid for this acquisition.

Acquisition of income properties in 2010

On April 9, 2010, Cominar acquired an industrial and mixed-use building, with 31,000 square feet of leasable area, located in Brossard, Québec, for a purchase price of $5,600 paid cash.

On July 29, 2010, Cominar acquired an office building, with 90,000 square feet of leasable area, located in Brossard, Québec, for a purchase price of $13,000 paid cash.

On October 14, 2010, Cominar acquired an industrial and mixed-use property, with 196,000 square feet of leasable area, and land for future development, located in Laval, Québec, for a purchase price of $11,850, consisting of $7,207 for the assumption of a mortgage payable and $4,643 in cash.

On October 31, 2010, Cominar acquired eight industrial and mixed-use properties, of which seven are located in Fredericton and one is located in Moncton, and an office building located in Fredericton, representing a total leasable area of 229,000 square feet, for a purchase price of $15,710, consisting of $3,773 for the assumption of mortgages payable and $11,937 in cash.

On October 31, 2010, Cominar acquired an industrial and mixed-use property located in Moncton, New Brunswick, with 38,000 square feet of leasable area for a consideration of $2,245 in cash.

On November 12, 2010, Cominar acquired three industrial and mixed-use properties, representing a total leasable area of 135,000 square feet, for a consideration of $5,400 in cash. One property is located in Québec City and the two others are located in Laval.

On December 15, 2010, Cominar completed the acquisition of a Montréal office building covering a leasable area of 136,000 square feet. The transaction amounts to $12,200 paid cash.

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

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed:

	Business combination	Acquisition of income properties	Total 2010
	$	$	$
Income properties			
Buildings	63,610	54,491	**118,101**
Land	7,520	9,614	**17,134**
	71,130	64,105	**135,235**
Prepaid expenses and other assets	1,898	—	**1,898**
Accounts receivable	1,574	—	**1,574**
Mortgages payable	(43,572)	(10,980)	**(54,552)**
Accounts payable and accrued liabilities	(5,510)	—	**(5,510)**
Deferred tax liabilities	(6,662)	—	**(6,662)**
Net identifiable assets acquired	18,858	53,125	**71,983**
Goodwill	9,380	—	**9,380**
Purchase price, less cash acquired	28,238	53,125	**81,363**

6. INCOME PROPERTIES

For the years ended December 31,	2011	2010
	$	$
Balance, beginning of year	**2,220,233**	1,991,500
Business combination	**—**	71,130
Acquisitions	**100,927**	64,105
Capital costs	**30,012**	31,280
Change in accounts receivable - recognition of leases on a straight-line basis	**1,969**	2,630
Change in initial direct costs	**2,585**	3,234
Transfer of properties under development	**104,494**	47,809
Others	**4,396**	1,347
Fair value adjustment	**51,349**	7,198
Balance, end of year	**2,515,965**	2,220,233

Fair value

Investment properties are measured at fair value at the balance sheet date. Fair value is determined using both management's internal measurements and valuations from independent real estate appraisers. Management's fair value measurement is compared with the fair value determined by independent appraisers, when available.

Method and key assumptions

Internally valued investment properties have been measured using the following method and key assumptions:

The capitalized net operating income method - Under this method, capitalization rates are applied to net operating income (proceeds from a property less operating expenses attributable to that property). The key factor is the capitalization rate for each property or property type. Cominar regularly receives publications from national firms dealing with real estate activity and trends. Such market data reports include capitalization rate variances according to property types and geographical areas.

To the extent that the capitalization rate ranges change from one reporting period to the next, or if another rate within the provided ranges is more appropriate than the rate previously used, the fair value or investment properties increases or decreases accordingly. The change in the fair value of investment properties is recognized in profit or loss.

Cominar has determined that an increase or a decrease of 0.10% in the applied capitalization rate for the whole real estate portfolio would result in an estimated decrease of $33,161 or an estimated increase of $34,326 in the fair value of its investment properties.

OWNERSHIP INTEREST IN A CO-OWNED INVESTMENT PROPERTY

Cominar's share (95%) of the assets, liabilities, revenues, expenses and cash flows of the co-owned investment property was as follows:

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
	$	$	$
Assets	**89,522**	118,015	82,366
Liabilities	**1,123**	1,892	4,032

For the years ended December 31,	2011	2010
	$	$
Operating revenues	**7,826**	1,134
Operating expenses	**2,982**	298
Net operating income	**4,844**	836
Cash flows from operating activities	**2,408**	2,249
Cash flows from investing activities	**(12,718)**	(39,128)
Cash flows from financing activities	**10,145**	36,958

7. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

For the years ended December 31,	2011	2010
	$	$
Balance, beginning of year	**158,113**	174,472
Acquisitions	**—**	21,227
Disposals	**(39,523)**	(34,258)
Capital expenditures	**16,016**	29,324
Capitalized interest	**7,332**	15,157
Transfer to income properties	**(104,494)**	(47,809)
Balance, end of year	**37,444**	158,113
Breakdown:		
Properties under development	**5,713**	118,082
Land held for future development	**31,731**	40,031

8. INVESTMENT IN A PUBLIC ENTITY

As at December 31, 2011, Cominar held 8,263,930 units of Canmarc Real Estate Investment Trust ("Canmarc"), representing approximately 15.1% of all of the issued and outstanding Canmarc units *[Note 27]*. The fair value of the investment has been determined based on the quoted market value as at December 31, 2011.

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
	$	$	$
Balance, beginning of year	**—**	—	—
Acquisition cost	**113,991**	—	—
Fair value adjustment	**18,232**	—	—
Balance, end of year	**132,223**	—	—

INVESTMENT PROCEEDS

For the years ended December 31,	2011	2010
Distributions received	**1,788**	—
Fair value adjustment	**18,232**	—
	20,020	—

9. ACCOUNTS RECEIVABLE

	Note	As at December 31, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Trade receivables		**9,816**	9,184	7,679
Allowance for doubtful accounts		**(1,280)**	(1,582)	(1,339)
		8,536	7,602	6,340
Accounts receivable – related parties [1]	21	**41,134**	24	220
Interest-bearing accounts receivable [2]		**354**	376	1,848
Security deposits		**2,092**	2,034	1,348
Other accrued receivables and income		**3,599**	3,929	3,816
		55,715	13,965	13,572
(1) Amounts cashed in full in January 2012.				
(2) Average effective interest rate		***6.74%***	*6.47%*	*7.35%*

10. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on investment properties having a carrying amount of $1,646,502 [$1,527,342 as at December 31, 2010 and $1,412,399 as at January 1, 2010]. They bear contractual interest rates ranging from 3.04% to 9.13% per annum [2.44% to 11.00% as at December 31, 2010 and 2.19% to 11.00% as at January 1, 2010] representing a weighted average contractual rate of 5.38% as at December 31, 2011 [5.31% as at December 31, 2010 and 5.26% as at January 1, 2010] and are renewable at various dates between January 2012 and January 2039. As at December 31, 2011, the weighted average effective rate was 5.36% [5.29% as at December 31, 2010 and 5.26% as at January 1, 2010]. As at December 31, 2011, all mortgages payable were at fixed rates. Some mortgages payable contain restrictive covenants that were met as at December 31, 2011.

One of Cominar's subsidiaries has entered into a debt reduction agreement relating to a mortgage payable. A bond portfolio was created to replace the security for guaranteeing the mortgage. The investment, which is held in trust, will be sufficient to cover principal and interest payments, including the balance at maturity.

Mortgage repayments are as follows:

	2011			December 31, 2010	January 1, 2010
	Repayment of principal	Balance at maturity	Total	Total	Total
For the years ending December 31,	$	$	$	$	$
2010	—	—	**—**	—	118,982
2011	—	—	**—**	57,560	26,206
2012	25,378	58,073	**83,451**	46,742	36,875
2013	22,528	162,658	**185,186**	184,372	166,311
2014	18,291	74,193	**92,484**	90,691	88,005
2015	15,124	127,256	**142,380**	114,798	24,165
2016	13,800	11,518	**25,318**	24,469	19,326
2017 and thereafter	44,862	265,464	**310,326**	297,624	293,521
	139,983	699,162	**839,145**	816,256	773,391
Plus: Fair value adjustments on assumed mortgages			**2,689**	1,745	215
Less: Deferred financing costs			**(1,152)**	(1,370)	(1,615)
Less: Net debt reduction			**(124)**	(183)	—
			840,558	816,448	771,991

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

For the years ended December 31,	2011		2010	
		Rate		Rate
	$	%	$	%
Balance, beginning of year	**816,256**	**5.31**	773,391	5.26
Mortgages payable contracted or assumed	**90,500**	**5.17**	144,632	5.42
Repayment of balances at maturity	**(43,145)**	**3.82**	(79,346)	4.52
Monthly repayments of principal	**(24,466)**		(22,421)	
Balance, end of year	**839,145**	**5.38**	816,256	5.31
Plus: Fair value adjustments on assumed mortgages	**2,689**		1,745	
Less: Deferred financing costs	**(1,152)**		(1,370)	
Less: Net debt reduction	**(124)**		(183)	
	840,558		816,448	

11. CONVERTIBLE DEBENTURES

The following table shows the characteristics of Cominar's unsecured subordinated convertible debentures:

Series	Issue date	Contractual interest rate	Effective interest date	Conversion price per unit	Redemption date at Cominar's option	Maturity date	Par value as at December 31, 2011
		%	%	$			$
A	September 2004	6.30	6.89	17.40	June 2008	June 2014	14,949
B	May 2007	5.70	6.42	27.50	June 2010	June 2014	80,500
C	October 2007	5.80	6.60	25.25	September 2010	September 2014	110,000
D	September 2009	6.50	7.50	20.50	September 2012	September 2016	100,772
E	January 2010	5.75	6.43	25.00	June 2013	June 2017	86,250
							392,471

As of the above-mentioned redemption dates, Cominar may, under certain terms and conditions, elect to satisfy its principal repayment obligations under the debentures by issuing units of Cominar.

The following table presents the changes in convertible debentures for the years indicated:

For the years ended December 31,	2011	2010
Balance, beginning of year	**408,950**	327,640
Issuance	—	86,250
Holders' option conversion	**(16,479)**	(4,940)
	392,471	408,950
Less		
Deferred financing costs	**(9,258)**	(11,942)
Equity component	**(1,153)**	(1,536)
Balance, end of year	**382,060**	395,472

12. BANK INDEBTEDNESS

As at December 31, 2011, Cominar had operating and acquisition credit facilities of up to $260,836 [$131,210 as at December 31, 2010 and $255,000 as at January 1, 2010]. These credit facilities, subject to annual renewal, bear interest at prime plus 1.00% [1.50% in 2010] or at the bankers' acceptance rate plus 2.00% [2.50% in 2010]. These credit facilities are secured by movable and immovable hypothecs on specific assets, including the carrying amount of investment properties totalling $422,570 as at December 31, 2011 [$297,370 as at December 31, 2010 and $273,530 as at January 1, 2010]. As at December 31, 2011, the prime rate was 3.00% [3.00% as at December 31, 2010 and 2.25% as at January 1, 2010]. These credit facilities contain certain covenants which were met as at December 31, 2011.

In November 2011, Cominar set up a credit agreement with Canadian financial institutions allowing it to fully finance the cash consideration to be paid for the acquisition of the units of Canmarc Real Estate Investment Trust and to meet refinancing and cash requirements subsequent to the closing of that transaction. The amount available to be drawn under Cominar's operating and credit facility will be $550,000. The credit agreement also includes an equity bridge loan of a maximum amount of $415,000 and a mortgage bridge loan of $750,000. However, Cominar did not use these two bridge loan facilities.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
	Note	$	$	$
Trade accounts payable		**506**	2,101	2,165
Accounts payable – related parties	21	**785**	911	7,807
Prepaid rents		**468**	364	109
Accrued expenses		**33,617**	20,366	16,336
Commodity taxes and other non-financial liabilities		**9,707**	7,265	5,618
		45,083	31,007	32,035

14. ISSUED AND OUTSTANDING UNITS

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

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

For the years ended December 31,	2011		2010	
	Units	$	Units	$
Units issued and outstanding, beginning of year	**62,688,799**	**855,182**	54,758,271	712,884
Units issued under a public offering	**11,801,100**	**244,539**	6,021,400	110,134
Units issued on exercise of options	**863,150**	**15,164**	1,251,700	19,490
Units issued under distribution reinvestment plan	**874,807**	**19,151**	220,030	4,509
Units issued on conversion of convertible debentures	**823,404**	**16,022**	283,898	4,845
Units issued under the at-the-market equity distribution agreement	**—**	**—**	153,500	2,756
Reversal of contributed surplus on exercise of options	**—**	**677**	—	564
Units issued and outstanding, end of year	**77,051,260**	**1,150,735**	62,688,799	855,182

Unit option plan

Cominar has granted options to management and employees for the purchase of units under a unit option plan. A maximum of 6,303,642 units may be issued under the plan. As at December 31, 2011, options to purchase 4,481,850 units were outstanding.

The following table shows the outstanding option characteristics at year-end:

		As at December 31, 2011			
Date of grant	Graded vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
May 23, 2006	20%	May 23, 2013	18.90	105,800	105,800
May 15, 2007	50%	May 15, 2014	23.59	30,000	30,000
February 6, 2008	33 1/3%	February 6, 2013	18.68	380,950	380,950
December 19, 2008	33 1/3%	December 19, 2013	15.14	504,000	504,000
December 21, 2009	33 1/3%	December 21, 2014	19.48	898,000	559,800
December 21, 2010	33 1/3%	December 21, 2015	20.93	1,168,400	385,700
December 15, 2011	33 1/3%	December 15, 2016	21.80	1,394,700	—
				4,481,850	**1,966,250**

The following table shows the change in balances of options during the years indicated:

For the years ended December 31,	2011		2010	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**4,169,900**	**18.96**	4,226,800	17.32
Exercised	**(863,150)**	**17.65**	(1,251,700)	15.58
Granted	**1,394,700**	**21.80**	1,334,400	20.93
Forfeited	**(219,600)**	**20.16**	(139,600)	18.36
Outstanding, end of year	**4,481,850**	**20.04**	4,169,900	18.96
Exercisable options, end of year	**1,966,250**	**18.53**	1,419,800	17.82

Unit-based compensation

The compensation expense related to the options was calculated using the Black-Scholes option pricing model based on the following assumptions:

Date of grant	Volatility	Exercise price $(1)	Weighted average return	Weighted average risk-free interest rate	Per unit weighted average fair value $
May 23, 2006	13.00%	18.90	7.14%	4.10%	0.72
May 15, 2007	13.60%	23.59	5.55%	4.04%	1.38
February 6, 2008	15.60%	18.68	7.47%	3.89%	0.95
December 19, 2008	18.00%	15.14	9.74%	3.00%	0.57
December 21, 2009	18.50%	19.48	7.67%	2.13%	1.01
December 21, 2010	16.50%	20.93	7.14%	1.68%	0.89
December 15, 2011	15.80%	21.80	6.86%	1.01%	0.81

(1) Option exercise price is closing price of Cominar units on the day before the date of grant.

The compensation expense is amortized using the graded vesting method. The following table presents the compensation expense recorded for the years indicated:

For the years ended December 31,	2011	2010
	$	$
	986	873

The following table presents the expected compensation expenses for the subsequent years:

For the years ended December 31,	$
2012	1,099
2013	422
2014	120

Unitholder distribution reinvestment plan

Cominar has adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units equal to 105% of the cash distributions. For the year ended December 31, 2011, 874,807 units [220,030 in 2010] were issued for a total net consideration of $19,151 [$4,509 in 2010] under this plan.

DISTRIBUTIONS

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

For the years ended December 31,	2011	2010
	$	$
Distributions to unitholders	**95,567**	87,027
Distributions per unit	**1.44**	1.44

15. OPERATING LEASE INCOME

a) The minimum lease payments receivable from tenants under operating leases are as follows:

	As at December 31, 2011
	$
– within one year	167,656
– over one year but within five years	473,402
– over five years	278,933

b) Contingent rents included in revenues for the year are as follows:

For the years ended December 31,	2011	2010
	$	$
Contingent rents	**2,227**	2,139

16. FINANCIAL EXPENSE

The financial expense for fiscal 2011 includes an expense of $738 related to the investment held in a public entity.

17. TRANSACTION COSTS – BUSINESS COMBINATIONS

In 2011, Cominar incurred costs of $646 related to an unconcluded transaction. Cominar also incurred costs of $3,616 in connection with the purchase of an investment in a public entity [note 27]. In 2010, costs were incurred with respect to the transaction that allowed Cominar to acquire all of Overland Realty Ltd.'s investment properties. Under IFRS, transaction costs related to a business combination must be expensed as incurred.

18. INCOME TAXES

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

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

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

Exception for real estate investment trusts ("REITs")

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

As at December 31, 2011, Cominar met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to Cominar.

Cominar's management takes the necessary steps to meet these conditions on an ongoing basis in the future.

The carrying amount of Cominar's net assets as at December 31, 2011, excluding the net assets of incorporated subsidiaries, exceeded the tax basis by approximately $671,551.

Cominar's subsidiaries are subject to tax on their taxable income under the Income Tax Act (Canada) and Taxation Act of the provinces concerned.

The income tax provision differs from the amount calculated by applying the combined federal and provincial tax rate to income before income taxes. Such difference is explained in the following table:

For the years ended December 31,	2011	2010
	$	$
Income before income taxes	**178,066**	109,666
Canadian combined statutory tax rate	**28.05 %**	31.01 %
Income tax expense at statutory tax rate	**49,948**	34,007
Deductible distributions	**(49,769)**	(33,627)
Income taxes attributable to a transaction with a subsidiary	**—**	283
Rate difference	**516**	(124)
Others	**(90)**	(13)
	605	526

The statutory tax rate reduction is mainly explained by the fact that the tax rates applicable in 2011 at the federal level and in New Brunswick are 16.5% and 10.5% compared to 18.0% and 11.5% in 2010.

Deferred taxes relating to incorporated subsidiaries are shown in the following table:

As at December 31,	2011	2010
	$	$
Deferred tax assets to be recovered after more than 12 months		
Financial expenses	**89**	141
Mortgages payable	**149**	208
Tax losses	**126**	—
Deferred tax liabilities to be settled after more than 12 months		
Income properties	**(8,157)**	(7,457)
Deferred taxes (net)	**(7,793)**	**(7,108)**

The movement of the deferred income tax account is as follows:

	2011	2010
	$	$
Balance as at January 1	**7,108**	—
Net deferred tax liabilities assumed under a combination	**—**	6 662
Income tax expense recorded in the statement of income	**685**	446
Balance as at December 31	**7 793**	7 108

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Financial expenses	Mortgages payable	Tax losses	Total
	$	$	$	$
Deferred tax assets				
Balance as at January 1, 2010	—	—	—	—
Deferred tax assets acquired under a business combination	203	368	—	571
Origination and reversal of timing differences included in profit or loss	(62)	(160)	—	(222)
Balance as at December 31, 2010	141	208	—	349
Origination and reversal of timing differences included in profit or loss	(52)	(59)	126	15
Balance as at December 31, 2011	89	149	126	364

	Income properties
	$
Deferred tax liabilities	
Balance as at January 1, 2010	—
Deferred tax liabilities assumed under a business combination	(7 233)
Origination and reversal of timing differences included in profit or loss	(224)
Balance as at December 31, 2010	(7 457)
Origination and reversal of timing differences included in profit or loss	(700)
Balance as at December 31, 2011	(8 157)

Deferred tax losses

As at December 31, 2011, Cominar's subsidiaries have accumulated, for federal and provincial income tax purposes, non-capital losses totalling approximately $482 [nil in 2010]. These losses can be applied against future years' taxable income and expire in 2031.

19. PER UNIT CALCULATIONS

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

For the years ended December 31,	2011	2010
Weighted average number of units outstanding – basic	**64,870,808**	60,055,248
Dilutive effect of unit options	**372,491**	345,596
Dilutive effect of convertible debentures	**17,093,865**	17,381.595
Weighted average number of units outstanding – diluted	**82,337,164**	77,782,439

20. SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31,	2011	2010
	$	$
Prepaid expenses and other assets	**(1,879)**	1,289
Accounts receivable	**(2,227)**	787
Income taxes recoverable	**(56)**	—
Accounts payable and accrued liabilities	**8,476**	(685)
Current tax liability	**(80)**	80
	4,234	1,471
Other information		
Additions to investment properties through assumption of mortgages payable	**39,996**	10,980
Unpaid additions to investment properties	**2,569**	2,806
Disposal of investment property uncashed	**39,523**	—
Properties under development transferred to income properties	**104,494**	47,809
Unpaid purchase of an investment in a public entity	**2,169**	—
Unpaid deferred financing costs	**3,461**	—

21. RELATED PARTY TRANSACTIONS

During the years 2011 and 2010, Cominar entered into transactions with companies controlled by unitholders who are also officers of the Trust over which they have significant influence (collectively the "related companies"). These transactions were entered into in the normal course of business and are measured at the exchange amount. They are reflected in the consolidated financial statements as follows:

For the years ended December 31,	2011	2010
	$	$
Rental revenue from investment properties	**246**	489
Investment properties – Capital costs	**26,050**	46,742

On November 8, 2011, Cominar and its partner in the Complexe Jules-Dallaire entered into an agreement in principle to form a partnership with a related company for developing phase 2 of the Complexe Jules-Dallaire. Under this agreement, surface rights were sold at year-end to a related company for an aggregate consideration of $20,150, thus allowing the construction of a ten-floor office tower above the three floors already built during the development of phase 1, as well as approximately 200 condominium units on 15 floors. Cominar's share in the disposal proceeds amounted to $19,142.

On December 31, 2011, Cominar sold land held for future development in Québec City to a related company for a consideration of $20,400.

On November 5, 2010, Cominar sold land held for future developments in Québec City to a related company for a cash consideration of $34,258. This transaction has allowed Cominar to optimize its land holdings for future developments while meeting the limitations set forth in its Contract of Trust regarding such properties.

The key management personnel of Cominar comprise the trustees and senior executives. The key management personnel compensation is set out in the following table:

KEY MANAGEMENT PERSONNEL COMPENSATION

For the years ended December 31,	2011	2010
	$	$
Short-term benefits	**1,829**	1,695
Profit sharing plan	**65**	60
Granting of options (at fair value)	**214**	174

The incentive program comprises the Registered Retirement Savings Plan and the Unit Option Plan of the REIT.

Options granted to senior executives and other officers during the fiscal year may not be exercised, even if they are free-trading, if the following three conditions are not met: the market price of the security must be at least ten percent (10%) higher than the exercise price of the option; the senior executive or other officer must undertake to hold a number of units corresponding to the multiple determined for his base salary; and when they are exercised, if the senior executive or other officer does not hold the required minimum number of units, he must keep at least five percent (5%) of the units purchased until he has the multiple corresponding to his salary.

22. CAPITAL MANAGEMENT

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

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

Cominar's capital structure was as follows:

	As at December 31, 2011	As at December 31, 2010	As at January 1, 2010
	$	$	$
Cash and cash equivalents	**(5,389)**	—	—
Mortgages payable	**840,558**	816,448	771,991
Convertible debentures	**382,060**	395,472	315,352
Bank indebtedness	**16,540**	62,078	135,155
Unitholders' equity	**1,471,222**	1,093,612	928,891
Total capital	**2,704,991**	2,367,610	2,151,389
Overall debt ratio (1)	**44.6%**	53.0%	56.0
Debt ratio (excluding convertible debentures)	**30.8%**	36.5%	41.5
Interest coverage ratio (2)	**2.72: 1**	2.93: 1	N/A

(1) The overall debt ratio is equal to total cash and cash equivalents, bank indebtedness, mortgages payable and convertible debentures divided by the carrying amount of the asset.

(2) The interest coverage ratio calculated by Cominar is equal to net operating income (operating revenues less operating expenses) divided by financial expense.

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, its total debt exceeds 60% of the carrying amount of Cominar (65% if convertible debentures are outstanding). As at December 31, 2011, Cominar maintained a debt ratio of 44.6%, including convertible debentures, a decrease compared to the ratio recorded as at December 31, 2010 due mainly to the units issued during the last quarter of 2011.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As such, as at December 31, 2011, the interest coverage ratio was 2.72: 1, reflecting the Trust's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

23. FINANCIAL INSTRUMENTS

Fair value

The fair value of the investment in a public entity is based on the bid price of the financial instrument at year-end. The fair value of convertible debentures is based on the year-end quoted market price. The fair value of the other financial instruments is estimated using valuation techniques and assumptions. Such fair value amounts represent Cominar's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

The fair value of cash and cash equivalents and bank loans approximates the carrying amount since they are short-term in nature or bear interest at current market rates.

The fair value of mortgages payable has been estimated based on current market rates for mortgage loans with similar terms and maturities.

Fair value hierarchy

The hierarchy is based on significance of the inputs used in measuring financial assets and liabilities at fair value. The levels in the hierarchy are:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is derived from prices);
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Classification

The classification of financial instruments and their respective carrying amounts and fair values are as follows:

		As at December 31, 2011		As at December 31, 2010		As at January 1, 2010	
	Level	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$	$	$
FINANCIAL ASSETS							
At fair value through profit or loss							
Investment in a public entity	1	**132,223**	**132,223**	—	—	—	—
Loans and receivables							
Cash and cash equivalents	1	**5,389**	**5,389**	—	—	—	—
FINANCIAL LIABILITIES							
Other financial liabilities							
Mortgages payable	2	**839,145**(1)	**896,340**	816,256(1)	845,093	773,391(1)	751,748
Convertible debentures	1	**392,471**(1)	**414,883**	408,950(1)	427,785	327,640(1)	334,525
Bank indebtedness	2	**16,540**	**16,540**	62,078	62,078	135,155	135,155

(1) Excludes fair value adjustments on assumed mortgages payable, deferred financing costs and the equity components of convertible debentures.

Risk management

The main risks arising from Cominar's financial instruments are credit risk, interest rate risk and liquidity risk. Cominar's risk management strategy is summarized below.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments.

Cominar mitigates credit risk via geographic and segment portfolio diversification *[Note 24]*, staggered lease maturities, diversification of revenue sources through a varied tenant mix, avoiding dependence on any single tenant by ensuring that no individual tenant contributes a significant portion of Cominar's operating revenues and conducting credit assessment for all new tenants.

Cominar has a broad, highly diversified client base, consisting of approximately 2,950 tenants occupying an average area of 6,700 square feet each. The three largest tenants account for approximately 5.4%, 5.0% and 3.6% of operating revenues, respectively, stemming from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 10.4% of operating revenues stems from government agencies.

Cominar regularly assesses its accounts receivable and records a provision for doubtful accounts when there is a risk of non-collection.

The maximum credit risk to which Cominar is exposed represents the carrying amount of its accounts receivable.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cominar's objective in managing this risk is to minimize the net impact on future cash flows. Cominar reduces its exposure to interest rate risk by staggering the maturities of its loans and by generally using long-term debt bearing interest at fixed rates.

Accounts receivable, except for other receivables mentioned in note 9, and accounts payable and accrued liabilities do not bear interest.

Mortgages payable and convertible debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank indebtedness bearing interest at variable rates.

A 25-basis-point increase or decrease in the average interest rate during the period, assuming all other variables held constant, would have resulted in a $273 increase or decrease in Cominar's net income for the year ended December 31, 2011.

Liquidity risk

Liquidity risk is the risk that Cominar will be unable to meet its financial obligations as they come due.

Cominar manages this risk by the management of its capital structure, the continuous monitoring of its current and projected cash flows and adherence to its capital management policy [note 22].

Undiscounted contractual cash flows (interest and principal) of financial liabilities as at December 31, 2011 are as follows:

		Cash flows		
	Note	Under one year	One to five years	Over five years
Mortgages payable	10	126,672	550,073	348,876
Convertible debentures	11	23,420	259,438	199,374
Bank indebtedness	12	16,871	—	—
Accounts payable and accrued liabilities [1]	13	34,576	800	—
		201,539	810,311	548,250

(1) Excludes commodity taxes and other non-financial liabilities.

24. SEGMENT INFORMATION

Cominar's activities include three property types located in the greater Québec City, Montréal and Ottawa areas and in the Atlantic Provinces. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies. Cominar uses the net operating income as its main criterion to measure its operating performance, i.e. revenues from properties less operating expenses related to properties. Management of expenses, such as interest and administrative expenses, is centralized and consequently, these expenses have not been allocated to Cominar's segments.

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

For the year ended December 31, 2011	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from investment properties	**159,320**	**61,888**	**96,533**	**317,741**
Net operating income	**89,368**	**36,037**	**59,304**	**184,709**
Income properties	**1,261,489**	**487,996**	**766,480**	**2,515,965**

For the year ended December 31, 2010	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from investment properties	133,904	58,911	89,570	282,385
Net operating income	74,866	34,107	55,785	164,758
Income properties	1,072,710	439,187	708,336	2,220,233

25. CONTINGENCY

a) An expropriation process was initiated in June 2006 by the Centre Hospitalier de l'Université de Montréal (the "CHUM") for the property located at 300 Viger Street in Montréal, Québec.

The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served to Cominar on August 27, 2007, effective September 1, 2007, and the Québec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity amounts to $30,000, which was received during 2007. The definitive indemnity will either be set by the Québec Administrative Court, or it will be settled by the parties. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity.

26. COMMITMENTS

a) The annual future payments required under emphyteutic leases expiring between 2046 and 2065, on land for three income properties having a total net carrying value of $72,940, are as follows:

For the years ending December 31,	Total $
2012	544
2013	544
2014	544
2015	556
2016	562
2017 and thereafter	24,331

b) Cominar has undertaken to pay $1,273 in exchange for work to be performed on land held for future development activities.

27. SUBSEQUENT EVENTS

a) On February 28, 2012, Cominar issued 9,168,950 units for gross proceeds of $201,258 under a public offering. The proceeds from the sale of units were used to pay down debt outstanding under current credit facilities, which was used to finance Cominar's ongoing acquisition and development pipeline.

b) On March 1, 2012, Cominar and wholly-owned subsidiaries of Cominar (the "Cominar Acquisition Group") completed the acquisition of all of the issued and outstanding units of Canmarc Real Estate Investment Fund ("Canmarc") for a total consideration of $904,500 excluding the acquisition-related costs *[Note 8]*. The total consideration includes the issuance of 16 million units of Cominar at $21.69 and a cash amount of $557,500 paid out of cash surplus and the new operating and acquisition credit facility *[Note 12]*. Managed internally, Canmarc owns a portfolio of Canadian income-producing commercial properties, consisting of retail and office properties with certain industrial properties. In total, Canmarc properties comprise approximately 9.4 million square feet of commercial gross leasable area and 464 residential units located in Quebec, Atlantic Canada, Western Canada and Ontario.

The acquisition of Canmarc increases Cominar's leasable area by approximately 44% to approximately 30.7 million square feet, with an enhanced footprint in the Province of Québec and a meaningful presence in the Atlantic Provinces, Western Canada and Ontario. Furthermore, Cominar's portfolio benefits from enhanced diversification among the office, retail and industrial asset classes.

The purchase price allocation to net assets acquired and goodwill has not been finalized.