Stability Through Turbulent Times

INTERIM REPORT

COMINAR REAL ESTATE INVESTMENT TRUST
QUARTER ENDED JUNE 30, 2009

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SECOND QUARTER
ENDED JUNE 30, 2009

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MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Fellow Unitholders,

Results for the second quarter and for the first six months ended June 30, 2009 reflect solid growth over the corresponding periods of 2008 and indicate that our real estate operations continued to post a satisfactory performance despite the economic situation. The demand for rental space remains fairly good in our portfolio, which is well diversified on a segmented and geographic basis. During the quarter, we pursued our property development projects and prudent business strategy while analyzing expansion opportunities that meet our criteria. Despite tightened financing conditions, we successfully completed two unit offerings in April and July 2009, for total proceeds of $115.0 million, which positions us well to realize potential interesting expansion projects.

STRONG GROWTH IN THE SECOND QUARTER OF 2009

Our operating revenues totalled $67.4 million for the second quarter of 2009, an increase of 14.2% reflecting the contribution of the acquisitions and developments completed in 2008 and at the beginning of 2009. We recorded net operating income of $39.5 million, an increase of 14.7%, and it is to be noted that same property net operating income was up by 2.7%. Recurring distributable income increased by 10.1% to $20.6 million; recurring adjusted funds from operations grew by 10.8% and distributions by 13.5% over the second quarter of 2008. These excellent results reflect the quality of our properties and tenants, the segmented diversification of our portfolio and the expertise, dynamism and professionalism of our teams.

HIGH OCCUPANCY RATE IN OUR MARKETS

The segmented and geographic diversification of our portfolio greatly favours the stability of our overall occupancy rate, which has held steady at an average of 94.8% over the past five years. In the second quarter, the occupancy rate of our office and retail properties stood at 94.4% and 97.0% respectively, compared with 94.5% and 97.1% as at December 31, 2008, whereas the occupancy rate of our industrial and mixed-use properties was 93.0%, down 1.0% from December 31, 2008 because our properties in the Montréal region were affected by the economic slowdown. As at June 30, 2009, the portfolio occupancy rate stood at 94.0%. At the end of the second quarter, our leasing team had renewed 46.1% of leases expiring in 2009 and signed new leases representing 0.4 million square feet of leasable space. We remain confident we will renew a significant proportion of expiring leases at a higher rate per square foot considering the demand for rental space and the current level of rents in our markets. The office property vacancy rate in Québec City stands at about 2%, one of the lowest of all Canadian metropolitan areas. Furthermore, it is worth noting that 43.2% of our second-quarter net operating income came from the Québec City and Ottawa regions, which benefit from very low unemployment and a stable economy driven by government agencies and the service industries.

HEALTHY AND SOLID FINANCIAL POSITION AS AT JUNE 30, 2009

In the second quarter, on April 21, 2009, we completed an offering of 4.8 million units for proceeds of $57.5 million. On June 25, 2009, we contracted a mortgage payable of $20.0 million with a financial institution and, subsequent to the second quarter, on July 8, we closed a new unit offering of 3.8 million units for proceeds of $57.5 million. The net proceeds from these offerings were used to reduce outstanding debt while contributing to lower our debt ratio which, considering convertible debentures, now stands at 58.0%, compared with the maximum of 65.0% authorized by our Contract of Trust. Furthermore, our strong capacity to regularly generate cash flows enables us to maintain an excellent interest coverage ratio, which compares favourably with our peers; as at June 30, 2009, this ratio stood at 2.60:1 on an annualized basis.

ADVANCEMENT OF ONGOING DEVELOPMENTS

Ongoing development projects represent a $97.4 million investment and their average capitalization rate is estimated at 9.4%, which is higher than returns obtained subsequent to acquisitions. These developments in the Montréal and Québec City regions representing an additional leasable area of approximately 0.7 million square feet are advancing well and we do not expect any significant budget overruns at this stage. In the first six months of 2009, we invested $36.8 million to acquire a 227,260-square-foot office property strategically located in Montréal.

OUTLOOK

We are confident we will achieve good results in last two quarters of 2009. Maintaining good liquidity and disciplined growth remain our priorities and we continue to seek acquisition and development opportunities that will create value for the long term.

Michel Dallaire, Eng.
President and Chief Executive Officer

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the quarter ended June 30, 2009, in comparison with the corresponding quarter of 2008, as well as its financial position at that date and its outlook. Dated August 5, 2009, this interim MD&A reflects all significant information available as of that date and should be read in conjunction with the unaudited consolidated interim financial statements and accompanying notes included in this report. Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square-foot amounts, and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Additional information about the Fund, including our 2008 Annual Information Form, is available on our website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2009 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

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

Photo: 3400 Jean-Béraud Avenue, Laval
An office building with a leasable area of 156,270 square feet

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

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

NON-GAAP FINANCIAL MEASURES

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

HIGHLIGHTS FOR THE SECOND QUARTER ENDED JUNE 30, 2009

- Increases of:
  - 14.2% in operating revenues
  - 14.7% in net operating income
  - 10.1% in recurring distributable income
  - 10.5% in recurring funds from operations
  - 10.8% in recurring adjusted funds from operations
  - 13.5% in distributions

- Maintenance of an occupancy rate of 94.0%

- Annualized conservative interest coverage ratio of 2.60:1

- April 21, 2009 issuance of units for proceeds of $57.5 million subsequent to a public offering

- Development pipeline as at June 30, 2009 representing a total investment of $97.4 million and adding approximately 0.7 million square feet of leasable area to our portfolio

- On May 4, 2009, Cominar sold a 5% undivided ownership interest in the Complexe Jules-Dallaire to a company owned indirectly by the Dallaire family for a purchase price of $2,0 million representing 5% of Cominar's investments to date in the Complexe.

SUBSEQUENT EVENT

- July 8, 2009 issuance of new units for proceeds of $57.5 million subsequent to a public offering

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Quarter			Cumulative (six months)		
For the periods ended June 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
FINANCIAL DATA						
Operating revenues (1)(2)	**67,373**	58,994	14.2	**135,240**	116,327	16.3
Net operating income (1)(2)(3)	**39,547**	34,470	14.7	**76,231**	65,920	15.6
Same property net operating income growth (3)	**2.7%**	6.0%		**2.5%**	4.0%	
Net income (1)	**7,715**	6,826	13.0	**11,757**	10,951	7.4
(Recurring) distributable income (1)(3)	**20,626**	18,728	10.1	**38,071**	34,522	10.3
(Recurring) funds from operations (1)(3)	**23,835**	21,572	10.5	**44,694**	40,298	10.9
(Recurring) adjusted funds from operations (1)(3)	**20,161**	18,192	10.8	**37,207**	33,874	9.8
Distributions	**18,261**	16,095	13.5	**34,784**	31,464	10.6
Debt ratio				**60.9%**	58.1%	
Debt ratio (excluding convertible debentures)				**50.3%**	45.5%	
Total assets				**1,762,115**	1,507,995	
Market capitalization				**784,773**	1,000,630	
PER UNIT FINANCIAL DATA						
Net income (basic)	**0.16**	0.15	6.7	**0.25**	0.24	4.2
Distributable income (basic) (3)	**0.42**	0.41	2.4	**0.80**	0.76	5.3
Recurring distributable income (FD) (3)(4)	**0.41**	0.40	2.5	**0.79**	0.75	5.3
Recurring funds from operations (FD) (3)(4)	**0.46**	0.45	2.2	**0.90**	0.86	4.7
Recurring adjusted funds from operations (FD) (3)(4)	**0.40**	0.39	2.6	**0.77**	0.74	4.1
Distributions	**0.360**	0.353	2.0	**0.720**	0.692	4.0
OPERATIONAL DATA						
Number of properties				**215**	212	
Leasable area (in thousands of sq. ft.)				**18,547**	17,641	
Occupancy rate				**94.0%**	95.2 %	
ACQUISITIONS AND DEVELOPMENTS						
Acquisitions						
Number of properties	—	3		**1**	10	
Leasable area (in thousands of sq. ft.)	—	359		**227**	590	
Total investment	—	26,050		**36,820**	44,614	
Weighted average capitalization rate	—	9.6%		**8.8%**	8.4%	
Ongoing developments						
Number of properties				**4**	4	
Estimated leasable area (in thousands of sq. ft.)				**671**	671	
Forecast total investment				**97,400**	97,400	
Forecast weighted average capitalization rate				**9.4%**	9.4%	

(1) Certain 2008 figures have been modified subsequent to the retroactive adoption of a new accounting policy.

(2) Certain 2008 figures have been reclassified as discontinued operations in accordance with GAAP.

(3) Non-GAAP financial measure. See relevant sections for definition and reconciliation to closest GAAP measure.

(4) Fully diluted.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Québec. As at August 5, 2009, we owned and managed a high-quality portfolio of 215 properties including 38 office buildings, 38 retail properties and 139 industrial and mixed-use properties covering more than 18.5 million square feet in the Québec City, Montréal and Ottawa areas.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects. Consequently, the gross carrying value of our real estate assets has increased more than sevenfold since 1998, rising from $244.6 million to over $1.9 billion as at June 30, 2009.

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

OBJECTIVES AND STRATEGY

OBJECTIVES

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

STRATEGY

To continue to ensure the growth of distributions and to increase return on investment for unitholders, Cominar strives to manage growth, operational risk and debt in a flexible and prudent manner. The key strategic elements for reaching these objectives are:

- **Acquisition as well as construction, redevelopment and expansion of properties offering a high potential for return.**
  To increase the leasable area in its property portfolio, Cominar continues to seek acquisition, construction and development opportunities in the Québec City, Montréal and Ottawa areas. The key criterion in evaluating any acquisition or development continues to be the ratio between the acquisition or development price, the related debt and the anticipated profitability of the project over the short- and long-term. Cominar maintains a conservative growth strategy, based on a very strict selection of properties to be acquired and the construction and development of quality properties in locations in great demand with clients.

- **Diversification of our property portfolio**
  This strategic element encompasses the following:

a) **Activity segment diversification** has been an integral part of our strategy from the beginning and consists in maintaining the right balance in our property portfolio among three activity segments: office buildings, retail properties and industrial and mixed-use properties. By diversifying its activities among three types of properties, Cominar reduces the risk associated with any given activity segment. This diversification contributes to steady revenue and income growth;

b) **Geographic diversification** – While consolidating its leading position in the Québec City area, Cominar has from the outset established a major presence in the Montréal area where we own, as at August 5, 2009, 117 properties representing a leasable area of over 11.1 million square feet. In addition, in 2007, Cominar acquired its first properties in the Ottawa region. Like activity segment diversification, geographic diversification allows Cominar to better spread its real estate risk;

c) **Client diversification** – Cominar serves an extensive and diverse client base across many industries. Clients occupy an average area of 6,800 square feet. This diversification allows for the maintenance of foreseeable cash flows.

- **Proactive property management emphasizing growth of occupancy rates and net leasing income**

  Commercial real estate is a dynamic investment that requires active and experienced management. With its integrated management, Cominar exercises rigorous, preventive and cost-effective control over its operations. Expanding our property portfolio enables us to achieve economies of scale and synergies. We thereby ensure delivery of efficient, cost-effective services to our clients. The result is increased client satisfaction, and high occupancy and retention rates.

- **Prudent financial management**

  Debt management continues to be a decisive factor in growth and stability for a real estate investment trust. Cominar maintains its debt ratio below the maximum authorized under its Contract of Trust and at a level we deem prudent. We believe that this disciplined policy contributes to the stability of future distributions and to the prudent growth of the Trust. We also take a conservative approach to managing the distributions ratio, which we regard as another key factor in the stability of future distributions. This approach provides us with greater financial flexibility for our capital expenditures and for the implementation of our leasing programs. Furthermore, we opted for early renewal of our credit facility, which now matures on June 19, 2010, while all mortgages maturing in 2009 have been renewed.

PERFORMANCE INDICATORS

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

OPERATIONAL PERFORMANCE

Client satisfaction is defined as client perception and judgment of service received and demonstrates loyalty to Cominar. Two indicators are used to measure client satisfaction: occupancy rate and retention rate, the latter being calculated as the leasable area of renewed leases in relation to the leasable area of leases that expired during the year. These indicators also provide an overview of the economic well-being of the regions in which Cominar owns properties.

FINANCIAL PERFORMANCE

To measure its financial performance, Cominar uses the following key indicators:

- **Same property net operating income,** which provides an indication of the operating profitability of the existing portfolio, i.e. Cominar's ability to increase revenues and reduce costs, and thereby generate added value for its unitholders;

- **Net operating income ("NOI") margin**, which provides an indication of the operating profitability of the portfolio;

- **(Recurring) distributable income ("DI") per unit**, which represents a benchmark for investors to judge the stability of distributions;

- **(Recurring) funds from operations ("FFO") per unit**, which represents a standard real estate benchmark to compare an entity's performance, excluding depreciation and amortization calculated using historical costs from net income established in accordance with GAAP;

- **(Recurring) adjusted funds from operations ("AFFO") per unit**, represented by funds from operations net of the investments needed to maintain the property portfolio's ability to generate rental income, which constitutes a meaningful measure of Cominar's ability to generate cash flows; and

- **Debt ratio**, which is used to assess the financial balance essential to the smooth running of an organization.

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

PERFORMANCE ANALYSIS

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the periods ended June 30, 2009 and 2008, and should be read in conjunction with the consolidated interim financial statements and accompanying notes presented in this interim MD&A. It should be noted that certain amounts relating to fiscal 2008 have been modified subsequent to the retroactive adoption of a new accounting policy. Other amounts have been reclassified as discontinued operations in accordance with GAAP.

	Quarter			Cumulative (six months)		
Periods ended June 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Operating revenues	**67,373**	58,994	14.2	**135,240**	116,327	16.3
Operating expenses	**27,826**	24,524	13.5	**59,009**	50,407	17.1
Net operating income	**39,547**	34,470	14.7	**76,231**	65,920	15.6
Interest on borrowings	**14,533**	12,002	21.1	**29,229**	23,852	22.5
Depreciation of income properties	**13,731**	12,622	8.8	**27,950**	25,081	11.4
Amortization of capitalized leasing costs	**2,389**	2,106	13.4	**4,987**	4,230	17.9
Amortization of other assets	**91**	72	26.4	**182**	134	35.8
Trust administrative expenses	**1,161**	984	18.0	**2,254**	1,863	21.0
Other revenues	**73**	124	(41.1)	**128**	175	(26.9)
Net income from continuing operations	**7,715**	6,808	13.3	**11,757**	10,935	7.5
Net income from discontinued operations	**—**	18	—	**—**	16	—
Net income	**7,715**	6,826	13.0	**11,757**	10,951	7.4
Basic and diluted net income per unit	**0.16**	0.15	6.7	**0.25**	0.24	4.2

FINANCIAL POSITION

The following table summarizes our assets and liabilities as well as unitholders' equity as at June 30, 2009 and December 31, 2008, and should be read in conjunction with the consolidated interim financial statements and accompanying notes presented in this interim MD&A.

	June 30, 2009	**December 31, 2008**	**Δ $**
ASSETS			
Income properties (at amortized cost)	**1,512,204**	1,507,087	5,117
Properties under development and land held for future development	**155,652**	93,802	61,850
Other assets	**94,259**	67,447	26,812
Total	**1,762,115**	1,668,336	93,779
LIABILITIES			
Mortgages payable	**782,278**	730,711	51,567
Convertible debentures	**204,445**	203,723	722
Bank indebtedness	**189,327**	186,987	2,340
Other liabilities	**41,317**	34,987	6,330
	1,217,367	1,156,408	60,959
UNITHOLDERS' EQUITY	**544,748**	511,928	32,820
Total	**1,762,115**	1,668,336	93,779

PERFORMANCE INDICATORS

The following table summarizes our performance indicators for the quarters ended June 30, 2009 and 2008. A detailed analysis of each of these performance indicators is provided on the page indicated:

Performance Indicators

		Quarter			Cumulative (six months)		
Periods ended June 30	**Page**	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Same property net operating income	12	**34,014**	33,110	2.7	**65,579**	63,978	2.5
Recurring DI per unit (FD) [1]	16	**0.41**	0.40	2.5	**0.79**	0.75	5.3
Recurring FFO per unit (FD) [1]	18	**0.46**	0.45	2.2	**0.90**	0.86	4.7
Recurring AFFO per unit (FD) [1]	19	**0.40**	0.39	2.6	**0.77**	0.74	4.1
NOI margin	12	**58.7**	58.4		**56.4**	56.7	
Debt ratio (including convertible debentures)	22				**60.9**	58.1	
Occupancy rate	26				**94.0**	95.2	

(1) Fully diluted.

RESULTS OF OPERATIONS

OVERALL ANALYSIS

OPERATING REVENUES

We achieved excellent growth in operating revenues during the second quarter of 2009, compared with the same period of 2008. The 14.2% increase resulted mainly from the contribution of office, industrial and mixed-use property acquisitions and developments completed in 2008 and 2009.

Operating Revenues

	Quarter			Cumulative (six months)		
Periods ended June 30	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Same property portfolio [1]	**58,364**	57,011	2.4	**117,239**	113,325	3.5
Acquisitions and developments	**9,009**	1,983	—	**18,001**	3,002	—
Total operating revenues	**67,373**	58,994	14.2	**135,240**	116,327	16.3

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2007, except those taken into account in the calculation of net income from discontinued operations, and does not include the benefits of acquisitions and developments completed and integrated in 2008.

For the second quarter of 2009, our same property portfolio operating revenues rose 2.4% compared with the correspon-ding quarter of 2008. This organic growth was driven by rent increases provided for under existing leases, as well as lease renewals at higher rates and the execution of new leases, and reflects the high quality of our properties and sustained rental growth in our markets.

OPERATING EXPENSES

Operating expenses for the second quarter of 2009 were up 13.5% from the corresponding period of 2008. This variation stemmed mainly from the portfolio's increased size due to acquisitions and developments completed in 2008 and 2009.

Operating Expenses

Periods ended June 30	Quarter 2009	2008	Δ %	Cumulative (six months) 2009	2008	Δ %
Same property portfolio (1)	**24,350**	23,901	1.9	**51,660**	49,347	4.7
Acquisitions and developments	**3,476**	623	—	**7,349**	1,060	—
Total operating expenses	**27,826**	24,524	13.5	**59,009**	50,407	17.1

(1) See "Operating Revenues."

NET OPERATING INCOME

Although net operating income ("NOI") is not a financial measure defined by GAAP, it is widely used in the real estate industry to assess operating performance. We define it as operating income before interest on borrowings, depreciation of income properties, amortization of capitalized leasing costs and other assets, Trust administrative expenses and other revenues. This definition may differ from that of other issuers and, therefore, Cominar's NOI may not be comparable to similar measures presented by such other issuers.

Net Operating Income

Periods ended June 30	Quarter 2009	2008	Δ %	Cumulative (six months) 2009	2008	Δ %
Same property portfolio (1)	**34,014**	33,110	2.7	**65,579**	63,978	2.5
Acquisitions and developments	**5,533**	1,360	—	**10,652**	1,942	—
Total NOI	**39,547**	34,470	14.7	**76,231**	65,920	15.6
NOI margin						
Same property portfolio	**58.3%**	58.1%		**55.9%**	56.5%	
Overall portfolio	**58.7%**	58.4%		**56.4%**	56.7%	

(1) See "Operating Revenues."

Same property NOI (a financial performance indicator) in the second quarter of 2009 was up 2.7% from the corresponding quarter in 2008. Same property NOI margin remained steady at 58.3%.

For the six-month period ended June 30, 2009, same property NOI was up 2.5% from the corresponding period of 2008, while the NOI margin stood at 55.9% of operating revenues, at the same level as at June 30, 2008.

Cominar's management considers the analysis of same property NOI particularly important since this measure provides an indication of our ability to grow our revenues through an increase in occupancy and rental rates, and to contain our operating expenses.

INTEREST ON BORROWINGS

For the second quarter of 2009, total interest on borrowings increased 21.1% compared with the second quarter of 2008, owing primarily to the various financing agreements entered into or assumed in connection with the settlement of recent acquisitions. Total interest on borrowings represented 21.6% of operating revenues as at June 30, 2009, which compares favourably with our peers. By comparison, the rate stood at 20.5% of operating revenues as at June 30, 2008. As at June 30, 2009, the weighted average contractual interest rate of our long-term debt stood at 5.56%, down seven basis points from December 31, 2008.

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

Interest on Borrowings

	Quarter			Cumulative (six months)		
Periods ended June 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Mortgages and bank indebtedness	**12,319**	9,551	29.0	**24,425**	18,964	28.8
Convertible debentures	**3,098**	3,118	(0.6)	**6,197**	6,253	(0.9)
Amortization of borrowing costs	**706**	420	68.1	**1,326**	793	67.2
Accretion of liability component of convertible debentures	**10**	9	11.1	**20**	18	11.1
Amortization of fair value adjustments on assumed mortgages payable	**(31)**	(32)	(3.1)	**(62)**	(63)	(1.6)
Less: Capitalized interest	**(1,569)**	(1,034)	51.7	**(2,677)**	(2,053)	30.4
Less: Interest related to discontinued operations	**—**	(30)	—	**—**	(60)	—
Total interest on borrowings	**14,533**	12,002	21.1	**29,229**	23,852	22.5

DEPRECIATION OF INCOME PROPERTIES

During the second quarter of 2009, depreciation expense in respect of income properties rose 8.8% compared with the same period in 2008. Note that since September 2003, the Canadian Institute of Chartered Accountants ("CICA") requires that the purchase price of an income property be allocated between tangible assets comprising land and buildings, and intangible assets such as operating leases and client relationships. These intangible assets are amortized on a straight-line basis over the terms of related leases. The resulting amortization is therefore accelerated relative to the depreciation of properties held for a number of years.

Depreciation of Income Properties

	Quarter			Cumulative (six months)		
Periods ended June 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Same property portfolio	**11,333**	11,472	(1.2)	**23,010**	23,687	(2.9)
Acquisitions and developments	**2,398**	1,150	—	**4,940**	1,394	—
Total depreciation of income properties	**13,731**	12,622	8.8	**27,950**	25,081	11.4

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses amounted to $1.2 million for the second quarter of 2009, up 18.0% from the same quarter in 2008. This increase resulted primarily from a higher headcount arising from acquisitions and developments completed over 2008 and 2009. Despite this increase, Trust administrative expenses represented only 1.7% of operating revenues for 2009, compared with 1.6% in 2008.

DISCONTINUED OPERATIONS

In accordance with CICA Handbook Section 3475, the results of discontinued operations must be reclassified as a separate component of net income for the fiscal year in which the sale of these operations took place, as well as for the previous year presented for comparative purposes. Accordingly, net income related to a retail property sold in October 2008 was presented under net income from discontinued operations.

NET INCOME

The stellar results achieved since the beginning of 2009 and the improvement in several main performance indicators resulted in net income per unit of $0.16 for the second quarter of 2009, up 6.7% from the corresponding period of 2008.

Net income

	Quarter			Cumulative (six months)		
Periods ended June 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Net income	**7,715**	6,826	13.0	**11,757**	10,951	7.4
Basic and diluted net income per unit	**0.16**	0.15	6.7	**0.25**	0.24	4.2

CONTINGENCY

In June 2006, an expropriation process was initiated by the Centre hospitalier de l'Université de Montréal (the "CHUM") for the property located at 300 Viger Street in Montréal, Québec. The expropriation procedure is currently at the definitive indemnity setting stage. Cominar was served with a property transfer notice on August 27, 2007, with an effective date of September 1, 2007, and the Québec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity of $30 million was received in 2007. The definitive indemnity will be set by the Québec Administrative Court or settled between the parties in 2009. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity and, consequently, Cominar has recognized no gain or loss in connection with this expropriation.

SEGMENTED ANALYSIS

Cominar's activities encompass three categories of real estate properties located in the Greater Québec City, Montréal and Ottawa areas. The following tables show the contributions of these properties to NOI, by activity segment and geographic markets, for the quarters ended June 30, 2009 and 2008. Variations are primarily attributable to acquisitions completed in 2008 and 2009.

SEGMENTED INFORMATION BY ACTIVITY SEGMENT

Net Operating Income

	Quarter			Cumulative (six months)		
Periods ended June 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Activity segment						
Office	**18,986**	14,271	33.0	**36,447**	27,482	32.6
Retail	**7,077**	7,086	(0.1)	**13,659**	13,508	1.1
Industrial and mixed-use	**13,484**	13,113	2.8	**26,125**	24,930	4.8
Total NOI	**39,547**	34,470	14.7	**76,231**	65,920	15.6

	Quarter		Cumulative (six months)	
Periods ended June 30	**2009**	**2008**	**2009**	**2008**
Activity segment				
Office	**48.0%**	41.4%	**47.8%**	41.7%
Retail	**17.9%**	20.6%	**17.9%**	20.5%
Industrial and mixed-use	**34.1%**	38.0%	**34.3%**	37.8%
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

Office Segment

For the second quarter of 2009, NOI from office properties was up 33.0% compared with the corresponding period of 2008, due mainly to the contribution of two properties acquired in October 2008 and January 2009.

Periods ended June 30	Quarter 2009	2008	Δ %	Cumulative (six months) 2009	2008	Δ %
Operating revenues	**33,081**	25,420	30.1	**65,875**	50,220	31.2
Operating expenses	**14,095**	11,149	26.4	**29,428**	22,738	29.4
NOI – Office	**18,986**	14,271	33.0	**36,447**	27,482	32.6
NOI margin – Office	**57.4%**	56.1%		**55.3%**	54.7%	

Retail Segment

Retail segment NOI remained stable in the second quarter of 2009 relative to the corresponding period of 2008.

Periods ended June 30	Quarter 2009	2008	Δ %	Cumulative (six months) 2009	2008	Δ %
Operating revenues	**11,978**	12,174	(1.6)	**24,108**	23,805	1.3
Operating expenses	**4,901**	5,088	(3.7)	**10,449**	10,297	1.5
NOI – Retail	**7,077**	7,086	(0.1)	**13,659**	13,508	1.1
NOI margin – Retail	**59.1%**	58.2%		**56.7%**	56.7%	

Industrial and Mixed-Use Segment

Industrial and mixed-use segment NOI rose 2.8% in the second quarter of 2009, driven mainly by acquisitions completed in 2008.

Periods ended June 30	Quarter 2009	2008	Δ %	Cumulative (six months) 2009	2008	Δ %
Operating revenues	**22,314**	21,400	4.3	**45,257**	42,302	7.0
Operating expenses	**8,830**	8,287	6.6	**19,132**	17,372	10.1
NOI – Industrial and mixed-use	**13,484**	13,113	2.8	**26,125**	24 930	4.8
NOI margin – Industrial and mixed-use	**60.4%**	61.3%		**57.7%**	58.9%	

SEGMENTED INFORMATION BY GEOGRAPHIC LOCATION

The following table shows NOI growth and breakdown in Cominar's three geographic markets.

Net Operating Income

Periods ended June 30	Quarter 2009	2008	Δ %	Cumulative (six months) 2009	2008	Δ %
Region						
Québec City	**14,759**	14,807	(0.3)	**28,500**	27,563	3.4
Montréal	**22,469**	17,539	28.1	**43,368**	34,162	26.9
Ottawa	**2,319**	2,124	9.2	**4,363**	4,195	4.0
Total NOI	**39,547**	34,470	14.7	**76,231**	65,920	15.6

Periods ended June 30	Quarter 2009	Quarter 2008	Cumulative (six months) 2009	Cumulative (six months) 2008
Region				
Québec City	**37.3%**	43.0%	**37.4%**	41.8%
Montréal	**56.8%**	50.9%	**56.9%**	51.8%
Ottawa	**5.9%**	6.1%	**5.7%**	6.4%
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

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

The following table presents the calculation of DI in accordance with the terms of the Contract of Trust as well as its reconciliation with net income calculated in accordance with GAAP:

Distributable Income

Periods ended June 30	Quarter 2009	Quarter 2008	Quarter Δ%	Cumulative (six months) 2009	Cumulative (six months) 2008	Cumulative (six months) Δ%
Net income (GAAP)	**7,715**	6,826	13.0	**11,757**	10,951	7.4
+ Depreciation of income properties	**13,731**	12,634	8.7	**27,950**	25,104	11.3
- Amortization of below-market leases	**(175)**	(126)	38.9	**(379)**	(253)	49.8
+ Compensation expense related to unit option plan	**150**	171	(12.3)	**323**	301	7.3
+ Accretion of liability component of convertible debentures	**10**	9	11.1	**20**	18	11.1
- Rental income – recognition of leases on straight-line basis	**(774)**	(754)	2.7	**(1,538)**	(1,536)	0.1
- Amortization of fair value adjustments on assumed mortgages	**(31)**	(32)	(3.1)	**(62)**	(63)	(1.6)
Recurring DI	**20,626**	18,728	10.1	**38,071**	34,522	10.3
DISTRIBUTIONS TO UNITHOLDERS	**18,261**	16,095	13.5	**34,784**	31,464	10.6
Distributions reinvested under the distribution reinvestment plan	**(325)**	(862)	(62.3)	**(697)**	(1,220)	(42.9)
Cash distributions	**17,936**	15,233	17.7	**34,087**	30,244	12.7
Per unit information:						
Recurring DI (basic)	**0.42**	0.41	2.4	**0.80**	0.76	5.3
Recurring DI (FD) (1)	**0.41**	0.40	2.5	**0.79**	0.75	5.3
DISTRIBUTIONS PER UNIT	**0.360**	0.353	2.0	**0.720**	0.692	4.0
DI payout ratio	**85.7%**	86.1%		**90.0%**	91.1%	

(1) Fully diluted.

Recurring DI for the second quarter of 2009 amounted to $20.6 million, up 10.1% from the corresponding period of 2008, due mainly to the impact of acquisitions and developments completed since the beginning of 2008 and to the 2.7% increase in same property NOI. Recurring DI per fully diluted unit stood at $0.41, up 2.5% from $0.40.

Distributions to unitholders totalled $18.3 million for the second quarter of 2009, up 13.5% from the corresponding period of 2008 while distributions per unit rose 2.0% to $0.36 from $0.353 in 2008.

Cominar takes a conservative approach to managing the distributions ratio, which it regards as a key factor in the stability of future distributions. This approach provides greater financial flexibility for our capital expenditures and the implementation of our leasing programs. As at June 30, 2009, the DI payout ratio stood at 90.0% which compares favourably with 91.1% for the same period in 2008.

Track Record of DI per Unit (Financial Performance Indicator)

Six-month periods ended June 30	2009	2008	2007	2006	2005
DI per unit (basic)	**0.80**	0.76	0.71	0.65	0.64
Recurring DI per unit (FD) (1)	**0.79**	0.75	0.68	0.65	0.61

(1) Fully diluted.

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

On July 6, 2007, the CSA issued an amended version of National Policy 41-201, *Income Trusts and Other Indirect Offerings*, which includes guidelines on distributable cash.

Under amended National Policy 41-201, the Trust is required to reconcile distributable income (a non-GAAP measure) with cash flows from operating activities as shown in the financial statements.

The following table presents this reconciliation:

	Quarter		Cumulative (six months)	
Periods ended June 30	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities (GAAP)	**6,285**	17,789	**23,001**	22,341
- Amortization of capitalized leasing costs	**(2,389)**	(2,112)	**(4,987)**	(4,243)
- Amortization of capitalized financing costs and other assets	**(797)**	(493)	**(1,508)**	(928)
- Rental income – recognition of leases on straight-line basis	**(774)**	(754)	**(1,538)**	(1,536)
+ Change in non-cash working capital items	**18,301**	4,298	**23,103**	18,888
Distributable income	**20,626**	18,728	**38,071**	34,522

Rental income – recognition of leases on straight-line basis results from straight-line accounting for rent increases set forth in leases. As Cominar does not collect these amounts during the period, they are deducted from net income in the calculation of DI.

Although amortization of capitalized leasing costs, capitalized financing costs and other assets are non-cash items, Cominar deducts them in the calculation of DI, as this amortization expense must be excluded from cash flows available for distribution to unitholders.

As non-cash working capital items tend to fluctuate over time, Cominar expects that these items should not affect distributions to unitholders. Therefore, Cominar does not consider them in the calculation of DI.

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

Six-month periods ended June 30	2009	2008	2007
Cash flows from operating activities	**23,001**	22,341	28,016
Net income	**11,757**	10,951	16,014
Distributions to unitholders	**34,784**	31,464	24,584
Cash flows from operating activities in excess of distributions payable to unitholders	**(11,783)**	(9,123)	3,432

For the fiscal year ending December 31, 2009, Cominar expects that its cash flows from operating activities will suffice to finance distributions to unitholders, as has been the case for every fiscal year since the inception of the REIT.

Cominar considers that the comparison of distributions with net income is not indicative of its capacity to pay sustained distributions to unitholders. The difference between distributions, calculated on the basis of DI, and net income, is primarily attributable to non-cash items, as shown in the reconciliation between net income and DI.

FUNDS FROM OPERATIONS

Although the concept of funds from operations ("FFO") is not a financial measure defined under GAAP, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with GAAP) before depreciation of income properties and amortization of capitalized leasing costs, as well as realized gains (or impairment provisions and losses) from sales of depreciable real properties and extraordinary items. FFO should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. While our method of calculating FFO is in compliance with REALpac recommendations, it may differ from that applied by other issuers. Therefore, it may not be useful for comparison with other issuers.

We consider FFO a meaningful additional measure of operating performance, since it excludes the assumption that the value of real estate assets diminishes predictably over time and discounts certain items included in net income, established in accordance with GAAP, that are not necessarily indicative of our operating performance (for example, gains or losses from the sale of real estate assets).

The following table presents a reconciliation of net income, as determined in accordance with GAAP, and FFO for the periods ended June 30, 2009 and 2008:

Funds from Operations

	Quarter			Cumulative (six months)		
Periods ended June 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Net income (GAAP)	**7,715**	6,826	13,0	**11,757**	10,951	7.4
+ Depreciation of income properties	**13,731**	12,634	8.7	**27,950**	25,104	11.3
+ Amortization of capitalized leasing costs	**2,389**	2,112	13.1	**4,987**	4,243	17.5
Recurring FFO	**23,835**	21,572	10.5	**44,694**	40,298	10.9
Per unit information:						
Recurring FFO (basic)	**0.48**	0.48	—	**0.94**	0.89	5.6
Recurring FFO (FD) (1)	**0.46**	0.45	2.2	**0.90**	0.86	4.7

(1) Fully diluted.

For the second quarter of 2009, FFO rose 10.5% from the same period in 2008 due to acquisitions and developments completed during 2008 and 2009, and organic growth. Recurring FFO per unit rose by 2.2% on a fully diluted basis, remaining stable compared with the second quarter of 2008.

Track Record of Funds from Operations per Unit (Financial Performance Indicator)

Six-month periods ended June 30	2009	2008	2007	2006
FFO per unit (basic)	**0.94**	0.89	0.82	0.77
Recurring FFO per unit (FD) (1)	**0.90**	0.86	0.78	0.74

(1) Fully diluted.

ADJUSTED FUNDS FROM OPERATIONS

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

Cominar considers the amortization of capitalized leasing costs expensed during a period to be a realistic estimate of the expenses a REIT must continually incur to maintain its ability to generate rental income. Since such amortization represents the spreading over the lease term of amounts incurred irregularly over time (lease maturities, occupancy rates, etc.), the Trust believes that there is a better correlation between cash flows from leases and the investments required to generate such cash flows.

Cominar's January 2009 adoption of the recommendations of new Section 3064, Goodwill and Intangible Assets, prompted it to review its AFFO calculation. As of January 1, 2009, the Trust deducts the capital expenditures incurred representing the investments made in connection with its program to maintain its capacity to generate rental income from its property portfolio. These expenditures, which primarily include major expenditures for maintenance and repairs, are typically incurred unevenly during a fiscal year. Therefore, AFFO could vary from quarter to quarter and such variances could be material.

Prior-period AFFO has been restated to reflect this change.

The following table presents a reconciliation of FFO and AFFO for the periods ended June 30, 2009 and 2008:

Adjusted Funds from Operations

	Quarter			Cumulative (six months)		
Periods ended June 30	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Funds from operations	**23,835**	21,572	10.5	**44,694**	40,298	10.9
+ Compensation expense related to unit option plan	**150**	171	(12.3)	**323**	301	7.3
- Rental income – recognition of leases on straight-line basis	**(774)**	(754)	2.7	**(1,538)**	(1,536)	0.1
- Amortization of below-market leases	**(175)**	(126)	38.9	**(379)**	(253)	49.8
- Amortization of capitalized leasing costs	**(2,389)**	(2,112)	13.1	**(4,987)**	(4,243)	17.5
- Capital expenditures – maintenance of rental income generating capacity	**(486)**	(559)	(13.1)	**(906)**	(693)	30.7
Recurring AFFO	**20,161**	18,192	10.8	**37,207**	33,874	9.8
Per unit information:						
Recurring AFFO per unit (basic)	**0.41**	0.40	2.5	**0.78**	0.75	4.0
Recurring AFFO (FD) (1)	**0.40**	0.39	2.6	**0.77**	0.74	4.1
DISTRIBUTIONS PER UNIT	**0.360**	0.353	2.0	**0.720**	0.692	4.0
AFFO payout ratio	**90.0%**	88.3%		**92.3%**	92.3%	

(1) Fully diluted.

Cominar reported $20.2 million in recurring AFFO for the second quarter of 2009, up 10.8% compared with the corresponding period of 2008. Recurring AFFO per unit rose 2.5% [2.6% on a fully diluted basis] compared with the second quarter of 2008.

At the end of the first six months of 2009, the payout ratio is at exactly the same level as in 2008.

The following table presents the Trust's AFFO per unit for the periods ended June 30, 2008 and 2009:

Track Record of Adjusted Funds from Operations per Unit (Financial Performance Indicator)

Six-month periods ended June 30	2009	2008
AFFO per unit (basic)	**0.78**	0.75
Recurring AFFO per unit (FD) (1)	**0.77**	0.74

(1) Fully diluted.

LIQUIDITY AND CAPITAL RESOURCES

LONG-TERM DEBT

The following table presents Cominar's debt balances as at June 30, 2009, including mortgages payable and convertible debentures, by year of maturity and weighted average contractual interest rates:

Long-Term Debt

Maturity	Balance of convertible debentures ($)	Balance of mortgages payable ($)	Weighted average contractual interest rate (%)
2009		—	—
2010		100,975	4.67
2011		6,838	7.66
2012		19,998	7.02
2013		167,905	5.29
2014	213,135	90,160	5.87
2015		13,696	5.13
2016		13,195	5.55
2017		129,397	5.38
2018		95,457	5.72
2019		16,398	6.66
2020		—	—
2021		95,891	5.55
2022		33,996	5.35
Total	**213,135**	**783,906**	**5.56**

As at June 30, 2009, the weighted average contractual interest rate of our long-term debt stood at 5.56%, down seven basis points from December 31, 2008.

MORTGAGES PAYABLE

As at June 30, 2009, mortgages payable amounted to $783.9 million, up $51.6 million from $732.3 million as at December 31, 2008. As of the date hereof, the weighted average contractual interest rate was 5.49%, down nine basis points from 5.58% as at December 31, 2008.

Cominar has staggered mortgage maturity dates over a number of years to reduce the risks related to renewal. As at June 30, 2009, the residual average term of mortgages payable was 6.6 years.

The following table presents the changes in mortgages payable in 2009:

Mortgages Payable

Periods ended June 30, 2009	Quarter $	Quarter Weighted average contractual Interest rate (%)	Cumulative (six months) $	Cumulative (six months) Weighted average contractual Interest rate (%)
Balances of mortgages payable, beginning of period	768.8	5.48	732.3	5.58
Mortgages payable contracted or assumed	20.0	5.87	108.0	4.88
Repayments of balances at maturity	—	—	(47.1)	5.53
Monthly repayments of principal	(4.9)		(9.3)	
Balances of mortgages payable, end of period	**783.9**	**5.49**	**783.9**	**5.49**

On June 25, 2009 Cominar contracted $20.0 million in mortgage financing with a Canadian financial institution, bearing interest at 5.87%, maturing in 2014 and secured by an immovable hypothec on income properties.

The following table shows mortgage repayments for the coming years:

Repayment of Mortgages Payable

Periods ending December 31	Repayment of of principal	Balance at at maturity	Total	% of total
2009	10,256	—	10,256	1.3
2010	20,054	98,326	118,380	15.1
2011	19,777	5,855	25,632	3.3
2012	19,952	16,380	36,332	4.6
2013	18,791	149,499	168,290	21.5
2014	14,448	73,556	88,004	11.2
2015	13,092	11,073	24,165	3.1
2016	12,700	6,626	19,326	2.5
2017	11,408	109,423	120,831	15.4
2018	9,776	55,990	65,766	8.4
2019	3,988	4,141	8,129	1.0
2020	3,987	—	3,987	0.5
2021	2,396	67,963	70,359	9.0
2022	262	24,187	24,449	3.1
Total	**160,887**	**623,019**	**783,906**	**100.0**

CONVERTIBLE DEBENTURES

As at June 30, 2009, Cominar had three series of convertible debentures outstanding totalling $213.1 million. These debentures bear interest at contractual rates ranging from 5.70% to 6.30% per annum and mature in 2014. As at the end of the second quarter, these debentures had a weighted average contractual interest rate of 5.82% per annum.

BANK INDEBTEDNESS

In January 2009, Cominar proceeded with the early renewal of its operating and acquisition credit facility with a maximum authorized amount of $255 million. This facility is renewable in June 2010 and bears interest at prime plus 2.0% or the bankers' acceptance rate plus 3.0%. It is secured by a movable and immovable hypothec on specific assets. This credit facility is provided by a syndicate of lenders, and management believes it will remain available in the future. As at June 30, 2009, bank indebtedness totalled $189.3 million, which meant that Cominar had $65.7 million in borrowing capacity under the terms of its available credit facilities.

DEBT RATIO

The following table presents debt ratios as at June 30, 2009 and December 31, 2008:

Debt to Gross Carrying Value Ratio

	As at June 30, 2009	As at December 31, 2008
Mortgages payable	**782,278**	730,711
Convertible debentures	**204,445**	203,723
Bank indebtedness	**189,327**	186,987
Total debt	**1,176,050**	1,121,421
Portfolio gross carrying value	**1,931,395**	1,811,932
Overall debt ratio (1)(2)	**60.9%**	61.9%
Debt ratio (excluding convertible debentures)	**50.3%**	50.6%
Borrowing capacity – 65% of gross carrying value (3)	**227,000**	161,000

(1) The overall debt ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross carrying value of the property portfolio (total assets plus accumulated depreciation of income properties).

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

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

Track Record of Debt Ratio (Financial Performance Indicator)

As at June 30	2009	2008	2007	2006	2005
Overall debt ratio	**60.9%**	58.1%	56.8%	48.0%	50.4%
Debt ratio (excluding convertible debentures)	**50.3%**	45.5%	49.9%	38.1%	37.0%
Maximum borrowing capacity under the Contract of Trust	**227,000**	322,000	358,000	240,000	179,000

As at June 30, 2009, Cominar maintained a debt ratio of 60.9%, which is less than the maximum debt ratio of 65.0% allowed under its Contract of Trust where convertible debentures are outstanding, and which provides it with the ability to borrow up to an additional $227 million to fund future acquisitions and developments. While Cominar's debt ratio is currently above its target of 58% including the convertible debentures, its annualized interest coverage ratio of 2.60:1 ranks competitively among its peers due to the value added since the Trust's inception and its exceptional cash flow generating capacity. This situation garners it access to debt markets even under difficult market conditions, as experienced throughout most of 2008. Although credit conditions have improved somewhat since the beginning of 2009, access to credit remains difficult, particularly for companies with significant indebtedness.

However, management considers Cominar's current financial position to be very solid and anticipates no difficulty in renewing the mortgages maturing in 2010. Furthermore, the Trust has credit facilities to fully fund development initiatives currently underway.

Further to the use of the net proceeds of the July 2009 public offering to reduce bank indebtedness (described in greater detail under "Issued and Outstanding Units"), debt as a percentage of pro forma gross carrying value, including convertible debentures, decreased to 58.0% as at June 30, 2009.

The following table presents the annualized interest coverage ratio as at June 30, 2008 and 2009:

Annualized Interest Coverage Ratio

As at June 30	2009	2008
Net income	**25,840**	23,996
- Net income from discontinued operations	**362**	40
- Other revenues	**(242)**	(394)
+ Interest on borrowings	**56,176**	47,294
+ Depreciation of income properties	**54,702**	49,225
+ Amortization of capitalized leasing costs	**8,989**	7,787
+ Amortization of other assets	**378**	228
EBITDA (1)	**146,205**	128,176
Interest expense	**56,176**	47,294
Annualized Interest coverage ratio (2)(3)	**2.60**	2.71

(1) EBITDA is earnings before interest, income taxes, depreciation and amortization.

(2) The interest coverage ratio is equal to EBITDA (non-GAAP measure) divided by interest expense.

(3) This is a non-GAAP measure and may differ from similar measures presented by other entities.

The annualized interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As at June 30, 2009, the annualized interest coverage ratio remained strong at 2.60:1, down slightly from 2.71:1 as at June 30, 2008.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMITMENTS

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

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

During the period ended June 30, 2009, Cominar complied with all of its loan commitments and was not in default with any covenant as at the balance sheet date.

PROPERTY PORTFOLIO

The following table presents information about our property portfolio:

As at June 30	2009	2008
Income properties (at cost)	**1,681,484**	1,478,154
Properties under development and land held for future development	**155,652**	68,900
Other assets	**94,259**	78,185
Portfolio gross carrying value	**1,931,395**	1,625,239

As at June 30	2009	2008
Number of properties	**215**	212
Leasable area (in thousands of sq. ft.)	**18,547**	17,641

Summary by Activity Segment

As at August 5, 2009	Number of properties	Leasable area (sq. ft.)
Office	**38**	5,553,402
Retail	**38**	2,685,867
Industrial and mixed-use	**139**	10,308,088
Total	**215**	18,547,357

Summary by Geographic Location

As at August 5, 2009	Number of properties	Leasable area (sq. ft.)
Québec City	**94**	6,742,281
Montréal	**117**	11,196,579
Ottawa	**4**	608,497
Total	**215**	18,547,357

ACQUISITION AND DEVELOPMENT PROGRAM

Over the years, Cominar has achieved much of its growth through high-quality acquisitions based on strict selection criteria in its three activity segments. However, the retail and industrial real estate market is evolving, and we have adjusted our expansion strategy accordingly to optimize our return on investment.

In light of the conditions that have prevailed in our three activity segments in recent years, specifically the great demand for quality income properties, and a lack of office rental space in the Québec City area, we are intensifying our expansion through construction and development projects that represent strong value-added potential, thereby drawing on our specialized resources and 40-year expertise in real estate development.

ACQUISITION

On January 16, 2009, Cominar purchased a 227,260 square-foot office building at 8400 Décarie Boulevard in Montréal for a purchase price of $36.8 million, consisting of $13.5 million for the assumption of a mortgage payable and $23.3 million paid in cash. The capitalization rate for this transaction was 8.8%.

CAPITAL EXPENDITURES

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

During the second quarter of fiscal 2009, Cominar incurred $1.7 million [$8.5 million in 2008] of capital expenditures that increased the rental income generating capacity of its properties. Cominar also incurred $0.5 million [$0.6 million in 2008] of capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements. The expenditures made during the period will garner benefits for Cominar over the estimated useful life of these properties which extends into the coming years.

Finally, during the second quarter, $4.7 million [$4.4 million in 2008] were invested in capitalized leasing costs, including $1.3 million [$2.7 million in 2008] in connection with newly acquired properties or properties under development.

ONGOING DEVELOPMENTS

Consistent with its growth strategy, Cominar is going forward with its property development initiatives, which generate higher returns than acquisitions in the current real estate market.

In January 2008, Cominar undertook a major project on Laurier Boulevard in Québec City, namely the construction of Complexe Jules-Dallaire. One of the largest thoroughfares in Québec City, located at the exit of the bridges connecting the two shores of the St. Lawrence River, Laurier Boulevard is one of the gateways into the city, with its many hotels, office buildings and shopping centres. This future property will enjoy an excellent location. In light of current economic uncertainty, Cominar's management elected to postpone construction of the second phase. As a result, the current project will consist of a leasable area of 396,000 square feet, of which approximately 100,000 square feet is reserved for retail use, leaving approximately 296,000 square feet for office space. Cominar's management remains optimistic as to project delivery, as this project is located in Québec City where the vacancy rate for Class "A" office property is less than 2.0% and the economy continues to resist the global economic downturn. The project's pre-lease rate has reached 39.0%, which is satisfactory given the property's current stage of completion. The construction cost is estimated at approximately $74 million, and the capitalization rate is expected to reach 9.3%. The parking areas and the office tower structure are currently under construction. Although the project is slightly behind schedule, no budget overruns are anticipated. The first tenants are slated to move in early in 2010.

Following the agreement entered into on May 4, 2009 and described under "Related Party Transactions" in this interim MD&A, Cominar now owns 95.0% of this property under development.

We are also moving forward with our 110,000 square-foot retail development in St-Bruno, representing an investment of approximately $12.6 million. The pre-lease rate stands at 31%. Work on the buildings, land and parking areas is now complete, which should facilitate the leasing of this retail space. In short, we remain confident of achieving profitability within a reasonable timeframe despite unfavourable economic conditions in this region.

During the first quarter of 2008, Cominar began the final revitalization phase at Les Promenades Beauport shopping centre on du Carrefour Street in Québec City. This project consists in renovating 65,000 square feet and building a 50,000 square-foot expansion, which will increase this shopping centre's total leasable area to approximately 551,000 square feet. The expansion will be primarily devoted to office space. The project's total cost is estimated at $7.9 million with a 9.3% capitalization rate. The pre-lease rate stands at 56.0%.

In addition, construction of a 50,000 square-foot, two-storey industrial and mixed-use property on 4th Avenue in Lévis is complete, at an estimated cost of $2.9 million with a 9.6% capitalization rate. The property is 57.0% pre-leased.

Combined, these projects represent an estimated investment of $97.4 million and an average capitalization rate of 9.4%, much higher than returns obtained on acquisitions.

The following table provides detailed information about ongoing developments as at June 30, 2009:

Development	**City**	**Activity segment[1]**	**Completion date**	**Leasable area (sq. ft.)**	**Investment ($)**	**Capitalization rate (%)**	**Occupancy rate (%)**
Complexe Jules-Dallaire	Québec	O, R	Q2-2010	396,000	74,000	9.3	39.0
Mégacentre St-Bruno	St-Bruno	R	Q4-2009	110,240	12,600	9.8	31.0
Promenades Beauport	Québec	O, R	Q4-2009	115,000	7,900	9.3	56.0
4th Avenue	Lévis	I	Q3-2009	50,000	2,900	9.6	57.0
Total/Weighted average capitalization rate (estimate)				**671,240**	**97,400**	**9.4**	

(1) I = Industrial and mixed-use, R = Retail, O = Office.

The expected returns on our ongoing developments are based on estimated project completion costs and anticipated occupancy rates. Actual returns could vary based on actual costs and occupancy rates.

REAL ESTATE OPERATIONS

The following table shows our operational performance indicators as at June 30, 2009 and 2008:

As at June 30	2009	2008
Occupancy rate	**94.0%**	95.2%
Tenant retention rate (1)	**46.1%**	52.0%

(1) Percentage of lease renewals.

OCCUPANCY RATE

Cominar continuously strives to maximize occupancy rates throughout its portfolio and has successfully maintained an average occupancy rate of approximately 95% since its inception. As at June 30, 2009, occupancy stood at 94.0%, down slightly from the end of the previous fiscal year. This decline is due to the industrial activity segment in the Montréal area which has been impacted by the economic downturn.

Occupancy Track Record (Operational Performance Indicator)

The following table breaks down occupancy rates of Cominar properties by activity segment as at the end of the years indicated, as well as at June 30, 2009:

	June 30, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
Activity segment (%)					
Office	**94.4**	94.5	94.7	96.0	95.0
Retail	**97.0**	97.1	96.0	94.3	93.6
Industrial and mixed-use	**93.0**	94.0	94.4	93.7	96.2
Total portfolio	**94.0**	94.6	94.7	94.4	95.3

The occupancy rate is regarded by Cominar's management as a key indicator of client satisfaction. Client satisfaction is defined as client perception and judgment of our ability to meet their needs and expectations. Our average occupancy rate of 94.8% over the past five years has held relatively steady.

Office – The occupancy rate in this activity segment stood at 94.4% as at June 30, 2009, unchanged from the previous fiscal year-end.

Retail – The occupancy rate in this activity segment held steady at 97.0% compared with the rate as at December 31, 2008.

Industrial and mixed-use – As at June 30, 2009, the occupancy rate in this activity segment had fallen 1.0% compared with December 31, 2008, due mainly to the impact of the economic downturn.

Cominar's strategy of maintaining geographic and activity segment diversification provides greater stability in occupancy rates. For example, the retail segment continues to post a very high occupancy rate of 97.0% due mainly to Cominar's shopping centres in the Québec City region, an area which has shown continued growth despite economic difficulties elsewhere in Canada.

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity as at June 30, 2009:

Lease Maturities and Renewals by Activity Segment

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2009				
Number of tenants	178	113	244	535
Leasable area (sq. ft.)	563,076	279,096	1,650,626	2,492,798
Average net rent ($)/sq. ft.	10.52	11.09	5.36	7.16
Renewed leases				
Number of tenants	57	45	117	219
Leasable area (sq. ft.)	229,052	140,618	780,319	1,149,989
Average net rent ($)/sq. ft.	11.50	13.27	5.65	7.75
Renewal %	**40.7**	**50.4**	**47.3**	**46.1**
New leases				
Number of tenants	27	20	41	88
Leasable area (sq. ft.)	66,899	38,019	249,416	354,334
Average net rent ($)/sq. ft.	10.20	11.78	6.07	7.46

As indicated in the table above, there was a great deal of leasing activity across our portfolio in the first six months of 2009, as over 46.0% of maturing leases were renewed.

We also signed new leases totalling 0.4 million square feet of leasable area. Lease renewal rates rose 6.7% in the office segment and 3.3% in the industrial and mixed-use segment. In the retail segment, renewal at a lower rate of a significant area, leased to a movie theatre, resulted in an 8.8% decline in our average renewal rate. Excluding this renewal, the retail segment would have reported a 4.7% increase. This rate is expected to recover gradually between now and the end of the fiscal year. On a cumulative basis, rental rates on renewed leases in the second quarter were relatively unchanged from the corresponding period in fiscal 2008, in spite of the decline experienced in the retail segment.

Considering our solid renewal track record and demand for rental space in our three geographic markets, we remain confident that a significant portion of maturing leases will be renewed at a higher rate per square foot, despite current economic uncertainty.

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

Lease Maturities

	2010	2011	2012	2013	2014
Office					
Leasable area (sq. ft.)	696,090	654,105	859,859	483,317	602,171
Lease rate ($)/square foot	10.50	11.74	10.64	11.95	10.09
% of portfolio – Office	12.5%	11.8%	15.5%	8.7%	10.8%
Retail					
Leasable area (sq. ft.)	285 128	287 979	376 833	179 094	155 851
Lease rate ($)/square foot	10.83	10.48	10.56	13.92	13.30
% of portfolio – Retail	10.6%	10.7%	14.0%	6.7%	5.8%
Industrial and mixed-use					
Leasable area (sq. ft.)	1,821,765	1,362,101	1,501,575	1,041,130	956,517
Lease rate ($)/square foot	5.38	5.85	6.42	6.32	5.32
% of portfolio – Industrial and mixed-use	17.7%	13.2%	14.6%	10.1%	9.3%
Total portfolio					
Leasable area (sq. ft.)	2,802,983	2,304,185	2,738,267	1,703,541	1,714,539
Lease rate ($)/square foot	7.21	8.10	8.31	8.72	7.72
% of portfolio	15.1%	12.4%	14.8%	9.2%	9.2%

The following table summarizes average lease term information as at June 30, 2009:

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent/ square foot ($)
Office	4.3	5,700	11.70
Retail	5.1	3,400	10.92
Industrial and mixed-use	3.9	10,900	5.80
Portfolio average	**4.2**	**6,800**	**8.37**

Cominar has a broad, highly diversified client base, consisting of some 2,500 tenants occupying on average approximately 6,800 square feet. Our three largest tenants, Public Works Canada, Société immobilière du Québec – both of which are government entities – and Ericsson Canada, account for approximately 6.3%, 4.9% and 4.5% of our revenues, respectively, from a number of leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 11.2% stems from government entities.

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

Tenant	% of revenues	Leased area (sq. ft.)
Public Works Canada	6.3	722,559
Société immobilière du Québec	4.9	1,033,495
Ericsson Canada Inc.	4.5	402,320
Bertrand distributeur en alimentation (Colabor)	1.6	344,846
LDC Logistics Development Corp.	1.5	527,000
Hudson's Bay Company	1.3	349,312
National Bank of Canada	0.9	136,093
SITA (Société internationale de télécommunication aéronautique)	0.9	64,236
Alcan Packaging Canada Ltd	0.8	162,000
Breton, Banville et Associés S.E.N.C.	0.8	84,261
Total	**23.5**	**3,826,122**

ISSUED AND OUTSTANDING UNITS

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

The following table summarizes unit issues during the periods ended June 30, 2009 and 2008:

	Quarter		Cumulative (six months)	
Periods ended June 30	**2009**	**2008**	**2009**	**2008**
Units issued and outstanding, beginning of period	**45,871,062**	45,330,708	**45,852,175**	45,272,683
+ Units issued under public offering	**4,792,050**	—	**4,792,050**	—
+ Units issued on exercise of options	**9,000**	192,900	**9,000**	234,700
+ Units issued under distribution reinvestment plan	**23,824**	40,728	**42,711**	53,277
+ Units issued on conversion of convertible debentures	**—**	22,469	**—**	26,145
Units issued and outstanding, end of period	**50,695,936**	45,586,805	**50,695,936**	45,586,805

On April 21, 2009, Cominar issued 4,792,050 units at a unit price of $12.00 for proceeds totalling $57.5 million.

On July 8, 2009, Cominar issued 3,783,500 units at a unit price of $15.20 for gross proceeds of $57.5 million. This issue is discussed under "Subsequent Event" in this MD&A.

PER UNIT CALCULATIONS

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

	Quarter		Cumulative (six months)	
Periods ended June 30	**2009**	**2008**	**2009**	**2008**
Weighted average number of units outstanding, basic	**49,618,053**	45,390,841	**47,747,040**	45,337,937
Effect of dilutive unit options	**46,188**	501,681	**57,108**	415,568
Weighted average number of units outstanding, diluted	**49,664,241**	45,892,522	**47,804,148**	45,753,505
Dilution related to conversion of convertible debentures	**8,584,570**	8,658,574	**8,584,570**	8,663,488
Weighted average number of units outstanding fully diluted	**58,248,811**	54,551,096	**56,388,718**	54,416,993

RELATED-PARTY TRANSACTIONS

Michel Dallaire, Alain Dallaire and Michel Paquet, trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). During the second quarter of 2009, Cominar recorded $0.1 million in net rental income from Dalcon and CFA. The Trust incurred costs of $4.0 million for leasehold improvements performed by Dalcon on its behalf and costs of $12.3 million for the construction and development of income properties. These transactions were entered into in the normal course of business and are measured at the exchange value. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant cost savings while providing better service to its clients.

On May 4, 2009, Cominar sold a 5% undivided ownership interest in Complexe Jules-Dallaire to a company owned indirectly by the Dallaire family for a purchase price of $2.0 million and entered into a co-ownership agreement with this company. Cominar now has a 95.0% undivided ownership interest in the Complexe, which is currently under construction.

SUBSEQUENT EVENT

On July 8, 2009, Cominar issued 3,783,500 units at a unit price of $15.20 for proceeds totalling $57.5 million. Net issue proceeds were applied against the current balance of debt contracted under the terms of existing credit facilities to fund Cominar's ongoing acquisition and development program.

UNITHOLDER TAXATION

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

Years ended December 31	**2008**	**2007**
Taxable to unitholders as other income	32.60%	45.03%
Taxable to unitholders as capital gains income	—	0.39%
Tax deferral	67.40%	54.58%
Total	**100.00%**	**100.00%**

OUTLOOK

Cominar successfully refinanced all of its mortgages payable maturing in fiscal 2009 and pushed back the maturity of its operating and acquisition credit facility to June 19, 2010. As at June 30, 2009, Cominar's annualized interest coverage ratio remained strong at 2.60:1, and developments underway representing an investment of $97.4 million and an estimated average capitalization rate of 9.4%, continued to progress in a satisfactory manner with no budget overruns anticipated. As at June 30, 2009, our property portfolio posted an occupancy rate of 94.0%, in line with historical averages for the Trust. Cominar's management remains optimistic for the next quarters due to the resistance shown across the Québec economy, and particularly in the Québec City area, to the national and global economic downturn. Furthermore, Bank of Canada Governor Mark Carney recently announced that the economic downturn which hit Canada was now behind us and the Bank expects an economic recovery to begin in the second quarter of 2009 and accelerate in 2010. Cominar's management will continue to apply an effective and disciplined management approach to our operations and costs, and remains confident that we will continue to grow, thanks to the Trust's strong base.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The effectiveness of DC&P, including this interim MD&A and the interim financial statements, has been evaluated. Based on that evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of Cominar concluded that the DC&P were effective as at the end of the interim period ended June 30, 2009 and, more specifically, that the design of these controls and procedures provides reasonable assurance that material information about the Trust, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

The effectiveness of ICFR has also been evaluated. Based on that evaluation, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Trust concluded that the ICFR was effective as at the end of the second quarter ended June 30, 2009 and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for external purposes in accordance with GAAP.

No changes were made in our internal control over financial reporting during the second quarter of 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SIGNIFICANT ACOUNTING ESTIMATES

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

ACQUISITIONS OF INCOME PROPERTIES

Since September 12, 2003, Cominar has applied *CICA Handbook EIC-140, Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination*. Under this Abstract, the CICA requires that a portion of the purchase price of an income property be allocated to the fair value of in-place operating leases, the fair value of client relationships and the fair value of leasehold improvements. This allocation is based on assumptions and estimates made by management. These estimates have an impact on operating revenues and on depreciation of income properties.

DEPRECIATION OF INCOME PROPERTIES

When income properties are acquired, management allocates a significant portion of the acquisition cost to the “building” component. Management must then estimate the useful life of the building in order to depreciate it on an annual basis. Should the allocation of cost to the “building” component or the estimated useful life be different, the depreciation of income properties recorded during the year could prove inadequate.

PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

Capitalization of costs to properties under development continues until the property reaches its completion date, the determination of which is based on achieving a satisfactory occupancy level.

IMPAIRMENT OF LONG-LIVED ASSETS

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

CONVERTIBLE DEBENTURES

Under CICA requirements, Cominar's management estimates the fair value of the conversion option included in the convertible debentures. This estimate, should it be inadequate, would have an impact on interest expense for the financial statement reporting period.

UNIT OPTION PLAN

The compensation expense related to unit options is measured at fair value and amortized using the graded vesting method based on the Black-Scholes option pricing model. This model requires the input of various estimates, including volatility, weighted average distribution return and weighted average risk-free interest rate.

FINANCIAL INSTRUMENTS

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Financial instruments must initially be measured at fair value. Subsequent measurements will depend on whether Cominar classifies the financial instrument as financial assets held for trading, loans and receivables, or other financial liabilities.

Cominar must also estimate and disclose the fair value of mortgages payable and convertible debentures for information purposes. The estimated fair value of debts is based on assumptions as to the interest rates used in the calculation models.

NEW ACCOUNTING POLICIES

Adopted in 2009

During the first quarter of 2009, Cominar adopted the recommendation of new Section 3064, *Goodwill and Intangible Assets*, which states that intangible assets are to be initially recognized as assets only if they meet the definition of an intangible asset and the asset recognition criteria. Section 1000, *Financial Statement Concepts*, has been harmonized with the new standard.

As of January 1, 2009, it is no longer possible to defer capital expenditures for maintenance and repairs recoverable from tenants and amortize them as revenues are earned. These recoverable capital expenditures must now be capitalized or expensed as incurred.

Cominar's adoption of this new standard and the amended standard required the restatement of the balance of unitholders' equity as at December 31, 2007 and the consolidated and quarterly financial statements for fiscal 2008 on January 1, 2009.

Recently issued

In January 2009, the CICA issued the following new standards: Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements*, and Section 1602, Non-controlling Interests.

Section 1582, *Business Combinations*

This Section, which supersedes former Section 1581, *Business Combinations*, establishes standards for the recognition of a business combination.

The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

Section 1601, *Consolidated Financial Statements*

This Section which, together with new Section 1602, supersedes former Section 1600, *Consolidated Financial Statements*, establishes standards for the preparation of consolidated financial statements.

This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

Section 1602, *Non-controlling Interests*

This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. However, earlier adoption is permitted as of the beginning of a fiscal year.

In June 2009, the CICA amended Section 3862, *Financial Instruments – Disclosures*.

Section 3862, *Financial Instruments – Disclosures*

This Section has been amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements.

These amendments apply to annual consolidated financial statements relating to fiscal years ending after September 30, 2009. Earlier adoption is permitted.

Cominar does not expect the prospective adoption of these new accounting policies to have a material impact on its results, its financial position and its cash flows.

International Financial Reporting Standards (IFRS)

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the adoption of IFRS for the interim and annual periods beginning on or after January 1, 2011 for Canadian profit-oriented publicly accountable enterprises. IFRS will replace Canadian GAAP for these enterprises. Enterprises will also have to provide comparative IFRS information for the previous fiscal year. The Trust's IFRS changeover date will be January 1, 2011.

Cominar has developed an IFRS changeover plan for the conversion of our consolidated financial statements prepared in accordance with GAAP to IFRS. We have completed the first two phases of this plan, which entailed primarily the preparation of a diagnostic and project set-up. Phase 3 "Development of accounting positions and identification and development of modifications required for IFRS disclosure" and Phase 4 "Solution implementation" are underway. A multidisciplinary team is working on the development of accounting positions and the implementation of modifications required for the preparation of financial information in accordance with IFRS. The internal Steering Committee approves accounting positions and modifications required for IFRS disclosure and submits its recommandations to the Audit Committee, which ensures that the project remains on track and on schedule. The Board of Trustees monitors the work of the Audit Committee and takes the necessary measures to ensure that management fulfills its responsibilities and delivers a successful IFRS conversion within the established timeframe.

The team has structured the conversion project in accordance with the results of the diagnostic grouping the accounting issues in line with Cominar's operations. Project work is sequenced by priority, in accordance with impact on financial information and implementation complexity. In-depth analysis of accounting standards is currently underway. Items to be modified, processes, systems or other factors have been identified and solutions are already being developed. Work is proceeding according to schedule. However, it is not currently possible to accurately quantify the impact that the future adoption of IFRS will have on our consolidated financial statements.

To date, the following significant differences between IFRS and GAAP that might impact Cominar's financial statements have been identified:

- **IAS 40, *Investment Property***

  Investment property is immovable property held to earn rentals or for capital appreciation or both. All of Cominar's income properties currently meet this definition. Under IFRS, Cominar must account for its investment properties using either the cost model or the fair value model. The cost model is similar to GAAP. Under the fair value model, any gain or loss arising from a change in the fair value of an investment property is recognized in the statement of income for the period in which it arises. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. With the fair value model, investment property is not depreciated.

- **IAS 32, *Financial Instruments – Presentation***

  According to this standard, Trust units may be treated as liabilities rather than as equity. For GAAP and IFRS purposes, a Trust unit is a financial instrument and must be disclosed as a liability if there is a contractual obligation to deliver cash or another financial asset to another entity. As a result of the commitment of Cominar's trustees to pay unitholders at least 85% of its distributable income, Trust units will be deemed a liability for IFRS purposes. Should this interpretation be accurate and should it apply to Cominar, the adoption of IFRS will have a significant impact on its financial statements. Cominar is currently re-assessing its position and reviewing different alternatives to avoid this presentation.

- **IAS 12, *Income Taxes***

  Cominar is a REIT that meets certain criteria set forth in the *Income Tax Act* (Canada) and enjoys special tax treatment whereby it can deduct the amounts it distributes to unitholders in order to avoid tax. Under Emerging Issues Committee (EIC) Abstract EIC-107, *Application of Section 3465 to Mutual Fund Trusts, Real Estate Investment Trusts, Royalty Trusts and Income Trusts*, a REIT whose distributions exceed its taxable income is not required to report taxable income for the period and, if it meets certain criteria set forth in the standard, is not required to report future income taxes relating to temporary differences, primarily differences between the carrying value of the trust's real estate investments and the tax basis of the properties. IFRS does not currently include any standard equivalent to EIC-107, such that Cominar may have to recognize an income tax expense on its taxable income in the statement of income and offset this expense directly under unitholders' equity. Furthermore, Cominar may have to recognize future income taxes on temporary differences.

  IAS-12 is currently being reviewed and, based on preliminary conclusions, Canadian real estate trusts would not be required to report income taxes and future income taxes reflecting the tax exemption they currently enjoy.

- **Standing Interpretations Committee ("SIC") Interpretation SIC-15, *Operating Leases – Incentives***

  Under GAAP, leasehold improvements and certain other leasing costs are capitalized and expensed to income as amortization over the lease term. Under IFRS, these incentives may be viewed as incentives provided to the tenant which must be recognized as a reduction in rental income over the lease term. Application of this interpretation will affect only the presentation of financial data.

  Conversion to IFRS is an ongoing process as new standards and recommendations are issued by the International Accounting Standards Board. Accordingly, IFRS on the date of adoption may differ from current IFRS. Cominar therefore continues to assess the impact of the adoption of IFRS on its activities, procedures and accounting policies and it may modify its conversion plan as further information on the adoption of IFRS in Canada becomes available.

  The financial data presented in accordance with GAAP in the current financial statements of the Trust may differ significantly when presented in accordance with IFRS.

RISKS AND UNCERTAINTIES

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

GENERAL BUSINESS AND ECONOMIC CONDITIONS

Financial markets, interest rates, consumer spending, business investment, government spending, the level of capital market activity and volatility, and inflation impact the business and economic environments in which Cominar operates and, ultimately, the level of business activity in each region, the revenues generated and the cost and availability of equity and debt.

EXECUTION OF OUR STRATEGY

Cominar's ability to achieve its objectives and implement its strategy impacts its financial performance. If we do not meet or if we elect to change our strategic objectives, our financial results could be adversely affected.

ACQUISITIONS

Cominar regularly explores opportunities for strategic acquisitions in its operating segments, but there can be no assurance that it will be able to complete acquisitions on terms and conditions that meet its investment criteria. There can also be no assurance that it will achieve its financial or strategic objectives or that it will realize anticipated cost savings following acquisitions. Its performance is contingent on its ability to retain clients and key employees of acquired entities, and there can be no assurance that it will always succeed in doing so.

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

OPERATIONAL RISK

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 and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of the tenants and the economic environment in which they operate. The Trust's operating revenues 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 our properties could not be leased under economically favourable lease terms.

However, this risk is minimized by the diversification of Cominar's portfolio, which allows the Trust to maintain foreseeable cash flows. This risk is also mitigated by the fact that tenants occupy an average leasable area of about 6,800 square feet.

As a fully integrated real estate investment trust, Cominar can also exercise tighter preventive control over its operations while developing a relationship of trust with its clients and improving its operational and financial performance.

DEBT AND REFINANCING

The Trust is exposed to debt financing risks, including the risk that existing mortgages payable secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing mortgages. The Trust's profitability may be impacted by tight and unfavourable credit markets and interest rate changes, as interest on borrowings represents a significant cost in real estate property ownership. Cominar seeks to reduce interest rate risks by spreading out the maturities of its long-term debt and limiting the use of floating rate debt as much as possible.

UNITHOLDER LIABILITY

Under the heading "Operating Principles," the Contract of Trust states that any written document identifying an immovable hypothec or, in the opinion of the trustees, a material obligation, must contain terms limiting liability to Cominar's assets exclusively, and specify that no recourse may be taken against unitholders.

COMPETITION

Cominar competes for suitable immovable property investments with third parties seeking immovable property investments similar to those of interest to the Trust. Many of those investors have greater financial resources than Cominar, or operate without the investment or operating restrictions of the Trust or according to more flexible conditions. An increase in the availability of investment funds and heightened interest in immovable property investments could increase competition for immovable property investments, thereby increasing purchase prices and reducing their yield. In addition, numerous property developers, managers and owners compete with the Trust in seeking tenants. The existence of competing developers, managers and owners and competition for the Trust's tenants could have an adverse effect on the Trust's ability to lease space in its properties and on the rents charged, and could adversely affect the Trust's revenues.

GOVERNMENT REGULATION

The Trust and its properties are subject to various government statues and regulations. Any change in such statutes or regulation adverse to the Trust and its properties could affect the Trust's financial results. By their very nature, Cominar's assets and business are not exposed to high environmental risk. In accordance with the operating principles stipulated in its Contract of Trust, Cominar conducts an environmental audit before acquiring any new properties. Environmental audits are conducted on its existing properties when deemed appropriate. In its leases, Cominar requires that tenants conduct their business in compliance with environmental legislation, and that they be held liable for any damages resulting from their use of the leased premises.

INCOME TAXES

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

Cominar's subsidiaries are subject to tax on their taxable income under the Income Tax Act (Canada) and Taxation Act (Québec) at an average combined rate of approximately 31%. No provision is required for the period ended June 30, 2009.

The carrying value of Cominar's net assets as at December 31, 2008 exceeded the tax basis by approximately $87,000.

TAXATION OF DISTRIBUTIONS OF SPECIFIED INVESTMENT FLOW-THROUGH ("SIFT") TRUSTS

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

EXCEPTION FOR REAL ESTATE INVESTMENT TRUSTS

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

As at June 30, 2009, Cominar met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on an on-going basis in the future.

RECRUITMENT OF EMPLOYEES AND EXECUTIVES

Competition for qualified employees and executives is intense. If Cominar is unable to attract and retain qualified employees and executives, its results of operations and financial condition, including its competitive position, may be materially adversely affected.

CAPITAL REQUIREMENTS

Cominar accesses the capital markets from time to time through the issuance of debt, equity or equity-related securities. If Cominar were unable to raise additional funds, then acquisition or development activities may be curtailed and property-specific financing might need to be renegotiated.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST

Unaudited
June 30, 2009

CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of dollars]

	As at June 30, 2009	As at December 31, 2008
	$	$
		[note 2]
ASSETS		
Income properties *[notes 4, 8 and 10]*		
Buildings	**1,237,713**	1,228,770
Land	**202,116**	199,211
Intangible assets	**72,375**	79,106
	1,512,204	1,507,087
Properties under development *[note 5]*	**113,280**	72,945
Land held for future development *[note 5]*	**42,372**	20,857
Capitalized leasing costs and other assets *[note 6]*	**47,301**	44,141
Prepaid expenses	**20,844**	1,954
Accounts receivable *[note 7]*	**26,114**	21,352
	1,762,115	1,668,336
LIABILITIES		
Mortgages payable *[note 8]*	**782,278**	730,711
Convertible debentures *[note 9]*	**204,445**	203,723
Bank indebtedness *[note 10]*	**189,327**	186,987
Accounts payable and accrued liabilities	**35,233**	34,987
Distributions payable to unitholders	**6,084**	—
	1,217,367	1,156,408
UNITHOLDERS' EQUITY		
Unitholders' equity	**544,748**	511,928
	1,762,115	1,668,336

See accompanying notes to consolidated interim financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

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

	Quarter		Cumulative (six months)	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Unitholders' contributions *[note 11]*				
Balance, beginning of period	**601,221**	592,304	**600,965**	591,172
Issue of units	**57,970**	4,151	**58,226**	5,283
Underwriters' fees and offering expenses	**(2,702)**	—	**(2,702)**	—
Balance, end of period	**656,489**	596,455	**656,489**	596,455
Cumulative net income				
Balance, beginning of period	**276,441**	251,904	**272,399**	247,779
Change due to new accounting policy *[note 2]*	**—**	(365)	**—**	(365)
Net income	**7,715**	6,826	**11,757**	10,951
Balance, end of period	**284,156**	258,365	**284,156**	258,365
Cumulative distributions				
Balance, beginning of period	**(379,340)**	(313,449)	**(362,817)**	(298,080)
Distributions to unitholders	**(18,261)**	(16,095)	**(34,784)**	(31,464)
Balance, end of period	**(397,601)**	(329,544)	**(397,601)**	(329,544)
Contributed surplus				
Balance, beginning of period	**1,242**	637	**1,069**	513
Unit option plan	**150**	115	**323**	239
Balance, end of period	**1,392**	752	**1,392**	752
Other equity component *[note 9]*				
Equity component of convertible debentures	**312**	312	**312**	312
Total unitholders' equity	**544,748**	526,340	**544,748**	526,340

See accompanying notes to consolidated interim financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Quarter		Cumulative (six months)	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
		[note 2]		*[note 2]*
Operating revenues				
Rental revenue from income properties	**67,373**	58,994	**135,240**	116,327
Operating expenses				
Operating costs	**11,757**	10,248	**26,644**	22,207
Realty taxes and services	**15,211**	13,578	**30,642**	26,910
Property management expenses	**858**	698	**1,723**	1,290
	27,826	24,524	**59,009**	50,407
Operating income before the undernoted	**39,547**	34,470	**76,231**	65,920
Interest on borrowings	**14,533**	12,002	**29,229**	23,852
Depreciation of income properties	**13,731**	12,622	**27,950**	25,081
Amortization of capitalized leasing costs	**2,389**	2,106	**4,987**	4,230
Amortization of other assets	**91**	72	**182**	134
	30,744	26,802	**62,348**	53,297
Operating income from real estate assets	**8,803**	7,668	**13,883**	12,623
Trust administrative expenses	**(1,161)**	(984)	**(2,254)**	(1,863)
Other revenues	**73**	124	**128**	175
Net income from continuing operations	**7,715**	6,808	**11,757**	10,935
Net income from discontinued operations *[note 21]*	**—**	18	**—**	16
Net income and comprehensive income	**7,715**	6,826	**11,757**	10,951
Basic net income per unit *[note 13]*	**0.155**	0.150	**0.246**	0.242
Diluted net income per unit *[note 13]*	**0.155**	0.149	**0.246**	0.239

See accompanying notes to consolidated interim financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Quarter		Cumulative (six months)	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
OPERATING ACTIVITIES				
Net income	**7,715**	6,826	**11,757**	10,951
Items not affecting cash:				
Depreciation of income properties	**13,731**	12,634	**27,950**	25,104
Amortization of below-market leases	**(175)**	(126)	**(379)**	(253)
Amortization of capitalized leasing costs	**2,389**	2,112	**4,987**	4,243
Amortization of capitalized financing costs and other assets	**797**	493	**1,508**	928
Amortization of fair value adjustments on assumed indebtedness	**(31)**	(32)	**(62)**	(63)
Accretion of liability component of convertible debentures	**10**	9	**20**	18
Compensation expense related to unit option plan	**150**	171	**323**	301
	24,586	22,087	**46,104**	41,229
Change in non-cash working capital items *[note 16]*	**(18,301)**	(4,298)	**(23,103)**	(18,888)
	6,285	17,789	**23,001**	22,341
INVESTING ACTIVITIES				
Additions to income properties *[note 4]*	**(4,248)**	(33,377)	**(31,021)**	(56,618)
Additions to properties under development and land held for future development *[note 5]*	**(22,599)**	(5,090)	**(51,529)**	(10,997)
Net proceeds on disposal of share in a property held in co-ownership *[note 15]*	**2,015**	—	**2,015**	—
Capitalized leasing costs	**(4,652)**	(4,352)	**(8,888)**	(8,926)
Other assets	**(132)**	(1,081)	**(226)**	(1,621)
	(29,616)	(43,900)	**(89,649)**	(78,162)
FINANCING ACTIVITIES				
Mortgages payable	**19,844**	81,368	**94,162**	111,232
Repayment of mortgages payable	**(4,863)**	(84,635)	**(56,409)**	(139,863)
Bank indebtedness	**(29,236)**	41,421	**2,071**	111,926
Net proceeds from issue of units *[note 11]*	**54,941**	2,850	**54,929**	3,422
Distributions to unitholders	**(17,355)**	(14,893)	**(28,105)**	(30,896)
	23,331	26,111	**66,648**	55,821
Net change in cash and cash equivalents	**—**	—	**—**	—
Cash and cash equivalents, beginning of period	**—**	—	**—**	—
Cash and cash equivalents, end of period	**—**	—	**—**	—

See accompanying notes to consolidated interim financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2009 and 2008
[unaudited, in thousands of dollars except per unit amounts]

1. DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar" or the "Trust") is an unincorporated closed-end real estate investment trust created by a Contract of Trust on March 31, 1998 under the laws of the Province of Québec.

2. NEW ACOUNTING POLICIES

Adopted in 2009

During the first quarter of 2009, Cominar adopted the recommendation of new Section 3064, *Goodwill and Intangible Assets*, issued by the Canadian Institute of Chartered Accounts ("CICA"), which states that intangible assets are to be initially recognized as assets only if they meet the definition of an intangible asset and the asset recognition criteria. Section 1000, *Financial Statement Concepts*, has been harmonized with the new standard.

As of January 1, 2009, it is no longer possible to defer capital expenditures for maintenance and repairs recoverable from tenants and amortize them as revenues are earned. These recoverable capital expenditures must now be capitalized or expensed as incurred.

Cominar's adoption of this new standard and the amended standard required the restatement of the balance of unitholders' equity as at December 31, 2007 and the consolidated financial statements for fiscal 2008 as follows:

Consolidated balance sheet

Effect of restatement as at December 31, 2008	**Increase (decrease)** **$**
Income properties	556
Other assets	(970)

Consolidated statement of unitholders' equity

Effect of restatement prior to January 1, 2008	**Increase (decrease)** **$**
Cumulative net income	(365)

Consolidated statement of income and comprehensive income

	2008 quarter ended				**Fiscal year**
Effect of restatement – increase (decrease)	**March 31** **$**	**June 30** **$**	**September 30** **$**	**December 31** **$**	**$**
Operating costs	(111)	(136)	120	176	49
Net income and comprehensive income	111	136	(120)	(176)	(49)
Basic and diluted net income per unit					(0.001)

Recently issued

In January 2009, the CICA issued the following new standards: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements, and Section 1602, Non-controlling Interests.

Section 1582, Business Combinations

This Section, which supersedes former Section 1581, Business Combinations, establishes standards for the recognition of a business combination.

The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted.

Section 1601, Consolidated Financial Statements

This Section which, together with new Section 1602, supersedes former Section 1600, Consolidated Financial Statements, establishes standards for the preparation of consolidated financial statements.

This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. However, earlier adoption is permitted as of the beginning of a fiscal year.

Section 1602, Non-controlling Interests

This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

This Section applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. However, earlier adoption is permitted as of the beginning of a fiscal year.

In June 2009, the CICA amended Section 3862, Financial Instruments – Disclosures.

Section 3862, Financial Instruments – Disclosures

This Section has been amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements.

These amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. Earlier adoption is permitted.

Cominar does not expect the prospective adoption of these new accounting policies to have a material impact on its results, its financial position and its cash flows.

International Financial Reporting Standards (IFRS)

In March 2009, the Canadian Accounting Standards Board ("AcSB") confirmed the adoption of IFRS for the interim and annual periods beginning on or after January 1, 2011 for Canadian profit-oriented publicly accountable enterprises. IFRS will replace Canada's current generally accepted accounting principles ("GAAP") for these enterprises. Enterprises will also have to provide comparative IFRS information for the previous fiscal year. The Trust's IFRS changeover date will be January 1, 2011.

The Trust is currently assessing the potential impact of the adoption of IFRS on its consolidated financial statements. Conversion to IFRS is an ongoing process as new standards and recommendations are issued by the International Accounting Standards Board. Accordingly, IFRS on the changeover date may differ from current IFRS.

The consolidated financial position and financial performance of the Trust as reported in the current financial statements prepared in accordance with GAAP will be different when presented in accordance with IFRS.

3. SIGNIFICANT ACOUNTING POLICIES

Basis of presentation

Cominar's unaudited consolidated interim financial statements have been prepared in accordance with GAAP for interim financial statements and do not include all the disclosures normally found in the Trust's consolidated annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the most recent audited annual financial statements. Except for the new accounting policy adopted in 2009 described in note 2, the accounting policies and methods followed are the same as those used in the preparation of the December 31, 2008 audited consolidated financial statements.

Consolidation

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

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could therefore differ from those estimates.

Revenue recognition

Rental revenue from income properties includes rent from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees, parking income and incidental income.

Rental revenue from leases with contractual rent increases is recognized on a straight-line basis.

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.

Income properties

Income properties are stated at cost. Cost includes acquisition costs and improvements to income properties. Cost also includes other capital expenditures, particularly major expenditures for maintenance and repairs. Regarding income properties acquired after September 12, 2003, a portion of the purchase price, if any, is allocated to in-place operating leases, client relationships and leasehold improvements.

Depreciation of buildings and other capital expenditures is calculated on a straight-line basis over a 40-year period and the estimated useful life.

Intangible assets, described as acquisition costs related to in-place operating leases, client relationships and acquired leasehold improvements, are amortized on a straight-line basis over the terms of the related leases or the estimated duration of the client relationships.

Properties under development and land held for future development

Properties under development and land held for future development are stated at cost. Cost includes initial acquisition costs, other direct costs, realty taxes, interest related to their financing and all operating revenues and expenses during the development period.

Capitalization of costs to properties under development continues until the property reaches its completion date, the determination of which is based on achieving a satisfactory occupancy level.

Disposal of income properties

Operating results and the gains and losses on disposal relating to income properties disposed of during the period are presented in net income from discontinued operations when:

- The operating results and cash flows of the disposed property are eliminated from current operations; and
- Cominar no longer has significant and ongoing involvement in the operations of the sold property.

Prior period revenues and expenses have been reclassified to conform to current period presentation.

Capitalized leasing costs and other assets

Capitalized leasing costs and other assets consist mainly of costs such as leasehold improvements made through operating activities and other leasing costs, including tenant inducements and leasing commissions. These costs are capitalized and amortized on a straight-line basis over the terms of the related leases.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Impairment is assessed by comparing the carrying amount of an amortizable long-lived asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds their fair value.

Financial Instruments

Cominar used the following classifications:

- Cash and cash equivalents are classified as “Financial Assets Held for Trading.” They are measured at their fair value and the gains/losses resulting from the period-end revaluations are recorded in net income.

- Accounts receivable, including loans to certain clients, are classified as “Loans and Receivables.” They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method. For Cominar, the measured amount generally corresponds to cost.

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

Unit option plan

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

Per unit calculations

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

4. INCOME PROPERTIES

	As at June 30, 2009		
	Cost	Accumulated depreciation	Amortized cost
	$	$	$
Buildings	**1,362,919**	**125,206**	**1,237,713**
Land	**202,116**	**—**	**202,116**
Intangible assets			
In-place operating leases	**82,816**	**36,717**	**46,099**
Client relationships	**30,534**	**5,602**	**24,932**
Acquired leasehold improvements	**3,099**	**1,755**	**1,344**
	116,449	**44,074**	**72,375**
	1,681,484	**169,280**	**1,512,204**

	As at December 31, 2008		
	Cost	Accumulated depreciation	Amortized cost
	$	$	$
			[note 2]
Buildings	1,337,658	108,888	1,228,770
Land	199,211	—	199,211
Intangible assets			
In-place operating leases	80,743	29,042	51,701
Client relationships	29,972	4,123	25,849
Acquired leasehold improvements	3,099	1,543	1,556
	113,814	34,708	79,106
	1,650,683	143,596	1,507,087

Additions to income properties

On January 16, 2009, Cominar acquired an income property. This transaction was accounted for using the purchase method.

The following table shows the net assets acquired:

	2009
	$
Income properties	
Buildings	**29,762**
Land	**3,896**
Intangible assets	
In-place operating leases	**3,534**
Client relationships	**1,123**
Total purchase price	**38,315**
The purchase price was settled as follows:	
Cash and cash equivalents	**24,794**
Assumption of a mortgage payable	**13,521**
	38,315

The allocation of purchase price at fair value of the net assets acquired during the period has not yet been finalized and remains subject to change.

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montréal that were previously co-owned. During the second quarter of 2008, Cominar acquired three income properties. These transactions were accounted for using the purchase method.

The following table shows the net assets acquired:

	2008 **$**
Income properties	
Buildings	34,101
Land	5,785
Intangible asset	
In-place operating leases	2,710
Client relationships	2,428
Total purchase price	45,024
The purchase price was settled as follows:	
Cash and cash equivalents	43,806
Assumption of a mortgage payable	1,218
	45,024

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

During the first six months of 2009, Cominar continued to develop its income properties. Capital expenditures included additions, expansions, modernizations, modifications and upgrades to existing properties with a view to increasing or maintaining the production capacity of its real estate portfolio. As at June 30, 2009, outlays related to these investments totalled $6,227 [$12,812 in 2008].

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the first six months of 2009, Cominar capitalized $2,677 [$2,053 in 2008] in interest to properties under development and land held for future development.

During the first six months of 2009, Cominar pursued its property development and land acquisition for future development activities, with outlays totalling $51,529 [$10,997 in 2008]. Projects underway as at June 30, 2009 represent an estimated investment of over $20,785 in coming years, assuming work proceeds according to plan.

6. CAPITALIZED LEASING COSTS AND OTHER ASSETS

	As at June 30, 2009 **$**	**As at December 31, 2008** **$** *[note 2]*
At amortized cost		
Capitalized leasing costs	**44,970**	41,855
Other assets	**2,331**	2,286
	47,301	44,141

7. ACCOUNTS RECEIVABLE

	As at June 30, 2009 $	As at December 31, 2008 $
Receivables	**11,911**	8,301
Receivables – recognition of leases on straight-line basis	**11,389**	9,852
Other receivables, bearing interest at a weighted average effective rate of 7.37% as at June 30, 2009 [7.38% as at December 31, 2008]	**1,990**	2,143
Deposits in advance of work to be performed	**824**	1,056
	26,114	21,352

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties with a net carrying value of $1,143,461 [$1,085,684 as at December 31, 2008]. The mortgages payable bear contractual interest at rates ranging from 4.06% to 11.00% per annum [4.22% to 11.00% as at December 31, 2008] representing a weighted average rate of 5.49% as at June 30, 2009 [5.58% as at December 31, 2008] and are renewable at various dates from March 2010 to March 2022. As at June 30, 2009, the weighted average effective rate was 5.47% [5.54% as at December 31, 2008]. Some mortgages payable contain restrictive covenants that were met as at June 30, 2009.

Certain loans on income properties assumed in connection with acquisitions completed were adjusted to their fair value using market rates in effect at the date of acquisition. These fair value adjustments are amortized through income using the effective interest method over the residual term to maturity of the loans under “Interest on borrowings” in the consolidated statement of income and comprehensive income.

Transaction costs related to mortgages payable are deducted from these loans, amortized through income using the effective interest method over the terms of the related mortgages under “Interest on borrowings” in the consolidated statement of income and comprehensive income.

Mortgage repayments are as follows:

Periods ending December 31	Repayment of principal $	Balance at maturity $	Total $
2009	10,256	—	**10,256**
2010	20,054	98,326	**118,380**
2011	19,777	5,855	**25,632**
2012	19,952	16,380	**36,332**
2013	18,791	149,499	**168,290**
2014 and thereafter	72,057	352,959	**425,016**
	160,887	623,019	**783,906**
Plus: fair value adjustments on assumed mortgages			**276**
Less: unamortized financing costs			**(1,904)**
			782,278

All mortgages payable bear interest at fixed rates.

9. CONVERTIBLE DEBENTURES

The following table presents the characteristics of Cominar's convertible unsecured subordinated debentures as well as changes during the period:

	2009				2008
	Series A	**Series B**	**Series C**	**Total**	**Total**
Contractual interest rate	**6.30%**	**5.70%**	**5.80%**		
Effective interest rate	**6.89%**	**6.42%**	**6.60%**		
Issue date	**September 2004**	**May 2007**	**October 2007**		
Conversion price per unit	**$17.40**	**$27.50**	**$25.25**		
Interest payment dates	**June 30 and December 31**	**June 30 and December 31**	**March 31 and September 30**		
Redemption date at Cominar's option	**June 2008**	**June 2010**	**September 2010**		
Maturity date	**June 2014**	**June 2014**	**September 2014**		
	$	**$**	**$**	**$**	**$**
Balance, beginning of period	**22,635**	**80,500**	**110,000**	**213,135**	214,617
Holders' option conversions	**—**	**—**	**—**	**—**	(1,482)
Balance, end of period	**22,635**	**80,500**	**110,000**	**213,135**	213,135
Less: unamortized financing costs and equity component of convertible debentures				**(8,690)**	(9,412)
				204,445	203,723

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

In accordance with CICA Handbook Section 3855 and Section 3861, convertible debentures have been recorded as liabilities in the balance sheet, net of the $312 equity component of convertible debentures related to the holders' conversion options, and interest has been charged to "Interest on borrowings" in the consolidated statement of income and comprehensive income. Convertible debenture issue costs are deducted from debt and are amortized through income using the effective interest method over the term of the debentures under "Interest on borrowings" in the consolidated statement of income and comprehensive income.

During the first six months of 2008, 455 Series A convertible debentures were converted into 26,145 units at a conversion price of $17.40 per unit, for a total of $455.

10. BANK INDEBTEDNESS

Cominar has an operating and acquisition credit facility of up to $255,000 [$255,000 as at December 31, 2008]. This credit facility, subject to annual renewal, bears interest at prime plus 2.00% [0.25% in 2008] or at the bankers' acceptance rate plus 3.00% [1.50% in 2008]. This credit facility is secured by a movable and immovable hypothec on specific assets, including the carrying value of immovable property totalling $273,021 as at June 30, 2009 [$252,491 as at December 31, 2008]. As at June 30, 2009, the prime rate was 2.25% [3.50% as at December 31, 2008]. This credit facility contains certain restrictive covenants which were met as at June 30, 2009.

11. ISSUED AND OUTSTANDING UNITS

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

During the first six months of 2009, Cominar issued 4,843,761 units, consisting of 4,792,050 units pursuant to a public offering, 9,000 units via the exercise of options and 42,711 units under the distribution reinvestment plan. The issuance of these units resulted in net proceeds of $54,929.

During the first six months of 2008, Cominar issued 314,122 units, consisting of 26,145 units on the conversion of convertible debentures, 53,277 units under the distribution reinvestment plan and the balance of 234,700 units via the exercise of options. The issuance of these units resulted in net proceeds of $3,422.

Three-month periods ended June 30	2009		2008	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**45,871,062**	**601,221**	45,330,708	592,304
Units issued under public offering	**4,792,050**	**54,803**	—	—
Units issued on exercise of options	**9,000**	**126**	192,900	2,850
Units issued under distribution reinvestment plan	**23,824**	**339**	40,728	854
Units issued on conversion of convertible debentures	**—**	**—**	22,469	391
Reversal of contributed surplus on exercise of options	**—**	**—**	—	56
Units issued and outstanding, end of period	**50,695,936**	**656,489**	45,586,805	596,455

Six-month periods ended June 30	2009		2008	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**45,852,175**	**600,965**	45,272,683	591,172
Units issued under public offering	**4,792,050**	**54,803**	—	—
Units issued on exercise of options	**9,000**	**126**	234,700	3,422
Units issued under distribution reinvestment plan	**42,711**	**595**	53,277	1,344
Units issued on conversion of convertible debentures	**—**	**—**	26,145	455
Reversal of contributed surplus on exercise of options	**—**	**—**	—	62
Units issued and outstanding, end of period	**50,695,936**	**656,489**	45,586,805	596,455

Unit repurchase program

During the first quarter of 2008, Cominar implemented a unit repurchase program, authorizing Cominar to redeem up to 2,265,278 units, representing 5% of issued and outstanding units as at February 25, 2008. This 12-month program ended on March 9, 2009. As of that date, no units had been redeemed under this program.

Unit option plan

Cominar has granted options to management and employees for the purchase of units under a unit option plan. A maximum of 4,530,257 units may be issued under the plan. As at June 30, 2009, options for the purchase of 3,357,100 units were outstanding and 844,257 options could be granted under the plan.

The following tables show option characteristics and changes during the period:

Date of grant	Graded vesting method	Maturity date	As at June 30, 2009 Exercise price $	Outstanding options	Exercisable options
November 13, 2003	20%	November 13, 2010	14.00	828,900	828,900
April 8, 2005	25%	November 13, 2010	17.12	113,000	113,000
May 23, 2006	20%	May 23, 2013	18.90	404,000	220,000
May 15, 2007	50%	May 15, 2014	23.59	45,000	45,000
February 6, 2008	33 1/3%	February 6, 2013	18.68	877,200	297,800
December 19, 2008	33 1/3%	December 19, 2013	15.14	1,089,000	—
				3,357,100	**1,504,700**

Three-month periods ended June 30	2009		2008	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of period	**3,464,000**	**16.44**	2,672,900	16.86
Exercised	**(9,000)**	**14.00**	(192,900)	14.83
Granted	**—**	**—**	—	—
Cancelled	**(97,900)**	**17.62**	(8,700)	18.68
Outstanding, end of period	**3,357,100**	**16.42**	2,471,300	17.02

Six-month periods ended June 30	2009		2008	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of period	**3,504,700**	**16.45**	1,782,000	15.84
Exercised	**(9,000)**	**14.00**	(234,700)	14.64
Granted	**—**	**—**	932,700	18.68
Cancelled	**(138,600)**	**17.40**	(8,700)	18.68
Outstanding, end of period	**3,357,100**	**16.42**	2,471,300	17.02
Exercisable options, end of period	**1,504,700**	**16.16**	714,300	15.71

Unit-based compensation

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

Date of grant	Volatility	Exercise price $[(1)]	Weighted average distribution return	Weighted average risk-free interest rate
November 13, 2003	11.70%	14.00	8.74%	4.21%
April 8, 2005	13.50%	17.12	7.58%	3.78%
May 23, 2006	13.00%	18.90	7.14%	4.10%
May 15, 2007	13.60%	23.59	5.55%	4.04%
February 6, 2008	15.60%	18.68	7.47%	3.89%
December 19, 2008	18.00%	15.14	9.74%	3.00%

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

Unitholder distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units equal to 105% of the cash distributions. For the six-month period ended June 30, 2009, 42,711 units [53,277 units in 2008] were issued for a total consideration of $595 [$1,344 in 2008] under this plan.

12. INCOME TAXES

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

Cominar's subsidiaries are subject to tax on their taxable income under the Income Tax Act (Canada) and Taxation Act (Québec) at an average combined rate of approximately 31%. No provision is required for the period ended June 30, 2009.

The carrying value of Cominar's net assets as at December 31, 2008 exceeded the tax basis by approximately $87,000.

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

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

Exception for real estate investment trusts (REITs)

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

As at June 30, 2009, Cominar met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on an on-going basis in the future.

13. PER UNIT CALCULATIONS

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

	Quarter		Cumulative (six months)	
Periods ended June 30	**2009**	**2008**	**2009**	**2008**
Weighted average number of units outstanding – basic	**49,618,053**	45,390,841	**47,747,040**	45,337,937
Effect of dilutive unit options	**46,188**	501,681	**57,108**	415,568
Weighted average number of units outstanding – diluted	**49,664,241**	45,892,522	**47,804,148**	45,753,505

The potential issuance of units under convertible debentures has an anti-dilutive effect on the calculation of diluted net income per unit.

14. DISTRIBUTIONS

Cominar is governed by a Contract of Trust that requires it to distribute a portion of its distributable income to unitholders. The distributable income generally means net income determined in accordance with GAAP, adjusted for depreciation of income properties and amortization of above- and below-market leases, compensation expense related to unit options, accretion of the liability component of convertible debentures, rental revenue – recognition of leases on straight-line basis, gains or losses on disposal of income properties and amortization of fair value adjustments on assumed mortgages payable.

	Quarter		Cumulative (six months)	
Periods ended June 30	**2009**	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Distributions to unitholders	**18,261**	16,095	**34,784**	31,464
Distributions per unit	**0.360**	0.353	**0.720**	0.692

15. INVESTMENTS IN CO-OWNED PROPERTIES

On February 29, 2008, Cominar acquired the remaining interest in seven properties that were previously co-owned and now owns 100% of these income properties.

On May 4, 2009, Cominar entered into a co-ownership agreement under which it holds a 95% undivided ownership interest in Complexe Jules-Dallaire, a property currently under construction *[note 17]*. As of that date, this is the only property held in co-ownership.

Cominar's share of the assets, liabilities, revenues, expenses and cash flows of co-owned properties was as follows:

	June 30, 2009	December 31, 2008
	$	**$**
Assets	**53,215**	—
Liabilities	**4,655**	—

Six-month periods ended June 30	2009	2008
	$	**$**
Operating revenues	—	204
Operating expenses	—	61
Net operating income	—	143
Cash flows from operating activities	—	143
Cash flows from investing activities (1)	**8,249**	—
Cash flows from financing activities	—	—

(1) Period from May 4, 2009 to June 30, 2009

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Quarter		Cumulative (six months)	
Periods ended June 30	**2009**	**2008**	**2009**	**2008**
		$	**$**	**$**
Prepaid expenses	**(11,952)**	(6,617)	**(18,890)**	(13,947)
Accounts receivable	**330**	1,911	**(4,762)**	(3,716)
Accounts payable and accrued liabilities	**(6,679)**	408	**549**	(1,225)
	(18,301)	(4,298)	**(23,103)**	(18,888)
Other information				
Interest paid	**7,419**	12,708	**27,252**	25,358
Unpaid leasing costs	**2,601**	1,803	**2,601**	1,803
Additions to income properties and properties under development by assumption of mortgages payable	**—**	1,218	**13,521**	1,218
Unpaid additions to income properties and properties under development	**5,989**	4,936	**5,989**	4,936
Income property transferred to properties under development	**—**	—	**11,248**	—
Property under development transferred to income properties	**—**	4,395	**—**	4,395

17. RELATED PARTY TRANSACTIONS

During the first six months of 2009, Cominar entered into transactions with companies controlled by unitholders who are also members of the Trust's management. These transactions were entered into in the normal course of business and are measured at the exchange value. They are reflected in the consolidated interim financial statements as follows:

	Quarter		Cumulative (six months)	
Periods ended June 30	**2009**	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Rental revenue from income properties	**141**	219	**283**	463
Income properties and properties under development	**12,311**	8,945	**25,181**	12,368
Capitalized leasing costs and other assets	**3,970**	3,737	**8,197**	6,099
Accounts receivable			**364**	313
Accounts payable and accrued liabilities			**8,189**	6,511

On May 4, 2009, Cominar sold a 5% undivided ownership interest in Complexe Jules-Dallaire to a company owned indirectly by the Dallaire family for a purchase price of $2,015 reflecting investments of 5% made to date by Cominar in the Complexe. The REIT also entered into a co-ownership agreement with this company.

18. CAPITAL MANAGEMENT

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

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

Cominar's capital structure was as follows:

	As at June 30, 2009 $	As at December 31, 2008 $
Mortgages payable	**782,278**	730,711
Convertible debentures	**204,445**	203,723
Bank indebtedness	**189,327**	186,987
Unitholders' equity	**544,748**	511,928
Total of capital	**1,720,798**	1,633,349
Overall debt ratio (1)	**60.9%**	61.9%
Debt ratio (excluding convertible debentures)	**50.3%**	50.6%
Interest coverage ratio (2)	**2.60** (1)	2.68

(1) The overall debt ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross carrying value of the property portfolio (total assets plus accumulated depreciation of income properties).

(2) The interest coverage ratio is equal to EBITDA (earnings before interest, income taxes, depreciation and amortization) divided by interest expense.

(3) Annualized.

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, Cominar's total debt exceeds 60% of the gross carrying value of Cominar, defined as total assets and accumulated depreciation of income properties (65% if convertible debentures are outstanding). As at June 30, 2009, Cominar maintained a debt ratio of 60.9%, including convertible debentures.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As such, as at June 30, 2009, the annualized interest coverage ratio was 2.60:1, reflecting the REIT's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

19. FINANCIAL INSTRUMENTS

Fair value

Fair value is estimated using valuation techniques and assumptions. Fair value amounts disclosed in these consolidated interim financial statements represent Cominar's estimate of the price at which a financial instrument could be exchanged in a market in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. They are point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors.

Classification

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

	As at June 30, 2009		As at December 31, 2008	
	Carrying value $	**Fair value $**	**Carrying value $**	**Fair value $**
FINANCIAL ASSETS				
Held for trading				
Cash and cash equivalents	**—**	**—**	—	—
Loans and receivables				
Accounts receivable	**26,114**	**26,114**	21,352	21,352
Total financial assets	**26,114**	**26,114**	21,352	21,352
FINANCIAL LIABILITIES				
Other financial liabilities				
Mortgages payable (1)	**783,906**	**744,763**	732,293	712,409
Convertible debentures (1)	**213,135**	**215,254**	213,135	220,330
Bank indebtedness	**189,327**	**189,327**	186,987	186,987
Accounts payable and accrued liabilities (2)	**34,377**	**34,377**	34,158	34,158
Distributions payable to unitholders	**6,084**	**6,084**	—	—
Total financial liabilities	**1,226,829**	**1,189,805**	1,166,573	1,153,884

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

(2) Excludes commodity taxes payable of $856 [$829 in 2008].

The fair value of Cominar's cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and distributions payable to unitholders approximated the carrying value as at June 30, 2009 due to their short term nature or because they are based on current market rates.

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

The fair value of convertible debentures was estimated using current market rates for convertible debentures 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. Cominar's risk management strategy is summarized below.

Credit risk

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

Cominar mitigates credit risk via geographic and activity segment diversification [note 20], staggered lease maturities, diversification of revenue sources through a varied tenant mix, avoiding dependence on any single tenant by ensuring that no individual tenant contributes a significant portion of Cominar's operating revenues and conducting credit assessments for all new tenants.

Cominar has a large and diversified base of approximately 2,500 clients, occupying on average 6,800 square feet of space. Our three largest clients account for approximately 6.3%, 4.9% and 4.5% of operating revenues, respectively, from a number of leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 11.2% of operating revenues are generated from government agencies.

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

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

Interest rate risk

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

Accounts receivable, except for other receivables mentioned in note 7, and accounts payable and accrued liabilities do not bear interest.

Mortgages payable and convertible debentures bear interest at fixed rates.

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

A 25 basis point increase or decrease in the average interest rate during the period, assuming all other variables held constant, would have resulted in a $253 increase or decrease in Cominar's net income for the period ended June 30, 2009.

Liquidity risk

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

Cominar manages this risk by the management of its capital structure, the continuous monitoring of its current and projected cash flows and adherence to its capital management policy *[note 18]*.

Undiscounted contractual maturities of financial liabilities as at June 30, 2009 are as follows:

		Maturity		
	Carrying value	**Under one year**	**One to five years**	**Over five years**
Mortgages payable *[note 8]*	783,906	77,223	320,493	386,190
Convertible debentures *[note 9]*	213,135	—	103,135	110,000
Bank indebtedness *[notes 10 and 24]*	189,327	189,327	—	—
Accounts payable and accrued liabilities	34,377	27,532	6,845	—
Distributions payable to unitholders	6,084	6,084	—	—
	1,226,829	300,166	430,473	496,190

20. SEGMENTED INFORMATION

Cominar's activities include three property types located in the greater Québec City, Montréal and Ottawa areas. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies.

The following table indicates the financial information from continuing operations related to these property types:

Three-month period ended June 30, 2009	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	33,081	11,978	22,314	67,373
Depreciation of income properties	7,580	1,573	4,578	13,731
Net operating income (1)	18,986	7,077	13,484	39,547

Three-month period ended June 30, 2008	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	25,420	12,174	21,400	58,994
Depreciation of income properties	6,197	1,540	4,885	12,622
Net operating income (1)	14,271	7,086	13,113	34,470

Six-month period ended June 30, 2009	Office properties $	Retail properties $	Industrial mixed-use properties $	Total $
Rental revenue from income properties	65,875	24,108	45,257	135,240
Depreciation of income properties	15,438	3,139	9,373	27,950
Net operating income (1)	36,447	13,659	26,125	76,231
Income properties (amortized cost)	758,773	238,404	515,027	1,512,204

Six-month period ended June 30, 2008	Office properties $	Retail properties $	Industrial mixed-use properties $	Total $
Rental revenue from income properties	50,220	23,805	42,302	116,327
Depreciation of income properties	12,376	3,067	9,638	25,081
Net operating income (1)	27,482	13,508	24,930	65,920
Income properties (amortized cost)	577,595	245,525	537,790	1,360,910

(1) Net operating income is "Operating income before the undernoted" in the consolidated statement of income and comprehensive income.

21. DISCONTINUED OPERATIONS

On October 31, 2008, Cominar sold a 23,129 square foot retail property located in Drummondville, Québec for $2.0 million following the exercise by the tenant of its purchase option.

The following table discloses financial information relating to the property sold in accordance with CICA Handbook Section 3475, Disposal of Long-Lived Assets and Discontinued Operations.

Periods ended June 30	Quarter 2009	Quarter 2008	Cumulative (six months) 2009	Cumulative (six months) 2008
	$	$	$	$
Net operating income	—	66	—	112
Depreciation of income properties	—	12	—	23
Amortization of capitalized leasing costs	—	6	—	13
Interest on borrowings	—	30	—	60
Net income from discontinued operations	—	18	—	16
Basic and diluted net income per unit	—	0.000	—	0.000

22. CONTINGENCIES

a) An expropriation process was initiated in June 2006 by the CHUM for the property located at 300 Viger Street in Montréal, Québec.

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

b) Letters of guarantee outstanding as at June 30, 2009 amounted to $2,990. These letters have been provided as a performance guarantee to execute required repairs under mortgage agreements.

23. COMMITMENTS

The annual future payments required under emphyteutic leases expiring between 2046 and 2047, on land for two income properties having a total net carrying value of $56,766, are as follows:

Periods ending December 31	Total $
2009	239
2010	486
2011	491
2012	526
2013	526
2014 and thereafter	24,749

24. SUBSEQUENT EVENT

On July 8, 2009, Cominar issued units at a unit price of $15.20 for proceeds totalling $57.5 million. Net issue proceeds were applied against the current balance of debt contracted under the terms of existing credit facilities, which debt was used to fund Cominar's ongoing acquisition and development program.

25. COMPARATIVE FIGURES

Certain 2008 figures have been reclassified to conform to the 2009 presentation.

CORPORATE INFORMATION

BOARD OF TRUSTEES

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

OFFICERS

UNITHOLDER INFORMATION

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LISTING

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

TRANSFER AGENT

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AUDITORS

Ernst & Young LLP

UNITHOLDER DISTRIBUTION REINVESTMENT PLAN

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

For further information about the DRIP, please refer to the DRIP section of our website at www.cominar.com or contact us by email at info@cominar.com or contact the Plan agent: Computershare Trust Company of Canada, 100 University Avenue, 9th floor, Toronto, Ontario, Canada, M5J 2Y1, Tel.: (514) 982-7555, Toll free: 1 800 564-6253, Fax: (416) 263-9394, Email: *service@computershare.com*

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