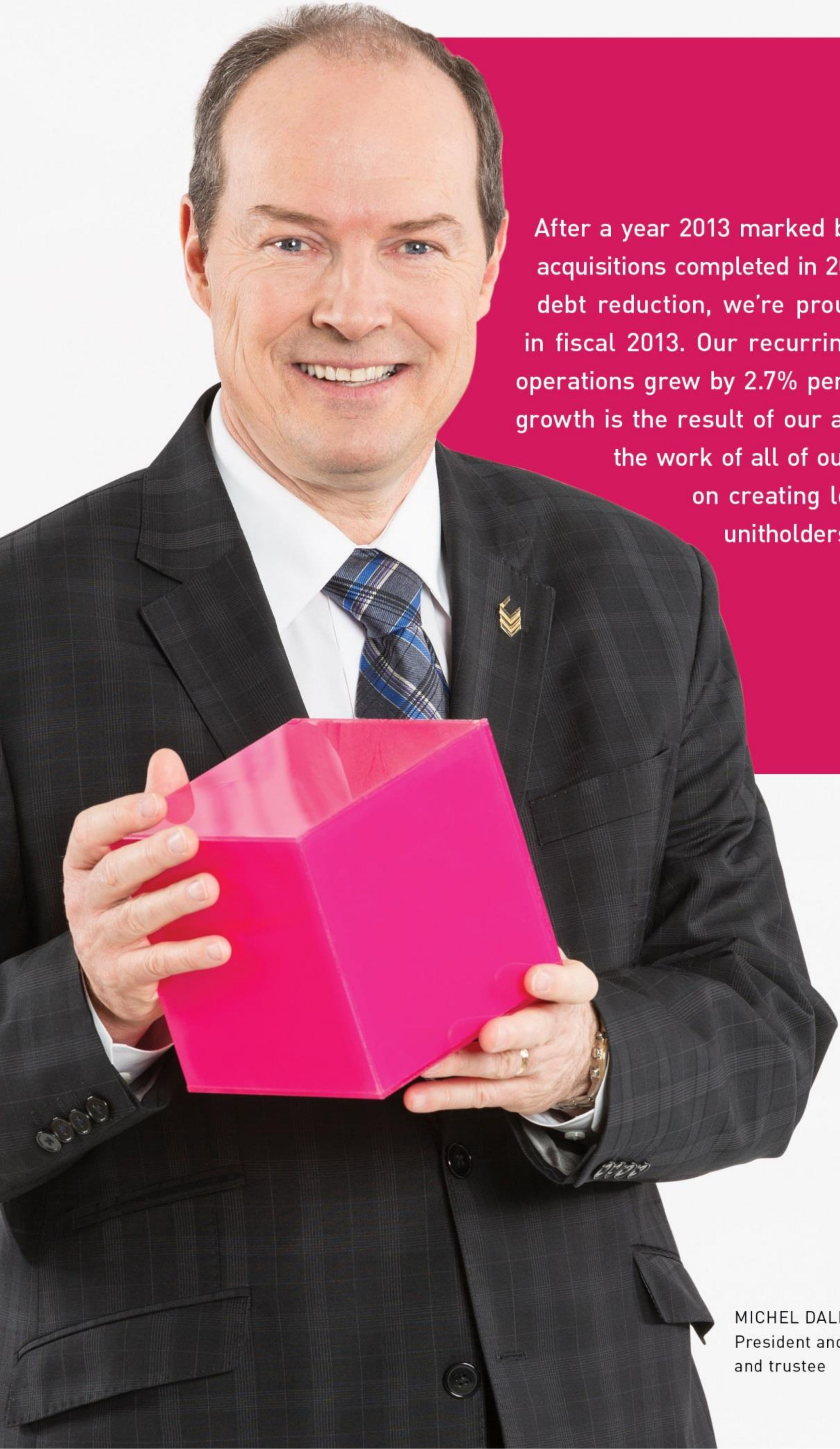
KEEP ON GROWING

Management's Discussion and Analysis

COMINAR REAL ESTATE INVESTMENT TRUST
Fiscal year ended December 31, 2013

2013 MESSAGE TO UNITHOLDERS

After a year 2013 marked by integrating our large acquisitions completed in 2012 and the subsequent debt reduction, we're proud of our performance in fiscal 2013. Our recurring adjusted funds from operations grew by 2.7% per unit fully diluted. This growth is the result of our acquisition strategy and the work of all of our personnel, who focus on creating long-term value for our unitholders.



MICHEL DALLAIRE, Eng.
President and Chief Executive Officer
and trustee



Since the very beginning, we've ensured that our growth is based on solid foundations and that our overall strategy is flexible enough to adapt to changing real estate market conditions and economic fluctuations. We make certain that our real estate portfolio remains judiciously diversified and we adapt our acquisition strategy and project development strategy according to the realities of our various markets.

In 2013, we completed $227.5 million worth of strategic acquisitions, with a majority of industrial and mixed-use properties, as well as a shopping centre. These acquisitions, concluded at an excellent weighted average capitalization rate of 7.1%, increased our real estate portfolio by 2.3 million square feet and strengthened our presence in the greater Montreal area.

We also bought a vacant land strategically located in Calgary, Alberta for $20.5 million. This land includes a 347-space indoor parking facility and will allow construction of over 300,000 square feet of office space divided among four properties, which will be developed in phases.

In 2013, we continued construction of a 284,000 square foot office property located in Laval and we invested $39.3 million in the revitalization of three major shopping centres in the Montreal area, in Quebec—Alexis Nihon, Centre Laval and Place Longueuil. These are major makeovers for the three shopping malls. The objective is to increase total sales of the three properties while attracting new clients.

In parallel with our operating activities, we remained focused on our debt management strategy, which allowed us to decrease our weighted average interest rate for fixed-rate debt by 21 basis points, down to 4.93%, and to increase the weighted average residual term of our fixed rate debt to 5.0 years, compared to 3.9 years last year. Cominar has a strong and healthy financial situation, with a debt ratio (excluding the convertible debentures) and an interest coverage ratio of 48.2% and 2.70:1 respectively. Careful, responsible and effective management of Cominar's debt has always been at the heart of our business strategy.

Backed by the trust of our financial partners and investors, since June 2012 we've issued $1.1 billion worth of unsecured debentures to replace existing debt, increasing the ratio

After a 2013 marked by integrating our large acquisitions completed in 2012 and the subsequent debt reduction, we're proud of our performance

2013

MESSAGE TO UNITHOLDERS

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

of senior unsecured debt on total debt to 32.4% as at December 31, 2013. We'll continue to increase the portion of our unencumbered assets and thus get closer to our long-term objective of a ratio of approximately 50%. By promoting this strategy to replace secured debt with unsecured debt, we believe that we'll ensure stable access to capital markets at an effective cost, while increasing our flexibility and maintaining our financial strength.

Our operating performance produced good results in 2013, with 5.9% growth in average net rent of renewed leases. The success of our operations in the past 12 months, combined with acquisitions in recent years, enabled us to increase our net operating income by 15.9% and our recurring distributable income by 16.8%. This increased our recurring distributable income per unit to $1.58, up 1.9%, and reduced our payout ratio of recurring distributable income to 91.1%, an improvement of 1.8% in line with our long-term objectives.

2013 was also marked by Cominar's move to new headquarters in Complexe Jules-Dallaire, a contemporary 28-storey building located in the heart of downtown Quebec City. After more than 20 years in our offices on Rue du Marais in Quebec City, Cominar's growth called for

We completed $227.5 million worth of strategic acquisitions of income properties, at an excellent weighted average capitalization rate of 7.1%

By promoting this strategy to replace secured debt with unsecured debt, we believe that we'll ensure stable access to capital markets at an effective cost

an enlargement of our office space. We therefore took a huge leap and now proudly occupy this stimulating workspace, named in honour of our founder, Jules Dallaire.

We're pleased to see that through the quality, efficiency and excellent services that we provide to our clients, Cominar is a nationally recognized company and has become an important economic leader in the greater Quebec City area over the years. We take into consideration not only the importance of our contribution to the economy, but also the importance of our role in society. Through concrete actions that mobilize our employees, we build on Cominar's reputation by contributing to causes with significant social impacts in the communities where we work, in order to nurture our philanthropic culture. In this regard, we thank our employees, officers and trustees for their contribution and active involvement in 2013.

2014 is well underway, particularly with the acquisition of a portfolio of office properties in the greater Toronto and Montreal areas for a total of $228.8 million, with a capitalization rate of 7.0%.

Following this acquisition, Cominar's debt ratio (excluding convertible debentures) will stand at 50.1%, a ratio that we are very comfortable with.

Based on the quality of our assets maintained by sound investments, flexible, effective operating management and the highest respect for client satisfaction, we're confident of a most promising future for Cominar, and that our patience and strategy will be rewarded.

In conclusion, we sincerely thank all our unitholders and other business partners for their continuing commitment to and confidence in us. This unwavering support took us to where we are today and inspires us for the future. We continue to grow in the Canadian market with the primary objective of profitability and creating value for our unitholders.

President, Chief Executive Officer and Trustee

Michel Dallaire, Eng.

Chairman of the Board of Trustees

Robert Després, O.C., G.O.Q.

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, 2013, in comparison with the year ended December 31, 2012, as well as its financial position at that date and its outlook. Dated February 26, 2014, 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 document.

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

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

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

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2013 HIGHLIGHTS FROM FISCAL 2013

INCREASES

17.3%
IN OPERATING REVENUES

15.9%
IN NET OPERATING INCOME

16.8%
IN RECURRING DISTRIBUTABLE INCOME

12.7%
IN RECURRING FUNDS FROM OPERATIONS

17.0%
IN RECURRING ADJUSTED FUNDS FROM OPERATIONS

5.9%
OF THE AVERAGE NET RENT OF RENEWED LEASES

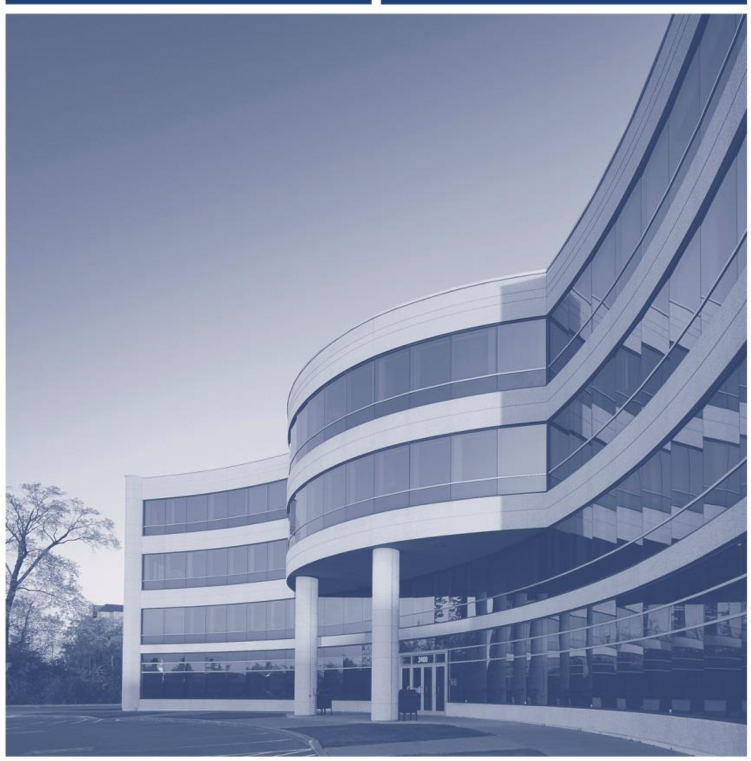
6.8%
IN TOTAL ASSETS

DEBT RATIO
48.2%
(excluding convertible debentures)

INCREASE IN LEASABLE AREA
5.8%

INTEREST COVERAGE RATIO
2.70: 1

PAYOUT RATIO OF RECURRING DISTRIBUTABLE INCOME
91.1%



PROPERTY PORTFOLIO

/ $249.4 MILLION WORTH OF STRATEGIC ACQUISITIONS IN 2013 – 24 NEW PROPERTIES REPRESENTING 2.3 MILLION SQUARE FEET AND LAND FOR FUTURE DEVELOPMENT REPRESENTING 0.7 MILLION SQUARE FEET

JANUARY

Acquired a portfolio of 18 industrial properties, 1 office property and a parcel of land for $151.2 million located primarily on Montreal's South Shore.

Capitalization rate of 7.0%

MARCH

Acquired 1 office income property at a cost of $5.7 million located in Fredericton, New Brunswick.

Capitalization rate of 8,0%

Acquired a land held for future development for $20.5 million located in Calgary, Alberta

MAY

Acquired an industrial income property at a cost of $12.0 million located in Pointe-Claire, Quebec.

Capitalization rate of 7.6%

DECEMBER

Acquired a shopping centre consisting of an indoor shopping centre, a strip mall and two single-tenant buildings at a cost of $60.0 million.

Capitalization rate of 7.0%

/ REVITALIZATION OF OUR MAIN SHOPPING CENTRES IN THE MONTREAL AREA

Adding future value for our current clients

Signing of new leases with high-profile clients

FINANCING

/ COMPLETED 4 FINANCING TRANSACTIONS TOTALLING $550.0 MILLION

Three issues of unsecured debentures bearing a fixed interest rate for a total of $300.0 million

One issue of unsecured debentures bearing a variable interest rate for a total of $250.0 million

/ EARLY REDEMPTION OF SERIES C CONVERTIBLE DEBENTURES FOR $110.0 MILLION

SUBSEQUENT EVENTS

On January 13, 2014, Cominar re-opened the Series 4 investment and issued $100.0 million in unsecured debentures bearing an interest rate of 4,941% and maturing in July 2020. The issue price of these unsecured debentures includes a premium which results in an effective interest rate of 4,747% for this issuance.

On January 13, 2014, Cominar completed the merger of the ownership interests in a previously co-owned investment property, as planned. Prior to completion of this merger, the first phase of Complexe Jules-Dallaire, comprised of office and retail premises, was owned in undivided co-ownership by Cominar as to 95% and by a company indirectly owned by the Dallaire family ("Dallaire Co") as to 5% and the second phase of Complexe Jules-Dallaire, comprised of office premises, was owned by DallaireCo. In addition to the contribution of its pre-merger ownership interests in phases one and two, DallaireCo paid $20.2 million to Cominar in connection with the merger. Under this business combination, both Cominar and DallaireCo each now own a 50% interest in Complexe Jules-Dallaire. Under IFRS 11 – "Joint Arrangements", this building held in partnership shall be considered a joint venture and will be accounted for under the equity method, whereas previously, the participation in the first phase of this building was considered as a participation in a joint operation and Cominar recorded its share of assets, liabilities, comprehensive income and cash flows.

On January 27, 2014, Cominar decided not to seek renewal of the $250.0 million tranche B portion of its operating and acquisition credit facilities which matured on this date, allowing Cominar to add to its portfolio of unencumbered income property approximately $424,0 million in value of income properties which are not necessary to secure the remaining $300.0 million tranche A portion which is secured by income properties worth approximately $508.0 million.

On February 26, 2014, Cominar acquired a portfolio of 11 office properties in the Greater Toronto Area and in Montréal from Redbourne Realty Fund, for a purchase price of $228.8 million; $127.9 million paid in cash and $100.9 million by assuming mortgages payable. The acquired portfolio consists of 4 office properties in the Greater Toronto Area, comprising a total of approximately 780,000 square feet in leasable area, and 7 office properties in Montréal, comprising a total of approximately 400,000 square feet in leasable area. The capitalisation rate of this transaction is 7.0%. Such acquisition has a significant impact on Cominar's geographic diversification, increasing the contribution of its Ontario properties to net operating income to approximately 13.3%, on a proforma basis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among other things, statements with respect to our medium-term and 2014 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast" and "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 plans and to raise capital to finance growth; as well as changes in interest rates.

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

MD&A. We do not assume any obligation to update the aforementioned forward-looking statements, except as required by applicable laws.

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

NON-IFRS FINANCIAL MEASURES

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the years ended December 31	2013	2012	Δ%
FINANCIAL PERFORMANCE			
Operating revenues	**662,053**	564,537	17.3
Net operating income[(1)]	**368,210**	317,815	15.9
Same property net operating income[(1)]	**182,296**	184,610	(1.3)
Net income	**254,969**	342,171	(25,5)
Recurring distributable income[(1)]	**198,479**	169,905	16.8
Recurring funds from operations[(1)]	**225,855**	200,450	12.7
Recurring adjusted funds from operations[(1)]	**194,776**	166,412	17.0
Distributions	**182,977**	164,021	11.6
Total assets	**5,997,330**	5,617,049	6.8
PER UNIT FINANCIAL PERFORMANCE			
Net income (basic)	**2.03**	3.13	(35.1)
Recurring distributable income (basic)[(1)]	**1.58**	1.55	1.9
Recurring funds from operations (FD)[(1)(2)]	**1.77**	1.78	(0.6)
Recurring adjusted funds from operations (FD)[(1)(2)]	**1.54**	1.50	2.7
Distributions	**1.44**	1.44	
Payout ratio of recurring DI	**91.1%**	92.9%	
Payout ratio of recurring adjusted funds from operations	**92.9%**	94.7%	
Cash payout ratio of recurring adjusted funds from operations	**69.7%**	73.0%	
Weighted average number of units outstanding (basic) (in thousands of units)	**125,370**	109,454	
Weighted average number of units outstanding (FD)[(2)] (in thousands of units)	**136,016**	124,984	
FINANCING			
Overall debt ratio[(3)]	**51.2%**	50.0%	
Debt ratio (excluding convertible debentures)	**48.2%**	44.8%	
Interest coverage ratio[(4)]	**2.70:1**	2.65:1	
Weighted average interest rate on total debt	**4.76%**	4.93%	
Weighted average interest rate on fixed-rate debts	**4.93%**	5.14%	
Residual weighted average term of fixed-rate debts (years)	**5.0**	3.9	
Senior unsecured debts-to-total-debt ratio[(5)]	**32.4%**	16.0%	
Unencumbered assets ratio[(6)]	**1.18:1**	1.96:1	
OPERATIONAL DATA			
Number of investment properties	**497**	481	
Leasable area (in thousands of sq. ft.)	**37,123**	35,097	5.8%
Occupancy rate	**93.1%**	93.9%	
Growth in the average net rent of renewed leases	**5.9%**	4.2%	
ACQUISITIONS			
Number of income properties	**24**	213	
Leasable area (in thousands of sq. ft.)	**2,317**	13,976	
Total investment (including land for future development)	**249,400**	2,525,289	
Weighted average capitalization rate	**7.1%**	6.8%	
DEVELOPMENT ACTIVITIES			
Number of properties transferred from properties under development to income properties	**3**	3	
Value of properties transferred from properties under development to income properties	**9,366**	4,760	
Number of properties under development	**3**	3	
Value of properties under development	**53,414**	21,537	

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

SELECTED QUARTERLY INFORMATION

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

For the quarters ended	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	March 31, 2012
Operating revenues	**163,150**	161,470	167,840	169,593	157,312	140,518	140,419	126,288
Net operating income	**93,217**	93,338	91,733	89,922	90,334	81,566	79,035	66,880
Net income	**74,568**(1)	58,348	62,356	59,697	231,859(1)	31,824	45,762	32,726
Net income per unit (basic)	**0.59**(1)	0.46	0.50	0.48	1.87(1)	0.27	0.43	0.36
Net income per unit (diluted)	**0.58**(1)	0.46	0.48	0.47	1.73(1)	0.27	0.42	0.36
Recurring distributable income	**50,768**	51,369	48,473	47,869	48,717	44,126	41,816	35,246
Recurring DI per unit (basic)	**0.40**	0.41	0.39	0.38	0.39	0.38	0.40	0.39
Recurring funds from operations	**58,475**	57,193	54,797	55,390	57,071	51,508	49,363	42,508
Recurring FFO per unit (FD)	**0.46**	0.45	0.43	0.44	0.45	0.43	0.45	0.45
Recurring AFFO	**49,044**	50,593	47,765	47,374	47,025	43,375	40,990	35,022
Recurring AFFO per unit (FD)	**0.39**	0.40	0.38	0.38	0.38	0.37	0.38	0.38
Distributions	**46,338**	45,886	45,598	45,155	45,287	43,598	39,505	35,630
Distributions per unit	**0.36**	0.36	0.36	0.36	0.36	0.36	0.36	0.36

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

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the third-largest diversified REIT in Canada and remains the largest commercial property owner in the Province of Quebec. As at December 31, 2013, Cominar owned and managed a high-quality portfolio of 497 properties including 120 office buildings, 160 retail buildings and 217 industrial and mixed-use buildings located in Quebec, Ontario, the Atlantic Provinces and Western Canada.

Since its inception in 1998, Cominar has made a series of acquisitions and completed numerous construction and property development projects, increasing the carrying amount of its assets to $6.0 billion as at December 31, 2013.

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

PROPERTIES SUMMARY AS AT DECEMBER 31, 2013

Segment	Number of Buildings	Leasable Space (sq. ft.)	Occupancy Rate (%)
Office	120	13,017,500	93.3
Retail	160	7,901,500	94.2
Industrial and Mixed-Use	217	16,204,000	92.4
TOTAL	**497**	**37,123,000**	**93.1**

OBJECTIVES AND STRATEGY

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

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

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

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

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

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

PERFORMANCE INDICATORS

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

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

The following table summarizes our key performance indicators for the periods ending December 31, 2013, and 2012.

PERFORMANCE INDICATORS

		Quarter			Cumulative		
Periods ended December 31	Page	2013	2012	Δ%	2013	2012	Δ%
Net operating income	18	**93,217**	90,334	3.2	**368,210**	317,815	15.9
Same property net operating income	18	**45,483**	46,888	(3.0)	**182,296**	184,610	(1.3)
Recurring distributable income per unit (basic)	25	**0.40**	0.39	2.6	**1.58**	1.55	1.9
Recurring funds from operations per unit (FD)[1]	29	**0.46**	0.45	2.2	**1.77**	1.78	(0.6)
Recurring adjusted funds from operations per unit (FD)[1]	31	**0.39**	0.38	2.6	**1.54**	1.50	2.7
Payout ratio of recurring distributable income	25				**91.1%**	92.9%	
Debt ratio (including convertible debentures)	36				**51.2%**	50.0%	
Debt ratio (excluding convertible debentures)	36				**48.2%**	44.8%	
Interest coverage ratio	37				**2.70:1**	2.65:1	
Occupancy rate	41				**93.1%**	93.9%	
Retention rate	42				**68.6%**	74.2%	
Growth in the average net rent of renewed leases	42				**5.9%**	4.2%	
Increase in leasable area	38				**5.8%**	65.4%	

(1) Fully diluted.

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

PERFORMANCE ANALYSIS

During fiscal 2013, Cominar's growth was strengthened through property acquisitions, which were made in a disciplined and orderly fashion, and investments on buildings that allowed the Trust to build value in the property portfolio. We achieved efficient operational performance thanks to sound internal management. Our comprehensive debt management strategy decreased the weighted average interest rate on total debt from 5.14% as at December 31, 2012 to 4.93% as at December 31, 2013. Furthermore, we reduced Trust administrative expenses as a percentage of operating revenues to 1.8% compared to 2.0% in 2012.

OPERATIONAL RESULTS

The following tables summarize our main operating results for the periods ended December 31, 2013 and 2012.

CONSOLIDATED STATEMENT OF NET INCOME

	Quarter			Cumulative		
For the periods ended December 31	2013	2012	Δ%	2013	2012	Δ%
Operating revenues	**163,150**	157,312	3.7	**662,053**	564,537	17.3
Operating expenses	**69,933**	66,978	4.4	**293,843**	246,722	19.1
Net operating income	**93,217**	90,334	3.2	**368,210**	317,815	15.9
Change in fair value of investment properties	**17,150**	177,706	(90.3)	**17,150**	177,706	(90.3)
Finance charges	**(32,429)**	(30,422)	6.6	**(131,811)**	(115,963)	13.7
Trust administrative expenses	**(2,313)**	(3,409)	(32.2)	**(12,063)**	(11,065)	9.0
Restructuring charges	**—**	(2,030)	(100.0)	**(1,062)**	(6,929)	(84.7)
Transaction costs – business combinations	**—**	(341)	(100.0)	**—**	(27,689)	(100.0)
Gain on disposal of a subsidiary	**—**	—	—	**8,010**	—	100.0
Gain on an investment in a public entity	**—**	—	—	**—**	6,222	(100.0)
Gains on disposal of investment properties	**—**	—	—	**3,370**	—	100.0
Other revenues	**—**	544	(100.0)	**4,906**	2,964	65.5
Income taxes	**(1,057)**	(523)	102.1	**(1,741)**	(890)	95.6
Net income	**74,568**	231,859	(67.8)	**254,969**	342,171	(25.5)

NON-IFRS FINANCIAL MEASURES

	Quarter			Cumulative		
For the periods ended December 31	2013	2012	Δ%	2013	2012	Δ%
Recurring distributable income	**50,768**	48,717	4.2	**198,479**	169,905	16.8
Distributions	**46,338**	45,287	2.3	**182,977**	164,021	11.6
Recurring funds from operations	**58,475**	57,071	2.5	**225,855**	200,450	12.7
Recurring adjusted funds from operations	**49,044**	47,025	4.3	**194,776**	166,412	17.0

FINANCIAL POSITION

The following table summarizes assets and liabilities as well as unitholders' equity as at December 31, 2013 and 2012.

As at December 31	2013	2012	Δ$	Δ%
ASSETS				
Investment properties				
Income properties	**5,654,825**	5,294,984	359,841	6.8
Properties under development and land held for future development	**107,961**	53,234	54,727	102.8
Goodwill	**166,971**	166,971	—	—
Other assets	**67,573**	101,860	(34,287)	(33.7)
Total	**5,997,330**	5,617,049	380,281	6.8
LIABILITIES				
Mortgages payable	**1,794,830**	1,695,222	99,608	5.9
Debentures	**994,824**	448,530	546,294	121.8
Convertible debentures	**181,768**	289,134	(107,366)	(37.1)
Bank borrowings	**105,697**	300,368	(194,671)	(64.8)
Bridge loan	**—**	84,000	(84,000)	(100.0)
Other liabilities	**94,831**	102,900	(8,069)	(7.8)
Total	**3,171,950**	2,920,154	251,796	8.6
UNITHOLDERS' EQUITY	**2,825,380**	2,696,895	128,485	4.8
Total	**5,997,330**	5,617,049	380,281	6.8

RESULTS OF OPERATIONS

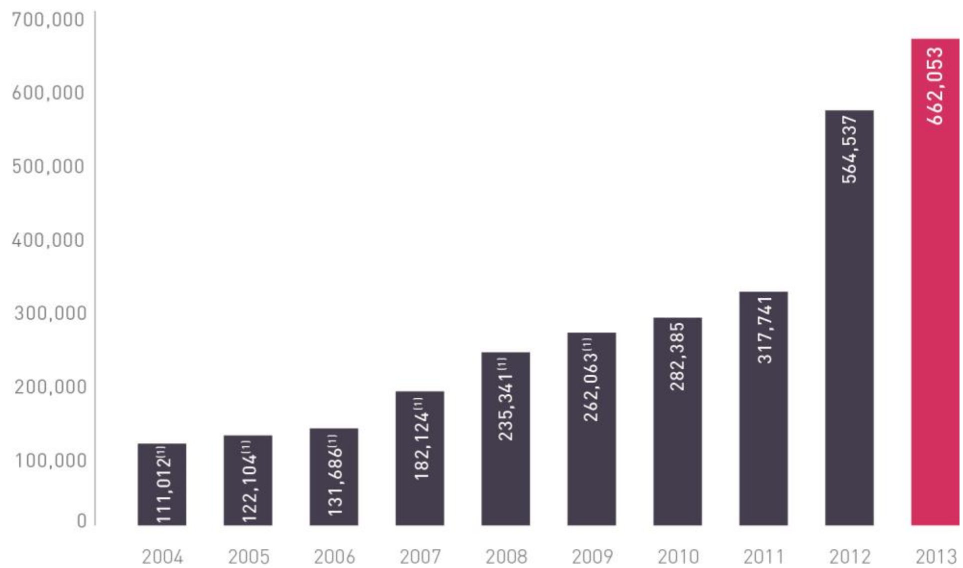
OPERATING REVENUES

	Quarter			Cumulative		
For the periods ended December 31	2013	2012	Δ%	2013	2012	Δ%
Same property portfolio[(1)]	**78,749**	78,964	(0.3)	**328,845**	326,645	0.7
Acquisitions and developments	**84,401**	78,348	7.7	**333,208**	237,892	40.1
Total operating revenues	**163,150**	157,312	3.7	**662,053**	564,537	17.3

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2011, except for the property sold in 2012, but does not include the benefits of acquisitions and developments completed and integrated in the subsequent periods.

During fiscal 2013, operating revenues rose 17.3% from the corresponding period in 2012. This increase resulted primarily from the contribution of acquisitions completed in 2012 and 2013.

The chart below shows Cominar's growth in operating revenues over the past 10 years.



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

NET OPERATING INCOME

	Quarter			Cumulative		
For the periods ended December 31	**2013**	**2012**	**Δ%**	**2013**	**2012**	**Δ%**
Same property portfolio[(1)]	**45,483**	46,888	(3.0)	**182,296**	184,610	(1.3)
Acquisitions and developments	**47,734**	43,446	9.9	**185,914**	133,205	39.6
Total net operating income	**93,217**	90,334	3.2	**368,210**	317,815	15.9

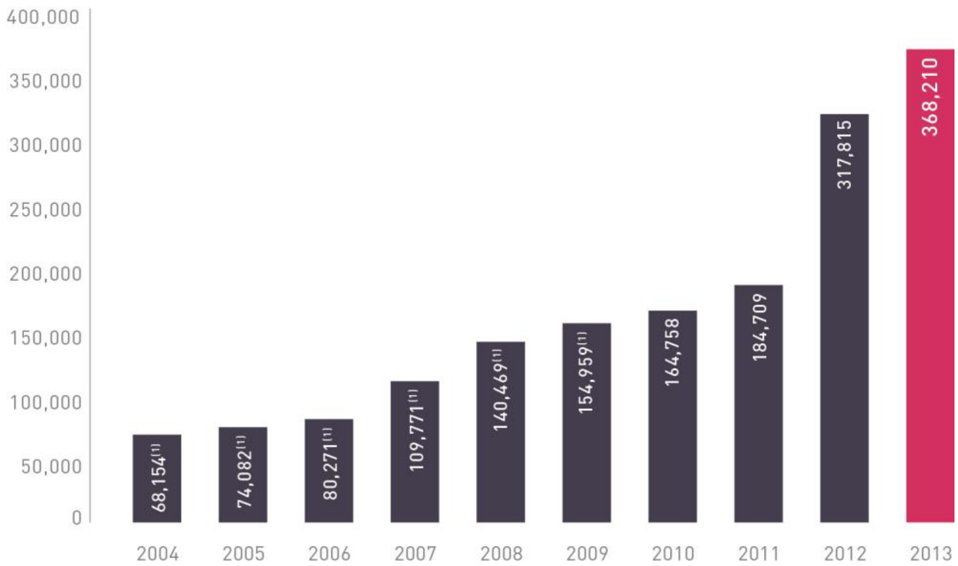
(1) See "Operating revenues."

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

Overall NOI rose 15.9% in fiscal 2013, compared to fiscal 2012, due mainly to the acquisitions completed in 2012 and 2013.

For fiscal 2013, the NOI of the same property portfolio decreased 1.3% compared to fiscal 2012. This decrease is mostly due to a slight reduction in the occupancy rate in the Montreal area office segment and in the Quebec City and Montreal areas industrial and mixed-use segment. It must be specified, however, that the leasable space of Cominar's property portfolio has doubled since the beginning of fiscal 2012, so the same-property NOI figure is not representative of organic growth in the overall portfolio.

The chart below shows growth in Cominar's net operating income over the past 10 years.



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

SEGMENT NET OPERATING INCOME

BY OPERATING SEGMENT

	Quarter			Cumulative		
For the periods ended December 31	2013	2012	Δ%	2013	2012	Δ%
Operating segment						
Office	**48,153**	46,986	2.5	**190,588**	157,907	20.7
Retail	**23,768**	23,690	0.3	**91,550**	88,782	3.1
Industrial and mixed-use	**21,296**	19,658	8.3	**86,072**	71,126	21.0
Total net operating income	**93,217**	90,334	3.2	**368,210**	317,815	15.9

	Quarter		Cumulative	
For the periods ended December 31	2013	2012	2013	2012
Operating segment				
Office	51.7%	52.0%	51.8%	49.7%
Retail	25.5%	26.2%	24.8%	27.9%
Industrial and mixed-use	22.8%	21.8%	23.4%	22.4%
	100.0%	100.0%	**100.0%**	100.0%

Net operating income increased in all operating segments during fiscal 2013.

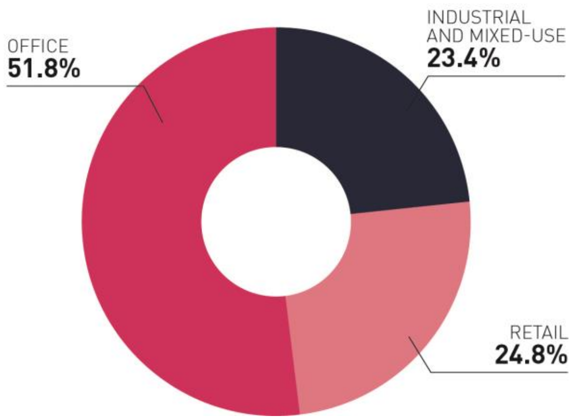
BY GEOGRAPHIC MARKET

	Quarter			Cumulative		
For the periods ended December 31	2013	2012	Δ%	2013	2012	Δ%
Geographic market						
Quebec City	**18,481**	18,772	(1.6)	**73,326**	70,644	3.8
Montreal	**50,814**	48,061	5.7	**195,793**	171,231	14.3
Other – Quebec	**1,568**	1,943	(19.3)	**7,900**	7,779	1.6
Ottawa(1)	**7,672**	8,749	(12.3)	**33,586**	16,741	100.6
Other – Ontario	**1,681**	1,765	(4.8)	**6,958**	6,127	13.6
Atlantic provinces	**5,931**	5,830	1.7	**23,469**	22,597	3.9
Western Canada	**7,070**	5,214	35.6	**27,178**	22,696	19.8
Total net operating income	**93 217**	90 334	3,2	**368 210**	317 815	15,9

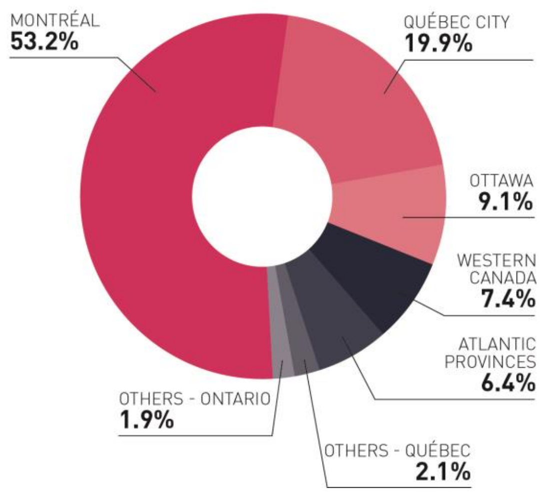
	Quarter		Cumulative	
For the periods ended December 31	2013	2012	2013	2012
Geographic market				
Quebec City	**19.8%**	20.8%	**19.9%**	22.2%
Montreal	**54.5%**	53.2%	**53.2%**	53.9%
Other – Quebec	**1.7%**	2.2%	**2.1%**	2.4%
Ottawa(1)	**8.2%**	9.7%	**9.1%**	5.3%
Other – Ontario	**1.8%**	2.0%	**1.9%**	1.9%
Atlantic provinces	**6.4%**	6.5%	**6.4%**	7.1%
Western Canada	**7.6%**	5.6%	**7.4%**	7.2%
	100.0%	100.0%	**100.0%**	100.0%

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

NET OPERATING INCOME BY SECTOR IN 2013



NET OPERATING INCOME BY GEOGRAPHIC MARKET IN 2013



CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

Cominar opted to present its investment properties in the financial statements according to the fair value model. Fair value is determined based on evaluations performed using management's internal estimates and by independent real estate appraisers, plus capital expenditures made since the most recent appraisal, if applicable.

As per Cominar's policy on valuing investment properties, at the end of 2013, management revalued the real estate portfolio and determined that an increase of $17.2 million was necessary to adjust the carrying value of investment properties to their fair value [increase of $177.7 million in 2012].

Internally valued investment property has been measured using the following method and key assumptions:

Capitalized net operating income method **–** Under this method, capitalization rates are applied to normalized net operating income in order to comply with current valuation standards. The normalized net operating income represents adjusted net operating income for items such as administrative expenses, occupancy rates, the recognition of leases on a straight-line basis and other non-recurring items. 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 differences in capitalization rates by property type and geographical area.

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 of investment properties increases or decreases accordingly.

Cominar has determined that an increase or decrease in 2013 of 0.10% in the applied capitalization rate for the entire real estate portfolio would result in a decrease or increase of approximately $85.0 million [$67.0 million in 2012] in the fair value of its investment properties.

WEIGHTED AVERAGE CAPITALIZATION RATE – DECEMBER 31, 2013

	Quebec City	Montreal	Other – Quebec	Ottawa	Other – Ontario	Atlantic Provinces	Western Canada	Weighted Average Rate
	%	%	%	%	%	%	%	%
Office	6.4	6.6	—	6.1	—	7.4	6.0	6.4
Retail	6.6	6.5	7.5	7.4	6.7	8.0	6.3	6.7
Industrial and mixed-use	7.3	7.2	9.1	—	8.5	8.0	6.9	7.3
	6.7	6.7	7.6	6.1	6.8	7.7	6.0	6.7

FINANCE CHARGES

	Quarter			Cumulative		
For the periods ended December 31	2013	2012	Δ%	2013	2012	Δ%
Interest on mortgages payable	**22,659**	21,447	5.7	**88,670**	84,018	5.5
Interest on debentures	**9,890**	3,270	202.4	**29,492**	5,051	483.9
Interest on convertible debentures	**2,873**	4,466	(35.7)	**14,804**	21,615	(31.5)
Interest on bank borrowings and bridge loan	**483**	4,507	(89.3)	**10,113**	13,914	(27.3)
Amortization of premium on debenture issues	**(48)**	(70)	(31.4)	**(183)**	(70)	161.4
Amortization of deferred financing costs and other	**1,373**	1,388	(1.1)	**6,861**	8,184	(16.2)
Amortization of fair value adjustments on assumed indebtedness	**(3,062)**	(4,163)	(26.4)	**(13,680)**	(15,193)	(10.0)
Less: Capitalized interests(1)	**(1,739)**	(423)	311.1	**(4,266)**	(1,556)	174.2
Total finance charges	**32,429**	30,422	6.6	**131,811**	115,963	13.7
Percentage of operating revenues	**19.9%**	19.3%		**19.9%**	20.5%	
Weighted average interest rate on total debt(2)				**4.76%**	4.93%	

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

The increase in finance charges was mostly due to increased financing following the acquisition of income properties completed in 2012 and 2013.

During the fiscal year ended December 31, 2013, Cominar wrote off $1.0 million in deferred financing costs following the redemption of convertible Series C debentures [$1.0 million in 2012 following the redemption of Series A and B convertible debentures].

During the fiscal year ended December 31, 2012, Cominar wrote off financing costs incurred to establish financing for the acquisition of Canmarc. This financing was not used and the costs, in the amount of $2.1 million, were recognized in profit or loss in 2012.

Although finance charges for the fiscal year 2013 increased 13.7%, compared to 2012, they decreased as a percentage of operating revenues, falling from 20.5% in 2012 to 19.9% in 2013. This decrease is primarily attributable to continued pursuit of our overall debt management strategy, which consists in issuing debt in the form of unsecured debentures to replace existing debts and to new mortgages negotiated during the fiscal year that helped reduce the weighted average interest rate on total debt, which was 4.76% at the end of 2013, compared to 4.93% as at December 31, 2013.

TRUST ADMINISTRATIVE EXPENSES

During fiscal 2013, Cominar successfully reduced Trust administrative expenses to 1.8% of operating revenues [2.0 % in 2012], which corresponds to the objective set by management.

RESTRUCTURING CHARGES

For the year ended December 31, 2013, Cominar incurred charges of $1.1 million [$6.9 million in 2012] related to the integration of Canmarc's operations, namely for changes to its corporate structure. These charges for 2012 and 2013 were mainly direct salaries of employees retained through the transition period, severance benefits paid, as well as consulting and legal fees.

GAIN ON DISPOSAL OF A SUBSIDIARY

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

GAINS ON DISPOSAL OF INVESTMENT PROPERTIES

On June 28, 2013, Cominar disposed of an office building in Levis, Quebec, for $1.5 million, following the exercise of a purchase option included in the sole tenant's lease. The transaction resulted in a gain of $0.5 million on disposal.

On July 11, 2013, the *Tribunal administratif du Québec* rendered its final decision regarding the expropriation process initiated by the *Centre hospitalier de l'Université de Montréal* ("CHUM") in June 2006 in relation to the property located at 300 Viger Avenue in Montreal, Quebec. The *Tribunal administratif du Québec* set the definitive expropriation indemnity at $33.5 million. The CHUM paid Cominar a sum of $3.5 million, which represents the difference between the amount of the provisional indemnity of $30.0 million that was already paid to Cominar in 2007 and the total definitive indemnity. Cominar recorded a gain of $2.9 million in connection with this event.

OTHER REVENUES

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

NET INCOME

	Quarter			Cumulative		
For the periods ended December 31	**2013**	**2012**	**Δ%**	**2013**	**2012**	**Δ%**
Net income	**74,568**	231,859	(67.8)	**254,969**	342,171	(25.5)
Net income per unit (basic)(1)	**0.59**	1.87	(68.4)	**2.03**	3.13	(35.1)
Net income per unit (diluted)(1)	**0.58**	1.73	(66.5)	**1.98**	2.91	(32.0)

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

Cominar reported $255.0 million in net income for fiscal 2013 compared to $342.2 million in 2012. Net income per unit stood at $2.03, down 35.1% from fiscal 2012. This decrease is mainly due to the change in fair value of investment properties of $177.7 million in 2012.

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 Cominar's performance. Given its historical nature, DI per unit is also a useful benchmark enabling investors to evaluate the stability of distributions.

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

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

DISTRIBUTABLE INCOME

	Quarter			Cumulative		
For the periods ended December 31	2013	2012	Δ%	2013	2012	Δ%
Net income	**74,568**	231,859	(67.8)	**254,969**	342,171	(25.5)
- Change in fair value of investment properties	**(17,150)**	(177,706)	(90.3)	**(17,150)**	(177,706)	(90.3)
- Net amortization of premium and discount on debenture issue	**(48)**	(70)	(31.4)	**(183)**	(70)	161.4
- Amortization of fair value adjustments on assumed indebtedness	**(3,062)**	(4,163)	(26.4)	**(13,680)**	(15,193)	(10.0)
+ Amortization of fair value adjustments on bond investments	**78**	79	(1.3)	**314**	282	11.3
+ Amortization of deferred financing costs	**1,322**	1,388	(4.8)	**6,572**	8,184	(19.7)
+ Compensation expense related to long term incentive plan	**(99)**	522	(119.0)	**2,155**	1,268	70.0
+ Accretion of liability component of convertible debentures	**51**	60	(15.0)	**289**	232	24.6
+ Restructuring charges	**—**	2,030	(100.0)	**1,062**	6,929	(84.7)
+ Transaction costs – business combinations	**—**	341	(100.0)	**—**	27,689	(100.0)
- Gain on disposal of a subsidiary	**—**	—	—	**(8,010)**	—	—
- Gains on disposal of investment properties	**—**	—	—	**(3,370)**	—	—
+ Deferred taxes	**1,057**	547	93.2	**1,741**	877	98.5
- Provision for leasing costs	**(5,048)**	(3,974)	27.0	**(17,758)**	(15,144)	17.3
- Change in fair value of an investment in a public entity	**—**	—	—	**—**	(2,582)	(100.0)
- Change in accounts receivable – recognition of leases on a straight-line basis	**(901)**	(2,196)	(59.0)	**(4,101)**	(7,032)	(41.7)
Distributable income	**50,768**	48,717	4.2	**202,850**	169,905	19.4
Unusual item – other revenues	**—**	—	—	**(4,906)**	—	—
Unusual item – Holman Grand Hotel	**—**	—	—	**535**	—	—
Recurring distributable income	**50,768**	48,717	4.2	**198,479**	169,905	16.8
DISTRIBUTIONS TO UNITHOLDERS	**46,338**	45,287	2.3	**182,977**	164,021	11.6
Distributions reinvested under the distribution reinvestment plan(1)	**13,372**	8,978	48.9	**45,312**	37,717	20.1
Cash distributions	**32,966**	36,309	(9.2)	**137,665**	126,304	9.0
Percentage of distributions reinvested	**28.9%**	19.8%		**24.8%**	23.0%	
Per unit information:						
Recurring distributable income (basic)	**0.40**	0.39	2.6	**1.58**	1.55	1.9
DISTRIBUTIONS PER UNIT	**0.36**	0.36	—	**1.44**	1.44	—
Payout ratio(2)	**90.0%**	92.3%		**91.1%**	92.9%	
Cash payout ratio(3)	**65.0%**	74.4%		**68.4%**	71.6%	

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

For the fiscal year ending December 31, 2013, Cominar adjusted the distributable income calculation to take into account two unusual items. The first is the gain resulting from the settlement of claims against HII, and the second is an adjustment to exclude the impact of the retrocession of the Holman Grand Hotel to Cominar as part of HII's restructuring.

Recurring DI for the year ended December 31, 2013, amounted to $198.5 million, up 16.8% from 2012. This increase was primarily due to the contribution of the acquisitions completed in 2012 and 2013. Per unit, basic, it totalled $1.58 for the year ended December 31, 2013, up $0.03 from fiscal 2012.

Distributions to unitholders in fiscal 2013 totalled $183.0 million, up 11.6% from 2012. Per unit distributions were $1.44 for both 2012 and 2013.

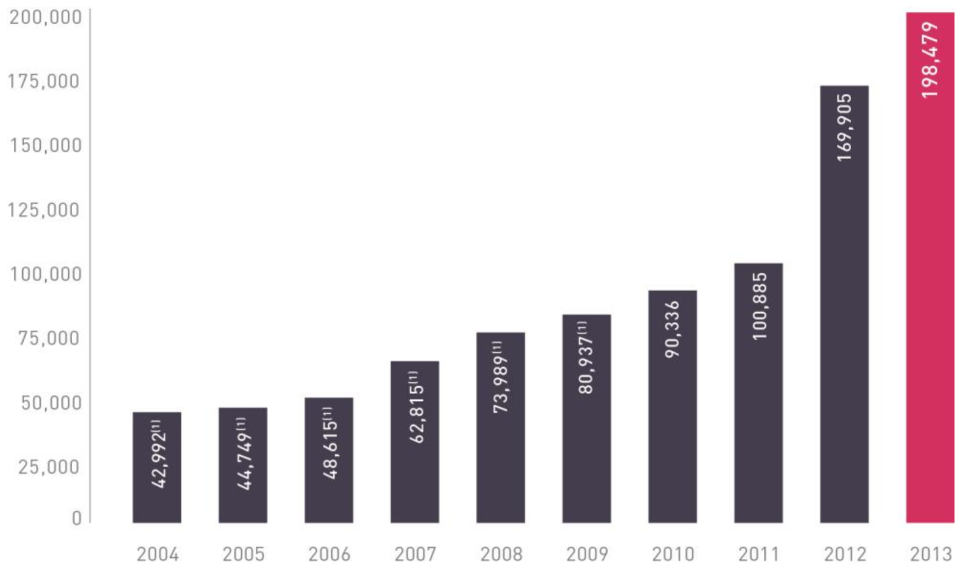
The recurring DI payout ratio for the year ended December 31, 2013 was 91.1%, a decline from 2012. During fiscal 2013, an average of 24.8% of distributions was reinvested as units under the distribution reinvestment plan [23.0 % in 2012]. Consequently, the recurring DI cash payout ratio stood at 68.4%, down 3.2% from 2012.

TRACK RECORD OF RECURRING DI PER UNIT

For the years ended December 31	2013	2012	2011	2010	2009(1)
Recurring distributable income per unit (basic)	**1.58**	1.55	1.56	1.55	1.58

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

The chart below shows Cominar's growth in the recurring distributable income over the past 10 years.



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

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

The following table presents this reconciliation:

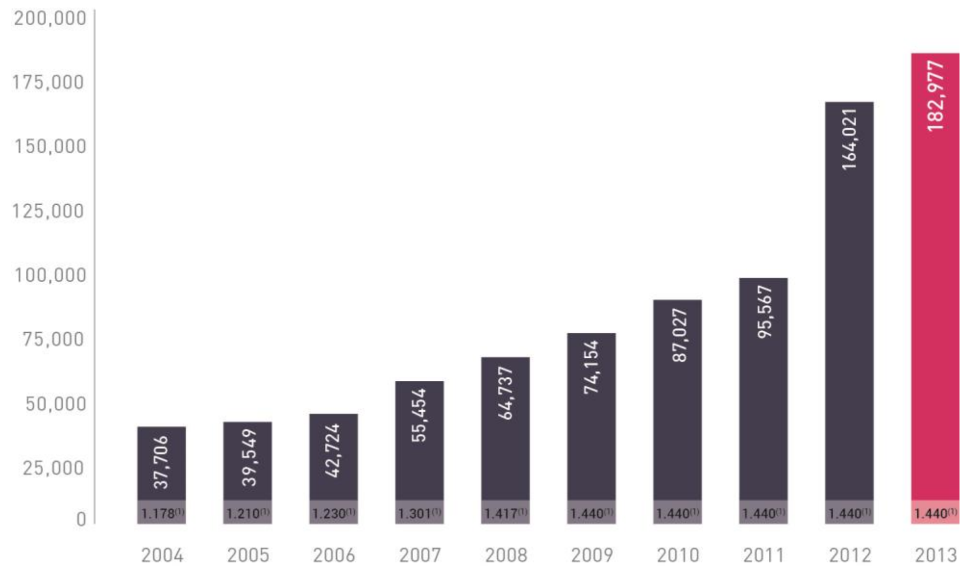
	Quarter		Cumulative	
For the periods ended December 31	**2013**	**2012**	**2013**	**2012**
Cash flows provided by operating activities	**79,322**	85,304	**202,760**	146,333
- Amortization of other assets	**(200)**	(231)	**(655)**	(666)
+ Restructuring charges	**—**	2,030	**1,062**	6,929
+ Transaction costs – business combinations	**—**	341	**—**	27,689
- Provision for leasing costs	**(5,048)**	(3,974)	**(17,758)**	(15,144)
+ Change in non-cash working capital items	**(23,306)**	(34,753)	**17,441**	4,764
Distributable income	**50,768**	48,717	**202,850**	169,905

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

For the years ended December 31	**2013**	**2012**	**2011**
Net income	**254,969**	342,171	177,461
Cash flows provided by operating activities	**202,760**	146,333	1,934
Distributions to unitholders	**182,977**	164,021	95,567
Cash distributions	**137,665**	126,304	76,346
Excess (deficiency) of cash flows from operating activities over cash distributions to unitholders	**65,095**	20,029	(74,412)
Adjustments:			
+ Transaction costs – business combinations	**—**	27,689	4,262
+ Restructuring charges	**1,062**	6,929	—
- Unusual item – other revenues	**(4,906)**	—	—
+ Unusual item – Holman Grand Hotel	**535**	—	—
+ Investment in a public entity	**—**	—	111,822
Excess of adjusted cash flows from operating activities over cash distributions to unitholders	**61,786**	54,647	41,672

For the year ended December 31, 2013, as in previous years, adjusted cash flows from operating activities were sufficient to fund cash distributions to unitholders.

The chart below shows Cominar's distributions over the past 10 years.



(1) Amount of distribution per unit.

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, among other things, fair value adjustments of investment properties, deferred taxes, transaction costs incurred upon a business combination, gains on disposal of subsidiaries and gains on disposal of investment properties.

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

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and FFO for the periods ended December 31, 2013 and 2012:

FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31	**2013**	**2012**	**Δ%**	**2013**	**2012**	**Δ%**
Net income	**74,568**	231,859	(67.8)	**254,969**	342,171	(25.5)
- Change in fair value of investment properties	**(17,150)**	(177,706)	(90.3)	**(17,150)**	(177,706)	(90.3)
+ Deferred income taxes	**1,057**	547	93.2	**1,741**	877	98.5
+ Transaction costs – completed business combination	**—**	341	(100.0)	**—**	27,689	(100.0)
- Gain on disposal of a subsidiary	**—**	—	—	**(8,010)**	—	—
- Gains on disposal of investment properties	**—**	—	—	**(3,370)**	—	—
Funds from operations	**58,475**	55,041	6.2	**228,180**	193,031	18.2
+ Amortization of deferred financing costs[1]	**—**	—	—	**984**	3,072	(68.0)
+ Restructuring charges	**—**	2,030	(100.0)	**1,062**	6,929	(84.7)
- Unusual item – other revenues	**—**	—	—	**(4,906)**	—	—
+ Unusual item – Holman Grand Hotel	**—**	—	—	**535**	—	—
- Change in fair value of an investment in a public entity	**—**	—	—	**—**	(2,582)	(100.0)
Recurring funds from operations	**58,475**	57,071	2.5	**225,855**	200,450	12.7
Per unit information:						
Funds from operations (basic)	**0.46**	0.44	4.5	**1.82**	1.76	3.4
Recurring funds from operations (basic)	**0.46**	0.46	—	**1.80**	1.83	(1.6)
Recurring funds from operations (FD)[2]	**0.46**	0.45	2.2	**1.77**	1.78	(0.6)
Payout ratio[2]	**78.3%**	78.3%		**80.0%**	78.7%	
Cash payout ratio[3]	**56.5%**	63.0%		**60.0%**	60.7%	

(1) During the fiscal year ended December 31, 2012, Cominar wrote off $1.0 million in deferred financing costs following the redemption of convertible Series C debentures [$1.0 million in 2012 following the redemption of Series A and B convertible debentures]. During the fiscal year ended December 31, 2012, Cominar wrote off financing costs incurred for the setting up of a financing for the acquisition of Canmarc. This financing was not used and the costs, in the amount of $2.1 million, were recognized in profit or loss in 2012.
(2) Fully diluted.
(2) The payout ratio corresponds to the distribution per unit, divided by basic recurring FFO per unit.
(3) The cash payout ratio corresponds to the cash distribution per unit, divided by basic recurring FFO per unit.

For fiscal 2013, FFO calculated according to REALpac recommendations stood at $228.2 million, up 18.2% compared to fiscal 2012.

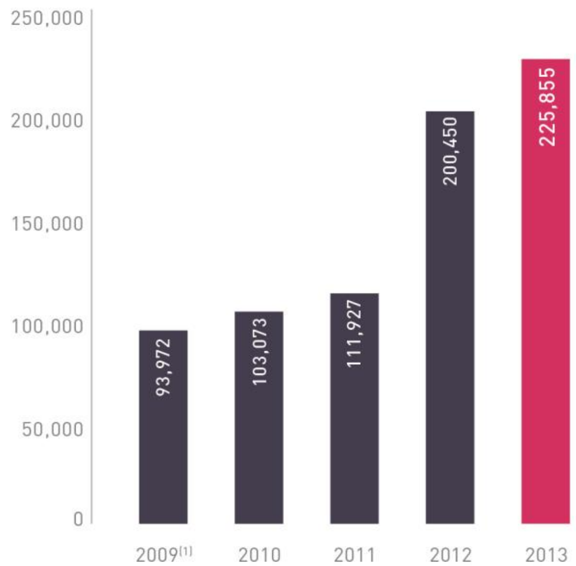
Recurring FFO for fiscal 2013 rose 12.7% from the previous year, due mainly to the acquisitions completed in 2012 and 2013. Recurring FFO per unit on a fully diluted basis stood at $1.77 in fiscal 2013, down 0.6% compared to 2012. This decrease results mainly from a reduction in the recognition of leases on a straight-line basis caused by client bankruptcies in 2013.

TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	2013	2012	2011	2010	2009[2]
Recurring funds from operations per unit (basic)	**1.80**	1.83	1.73	1.72	1.84
Recurring funds from operations per unit (FD)[1]	**1.77**	1.78	1.65	1.64	1.77

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

The chart below shows Cominar's growth in recurring funds from operations over the past 5 years.



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

ADJUSTED FUNDS FROM OPERATIONS

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

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

The following table presents a reconciliation of FFO and AFFO for the periods ended December 31, 2013 and 2012:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31	2013	2012	Δ%	2013	2012	Δ%
Funds from operations	**58,475**	55,041	6.2	**228,180**	193,031	18.2
- Net amortization of premium and discount on debenture issue	**(48)**	(70)	(31.4)	**(183)**	(70)	161.4
+ Amortization of fair value adjustment on bond investments	**78**	79	(1.3)	**314**	282	11.3
+ Amortization of deferred financing costs	**1,322**	1,388	(4.8)	**6,572**	8,184	(19.7)
- Amortization of fair value adjustments on assumed indebtedness	**(3,062)**	(4,163)	(26.4)	**(13,680)**	(15,193)	(10.0)
+ Compensation expense related to long term incentive plan	**(99)**	522	(119.0)	**2,155**	1,268	70.0
- Capital expenditures – maintenance of rental income generating capacity	**(1,724)**	(1,692)	1.9	**(3,703)**	(3,493)	6.0
+ Accretion of liability component of convertible debentures	**51**	60	(15.0)	**289**	232	24.6
+ Restructuring charges	**—**	2,030	(100.0)	**1,062**	6,929	(84.7)
- Provision for leasing costs	**(5,048)**	(3,974)	27.0	**(17,758)**	(15,144)	17.3
- Change in fair value of an investment in a public entity	**—**	—	—	**—**	(2,582)	(100.0)
- Change in accounts receivable – recognition of leases on a straight-line basis	**(901)**	(2,196)	(59.0)	**(4,101)**	(7,032)	(41.7)
Adjusted funds from operations	**49,044**	47,025	4.3	**199,147**	166,412	19.7
- Unusual item – other revenues	**—**	—	—	**(4,906)**	—	100.0
+ Unusual item – Holman Grand Hotel	**—**	—	—	**535**	—	100.0
Recurring adjusted funds from operations	**49,044**	47,025	4.3	**194,776**	166,412	17.0
Per unit information:						
Adjusted funds from operations (basic)	**0.39**	0.38	2.6	**1.59**	1.52	4.6
Recurring adjusted funds from operations (basic)	**0.39**	0.38	2.6	**1.55**	1.52	2.0
Recurring adjusted funds from operations (FD)[(1)]	**0.39**	0.38	2.6	**1.54**	1.50	2.7
Payout ratio[(2)]	**92.3%**	94.7%		**92.9%**	94.7%	
Cash payout ratio[(3)]	**66.7%**	76.3%		**69.7%**	73.0%	

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

Recurring AFFO attained $194.8 million for fiscal 2013, up 17.0% from 2012; this was due mostly to the acquisitions completed in 2012 and 2013.

Fully diluted recurring AFFO per unit totalled $1.54 for the year ended December 31, 2013, up 2.7% compared to 2012.

TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	2013	2012	2011	2010	2009[(2)]
Recurring adjusted funds from operations per unit (basic)	**1.55**	1.52	1.53	1.53	1.60
Recurring adjusted funds from operations per unit (FD)[(1)]	**1.54**	1.50	1.50	1.49	1.57

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

The chart below shows Cominar's growth in recurring adjusted funds from operations over the past 5 years.

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

LIQUIDITY AND CAPITAL RESOURCES

In 2013, Cominar generated $202.8 million in cash flows from operating activities. Of this amount, $137.7 million was used for cash distributions to unitholders. Cominar foresees no difficulty in meeting its short-term obligations and its commitments with funds from operations, refinancing of mortgages, debenture or unit issues, sums available on its credit facility and cash and cash equivalents. Its additional borrowing power was $2.4 billion as at December 31, 2013 under the Contract of Trust.

On August 13, 2013, Cominar filed a short form base shelf prospectus allowing it to issue up to $1.0 billion in securities during the 25-month period that this prospectus remains valid. Since then, Cominar has issued $350 million in debentures, including the re-opening of Series 4 on January 13, 2014, leaving an available balance of $650.0 million for future issues.

The following table presents information on unencumbered assets:

	2013		2012	
	Number of properties	Fair value of properties ($)	Number of properties	Fair value of properties ($)
Unencumbered income properties	**144**	1,181,573	**137**	883,917
Unencumbered assets ratio[(1)(2)]		1.19:1		1.97:1
Senior unsecured debts-to-total-debt ratio[(2)(3)]		32.4%		16.0%

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

As at December 31, 2013, Cominar owned unencumbered income properties whose fair value was approximately $1.2 billion. The ratio of unencumbered income properties to unsecured debt (excluding convertible debentures) stood at 1.19:1. Cominar intends to increase the total value of its unencumbered assets in subsequent years by replacing, when possible and financially indicated, mortgages payable or its operating and acquisition credit facilities with unsecured debts. The senior unsecured debt-to-total-debts ratio was 32.4% at December 31, 2013, up 16.4% from a ratio of 16.0% at December 31, 2012. Cominar intends to gradually increase this ratio to a long term objective of approximately 50%.

MORTGAGES PAYABLE

As at December 31, 2013, the nominal balance of mortgages payable was $1,763.9 million, up $112.7 million from $1,651.2 million as at December 31, 2012, arising primarily from mortgage assumed through acquisitions of income properties completed in 2013 as well as the conversion of a bridge loan into a mortgage payable. At the end of fiscal 2013, the weighted average contractual interest rate was 5.06%, down 17 basis points from 5.23% as at December 31, 2012.

Cominar's mortgage maturity dates are staggered over a number of years to reduce risks related to renewal. As at December 31, 2013, the residual weighted average term of mortgages payable was 5.0 years, compared to 3.6 years as at December 31, 2012.

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

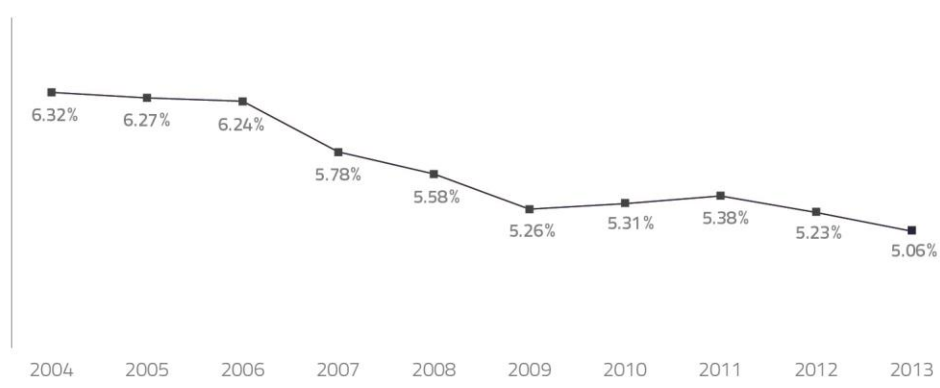
REPAYMENTS OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal	Repayment of balances at maturity	Total	Weighted average contractual interest rate(1)
2014	50,747	148,001	198,748	5.91%
2015	42,561	250,660	293,221	5.01%
2016	37,235	75,927	113,162	4.98%
2017	34,807	151,725	186,532	4.98%
2018	24,673	409,003	433,676	5.17%
2019 and thereafter	80,967	457,616	538,583	4.81%
Total	270,990	1,492,932	1,763,922	5.06%

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

During fiscal 2014, Cominar intends to repay mortgages payable with balances at maturity of $148.0 million and whose weighted average contractual interest rate is 5.91%.

The chart below presents the weighted average contractual interest rate of mortgages payable over the past 10 years.



DEBENTURES

The following table presents the features of Cominar's unsecured debentures, as well as the balance per series, as at December 31, 2013:

DEBENTURES

	Series 1	Series 2	Series 3	Series 4	Series 5	Weighted average interest rate
Contractual interest rate	4.274%	4.23%	4.00%	4.941%	3.325% (3)	4.06%
Effective interest rate	4.32%	4.37%	4.24%	5.04%	3.51%	4.20%
Date of issuance	June 2012(1)	December 2012(2)	May 2013	July 2013	October 2013	
Dates of interest payments	June 15 and December 15	June 4 and December 4	May 2 and November 2	July 27 and January 27	January 9, April 9, July 9 and October 9	
Maturity date	June 2017	December 2019	November 2020	July 2020	October 2015	
						Total
	$	$	$	$		$
Balance as at December 31, 2013	250,000	300,000	100,000	100,000	250,000	1,000,000

(1) Re-opened in Septembe 2012.
(2) Re-opened in February 2013.
(3) Quarterly variable interest rate fixed for the period from October 10, 2013, to January 9, 2014 (corresponding to the CDOR three-month rate plus 205 basis points).

As at December 31, 2013, the residual weighted average term of fixed rate debentures was 5.4 years.

During fiscal 2013, Cominar issued $550.0 million in senior unsecured debentures. Cominar allocated the net proceeds from the issuance of debentures to repaying its credit facility.

These issues allowed Cominar to move closer to its long-term objective of increasing the senior unsecured portion of its total debt to approximately 50%, from 16.0% as at December 31, 2012 to 32.4% as at December 31, 2013.

CONVERTIBLE DEBENTURES

The following table presents the features of Cominar's unsecured subordinated convertible debentures and their balances by series, as at December 31, 2013.

CONVERTIBLE DEBENTURES

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

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

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

On July 8, 2013, Cominar redeemed all its then outstanding Series C convertible unsecured subordinated debentures, bearing an interest rate of 5.80% and totalling $110.0 million. These debentures were replaced with unsecured debentures bearing interest at 4.941% and maturing in July 2020.

SUMMARY OF FIXED-RATE DEBTS

The following table presents a comparative summary of fixed-rate debts:

FIXED-RATE DEBTS

	At December 31, 2013			At December 31, 2012		
	$	Weighted average interest rate[(1)]	Residual weighted average term[(1)]	$	Weighted average interest rate	Residual weighted average term
Mortgages payable	**1,794,830**	**5.06%**	**5.0 years**	1,695,222	5.23%	3.6 years
Debentures[(1)]	**745,546**	**4.31%**	**5.4 years**	448,530	4.25%	5.6 years
Convertible debentures	**181,768**	**6.15%**	**3.1 years**	289,134	6.02%	3.2 years
Total of fixed-rate debts	**2,722,144**	**4.93%**	**5.0 years**	2,432,886	5.14%	3.9 years

(1) Excluding Series 5 debentures bearing a variable interest rate.

For fiscal 2013, Cominar reduced the weighted average interest rate on its fixed-rate debts by 0.21%, which represents an annualized savings of $5.7 million in interest at the current debt level. For the same period, Cominar also increased the residual weighted average term of its fixed-rate debts from 1.1 years to 5.0 years.

BANK BORROWINGS

As at December 31, 2013, Cominar had operating and acquisition credit facilities of up to $550.0 million. A first tranche of $250.0 million (secured by income properties worth approximately $424.0 million) has matured in January 2014 and was not renewed by Cominar, and a second tranche of $300.0 million (secured by income properties worth approximately $508.0 million) will mature in January 2015. These facilities bear interest at the prime rate plus 1.00% or at the bankers' acceptance rate plus 2.00%. These credit facilities are secured by movable and immovable hypothecs on specific assets. As at December 31, 2013, bank borrowings totalled $105.7 million.

BRIDGE LOAN

During the first quarter of 2012, Cominar obtained an $84.0 million acquisition bridge loan following the Canmarc business combination. This one-year, non-renewable credit facility was bearing interest at 4.00%. On June 18, 2013, Cominar converted this bridge loan into a mortgage payable maturing in April 2018, at a fixed interest rate of 3.70%.

DEBT RATIO

The following table presents debt ratios as at December 31, 2013 and 2012:

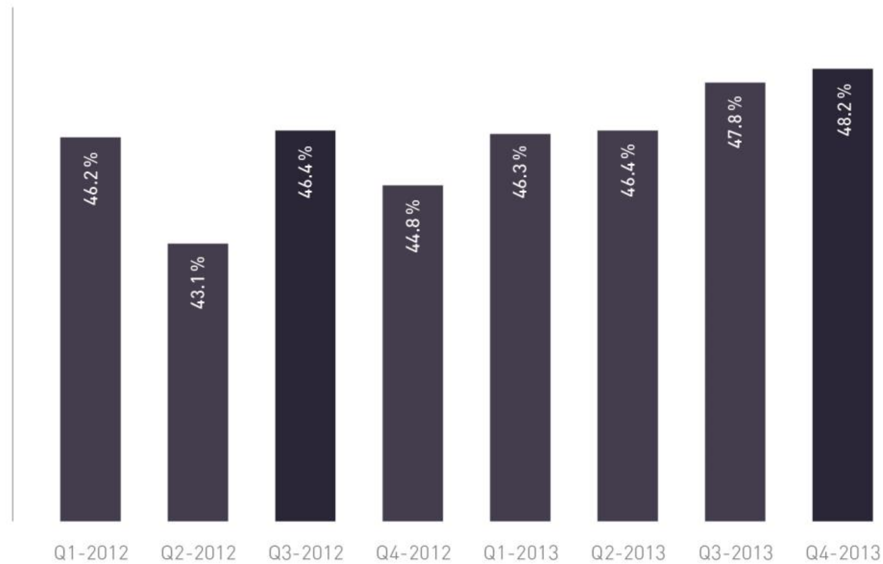
DEBT RATIO

As at December 31	2013	2012
Cash and cash equivalents	**(9,742)**	(18,642)
Mortgages payable	**1,794,830**	1,695,222
Debentures	**994,824**	448,530
Convertible debentures	**181,768**	289,134
Bank borrowings	**105,697**	300,368
Bridge loan	**—**	84,000
Total debt	**3,067,377**	2,798,612
Total assets less cash and cash equivalents	**5,987,588**	5,598 407
Overall debt ratio(2)(3)	**51.2%**	50.0%
Debt ratio (excluding convertible debentures)	**48.2%**	44.8%
Additional borrowing capacity – 65% of carrying amount(4)	**2,356,000**	2,413,000

(1) Total of cash and cash equivalents, bank borrowings, mortgages payable, the bridge loan, debentures and convertible debentures divided by total assets less cash and cash equivalents.
(2) This ratio is not defined by IFRS and may differ from similar measures presented by other entities.
(3) Pursuant to its Contract of Trust, Cominar's maximum debt ratio is 60% of the carrying amount (65% if convertible debentures are outstanding).

As at December 31, 2013, the debt ratio (excluding convertible debentures) was 48.2%. The slight increase in debt ratio since December 2012 is due to the acquisitions of income properties made during fiscal 2013. Following the acquisition realized on February 26, 2014, our debt ratio (excluding convertible debentures) will reach 50.1%, a ratio that management is very comfortable with.

The chart below shows how Cominar's debt ratio (excluding convertible debentures) has evolved over the past 8 quarters.



INTEREST COVERAGE RATIO

Cominar calculates its interest coverage ratio by dividing net operating income less Trust administrative expenses by finance charges. The interest coverage ratio is used to assess Cominar's ability to pay interest on its total debt from operating revenues. As at December 31, 2013, Cominar's interest coverage ratio stood at 2.70:1 [2.65:1 on December 31, 2012], evidence of its capacity to meet its interest payment obligations.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

On December 20, 2013, Cominar entered into an agreement for the acquisition of five retail properties representing approximately $28.2 million in value (subject to adjustments), and approximately 120,000 square feet in total leasable area, located in the greater Montréal area. This acquisition is subject to the satisfactory completion of due diligence by Cominar, which due diligence is in progress, and to customary closing requirements. There can be no assurance that this acquisition will be completed.

On December 31, 2013, Cominar had contractual commitments in an amount of $13.1 million for work to be performed on a property under development (Place Laval). This work will be financed through cash flows from operating activities.

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

PROPERTY PORTFOLIO

The following table presents information on the property portfolio:

As at December 31	2013	2012	Δ%
Income properties ($000)	**5,654,825**	5,294,984	6.8
Properties under development and land held for future development ($000)	**107,961**	53,234	102.8
Number of income properties	**497**	481	
Leasable area (sq. ft.)	**37,123,000**	35,097,000	5.8

SUMMARY BY OPERATING SEGMENT

As at December 31	2013		2012	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Office	**120**	**13,017,500**	121	13,011,000
Retail	**160**	**7,901,500**	158	7,758,000
Industrial and mixed-use	**217**	**16,204,000**	202	14,328,000
Total	**497**	**37,123,000**	481	35,097,000

SUMMARY BY GEOGRAPHIC MARKET

As at December 31	2013		2012	
	Number of properties	Leasable area (sq. ft.)	Number of properties	Leasable area (sq. ft.)
Quebec City	**107**	**7,698,500**	106	7,641,000
Montreal	**256**	**21,976,000**	234	19,723,000
Other – Quebec	**27**	**814,000**	27	814,000
Ottawa(1)	**19**	**2,208,000**	19	2,212,000
Other – Ontario	**13**	**593,000**	13	589,000
Atlantic provinces	**61**	**2,720,500**	62	2,907,000
Western Canada	**14**	**1,113,000**	20	1,211,000
Total	**497**	**37,123,000**	481	35,097,000

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

PROPERTY ACQUISITION AND DEVELOPMENT PROGRAM

Over the years, Cominar has achieved much of its growth through the acquisition of companies and high-quality properties 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.

During fiscal 2013, Cominar focused on strategic acquisitions resulting in the addition of 24 buildings to its property portfolio and representing a total of 2.3 million square feet. These acquisitions, combined with those realised at the end of 2012, also contributed to a 3% increase in net operating income outside Québec and a 4% increase in net operating income in Ontario. Moreover, Cominar disposed of 11 buildings that were not in line with its long-term objectives.

ACQUISITION OF INCOME PROPERTIES

On January 31, 2013, Cominar acquired a portfolio of 18 industrial properties primarily located on the South Shore of Montreal and one office property located in Montreal, for a purchase price of $149.8 million. These properties represent a total of approximately 1.8 million square feet of leasable area, consisting of approximately 1.7 million square feet of industrial space and approximately 0.1 million square feet of office space. As part of this transaction, Cominar also acquired a vacant lot of 173,569 square feet located in Saint-Bruno-de-Montarville, in Quebec, for $1.4 million. The average capitalization rate for this transaction is 7.0%.

On March 21, 2013, Cominar acquired an office building located in Fredericton, New Brunswick, for $5.7 million, paid in cash; this building has a leasable area of 44,500 square feet. The capitalization rate for this transaction is 8.0%.

On May 1, 2013, Cominar acquired an industrial building located in Pointe-Claire, Quebec, for a purchase price of $12.0 million, paid in cash; this property represents a leasable area of 199,000 square feet. The capitalization rate for this transaction is 7.6%.

On December 20, 2013, Cominar acquired a shopping centre located in Beloeil, Quebec, with a leasable area of 328,050 square feet, consisting of an indoor shopping centre, a strip mall and two single-tenant buildings, for a purchase price of $60.0 million, paid in cash. The capitalization rate for this transaction is 7.0%.

The following table presents detailed information on these acquisitions:

Investment Properties	City/Province	Market Segment(1)	Closing Date	Leasable Area	Acquisition Price	Capitalization Rate
				sq. ft.	$	%
600-610 Bériault(2)	Longueuil, QC	I	January 31, 2013	56,000	151,200	7.0
2044 de la Province(2)	Longueuil, QC	I	January 31, 2013	50,000	—	—
2060-2068 de la Province(2)	Longueuil, QC	I	January 31, 2013	45,000	—	—
2099-2111 de la Province(2)	Longueuil, QC	I	January 31, 2013	51,000	—	—
789-799 Jean-Paul-Vincent(2)	Longueuil, QC	I	January 31, 2013	125,000	—	—
839-859 Jean-Paul-Vincent(2)	Longueuil, QC	I	January 31, 2013	92,000	—	—
877 Jean-Paul-Vincent(2)	Longueuil, QC	I	January 31, 2013	106,000	—	—
2099-2109 Fernand-Lafontaine(2)	Longueuil, QC	I	January 31, 2013	65,000	—	—
2177 Fernand-Lafontaine(2)	Longueuil, QC	I	January 31, 2013	74,000	—	—
2199 Fernand-Lafontaine(2)	Longueuil, QC	I	January 31, 2013	208,000	—	—
2525 Fernand-Lafontaine(2)	Longueuil, QC	I	January 31, 2013	72,000	—	—
730 Delage(2)	Longueuil, QC	I	January 31, 2013	62,000	—	—
830 Delage(2)	Longueuil, QC	I	January 31, 2013	50,000	—	—
770 Guimond(2)	Longueuil, QC	I	January 31, 2013	119,000	—	—
2625 Jacques-Cartier(2)	Longueuil, QC	I	January 31, 2013	63,000	—	—
1280 Nobel(2)	Boucherville, QC	I	January 31, 2013	52,000	—	—
1201-1203 Marie-Victorin(2)(3)	Saint-Bruno, QC	I	January 31, 2013	155,000	—	—
3300 Trans-Canada Highway(2)	Pointe-Claire, QC	I	January 31, 2013	218,000	—	—
1555 Carrie-Derick(2)	Montreal, QC	O	January 31, 2013	82,000	—	—
432 Queen Street	Fredericton, NB	O	March 21, 2013	44,500	5,700	8.0
3000 Trans-Canada Highway	Pointe-Claire, QC	I	May 1, 2013	199,000	12,000	7.6
546 Sir-Wilfrid-Laurier Boulevard(4)	Beloeil, QC	R	December 20, 2013	3,513	60,000	7.0
560 Sir-Wilfrid-Laurier Boulevard(4)	Beloeil, QC	R	December 20, 2013	7,683	—	—
600 Sir-Wilfrid-Laurier Boulevard(4)	Beloeil, QC	R	December 20, 2013	316,854	—	—
				2,316,550	**228,900**	**7.1**

(1) I: Industrial; O: Office; R: Retail.
(2) These nineteen buildings were part of the same transaction.
(3) Includes a 173,569 sq. ft. vacant lot acquired for a purchase price of $1.4 million.
(4) These 3 buildings were part of the same transaction.

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

ACQUISITION OF LAND HELD FOR FUTURE DEVELOPMENT

On March 15, 2013, Cominar acquired 508,780 square feet of vacant land located in Calgary, Alberta, which includes a parking facility with 347 parking spaces. With the acquisition of this lot, which is adjacent to the Mountain View Business Campus (formerly known as Centron Park) office buildings that Cominar already owned, Cominar became the sole owner of the Mountain View Business Campus. Cominar paid $20.5 million in cash for this property.

DISPOSAL OF INVESTMENT PROPERTIES

On January 9, 2013, Cominar sold a commercial building in the Montreal area for $3.5 million. Cominar recorded no gain or loss on this disposal.

On June 28, 2013, Cominar sold an office building located in Levis, Quebec, for $1.5 million. Cominar recorded a gain of $0.5 million on this disposal.

On July 11, 2013, the *Tribunal administratif du Québec* rendered its final decision regarding the expropriation process initiated by the *Centre hospitalier de l'Université de Montréal* ("CHUM") in June 2006 in relation to the property located at 300 Viger Avenue in Montreal, Quebec. The *Tribunal administratif du Québec* set the definitive expropriation indemnity at $33.5 million. The CHUM paid Cominar a sum of $3.5 million, which represents the difference between the amount of the provisional indemnity of $30.0 million that was already paid to Cominar in 2007 and the total definitive indemnity. Cominar recorded a gain of $2.9 million in connection with this event.

On July 25, 2013, Cominar sold six industrial and mixed-use properties located in Prince George, British Columbia, for $4.0 million. Cominar recorded no gain or loss on this disposal.

The sale of these buildings did not and will not have a significant impact on Cominar's actual and future results.

DISPOSAL OF A SUBSIDIARY

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

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 their rental income generating capacity.

During fiscal 2013, Cominar incurred $88.5 million [$30.7 million in 2012] in capital expenditures in order to increase the rental income generating capacity of its properties or to reduce the related operating expenses. Of this amount, $39.3 million has been invested in three major revitalization projects that are currently underway in our shopping centres, i.e., Alexis Nihon, Centre Laval and Place Longueuil. These investments allowed Cominar to sign leases with commercial clients in these three shopping centres. During the year, Cominar also incurred $3.7 million [$3.5 million in 2012] in capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements, which will garner benefits for Cominar over the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invests in leasehold improvements that increase the value of its properties through higher lease rates, as well as in other leasing costs, mostly brokerage fees and tenant inducements. The level of investment required may vary from quarter to quarter since it closely depends on lease renewals and the signing of new leases. It also depends on increases in rental space due to newly acquired, expanded or upgraded properties, or rental space transferred from properties under development. During fiscal 2013, Cominar made investments of $29.2 million in this respect [$29.4 million in 2012], of which $10.9 million

[$13.5 million in 2012] were in newly acquired, expanded or upgraded properties, or those recently transferred from properties under development.

PROPERTY DEVELOPMENT PROGRAM

As at December 31, 2013, Cominar was mainly working on one office building located in Laval (Place Laval). This project, which was initially planned at 240,000 square feet distributed over 12 floors, has now grown to 284,000 square feet distributed over 14 floors and its construction cost is estimated at $46.0 million. Adjacent to the Place Laval complex, this property will be occupied by a Government of Quebec agency, under a long-term lease, for an area representing 100.0% of the building. This project is expected to be completed in the second quarter of 2014. The expected capitalization rate for this project is 8.1%.

During fiscal 2013, Cominar completed the construction of three properties which it transferred from development to income properties. The first is an industrial and mixed-use property located at 125 Fortin Street, in Quebec City. With an area of 49,000 square feet and representing a total investment of $5.6 million, the capitalization rate for this project is 8.9%. The second project consists of a 5,500-square-foot retail property located on the land of the Promenades Beauport retail complex, in Quebec City; the total investment for this project is valued at $1.6 million and its capitalization rate is 9.3%. The third consists of an industrial and mixed-use property located at 190 Alison Boulevard, in Fredericton, New Brunswick. With an area of 29,000 square feet and representing a total investment of $2.2 million, its capitalization rate is 8.9%.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at December 31, 2013, the average occupancy rate of our properties stood at 93.1%.

OCCUPANCY RATE TRACK RECORD

	December 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010	December 31, 2009
Operating segment (%)					
Office	**93.3**	94.3	95.2	95.2	94.1
Retail	**94.2**	94.6	96.9	96.1	96.3
Industrial and mixed-use	**92.4**	93.1	91.8	92.3	92.5
Portfolio total	**93.1**	93.9	93.6	93.8	93.5

The reduction in the occupancy rate as at December 31, 2013, was mostly due to the Montreal area office operating segment and the industrial and mixed-use operating segment in Quebec City and Montreal areas.

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity in 2013:

LEASING ACTIVITY

	Office	Retail	Industrial and mixed-use	Total
Leases that matured in 2013				
Number of tenants	363	305	299	967
Leasable area (sq. ft.)	1,500,000	791,000	2,202,000	4,493,000
Average net rent ($/sq. ft.)	12.26	11.08	6.31	9.19
Renewed leases				
Number of tenants	248	244	203	695
Leasable area (sq. ft.)	1,062,000	689,000	1,331,000	3,082,000
Average net rent ($/sq. ft.)	12.64	13.33	6.61	10.19
Renewal (%)	**70.8**	**87.1**	**60.4**	**68.6**
New leases				
Number of tenants	92	102	100	294
Leasable area (sq. ft.)	365,000	462,000	637,000	1,464,000
Average net rent ($/sq. ft.)	12.02	10.19	5.88	8.77

In the year ended December 31, 2013, leases on 12.2% of Cominar's leasing area were set to expire. 68.6% of these leases were renewed during the year and new leases were also signed, representing 1.5 million square feet of leasable area. Overall, leasing activity has been satisfactory across our portfolio during fiscal 2013.

The following table presents the growth in the average net rent for leases that were renewed in 2013:

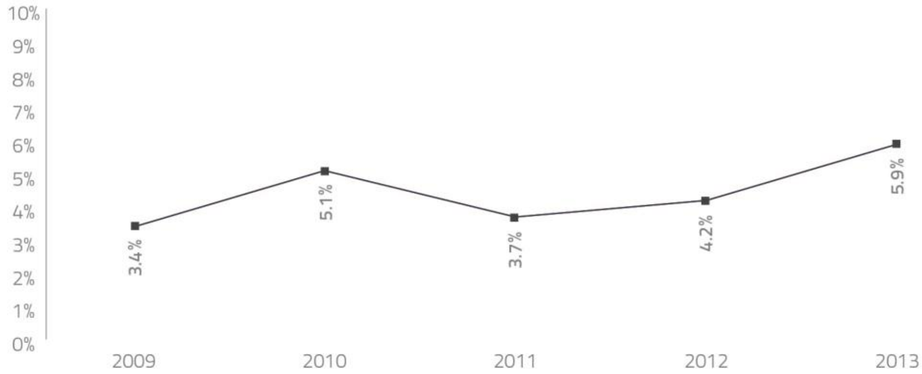
GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

	2013	2012
	%	%
Operating segment		
Office	**7.6**	4.9
Retail	**4.9**	4.8
Industrial and mixed-use	**4.0**	2.7
Total portfolio	**5.9**	4.2

Average net rent of renewed leases rose in all our operating segments by a growth rate of 5.9% overall: 7.6% (office), 4.9% (retail), and 4.0% (industrial and mixed-use). Moreover, this growth rate for each of our operating segments is higher than last year's rate.

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

The chart below shows Cominar's growth in the average net rent of renewed leases over the past 5 years.



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

LEASE MATURITIES

	2014	2015	2016	2017	2018
Office					
Leasable area (sq. ft.)	2,514,000	2,125,000	1,750,000	1,494,000	1,409,000
Average net rent ($/sq. ft.)	13.01	13.15	13.98	13.84	13.15
% of portfolio – Office	19.3	16.3	13.4	11.5	10.8
Retail					
Leasable area (sq. ft.)	846,000	744,000	748,000	895,000	1,420,000
Average net rent ($/sq. ft.)	13.05	14.48	16.30	13.12	11.52
% of portfolio – Retail	10.7	9.4	9.5	11.3	18.0
Industrial and mixed-use					
Leasable area (sq. ft.)	2,395,000	2,740,000	2,009,000	1,911,000	1,442,000
Average net rent ($/sq. ft.)	5.83	5.66	5.98	6.26	6.54
% of portfolio – Industrial and mixed-use	14.8	16.9	12.4	11.8	8.9
Portfolio total					
Leasable area (sq. ft.)	5,755,000	5,609,000	4,507,000	4,300,000	4,271,000
Average net rent ($/sq. ft.)	10.03	10.06	10.80	10.32	10.37
% of portfolio	15.5	15.1	12.1	11.6	11.5

The following table summarizes information on leases as at December 31, 2013:

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent/ sq. ft. ($)
Office	3.6	6,400	13.66
Retail	4.7	3,900	12.88
Industrial and mixed-use	4.6	12,700	5.90
Portfolio average	**4.3**	**7,000**	**10.15**

Cominar has a broad, highly diversified retail client base consisting of about 5,000 tenants occupying an average of approximately 7,000 square feet each. Our top three tenants, Public Works Canada, Canadian National Railway Company, and *Société québécoise des infrastructures* account for approximately 7.1%, 4.4% and 3.6% of our net operating income, respectively, stemming from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 10.7% come from government agencies.

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

Tenant	% of net operating income
Public Works Canada	7.1
Canadian National Railway Company	4.4
Société québécoise des infrastructures	3.6
Ericsson Canada	1.8
Jean Coutu Group	1.6
Scotiabank	1.1
Target Canada	1.0
Gowling Lafleur Henderson	1.0
Co-op Atlantic	0.9
Shaw Cablesystems	0.7
Total	**23.2**

ISSUED AND OUTSTANDING UNITS

Years ended December 31	2013	2012
Units issued and outstanding, beginning of year	**124,349,608**	77,051,260
+ Public offerings	**—**	28,088,750
+ Exercise of options	**456,500**	1,019,050
+ Distribution reinvestment plan	**2,243,459**	1,601,096
+ Conversion of convertible debentures	**1,528**	589,453
+ Business combination	**—**	15,999,999
Units issued and outstanding, end of year	**127,051,095**	124,349,608

Additional information	As at February 26, 2014
Issued and outstanding units	127,311,461
Outstanding unit options	7,771,200
Prospective units – conversion of convertible debentures	8,317,610
Deferred and restricted units	84,858

PER UNIT CALCULATIONS

	Quarter		Cumulative	
For the periods ended December 31	2013	2012	2013	2012
Weighted average number of units outstanding, basic	**126,290,475**	123,926,086	**125,369,581**	109,453,548
Dilutive effect related to long term incentive plan	**42,217**	307,597	**150,092**	414,514
Dilutive effect of convertible debentures	**8,317,610**	12,675,151	**10,496,193**	15,116,070
Weighted average number of units, diluted and fully diluted	**134,650,302**	136,908,834	**136,015,866**	124,984,132

The calculation of diluted and fully diluted results per unit include the elimination of $2.9 million in interest on convertible debentures for the quarter ended December 31, 2013 [$4.5 million in 2012] and $14.8 million for fiscal 2013 [$21.6 million in 2012].

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of the Trust's management team, exercise indirect control over the Dallaire Group Inc. and Dalcon Inc. During fiscal 2013, Cominar recorded $148 in net rental income from Dalcon Inc. and the Dallaire Group Inc. Cominar also incurred costs of $12.1 million for leasehold improvements performed by Dalcon Inc. on its behalf and costs of $57.6 million for the construction and development of investment properties.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Evaluations are performed regularly to assess the effectiveness of DC&P, including this MD&A and the financial statements. Based on these 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, 2013, and that the current controls and procedures provide 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 ICFR was effective as at the end of the period ended December 31, 2013, and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for financial reporting purposes in accordance with IFRS.

No changes were made to the Trust's internal controls over financial reporting during fiscal 2013 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the years presented in these consolidated financial statements, except for the prospective application of a new IFRS standard during the fiscal year.

b) Basis of preparation

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, assumptions and judgements

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

- ***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 for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

  Cominar accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that could be conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the acquisition does not correspond to this definition, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

  Generally, based on its judgement, when Cominar acquires a property or property portfolio (and not a legal entity) without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an asset acquisition.

- ***Impairment of goodwill***

  Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. It 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. Goodwill resulting from business combinations is allocated to each group of cash-generating units expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of cash-generating units, making assumptions about standardized net operating income and capitalization rates. The recoverable value is the higher of fair value less the cost of disposal and the value in use. Should the carrying value of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

- ***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 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 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 must be allocated to the *Unitholders' equity* component. Should this estimate be inappropriate, it will have an impact on the interest expense recognized in the financial statements for the periods subsequent to their issuance.

- ***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 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 have an impact on 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 the 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 during which 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.

Investment properties

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

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

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

Capitalization of costs

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

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

Leasing costs

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

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

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

Financial instruments

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

Cominar has used the following classifications for its financial instruments:

- Bond investments are classified as investments held until their maturity date.

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

Bond investments

Bond investments are measured at amortized cost using the effective interest rate method.

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 borrowings are considered to be financing arrangements.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgage loans, debentures and convertible debentures, are applied against the borrowings 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.

Revenue recognition

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

Long term incentive plan

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

Unit purchase options

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

Restricted units

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

Deferred units

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

Income taxes

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

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

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income per unit on a diluted basis considers the potential issuance of units in accordance with the long term incentive plan and the potential issuance of units under convertible debentures, if dilutive.

Segment information

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

NEW ACCOUNTING POLICIES

On January 1st, 2013, Cominar adopted certain IFRS:

IFRS 11 – "Joint Arrangements"

IFRS 11 requires a joint venturer to recognize its interest in a joint arrangement as a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting, whereas for a joint operation, the joint venturer recognizes its share of the assets, liabilities, revenue and expenses of the joint operation. Adoption of this new standard had no impact on Cominar's consolidated financial statements.

IFRS 13 – “Fair Value Measurement”

IFRS 13 is a comprehensive standard on 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. This new standard had an impact on the presentation of financial information required for the consolidated financial statements but had no impact on fair value measurements at the time of adoption

IAS 36 – “Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets”

Cominar has adopted the amendments to IAS 36, – “Impairment of Assets”, prospectively. These amendments limit the obligation to disclose the recoverable amount of non-financial assets for which an impairment loss has been recognized or reversed during the year. They also expand on and clarify disclosure requirements when the recoverable amount is determined based on fair value less costs of disposal. Cominar has applied these amendments retrospectively. The changes specifically target the disclosure of information, and their adoption had no impact on results or on the financial situation of the Trust.

RISKS AND UNCERTAINTIES

Like all real estate entities, Cominar is exposed, in the normal course of business, to various risk factors that may have an impact on its ability to attain strategic objectives, despite all the measures implemented to counter them. Accordingly, unitholders should consider the following risks and uncertainties when assessing the Trust’s outlook in terms of investment potential.

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

The real estate industry is 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 assurances that Cominar will have access to sufficient capital (including debt financing) on terms favourable to Cominar for future property acquisitions and developments, including for the financing or refinancing of properties, for funding operating expenses or for other purposes. In addition, Cominar may not be able to borrow funds under its credit facilities due to limitations on Cominar’s ability to incur debt 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 reduce the amount of cash available for distributions.

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

DEBT FINANCING

Cominar has and will continue to have substantial outstanding consolidated borrowings comprised primarily of hypothecs, property mortgages, debentures, and borrowings 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 cash flows from operations, additional borrowings and public or private sales of equity or debt securities. Cominar’s activities are therefore partially dependent upon the interest rates applied to its existing debt. 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 generally contain customary provisions that, upon an event of default, result in accelerated repayment of the amounts owed and that restrict the distributions that may be made by Cominar. Therefore, upon an event of default under such borrowings 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 dedicated to servicing its debt, and there can be no assurance that Cominar will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing. The current credit facilities in the stated amount of $550.0 million are repayable in two tranches in January 2014 and January 2015, respectively. Cominar has decided not to renew the $250.0 million tranche B portion of its credit facility upon maturity.

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

OWNERSHIP OF IMMOVABLE PROPERTY

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

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of 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 cannot be leased on economically favorable lease terms. In the event of default by a tenant, delays or limitations may be experienced in enforcing Cominar's rights as a lessor and substantial costs may be incurred to protect Cominar's investment. The ability to rent unleased space in the properties in which Cominar has an interest will be affected by many factors, including the general level of economic activity and competition for tenants from other property owners. Costs may need to be incurred to make improvements or repairs to a property as required by a new tenant. The failure to rent unleased space or rent it on a timely basis or at all or at rents that are equivalent to 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 a property, a loss could be sustained as a result of the mortgage creditor's exercise of its hypothecary remedies.

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

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

ENVIRONMENTAL MATTERS

Environmental and ecological related policies have become increasingly important in recent years. As an owner or operator of real property, Cominar could, under various federal, provincial and municipal laws, become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in our properties or related corrective measures. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect Cominar's ability to sell such real estate or to borrow using such real estate as collateral, and could, potentially, also result in claims against Cominar. Cominar is not currently aware of any material non-compliance, liability or other claim in connection with any of our properties, nor is it aware of any environmental condition with respect to any properties that it believes would involve material expenditures by Cominar.

Pursuant to Cominar's operating policies, Cominar shall obtain or review a Phase I environmental audit of each immovable property it acquires.

LEGAL RISKS

Cominar's operations are subject to various laws and regulations across all of its operating jurisdictions and Cominar faces risks associated with legal and regulatory changes and litigation.

COMPETITION

Cominar competes for suitable immovable property investments with individuals, corporations and institutions (both Canadian and foreign) which are presently seeking or which may in the future seek 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 applicable to Cominar or under 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 the purchase prices of such investments 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 Cominar's tenants could have an adverse effect on Cominar's ability to lease space in its properties and on the rents charged, and could adversely affect Cominar's revenues and, consequently, its ability to meet its debt obligations.

ACQUISITIONS

Cominar's business plan is focused in part on growth by 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, this 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.

PROPERTY DEVELOPMENT PROGRAM

Information regarding Cominar's development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items such as, but not limited to, tenant rents, building sizes, leasable areas, project completion timelines and project costs, are updated periodically based on revised site plans, Cominar's cost tendering process, continuing tenant negotiations, demand for leasable space in Cominar's markets, the obtaining of 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 any changes in these assumptions could have a material adverse effect on Cominar's development program, asset values and financial performance.

RECRUITMENT AND RETENTION OF EMPLOYEES AND EXECUTIVES

Management depends on the services of certain key personnel. Competition for qualified employees and executives is intense. If Cominar is unable to attract and retain qualified and capable employees and executives, the conduct of its activities may be adversely affected.

GENERAL UNINSURED LOSSES

Cominar subscribed a blanket comprehensive general liability including insurance against fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) which are either uninsurable or not insurable on an economically viable basis. Cominar also carries insurance for earthquake risks, subject to certain policy limits and deductibles, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Cominar could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but Cominar would continue to be obligated to repay any hypothecary recourse or mortgage indebtedness on such properties.

Many insurance companies have eliminated coverage for acts of terrorism from their policies, and Cominar may not be able to obtain coverage for terrorist acts at commercially reasonable rates or at any price. Damage to a property sustained as a result of an uninsured terrorist or similar act would likely adversely impact Cominar's financial condition and results of operations and decrease the amount of cash available for distribution.

GOVERNMENT REGULATION

Cominar and its properties are subject to various government statutes and regulations. Any change in such statutes or regulations that is 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 decades. 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.

RISK FACTORS RELATED TO THE OWNERSHIP OF SECURITIES

Market price

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the initial appraisal of the value of its properties or the value of such properties from time to time.

Although Cominar intends to make distributions of its available cash to Unitholders, these cash distributions are not assured. The actual amount distributed will depend on numerous factors including current global financial conditions and disruptions in the marketplace, Cominar’s financial performance, debt covenants and obligations, working capital requirements and future capital requirements. The market price of the Units may deteriorate if Cominar is unable to meet its cash distribution targets in the future.

The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by Cominar (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax return to Unitholders.

Factors that may influence the market price of the Units include the annual yield on the Units, the number of Units issued and outstanding and Cominar’s payout ratio. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield which could adversely affect the market price of the Units. In contrast to fixed-income securities, Cominar is under no obligation to distribute to Unitholders any fixed amount and reductions in, or suspensions of, distributions may occur that would reduce yield based on the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities, changes in the economic environment and numerous other factors beyond the control of Cominar.

Credit ratings

The credit rating assigned to Cominar and the unsecured debentures by DBRS is not a recommendation to buy, hold or sell securities of Cominar. A rating is not a comment on the market price of a security nor is it an assessment of ownership rights given various investment objectives. Prospective investors should consult with DBRS with respect to the interpretation and implications of the rating. There is no assurance that any rating will remain in effect for any given period of time and ratings may be upgraded, downgraded, placed under review, confirmed or withdrawn. Non-credit risks that can meaningfully impact the value of the securities issued include market risk, trading liquidity risk and covenant risk. DBRS uses rating symbols as a simple and concise method of expressing its opinion to the market, although DBRS usually provides broader contextual information regarding securities in rating reports, which generally set out the full rationale for the chosen rating symbol, and in other releases.

Structural subordination of securities

In the event of a bankruptcy, liquidation or reorganization of Cominar or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of Cominar and those subsidiaries before any assets are made available for distribution to the holders of securities. The securities will be effectively subordinated to most of the other debt instruments and liabilities of Cominar and its subsidiaries. Neither Cominar, nor any of its subsidiaries will be limited in their ability to incur additional secured or unsecured indebtedness.

Availability of cash flow

Distributable income may exceed the cash actually available to Cominar from time to time because of items such as principal repayments, tenant allowances, leasing commissions and capital expenditures. Cominar may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

Cominar may need to refinance its debt obligations from time to time, including upon expiration of its debt. There could be a negative impact on distributable income if Cominar's debt obligations are replaced with debt that has less favourable terms or if Cominar is unable to refinance its debt. In addition, loan and credit agreements with respect to debt obligations of Cominar include, and may include in the future, certain covenants with respect to the operations and financial position of Cominar, and distributable income may be restricted if Cominar is unable to maintain any such covenants.

Unitholder liability

The Contract of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of Cominar or of the Trustees. Only assets of Cominar are intended to be liable and subject to levy or execution.

The Contract of Trust further provides that certain written instruments signed by Cominar (including all immovable hypothecs and, to the extent the trustees determine to be practicable and consistent with their obligation as trustees to act in the best interests of the Unitholders, other written instruments creating a material obligation of Cominar) shall contain a provision or be subject to an acknowledgment to the effect that such obligation will not be binding upon Unitholders or annuitants personally. Except in case of bad faith or gross negligence on their part, no personal liability will attach under the laws of the Province of Québec to Unitholders or annuitants for contract claims under any written instrument disclaiming personal liability as aforesaid.

However, in conducting its affairs, Cominar will be acquiring immovable property investments, subject to existing contractual obligations, including obligations under hypothecs or mortgages and leases. The trustees will use all reasonable efforts to have any such obligations, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, Cominar may not be able to obtain such modification in all cases. If a claim is not satisfied by Cominar, there is a risk that a Unitholder or annuitant will be held personally liable for the performance of the obligations of Cominar where the liability is not disavowed as described above. The possibility of any personal liability attaching to Unitholders or annuitants under the laws of the Province of Québec for contract claims where the liability is not so disavowed is remote.

Cominar uses all reasonable efforts to obtain acknowledgments from the hypothecary creditors under assumed hypothecs that assumed hypothec obligations will not be binding personally upon the trustees or the Unitholders.

Claims against Cominar may arise other than under contracts, including claims in delict, claims for taxes and possibly certain other statutory liabilities. The possibility of any personal liability of Unitholders for such claims is considered remote under the laws of the Province of Québec and, as well, the nature of Cominar's activities are such that most of its obligations arise by contract, with non-contractual risks being largely insurable. In the event that payment of an obligation were to be made by a Unitholder, such Unitholder would be entitled to reimbursement from the available assets of Cominar.

Article 1322 of the Civil Code of Québec effectively states that the beneficiary of a trust is liable towards third persons for the damage caused by the fault of the trustees of such trust in carrying out their duties only up to the amount of the benefit such beneficiary has derived from the act of such trustees and that such obligations are to be satisfied from the trust patrimony. Accordingly, although this provision remains to be interpreted by the courts, it should provide additional protection to Unitholders with respect to such obligations.

The trustees will cause the activities of Cominar to be conducted, with the advice of counsel, in such a way and in such jurisdictions as to avoid, to the extent they determine to be practicable and consistent with their duty to act in the best interests of the Unitholders, any material risk of liability on the Unitholders for claims against Cominar.

Dilution

The number of Units Cominar is authorized to issue is unlimited. The trustees have the discretion to issue additional Units in other circumstances. Additional Units may also be issued pursuant to the DRIP, the long term incentive plan and any other incentive plan of Cominar, upon conversion of the convertible debentures, and to the convertible debenture Indenture trustee in payment of interest on the convertible debentures. Any issuance of Units may have a dilutive effect on Unitholders.

Restrictions on certain Unitholders and liquidity of Units

The Contract of Trust imposes restrictions on non-resident Unitholders, who are prohibited from beneficially owning more than 49% of the Units. These restrictions may limit the rights of certain Unitholders, including non-residents of Canada, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public. Unitholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of distributions by Cominar. Cominar withholds such taxes as required by the Tax Act and remits such payment to the tax authorities on behalf of the Unitholder. The Tax Act contains measures to subject to Canadian non-resident withholding tax on certain otherwise non-taxable distributions of Canadian mutual funds to non-resident Unitholders. This may limit the demand for Units and thereby affect their liquidity and market value.

Cash distributions are not guaranteed

There can be no assurance regarding the amount of income to be generated by Cominar's properties. The ability of Cominar to make cash distributions, and the actual amounts distributed, will be entirely dependent on the operations and assets of Cominar and its subsidiaries, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from anchor tenants and capital expenditure requirements. The market value of the Units will deteriorate if Cominar is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Nature of investment

A holder of a Unit of Cominar does not hold a share of a body corporate. As holders of Units of Cominar, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Contract of Trust. There is no statute governing the affairs of Cominar equivalent to the CBCA, which sets out the rights, and entitlements of the shareholders of corporation in various circumstances.

RISK FACTORS RELATED TO THE OWNERSHIP OF DEBT SECURITIES

Absence of market for securities

There is currently no trading market for any debt securities that may be offered. No assurance can be given that an active or liquid trading market for these securities will develop or be sustained. If an active or liquid market for these securities fails to develop or be sustained, the prices at which these securities trade may be adversely affected. Whether or not these securities will trade at lower prices depends on many factors, including the liquidity of these securities, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and Cominar's financial position, historic financial performance and future prospects.

Credit risk and prior ranking indebtedness: absence of covenant protection

The likelihood that holders of convertible debentures will receive the payments owing to them under the terms of the convertible debentures will depend on the financial health of Cominar and its creditworthiness. In addition, the convertible debentures are unsecured obligations of Cominar and are subordinate in right of payment to all Cominar's existing and future senior indebtedness. Therefore, if Cominar becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, Cominar's assets will be available to pay its obligations with respect to the convertible debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the convertible debentures then outstanding. The convertible debentures are also effectively subordinate to claims of creditors of Cominar's subsidiaries except to the extent that Cominar is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The convertible debenture Trust Indenture does not prohibit or limit the ability of Cominar or its subsidiaries to incur additional debt or liabilities or to make distributions, except, in respect of distributions, where an event of default has occurred and such default has not been cured or waived. The convertible debenture Trust Indenture does not contain any provision specifically intended to protect holders of convertible debentures in the event of a future leveraged transaction involving Cominar.

Conversion following certain transactions

In the case of certain transactions, each convertible debenture may become convertible into the securities, cash or property receivable by a Unitholder in the kind and amount of securities, cash or property into which the convertible debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the convertible debentures in the future.

Inability to redeem convertible debentures in the event of a change of control

In the event of a change of control including the acquisition, by one or more persons acting jointly or in concert, of voting control or direction over an aggregate of 66⅔% or more of the outstanding Units, a holder of Series D convertible debentures and Series E convertible debentures may require Cominar to purchase, on the date which is 30 days after the delivery of a notice of a change of control, all or any part of such holder's Series D convertible debentures and Series E convertible debentures, as the case may be, at a price equal to 101% of the principal amount of such convertible debentures plus accrued and unpaid interest up to but not including the date of the put option. Cominar does not have the funds required to make the purchases that may be required, and there is no guarantee that it will have access to such funds.

STATUS FOR TAX PURPOSES

Income taxes

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

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

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

A special tax regime applies to trusts and partnerships that are considered SIFT entities as well as those individuals who invest in SIFT entities. Under this regime, SIFT entities must generally pay taxes on their income at rates that are close to those of companies. In short, a SIFT entity is an entity (including a trust) that resides in Canada, whose investments are listed on a stock exchange or other public market and that holds one or more non-portfolio properties.

Exception for real estate investment trusts (REITs)

For a given taxation year, Cominar is not considered a SIFT entity and is therefore not subject to SIFT rules if, during that year, it constitutes a REIT. On October 24, 2012, Canada's Minister of Finance tabled a notice of ways and means motion suggesting modifications aimed at SIFT entities, which received royal assent on June 26, 2013. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions all year long: [i] at each time in the taxation year the total fair market value of all "non-portfolio properties" that are "qualified REIT properties" held by the trust is at least 90% of the total fair market value at that time of all the "non-portfolio assets" held by the trust, [ii] not less than 90% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest, capital gains from dispositions of real or immovable properties, dividends and royalties, and gains from dispositions of "eligible resale properties"; [iii] not less than 75% of its "gross REIT revenue" for the taxation year is from one or more of the following sources: rent from "real or immovable properties," interest from mortgages, or hypothecs, on "real or immovable properties," and capital gains from dispositions of "real or immovable properties" that are capital properties, [iv] at each time in the taxation year, an amount that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is "real or immovable property," which is a capital property, an "eligible resale property," an indebtedness 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; and v) the investments made therein are, at any time in the taxation year, listed or traded on a stock exchange or other public market.

As at December 31, 2013, considering the valuation of Cominar's assets and the results of its normal business activities, management believes that the Trust currently meets all the criteria required to qualify for the REIT exception, as per the REIT exception currently in effect. As a result, Cominar's management believes that the SIFT trust tax rules do not apply to Cominar. Cominar's management intends to take all the necessary steps to meet these conditions on an on-going basis in the future. Nonetheless, there is no guarantee that Cominar will continue to meet all the required conditions to be eligible for the REIT exception for 2014 or any other subsequent year.

Were the REIT exception not applicable to Cominar at any time in a year (including the current taxation year), 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, 2013

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 with International Financial Reporting Standards ("IFRS"). The financial reporting in 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 duly authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2013, 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 well as internal control over financial reporting, 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 its 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 internal control procedures and their updates, the identification and management of risks, and advising the trustees on auditing matters and financial reporting issues.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., Independent Chartered Accountants appointed by the unitholders of Cominar upon the recommendation of the Audit Committee and the Board of Trustees, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2013 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, CPA, CA
Executive Vice President
and Chief Financial Officer

Quebec City, February 26, 2014

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, 2013 and December 31, 2012 and the consolidated statements of unitholders' equity, comprehensive income and cash flows for the years then ended, 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, 2013 and December 31, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
February 26, 2014
Place de la Cité, Tour Cominar
2640 Laurier Boulevard, Suite 1700
Quebec City, Quebec G1V 5C2
Canada

"PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.

[1]CPA auditor, CA, public accountancy permit No. A104882

CONSOLIDATED BALANCE SHEETS

[in thousands of Canadian dollars]

	Note	December 31, 2013	December 31, 2012
		$	$
ASSETS			
Investment properties			
Income properties	5	**5,654,825**	5,294,984
Properties under development	6	**53,414**	21,537
Land held for future development	6	**54,547**	31,697
		5,762,786	5,348,218
Goodwill	7	**166,971**	166,971
Prepaid expenses and other assets		**8,203**	11,571
Accounts receivable	8	**43,230**	49,866
Bond investments	9	**6,398**	21,781
Cash and cash equivalents		**9,742**	18,642
Total assets		**5,997,330**	5,617,049
LIABILITIES			
Mortgages payable	10	**1,794,830**	1,695,222
Debentures	11	**994,824**	448,530
Convertible debentures	12	**181,768**	289,134
Bank borrowings	13	**105,697**	300,368
Bridge loan	14	**—**	84,000
Accounts payable and accrued liabilities	15	**84,285**	94,083
Income taxes payable		**—**	12
Deferred tax liability	23	**10,546**	8,805
Total liabilities		**3,171,950**	2,920,154
UNITHOLDERS' EQUITY			
Unitholders' equity		**2,825,380**	2,696,895
Total liabilities and unitholders' equity		**5,997,330**	5,617,049

See accompanying notes to the 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, 2013		2,197,826	1,278,292	(783,586)	2,627	1,736	2,696,895
Net income and comprehensive income		—	254,969	—	—	—	254,969
Distributions to unitholders	16	—	—	(182,977)	—	—	(182,977)
Unit issues	16	54,254	—	—	—	—	54,254
Unit issue expenses		(106)	—	—	—	—	(106)
Long term incentive plan		—	—	—	2,345	—	2,345
Convertible debentures redemption		—	312	—	—	(312)	—
Balance as at December 31, 2013		2,251,974	1,533,573	(966,563)	4,972	1,424	2,825,380

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2012		1,150,735	936,121	(619,565)	2,186	1,745	1,471,222
Net income and comprehensive income		—	342,171	—	—	—	342,171
Distributions to unitholders	16	—	—	(164,021)	—	—	(164,021)
Unit issues	16	1,075,766	—	—	—	(9)	1,075,757
Unit issue expenses		(28,675)	—	—	—	—	(28,675)
Long term incentive plan		—	—	—	441	—	441
Balance as at December 31, 2012		2,197,826	1,278,292	(783,586)	2,627	1,736	2,696,895

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Note	2013	2012
		$	$
Operating revenues			
Rental revenue from investment properties		**662,053**	564,537
Operating expenses			
Operating costs		**132,407**	113,466
Realty taxes and services		**149,010**	122,048
Property management expenses		**12,426**	11,208
		293,843	246,722
Net operating income		**368,210**	317,815
Change in fair value of investment properties	5	**17,150**	177,706
Finance charges	18	**(131,811)**	(115,963)
Trust administrative expenses		**(12,063)**	(11,065)
Restructuring charges	19	**(1,062)**	(6,929)
Transaction costs – business combinations		**—**	(27,689)
Gain on disposal of a subsidiary	20	**8,010**	—
Gains on an investment in a public entity		**—**	6,222
Gains on disposal of investment properties	21	**3,370**	—
Other revenues	22	**4,906**	2,964
Income before income taxes		**256,710**	343,061
Income taxes	23	**(1,741)**	(890)
Net income and comprehensive income		**254,969**	342,171
Basic net income per unit	24	**2.03**	3.13
Diluted net income per unit	24	**1.98**	2.91

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Note	2013	2012
		$	$
OPERATING ACTIVITIES			
Net income		**254,969**	342,171
Adjustments for:			
Change in fair value of investment properties		**(17,150)**	(177,706)
Amortizations		**(6,033)**	(5,899)
Compensation expense related to long term incentive plan		**2,155**	1,268
Gain on disposal of a subsidiary	20	**(8,010)**	—
Gains on disposal of investment properties	21	**(3,370)**	—
Deferred taxes		**1,741**	877
Change in accounts receivable – recognition of leases on a straight-line basis		**(4,101)**	(7,032)
Change in fair value of an investment in a public entity		**—**	(2,582)
Change in non-cash working capital items	25	**(17,441)**	(4,764)
Cash flows provided by operating activities		**202,760**	146,333
INVESTING ACTIVITIES			
Acquisitions of and investments in income properties	5	**(304,453)**	(72,931)
Additions to and investments in properties under development and land held for future development	6	**(58,220)**	(18,281)
Cash consideration paid upon business combinations	4	**—**	(1,088,147)
Net proceeds from the sale of investment properties		**10,351**	44,519
Net proceeds from the disposal of an investment in a limited partnership		**—**	22,444
Acquisition deposits on income properties		**(1,300)**	(1,000)
Change in bond investments		**15,069**	(361)
Acquisition of other assets		**(1,643)**	(971)
Cash flows used in investing activities		**(340,196)**	(1,114,728)
FINANCING ACTIVITIES			
Distributions to unitholders		**(137,665)**	(126,304)
Bank borrowings and bridge loan		**(279,484)**	182,021
Mortgages payable		**288,809**	15,405
Net proceeds from issue of debentures		**545,572**	448,383
Net proceeds from issue of units	16	**8,418**	651,218
Convertible debentures redemption		**(109,986)**	(86,007)
Repayments of balances at maturity of mortgages payable		**(136,940)**	(57,387)
Monthly repayment of mortgages payable	10	**(50,188)**	(45,681)
Cash flows provided by financing activities		**128,536**	981,648
Net change in cash and cash equivalents		**(8,900)**	13,253
Cash and cash equivalents, beginning of year		**18,642**	5,389
Cash and cash equivalents, end of year		**9,742**	18,642
Other information			
Interest paid		**139,799**	128,072
Income taxes paid (recovered)		**12**	(55)
Distributions cashed		**—**	4,293

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012
[in thousands of Canadian dollars, except per unit amounts]

1) DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998, under the laws of the Province of Quebec. As at December 31, 2013, Cominar owned and managed a real estate portfolio of 497 high-quality properties that cover a total area of 37.1 million square feet in Quebec, Ontario, the Atlantic Provinces and Western Canada.

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

The Board of Trustees approved Cominar's consolidated financial statements on February 26, 2014.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of financial statements. The accounting policies and application methods thereof have been consistently applied throughout each of the years presented in these consolidated financial statements, except for the prospective application of a new IFRS standard during the fiscal year.

b) Basis of preparation

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, assumptions and judgements

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

- ***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 for control of the acquired business. When the cost of a business combination exceeds the fair value of the assets acquired and liabilities assumed, such excess is recorded as goodwill. Transaction-related costs, as well as costs related to the acquisition of real estate assets, are expensed as incurred.

  Cominar accounts for investment property acquisitions in accordance with IFRS 3, "Business Combinations" ("IFRS 3"), only when it considers that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets that could be conducted and managed for the purpose of providing a direct return to investors in the form of lower costs or other economic benefits. If the acquisition does not correspond to this definition, a group of assets is deemed to have been acquired. If goodwill is present, the acquisition is presumed to be a business. Judgment is therefore used by management in determining if the acquisition qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

  Generally, based on its judgement, when Cominar acquires a property or property portfolio (and not a legal entity) without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an asset acquisition.

- ***Impairment of goodwill***

  Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. It 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. Goodwill resulting from business combinations is allocated to each group of cash-generating units expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of cash-generating units, making assumptions about standardized net operating income and capitalization rates. The recoverable value is the higher of fair value less the cost of disposal and the value in use. Should the carrying value of a group of cash-generating units, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

- ***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 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 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 must be allocated to the *Unitholders' equity* component. Should this estimate be inappropriate, it will have an impact on the interest expense recognized in the financial statements for the periods subsequent to their issuance.

- ***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 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 have an impact on 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 the 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 during which 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.

Investment properties

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

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

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

Capitalization of costs

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

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

Leasing costs

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

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

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

Financial instruments

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

Cominar has used the following classifications for its financial instruments:

- Bond investments are classified as investments held until their maturity date.

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

Bond investments

Bond investments are measured at amortized cost using the effective interest rate method.

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 borrowings are considered to be financing arrangements.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgage loans, debentures and convertible debentures, are applied against the borrowings 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.

Revenue recognition

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

Long term incentive plan

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

Unit purchase options

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

Restricted units

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

Deferred units

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

Income taxes

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

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

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the year. The calculation of net income per unit on a diluted basis considers the potential issuance of units in accordance with the long term incentive plan and the potential issuance of units under convertible debentures, if dilutive.

Segment information

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

3) NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

On January 1, 2013, Cominar adopted certain IFRS:

IFRS 11 – "Joint Arrangements"

IFRS 11 requires a joint venturer to recognize its interest in a joint arrangement as a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting, whereas for a joint operation, the joint venturer recognizes its share of the assets, liabilities, revenue and expenses of the joint operation. Adoption of this new standard had no impact on Cominar's consolidated financial statements.

IFRS 13 – "Fair Value Measurement"

IFRS 13 is a comprehensive standard on 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. This new standard had an impact on the presentation of financial information required for the consolidated financial statements, but had no impact on the fair value evaluations at the time of adoption

IAS 36 – "Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets"

Cominar has adopted the amendments to IAS 36, Impairment of Assets, prospectively. These amendments limit the obligation to disclose the recoverable amount of non-financial assets for which a loss or an increase in value was recorded during the year. They also expand on and clarify disclosure requirements when the recoverable amount is determined based on fair value less costs of disposal. Cominar has applied these amendments retrospectively. The changes specifically target the disclosure of information, and their adoption had no impact on results or on the financial situation of the Trust.

4) ACQUISITIONS

ACQUISITIONS OF INCOME PROPERTIES REALIZED IN 2013

On January 31, 2013, Cominar acquired a portfolio of 18 industrial properties primarily located on the South Shore of Montreal and one office property located in Montreal, for a purchase price of $149,800. The portfolio represents a total of approximately 1.8 million square feet of leasable area, consisting of approximately 1.7 million square feet of industrial space and approximately 0.1 million square feet of office space. As part of this transaction, Cominar also acquired a vacant lot of 173,569 square feet located in Saint-Bruno-de-Montarville, Quebec, for $1,400.

On March 21, 2013, Cominar acquired an office building located in Fredericton, New Brunswick, for $5,700, paid in cash; this building represents a leasable area of 44,500 square feet.

On May 1, 2013, Cominar acquired an industrial building located in Pointe-Claire, Quebec, for a purchase price of $12,000, paid in cash; this property has a leasable area of 199,000 square feet.

On December 20, 2013, Cominar acquired a shopping centre located in Beloeil, Quebec, with a leasable area of 328,050 square feet, consisting of an indoor shopping centre, a strip mall and two single-tenant buildings, for a purchase price of $60,000, paid in cash.

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

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

	Fair value
	$
Investment properties	228,900
Mortgages payable	(43,733)
Debt	(6,998)
Total cash consideration paid for these acquisitions	178,169

ACQUISITION OF LAND HELD FOR FUTURE DEVELOPMENT REALIZED IN 2013

On March 15, 2013, Cominar acquired approximately 508,780 square feet of vacant land located in Calgary, Alberta, which includes a parking facility with 347 parking spaces. Cominar paid $20,500 in cash for this property.

ACQUISITION OF INCOME PROPERTIES IN 2012

During the fiscal year, Cominar acquired three income properties from *Société immobilière Investus inc.* further to the exercise of a right to initial offer.

This acquisition includes:

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

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

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

- One industrial and mixed-use property (94,000 square feet) located in Brockville, Ontario; this property was acquired at a cost of $4,400, of which $2,825 was an assumption of mortgage payable, and $1,575 was paid in cash.

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

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

	Fair value
	$
Investment properties	16,000
Mortgages payable	(9,768)
Debt	(2,164)
Total cash consideration paid for these acquisitions	4,068

BUSINESS COMBINATIONS THAT OCCURRED IN 2012

On March 1, 2012, Cominar completed the acquisition of Canmarc Real Estate Investment Trust. Cominar accounted for the acquisition using the acquisition method in accordance with IFRS 3, "Business Combinations". Canmarc's earnings were consolidated as of January 27, 2012. The $904,554 ($16.50 per unit) fair value of all units acquired was allocated among net identifiable assets ($647,496), goodwill ($110,791) and repayment of redeemable units held by non-controlling interests ($146,267).

On September 14, 2012, Cominar acquired 67 income properties from GE Capital Real Estate. Cominar accounted for these acquisitions using the acquisition method in accordance with IFRS 3, "Business Combinations". The results of these properties were included in the consolidated financial statements since the date of acquisition. Total consideration paid for the acquisition ($662,263) was allocated among net identifiable assets ($615,463) and goodwill ($46,800). In the second quarter of 2013, Cominar completed the final purchase price allocation and there was no adjustment to the preliminary purchase price allocation.

5) INCOME PROPERTIES

For the years ended December 31	Note	2013	2012
		$	$
Balance, beginning of year		**5,294,984**	2,515,965
Business combinations	4	**—**	2,509,289
Acquisitions	4	**228,900**	16,000
Fair value adjustment(1)		**17,150**	177,706
Capital costs		**113,326**	58,818
Disposals		**(28,621)**	(4,996)
Transfer of properties under development	6	**9,366**	4,760
Change in initial direct costs		**8,016**	4,865
Change in accounts receivable – recognition of leases on a straight-line basis		**4,101**	8,873
Change in deposits on acquisition		**1,300**	1,000
Other		**6,303**	2,704
Balance, end of year		**5,654,825**	5,294,984

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

Fair value adjustment

Cominar opted to present its investment properties in its financial statements according to the fair value model. Fair value is determined based on evaluations performed using management's internal estimates and by independent real estate appraisers, plus capital expenditures incurred since the most recent appraisal, if applicable.

As per Cominar's policy on valuing investment properties, at the end of 2013, management re-evaluated its real estate portfolio and determined that an increase of $17,150 was necessary to adjust the carrying value of its investment properties to their fair value [increase of $177,706 as at December 31, 2012].

Method and key assumptions

Internally valued investment property has been measured using the following method and key assumptions:

Capitalized net operating income method – Under this method, capitalization rates are applied to normalized net operating income in order to comply with current valuation standards. The normalized net operating income represents adjusted net operating income for items such as administrative expenses, occupancy rates, the recognition of leases on a straight-line basis and other non-recurring items. 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 differences in capitalization rates by property type and geographical area.

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 of investment properties increases or decreases accordingly. The change in the fair value of investment properties is recognized in profit or loss.

The capitalization rates used to value investment properties are as follows:

December 31, 2013		
Type	Capitalization rate	
	Range	Weighted average
Office properties	5.5%-9.0%	6.4%
Retail properties	6.0%-10.0%	6.7%
Industrial and mixed-use properties	6.0%-10.0%	7.3%

As at December 31, 2013, the fair value of investment properties was calculated using a weighted average capitalization rate of 6.7% [6.6% as at December 31, 2012].

Generally, an increase in net operating income will result in an increase in the fair value of an investment property while an increase in the capitalization rate will result in a decrease in the fair value. The capitalization rate magnifies the effect of a change in net operating income, with a lower capitalization rate having a greater impact on net operating income than a higher capitalization rate.

Cominar has determined that a 0.10% increase or a decrease in the applied capitalization rate for its entire real estate portfolio would result in a decrease or increase respectively of approximately $85,000 in the fair value of its investment properties in 2013 [$67,000 in 2012].

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:

	December 31, 2013	December 31, 2012
	$	$
Investment property	**97,850**	91,047
Assets	**3,565**	4,984
Liabilities	**2,583**	2,291

For the years ended December 31	2013	2012
	$	$
Operating revenues	**11,799**	10,427
Operating expenses	**5,717**	4,943
Net operating income	**6,082**	5,484
Cash flows from operating activities	**5,123**	5,300
Cash flows from investing activities	**(3,009)**	(2,600)
Cash flows from financing activities	**(4,490)**	591

6) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

For the years ended December 31		2013	2012
	Note	$	$
Balance, beginning of year		**53,234**	37,444
Acquisitions	4	**20,500**	1,296
Capital costs		**45,321**	12,570
Capitalized interest		**3,400**	1,556
Transfer to income properties	5	**(9,366)**	(4,760)
Other real estate asset	20	**(5,128)**	5,128
Balance, end of year		**107,961**	53,234
Breakdown:			
Properties under development		**53,414**	21,537
Land held for future development		**54,547**	31,697

7) GOODWILL

	Note	Office properties	Retail properties	Industrial and mixed-use properties	Total
		$	$	$	$
Balance as at January 1, 2012		5,967	1,466	1,947	9,380
Business combinations	4	92,106	49,746	15,739	157,591
Balance as at December 31, 2012 and 2013		98,073	51,212	17,686	166,971

During fiscal 2013, goodwill resulting from business combinations was allocated to each group of cash-generating units, each group consisting of investment properties. At year-end, Cominar tested its assets for impairment by determining the recoverable value of the net assets of each cash-generating unit and comparing it to the carrying value, including goodwill. At year end, goodwill has suffered no impairment loss.

8) ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012
	$	$
Trade receivables	**29,397**	28,265
Allowance for doubtful accounts	**(5,111)**	(3,774)
	24,286	24,491
Accounts receivable – related parties	**1,406**	457
Interest-bearing accounts receivable(1)	**1,701**	2,145
Security deposits	**6,358**	8,355
Other receivables and accrued income	**9,479**	14,418
	43,230	49,866
(1) Average effective interest rate	**7.87%**	7.24%

9) BOND INVESTMENTS

Cominar holds Government of Canada bonds and mortgage bonds with a weighted average interest rate of 2.95% and pledged them as security, held in escrow, for the reimbursement of certain mortgages. The transactions do not qualify for defeasance accounting; therefore, both the mortgages payable and the related assets pledged as security continue to be recorded in the consolidated balance sheet. The mortgages are payable in monthly instalments and mature at various dates from 2014 to 2016. Bond investments are sufficient to cover payments of principal and interest, including the balance at maturity. The assets pledged as security have various maturity dates, which closely correspond to the monthly instalments and maturities of the mortgages. The assets and liabilities related to the mortgages are measured at amortized cost using the effective interest rate method. The carrying amount of the mortgages secured by bonds was $6,028 as at December 31, 2013 [$20,508 as at December 31, 2012].

10) MORTGAGES PAYABLE

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

For the years ended December 31	2013		2012	
		Weighted Average Rate		Weighted Average Rate
	$	%	$	%
Balance, beginning of year	**1,651,202**	**5.23**	841,082	5.38
Net mortgages payable, contracted or assumed	**633,319**	**4.56**	70,741	3.97
Business combinations	**—**	**—**	887,303	5.40
Monthly repayments of principal	**(50,188)**	**—**	(45,681)	—
Repayment of balances at maturity	**(470,411)**	**5.02**	(102,243)	6.42
	1,763,922	**5.06**	1,651,202	5.23
Plus: Fair value adjustments on assumed mortgages	**33,342**		45,282	
Less: Deferred financing costs	**(2,434)**		(1,262)	
Balance, end of year	**1,794,830**		1,695,222	

Repayments of mortgages payable are as follows:

For the years ending December 31			2013
	Repayment of principal	Repayment of balances at maturity	Total
	$	$	$
2014	50,747	148,001	**198,748**
2015	42,561	250,660	**293,221**
2016	37,235	75,927	**113,162**
2017	34,807	151,725	**186,532**
2018	24,673	409,003	**433,676**
2019 and thereafter	80,967	457,616	**538,583**
			1,763,922

Mortgages payable are primarily secured by immovable hypothecs on investment properties with a carrying value of $3,541,017 [$3,521,667 as at December 31, 2012]. They bear annual contractual interest rates ranging from 2.77% to 7.75% [2.68% to 8.35% as at December 31, 2012], representing a weighted average contractual rate of 5.06% as at December 31, 2013 [5.23% as at December 31, 2012], and are renewable at various dates from January 2014 to January 2039. As at December 31, 2013, the weighted average effective rate was 4.57% [4.16% as at December 31, 2012]. As at December 31, 2013, all mortgages payable were at fixed rates. Some of the mortgages payable include restrictive clauses, with which Cominar was in compliance as at December 31, 2013.

11) DEBENTURES

The following table presents characteristics of outstanding debentures as at December 31, 2013:

Series	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Nominal value as at December 31, 2013
		%	%		$
1	June 2012(1)	4.274	4.32	June 2017	250,000
2	December 2012(2)	4.23	4.37	December 2019	300,000
3	May 2013	4.00	4.24	November 2020	100,000
4	July 2013	4.941	5.04	July 2020	100,000
5	October 2013	3.325(3)	3.51	October 2015	250,000
Total					1,000,000

(1) Re-opened in September 2012.
(2) Re-opened in February 2013.
(3) Variable interest rate set quarterly for the period from October 10, 2013 to January 9, 2014 (corresponding to the CDOR three-month rate plus 205 basis points).

Cominar allocated the net proceeds from the sales of the four series of debentures issued in 2013 to repaying its credit facility.

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

For the years ended December 31	2013		2012	
		Weighted Average Rate		Weighted Average Rate
	$	%	$	%
Balance, beginning of year	**450,000**	**4.25**	—	—
Issues	**550,000**	**3.91**	450,000	4.25
	1,000,000	**4.06**	450,000	4.25
Less: Deferred financing costs	**(5,578)**		(2,867)	
Plus: Net premium and discount on issuance	**402**		1,397	
Balance, end of year	**994,824**		448,530	

12) CONVERTIBLE DEBENTURES

The following table presents features of the subordinate unsecured convertible debentures outstanding as at December 31, 2013:

Series	Date of issuance	Contractual interest rate	Effective interest rate	Per unit conversion price	Date of redemption at Cominar's option - conditional	Date of redemption at Cominar's option - unconditional	Maturity date	Nominal value as at Dec. 31, 2013
		%	%	$				$
D	September 2009	6.50	7.50	20.50	September 2012	September 2014	September 2016	99,786
E	January 2010	5.75	6.43	25.00	June 2013	June 2015	June 2017	86,250
								186,036

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

For the years ended December 31	2013		2012	
		Weighted Average Rate		Weighted Average Rate
	$	%	$	%
Balance, beginning of year	**296,056**	**6.02**	392,471	5.97
Holders' option conversion	**(34)**	**6.21**	(10,408)	6.32
Redemption	**(109,986)**	**5.80**	(86,007)	5.74
	186,036	**6.15**	296,056	6.02
Less				
Deferred financing costs	**(3,644)**		(6,010)	
Equity component	**(624)**		(912)	
Balance, end of year	**181,768**		289,134	

On July 8, 2013, Cominar called all its then outstanding Series C convertible debentures bearing interest at 5.80% and totalling $109,986. Deferred financing costs of $984 were written off following this redemption.

On June 29, 2012, Cominar bought back all outstanding Series A convertible debentures for an amount of $5,521. On September 19, 2012, Cominar bought back all outstanding Series B convertible debentures for an amount of $80,486. Unamortized deferred finance charges of $981 were written off following these redemptions.

13) BANK BORROWINGS

As at December 31, 2013, Cominar had operating and acquisition credit facilities of up to $550,000 [$550,000 as at December 31, 2012]. A first tranche of $250,000 will mature in January 2014, and a second tranche of $300,000 will mature in January 2015. These credit facilities bear interest at the prime rate plus 1.0% [1.0% in 2012] or at the bankers' acceptance rate plus 2.0% [2.0% in 2012]. These credit facilities are secured by movable and immovable hypothecs on specific assets with a total carrying value of $932,235. As at December 31, 2013, the prime rate was 3.0% [3.0% as at December 31, 2012]. These credit facilities contain certain restrictive clauses, with which Cominar was in compliance as at December 31, 2013.

14) BRIDGE LOAN

During the first quarter of 2012, Cominar obtained an $84,000 acquisition bridge loan following the Canmarc business combination. This one-year, non-renewable credit facility was bearing interest at the prime rate plus 1.0%, or at the bankers' acceptance rate plus 2.5%, and it was secured by a first-rank lien on investment property. On June 18, 2013, Cominar converted this bridge loan into a mortgage payable maturing in April 2018 bearing a fixed interest rate of 3.70%.

15) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013	December 31, 2012
	$	$
Trade accounts payable	**14,751**	4,302
Accounts payable – related parties	**5,185**	1,452
Prepaid rents and tenants' deposits	**12,734**	20,157
Interests and other accrued expenses	**47,484**	57,320
Commodity taxes and other non-financial liabilities	**4,131**	10,852
	84,285	94,083

16) ISSUED AND OUTSTANDING UNITS

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

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

For the years ended December 31	2013		2012	
	Units	$	Units	$
Units issued and outstanding, beginning of year	**124,349,608**	**2,197,826**	77,051,260	1,150,735
Public offerings	**—**	**—**	28,088,750	633,184
Business combinations	**—**	**—**	15,999,999	346,879
Exercise of options	**456,500**	**8,514**	1,019,050	18,298
Distribution reinvestment plan	**2,243,459**	**45,216**	1,601,096	37,633
Conversion of convertible debentures	**1,528**	**34**	589,453	10,270
Reversal of contributed surplus on exercise of options	**—**	**384**	—	827
Units issued and outstanding, end of year	**127,051,095**	**2,251,974**	124,349,608	2,197,826

LONG TERM INCENTIVE PLAN

Unit options

Cominar has granted options to management and employees for the purchase of units under the long term incentive plan. As at December 31, 2013, options to purchase 7,835,500 units were outstanding.

The following table shows characteristics of outstanding options at year-end:

As at December 31, 2013					
Date of grant	Granted vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
May 15, 2007	50%	May 15, 2014	23.59	30,000	30,000
February 6, 2008	33 1/3%	—(1)	18.68	52,500	52,500
December 19, 2008	33 1/3%	—(1)	15.14	78,000	78,000
December 21, 2009	33 1/3%	December 21, 2014	19.48	527,400	527,400
December 21, 2010	33 1/3%	December 21, 2015	20.93	861,700	861,700
December 15, 2011	33 1/3%	December 15, 2016	21.80	1,151,700	789,200
August 24, 2012	50%	August 24, 2017	24.55	150,000	150,000
August 31, 2012	50%	August 31, 2017	23.93	300,000	300,000
December 19, 2012	33 1/3%	December 19, 2017	22.70	1,899,300	683,100
August 5, 2013	50%	August 5, 2018	20.09	150,000	75,000
December 17, 2013	33 1/3%	December 17, 2018	17.55	2,634,900	—
				7,835,500	3,546,900

(1)The contractual life for these options was extended in accordance with provisions in the long term incentive plan.

As at December 31, 2013, the average weighted contractual life of outstanding options was 3.7 years (excluding the options whose contractual life was extended) [3.8 years as at December 31, 2012].

The following table presents changes in option balances for the years indicated:

For the years ended December 31	2013		2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**5,979,500**	**21.63**	4,481,850	20.04
Exercised	**(456,500)**	**18.68**	(1,019,050)	18.12
Granted	**2,784,900**	**17.69**	2,691,300	22.94
Forfeited	**(443,200)**	**22.44**	(174,600)	21.34
Expired	**(29 200)**	**21.23**	—	—
Outstanding, end of year	**7,835,500**	**20.36**	5,979,500	21.63
Exercisable options, end of year	**3,546,900**	**21.50**	2,288,900	20.39

Restricted units and deferred units

The following table presents changes in restricted unit and deferred unit balances for the year ended December 31, 2013:

For the year ended December 31, 2013	Restricted units		Deferred units	
	Outstanding	Acquired	Outstanding	Acquired
Outstanding, beginning of year	**—**	**—**	**—**	**—**
Granted	**500**	**—**	**36,308**	**6,964**
Accrued distributions	**30**	**—**	**2,251**	**—**
Forfeited	**—**	**—**	**(279)**	**—**
Outstanding, end of year	**530**	**—**	**38,280**	**6,964**

Restricted units

Restricted units consist of allocations whose values, for the participant, rise and fall according to the value of Cominar units on the stock market. When the vesting period is over, each restricted unit provides the right to receive one Cominar unit on the settlement date. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually acquired three years after the date of the grant. For each cash distribution on Cominar units, an additional number of restricted units is granted to each participant. The fair value of restricted units is represented by the market value of Cominar units on the date of the grant.

Deferred units

Deferred units consist of allocations whose values, for the participant, rise and fall according to the value of Cominar units on the stock market. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually acquired at a rate of 33 1/3% per anniversary year of the grant date. Each deferred unit provides the right to receive one Cominar unit when the holder ceases to be a Cominar trustee, member of management or employee. For each cash distribution on Cominar units, an additional number of deferred units is granted to each participant. The fair value of deferred units is represented by the market value of Cominar units on the date of the grant.

Unit-based compensation

The compensation expense related to the options granted in 2013 and 2012 was calculated using the Black-Scholes option pricing model based on the following assumptions:

Date of grant	Volatility[1]	Exercise price[2]	Weighted average return	Weighted average risk-free interest rate	Per unit weighted average fair value
		$			$
August 24, 2012	16.10%	24.55	6.03%	1.26%	1.17
August 31, 2012	16.10%	23.93	6.19%	1.26%	1.10
December 19, 2012	15.21%	22.70	6.59%	1.25%	0.86
August 5, 2013	14.98%	20.09	7.39%	1.53%	0.62
December 17, 2013	12.98%	17.55	8.45%	1.33%	0.28

(1) The volatility is estimated by considering Cominar's historical per unit price volatility.
(2) The exercise price of the options corresponds to the closing price of Cominar units the day before the grant.

The compensation expense related to restricted units and deferred units granted in 2013 was calculated based on the market price of Cominar units on the grant date, which was $22.77.

The overall compensation expense for the fiscal year was $2,155 [$1,268 in 2012].

A maximum of 10,315,583 units may be issued under the long term incentive 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. Distributable income generally means net income determined in accordance with IFRS, before adjustments to fair value, transaction costs – business combinations, rental revenue derived from the recognition of leases on a straight-line basis, the provision for leasing costs, gains on disposal of subsidiaries, gains on disposal of investment properties and certain other items not affecting cash, if applicable.

For the years ended December 31	2013	2012
	$	$
Distributions to unitholders	**182,977**	164,021
Distributions per unit	**1.44**	1.44

Unitholder distribution reinvestment plan

Cominar has adopted a distribution reinvestment plan under which unitholders may elect to receive all cash distributions from Cominar automatically as 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, 2013, 2,243,459 units [1,601,096 in 2012] were issued for a total net consideration of $45,216 [$37,633 in 2012] under this plan.

17) OPERATING LEASE INCOME

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

	As at December 31, 2013
	$
- Not later than one year	333,965
- Later than one year and not later than five years	938,343
- Later than five years	899,955

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

For the years ended December 31	2013	2012
	$	$
Contingent rents	3,431	3,230

18) FINANCE CHARGES

For the years ended December 31	2013	2012
	$	$
Interest on mortgages payable	88,670	84,018
Interest on debentures	29,492	5,051
Interest on convertible debentures	14,804	21,615
Interest on bank borrowings and bridge loans	10,113	13,914
Amortization of premium on debenture issues	(183)	(70)
Amortization of deferred financing costs and others	6,861	8,184
Amortization of fair value adjustments on assumed borrowings	(13,680)	(15,193)
Less: Capitalized interest(1)	(4,266)	(1,556)
Total finance charges	131,811	115,963

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

During the fiscal year ended December 31, 2013, Cominar wrote off $984 in deferred financing costs following the redemption of convertible Series C debentures [$981 in 2012 following the redemption of Series A and B convertible debentures].

During the fiscal year ended December 31, 2012, Cominar wrote off financing costs incurred to establish financing for the acquisition of Canmarc. This financing was not used and the costs, in the amount of $2,091, were recognized in profit or loss in 2012.

19) RESTRUCTURING CHARGES

For the year ended December 31, 2013, Cominar incurred charges of $1,062 [$6,929 in 2012] related to the integration of Canmarc's operations, namely for changes to its corporate structure. These charges were mainly direct salaries of employees retained through the transition period, severance benefits paid, as well as consulting and legal fees.

20) DISPOSAL OF A SUBSIDIARY

On May 22, 2013, Cominar sold its interest in Hardegane Investments Limited (“Hardegane”), which holds 100% of the shares of Dyne Holdings Limited (“Dyne”), to Homburg International Limited (“Homburg”), for a nominal consideration and the reimbursement of certain Cominar advances. Dyne owned three income properties, two of which were classified as office properties and one as a retail property, as well as a property under development. Cominar recorded a gain of $8,010 on this disposal.

21) DISPOSAL OF INVESTMENT PROPERTIES

On January 9, 2013, Cominar sold a commercial building in the Montreal area for $3,500. Cominar recorded no gain or loss on this disposal.

On June 28, 2013, Cominar sold an office building located in Levis, Quebec, for $1,500. Cominar recorded a gain of $507 on this disposal.

On July 11, 2013, the *Tribunal administratif du Québec* rendered its final decision regarding the expropriation process initiated by the *Centre hospitalier de l'Université de Montréal* (“CHUM”) in June 2006 in relation to the property located at 300 Viger Avenue in Montreal, Quebec. The *Tribunal administratif du Québec* set the definitive expropriation indemnity at $33,500. The CHUM paid Cominar a sum of $3,500, which represents the difference between the amount of the provisional indemnity of $30,000 that was already paid to Cominar in 2007 and the total definitive indemnity. Cominar recorded a gain of $2,863 in connection with this event.

On July 25, 2013, Cominar sold six industrial and mixed-use properties located in Prince George, British Columbia for $4,000. Cominar recorded no gain or loss on this disposal.

22) OTHER REVENUES

In connection with the restructuring of Homburg Invest Inc. (“HII”) under the Companies' Creditors Arrangement Act (Canada), Cominar filed a number of proofs of claim against HII. On February 5, 2013, Cominar and HII entered into a memorandum of understanding related to, among other things, the settlement of these proofs of claim. Under this arrangement, Cominar received a cash payment of approximately $6,260 in settlement of various claims. A portion of the payment was recognized against the accounts receivable recorded in the balance sheet, and the excess was recorded as revenue in the results for 2013.

23) 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, whose investments are listed on a stock exchange or other public market and that 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. Cominar has reviewed the conditions to qualify as a REIT. For the fiscal year ended December 31, 2013, Cominar believes that it met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not currently apply to Cominar and no deferred tax provision, be it an asset or liability, was recorded in relation to the Trust's activities. Cominar's management intends on taking the necessary steps to meet these conditions on an ongoing basis in the future.

Some of Cominar's subsidiaries are subject to tax on their taxable income under the *Income Tax Act* (Canada) and the taxation acts 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. The following table presents the reasons for such difference:

For the years ended December 31	2013	2012
	$	$
Income before income taxes	**256,710**	343,061
Canadian combined statutory tax rate	**26.99%**	26.14%
Income tax expense at the statutory tax rate	**69,272**	89,676
Income not subject to income tax	**(67,741)**	(88,819)
Other	**210**	33
	1,741	890

The increase in the combined Canadian statutory tax rate, compared to 2012, is mainly due to a 1.0% increase in the New Brunswick tax rate.

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

	December 31, 2013	December 31, 2012
	$	$
Deferred tax assets to be recovered after more than 12 months		
Interest expense	**95**	63
Mortgages payable	**69**	82
Tax losses	**247**	174
	411	319
Deferred tax liabilities to be settled after more than 12 months		
Income properties	**(10,957)**	(9,124)
Deferred taxes (net)	**(10,546)**	(8,805)

Changes in the deferred income tax account were as follows:

For the years ended December 31	2013	2012
	$	$
Balance as at January 1	**8,805**	7,793
Income tax expense recorded in the statement of income	**1,741**	877
Deferred tax liability during the acquisition of income properties	**—**	135
Balance as at December 31	**10,546**	8,805

Changes in deferred income tax assets and liabilities during the year, excluding the offsetting of balances within the same tax jurisdiction, were as follows:

	Interest expense	Mortgages payable	Tax losses	Total
	$	$	$	$
Deferred tax assets				
Balance as at January 1, 2012	89	149	126	364
Origination and reversal of timing differences included in profit or loss	(26)	(67)	48	(45)
Balance as at December 31, 2012	63	82	174	319
Origination and reversal of timing differences included in profit or loss	32	(13)	73	92
Balance as at December 31, 2013	95	69	247	411

	Income properties
	$
Deferred tax liabilities	
Balance as at January 1, 2012	(8,157)
Origination and reversal of timing differences included in profit or loss	(832)
Origination and reversal of timing differences in the acquisition of income properties	(135)
Balance as at December 31, 2012	(9,124)
Origination and reversal of timing differences included in profit or loss	(1,833)
Balance as at December 31, 2013	(10,957)

24) 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 indicated:

For the years ended December 31	2013	2012
Weighted average number of units outstanding – basic	**125,369,581**	109,453,548
Dilutive effect related to the long term incentive plan	**150,092**	414,514
Dilutive effect of convertible debentures	**10,496,193**	15,116,070
Weighted average number of units outstanding – diluted	**136,015,866**	124,984,132

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion in units of 4,698,183 outstanding options for the year ended December 31, 2013 [2,721,300 options in 2012], since the exercise price of the options, including the unrecognized part of the related compensation expense, is higher than the average price of the units. The calculation of diluted net income per unit also includes the elimination of $14,804 [$21,615 in 2012] in interest on the convertible debentures.

25) SUPPLEMENTAL CASH FLOW INFORMATION

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

For the years ended December 31	2013	2012
	$	$
Prepaid expenses	**1,540**	8,249
Accounts receivable	**785**	2,221
Income taxes recoverable	**—**	56
Accounts payable and accrued liabilities	**(19,754)**	(15,302)
Income taxes payable	**(12)**	12
	(17,441)	(4,764)
Other information		
Additions to investment properties through assumption of mortgages payable	**43,733**	11,932
Unpaid additions to and investments in investment properties	**19,960**	3,165
Transfer from properties under development to income properties	**9,366**	4,760

26) RELATED PARTY TRANSACTIONS

During fiscal 2013 and 2012, Cominar entered into transactions with companies controlled by unitholders who are also officers of the Trust over which they have significant influence.

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	2013	2012
	$	$
Net rental revenue from investment properties	**148**	168
Investment properties – Capital costs	**69 717**	32,263
Acquisition of investment properties	**—**	16,000

27) KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation of key management personnel is set out in the following table:

KEY MANAGEMENT PERSONNEL COMPENSATION

For the years ended December 31	2013	2012
	$	$
Short-term benefits	**4,067**	3,691
Participation in the retirement savings plans	**142**	103
Long term incentive plan	**949**	376
Total	**5,158**	4,170

Options granted to senior executives and other officers during the fiscal year may not be exercised, even if they have vested, until the following three conditions have been 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 the options 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 base salary.

28) CAPITAL MANAGEMENT

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

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

Cominar's capital structure is as follows:

As at December 31	2013	2012
	$	$
Cash and cash equivalents	**(9,742)**	(18,642)
Mortgages payable	**1,794,830**	1,695,222
Debentures	**994,824**	448,530
Convertible debentures	**181,768**	289,134
Bank borrowings	**105,697**	300,368
Bridge loan	**—**	84,000
Unitholders' equity	**2,825,380**	2,696,895
Total capital	**5,892,757**	5,495,507
Overall debt ratio(1)	**51.2%**	50.0%
Debt ratio (excluding convertible debentures)	**48.2%**	44.8%
Interest coverage ratio(2)	**2.70:1**	2.65:1

(1) The overall debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable, the bridge loan, debentures and convertible debentures divided by the total assets less cash and cash equivalents.
(2) The interest coverage ratio is equal to net operating income (operating revenues less operating expenses) less Trust administrative expenses divided by finance charges.

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, its total debt exceeds 60% of the carrying amount of its assets (65% if convertible debentures are outstanding). As at December 31, 2013, Cominar had maintained a debt ratio (excluding convertible debentures) of 48.2%.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt from operating revenues. As such, as at December 31, 2013, the interest coverage ratio was 2.70:1, reflecting the Trust's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous period.

29) FAIR VALUE

Cominar uses a three-level hierarchy to classify its financial instruments and its investment properties. The hierarchy reflects the relative weight of inputs used in the valuation of 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 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs)

Cominar's policy is to recognize transfers between hierarchy levels on the date of the event of changed circumstances that caused the transfer. There was no transfer between hierarchy levels in fiscal 2013.

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

The fair value of bond investments, mortgages payable and debentures has been estimated based on current market rates for financial instruments with similar terms and maturities.

The fair value of convertible debentures is based on the quoted market price at year-end.

Classification

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

		December 31, 2013		December 31, 2012	
	Level	Carrying amount	Fair value	Carrying amount	Fair value
		$	$	$	$
RECURRING VALUATIONS OF NON-FINANCIAL ASSETS					
Income properties	3	**5,654,825**	**5,654,825**	5,294,984	5,294,984
Land held for future development	3	**54,547**	**54,547**	31 697	31,697
FINANCIAL ASSETS					
Held until maturity					
Bond investments	2	**6,398**	**6,409**	21,781	21,431
FINANCIAL LIABILITIES					
Other financial liabilities					
Mortgages payable(1)	2	**1,794,830**	**1,816,702**	1,695,222	1,743,079
Debentures(1)	2	**994,824**	**990,054**	448,530	446,648
Convertible debentures(1)	1	**181,768**	**193,727**	289,134	316,740
Bank borrowings	2	**105,697**	**105,697**	300,368	300,368
Bridge loan	2	**—**	**—**	84,000	84,000

30) FINANCIAL INSTRUMENTS

Risk management

The main risks arising from Cominar's financial instruments are credit risk, interest rate risk and liquidity risk. The strategy for managing these risks 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 segment and geographic portfolio diversification *[Note 31]*, staggered lease maturities, and diversification of revenue sources through a varied tenant mix as well as by avoiding dependence on any single tenant by ensuring that no individual tenant contributes a significant portion of Cominar's operating revenues and by conducting credit assessments on all new tenants.

Cominar has a broad, highly diversified client base, consisting of approximately 5,000 tenants occupying an average area of approximately 7,000 square feet each. The three largest tenants account for approximately 7.1%, 4.4% and 3.6% of operating revenues, respectively, representing several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 10.7% of operating revenues come 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 corresponds to the carrying amount of its accounts receivable, bond investments and cash position.

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 over several years and by generally using long-term debt bearing interest at fixed rates.

Accounts receivable, except for the receivables bearing interest mentioned in Note 8, and accounts payable and accrued liabilities do not bear interest.

Mortgages payable, debentures, except Series 5 debentures, and convertible debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank borrowings and Series 5 debentures, which bear interest at variable rates.

A 25-basis-point increase or decrease in the average interest rate during the period, assuming that all other variables held constant, would have resulted in a $661 increase or decrease in Cominar's net income for the year ended December 31, 2013 [$943 in 2012].

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 managing its capital structure, continuously monitoring current and projected cash flows and adhering to its capital management policy *[Note 28]*.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2013 are as follows:

		Cash flows		
	Note	Under one year	One to five years	Over five years
		$	$	$
Mortgages payable	10	290,954	1,282,013	626,990
Debentures(1)	11	40,629	621,549	530,572
Convertible debentures	12	11,445	211,407	—
Bank borrowings	13	105,697	—	—
Accounts payable and accrued liabilities(2)	15	68,613	208	—

(1) The rate used for the variable rate debentures is the CDOR three-month rate plus 205 basis points as of year-end.
(2) Excludes consumption taxes and other non-financial liabilities

31) SEGMENT INFORMATION

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

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

For the year ended December 31, 2013	Office properties	Retail properties	Industrial and mixed-use properties	Total
	$	$	$	$
Rental revenue from investment properties	**353,076**	**163,901**	**145,076**	**662,053**
Net operating income	**190,588**	**91,550**	**86,072**	**368,210**
Income properties	**2,838,495**	**1,582,215**	**1,234,115**	**5,654,825**

For the year ended December 31, 2012	Office properties	Retail properties	Industrial and mixed-use properties	Total
	$	$	$	$
Rental revenue from investment properties	283,749	159,992	120,796	564,537
Net operating income	157,907	88,782	71,126	317,815
Income properties	2,883,225	1,362,246	1,049,513	5,294,984

32) 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 $70,566, are as follows:

For the years ending December 31	Total
	$
2014	544
2015	556
2016	562
2017	601
2018	601
2019 and thereafter	23,109

b) Cominar has undertaken to pay $13,132 in exchange for work to be performed on a property currently under development.

c) On December 20, 2013, Cominar entered into an agreement for the acquisition of five retail properties representing approximately $28,200 in value (subject to adjustments), and approximately 120,000 square feet in total leasable area, located in the Greater Montreal Area. This acquisition is subject to the satisfactory completion of due diligence by Cominar, which due diligence is in progress, and to customary closing requirements. There can be no assurance that this acquisition will be completed.

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

33) SUBSEQUENT EVENTS

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

On January 13, 2014, Cominar completed the merger of the ownership interests in a previously co-owned investment property, as planned. Prior to completion of this merger, the first phase of Complexe Jules-Dallaire, comprised of office and retail premises, was owned in undivided co-ownership by Cominar as to 95% and by a company indirectly owned by the Dallaire family ("Dallaire Co") as to 5% and the second phase of Complexe Jules-Dallaire, comprised of office premises, was owned by DallaireCo. In addition to the contribution of its pre-merger ownership interests in phases one and two, DallaireCo paid $20,150 to Cominar in connection with the merger. Under this business combination, both Cominar and DallaireCo each now own a 50% interest in Complexe Jules-Dallaire. Under IFRS 11 – "Joint Arrangements", this building held in partnership shall be considered as a joint venture and will be accounted for under the equity method, whereas previously, the participation in the first phase of this building was considered as a participation in a joint operation and Cominar recorded its share of assets, liabilities, comprehensive income and cash flows.

On January 27, 2014, Cominar decided not to seek renewal of the $250,000 tranche B portion of its operating and acquisition credit facilities, which matured on this date, allowing Cominar to add to its portfolio of unencumbered income property approximately $424,000 in value of income properties which are not necessary to secure the remaining $300,000 tranche A portion of its credit facility.

On February 26, 2014, Cominar acquired a portfolio of 11 office properties in the Greater Toronto Area and in Montréal from Redbourne Realty Fund, for a purchase price of $228,824; $127,887 paid in cash and $100,937 by assuming mortgages payable. The acquired portfolio consists of 4 office properties in the Greater Toronto Area, comprising a total of approximately 780,000 square feet in leasable area, and 7 office properties in Montréal, comprising a total of approximately 400,000 square feet in leasable area.

CORPORATE INFORMATION

BOARD OF TRUSTEES

OFFICERS

Michel Dallaire, Eng.
President and Chief Executive Officer

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

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

Gilles Hamel, CPA, CA
Vice-President, Corporate Finance and Administration

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

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

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

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

UNITHOLDER INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

Complexe Jules-Dallaire – T3
2820 Laurier Boulevard, Suite 850
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LISTING

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

TRANSFER AGENT

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Montreal, Quebec, Canada H3A 3S8

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

TAXABILITY OF DISTRIBUTIONS

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

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

PricewaterhouseCoopers LLP

ANNUAL MEETING OF UNITHOLDERS

May 13, 2014
11:00 a.m. (EDT)
Hôtel Château Laurier Québec
Salle des Plaines A
1220 Georgee-V Place
Quebec City, QC

UNITHOLDER DISTRIBUTION REINVESTMENT PLAN

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

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

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