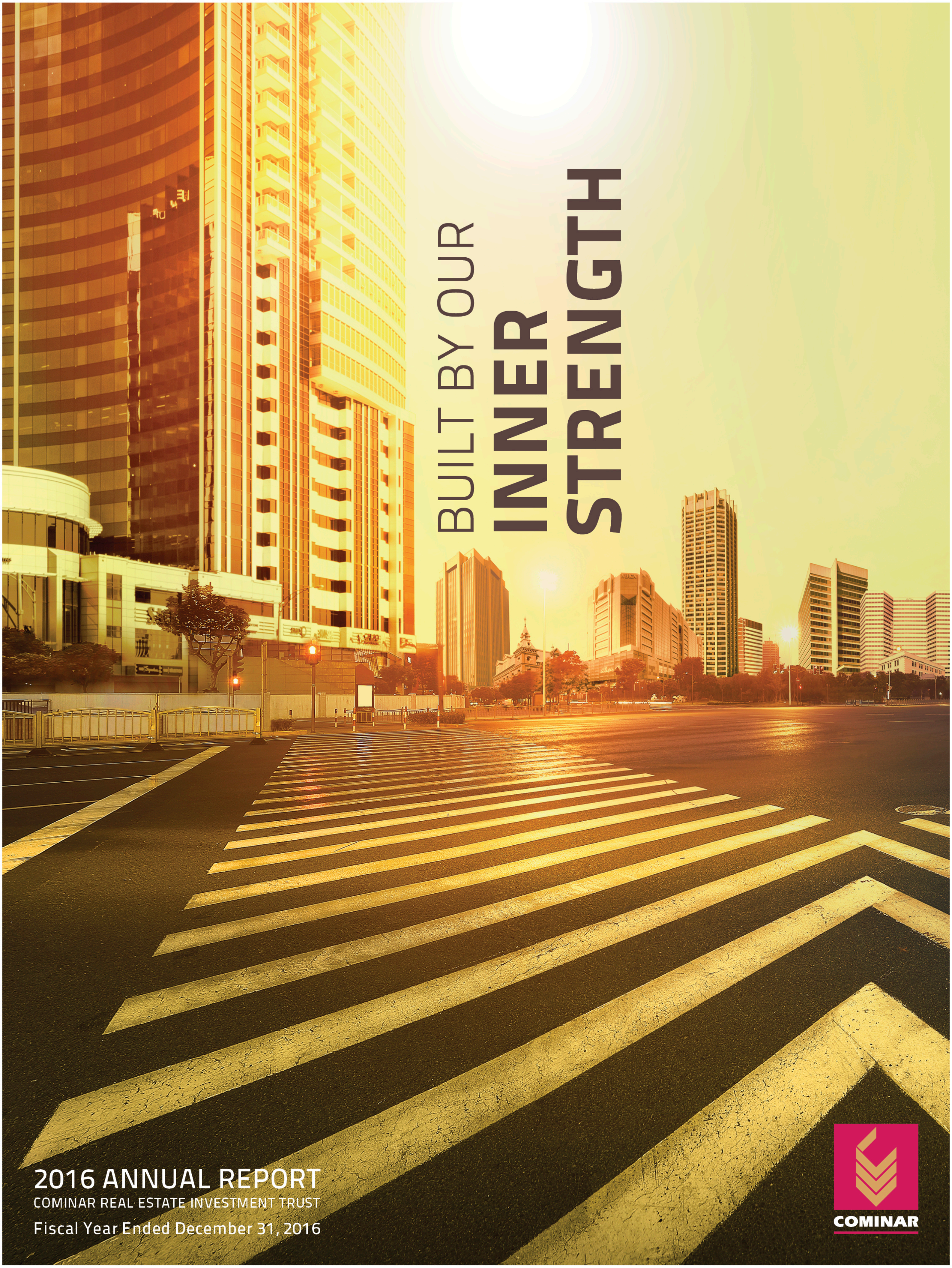

BUILT BY OUR INNER STRENGTH

2016 ANNUAL REPORT

COMINAR REAL ESTATE INVESTMENT TRUST

Fiscal Year Ended December 31, 2016

COMINAR

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Our inner strength
is what drives us
to surpass ourselves
each and every day.
It is a force and a burning
passion to achieve
amazing new heights.

REAL ESTATE PORTFOLIO

(Property Count)

SEGMENT DIVERSIFICATION

OFFICE

134

RETAIL

168

INDUSTRIAL AND MIXED-USE

237

GEOGRAPHIC DIVERSIFICATION

QUEBEC REGION

129

MONTREAL REGION

288

ONTARIO

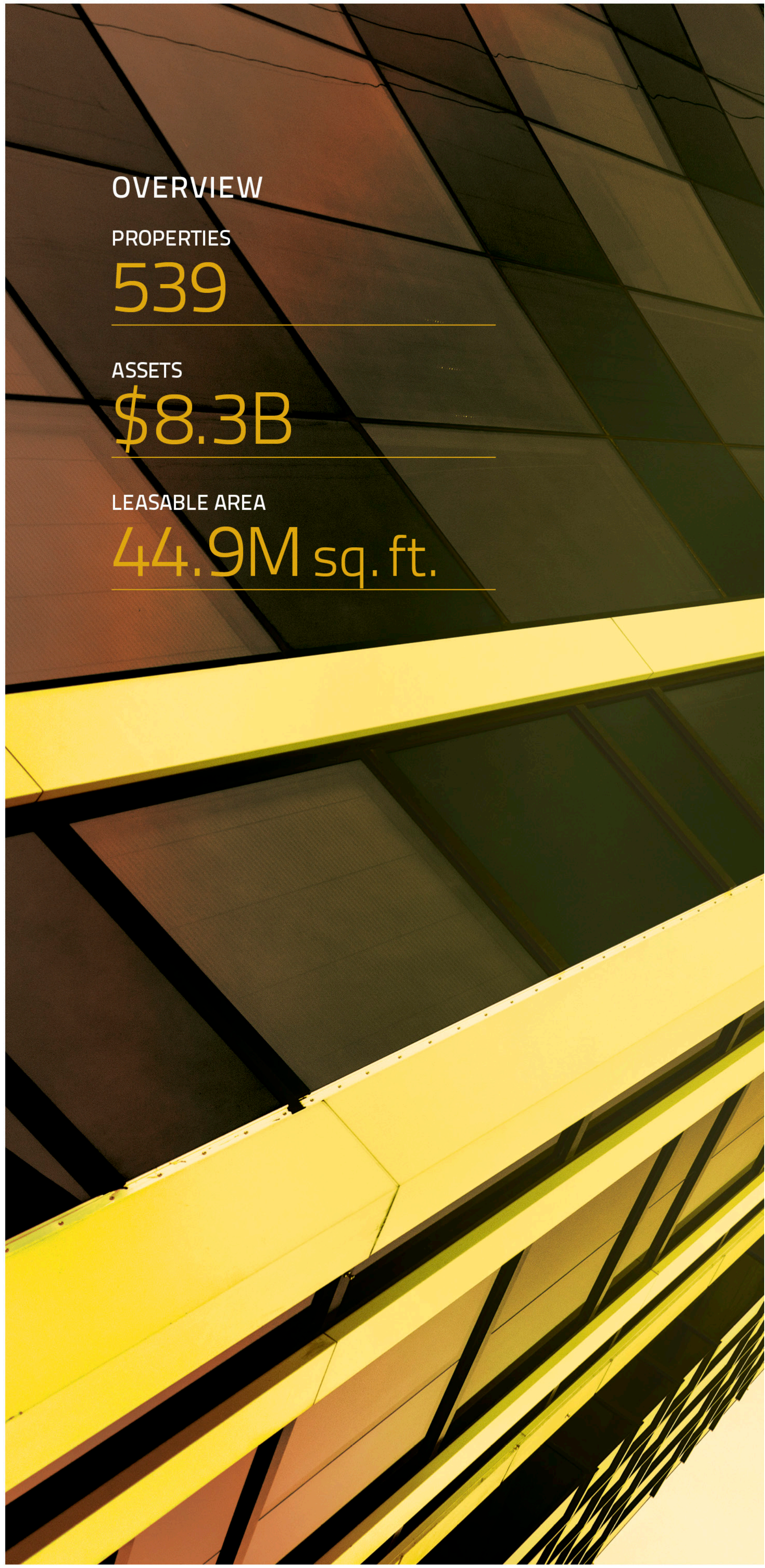
48

ATLANTIC PROVINCES

60

WESTERN CANADA

14



OVERVIEW

PROPERTIES

539

ASSETS

$8.3B

LEASABLE AREA

44.9M sq. ft.

Our team makes up
this inner strength.
It infuses our company
with contagious ambition
and inspires us all to
discover new horizons.

IN 2016, WE FOCUSED OUR EFFORTS ON CONSOLIDATING OUR ASSETS AND STRENGTHENING OUR FOUNDATION BY BUILDING ON OUR HUMAN CAPITAL, WHICH IS NOW COMPRISED OF MORE THAN 750 EMPLOYEES.

For 2016, our two objectives were the reduction of our debt ratio to a level comparable to the one we maintained prior to the acquisitions made in 2014, and the company's organic growth.

In our debt reduction efforts, we pursued our capital optimization program undertaken in 2015 by putting $260 million of properties up for sale in 2016, $115.6 million of which were completed as at December 31, 2016.

Taking into consideration the sales closed since the beginning of 2017, we are pleased to share with you that we completed our capital optimization program and that our debt ratio is now below 52%, back to the level with which we were operating prior to our acquisitions of 2014.

We intend to maintain this level of indebtedness in 2017 and focus our efforts on increasing our occupancy rate and improving our results.

The efforts made by our leasing teams in 2016 helped increase our occupancy rate to 92.4%, an increase of 0.5%, while achieving a 1.8% growth in the average net rent of all renewed leases growth in the average net rent of all renewed leases.

Our retail segment had the greatest improvement with a 2.7% increase, raising our retail occupancy rate to 93%.

For our office segment, despite western Canada which remains extremely difficult, we are pleased to see that the work of our teams allowed the increase, in the provinces of Ontario and Quebec, our rents by 2.3% at renewal, while achieving a slight increase in our occupancy rate of 0.2% for these areas.

Our industrial segment continues its strong performance by maintaining an occupancy rate of 94.3% and by achieving a 2.5% increase in the rent of leases renewed in 2016.

ALBAN D'AMOURS, M.C., G.O.Q., FA Dma
Trustee

Over the next year, we will pursue our efforts to increase our occupancy rate and improve our results. We will maintain, in the areas where this is required, our more aggressive leasing policy oriented towards improving the occupancy rate and we will focus on the best-performing areas.

The development of new properties has always been part of our growth strategy and our success, as it gives us greater profitability and access to high-quality properties at more favourable prices. In 2017, we will continue to build on this strength that we have and we will take on new challenging projects that will contribute to our growth.

We take this opportunity to thank all members of our team, as well as our trustees, for their excellent cooperation and contribution over the last year. Together we share a culture and values strongly focused on the clients and their satisfaction. Finally, we would like to thank our unitholders and other financial partners for their loyalty and confidence in Cominar. Together, we contributed to making Cominar an important business in the Canadian real estate market over the years. We reiterate our commitment to grow in this market with the main objective of profitability and sustainable value creation.

MICHEL DALLAIRE, Eng.
Chief Executive Officer and
Chairman of the Board of Trustee

ALBAN D'AMOURS, M.C., G.O.Q., FA Dma
Trustee

March 7, 2017

The following Management's Discussion and Analysis ("MD&A") is provided to enable the reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the fiscal year ended December 31, 2016, in comparison with the year 2015, as well as its financial position as at that date and its outlook. Dated March 7, 2017, this MD&A reflects all significant information available as of that date and should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.

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

BASIS OF PRESENTATION

Certain financial information in this MD&A present the consolidated balance sheets and consolidated statements of comprehensive income including Cominar's proportionate share in the assets, liabilities, revenues and charges of its joint ventures, hereinafter referred to as "Cominar's proportionate share", which are non-IFRS measures. Management believes that presenting the operating and financial results of Cominar, including its proportionate share in the assets, liabilities, revenues and charges of its joint ventures, provides more useful information to current and prospective investors to assist them in understanding Cominar's financial performance. The reader is invited to refer to the section *Reconciliations to Cominar's proportionate share* for a complete reconciliation of Cominar's consolidated financial statements prepared in accordance with IFRS to the financial information including its proportionate share in the assets, liabilities, revenues and charges of its joint ventures presented in this MD&A.

Additional information on Cominar, including its 2015 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.

HIGHLIGHTS OF FISCAL 2016

INCREASE IN THE OCCUPANCY RATE TO

92.4%

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

1.8%

DECREASE IN DEBT RATIO TO

52.4%

INCREASE IN CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

7.6%

DISPOSAL OF 31 INCOME PROPERTIES FOR NET PROCEEDS OF

$115.6M

UNENCUMBERED ASSETS TO UNSECURED DEBT RATIO

1.62:1

SUBSEQUENT EVENTS

On January 10, 2017, 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.

On January 13, 2017 and February 15, 2017, Cominar declared a monthly distribution of $0.1225 per unit for both of these months.

On January 31, 2017, Cominar completed the sale of one industrial and mixed-use property and one retail property located in the Toronto area, for a total sales price of $58.4 million, at an average capitalization rate of 7.0%.

On March 3, 2017, Cominar completed the sale of a portfolio of 8 retail properties located in the Montréal area and in Ontario for a total sales price of $35.3 million, at a capitalization rate of 6.7 %.

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 reports filed 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 2017 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," and "intend," and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include financial 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 schedules and to raise capital to finance growth as well as the interest rate variations.

We caution readers that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Cominar, investors and others should carefully consider the foregoing factors, as well as other factors and uncertainties. Unless otherwise stated, all forward-looking statements are valid only as at the date of this 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 2015 Annual Information Form.

NON-IFRS FINANCIAL MEASURES

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

PERFORMANCE INDICATORS

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

- **Same property net operating income**, which provides an indication of the operating profitability of the same property portfolio, that is, Cominar's ability to increase revenues, reduce costs, and generate organic growth;
- **Recurring funds from operations ("FFO") per unit**, which represents a standard real estate benchmark used to measure an entity's performance;
- **Recurring adjusted funds from operations ("AFFO") per unit**, which, by excluding the items not affecting cash flows and the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations, provides a meaningful measure of Cominar's ability to generate stable cash flows;
- **Debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization;
- **Interest coverage ratio**, which is used to assess Cominar's ability to pay interest on its debt from operating revenues;
- **Occupancy rate**, which gives an indication of the economic health of the geographical regions and sectors in which Cominar owns properties;
- **Retention rate**, which helps assess client satisfaction and loyalty;
- **Growth in the average net rent of renewed leases**, which is a measure of organic growth and gives an indication of our capacity to increase our rental revenue;
- **Segment and geographic diversification**, which contributes to revenue stability by spreading real estate risk.

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the years ended December 31	2016	2015	% Δ	Page
FINANCIAL PERFORMANCE				
Operating revenues – Financial statements	**866,982**	889,175	(2.5)	21
Operating revenues – Cominar's proportionate share(1)	**877,095**	898,042	(2.3)	21
Net operating income(1) – Financial statements	**468,609**	487,488	(3.9)	22
Net operating income(1) – Cominar's proportionate share	**474,354**	492,378	(3.7)	23
Same property net operating income(1)	**461,438**	463,852	(0.5)	23
Net income	**241,738**	272,434	(11.3)	28
Adjusted net income(1)	**272,669**	298,910	(8.8)	29
Cash flows provided by operating activities	**284,090**	263,942	7.6	33
Recurring funds from operations(1)	**278,570**	302,240	(7.8)	30
Recurring adjusted funds from operations(1)	**239,477**	261,645	(8.5)	32
Distributions	**254,456**	251,295	1.3	34
Total assets	**8,287,785**	8,225,697	0.8	20
PER UNIT FINANCIAL PERFORMANCE				
Net income (basic and diluted)	**1.40**	1.62	(13.6)	28
Adjusted net income (diluted)(1)	**1.58**	1.78	(11.2)	29
Recurring funds from operations (FD)(1)(2)	**1.62**	1.79	(9.5)	30
Recurring adjusted funds from operations (FD)(1)(2)	**1.39**	1.55	(10.3)	32
Distributions	**1.470**	1.470	–	34
Payout ratio of recurring adjusted funds from operations(1)	**105.8%**	94.8%		32
Cash payout ratio of recurring adjusted funds from operations(1)	**98.0%**	65.1%		32
FINANCING				
Debt ratio(3)	**52.4%**	53.9%		37
Interest coverage ratio(4)	**2.65:1**	2.67:1		37
Weighted average interest rate on total debt	**4.23%**	4.09%		37
Residual weighted average term of total debt (years)	**4.5**	4.5		37
Senior unsecured debts-to-total-debt ratio(5)	**53.0%**	53.6%		38
Unencumbered income properties	**3,736,476**	3,621,513		38
Unencumbered assets to unsecured debt ratio(6)	**1.62:1**	1.52:1		38
OPERATIONAL DATA				
Number of investment properties	**539**	566		40
Leasable area (in thousands of sq. ft.)	**44,919**	45,352		40
Occupancy rate	**92.4%**	91.9%		43
Retention rate	**68.2%**	78.6%		43
Growth in the average net rent of renewed leases	**1.8%**	(1.5)%		43
DEVELOPMENT ACTIVITIES				
Properties under development – Cominar's proportionate share(1)	**63,647**	65,574		18

(1) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.
(2) Fully diluted.
(3) Total of cash and cash equivalents, bank borrowings, mortgages payable and debentures divided by the total assets minus the total of 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.

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 2016**	Sept. 30, 2016	June 30, 2016	March 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	March 31, 2015
Operating revenues – Financial statements	**210,350**	217,946	217,262	221,424	217,049	217,946	224,769	229,411
Operating revenues – Cominar's proportionate share(4)	**213,008**	220,371	219,859	223,857	219,201	220,102	226,871	231,868
Net operating income(4) – Financial statements	**114,301**	124,569	116,069	113,670	122,775	122,854	122,793	119,066
Net operating income(4) – Cominar's proportionate share	**115,790**	126,055	117,456	115,053	123,958	124,057	124,111	120,252
Net income	**26,341**(1)	77,529(2)	69,787	68,081	53,000(1)	73,995	74,286	71,153
Adjusted net income(4)	**67,996**	66,805	69,787	68,081	77,244	75,097	75,416	71,153
Cash flows provided by operating activities	**102,031**	120,213	23,214	38,632	107,679	100,635	25,427	30,201
Recurring FFO(4)	**70,869**	68,011	70,855	68,835	78,169	75,900	76,188	71,983
Recurring AFFO(4)	**60,142**	57,698	61,788	59,849	67,989	65,429	65,711	62,516
Distributions	**67,156**	63,513	61,817	61,970	63,198	62,959	62,769	62,369
PER UNIT								
Net income (basic and diluted)	**0.14**(1)	0.46	0.41	0.40	0.31(1)	0.44	0.44	0.43
Adjusted net income (diluted)(4)	**0.37**	0.39	0.41	0.40	0.45	0.44	0.45	0.43
Recurring FFO (FD)(3)(4)	**0.39**	0.40	0.42	0.41	0.46	0.45	0.45	0.44
Recurring AFFO (FD)(3)(4)	**0.33**	0.34	0.37	0.35	0.40	0.39	0.39	0.38
Distributions	**0.3675**	0.3675	0.3675	0.3675	0.3675	0.3675	0.3675	0.3675

(1) Includes the change in fair value of investment properties of-$46.7 million in 2016 [-$23.3 million in 2015].
(2) Includes the net proceeds of $10.7 million from the settlement approved by the court between Target Canada and its creditors.
(3) Fully diluted
(4) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.

SELECTED ANNUAL INFORMATION

The following table presents a summary of Cominar's financial information for the last 3 fiscal years:

For the years ended December 31	2016	2015	2014
Operating revenues – Financial statements	**866,982**	889,175	739,884
Operating revenues – Cominar's proportionate share[(4)]	**877,095**	898,042	748,682
Net operating income[(4)] – Financial statements	**468,609**	487,488	411,279
Net operating income[(4)] – Cominar's proportionate share	**474,354**	492,378	416,202
Net income[(2)]	**241,738**	272,434	199,453[(3)]
Adjusted net income[(4)]	**272,669**	298,910	253,148
Cash flows provided by operating activities	**284,090**	263,942	229,030
Recurring FFO[(4)]	**278,570**	302,240	255,150
Recurring AFFO[(4)]	**239,477**	261,645	220,363
Distributions	**254,456**	251,295	203,375
Total assets	**8,287,785**	8,225,697	8,109,419
PER UNIT			
Net income (basic)	**1.40**	1.62	1.47
Net income (diluted)	**1.40**	1.62	1.45
Adjusted net income (diluted)[(4)]	**1.58**	1.78	1.81
Recurring FFO (FD)[(1)(4)]	**1.62**	1.79	1.86
Recurring AFFO (FD)[(1)(4)]	**1.39**	1.55	1.61
Distributions	**1.470**	1.470	1.453

(1) Fully diluted

(2) Includes the change in fair value of investment properties.

(3) Includes non-recurring transaction costs of $26.7 million resulting from the acquisition of an investment property portfolio for a purchase price of $1.63 billion.

(4) Non-IFRS financial measure. See relevant section for definition and reconciliation to closest IFRS measure.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is one of the largest diversified REITs in Canada and remains the largest commercial property owner and manager in the province of Quebec. As at December 31, 2016, Cominar owned and managed a high-quality portfolio of 539 properties including 134 office buildings, 168 retail buildings and 237 industrial and mixed-use buildings located in Quebec, Ontario, the Atlantic Provinces and Western Canada, representing a total leasable area of 44.9 million square feet. Cominar's properties are mostly situated in prime locations and benefit from high visibility and easy access by both our tenants and their clients.

Since its inception in 1998, Cominar has made a series of acquisitions and completed numerous construction and property development projects, increasing the value of its assets to $8.3 billion as at December 31, 2016.

Cominar's asset and property management is internalized. Cominar is an integrated and self-managed real estate investment operation. This property management structure enables us to rapidly and efficiently respond to our clients' needs, while minimizing our operating cost.

PROPERTIES SUMMARY AS AT DECEMBER 31, 2016

Segment	Number of properties	Leasable area (sq. ft.)	Occupancy rate (%)
Office	134	14,522,000	89.6
Retail	168	12,372,000	93.0
Industrial and mixed-use	237	18,025,000	94.3
TOTAL	**539**	**44,919,000**	**92.4**

OBJECTIVES AND STRATEGY

Cominar's primary objectives are to provide unitholders with stable and growing monthly cash distributions which are tax deferred, from investments in a diversified portfolio of properties, and to increase and maximize unit value through the proactive management of properties and the ongoing expansion of its real estate 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, Cominar developed a capital optimization strategy through asset dispositions. The net proceeds from the disposition of assets shall be used to pay down debt. Cominar targets a long-term debt to gross book value ratio of assets that should generally be about 50%.

RECONCILIATIONS TO COMINAR'S PROPORTIONATE SHARE

According to IFRS 11, joint ventures are accounted for under the equity method in Cominar's consolidated financial statements. Management considers that presenting operating and financial results including Cominar's proportionate share of assets, liabilities, revenues and charges of its joint ventures, provides more complete information on Cominar's financial performance.

The following tables present the reconciliations between Cominar's consolidated financial statements prepared in accordance with IFRS and consolidated financial statements including its proportionate share of assets, liabilities, revenues and charges of its joint ventures.

As at December 31	2016			2015		
	Consolidated financial statements	**Joint ventures**	**Cominar's proportionate share[1]**	Consolidated financial statements	Joint ventures	Cominar's proportionate share[1]
	$	**$**	**$**	$	$	$
ASSETS						
Investment properties						
Income properties	**7,676,134**	**99,197**	**7,775,331**	7,614,990	91,585	7,706,575
Properties under development	**45,776**	**17,871**	**63,647**	49,114	16,460	65,574
Land held for future development	**90,820**	**41,288**	**132,108**	71,646	32,333	103,979
	7,812,730	**158,356**	**7,971,086**	7,735,750	140,378	7,876,128
Income properties held for sale	**143,130**	**—**	**143,130**	163,733	—	163,733
Investments in joint ventures	**90,194**	**(90,194)**	**—**	74,888	(74,888)	—
Goodwill	**166,971**	**—**	**166,971**	166,971	—	166,971
Mortgage receivable	**8,250**	**—**	**8,250**	8,250	—	8,250
Accounts receivable	**42,518**	**305**	**42,823**	56,756	1,122	57,878
Prepaid expenses and other assets	**14,139**	**88**	**14,227**	14,099	71	14,170
Cash and cash equivalents	**9,853**	**692**	**10,545**	5,250	221	5,471
Total assets	**8,287,785**	**69,247**	**8,357,032**	8,225,697	66,904	8,292,601
LIABILITIES						
Mortgages payable	**2,048,009**	**56,437**	**2,104,446**	2,052,640	51,156	2,103,796
Mortgage payable related to a property held for sale	**—**	**—**	**—**	8,590	—	8,590
Debentures	**1,970,566**	**—**	**1,970,566**	1,995,506	—	1,995,506
Bank borrowings	**332,121**	**10,800**	**342,921**	381,166	12,501	393,667
Accounts payable and accrued liabilities	**109,861**	**2,010**	**111,871**	118,921	3,247	122,168
Deferred tax liabilities	**11,715**	**—**	**11,715**	10,877	—	10,877
Total liabilities	**4,472,272**	**69,247**	**4,541,519**	4,567,700	66,904	4,634,604
UNITHOLDERS' EQUITY						
Unitholders' equity	**3,815,513**	**—**	**3,815,513**	3,657,997	—	3,657,997
Total liabilities and unitholders' equity	**8,287,785**	**69,247**	**8,357,032**	8,225,697	66,904	8,292,601

(1) Non-IFRS financial measure.

For the quarters ended December 31	2016			2015		
	Consolidated financial statements	**Joint ventures**	**Cominar's proportionate share(1)**	Consolidated financial statements	Joint ventures	Cominar's proportionate share(1)
	$	**$**	**$**	$	$	$
Operating revenues	**210,350**	**2,658**	**213,008**	217,049	2,152	219,201
Operating expenses	**96,049**	**1,169**	**97,218**	94,274	969	95,243
Net operating income	**114,301**	**1,489**	**115,790**	122,775	1,183	123,958
Finance charges	**(42,482)**	**(692)**	**(43,174)**	(41,652)	(626)	(42,278)
Trust administrative expenses	**(4,490)**	**(22)**	**(4,512)**	(4,138)	(34)	(4,172)
Share of joint ventures' net income	**5,795**	**(5,795)**	**—**	(399)	399	—
Change in fair value of investment properties	**(46,675)**	**5,020**	**(41,655)**	(23,322)	(922)	(24,244)
Income before income taxes	**26,449**	**—**	**26,449**	53,264	—	53,264
Income taxes	**(108)**	**—**	**(108)**	(264)	—	(264)
Net income and comprehensive income	**26,341**	**—**	**26,341**	53,000	—	53,000

(1) Non-IFRS financial measure.

For the years ended December 31	2016			2015		
	Consolidated financial statements	**Joint ventures**	**Cominar's proportionate share(1)**	Consolidated financial statements	Joint ventures	Cominar's proportionate share(1)
	$	**$**	**$**	$	$	$
Operating revenues	**866,982**	**10,113**	**877,095**	889,175	8,867	898,042
Operating expenses	**398,373**	**4,368**	**402,741**	401,687	3,977	405,664
Net operating income	**468,609**	**5,745**	**474,354**	487,488	4,890	492,378
Finance charges	**(170,645)**	**(2,691)**	**(173,336)**	(176,208)	(2,507)	(178,715)
Trust administrative expenses	**(16,719)**	**(68)**	**(16,787)**	(16,384)	(34)	(16,418)
Share of joint ventures' net income	**8,006**	**(8,006)**	**—**	1,427	(1,427)	—
Change in fair value of investment properties	**(46,675)**	**5,020**	**(41,655)**	(23,322)	(922)	(24,244)
Income before income taxes	**242,576**	**—**	**242,576**	273,001	—	273,001
Income taxes	**(838)**	**—**	**(838)**	(567)	—	(567)
Net income and comprehensive income	**241,738**	**—**	**241,738**	272,434	—	272,434

(1) Non-IFRS financial measure.

PERFORMANCE ANALYSIS

FINANCIAL POSITION

The following table indicates the changes in assets and liabilities as well as in unitholders' equity as at December 31, 2016 and 2015, as shown in our consolidated financial statements:

As at December 31	2016	2015	$ Δ	% Δ
ASSETS				
Investment properties				
Income properties	**7,676,134**	7,614,990	61,144	0.8
Properties under development	**45,776**	49,114	(3,338)	(6.8)
Land held for future development	**90,820**	71,646	19,174	26.8
	7,812,730	7,735,750	76,980	1.0
Income properties held for sale	**143,130**	163,733	(20,603)	(12.6)
Investments in joint ventures	**90,194**	74,888	15,306	20.4
Goodwill	**166,971**	166,971	—	—
Mortgage receivable	**8,250**	8,250	—	—
Accounts receivable	**42,518**	56,756	(14,238)	(25.1)
Prepaid expenses and other assets	**14,139**	14,099	40	0.3
Cash and cash equivalents	**9,853**	5,250	4,603	87.7
Total assets	**8,287,785**	8,225,697	62,088	0.8
LIABILITIES				
Mortgages payable	**2,048,009**	2,052,640	(4,631)	(0.2)
Mortgage payable related to a property held for sale	**—**	8,590	(8,590)	(100.0)
Debentures	**1,970,566**	1,995,506	(24,940)	(1.2)
Bank borrowings	**332,121**	381,166	(49,045)	(12.9)
Accounts payable and accrued liabilities	**109,861**	118,921	(9,060)	(7.6)
Deferred tax liabilities	**11,715**	10,877	838	7.7
Total liabilities	**4,472,272**	4,567,700	(95,428)	(2.1)
UNITHOLDERS' EQUITY				
Unitholders' equity	**3,815,513**	3,657,997	157,516	4.3
Total liabilities and unitholders' equity	**8,287,785**	8,225,697	62,088	0.8

RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table indicates the main changes in our results of operations for the periods ended December 31, 2016 and 2015, as shown in our consolidated financial statements:

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Operating revenues	**210,350**	217,049	(3.1)	**866,982**	889,175	(2.5)
Operating expenses	**96,049**	94,274	1.9	**398,373**	401,687	(0.8)
Net operating income	**114,301**	122,775	(6.9)	**468,609**	487,488	(3.9)
Finance charges	**(42,482)**	(41,652)	2.0	**(170,645)**	(176,208)	(3.2)
Trust administrative expenses	**(4,490)**	(4,138)	8.5	**(16,719)**	(16,384)	2.0
Share of joint ventures' net income	**5,795**	(399)	1,552.4	**8,006**	1,427	461.0
Change in fair value of investment properties	**(46,675)**	(23,322)	100.1	**(46,675)**	(23,322)	100.1
Income taxes	**(108)**	(264)	(59.1)	**(838)**	(567)	47.8
Net income	**26,341**	53,000	(50.3)	**241,738**	272,434	(11.3)

OPERATING REVENUES

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Operating revenues – Financial statements	**210,350**	217,049	(3.1)	**866,982**	889,175	(2.5)
Operating revenues – Joint ventures	**2,658**	2,152	23.5	**10,113**	8,867	14.1
Operating revenues – Cominar's proportionate share[1]	**213,008**	219,201	(2.8)	**877,095**	898,042	(2.3)

(1) Non-IFRS financial measure.

During fiscal 2016, operating revenues according to the financial statements decreased by 2.5% compared to fiscal 2015, primarily due to the dispositions of income properties completed in 2015 and 2016.

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Same property portfolio – Financial statements	**205,512**	207,306	(0.9)	**846,620**	847,817	(0.1)
Same property portfolio – Joint ventures	**2,196**	2,091	5.0	**8,846**	8,806	0.5
Same property portfolio[1] – Cominar's proportionate share[2]	**207,708**	209,397	(0.8)	**855,466**	856,623	(0.1)
Acquisitions, developments and dispositions – Financial statements	**4,838**	9,743	(50.3)	**20,362**	41,358	(50.8)
Acquisitions and developments – Joint ventures	**462**	61	657.4	**1,267**	61	1,977.0
Operating revenues – Cominar's proportionate share[2]	**213,008**	219,201	(2.8)	**877,095**	898,042	(2.3)

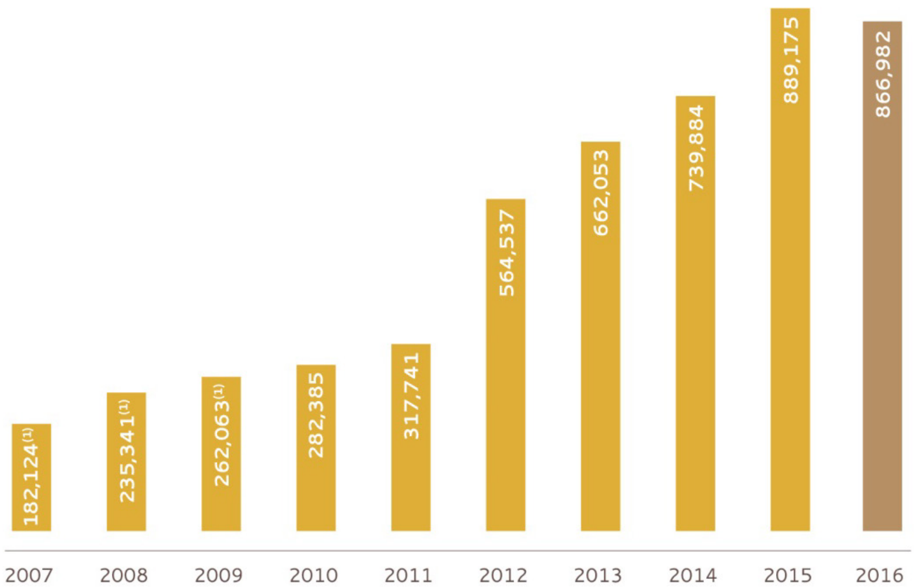
(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2014, except for the properties sold in 2015 and 2016, but does not include the results of properties acquired and those under development in 2015 and 2016.

(2) Non-IFRS financial measure.

During fiscal 2016, operating revenues of the same property portfolio according to the financial statements remained stable compared to fiscal 2015.

The chart below presents Cominar's operating revenues based on the consolidated financial statements over the past 10 years.

OPERATING REVENUES



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

NET OPERATING INCOME

Although net operating income ("NOI") is not an IFRS financial measure, it is widely used in the real estate industry to assess operating performance. We define it as operating income before the change in fair value of investment properties, share of joint ventures' net income, finance charges, Trust administrative expenses 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.

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Net operating income – Financial statements	**114,301**	122,775	(6.9)	**468,609**	487,488	(3.9)
Net operating income – Joint ventures	**1,489**	1,183	25.9	**5,745**	4,890	17.5
Net operating income – Cominar's proportionate share[1]	**115,790**	123,958	(6.6)	**474,354**	492,378	(3.7)

(1) Non-IFRS financial measure.

During fiscal 2016, NOI according to the financial statements decreased by 3.9% from fiscal 2015, primarily due to the dispositions of income properties completed in 2015 and 2016.

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Same property portfolio – Financial statements	**111,224**	115,660	(3.8)	**456,501**	459,006	(0.5)
Same property portfolio – Joint ventures	**1,228**	1,139	7.8	**4,937**	4,846	1.9
Same property portfolio(1) – Cominar's proportionate share(2)	**112,452**	116,799	(3.7)	**461,438**	463,852	(0.5)
Acquisitions, developments and dispositions – Financial statements	**3,078**	7,115	(56.7)	**12,109**	28,482	(57.5)
Acquisitions and developments – Joint ventures	**260**	44	490.9	**807**	44	1734.1
Net operating income – Cominar's proportionate share(2)	**115,790**	123,958	(6.6)	**474,354**	492,378	(3.7)

(1) The same property portfolio includes the properties owned by Cominar as at December 31, 2014, except for the properties sold in 2015 and 2016, but does not include the results of properties acquired and those under development in 2015 and 2016.
(2) Non-IFRS financial measure.

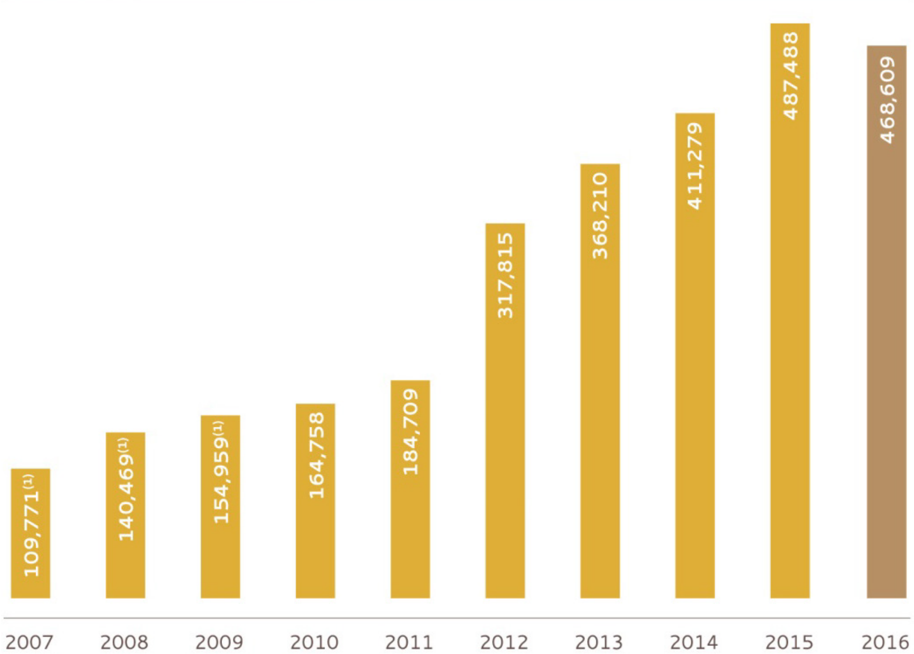
	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Operating segment						
Office	**45,752**	48,855	(6.4)	**190,072**	197,160	(3.6)
Retail	**43,195**	44,026	(1.9)	**179,976**	173,057	4.0
Industrial and mixed-use	**23,505**	23,918	(1.7)	**91,390**	93,635	(2.4)
Same property portfolio net operating income – Cominar's proportionate share(1)	**112,452**	116,799	(3.7)	**461,438**	463,852	(0.5)

(1) Non-IFRS financial measure.

Same property net operating income according to the financial statements decreased by 0.5% during fiscal 2016 from fiscal 2015.

The chart below presents Cominar's net operating income based on the consolidated financial statements over the past 10 years.

NET OPERATING INCOME



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

SEGMENT NET OPERATING INCOME

Cominar analyses its segmented results of operations taking into account the proportionate share of its joint ventures to assess the operating performance of its investment properties.

BY OPERATING SEGMENT

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Operating segment						
Office	**46,928**	51,941	(9.7)	**193,309**	208,724	(7.4)
Retail	**44,014**	46,478	(5.3)	**183,961**	184,729	(0.4)
Industrial and mixed-use	**24,848**	25,539	(2.7)	**97,084**	98,925	(1.9)
Net operating income – Cominar's proportionate share[1]	**115,790**	123,958	(6.6)	**474,354**	492,378	(3.7)

(1) Non-IFRS financial measure.

	Quarter		Year-to-date	
For the periods ended December 31	**2016**	2015	**2016**	2015
Operating segment				
Office	**40.5%**	41.9%	**40.7%**	42.4%
Retail	**38.0%**	37.5%	**38.8%**	37.5%
Industrial and mixed-use	**21.5%**	20.6%	**20.5%**	20.1%
	100.0%	100.0%	**100.0%**	100.0%

Net operating income for the office segment decreased during fiscal 2016 compared with fiscal 2015, due mainly to the disposition of 2 income properties on September 30, 2015, and the lower average occupancy rate for this segment.

Net operating income for the retail segment decreased during fiscal 2016 compared with fiscal 2015, due mainly to the dispositions of income properties completed in 2016.

Net operating income for the industrial and mixed-use segment decreased during fiscal 2016 compared with fiscal 2015, due mainly to the disposition of 1 income property on September 30, 2015.

Cominar management is confident that the efforts of its leasing and property management teams will contribute to improving growth in these three segments in the next quarters.

BY GEOGRAPHIC MARKET

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Geographic market						
Québec	**27,258**	28,275	(3.6)	**111,611**	113,174	(1.4)
Montréal	**61,058**	64,795	(5.8)	**246,334**	253,698	(2.9)
Ontario(1)	**17,048**	19,535	(12.7)	**72,035**	79,701	(9.6)
Atlantic Provinces	**4,704**	5,130	(8.3)	**21,031**	20,903	0.6
Western Canada	**5,722**	6,223	(8.1)	**23,343**	24,902	(6.3)
Net operating income – Cominar's proportionate share(2)	**115,790**	123,958	(6.6)	**474,354**	492,378	(3.7)

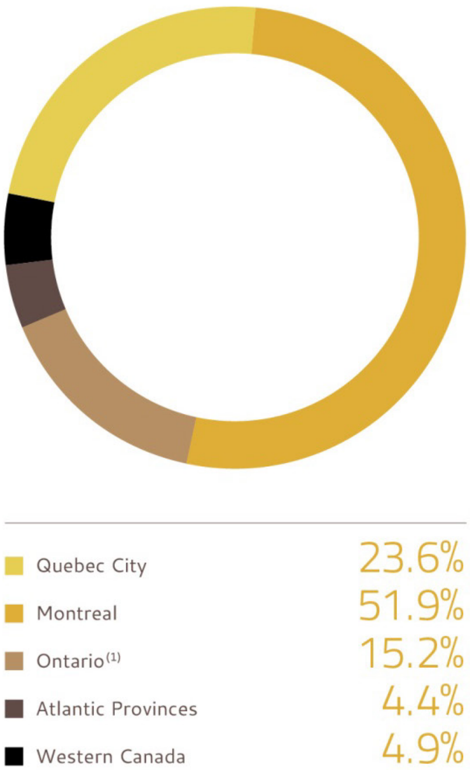
(1) For presentation purposes, the Gatineau area is included in the Ontario geographic market.
(2) Non-IFRS financial measure.

	Quarter		Year-to-date	
For the periods ended December 31	**2016**	2015	**2016**	2015
Geographic market				
Québec	**23.6%**	22.8%	**23.6%**	23.0%
Montréal	**52.7%**	52.3%	**51.9%**	51.5%
Ontario(1)	**14.7%**	15.8%	**15.2%**	16.2%
Atlantic Provinces	**4.1%**	4.1%	**4.4%**	4.2%
Western Canada	**4.9%**	5.0%	**4.9%**	5.1%
	100.0%	100.0%	**100.0%**	100.0%

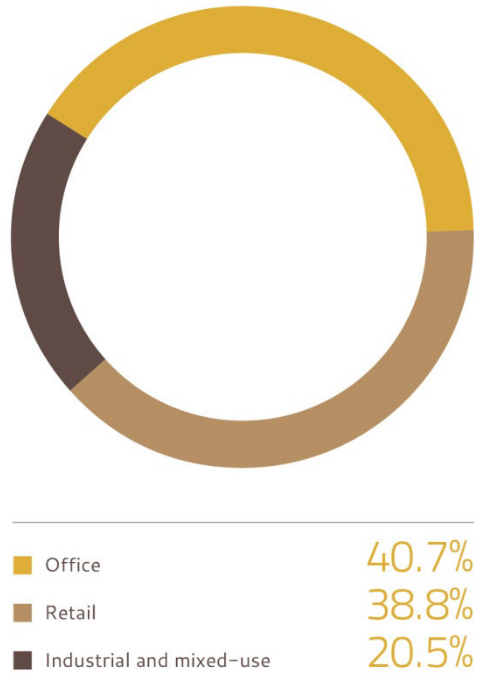
(1) For presentation purposes, the Gatineau area is included in the Ontario geographic market.

The decrease in net operating income in the Québec and Montréal areas and in Ontario for fiscal 2016 when compared to fiscal 2015 is due mainly to the disposition of income properties in 2015 and 2016.

NET OPERATING INCOME BY GEOGRAPHIC MARKET



NET OPERATING INCOME BY OPERATING SEGMENT



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

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

Cominar opted to present its investment properties in the consolidated 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 during the period, if applicable. External valuations were carried out by independent national firms holding a recognised and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

As per Cominar's policy on valuing investment properties, during fiscal 2016, management revalued the entire real estate portfolio and determined that a decrease of $41.7 million (taking into account an upward adjustment of $5.0 million in the joint ventures) was necessary to adjust the carrying amount of investment properties to their fair value [decrease of $24.2 million in 2015]. In 2016, the fair value of investment properties from external valuations amounted to 14% [17% in 2015] of the total fair value of all income properties.

Internally valued investment properties have been valued using the capitalized net operating income method. Externally valued investment properties have been valued either with the capitalized net operating income method or the discounted cash flow method. Here is a description of these methods and the key assumptions used:

Capitalized net operating income method – Under this method, capitalization rates are applied to standardized net operating income in order to comply with current valuation standards. The standardized 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 different capitalization rates by property type and geographical area.

Discounted cash flow method – Under this method, the expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables.

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 reported in net income.

As required under IFRS, Cominar has determined that an increase or decrease in 2016 of 0.1% in the applied capitalization rates for the entire real estate portfolio would result in a decrease or increase of approximately $135.3 million [$124.6 million in 2015] in the fair value of its investment properties.

Internally and externally used capitalization and discount rates are consistent.

WEIGHTED AVERAGE CAPITALIZATION AND DISCOUNT RATES

As at December 31						2016	2015
	Québec	Montréal	Ontario	Atlantic Provinces	Western Canada	Weighted average rate	Weighted average rate
Office properties							
Capitalized net operating income method							
Capitalization rate	6.3%	6.1%	6.0%	7.2%	6.4%	6.2%	6.3%
Discounted cash flow method							
Overall capitalization rate	N/A	5.4%	N/A	N/A	N/A	5.4%	6.2%
Terminal capitalization rate	N/A	5.6%	N/A	N/A	N/A	5.6%	6.4%
Discount rate	N/A	6.7%	N/A	N/A	N/A	6.7%	7.0%
Retail properties							
Capitalized net operating income method							
Capitalization rate	6.1%	5.8%	5.7%	7.7%	6.2%	5.9%	6.1%
Discounted cash flow method							
Overall capitalization rate	N/A	5.9%	N/A	N/A	N/A	5.9%	6.1%
Terminal capitalization rate	N/A	6.1%	N/A	N/A	N/A	6.1%	6.4%
Discount rate	N/A	6.9%	N/A	N/A	N/A	6.9%	7.0%
Industrial and mixed-use properties							
Capitalized net operating income method							
Capitalization rate	7.0%	6.8%	6.9%	7.7%	6.8%	6.9%	7.0%
Discounted cash flow method							
Overall capitalization rate	N/A	N/A	N/A	N/A	N/A	N/A	7.2%
Terminal capitalization rate	N/A	N/A	N/A	N/A	N/A	N/A	7.3%
Discount rate	N/A	N/A	N/A	N/A	N/A	N/A	7.8%
Total							
Capitalized net operating income method							
Capitalization rate	6.3 %	6.2 %	6.0 %	7.4 %	6.4 %	6.2 %	6.4%
Discounted cash flow method							
Overall capitalization rate	N/A	5.6 %	N/A	N/A	N/A	5.6 %	6.2%
Terminal capitalization rate	N/A	5.8 %	N/A	N/A	N/A	5.8 %	6.4%
Discount rate	N/A	6.7 %	N/A	N/A	N/A	6.7 %	7.0%

(1) For the year ended December 31, 2016, no industrial and mixed-use properties have been subject to external valuation according to the discounted cash flow method.

FINANCE CHARGES

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Interest on mortgages payable	**22,152**	21,544	2.8	**87,780**	88,959	(1.3)
Interest on debentures	**20,898**	19,864	5.2	**83,456**	80,150	4.1
Interest on convertible debentures	**—**	—	—	**—**	7,010	(100.0)
Interest on bank borrowings	**2,091**	3,306	(36.8)	**9,747**	9,931	(1.9)
Net amortization of premium and discount on debenture issuances	**(203)**	(200)	1.5	**(801)**	(787)	1.8
Amortization of deferred financing costs and other costs	**898**	891	0.8	**3,771**	6,664	(43.4)
Amortization of fair value adjustments on assumed indebtedness	**(1,468)**	(2,178)	(32.6)	**(6,501)**	(9,483)	(31.4)
Less: Capitalized interest[1]	**(1,886)**	(1,575)	19.7	**(6,807)**	(6,236)	9.2
Total finance charges – Financial statements	**42,482**	41,652	2.0	**170,645**	176,208	(3.2)
Percentage of operating revenues	**20.2%**	19.2%		**19.7%**	19.8%	
Weighted average interest rate on total debt				**4.23%**	4.09%	

(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.

The $5.6 million decrease in finance charges for the year ended December 31, 2016, compared to fiscal 2015, was mainly due to a decrease in the average total debt for the year following the recent dispositions of income properties of $107.2 million and the issuance of $191.5 million of units on September 23, 2016, whose cash flow was used to pay down debt.

TRUST ADMINISTRATIVE EXPENSES

During fiscal 2016, Trust administrative expenses stood at $16.7 million, accounting for 1.9% of operating revenues, up $0.3 million from fiscal 2015.

NET INCOME

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Net income	**26,341**	53,000	(50.3)	**241,738**	272,434	(11.3)
Net income per unit (basic and diluted)	**0.14**	0.31	(54.8)	**1.40**	1.62	(13.6)
Weighted average number of units (basic)	**181,566,067**	170,156,688		**172,131,831**	167,867,983	
Weighted average number of units (diluted)	**181,735,991**	170,249,416		**172,505,427**	168,047,951	

Net income for fiscal 2016 amounted to $241.7 million, down $30.7 million compared to net income for fiscal 2015. This decrease resulted from the $18.9 million decrease in net operating income previously explained, a $5.6 million reduction in finance charges, a $0.3 million increase in Trust administrative expenses, a $6.6 million increase in the share of joint ventures' net income, an increase in the devaluation of investment properties of $23.4 million and an increase in the provision for income taxes of $0.3 million compared to fiscal 2015.

ADJUSTED NET INCOME

Adjusted net income is not an IFRS financial measure. The calculation method used by Cominar may differ from those used by other entities. Cominar calculates an adjusted net income to eliminate the change in fair value of investment properties, the net proceeds from the settlement of the claim against Target Canada and to eliminate the write-off of deferred financing costs that are non-monetary and that have no impact on cash flows.

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Net income	**26,341**	53,000	(50.3)	**241,738**	272,434	(11.3)
Change in fair value of investment properties – Cominar's proportionate share	**41,655**	24,244	71.8	**41,655**	24,244	71.8
Write-off of deferred financing costs(1)	**—**	—	—	**—**	2,232	(100.0)
Other income – non-recurring(1)	**—**	—	—	**(10,724)**	—	(100.0)
Adjusted net income	**67,996**	77,244	(12.0)	**272,669**	298,910	(8.8)
Adjusted net income per unit (diluted)	**0.37**	0.45	(17.8)	**1.58**	1.78	(11.2)
Weighted average number of units (diluted)	**181,735,991**	170,249,416		**172,505,427**	168,047,951	

(1) In 2016, net proceeds of $10.7 million were received from the settlement of the claim against Target Canada. In 2015, deferred financing costs of $2.2 million were written off following the early redemptions of the Series E and Series D convertible debentures respectively on July 6, 2015 and September 8, 2015.

Adjusted net income for fiscal 2016 decreased by 8.8% from fiscal 2015, due mainly to the decrease in net operating income following the dispositions of income properties completed in 2015 and 2016.

FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not an IFRS financial measure, it is widely used in the real estate investment trust industry. REALpac defines this measure as net income (calculated in accordance with IFRS), adjusted for, among other things, changes in fair value of investment properties, deferred taxes, initial and re-leasing salary costs, adjustments relating to accounting of joint ventures under the equity method and transaction costs incurred upon a business combination.

FFO is not a substitute for net income 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. This measure may not be useful for comparisons with other entities.

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

The following table presents a reconciliation of net income, as determined in accordance with IFRS, and FFO:

FUNDS FROM OPERATIONS

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Net income	**26,341**	53,000	(50.3)	**241,738**	272,434	(11.3)
+ Change in fair value of investment properties[2]	**41,655**	24,244	71.8	**41,655**	24,244	71.8
+ Deferred income taxes	**108**	264	(59.1)	**838**	567	47.8
+ Initial and re-leasing salary costs	**797**	661	20.6	**3,095**	2,763	12.0
+ Capitalizable interest on properties under development – joint ventures	**1,968**	–	100.0	**1,968**	–	100.0
Funds from operations[2]	**70,869**	78,169	(9.3)	**289,294**	300,008	(3.6)
+ Write-off of deferred financing costs[1]	**–**	–	–	**–**	2,232	(100.0)
- Other income – non-recurring[1]	**–**	–	–	**(10,724)**	–	(100.0)
Recurring funds from operations[2]	**70,869**	78,169	(9.3)	**278,570**	302,240	(7.8)
Per unit information:						
Recurring funds from operations (FD)[3][4]	**0.39**	0.46	(15.2)	**1.62**	1.79	(9.5)
Weighted average number of units outstanding for recurring funds from operations (FD)[3]	**181,735,991**	170,249,416		**172,505,427**	173,711,158	
Payout ratio[5]	**94.2%**	79.9%		**90.7%**	82.1%	
Cash payout ratio[6]	**74.5%**	56.2%		**84.2%**	56.3%	

(1) In 2016, net proceeds of $10.7 million were received from the settlement of the claim against Target Canada. In 2015, $2.2 million of deferred financing costs were written off following the early repurchase of all Series E debentures effective on July 6, 2015 and Series D effective on September 8, 2015.

(2) Including Cominar's proportionate share in joint ventures.

(3) Fully diluted.

(4) The calculation of fully diluted recurring funds from operations per unit includes the elimination of interest at the effective rate on the dilutive convertible debentures in an amount of $nil for the year ended December 31, 2016 [$8.0 million in 2015].

(5) The payout ratio corresponds to the distribution per unit, divided by fully diluted recurring FFO per unit.

(6) The cash payout ratio corresponds to the cash distribution per unit, divided by fully diluted recurring FFO per unit.

Recurring FFO for fiscal 2016 decreased by 7.8% from fiscal 2015, due mainly to the dispositions of income properties completed in 2015 and 2016.

Recurring FFO per unit on a fully diluted basis stood at $1.62 for the year ended December 31, 2016, down 9.5% from fiscal 2015, due mainly to the dispositions of income properties completed in 2015 and 2016.

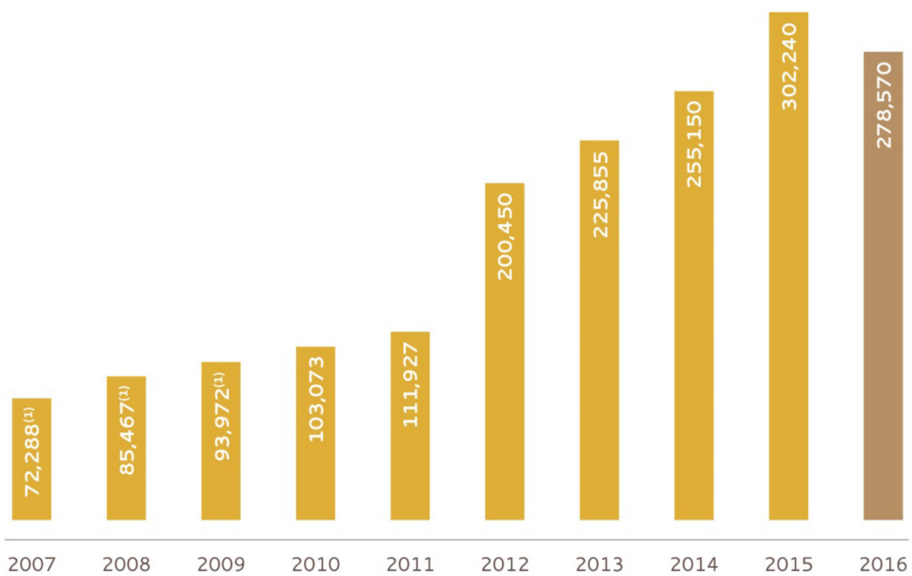
TRACK RECORD OF RECURRING FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	**2016**	2015	2014	2013	2012
Recurring funds from operations per unit (FD)[1]	**1.62**	1.79	1.86	1.77	1.78

(1) Fully diluted.

The chart below presents Cominar's recurring funds from operations over the past 10 years.

RECURRING FUNDS FROM OPERATIONS



(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 real estate investment trust industry. 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 and the recognition of leases on a straight-line basis, 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 its ability to maintain and increase distributions over the long term. AFFO is not an IFRS measure and should not be substituted for 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 may not be appropriate for comparative analysis purposes.

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

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

The following table presents a reconciliation of FFO and AFFO:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Funds from operations(1)	**70,869**	78,169	(9.3)	**289,294**	300,008	(3.6)
− Net amortization of premium and discount on debenture issuances	**(203)**	(200)	1.5	**(801)**	(787)	1.8
+ Amortization of deferred financing costs(1)	**906**	898	0.8	**3,801**	6,285	(39.5)
− Amortization of fair value adjustments of assumed indebtedness	**(1,468)**	(2,178)	(32.6)	**(6,501)**	(9,483)	(31.4)
+ Amortization of fair value adjustment of bond investments	**—**	6	(100.0)	**12**	51	(76.5)
+ Compensation expense related to long-term incentive plan	**248**	486	(49.0)	**1,028**	1,970	(47.8)
− Capital expenditures – maintenance of rental income generating capacity	**(3,014)**	(2,483)	21.4	**(8,498)**	(7,207)	17.9
+ Accretion of the liability component of convertible debentures	**—**	—	—	**—**	411	(100.0)
− Provision for leasing costs	**(6,390)**	(5,100)	25.3	**(24,090)**	(22,300)	8.0
− Recognition of leases on a straight-line basis(1)	**(806)**	(1,609)	(49.9)	**(4,044)**	(7,303)	(44.6)
− Other income – non-recurring(6)	**—**	—	—	**(10,724)**	—	(100.0)
Recurring adjusted funds from operations(1)	**60,142**	67,989	(11.5)	**239,477**	261,645	(8.5)
Per unit information:						
Recurring adjusted funds from operations (FD)(2)(3)	**0.33**	**0.40**	(17.5)	**1.39**	**1.55**	(10.3)
Weighted average number of units outstanding for recurring adjusted funds from operations (FD)(2)	**181,735,991**	170,249,416		**172,505,427**	173,711,158	
Payout ratio(4)	**111.4%**	**91.9%**		**105.8%**	**94.8%**	
Cash payout ratio(5)	**88.1%**	**64.7%**		**98.0%**	**65.1%**	

(1) Including Cominar's proportionate share in joint ventures.
(2) Fully diluted.
(3) The calculation of fully diluted recurring adjusted funds from operations per unit includes elimination of interest on the dilutive convertible debentures in an amount of $nil for the year ended December 31, 2016 [$1.3 million in 2015].
(4) The payout ratio corresponds to the distribution per unit, divided by fully diluted recurring AFFO per unit.
(5) The cash payout ratio corresponds to the cash distribution per unit, divided by fully diluted recurring AFFO per unit.
(6) In 2016, net proceeds of $10.7 million were received from the settlement of the claim against Target Canada.

Recurring AFFO for fiscal 2016 decreased by 8.5% compared with fiscal 2015, due mainly to the dispositions of income properties completed in 2015 and 2016.

Fully diluted recurring AFFO per unit totalled $1.39 for the year ended December 31, 2016, down 10.3% from fiscal 2015.

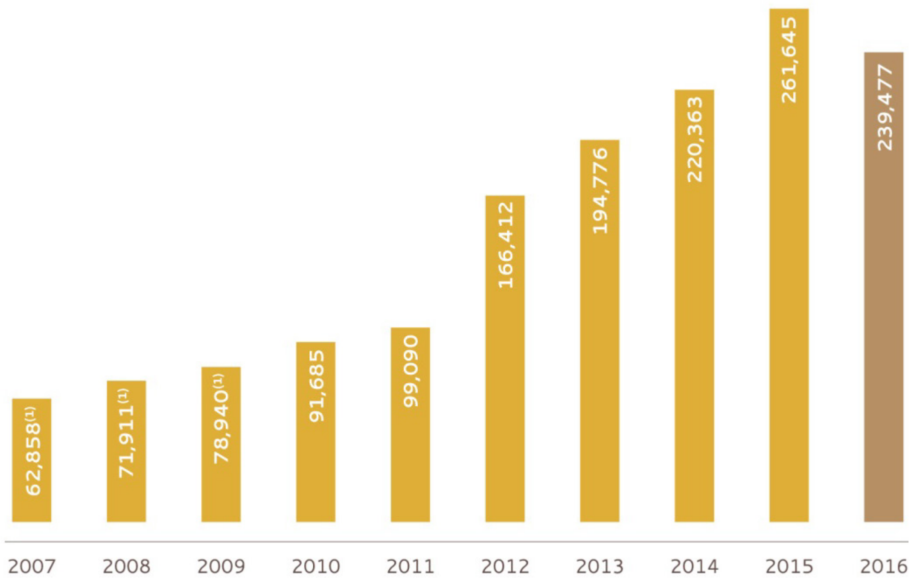
TRACK RECORD OF RECURRING ADJUSTED FUNDS FROM OPERATIONS PER UNIT

For the years ended December 31	**2016**	2015	2014	2013	2012
Recurring adjusted funds from operations per unit (FD)(1)	**1.39**	1.55	1.61	1.54	1.50

(1) Fully diluted.

The chart below presents Cominar's recurring adjusted funds from operations over the past 10 years.

RECURRING ADJUSTED FUNDS FROM OPERATIONS



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

The Canadian Securities Administrators ("CSA") requires Cominar to reconcile cash flows provided by operating activities as shown in the consolidated financial statements to adjusted funds from operations (non-IFRS measures) presented in this Management's Discussion & Analysis.

The following table presents this reconciliation:

	Quarter		Year-to-date	
For the periods ended December 31	**2016**	2015	**2016**	2015
Cash flows provided by operating activities as per the consolidated financial statements	**102,031**	107,679	**284,090**	263,942
+ Adjustments – Investments in joint ventures[1]	**2**	444	**2,103**	2,018
- Amortization of other assets	**(260)**	(404)	**(1,121)**	(1,079)
- Provision for leasing costs	**(6,390)**	(5,100)	**(24,090)**	(22,300)
+ Initial and re-leasing salary costs	**797**	661	**3,095**	2,763
+ Capitalizable interest on properties under development – Joint ventures	**1,968**	—	**1,968**	—
+ Change in non-cash working capital items	**(34,992)**	(32,808)	**(7,346)**	23,508
- Capital expenditures – maintenance of rental income generating capacity	**(3,014)**	(2,483)	**(8,498)**	(7,207)
- Other income – non-recurring[2]	**—**	—	**(10,724)**	—
Recurring adjusted funds from operations[1]	**60,142**	67,989	**239,477**	261,645

(1) Including Cominar's proportionate share in joint ventures.
(2) In 2016, net proceeds of $10.7 million were received from the settlement of the claim against Target Canada.

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 disposition of investment properties and certain other items not affecting cash, if applicable.

DISTRIBUTIONS TO UNITHOLDERS

	Quarter			Year-to-date		
For the periods ended December 31	**2016**	2015	% Δ	**2016**	2015	% Δ
Cash distributions	53,119	44,492	19.4	236,000	172,512	36.8
Distributions reinvested under the distribution reinvestment plan(1)	14,037	18,706	(25.0)	18,456	78,783	(76.6)
Distributions to unitholders	67,156	63,198	6.3	254,456	251,295	1.3
Percentage of distributions reinvested	20.9%	29.6%		7.3%	31.4%	
Per unit distributions	0.3675	0.3675		1.4700	1.4700	

(1) This amount includes units to be issued under the plan upon payment of distributions.

Distributions to unitholders for the fourth quarter of 2016 totalled $67.2 million, up 6.3% from the corresponding period of 2015 and $254.5 million for the year ended December 31, 2016, up 1.3% from fiscal 2015.

On September 14, 2016, Cominar announced the resumption of its Distribution Reinvestment Plan, suspended since January 20, 2016.

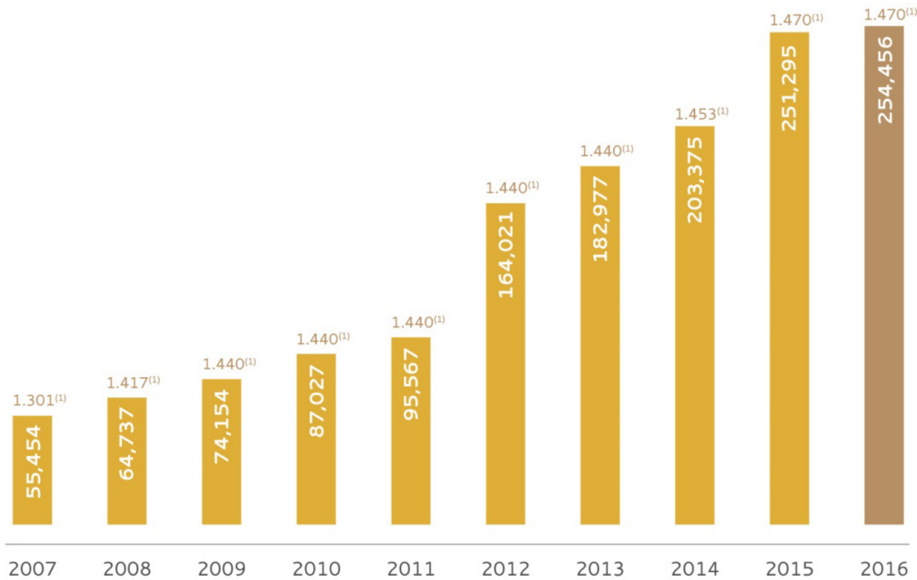
In accordance with CSA guidelines, Cominar also provides the following table to allow readers to assess sources of cash distributions and how they reconcile to net income:

For the years ended December 31	**2016**	2015	2014
Net income	**241,738**	272,434	199,453
Cash flows provided by operating activities as per the consolidated financial statements	**284,090**	263,942	229,030
Distributions to unitholders	**254,456**	251,295	203,375
Cash distributions	**236,000**	172,512	142,517
Excess of cash flows from operating activities over cash distributions to unitholders	**48,090**	91,430	86,513

For the year ended December 31, 2016 and the previous years, cash flows from operating activities were sufficient to fund cash distributions to unitholders.

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

DISTRIBUTIONS PAID



(1) Amount of distribution in dollars per unit.

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2016, Cominar generated $284.1 million in cash flows from operating activities. Cominar foresees no difficulty in meeting its short-term obligations and its commitments, including the regular payment of its distributions, using the funds from operations, refinancing of mortgages payable, debenture or unit issuances, amounts available on its credit facility and cash and cash equivalents.

On January 10, 2017, Cominar filed a short form base shelf prospectus allowing it to issue up to $1.0 billion in debt or equity instruments during the 25-month period that this prospectus remains valid.

MORTGAGES PAYABLE

As at December 31, 2016, the nominal balance of mortgages payable was $2,046.0 million, down $5.3 million from $2,051.3 million as at December 31, 2015. This decrease is explained by contracted net mortgages payable for $241.6 million at a weighted average contractual rate of 3.50%, by the repayments of balances at maturity for $192.0 million at a weighted average contractual rate of 5.44% and by the monthly repayments of capital for $54.9 million. As at December 31, 2016, the weighted average contractual rate was 4.37%, down 9 basis points from 4.46% as at December 31, 2015. As at December 31, 2016, the effective weighted average interest rate was 4.09%, compared to 4.05% as at December 31, 2015.

Cominar's mortgages payable contractual maturity dates are staggered over a number of years to reduce risks related to renewal. As at December 31, 2016, the residual weighted average term of mortgages payable was 5.5 years, compared to 5.4 years as at December 31, 2015.

The following table shows mortgage contractual maturity dates for the specified years:

CONTRACTUAL MATURITY DATES OF MORTGAGES PAYABLE

For the years ending December 31	Repayment of principal	Balances at maturity	Total	Weighted average contractual rate
2017	56,418	198,088	254,506	4.60%
2018	45,986	443,806	489,792	4.94%
2019	38,490	4,141	42,631	6.18%
2020	39,890	82,013	121,903	4.37%
2021	38,987	89,437	128,424	5.48%
2022	37,655	56,036	93,691	4.14%
2023	33,414	254,650	288,064	4.56%
2024	24,679	181,733	206,412	4.21%
2025	17,583	29,548	47,131	3.55%
2026	5,850	345,685	351,535	3.51%
2027 and thereafter	10,157	11,711	21,868	4.19%
Total	349,109	1,696,848	2,045,957	4.37%

SENIOR UNSECURED DEBENTURES

The following table presents the features of Cominar's senior unsecured debentures:

	Date of issuance	Contractual interest rate	Effective interest rate	Dates of interest payments	Maturity date	Nominal value as at December 31, 2016 $
Series 1	**June 2012(1)**	**4.274%**	**4.32%**	**June 15 and December 15**	**June 2017**	**250,000**
Series 2	**December 2012(2)**	**4.23%**	**4.37%**	**June 4 and December 4**	**December 2019**	**300,000**
Series 3	**May 2013**	**4.00%**	**4.24%**	**May 2 and November 2**	**November 2020**	**100,000**
Series 4	**July 2013(3)**	**4.941%**	**4.81%**	**July 27 and January 27**	**July 2020**	**300,000**
Series 7	**September 2014**	**3.62%**	**3.70%**	**December 21 and June 21**	**June 2019**	**300,000**
Series 8	**December 2014**	**4.25%**	**4.34%**	**June 8 and December 8**	**December 2021**	**200,000**
Series 9	**June 2015**	**4.164%**	**4.25%**	**June 1 and December 1**	**June 2022**	**300,000**
Series 10	**May 2016**	**4.247%**	**4.34%**	**May 23 and November 23**	**May 2023**	**225,000**
Weighted average interest rate		**4.23%**	**4.30%**			
Total						**1,975,000**

(1) Re-opened in September 2012 ($125.0 million).
(2) Re-opened in February 2013 ($100.0 million).
(3) Re-opened in January 2014 ($100.0 million) and March 2014 ($100.0 million).

On May 20, 2016, Cominar issued $225.0 million in Series 10 senior unsecured debentures bearing interest at a rate of 4.247% and maturing in May 2023.

On September 21, 2016, Cominar reimbursed at maturity its Series 6 senior unsecured debentures totalling $250.0 million and bearing interest at a variable rate using its unsecured revolving operating and acquisition credit facility.

As at December 31, 2016, the residual weighted average term of senior unsecured debentures was 3.7 years.

BANK BORROWINGS

As at December 31, 2016, Cominar had an unsecured revolving operating and acquisition credit facility of up to $700.0 million maturing in August 2019. This credit facility bears interest at the prime rate plus 70 basis points or at bankers' acceptance rate plus 170 basis points. This credit facility contains certain covenants, with which Cominar was in compliance as at December 31, 2016. As at December 31, 2016, bank borrowings totalled $332.1 million and cash available was $367.9 million.

DEBT SUMMARY

As at December 31	2016			2015		
	$	Weighted average contractual rate	Residual weighted average term	$	Weighted average contractual rate	Residual weighted average term
Mortgages payable	**2,048,009**	**4.37%**	**5.5 years**	2,061,230	4.46%	5.4 years
Debentures	**1,970,566**	**4.23%**	**3.7 years**	1,995,506	3.95%	3.9 years
Bank borrowings	**332,121**	**2.81%**	**2.6 years**	381,166	2.85%	2.6 years
Total debt	**4,350,696**	**4.23%**	**4.5 years**	4,437,902	4.09%	4.5 years

As at December 31, 2016, the weighted average interest rate on Cominar's total debt was 4.23% compared to 4.09% as at December 31, 2015, due mainly to the issuance, in May 2016, of $225.0 million of senior unsecured debentures bearing interest at 4.247%, whose net proceeds were used to repay the operating credit facility outstanding, which was then used for the reimbursement in September 2016 of $250.0 million of senior unsecured debentures bearing interest at a variable rate.

DEBT RATIO

The following table presents the changes in the debt ratio:

As at December 31	2016	2015
Cash and cash equivalents	**(9,853)**	(5,250)
Mortgages payable	**2,048,009**	2,061,230
Debentures	**1,970,566**	1,995,506
Bank borrowings	**332,121**	381,166
Total net debt	**4,340,843**	4,432,652
Total assets less cash and cash equivalents	**8,277,932**	8,220,447
Debt ratio[(1)(2)]	**52.4%**	53.9%

(1) The debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable and 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.

Including the dispositions of income properties completed on January 31, 2017 and March 3, 2017, for aggregate proceeds of disposition of $93.7 million, the pro-forma debt ratio was 51.9% as at December 31, 2016.

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term, Cominar developed a capital optimization strategy through asset dispositions. The net proceeds from the disposition of assets shall be used to pay down debt. Cominar targets a long-term debt to gross book value ratio of assets that should generally be about 50%.

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, 2016, the annualized interest coverage ratio stood at 2.65:1 [2.67:1 as at December 31, 2015], evidence of its capacity to meet its interest payment obligations.

UNENCUMBERED ASSETS AND UNSECURED DEBTS

The following table presents information on Cominar's unencumbered income properties and senior unsecured debts:

As at December 31	2016		2015	
	Number of properties	**Fair value of properties ($)**	Number of properties	Fair value of properties ($)
Unencumbered income properties	**322**	**3,736,476**	326	3,621,513
Unencumbered assets to unsecured debt ratio(1)(2)		**1.62:1**		1.52:1
Senior unsecured debts-to-total-debt ratio(2)(3)		**53.0%**		53.6%

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

As at December 31, 2016, Cominar owned unencumbered income properties whose fair value was approximately $3.7 billion. The unencumbered assets to unsecured debt ratio stood at 1.62:1.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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

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

FINANCIAL INSTRUMENTS

CLASSIFICATION AND FAIR VALUE

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

		December 31, 2016		December 31, 2015	
	Level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		$	**$**	$	$
Other financial liabilities					
Mortgages payable	2	**2,048,009**	**2,104,025**	2,061,230	2,140,424
Debentures	2	**1,970,566**	**2,019,802**	1,995,506	2,026,127

Cominar uses a three-level hierarchy to classify its financial instruments. 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 changes in circumstances that caused the transfer. There was no transfer between hierarchy levels in fiscal years 2016 and 2015.

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

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

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, 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 retail client base consisting of about 5,900 clients occupying an average of approximately 7,100 square feet each. The top three clients, Public Works Canada, Société québécoise des infrastructures and Canadian National Railway Company, account respectively for approximately 4.9%, 4.8% and 4.0% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 10.5% of operating revenues come from government agencies, representing approximately 100 leases.

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, mortgage receivable and cash and cash equivalents 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 borrowings over several years and by generally using long-term debt bearing interest at fixed rates.

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

All mortgages payable and debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank borrowings and the mortgage receivable, which bear interest at variable rates.

As required under IFRS, a 25-basis-point increase or decrease in the average interest rate on variable interest debts during the period, assuming that all other variables are held constant, would have resulted in a $1.5 million increase or decrease in Cominar's net income for the year ended December 31, 2016 [$2.1 million in 2015].

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 capitalization, continuously monitoring current and projected cash flows and adhering to its capital management policy.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2016 are as follows:

	Cash flows		
	Under one year	**One to five years**	**Over five years**
	$	**$**	**$**
Mortgages payable	329,818	1,057,500	1,173,312
Debentures	328,263	1,413,820	544,783
Bank borrowings	9,964	347,896	—
Accounts payable and accrued liabilities(1)	99,099	—	—

(1) Excludes consumption taxes and other non-financial liabilities

PROPERTY PORTFOLIO

The following table presents information on the property portfolio, including Cominar's proportionate share:

As at December 31	2016	2015	Δ %
Income properties – Cominar's proportionate share(1)	**7,775,331**	7,706,575	0.9
Income properties held for sale	**143,130**	163,733	(12.6)
Properties under development and land held for future development – Cominar's proportionate share(1)	**195,755**	169,553	15.5
Number of income properties	**539**	566	
Leasable area (sq. ft.)	**44,919,000**	45,252,000	

(1) Non-IFRS financial measure.

SUMMARY BY OPERATING SEGMENT

As at December 31	2016		2015	
	Number of properties	**Leasable area (sq. ft.)**	Number of properties	Leasable area (sq. ft.)
Office	**134**	**14,522,000**	134	14,574,000
Retail	**168**	**12,372,000**	197	12,890,000
Industrial and mixed-use	**237**	**18,025,000**	235	17,888,000
Total	**539**	**44,919,000**	566	45,352,000

SUMMARY BY GEOGRAPHIC MARKET

As at December 31	2016		2015	
	Number of properties	**Leasable area (sq. ft.)**	Number of properties	Leasable area (sq. ft.)
Québec	**129**	**10,139,000**	136	10,312,000
Montréal	**288**	**25,254,000**	301	25,462,000
Ontario(1)	**48**	**5,703,000**	55	5,774,000
Atlantic Provinces	**60**	**2,715,000**	60	2,698,000
Western Canada	**14**	**1,108,000**	14	1,106,000
Total	**539**	**44,919,000**	566	45,352,000

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

ACQUISITIONS, INVESTMENTS AND DISPOSITIONS

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

In accordance with Cominar's financial management policies on maintaining a sound and strong financial position over the long-term, Cominar developed a strategy of asset dispositions.

TRANSFER TO INCOME PROPERTIES

During the third quarter of 2016, Cominar completed the construction of an industrial and mixed-use property that was transferred from properties under development to income properties. Located in Québec, this $5.6 million property, with a leasable area of 46,000 square feet, has an occupancy rate of 100% and its capitalization rate is 8.5%.

During the fourth quarter of 2016, Cominar completed the construction of two properties that were transferred from properties under development to income properties. The first one, a $2.3 million retail property located in Trois-Rivières with a leasable area of 6,000 square feet, has an occupancy rate of 100% and its capitalization rate is 7.6%. The second one, a $20.0 million industrial and mixed-use property located in Laval with a leasable area of 130,000 square feet, has an occupancy rate of 100 % and its capitalization rate is 8.4%.

These properties have been subject to an overall increase in their carrying amount to their fair value of $3.8 million when transferred to income properties.

DISPOSITIONS OF INCOME PROPERTIES HELD FOR SALE

On January 29, 2016, Cominar completed the sale of a portfolio of 10 retail properties located in Quebec and Ontario, for a total price of $14.9 million, net of costs to sell, at a capitalization rate of 6.7%. The net sale proceeds of these properties were used to repay a portion of the credit facility as well as to repurchase units under the NCIB.

On March 31, 2016, Cominar completed the sale of a portfolio of 14 retail properties located in Quebec and Ontario, for a total price of $55.5 million, net of costs to sell, at a capitalization rate of 7.1%. The net sale proceeds of these properties were used to repay a portion of the credit facility.

On May 2, 2016, Cominar completed the sale of a portfolio of 5 retail properties located in the Québec and Montréal areas, for a total price of $39.3 million, net of costs to sell, at a capitalization rate of 7.0%. The net sale proceeds of these properties were used to repay a portion of the credit facility.

On December 19, 2016, Cominar completed the sale of two retail properties located in the Montréal area, for a total price of $5.9 million, net of costs to sell, at a capitalization rate of 5.6%. The net sale proceeds of these properties were used to repay a portion of the credit facility.

The properties sold by Cominar during fiscal 2016 have been subject to an overall decrease in their carrying amount to their fair value of $1.4 million. These properties had been subject to an increase in their carrying amount to their fair value of $4.8 millions in 2015.

INVESTMENTS IN INCOME PROPERTIES

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

During fiscal 2016, Cominar incurred $110.7 million [$108.2 million in 2015] in capital expenditures particularly to increase the rental income generating capacity of its properties or to reduce the related operating expenses. During fiscal 2016, Cominar also incurred $8.5 million [$7.2 million in 2015] 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 for the coming years. These expenditures do not include current repair and maintenance costs.

Finally, Cominar invests in leasehold improvements that aim to 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 2016, Cominar made investments of $45.0 million in this respect [$32.8 million in 2015].

INCOME PROPERTIES HELD FOR SALE

Cominar has undertaken a process of selling some income properties and plans to close these transactions over the next months. Cominar's management intends to use the total net proceeds of these dispositions to pay down debt. Here is the fair value of these income properties less costs to sell by operating segment as at December 31, 2016:

	Retail	Industrial and mixed-use	Total
	$	$	$
Income properties held for sale	93,630	49,500	143,130

PROPERTIES UNDER CONSTRUCTION AND DEVELOPMENT PROJECTS

Cominar owns an office property currently under development with a leasable area of 118,000 square feet located in Laval as part of the Centropolis complex, for total estimated cost of $31.8 million, including leasing costs and leasehold improvements. The occupancy rate of this property is currently 75 % and occupancy will continue in 2017. The capitalization rate of this property is estimated at 7.1%.

Cominar, at 50%, and Groupe Dallaire Inc., are in joint venture for the purpose of commercial land development located on Highway 40, one of the main arteries of Québec. This project, Espace Bouvier, will consist of an office building of approximately 83,000 square feet and five retail buildings totalling 194,000 square feet. The first retail building, a property of 65,000 square feet 100% leased by a single tenant, was delivered in December 2015. The second retail building, a property of 25,000 square feet 100% leased by a single tenant, was delivered to the tenant in May 2016. The third retail building, a property of 9,000 square feet 100% leased by a single tenant, was completed and delivered to the tenant towards the end of 2016. The office building, the construction cost of which is estimated at $16.5 million, is currently 57% leased. The delivery is scheduled for the next quarters. The construction cost of the last two retail buildings totalling 95,000 square feet is estimated at $12.0 million. The expected weighted average capitalization rate of these properties is estimated at 8.8%.

Moreover, Cominar, at 75%, and Groupe Dallaire Inc., are in joint ventures for the purpose of commercial land development strategically located in Québec.

During the first quarter of 2017, Cominar will start the work to develop a new commercial centre located on Highway 40, one of the main arteries of Québec, which will be developed around the new IKEA store announced in the fall of 2016.

This commercial complex of approximately 415,000 square feet will have eight buildings of various sizes. The first phases will be delivered in the third quarter of 2018, when the brand new IKEA store opens. When completed, this $85 million project will have a capitalization rate of 8.5%.

REAL ESTATE OPERATIONS

OCCUPANCY RATE

As at December 31, 2016, the average occupancy rate of our properties was 92.4%, compared to 91.9% as at December 31, 2015. The following table presents the occupancy rates by operating segment.

OCCUPANCY RATE TRACK RECORD

	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
Operating segment (%)					
Office	**89.6**	90.3	93.5	93.3	94.3
Retail	**93.0**	90.3	94.7	94.2	94.6
Industrial and mixed-use	**94.3**	94.3	94.9	92.4	93.1
Portfolio total	**92.4**	91.9	94.4	93.1	93.9

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity in 2016:

	Office	**Retail**	**Industrial and mixed-use**	**Total**
Leases that matured in 2016				
Number of clients	414	563	303	1,280
Leasable area (sq. ft.)	2,015,000	1,611,000	3,088,000	6,714,000
Average minimum rent ($/sq. ft.)	17.18	21.69	6.12	12.97
Renewed leases in 2016				
Number of clients	259	433	214	906
Leasable area (sq. ft.)	1,146,000	1,352,000	2,078,000	4,576,000
Average minimum rent of renewed leases ($/sq. ft.)	17.31	21.09	6.30	13.13
Retention rate (%)	**56.9**	**83.9**	**67.3**	**68.2**
New leases in 2016				
Number of clients	135	161	110	406
Leasable area (sq. ft.)	759,000	619,000	1,364,000	2,742,000
Average minimum rent ($/sq. ft.)	15.88	14.67	5.42	10.21

In 2016, 15.2% of leasable area expired. 68.2% [78.6% in 2015] of these leases have been renewed and new leases were also signed, representing 2.7 million square feet of leasable area. Overall in 2016, 109.0% of the total leasable area maturing during the year was either renewed or subject to a new lease.

GROWTH IN THE AVERAGE NET RENT OF RENEWED LEASES

For the years ended December 31	**2016**	2015
	%	%
Operating segment		
Office	**2.0**	(5.1)
Retail	**(1.0)**	(1.7)
Industrial and mixed-use	**2.5**	3.6
Portfolio total	**1.8**	(1.5)

Growth in the average net rent of renewed leases was 1.8% for the year ended December 31, 2016.

LEASE MATURITIES

	2017	2018	2019	2020	2021
Office					
Leasable area (sq. ft.)	2,132,000	2,246,000	1,816,000	1,113,000	1,357,000
Average minimum rent ($/sq. ft.)	17.27	17.84	18.16	18.16	17.15
% of portfolio – Office	14.7	15.5	12.5	7.7	9.3
Retail					
Leasable area (sq. ft.)	2,198,000	2,306,000	1,642,000	1,296,000	1,213,000
Average minimum rent ($/sq. ft.)	18.93	16.64	18.97	22.65	22.86
% of portfolio – Retail	17.8	18.6	13.3	10.5	9.8
Industrial and mixed-use					
Leasable area (sq. ft.)	3,826,000	2,313,000	1,354,000	2,161,000	1,590,000
Average minimum rent ($/sq. ft.)	6.70	6.98	7.60	6.84	6.77
% of portfolio – Industrial and mixed-use	21.2	12.8	7.5	12.0	8.8
Portfolio total					
Leasable area (sq. ft.)	8,156,000	6,865,000	4,812,000	4,570,000	4,160,000
Average minimum rent ($/sq. ft.)	12.56	13.67	15.39	14.03	14.79
% of portfolio	18.2	15.3	10.7	10.2	9.3

The following table summarizes information on leases as at December 31, 2016:

	Average remaining lease term years	Average leased area per client sq. ft.	Average minimum rent/ sq. ft. $
Office	4.5	6,900	17.54
Retail	4.3	4,200	18.73
Industrial and mixed-use	4.4	13,700	6.71
Portfolio average	**4.4**	**7,100**	**13.35**

Cominar has a broad, highly diversified retail client base consisting of about 5,900 clients occupying an average of approximately 7,100 square feet each. The top three clients, Public Works Canada, Société québécoise des infrastructures and Canadian National Railway Company, account respectively for approximately 4.9%, 4.8% and 4.0% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 10.5% of operating revenues come from government agencies, representing approximately 100 leases.

The following table presents our top ten clients by percentage of operating revenues:

Client	% of operating revenues
Public Works Canada	4.9
Société québécoise des infrastructures	4.8
Canadian National Railway Company	4.0
Scotiabank	1.1
Thales Canada	0.8
Harvest Operations Corp.	0.8
Shoppers Drug Mart	0.7
Dollarama	0.6
Jean Coutu Group	0.6
Kraft Canada	0.6
Total	**18.9**

ISSUED AND OUTSTANDING UNITS

In 2015, Cominar obtained the approval of the Toronto Stock Exchange to set up a NCIB for up to 4,000,000 units. The bid expired on September 1, 2016. In 2016, Cominar has repurchased a total of 2,717,396 units at an average price of $15.01, for a total consideration of $40.8 million paid cash.

On September 14, 2016, Cominar announced the resumption of its Distribution Reinvestment Plan, suspended since January 20, 2016. In 2016, Cominar has issued 1,265,157 units under the distribution reinvestment plan at an average price of $14.59.

On September 23, 2016, Cominar closed a public offering of 12,780,000 units at a price of $15.65 per unit. The total net proceeds to Cominar amounted to $191.7 million, after deducting the underwriters' fee and the expenses of the offering. The net proceeds of the offering were used to pay down the unsecured revolving operating and acquisition credit facility.

For the years ended December 31	2016	2015
Units issued and outstanding, beginning of year	**170,912,647**	158,689,195
+ Public offering	**12,780,000**	7,901,650
− Repurchase of units under NCIB	**(2,717,396)**	(530,836)
+ Exercise of options	**—**	266,200
+ Distribution reinvestment plan	**1,265,157**	4,582,780
+ Conversion of convertible debentures	**—**	3,658
+ Conversion of deferred units and restricted units	**94,154**	—
Units issued and outstanding, end of year	**182,334,562**	170,912,647

Additional information	March 7, 2017
Issued and outstanding units	182,706,055
Outstanding unit options	12,320,950
Deferred units and restricted units	280,217

RELATED PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of Cominar's management team, exercise indirect control over Dallaire Group Inc. and Dalcon Inc. During fiscal years 2015 and 2016, Cominar had operations with these companies, the details of which are as follows:

For the years ended December 31	2016	2015
	$	$
Investment properties — Capital costs	**86,639**	71,762
Investment properties held by joint ventures — Acquisitions	**6,204**	31,276
Investment properties held by joint ventures — Capital costs	**2,958**	14,450
Share of joint ventures' net income	**8,006**	1,427
Net rental revenue from investment properties	**301**	272
Interest income	**280**	312

Balances shown in the consolidated balance sheets are detailed as follows:

As at December 31	2016	2015
	$	$
Investments in joint ventures	**90,194**	74,888
Mortgage receivable	**8,250**	8,250
Accounts receivable	**1,182**	701
Accounts payable	**7,624**	8,804

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 time and cost savings while providing better service to its clients.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The 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 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 consolidated financial statements. Based on these evaluations, the Chief Executive Officer and the Executive Vice President and Chief Financial Officer concluded that the DC&P were effective as at the end of the year ended December 31, 2016, and that the current controls and procedures provide reasonable assurance that material information about Cominar, including its consolidated subsidiaries, is made known to them during the period in which these reports are being prepared.

Evaluations are also performed to assess the effectiveness of ICFR. Based on those evaluations, the Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar concluded that ICFR was effective as at the end of the year ended December 31, 2016, and, more specifically, that the financial reporting is reliable and that the consolidated 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 2016 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"). The accounting policies and application methods thereof have been consistently applied throughout each of the fiscal years presented in these consolidated financial statements.

b) Basis of preparation

Consolidation

These consolidated financial statements include the accounts of Cominar and its wholly-owned subsidiaries.

Use of estimates, assumptions and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as 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 judgments, 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 standardized 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 investment properties acquisition does not correspond to the definition of a business, 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 judgment, when Cominar acquires a property or property portfolio without taking on the management of personnel or acquiring an operational platform, it categorizes the acquisition as an asset acquisition.

- ***Joint arrangements***

  Upon the creation of a joint arrangement, Cominar's management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning all relevant activities. The joint arrangements in which Cominar is involved are structured so that they provide Cominar rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

- ***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. Its useful life is indefinite. 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 ("CGU") expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGUs, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the fair value less the cost of disposal. Should the carrying amount 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 used in 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 fair value of financial instruments.

- ***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, land held for future development and income properties held for sale.

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 should reflect market conditions at the end of the reporting period. Fair value is time-specific as at 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 during the period, where applicable. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as standardized 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.

Income properties held for sale are measured at fair value less estimated selling expenses.

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 construction, expansion or 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.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying amount of investment properties when incurred, and are not amortized subsequently.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development 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.

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.

Leasing costs

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

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 uses the following classifications for its financial instruments:

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

– Mortgages payable, debentures, 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.

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 mortgages payable and 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 the operating and acquisition credit facility are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the 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 for 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 on the date of the grant, 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, which corresponds to 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 vesting period.

Deferred units

Cominar recognizes compensation expense on deferred units granted, based on their fair value, which corresponds to 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. 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 allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

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 taxes payable or recoverable 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, "Operating segments," 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.

FUTURE ACCOUNTING POLICY CHANGES

IFRS 9, "Financial Instruments"

In July 2014, the International Accounting Standards Board ("IASB") published its final version of IFRS 9, which will replace IAS 39, "Financial Instruments: Recognition and Measurement" and modifications to IFRS 7, "Financial Instruments: Disclosures," in order to add disclosure requirements regarding the transition to IFRS 9. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers." IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. The standard will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts," and related interpretations. Adoption of the standard will be mandatory for all IFRS reporters, and will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The adoption of this new standard will have no significant impact on Cominar's consolidated financial statements since no important changes were made to the accounting model by the lessor.

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 Cominar's outlook in terms of investment potential.

RISK FACTORS RELATED TO THE BUSINESS OF COMINAR

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

The real estate industry is capital intensive. Cominar requires 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, 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 or conditions in its debt instruments. Cominar's access to the unsecured debenture market and the cost of Cominar's borrowings under the Unsecured Revolving Credit Facility are also dependent on its credit rating. A negative change in its credit rating could materially adversely impact Cominar. See "Risk and Uncertainties – Risk Factors Related to the Ownership of Securities – Credit rating". Market events and conditions, including disruptions in international and regional credit markets and in other financial systems and global economic conditions, could impede Cominar's access to capital (including debt financing) or increase the cost of such capital. The Canadian economy, including the Province of Alberta, is currently being adversely impacted by volatile oil prices.

Failure to raise or access capital in a timely manner 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, bridge loan, 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 provide that, upon an event of default, such indebtedness becomes immediately due and payable and distributions that may be made by Cominar may be restricted. 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 Unsecured Revolving Credit Facility in the stated amount of $700.0 million is repayable in one tranche in August 2019.

Cominar is exposed to debt financing risks, including the risk that the existing hypothecary borrowings secured by its properties and the Unsecured Revolving Credit Facility 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 as regards the hypothecary borrowings, 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.

In the event the credit rating assigned by DBRS to Cominar and the Unsecured Debentures were to be downgraded, Cominar could be materially adversely impacted. See "Risk and Uncertainties – Risk Factors Related to the Ownership of Securities – Credit rating".

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. Due to difficult conditions in the Canadian retail environment, certain retailers have announced the closure of their stores, including Target Canada Co. and other retailers, who were or are, as the case may be, tenants of Cominar. Other retailers may follow. The existing difficult retail environment is also impacting certain retail tenants of Cominar. Cominar has also been impacted by vacancies in the Montréal area's suburban office market and the Ottawa office market. The Calgary office market is also adversely impacted by volatile oil prices. 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 Cominar's properties cannot be leased on economically favourable lease terms, or simply re-leased. 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 Cominar's properties will be affected by many factors, including the level of general economic activity and competition for tenants by other properties. Significant costs may need to be incurred to make improvements or repairs to property as required by a new tenant. The failure to rent unleased space 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 and operating 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 amount 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.

ENVIRONMENTAL MATTERS

Environmental and ecological legislation and 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 its properties or disposed of at other locations. 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 by private plaintiffs or governmental agencies. Cominar is not currently 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 expenditures by Cominar, other than in respect of remediation expenditures taken into consideration as part of the acquisition of properties.

Pursuant to Cominar's operating policies, Cominar shall obtain or review a Phase I environmental audit of each immovable property to be acquired by it. See "Description of the Business – Investment Guidelines and Operating Policies – Operating Policies" on pages 11 and 12 of the 2015 AIF.

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, pension funds and other institutions (both Canadian and foreign) which are presently seeking, or which may seek in the future, immovable property investments similar to those desired by Cominar. Many of those investors have greater financial resources than Cominar, or operate without the investment or operating restrictions 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 Distributable Income. 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.

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. See "Risk and Uncertainties – Risk Factors Related to the Business of Cominar – Environmental matters".

LIMIT ON ACTIVITIES

In order to maintain its status as a "mutual fund trust" under the 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.

GENERAL UNINSURED LOSSES

Cominar carries a blanket comprehensive general liability policy, and a property policy 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 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, 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 operation and decrease the amount of cash available for distribution.

POTENTIAL CONFLICTS OF INTEREST

Cominar may be subject to conflicts of interest due to the fact that the Dallaire Family and related entities are engaged in a wide range of real estate and other business activities. Mr. Michel Dallaire is also Chairman and Chief Executive Officer of Dallaire Group Inc., an affiliate of the Dallaire Family which operates a real estate business in the Québec City Area. Dalcon Inc. is a wholly-owned subsidiary of Dallaire Group Inc. Cominar rents premises to Dallaire Group Inc. and to Dalcon Inc. Dalcon Inc. also performs leasehold improvements and carries out construction and development projects, all on behalf of Cominar. Finally, Cominar owns two participations of 50% and two participations of 75% in joint ventures with Dallaire Group Inc. The business objective of these four joint ventures is the ownership, management and development of real estate projects. The Dallaire Family and related entities may become involved in transactions or leasing opportunities which conflict with the interests of Cominar.

The Contract of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and refrain from voting thereon.

CYBERSECURITY EVENTS

Cominar faces various security threats, including cybersecurity threats to gain unauthorized access to sensitive information, to render data or systems unusable, or otherwise affect Cominar's ability to operate. Cybersecurity attacks in particular are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. The occurrence of one of these events could cause a substantial decrease in revenues, increased costs to respond or other financial loss, damage to reputation, increased regulation or litigation or inaccurate information reported from Cominar's operations. These developments may subject Cominar's operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could have a material adverse effect on Cominar's financial position and results of operations.

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, but not limited to, 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. Unlike fixed-income securities, there is no obligation of Cominar 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 RATING

The credit rating assigned by DBRS to Cominar and the Unsecured Debentures 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 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.

On August 12, 2016, DBRS confirmed the credit rating of BBB (low) in respect of the Unsecured Debentures, but changed the trend to Negative from Stable. See "Credit Ratings". DBRS' revision reflected its concern that Cominar achieved slower-than-expected progress to reduce debt and bring its leverage metrics back to levels that were achieved prior to the $1.527 billion acquisition of a property portfolio from Ivanhoé Cambridge in August 2014. During the second half of the year ended December 31, 2016, Cominar accelerated its debt reduction efforts to reduce its debt ratio to 52.4%, notably by completing the September 2016 Unit Offering earlier than Management would have wanted.

A "Negative" trend assigned by DBRS is not an indication that a rating change is imminent, but represents an indication that there is a greater likelihood that the rating could change in the future than would be the case if a "Stable" trend was assigned. In the event the credit rating assigned by DBRS to Cominar and the Unsecured Debentures were to be downgraded, Cominar could be materially adversely impacted. Real or anticipated changes in the credit rating in respect of the Unsecured Debentures may affect the market value of the Unsecured Debentures. In addition, real or anticipated changes in such credit rating can affect the ability of Cominar to access debt capital markets and increase the cost at which Cominar can do so. Any failure or inability on Cominar's part to access debt capital markets on satisfactory terms, or at all, could have a material adverse effect on Cominar's financial position and results of operations, including on its acquisition and development program. See "Risk and Uncertainties – Risk Factors Related to the Business of Cominar – Access to capital and debt financing, and current global financial conditions" and "Risk and Uncertainties – Risk Factors Related to the Business of Cominar – Debt financing".

ABSENCE OF MARKET FOR DEBT 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 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 condition, historic financial performance and future prospects.

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 indebtedness 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 debts.

AVAILABILITY OF CASH FLOW

Distributable Income may exceed actual cash 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 debt obligations of Cominar 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 condition 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 (an "annuitant") 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 the assets of Cominar are intended to be 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 a REIT 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 Equity Incentive Plan and any other incentive plan of Cominar. 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 Income Tax Act and remits such payment to the tax authorities on behalf of the Unitholder. The Income Tax Act contains measures to subject non-residents of Canada to withholding tax of 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 and results of operations, 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 Unitholder does not hold a share of a body corporate. As holders of Units, 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 shareholders of corporation in various circumstances.

STATUS FOR TAX PURPOSES

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 Holders and to deduct such distributions and designations for income tax purposes.

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

A special tax regime applies to trusts that are considered SIFTs as well as those individuals who invest in SIFTs. Under the SIFT Rules, a SIFT is subject to tax in a manner similar to corporations on income from business carried on in Canada and on income (other than taxable dividends) or capital gains from "non-portfolio properties" (as defined in the Income Tax Act), at a combined federal/provincial tax rate similar to that of a corporation.

The SIFT Rules apply unless (among other exceptions not applicable here) the trust qualifies as a "real estate investment trust" for the year (the "Real Estate Investment Trust Exception"). If Cominar fails to qualify for the Real Estate Investment Trust Exception, Cominar will be subject to the tax regime introduced by the SIFT Rules.

Management believes that Cominar currently meets all the criteria required to qualify for the Real Estate Investment Trust Exception, as per the Real Estate Investment Trust Exception currently in effect. As a result, Management believes that the SIFT Rules do not apply to Cominar. 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 Real Estate Investment Trust Exception for fiscal 2017 or any other subsequent year.

CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST
December 31, 2016

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 those amounts that must be based on estimates and judgments. These consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial information 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, 2016, 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 reports 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, a partnership of independent professional 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, 2016 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.
Chief Executive Officer

Gilles Hamel

GILLES HAMEL, CPA, CA
Executive Vice President
and Chief Financial Officer

Québec, March 7, 2017

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, 2016 and December 31, 2015 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, 2016 and December 31, 2015, 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 (1)
March 7, 2017
Place de la Cité, Tour Cominar
2640 Laurier Boulevard, Suite 1700
Québec, Quebec G1V 5C2
Canada

"PwC" refers to PricewaterhouseCoopers LLP, 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, 2016	December 31, 2015
		$	$
ASSETS			
Investment properties			
Income properties	5	**7,676,134**	7,614,990
Properties under development	6	**45,776**	49,114
Land held for future development	6	**90,820**	71,646
		7,812,730	7,735,750
Income properties held for sale	7	**143,130**	163,733
Investments in joint ventures	8	**90,194**	74,888
Goodwill	9	**166,971**	166,971
Mortgage receivable		**8,250**	8,250
Accounts receivable	10	**42,518**	56,756
Prepaid expenses and other assets		**14,139**	14,099
Cash and cash equivalents		**9,853**	5,250
Total assets		**8,287,785**	8,225,697
LIABILITIES			
Mortgages payable	11	**2,048,009**	2,052,640
Mortgage payable related to a property held for sale	7, 11	**—**	8,590
Debentures	12	**1,970,566**	1,995,506
Bank borrowings	13	**332,121**	381,166
Accounts payable and accrued liabilities	14	**109,861**	118,921
Deferred tax liabilities	19	**11,715**	10,877
Total liabilities		**4,472,272**	4,567,700
UNITHOLDERS' EQUITY			
Unitholders' equity		**3,815,513**	3,657,997
Total liabilities and unitholders' equity		**8,287,785**	8,225,697

See accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees.

MICHEL DALLAIRE
Chairman of the Board of Trustees

Alban D'Amours
President of the Audit Committee

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, 2016		3,063,920	2,008,364	(1,421,233)	6,946	—	3,657,997
Net income and comprehensive income		—	241,738	—	—	—	241,738
Distributions to unitholders	15	—	—	(254,456)	—	—	(254,456)
Issuance of units	15	220,043	—	—	(1,579)	—	218,464
Units issuance expense	15	(8,491)	—	—	—	—	(8,491)
Repurchase of units under NCIB (1)	15	(40,779)	—	—	—	—	(40,779)
Long-term incentive plan		—	842	—	198	—	1,040
Balance as at December 31, 2016		**3,234,693**	**2,250,944**	**(1,675,689)**	**5,565**	**—**	**3,815,513**

(1) Normal course issuer bid ("NCIB")

	Note	Unitholders' contributions	Cumulative net income	Cumulative distributions	Contributed surplus	Equity component of convertible debentures	Total
		$	$	$	$	$	$
Balance as at January 1, 2015		2,839,515	1,733,684	(1,169,938)	5,746	1,424	3,410,431
Net income and comprehensive income		—	272,434	—	—	—	272,434
Distributions to unitholders	15	—	—	(251,295)	—	—	(251,295)
Unit issuances	15	238,884	—	—	—	—	238,884
Unit issuance expenses	15	(6,724)	—	—	—	—	(6,724)
Repurchase of units under NCIB(1)	15	(7,755)	—	—	—	—	(7,755)
Long-term incentive plan		—	822	—	1,200	—	2,022
Early redemption of convertible debentures		—	1,424	—	—	(1,424)	—
Balance as at December 31, 2015		3,063,920	2,008,364	(1,421,233)	6,946	—	3,657,997

(1) Normal course issuer bid ("NCIB")
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	2016	2015
		$	$
Operating revenues			
Rental revenue from investment properties		**866,982**	889,175
Operating expenses			
Operating costs	17	**(185,436)**	(186,420)
Realty taxes and services		**(196,822)**	(199,207)
Property management expenses	17	**(16,115)**	(16,060)
		(398,373)	(401,687)
Net operating income		**468,609**	487,488
Finance charges	18	**(170,645)**	(176,208)
Trust administrative expenses	17	**(16,719)**	(16,384)
Change in fair value of investment properties	5	**(46,675)**	(23,322)
Share of joint ventures' net income	8	**8,006**	1,427
Income before income taxes		**242,576**	273,001
Income taxes	19	**(838)**	(567)
Net income and comprehensive income		**241,738**	272,434
Basic net income per unit	20	**1.40**	1.62
Diluted net income per unit	20	**1.40**	1.62

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	2016	2015
		$	$
OPERATING ACTIVITIES			
Net income		**241,738**	272,434
Adjustments for:			
Excess of share of net income over distributions received from the joint ventures	8	**(7,206)**	(1,227)
Change in fair value of investment properties	5	**46,675**	23,322
Depreciation and amortization		**(2,398)**	(2,476)
Compensation expense related to long-term incentive plan		**1,028**	1,970
Deferred income taxes	19	**838**	567
Recognition of leases on a straight-line basis	5	**(3,931)**	(7,140)
Changes in non-cash working capital items	21	**7,346**	(23,508)
Cash flows provided by operating activities		**284,090**	263,942
INVESTING ACTIVITIES			
Acquisitions of and investments in income properties	5	**(178,578)**	(178,537)
Acquisitions of and investments in properties under development and land held for future development	6	**(39,908)**	(12,591)
Net proceeds from the sale of investment properties	4	**107,157**	97,444
Contributions to the capital of the joint ventures	8	**(10,850)**	(33,259)
Return of capital from a joint venture	8	**2,750**	1,231
Change in other assets		**(377)**	794
Cash flows used in investing activities		**(119,806)**	(124,918)
FINANCING ACTIVITIES			
Distributions to unitholders		**(236,000)**	(172,512)
Bank borrowings		**(49,045)**	(76,157)
Mortgages payable		**239,354**	369,676
Net proceeds from issuance of debentures		**223,725**	298,327
Net proceeds from issuance of units	15	**191,516**	153,233
Repurchase of units under NCIB	15	**(40,779)**	(7,755)
Early redemption of convertible debentures		**—**	(185,961)
Repayment of debentures at maturity	12	**(250,000)**	(250,000)
Repayments of mortgages payable at maturity	11	**(183,498)**	(211,414)
Monthly repayments of mortgages payable	11	**(54,954)**	(57,120)
Cash flows used in financing activities		**(159,681)**	(139,683)
Net change in cash and cash equivalents		**4,603**	(659)
Cash and cash equivalents, beginning of year		**5,250**	5,909
Cash and cash equivalents, end of year		**9,853**	5,250
Other information			
Interest paid		**181,469**	191,134
Distributions received from joint ventures	8	**800**	200

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015
[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, 2016, Cominar owned and managed a real estate portfolio of 539 high-quality properties that covered a total area of 44.9 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, Québec, Quebec, Canada, G1V 0C1. Additional information about the Trust is available on Cominar's website at www.cominar.com.

The Board of Trustees approved Cominar's consolidated financial statements on March 7, 2017.

2) SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies and application methods thereof have been consistently applied throughout each of the fiscal years presented in these consolidated financial statements.

b) Basis of preparation

Consolidation

These consolidated financial statements include the accounts of Cominar and its wholly-owned subsidiaries.

Use of estimates, assumptions and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Those estimates, assumptions and judgments also affect the disclosure of contingencies as 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 judgments, 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 standardized 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.

- ***Joint arrangements***

  Upon the creation of a joint arrangement, Cominar's management reviews its classification criteria to determine if it is a joint venture to be accounted for using the equity method or if it is a joint operation for which we must recognize the proportionate share of assets, liabilities, revenues and expenses. Cominar holds 50% and 75% interests in its joint arrangements. It has joint control over them since, under the contractual agreements, unanimous consent is required from all parties to the agreements in decisions concerning all relevant activities. The joint arrangements in which Cominar is involved are structured so that they provide Cominar rights to these entities' net assets. Therefore, these arrangements are presented as joint ventures and are accounted for using the equity method.

- ***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. Its useful life is indefinite. 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 ("CGU") expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGU, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the fair value less the cost of disposal. Should the carrying amount 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 used in 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 fair value of financial instruments.

- ***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, land held for future development and income properties held for sale.

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 should reflect market conditions at the end of the reporting period. Fair value is time-specific as at 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 during the period, where applicable. Management regularly reviews appraisals of its investment properties between the appraisal dates in order to determine whether the related assumptions, such as standardized 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.

Income properties held for sale are measured at fair value less estimated costs to sell.

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 construction, expansion or 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.

Leasehold improvements, incurred directly by Cominar or through an allowance to tenants, which represent capital investments that increase the service capacity and value of properties and for which the economic advantage will extend beyond the term of the lease and will mainly benefit Cominar, as well as initial direct costs, mostly brokerage fees incurred to negotiate or prepare leases, are added to the carrying amount of investment properties when incurred, and are not amortized subsequently.

Concerning properties under development and land held for future development, Cominar capitalizes all direct costs incurred for their acquisition, development 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.

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.

Tenant inducements

Tenant inducements, mostly the payment of a monetary allowance to tenants and the granting of free occupancy periods, are added to the carrying amount of investment properties as they are incurred and are subsequently amortized against rental revenue from investment properties on a straight-line basis over the related lease term.

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 uses the following classifications for its financial instruments:

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

– Mortgages payable, debentures, 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.

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 activities.

Deferred financing costs

Issue costs incurred to obtain term loan financing, typically through mortgages payable or 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 the operating and acquisition credit facility are recorded as assets under prepaid expenses and other assets and are amortized on a straight-line basis over the term of the 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 for 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 on the date of the grant, 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, which corresponds to 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 vesting period.

Deferred units

Cominar recognizes compensation expense on deferred units granted, based on their fair value, which corresponds to 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. 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 allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

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 taxes payable or recoverable 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, "Operating segments," 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) FUTURE ACCOUNTING POLICY CHANGES

IFRS 9, "Financial Instruments"

In July 2014, the International Accounting Standards Board ("IASB") published its final version of IFRS 9, which will replace IAS 39, "Financial Instruments: Recognition and Measurement" and modifications to IFRS 7, "Financial Instruments: Disclosures," in order to add disclosure requirements regarding the transition to IFRS 9. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers." IFRS 15 specifies how and when to recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. The standard will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts," and related interpretations. Adoption of the standard will be mandatory for all IFRS reporters, and will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Cominar is currently assessing the impacts of adopting this new standard on its consolidated financial statements.

IFRS 16, "Leases"

In January 2016, the IASB issued IFRS 16, "Leases". IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). IFRS 16 will cancel and replace the previous leases standard, IAS 17, "Leases", and related interpretations. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 is also applied. The adoption of this new standard will have no significant impact on Cominar's consolidated financial statements since no important changes were made to the accounting model by the lessor.

4) ACQUISITIONS AND DISPOSITIONS

DISPOSITIONS OF INCOME PROPERTIES HELD FOR SALE IN 2016

On January 29, 2016, Cominar completed the sale of a portfolio of 10 retail properties located in Quebec and Ontario, for a total price of $14,949, net of costs to sell.

On March 31, 2016, Cominar completed the sale of a portfolio of 14 retail properties located in Quebec and Ontario, for a total price of $55,482, net of costs to sell.

On May 2, 2016, Cominar completed the sale of a portfolio of 5 retail properties located in the Québec and Montréal areas, for a total price of $39,293, net of costs to sell.

On December 19, 2016, Cominar completed the sale of two retail properties located in the Montréal area, for a total price of $5,914, net of costs to sell.

The properties sold by Cominar during fiscal 2016 have been subject to an overall decrease in their carrying amount to their fair value of $1,362. These properties had been subject to an increase in their carrying amount to their fair value of $4,836 in 2015.

DISPOSITION OF INCOME PROPERTIES IN 2015

On September 30, 2015, Cominar announced that it had completed the sale of one industrial and mixed-use property and two office properties located in Montréal, for a total selling price of $98,000.

ACQUISITION OF INCOME PROPERTIES IN 2015

On April 23, 2015, Cominar acquired a portfolio of 3 industrial properties with total leasable area of 697,000 square feet, located in the greater Montréal area, for a purchase price of $34,500 paid cash.

This transaction was 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 at the acquisition date of acquired net assets:

	Fair values $
Income properties	34,500
Working capital	(26)
Deposit on acquisition[1]	(2,500)
Total cash consideration paid for the acquisition	31,974

(1) A deposit of $2,500 had been made during the fiscal year ended December 31, 2014.

TRANSFERS TO INCOME PROPERTIES IN 2016

During the third quarter of 2016, Cominar completed the construction of an industrial and mixed-use property that it transferred from property under development to income property. Located in Québec, this property valued at $5,599, with a leasable area of 46,000 square feet, has an occupancy rate of 100%. The capitalization rate is 8.5%.

During the fourth quarter of 2016, Cominar completed the construction of two properties that were transferred from properties under development to income properties. The first one, a $2,262 retail property located in Québec with a leasable area of 6,000 square feet, has an occupancy rate of 100% and its capitalization rate is 7.6%. The second one, a $19,970 industrial and mixed-use property located in Laval with a leasable area of 130,000 square feet, has an occupancy rate of 100 % and its capitalization rate is 8.4%.

These properties have been subject to an overall increase from their carrying amount to their fair value of $3,773 when transferred to income properties.

TRANSFERS TO INCOME PROPERTIES IN 2015

During the second quarter of 2015, Cominar completed the construction of an industrial and mixed-use property located in Lévis, in the suburbs of Québec, that it transferred from property under development to income property. At that time, the property valued at $5,940, with a leasable area of 33,000 square feet, had an occupancy rate of 100%. The capitalization rate was 8.1%.

During the fourth quarter of 2015, Cominar completed the construction of an industrial and mixed-use property located in Québec, that it transferred from property under development to income property. At that time, the property valued at $7,352, with a leasable area of 68,000 square feet, had an occupancy rate of 80%. The capitalization rate was 8.4%.

These two properties were transferred to income properties at their fair value.

5) INCOME PROPERTIES

For the years ended December 31	Note	2016	2015
		$	$
Balance, beginning of year		**7,614,990**	7,697,823
Acquisitions and related costs		**10,648**	33,081
Change in fair value		**(49,086)**	(23,322)
Capital costs		**149,011**	137,161
Dispositions		**—**	(97,444)
Transfers from properties under development	6	**27,831**	13,292
Transfers to income properties held for sale	7	**(96,397)**	(163,733)
Change in initial direct costs		**15,206**	10,992
Recognition of leases on a straight-line basis		**3,931**	7,140
Balance, end of year		**7,676,134**	7,614,990

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

Cominar opted to present its investment properties in the consolidated 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 during the period, where applicable. External valuations were carried out by independent national firms holding a recognised and relevant professional qualification and having recent experience in the location and category of the investment properties being valued.

As per Cominar's policy on valuing investment properties, during fiscal 2016, management revalued the entire real estate portfolio and determined that a decrease of $46,675 was necessary to change the carrying amount in fair value of investment properties [decrease of $23,322 in 2015]. The change in fair value related to investment properties held as at the year-end date amounts to $45,313. In 2016, the fair value of investment properties from external valuations amounted to 14% [17% in 2015] of the total fair value of all income properties.

Internally valued investment properties have been valued using the capitalized net operating income method. Externally valued investment properties have been valued either with the capitalized net operating income method or the discounted cash flow method. Here is a description of these methods and the key assumptions used:

Capitalized net operating income method – Under this method, capitalization rates are applied to standardized net operating income in order to comply with current valuation standards. The standardized 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 different capitalization rates by property type and geographical area.

Discounted cash flow method – Under this method, the expected future cash flows are discounted using an appropriate rate based on the risk of the property. Expected future cash flows for each investment property are based upon, but not limited to, rental income from current leases, budgeted and actual expenses, and assumptions about rental income from future leases. Discount and capitalization rates are estimated using market surveys, available appraisals and market comparables.

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 reported in net income.

As required under IFRS, Cominar has determined that an increase or decrease in 2016 of 0.1% in the applied capitalization rates for the entire real estate portfolio would result in a decrease or increase of approximately $135,300 [$124,600 in 2015] in the fair value of its investment properties.

Internally and externally used capitalization and discount rates are consistent.

Capitalization and discount rates	**2016**		2015	
Category	**Range**	**Weighted average**	Range	Weighted average
Office properties				
Capitalized net operating income method				
Capitalization rate	**4.8% – 9.3%**	**6.2%**	5.0% – 9.3%	6.3%
Discounted cash flow method				
Overall capitalization rate	**5.3% – 6.3%**	**5.4%**	5.5% – 7.5%	6.2%
Terminal capitalization rate	**5.6% – 6.5%**	**5.6%**	5.5% – 7.5%	6.4%
Discount rate	**6.6% – 7.0%**	**6.7%**	6.5% – 8.0%	7.0%
Retail properties				
Capitalized net operating income method				
Capitalization rate	**5.0% – 9.0%**	**5.9%**	5.3% – 9.0%	6.1%
Discounted cash flow method				
Overall capitalization rate	**5.8% – 6.3%**	**5.9%**	6.0% – 6.5%	6.1%
Terminal capitalization rate	**6.0% – 6.5%**	**6.1%**	6.3% – 6.8%	6.4%
Discount rate	**6.8% – 7.3%**	**6.9%**	6.8% – 7.3%	7.0%
Industrial and mixed-use properties				
Capitalized net operating income method				
Capitalization rate	**5.5% – 11.0%**	**6.9%**	5.8% – 11.0%	7.0%
Discounted cash flow method(1)				
Overall capitalization rate			6.8% – 7.8%	7.2%
Terminal capitalization rate			7.0% – 7.8%	7.3%
Discount rate			7.5% – 8.3%	7.8%
Total				
Capitalized net operating income method				
Capitalization rate		**6.2%**		6.4%
Discounted cash flow method				
Overall capitalization rate		**5.6%**		6.2%
Terminal capitalization rate		**5.8%**		6.4%
Discount rate		**6.7%**		7.0%

(1) For the year ended December 31, 2016, no industrial and mixed-use properties have been subject to external valuation according to the discounted cash flow method.

6) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

For the years ended December 31	**Note**	**2016** **$**	2015 $
Balance, beginning of year		**120,760**	121,938
Acquisitions and related costs		**14,818**	—
Change in fair value of properties transferred to income properties		**3,773**	—
Capital costs		**19,191**	6,776
Capitalized interest		**5,252**	5,239
Transfers to income properties	5	**(27,831)**	(13,292)
Change in initial direct costs		**633**	99
Balance, end of year		**136,596**	120,760
Breakdown:			
Properties under development		**45,776**	49,114
Land held for future development		**90,820**	71,646

7) INCOME PROPERTIES HELD FOR SALE

Cominar has undertaken the process of selling some of its income properties and expects to close these transactions over the next few months. Cominar's management intends to use the total net proceeds from these dispositions to pay down debt. Here is the fair value of these income properties less costs to sell by operating segment:

As at December 31, 2016	Note	Retail properties $	Industrial and mixed-use properties $	Total $
Assets				
Income properties held for sale				
Balance, beginning of year		163,733	—	163,733
Dispositions	4	(117,000)	—	(117,000)
Transfers of income properties	5	46,897	49,500	96,397
Balance, end of year		93,630	49,500	143,130

As at December 31, 2016	Retail properties $	Industrial and mixed-use properties $	Total $
Liabilities			
Mortgage payable related to an income property held for sale			
Balance, beginning of year	8,590	—	8,590
Monthly repayments of principal	(109)	—	(109)
Disposition	(8,481)	—	(8,481)
Balance, end of year	—	—	—

8) JOINT VENTURES

As at December 31			**2016**	2015
Joint venture	**Address**	**City/province**	**Ownership interest**	Ownership interest
Société en commandite Complexe Jules-Dallaire	2820 Laurier Boulevard	Québec, Quebec	**50%**	50%
Société en commandite Bouvier-Bertrand	Espace Bouvier	Québec, Quebec	**50%**	50%
Société en commandite Chaudière-Duplessis	De la Chaudière Boulevard	Québec, Quebec	**75%**	75%
Société en commandite Marais	Du Marais Street	Québec, Quebec	**75%**	75%

The business objective of these joint ventures is the ownership, management and development of real estate projects.

The following table summarizes the financial information on the investments in these joint ventures accounted for under the equity method:

For the years ended December 31	2016	2015
	$	$
Investments in joint ventures, beginning of year	**74,888**	41,633
Contributions to the capital of the joint ventures	**10,850**	33,259
Share of joint ventures' net income	**8,006**	1,427
Cash distributions by a joint venture	**(800)**	(200)
Return of capital from a joint venture	**(2,750)**	(1,231)
Investments in joint ventures, end of year	**90,194**	74,888

The following tables summarize the joint ventures' net assets and net income:

As at December 31	2016	2015
	$	$
Income properties	**198,394**	183,168
Properties under development	**35,741**	32,921
Land held for future development	**55,050**	43,122
Other assets	**2,126**	2,806
Mortgages payable	**(112,873)**	(102,312)
Bank borrowings[1]	**(21,600)**	(25,002)
Other liabilities	**(3,942)**	(6,440)
Net assets of the joint ventures	**152,896**	128,263
Proportionate share of joint ventures' net assets	**90,194**	74,888

(1) Société en commandite Bouvier-Bertrand holds a $25,000 credit facility, which is secured by Cominar.

For the years ended December 31	2016	2015
	$	$
Operating revenues	**20,226**	17,734
Operating expenses	**8,736**	7,954
Net operating income	**11,490**	9,780
Change in fair value	**9,461**	(2,004)
Finance charges	**(5,383)**	(5,013)
Administrative expenses	**(134)**	(70)
Net income	**15,434**	2,693
Share of joint ventures' net income	**8,006**	1,427

On January 13, 2017, Cominar completed the acquisition of an additional 25% ownership interest in *Société en commandite Chaudière-Duplessis*, for a purchase price of $10,016. On that date, *Société en commandite Chaudière-Duplessis* became a wholly owned subsidiary of Cominar.

9) GOODWILL

Goodwill represents the excess of the purchase price of an acquired business over the fair value of the net identifiable assets acquired. Its useful life is indefinite. 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 CGUs expected to benefit from the combination. To test impairment, Cominar must determine the recoverable value of net assets of each group of CGUs, making assumptions about standardized net operating income and capitalization rates. These assumptions are based on Cominar's past experience as well as on external sources of information. The recoverable value is the fair value less the cost of disposal. Should the carrying amount of a group of CGU, including goodwill, exceed its recoverable value, impairment is recorded and recognized in profit or loss in the period during which the impairment occurs.

At year-end, Cominar tested its assets for impairment by determining the recoverable value of the net assets of each group CGUs and comparing it to the carrying amount, including goodwill. As at December 31, 2016 and 2015, goodwill was not impaired.

Goodwill is measured using Level 3 inputs of the fair value hierarchy, which means that inputs for the asset or liability are not based on observable market data (unobservable inputs).

Goodwill	**Office properties**	**Retail properties**	**Industrial and mixed-use properties**	**Total**
	$	**$**	**$**	**$**
As at December 31, 2015 and 2016	98,073	51,212	17,686	166,971

The capitalization rates used to value the recoverable amount of net assets for each group of CGUs are as follows:

Capitalization rates	**2016**	2015
Category	**Weighted average**	Weighted average
Office properties	**5.8%**	6.1%
Retail properties	**5.7%**	5.9%
Industrial and mixed-use properties	**6.5%**	6.7%
Total	**5.9%**	6.1%

10) ACCOUNTS RECEIVABLE

As at December 31	**2016**	2015
	$	$
Trade receivables	**27,693**	26,674
Allowance for doubtful accounts	**(8,557)**	(9,408)
	19,136	17,266
Accounts receivable – related parties	**1,182**	701
Interest-bearing accounts receivable[1]	**1,044**	1,016
Security deposits	**6,295**	5,533
Other receivables and accrued income	**14,861**	32,240
	42,518	56,756
(1) Average effective interest rate	**6.89%**	7.21%

11) MORTGAGES PAYABLE

For the years ended December 31	2016		2015	
		Weighted average contractual rate		Weighted average contractual rate
	$	%	$	%
Balance, beginning of year	**2,051,335**	**4.46**	1,948,462	4.79
Net mortgages payable, contracted or assumed	**241,555**	**3.50**	371,407	3.07
Monthly repayments of principal	**(54,954)**	**—**	(57,120)	—
Repayments of balances at maturity or assigned	**(191,979)**	**5.44**	(211,414)	4.77
	2,045,957	**4.37**	2,051,335	4.46
Plus: Fair value adjustments on assumed mortgages payable	**7,746**		14,246	
Less: Deferred financing costs	**(5,694)**		(4,351)	
Balance, end of year(1)	**2,048,009**		2,061,230	

(1) Including the $nil [$8,590 as at December 31, 2015] mortgage payable related to a property held for sale.

Contractual maturity dates of mortgages payable are as follows as at December 31, 2016:

For the years ending December 31	Repayment of principal	Balances at maturity	Total
	$	$	$
2017	56,418	198,088	**254,506**
2018	45,986	443,806	**489,792**
2019	38,490	4,141	**42,631**
2020	39,890	82,013	**121,903**
2021	38,987	89,437	**128,424**
2022 and thereafter	129,338	879,363	**1,008,701**
	349,109	1,696,848	**2,045,957**

Mortgages payable are secured by immovable hypothecs on investment properties having a carrying amount of $4,072,140 [$4,162,353 as at December 31, 2015]. They bear annual contractual interest rates ranging from 2.52% to 7.75% [2.35% to 7.75% as at December 31, 2015], representing a weighted average contractual rate of 4.37% as at December 31, 2016 [4.46% as at December 31, 2015], and are renewable at various dates from January 2017 to January 2039. As at December 31, 2016, the weighted average effective interest rate was 4.09% [4.05% as at December 31, 2015].

As at December 31, 2016, all mortgages payable were bearing interest at fixed rates. Some of the mortgages payable include covenants, with which Cominar was in compliance as at December 31, 2016 and 2015.

12) DEBENTURES

On May 20, 2016, Cominar issued $225,000 in Series 10 senior unsecured debentures bearing interest at a rate of 4.247% and maturing in May 2023.

On September 21, 2016, Cominar reimbursed at maturity its Series 6 senior unsecured debentures totalling $250,000 and bearing interest at a variable rate.

The following table presents characteristics of outstanding debentures as at December 31, 2016:

	Date of issuance	Contractual interest rate	Effective interest rate	Maturity date	Par value as at December 31, 2016
		%	%		$
Series 1	June 2012[(1)]	4.274	4.32	June 2017	**250,000**
Series 2	December 2012[(2)]	4.23	4.37	December 2019	**300,000**
Series 3	May 2013	4.00	4.24	November 2020	**100,000**
Series 4	July 2013[(3)]	4.941	4.81	July 2020	**300,000**
Series 7	September 2014	3.62	3.70	June 2019	**300,000**
Series 8	December 2014	4.25	4.34	December 2021	**200,000**
Series 9	June 2015	4.164	4.25	June 2022	**300,000**
Series 10	May 2016	4.247	4.34	May 2023	**225,000**
Total		**4.23**	**4.30**		**1,975,000**

(1) Re-opened in September 2012 ($125,000).
(2) Re-opened in February 2013 ($100,000).
(3) Re-opened in January 2014 ($100,000) and March 2014 ($100,000).

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

For the years ended December 31	**2016**		2015	
		Weighted average contractual rate		Weighted average contractual rate
	$	**%**	$	%
Balance, beginning of year	**2,000,000**	**3.95**	1,950,000	3.89
Issuances	**225,000**	**4.25**	300,000	4.16
Repayment at maturity	**(250,000)**	**1.97**	(250,000)	3.03
	1,975,000	**4.23**	2,000,000	3.95
Less: Deferred financing costs	**(6,552)**		(7,413)	
Plus: Net premium and discount on issuance	**2,118**		2,919	
Balance, end of year	**1,970,566**		1,995,506	

Debentures, under the trust indenture, contain covenants, with which Cominar was in compliance as at December 31, 2016 and 2015.

13) BANK BORROWINGS

As at December 31, 2016, Cominar had an unsecured renewable revolving operating and acquisition credit facility of up to $700,000 maturing in August 2019. This credit facility bears interest at prime rate plus 70 basis points or at the bankers' acceptance rate plus 170 basis points. This credit facility contains certain restrictive clauses, with which Cominar was in compliance as at December 31, 2016 and 2015. As at December 31, 2016, bank borrowings totalled $332,121 and cash available was $367,879.

14) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31	2016	2015
	$	$
Trade accounts payable	**4,848**	7,720
Accounts payable – related parties	**7,624**	8,804
Accrued interest payable	**18,818**	17,488
Prepaid rent and tenants' deposits	**27,848**	25,797
Other accounts payable and accrued expenses	**39,961**	47,540
Commodity taxes and other non-financial liabilities	**10,762**	11,572
	109,861	118,921

15) 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 all Cominar distributions. All issued units are fully paid.

For the years ended December 31	2016		2015	
	Units	$	Units	$
Units issued and outstanding, beginning of year	**170,912,647**	**3,063,920**	158,689,195	2,839,515
Public offering	**12,780,000**	**191,516**	7,901,650	148,701
Repurchase of units under NCIB	**(2,717,396)**	**(40,779)**	(530,836)	(7,755)
Exercise of options	—	—	266,200	4,741
Distribution reinvestment plan	**1,265,157**	**18,457**	4,582,780	78,643
Conversion of convertible debentures	—	—	3,658	75
Conversion of deferred units and restricted units	**94,154**	**1,579**	—	—
Units issued and outstanding, end of year	**182,334,562**	**3,234,693**	170,912,647	3,063,920

LONG TERM INCENTIVE PLAN

Unit options

Cominar has granted unit options to management and employees under the long term incentive plan. As at December 31, 2016, options to purchase 12,455,450 units were outstanding.

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

As at December 31, 2016					
Date of grant	Graded vesting method	Expiration date	Exercise price $	Outstanding options	Exercisable options
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	1,487,250,	1,487,250,
August 5, 2013	50%	August 5, 2018	20.09	150,000,	150,000,
December 17, 2013	33 1/3%	December 17, 2018	17.55	1,857,400,	1,857,400,
December 16, 2014	33 1/3%	December 16, 2019	18.07	2,235,200,	1,512,100,
December 15, 2015	33 1/3%	December 15, 2022	14.15	2,851,400,	951,400,
December 13, 2016	33 1/3%	December 13, 2023	14.90	3,424,200,	—
				12,455,450	**6,408,150**

As at December 31, 2016, the average weighted contractual life of outstanding options was 4.3 years [4.0 years as at December 31, 2015].

The following table presents changes in the number of options for the years indicated:

For the years ended December 31	2016		2015	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**10 493 750**	**18,15**	9,221,200	19.81
Exercised	**—**	**—**	(266,200)	17.55
Granted	**3 424 200**	**14,90**	3,070,200	14.15
Forfeited or cancelled	**(561 800)**	**17,51**	(809,850)	19.69
Expired	**(900 700)**	**21,80**	(721,600)	20.93
Outstanding, end of year	**12 455 450**	**17,02**	10,493,750	18.15
Exercisable options, end of year	**6 408 150**	**18,89**	5,203,350	20.61

Restricted units

Restricted units consist of allocations whose values, for the participant, rise or 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 vested 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.

The following table presents changes in the number of restricted units for the years indicated:

For the years ended December 31	2016	2015
Outstanding, beginning of year	**4,047**	1,147
Exercised	**(637)**	—
Granted	**1,373**	2,582
Accrued distributions	**467**	318
Outstanding, end of year	**5,250**	4,047
Vested restricted units, end of year	**—**	—

Deferred units

Deferred units consist of allocations whose values, for the participant, rise or fall according to the value of Cominar units on the stock market. 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. Vesting periods are determined by the Board of Trustees on the date of the grant. These rights are usually vested at a rate of 33 1/3% per anniversary year of the grant date. Once a year, the deferred unit holder can convert its vested deferred units into Cominar units. 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.

The following table presents changes in the number of deferred units for the years indicated:

For the years ended December 31	2016	2015
Outstanding, beginning of year	**180,434**	80,872
Exercised	**(93,517)**	—
Granted	**54,520**	85,304
Accrued distributions	**20,239**	14,258
Outstanding, end of year	**161,676**	180,434
Vested deferred units, end of year	**37,185**	52,397

Unit-based compensation

The compensation expense related to the options granted in 2016 and 2015 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	Weighted average expected life	Weighted average fair value per unit
		$			(years)	$
December 15, 2015	12.61%	14.15	8.39%	0.69%	4.5	0.14
December 13, 2016	14.34%	14.90	9.51%	1.04%	4.5	0.18

(1) The volatility is estimated by considering the historical volatility of Cominar's units' price.
(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 February 2016 was calculated based on the market price of Cominar units on the grant date, which was $15,28.

The overall compensation expense for the fiscal year was $1,028 [$1,970 in 2015].

A maximum of 16,819,525 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 investment properties and certain other items not affecting cash, if applicable.

For the years ended December 31	2016	2015
	$	$
Distributions to unitholders	**254,456**	251,295
Distributions per unit	**1.470**	1.470

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 103% of the cash distributions. For the year ended December 31, 2016, 1,265,157 units [4,582,780 in 2015] were issued for a total net consideration of $18,457 [$78,643 in 2015] under this plan.

On September 14, 2016 Cominar announced the resumption of its Distribution Reinvestment Plan, suspended since January 20, 2016.

16) OPERATING LEASE INCOME

a) The future minimum lease payments from tenants are as follows:

	As at December 31, 2016
	$
– Less than one year	473,548
– More than one year to five years	1,257,999
– More than five years	782,487

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

For the years ended December 31	2016	2015
	$	$
Contingent rents	7,417	6,851

17) OPERATING COSTS, PROPERTY MANAGEMENT EXPENSES AND TRUST ADMINISTRATIVE EXPENSES

The following table presents the main components of operating costs, property management expenses and Trust administrative expenses based on their nature:

For the years ended December 31	2016	2015
	$	$
Repairs and maintenance	68,209	69,373
Energy	66,063	68,115
Salaries and other benefits	50,088	48,472
Professional fees	2,205	1,941
Costs associated with public companies	556	720
Other expenses	31,149	30,243
	218,270	218,864

18) FINANCE CHARGES

For the years ended December 31	2016	2015
	$	$
Interest on mortgages payable	87,780	88,959
Interest on debentures	83,456	80,150
Interest on convertible debentures	—	7,010
Interest on bank borrowings	9,747	9,931
Net amortization of premium and discount on debenture issues	(801)	(787)
Amortization of deferred financing costs and other costs	3,771	6,664
Amortization of fair value adjustments on assumed borrowings	(6,501)	(9,483)
Less: Capitalized interest(1)	(6,807)	(6,236)
Total finance charges	170,645	176,208

(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. The weighted average capitalization rate used in 2016 was 4.21% [4.37% in 2015].

19) 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 allocations from its income for tax purposes. Therefore, no provision for income taxes is required.

Taxation of distributions of specified investment flow-through ("SIFT") trusts and exception for real estate investment trusts ("REITs")

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.

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 years ended December 31, 2016 and 2015, Cominar believes that it met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules for 2016 and 2015 did not 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	2016 $	2015 $
Income before income taxes	**242,576**	273,001
Canadian combined statutory tax rate	**28.16%**	27.44%
Income tax expense at the statutory tax rate	**68,309**	74,906
Income not subject to income tax	**(68,107)**	(74,427)
Other	**636**	88
	838	567

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

As at December 31	2016 $	2015 $
Deferred tax assets to be recovered after more than 12 months		
Mortgages payable	**30**	59
Tax losses	**250**	263
	280	322
Deferred tax liabilities to be settled after more than 12 months		
Income properties	**(11,995)**	(11,199)
Deferred taxes (net)	**(11,715)**	(10,877)

Changes in the deferred income tax account were as follows:

For the years ended December 31	2016	2015
	$	$
Balance, beginning of year	**10,877**	10,310
Income tax expense recorded in the consolidated statements of comprehensive income	**838**	567
Balance, end of year	**11,715**	10,877

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

	Mortgages payable	Tax losses	Total
	$	$	$
Deferred tax assets			
Balance as at January 1, 2015	94	276	370
Origination and reversal of timing differences included in profit or loss	(35)	(13)	(48)
Balance as at December 31, 2015	59	263	322
Origination and reversal of timing differences included in profit or loss	(29)	(13)	(42)
Balance as at December 31, 2016	30	250	280

	Income properties
	$
Deferred tax liabilities	
Balance as at January 1, 2015	(10,680)
Origination and reversal of timing differences included in profit or loss	(519)
Balance as at December 31, 2015	(11,199)
Origination and reversal of timing differences included in profit or loss	(796)
Balance as at December 31, 2016	**(11,995)**

20) PER UNIT CALCULATION BASIS

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

For the years ended December 31	2016	2015
	Units	Units
Weighted average number of units outstanding – basic	**172,131,831**	167,867,983
Dilutive effect related to the long-term incentive plan	**373,596**	179,968
Weighted average number of units outstanding – diluted	**172,505,427**	168,047,951

The calculation of the diluted weighted average number of units outstanding does not take into account the effect of the conversion into units of 7,140,850 options outstanding for the year ended December 31, 2016 [8,411,533 options in 2015] since the exercise price of the options, including the unrecognized portion of the related compensation expense, is higher than the average price of the units. The calculation also does not take into account 5,663,207 units for the year ended December 31, 2015 with regard to the dilution related to convertible debentures, as they are antidilutive for that period.

21) SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31	2016	2015
	$	$
Accounts receivable	**14,238**	(4,712)
Prepaid expenses	**(1,572)**	(1,890)
Accounts payable and accrued liabilities	**(5,320)**	(16,906)
Changes in non-cash working capital items	**7,346**	(23,508)
Other information		
Unpaid acquisitions and investments with respect to investment properties	**11,898**	15,638

22) RELATED PARTY TRANSACTIONS

During fiscal years 2016 and 2015, Cominar entered into transactions with companies controlled by unitholders who are also officers of Cominar 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	Note	2016	2015
		$	$
Investment properties – Capital costs		**86,639**	71,762
Investment properties held by joint ventures – Acquisition		**6,204**	31,276
Investment properties held by joint ventures – Capital costs		**2,958**	14,450
Share of joint ventures' net income	8	**8,006**	1,427
Net rental revenue from investment properties		**301**	272
Interest income		**280**	312

As at December 31	Note	2016	2015
		$	$
Investments in joint ventures	8	**90,194**	74,888
Mortgage receivable		**8,250**	8,250
Accounts receivable		**1,182**	701
Accounts payable		**7,624**	8,804

23) 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	2016	2015
	$	$
Short-term benefits	**4,928**	5,525
Contribution to the retirement savings plans	**169**	166
Long term incentive plan	**650**	1,455
Total	**5,747**	7,146

Unit options granted to senior executives and other officers may not be exercised, even if they have vested, until the following three conditions have been met. The first condition requires that the market price of the security must be at least ten percent (10%) higher than the exercise price of the option, and this condition will be considered as met if the unit price has remained at such level for a period of twenty (20) consecutive trading days during the option's term. The second condition requires that the senior executive or other officer must undertake to hold a number of units corresponding to the multiple determined for his base salary. The third condition is that when the options are exercised, if the senior executive or other officer does not hold the required minimum number of units, he must retain at least five percent (5%) of the units purchased until he has the multiple corresponding to his base salary.

24) CAPITAL MANAGEMENT

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

Cominar's capitalization is 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 capitalization is as follows:

As at December 31	2016	2015
	$	$
Cash and cash equivalents	**(9,853)**	(5,250)
Mortgages payable	**2,048,009**	2,061,230
Debentures	**1,970,566**	1,995,506
Bank borrowings	**332,121**	381,166
Unitholders' equity	**3,815,513**	3,657,997
Total capitalization	**8,156,356**	8,090,649
Debt ratio(1)	**52.4%**	53.9%
Interest coverage ratio(2)	**2.65:1**	2.67:1

(1) The debt ratio is equal to the total of cash and cash equivalents, bank borrowings, mortgages payable and debentures divided by 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, 2016, Cominar had maintained a debt ratio of 52.4%.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt from operating revenues. As such, for the year ended December 31, 2016, the interest coverage ratio was 2.65:1, reflecting Cominar's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous period.

25) FAIR VALUE

Cominar uses a three-level hierarchy to classify its financial instruments measured at fair value. The hierarchy reflects the relative weight of inputs used in the valuation. 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 changes in circumstances that caused the transfer. There was no transfer between hierarchy levels in fiscal years 2016 and 2015.

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

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

CLASSIFICATION

Non-financial assets and their carrying amount and fair value as well as financial liabilities and their carrying amount and fair value, when that fair value does not approximate the carrying amount, are classified as follows:

		December 31, 2016		December 31, 2015	
	Level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
		$	**$**	$	$
RECURRING VALUATIONS OF NON-FINANCIAL ASSETS					
Income properties	3	**7,676,134**	**7,676,134**	7,614,990	7,614,990
Income properties held for sale	3	**143,130**	**143,130**	163,733	163,733
Land held for future development	3	**90,820**	**90,820**	71,646	71,646
FINANCIAL LIABILITIES					
Mortgages payable	2	**2,048,009**	**2,104,025**	2,061,230	2,140,424
Debentures	2	**1,970,566**	**2,019,802**	1,995,506	2,026,127

26) 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, 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 operating revenues and by conducting credit assessments on all new tenants.

Cominar has a broad, highly diversified retail client base consisting of about 5,900 clients occupying an average of approximately 7,100 square feet each. The top three clients, Public Works Canada, Société québécoise des infrastructures and Canadian National Railway Company, account respectively for approximately 4.9%, 4.8% and 4.0% of operating revenues from several leases with staggered maturities. The stability and quality of cash flows from operating activities are enhanced by the fact that approximately 10.5% of operating revenues come from government agencies, representing approximately 100 leases.

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 accounts receivable, mortgage receivable and the cash and cash equivalents 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 borrowings over several years and by generally using long-term debt bearing interest at fixed rates.

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

All mortgages payable and debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank borrowings and the mortgage receivable, which bear interest at variable rates.

As required under IFRS, a 25-basis-point increase or decrease in the average interest rate on variable interest debts during the period, assuming that all other variables are held constant, would have impacted Cominar's net income by more or less $1,543 for the year ended December 31, 2016 [$2,138 in 2015].

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 capitalization, continuously monitoring current and projected cash flows and adhering to its capital management policy.

Undiscounted contractual cash flows (interest and principal) related to financial liabilities as at December 31, 2016 are as follows:

		Cash flows		
	Note	Under one year $	One to five years $	Over five years $
Mortgages payable	11	349,607	1,035,721	1,172,887
Debentures	12	328,263	1,413,820	544,783
Bank borrowings	13	9,964	347,896	—
Accounts payable and accrued liabilities(1)	14	99,099	—	—

(1) Excludes consumption taxes and other non-financial liabilities

27) 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 in the audited annual financial statements of the Trust. Cominar uses net operating income as its main criterion to measure operating performance, that is, the operating revenues less the operating expenses of 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 segments.

The segments include Cominar's proportionate share in joint ventures. The *Joint ventures* columns reconcile the segment information including the proportionate share in assets, liabilities, revenues and charges, to the information presented in these consolidated financial statements, where the investments in joint ventures are accounted for using the equity method.

The following tables provide financial information on Cominar's three property types:

For the year ended	**Office properties**	**Retail properties**	**Industrial and mixed-use properties**	**Cominar's proportionate share**	**Joint ventures**	**Consolidated financial statements**
December 31, 2016	**$**	**$**	**$**	**$**	**$**	**$**
Rental revenue from investment properties	**380,761**	**334,187**	**162,147**	**877,095**	**(10,113)**	**866,982**
Net operating income	**193,309**	**183,961**	**97,084**	**474,354**	**(5,745)**	**468,609**
Share of joint ventures' net income	**—**	**—**	**—**	**—**	**8,006**	**8,006**
December 31, 2015	$	$	$	$	$	$
Rental revenue from investment properties	398,808	336,972	162,262	898,042	(8,867)	889,175
Net operating income	208,724	184,729	98,925	492,378	(4,890)	487,488
Share of joint ventures' net income	—	—	—	—	1,427	1,427

	Office properties	**Retail properties**	**Industrial and mixed-use properties**	**Cominar's proportionate share**	**Joint ventures**	**Consolidated financial statements**
As at December 31, 2016	**$**	**$**	**$**	**$**	**$**	**$**
Income properties	**3,327,390**	**2,974,870**	**1,473,071**	**7,775,331**	**(99,197)**	**7,676,134**
Income properties held for sale	**—**	**93,630**	**49,500**	**143,130**	**—**	**143,130**
Investments in joint ventures	**—**	**—**	**—**	**—**	**90,194**	**90,194**
As at December 31, 2015	$	$	$	$	$	$
Income properties	3,307,850	2,943,854	1,454,871	7,706,575	(91,585)	7,614,990
Income properties held for sale	—	163,733	—	163,733	—	163,733
Investments in joint ventures	—	—	—	—	74,888	74,888

28) COMMITMENTS

The annual future payments required under emphyteutic leases expiring between 2046 and 2065, on land for three income properties having a total fair value of $61,191, are as follows:

For the years ending December 31	Emphyteutic Leases $
2017	634
2018	634
2019	634
2020	648
2021	654
2022 and thereafter	22,106

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

29) SUBSEQUENT EVENTS

On January 10, 2017, 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.

On January 13, 2017 and February 15, 2017, Cominar declared a monthly distribution of $0.1225 per unit for both of these months.

On January 31, 2017, Cominar completed the sale of one industrial and mixed-use property located in the Toronto area, for a total selling price of $58,400.

On March 3, 2017, Cominar completed the sale of a portfolio of 8 retail properties located in the Montréal area and in Ontario for a total selling price of $35,300.

CORPORATE INFORMATION

BOARD OF TRUSTEES

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

KEY OFFICERS

Michel Dallaire, Eng.
Chief Executive Officer

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

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

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

Alain Dallaire
Executive Vice President, Operations
Office and Industrial and Asset Management

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

Jean Laramée, Eng.
Executive Vice President, Development

Michael Racine
Executive Vice President, Leasing
Office and Industrial

Manon Deslauriers
Vice President, Legal Affairs and
Corporate Secretary

UNITHOLDERS INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

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

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

LISTING

The units of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbol CUF.UN.

TRANSFER AGENT

Computershare Trust Company of Canada
1500 Robert-Bourassa Blvd., Suite 700
Montréal, Quebec, Canada H3A 3S8

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

TAXABILITY OF DISTRIBUTIONS

In 2016, 76.78% of the distributions made by Cominar to unitholders were a return of capital, reducing the adjusted cost base of the units.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

PricewaterhouseCoopers LLP

ANNUAL MEETING OF UNITHOLDERS

May 17, 2017
11:00 a.m. (EDT)
Hôtel Plaza Québec
3031 Laurier Boulevard
Québec, Quebec

UNITHOLDERS DISTRIBUTION REINVESTMENT PLAN

On September 14, 2016, Cominar announced the resumption of its Distribution Reinvestment Plan, suspended since January 20, 2016.

Cominar Real Estate Investment Trust offers unitholders the opportunity to participate in its Unitholders Distribution Reinvestment Plan (the "DRIP"). The DRIP allows participants to receive their monthly distributions as additional units of Cominar. In addition, participants will be entitled to receive an additional distribution equal to 3% 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.

By creating living environments that bring together the best interests of the community, *Centropolis* is emerging as a strong inner strength of city that is growing and evolving year after year.