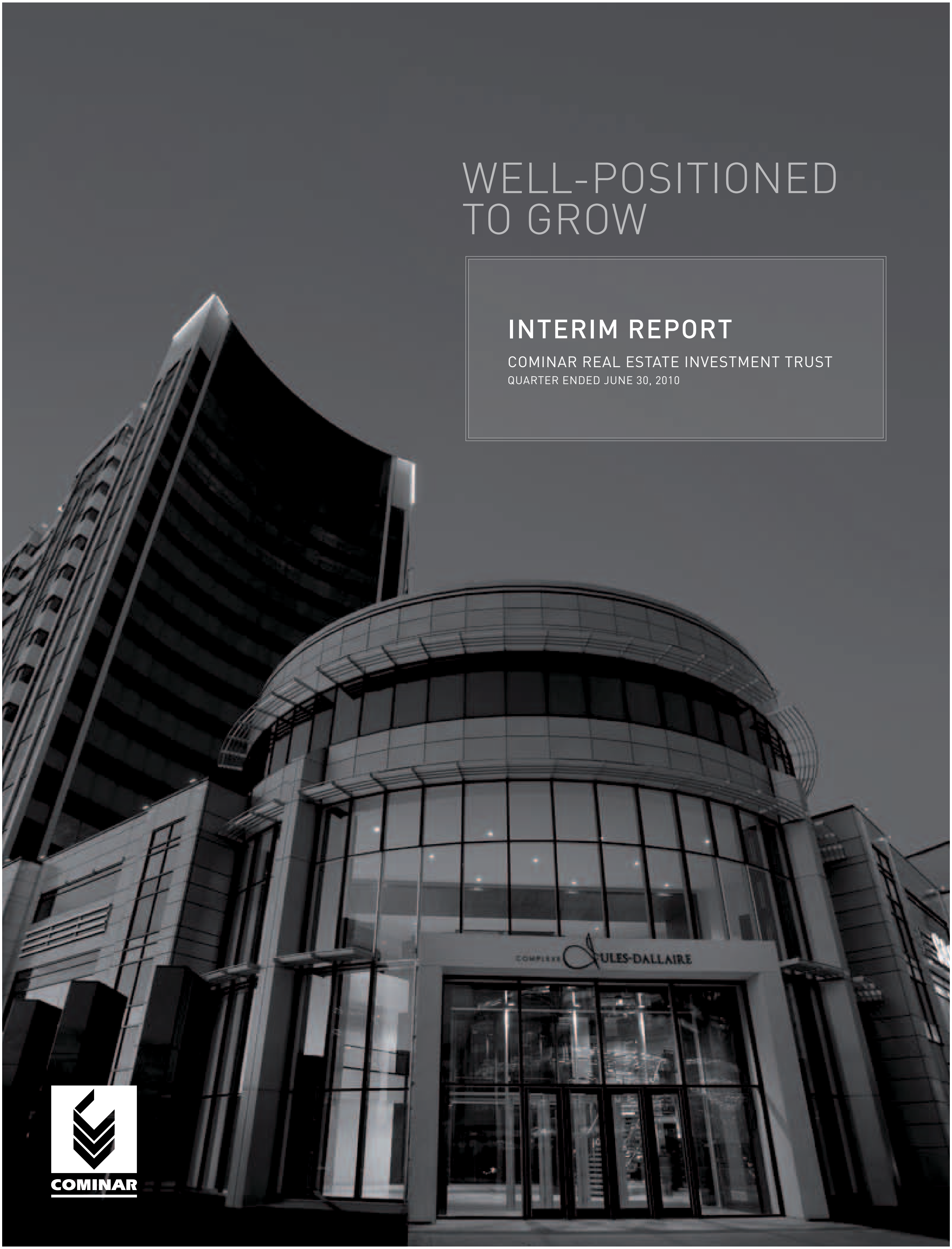
WELL-POSITIONED TO GROW

INTERIM REPORT

COMINAR REAL ESTATE INVESTMENT TRUST

QUARTER ENDED JUNE 30, 2010



COMINAR

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SECOND QUARTER

ENDED JUNE 30, 2010

Photo on this page: 2001 McGill College, Montréal

Photos cover page left to right:
Complexe Jules-Dallaire, 2828 Laurier Boulevard, Québec City

Collaboration in Interim Report:
Claude Dumoulin, photographer | *Médiane Design et Communication*
Claude Mathieu, photographer | *Pub Photo*

MESSAGE TO UNITHOLDERS

Our strong results for the second quarter of 2010 attest that Cominar is firmly pursuing its growth. The economic recovery seen particularly in the industrial and mixed-use sector in the Montréal region resulted in more intense leasing activity, and the slight decline in the overall occupancy rate witnessed in the past quarters is tending to abate. The very proactive approach adopted since the beginning of the year in our leasing activities, combined with growing demand, enabled us to accelerate the renewal of expiring leases and to improve our occupancy rate. We are maintaining this approach in a market that remains highly competitive. Furthermore, we are reaping the benefits of the integration of the Overland Realty Limited portfolio acquired at the end of the first quarter of 2010 in the Atlantic provinces, which have become our fourth geographic market.

STRONG GROWTH IN OUR PERFORMANCE INDICATORS

Our operating revenues totaled $72.8 million for the second quarter of 2010, up 8.1% over the same period of the previous year. Net operating income increased by 7.1% to $42.3 million. Recurring distributable income rose 12.7% to $23.2 million. Recurring adjusted funds from operations were up 12.7% over the second quarter of 2009, and we have maintained our distributions per unit at $0.36. The strong growth in our performance indicators is closely tied to the quality of our real estate portfolio, the service provided by our dedicated and dynamic personnel and our loyal and diversified client base.

OCCUPANCY RATE ON THE RISE

The decline in the occupancy rate observed as at March 31, 2010 is proving short-lived and relates to a particular context that, as expected, is on track to improve. The increase in demand for rental space in the industrial sector, hard hit by the economic slowdown in the Montréal region, has led to renewed leasing activity. We are confident that the positive effects of this recovery will further materialize in the second half of fiscal 2010. The occupancy rates in the Québec City and Ottawa areas are holding steady and reflect the stable economies that prevail in these markets.

SOUND FINANCIAL POSITION

At the beginning of the quarter, we closed a bought deal offering of 6,021,400 units for proceeds of $115 million used to pay down debt. Thus, as at June 30, 2010, our debt ratio stood at 56.7% (60.9% as at June 30, 2009), well below the 65% limit allowed by our Contract of Trust when convertible debentures are outstanding. At the end of second quarter, our annualized interest coverage ratio was 2.79:1 (2.60:1 as at June 30, 2009), which compares favorably with that of our peers.

ACQUISITIONS AND DEVELOPMENTS

During the second quarter, we fully integrated the 16 Overland Realty Limited properties acquired last March. The addition of new local resources that have sound knowledge of the Atlantic provinces gives us an edge and our expansion potential in this new geographic market should lead to further acquisitions. At the beginning of April, Cominar acquired an industrial and mixed-use property covering a leasable area of 31,000 square feet in Brossard for $5.6 million, and another property covering a leasable area of 90,000 square feet, also located in Brossard, was just acquired at a cost of $13 million at the end of July. Finally, the development of Phase I of Complexe Jules-Dallaire is almost completed and the office space tenants are gradually moving into their premises. We plan to initiate Phase II in the spring of 2011.

OUTLOOK

The economic recovery that has been noted since a few months, namely in the industrial segment of the Montréal area, our presence in resilient markets and our entrance in the Atlantic provinces market, combined with a sound financial position and a disciplined approach are all factors that contribute to maintaining the REIT's growth. We are confident to obtain good results in the second half of 2010 and we maintain an expansion strategy appropriate to the evolving context of our markets.

Michel Dallaire, Eng.
President and Chief Executive Officer

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

The following interim 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 periods ended June 30, 2010, in comparison with the corresponding periods of 2009, as well as its financial position at that date and its outlook. Dated August 5, 2010, this interim MD&A reflects all significant information available as at that date and should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes included in this report. **Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square-foot amounts**, and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Additional information about us, including our 2009 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, on the recommendation of the Audit Committee, has approved the contents of this interim MD&A.

HIGHLIGHTS FOR THE SECOND QUARTER ENDED JUNE 30, 2010

- Increases of:
  - 8.1% in operating revenues
  - 7.1% in net operating income
  - 12.7% in recurring distributable income
  - 13.5% in recurring funds from operations
  - 12.7% in recurring adjusted funds from operations
  - 21.5% in distributions

- Occupancy rate of 93.0%

- Annualized interest coverage ratio of 2.79: 1

- On April 7, 2010, the REIT proceeded with the closing of an underwritten offering of 6,021,400 units pursuant to the terms of Cominar's short form base shelf prospectus dated October 29, 2009, the terms of the offering being set forth in a prospectus supplement dated March 29, 2010 filed with the Canadian securities regulators. The units were sold to a syndicate of underwriters for total gross proceeds of approximately $115 million.

- On April 8, 2010, the REIT acquired land covering an area of 299,000 square feet located at the western limit of Laurier Boulevard, one of the major thoroughfares in Québec City, for a cash consideration of $17.4 million. This acquisition represents a unique opportunity for Cominar to acquire land with an exceptional location by the bridges that link the two shores of the St-Lawrence River. Cominar benefits from a strong presence in this prospering area of Laurier Boulevard with its Place de la Cité property and, more recently, Complexe Jules-Dallaire, of which Phase I is nearing completion. A hotel complex is currently located on the purchased land and its demolition is considered once the corporation operating the hotel ceases its activities on these premises at the end of its lease.

- On April 9, 2010, the REIT acquired an industrial property located in Brossard, Québec, with 31,000 square feet of leasable area for a cash consideration of $5.6 million. The capitalization rate related to this acquisition was 9%. This property is a very recent construction and is fully occupied by an AAA client under a long-term lease.

- On May 6, 2010, the REIT entered into an agreement in respect of the sale of land held for future developments, namely a group of properties at the intersection of Charest and Duplessis Highways in Québec City for a consideration of $11.7 million and a property on du Marais Street in Québec City for a consideration of $11.6 million. This transaction is carried to optimize the REIT's land holdings subsequent to the April 8, 2010 acquisition of the unique site on Laurier Boulevard in Québec City.

- In June 2010, upon maturity of the current operating and acquisition credit facility, the REIT concluded two new operating and acquisition credit agreements up to a maximum credit of $131.2 million. These facilities, subject to annual renewal, bear interest at prime rate plus 1.5% or at the bankers' acceptance rate plus 2.5%. These credit facilities are secured by movable and immovable hypothecs on specific assets.

SUBSEQUENT EVENTS

- On July 29, 2010, the REIT acquired an industrial and mixed-use property located in Brossard, Québec, with 90,000 square feet of leasable area for a cash consideration of $13 million. The capitalization rate related to this acquisition is of 8.5%. This property is a recent construction located near Highways 10 and 30 with an occupancy rate of 86.6%.

- In July 2010, the REIT contracted a mortgage loan of $16.5 million with a financial institution. The proceeds from this loan have been applied to the repayment of a $15.9 million loan maturing on August 1st, 2010. This loan bears interest at a rate of 4.5 % and will mature in 2015.

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 2010 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

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

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

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

NON-GAAP FINANCIAL MEASURES

In this interim MD&A, we issue guidance on and report on 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.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ %**	**2010**	**2009**	**Δ %**
FINANCIAL DATA						
Operating revenues	**72,808**	67,373	8.1	**142,715**	135,240	5.5
Net operating income [1]	**42,265**	39,466	7.1	**80,374**	76,231	5.4
Same property net operating income growth (decline) [1]	**(0.6)%**	2.7%		**(0.1)%**	2.5%	
Net income	**9,924**	7,715	28.6	**16,301**	11,757	38.6
(Recurring) distributable income [1]	**23,249**	20,626	12.7	**42,985**	38,071	12.9
(Recurring) funds from operations [1]	**27,054**	23,835	13.5	**49,997**	44,694	11.9
(Recurring) adjusted funds from operations [1]	**22,731**	20,161	12.7	**42,303**	37,207	13.7
Distributions	**22,190**	18,261	21.5	**42,005**	34,784	20.8
Debt ratio				**56.7%**	60.9%	
Debt ratio (excluding convertible debentures)				**38.7%**	50.3%	
Total assets				**1,970,744**	1,762,115	
Market capitalization				**1,143,856**	784,773	
PER UNIT FINANCIAL DATA						
Net income (basic)	**0.16**	0.16	—	**0.28**	0.25	12.0
Distributable income (basic) [1]	**0.38**	0.42	(9.5)	**0.74**	0.80	(7.5)
Recurring distributable income (FD) [1] [2]	**0.37**	0.41	(9.8)	**0.73**	0.79	(7.6)
Recurring funds from operations (FD) [1] [2]	**0.42**	0.46	(8.7)	**0.82**	0.90	(8.9)
Recurring adjusted funds from operations (FD) [1] [2]	**0.37**	0.40	(7.5)	**0.72**	0.77	(6.5)
Distributions	**0.36**	0.36	—	**0.72**	0.72	—
OPERATIONAL DATA						
Number of properties				**242**	215	
Leasable area (in thousands of sq. ft.)				**19,424**	18,547	
Occupancy rate				**93.0%**	94.0%	
ACQUISITIONS AND DEVELOPMENTS						
Acquisitions						
Number of properties	**1**	—	—	**17**	1	
Land lease	**—**	—	—	**1**	—	
Leasable area (in thousands of sq. ft.)	**31**	—	—	**634**	227	
Total investment [3]	**5,600**	—	—	**76,730**	36,820	
Weighted average capitalization rate	**9.0 %**	—	—	**8.9%**	8.8%	
Ongoing developments						
Number of properties				**1**	4	
Estimated leasable area (in thousands of sq. ft.)				**396**	671	
Anticipated investment				**77,000**	97,400	
Forecast weighted average capitalization rate				**9.2%**	9.4%	

(1) Non-GAAP financial measure. See relevant sections for definition and reconciliation to closest GAAP measure.
(2) Fully diluted.
(3) In 2010, represents the fair value of properties acquired. See "Acquisition and Development Program."

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Québec. As at June 30, 2010, we owned and managed a high-quality portfolio of 242 properties including 45 office buildings, 51 retail buildings and 146 industrial and mixed-use buildings covering 19.4 million square feet in the Québec City, Montréal and Ottawa areas as well as in the Atlantic provinces.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects, increasing the gross carrying value of its real estate assets to nearly $2.2 billion as at June 30, 2010.

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, and more recently in the Atlantic provinces. 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 sector. This diversification contributes to steady revenue and income growth;

[b] **Geographic diversification** - While consolidating its leading position in the Québec City region, Cominar has from the outset established a major presence in the Montréal area where it owns, as at June 30, 2010, 128 properties representing a leasable area of over 11.5 million square feet. With four properties representing 0.6 million square feet, Cominar also has a presence in the Ottawa region. Cominar entered the Atlantic provinces during the first quarter of 2010 with the acquisition of Overland Realty Limited which includes 16 high quality properties representing an area of 0.6 million square feet. 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 6,600 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 level authorized by 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.

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 is 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 areas 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 represent a standard real estate benchmark to measure an entity's performance, excluding amortization expense related to income properties, capitalized leasing costs calculated using historical costs, future income taxes and losses on disposal of an income property from net income established in accordance with GAAP;
- **(Recurring) adjusted funds from operations ("AFFO») per unit**, which, excluding the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations, represent a meaningful measure of Cominar's ability to generate cash flows;
- **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, 2010 and 2009, and should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes presented in this interim MD&A.

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ %**	**2010**	**2009**	**Δ %**
Operating revenues	**72,808**	67,373	8.1	**142,715**	135,240	5.5
Operating expenses	**30,543**	27,907	9.4	**62,341**	59,009	5.6
Net operating income	**42,265**	39,466	7.1	**80,374**	76,231	5.4
Interest on borrowings	**13,859**	14,452	(4.1)	**27,943**	29,229	(4.4)
Depreciation of income properties	**14,331**	13,731	4.4	**28,316**	27,950	1.3
Amortization of capitalized leasing costs	**2,864**	2,389	19.9	**5,445**	4,987	9.2
Amortization of other assets	**107**	91	17.6	**204**	182	12.1
Trust administrative expenses	**1,416**	1,161	22.0	**2,457**	2,254	9.0
Other revenues	**(171)**	(73)	—	**(227)**	(128)	77.3
Future income tax benefit	**(65)**	—	—	**(65)**	—	—
Net income	**9,924**	7,715	28.6	**16,301**	11,757	38.6
Net income per unit (basic)	**0.16**	0.16	—	**0.28**	0.25	12.0
Net income per unit (diluted)	**0.16**	0.16	—	**0.28**	0.25	12.0

FINANCIAL POSITION

The following table summarizes our assets and liabilities as well as unitholders' equity as at June 30, 2010 and December 31, 2009, and should be read in conjunction with the interim consolidated financial statements and accompanying notes presented in this interim MD&A.

	June 30, 2010	**December 31, 2009**	**Δ $**	**Δ %**
ASSETS				
Income properties (at amortized cost)	**1,637,715**	1,581,831	55,884	3.5
Properties under development and land held for future development	**193,367**	174,654	18,713	10.7
Other assets	**139,662**	79,461	60,201	75.8
Total	**1,970,744**	1,835,946	134,798	7.3
LIABILITIES				
Mortgages payable	**817,744**	771,991	45,753	5.9
Convertible debentures	**395,872**	313,620	82,252	26.2
Bank indebtedness	**31,325**	134,809	(103,484)	(76.8)
Other liabilities	**43,519**	32,035	11,484	35.8
	1,360,342	1,252,455	107,887	8.6
UNITHOLDERS' EQUITY	**580,000**	583,491	(3,491)	(0.6)
Total	**1,940,342**	1,835,946	104,396	5.7

PERFORMANCE INDICATORS

The following table summarizes our performance indicators for the periods ended June 30, 2010 and 2009. A detailed analysis of each of these performance indicators is provided on the page indicated:

Performance indicators

		Quarter			Cumulative (6 months)		
For the periods ended June 30,	**Page**	**2010**	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Same property net operating income	12	**38,200**	38,422	(0.6)	**74,034**	74,133	(0.1)
Recurring distributable income per unit (FD) [1]	16	**0.37**	0.41	(9.8)	**0.73**	0.79	(7.6)
Recurring FFO per unit (FD) [1]	19	**0.42**	0.46	(8.7)	**0.82**	0.90	(8.9)
Recurring AFFO per unit (FD) [1]	20	**0.37**	0.40	(7.5)	**0.72**	0.77	(6.5)
NOI margin	12	**58.0%**	58.6%		**56.3%**	56.4%	
Debt ratio (including convertible debentures)	23				**56.7%**	60.9%	
Occupancy rate	28				**93.0%**	94.0%	

(1) Fully diluted.

RESULTS OF OPERATIONS

OVERALL ANALYSIS

OPERATING REVENUES

During the second quarter of 2010, our operating revenues rose 8.1% from the corresponding period in 2009. This increase resulted from the contribution of property acquisitions and developments completed in 2009 and 2010.

Operating Revenues

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Same property portfolio [1]	**66,326**	65,900	0.6	**132,314**	132.104	0.2
Acquisitions and developments	**6,482**	1,473	—	**10,401**	3.136	—
Total operating revenues	**72,808**	67,373	8.1	**142,715**	135.240	5.5

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2008 and does not include the benefits of acquisitions and developments completed and integrated in 2009 and 2010.

Same property portfolio operating revenues showed a slight increase in the second quarter of 2010 relative to the corresponding quarter of 2009.

OPERATING EXPENSES

Operating expenses rose 9.4% in the second quarter of 2010 compared with 2009. This increase stemmed mainly from an expanded portfolio through acquisitions and developments completed in 2009 and 2010. It should be noted that the rise in same property portfolio operating expenses is due mainly to the significant increases in real estate taxes. Such expense is however fully recovered from the clients.

Operating Expenses

For the periods ended June 30,	Quarter 2010	Quarter 2009	Δ %	Cumulative (6 months) 2010	Cumulative (6 months) 2009	Δ %
Same property portfolio (1)	**28,126**	27,478	2.4	**58,280**	57,971	0.5
Acquisitions and developments	**2,417**	429	—	**4,061**	1,038	—
Total operating expenses	**30,543**	27,907	9.4	**62,341**	59,009	5.6

(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, other revenues and future income taxes. 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

For the periods ended June 30,	Quarter 2010	Quarter 2009	Δ %	Cumulative (6 months) 2010	Cumulative (6 months) 2009	Δ %
Same property portfolio (1)	**38,200**	38,422	(0.6)	**74,034**	74,133	(0.1)
Acquisitions and developments	**4,065**	1,044	—	**6,340**	2,098	—
Total NOI	**42,265**	39,466	7.1	**80,374**	76,231	5.4
NOI margin						
Same property portfolio	**57.6%**	58.3%		**56.0%**	56.1%	
Overall portfolio	**58.0%**	58.6%		**56.3%**	56.4%	

(1) See "Operating Revenues."

Same property NOI (a financial performance indicator) for the second quarter ended June 30, 2010, shows a slight decrease relative to the corresponding period of 2009, mainly resulting from a lower occupancy rate. However, the decline in the occupancy rate noted in the first quarter of 2010 tends to be reduced in the light of the June 30, 2010 results.

At 57.6% of operating revenues, the NOI margin was down slightly compared with the second quarter of 2009.

For the six-month period ended June 30, 2010, NOI rose 5.4% from the corresponding period of 2009, due to acquisitions completed in 2009 and 2010, while same property NOI remained steady compared with 2009, mainly due to an occupancy rate slightly lower than that recorded as at June 30, 2009.

INTEREST ON BORROWINGS

For the second quarter of 2010, total interest on borrowings decreased 4.1% compared with 2009. Total interest on borrowings represented equal to 19.6% of operating revenues as at June 30, 2010 compared with 21.6% as at June 30, 2009, which compares favourably with other REITs. As at June 30, 2010, the weighted average contractual interest rate of our long-term debt stood at 5.58%, up 8 basis points from December 31, 2009.

For the six-month period ended June 30, 2010, total interest on borrowings decreased 4.4%, due primarily to proceeds from public offerings completed in 2009 and 2010.

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

Interest on Borrowings

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Mortgages and bank indebtedness	**11,348**	12,238	(7.3)	**22,439**	24,425	(8.1)
Convertible debentures	**6,172**	3,098	99.2	**12,185**	6,197	96.6
Amortization of borrowing costs	**867**	706	22.8	**1,691**	1,326	27.5
Accretion of liability component of convertible debentures	**56**	10	—	**112**	20	—
Amortization of fair value adjustments on assumed mortgages payable	**(133)**	(31)	—	**(163)**	(62)	—
Less: Capitalized interest	**(4,451)**	(1,569)	—	**(8,321)**	(2,677)	—
Total interest on borrowings	**13,859**	14,452	(4.1)	**27,943**	29,229	(4.4)

DEPRECIATION OF INCOME PROPERTIES

Depreciation expense of income properties for the second quarter of 2010 increased 4.4% compared with 2009. This rise resulted from the contribution of property acquisitions completed in 2009 and 2010. It should be noted that since September 2003, the CICA requires that the purchase price of an income property be allocated between tangible assets comprising the land and the building, 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 depreciation is therefore accelerated relative to the depreciation of properties held for a number of years.

Depreciation of Income Properties

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Same property portfolio	**12,737**	13,620	(6.5)	**25,843**	27,415	(5.7)
Acquisitions and developments	**1,594**	111	—	**2,473**	535	—
Total depreciation of income properties	**14,331**	13,731	4.4	**28,316**	27,950	1.3

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses stood at $1.4 million as at June 30, 2010 compared to $1.2 million for the same period of 2009. Trust administrative expenses represented 1.7% of operating revenues as at June 30, 2010, the same percentage as at June 30, 2009.

NET INCOME

Cominar reported $9.9 million in net income for the second quarter of 2010, up 28.6% from 2009. Basic net income per unit stood at $0.16, at the same level as at June 30, 2009.

For the six-month period ended June 30, 2010, net income stood at $16.3 million, up 38.6% compared with 2009. The increase in net income mainly results from Cominar's recent acquisitions.

Net income

For the periods ended June 30,	Quarter 2010	2009	Δ %	Cumulative (6 months) 2010	2009	Δ %
Net income	**9,924**	7,715	28.6	**16,301**	11,757	38.6
Net income per unit (basic)	**0.16**	0.16	—	**0.28**	0.25	12.0
Net income per unit (diluted)	**0.16**	0.16	—	**0.28**	0.25	12.0

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 Administrative Tribunal of Québec awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity, amounting to $30 million, was received in 2007. The definitive indemnity will be set by the Administrative Tribunal of Québec or settled between the parties. 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 Québec City, Montréal and Ottawa areas, and, as of March 2010, in the Atlantic provinces. The following tables show the contributions of these properties to NOI, by activity segment and geographic markets, for the periods ended June 30, 2010 and 2009. Variations are primarily attributable to property acquisitions and developments completed in 2009 and 2010.

SEGMENT INFORMATION BY ACTIVITY SEGMENT

Net Operating Income

For the periods ended June 30,	Quarter 2010	2009	Δ %	Cumulative (6 months) 2010	2009	Δ %
Activity segment						
Office	**19,171**	18,950	1.2	**36,928**	36,447	1.3
Retail	**8,884**	7,061	25.8	**16,659**	13,659	22.0
Industrial and mixed-use	**14,210**	13,455	5.6	26,787	26,125	2.5
Total NOI	**42,265**	39,466	7.1	**80,374**	76,231	5.4

For the periods ended June 30,	Quarter 2010	2009	Cumulative (6 months) 2010	2009
Activity segment				
Office	**45.4%**	48.0%	**46.0%**	47.8%
Retail	**21.0%**	17.9%	**20.7%**	17.9%
Industrial and mixed-us	**33.6%**	34.1%	**33.3%**	34.3%
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

Office Segment

NOI from office properties for the second quarter of 2010 remained relatively unchanged from the corresponding quarter of 2009.

The marked decrease in the NOI margin from office properties is mainly attributable to the rise in real estate taxes that are recovered from our clients.

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Operating revenues	**34,547**	33,081	4.4	**67,468**	65,875	2.4
Operating expenses	**15,376**	14,131	8.8	**30,540**	29,428	3.8
NOI — Office	**19,171**	18,950	1.2	**36,928**	36,447	1.3
NOI margin — Office	**55.5%**	57.3%		**54.7%**	55.3%	

Retail Segment

Retail segment NOI rose 25.8% in the second quarter of 2010 compared with the corresponding period of 2009, due primarily to the December 2009 acquisition of the Quartier Laval retail complex and to the March 2010 acquisition of Overland Realty Limited.

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Operating revenues	**15,084**	11,979	25.9	**29,362**	24,108	21.8
Operating expenses	**6,200**	4,918	26.1	**12,703**	10,449	21.6
NOI — Retail	**8,884**	7,061	25.8	**16,659**	13,659	22.0
NOI margin — Retail	**58.9%**	58.9%		**56.7%**	56.7%	

Industrial and Mixed-Use Segment

Industrial and mixed-use segment NOI rose 5.6% in the second quarter of 2010 compared with the corresponding period of 2009, due mainly to the acquisition of the Overland Realty Limited's properties.

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Operating revenues	**23,177**	22,314	3.9	**45,885**	45,257	1.4
Operating expenses	**8,967**	8,859	1.2	**19,098**	19,132	(0.2)
NOI — Industrial and mixed-use	**14,210**	13,455	5.6	**26,787**	26,125	2.5
NOI margin — Industrial and mixed-use	**61.3%**	60.3%		**58.4%**	57.7%	

SEGMENT INFORMATION BY GEOGRAPHIC MARKET

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

Net Operating Income

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ%**	**2010**	**2009**	**Δ%**
Geographic market						
Québec	**15,764**	14,784	6.6	**29,759**	28,560	4.2
Montréal	**22,803**	22,428	1.7	**44,389**	43,368	2.4
Ottawa	**2,249**	2,254	(0.2)	**4,410**	4,303	2.5
Atlantic provinces	**1,449**	—	—	**1,816**	—	—
Total NOI	**42,265**	39,466	7.1	**80,374**	76,231	5.4

Net Operating Income

	Quarter		Cumulative (6 months)	
For the periods ended June 30,	**2010**	**2009**	**2010**	**2009**
Geographic market				
Québec	**37.3%**	37.5%	**37.0%**	37.5%
Montréal	**54.0%**	56.8%	**55.2%**	56.9%
Ottawa	**5.3%**	5.7%	**5.5%**	5.6%
Atlantic provinces	**3.4%**	—	**2.3%**	—
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

Cominar entered the Atlantic provinces during the first quarter of 2010 with the acquisition of Overland Realty Limited. Overland's real estate portfolio consists of 16 high quality properties representing an area of 0.6 million square feet. Like activity segment diversification, geographic diversification allows Cominar to better spread its real estate risk.

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

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ %**	**2010**	**2009**	**Δ %**
Net income (GAAP)	**9,924**	7,715	28.6	**16,301**	11,757	38.6
+ Depreciation of income properties	**14,331**	13,731	4.4	**28,316**	27,950	1.3
- Amortization of below-market leases	**(238)**	(175)	36.0	**(441)**	(379)	16.4
+ Compensation expense related to unit options	**220**	150	46.7	**443**	323	37.2
+ Accretion of liability component of convertible debentures	**56**	10	—	**112**	20	—
- Rental income – recognition of leases on straight-line basis	**(846)**	(774)	9.3	**(1,518)**	(1,538)	(1.3)
- Amortization of fair value adjustments on assumed indebtedness	**(133)**	(31)	—	**(163)**	(62)	—
- Future income tax benefit	**(65)**	—	—	**(65)**	—	—
Recurring DI	**23,249**	20,626	12.7	**42,985**	38,071	12.9
DISTRIBUTIONS TO UNITHOLDERS	**22,190**	18,261	21.5	**42,005**	34,784	20.8
Distributions reinvested under the distribution reinvestment plan	**(693)**	(325)	—	**(1,227)**	(697)	76.0
Cash distributions	**21,497**	17,936	19.9	**40,778**	34,087	19.6
Per unit information:						
Recurring DI (basic)	**0.38**	0.42	(9.5)	**0.74**	0.80	(7.5)
Recurring DI (FD) (1)	**0.37**	0.41	(9.8)	**0.73**	0.79	(7.6)
DISTRIBUTIONS PER UNIT	**0.360**	0.360	—	**0.720**	0.720	—
DI payout ratio	**94.7%**	85.7%		**97.3%**	90.0%	

(1) Fully diluted.

Recurring DI for the second quarter of 2010 amounted to $23.2 million, up 12.7% from the corresponding period of 2009, due mainly to the impact of acquisitions and developments completed in 2009 and 2010. Recurring DI per fully diluted unit totalled $0.37 compared with $0.41 for the second quarter of 2009. This decline in per unit income resulted primarily from the dilutive effect of unit issues in 2009 and 2010. Cominar management expects per unit income to improve when the proceeds from these issues are fully invested in additions to income properties and when Complexe Jules-Dallaire is completed and integrated into income properties. The anticipated rise in the occupancy rate will also have a positive impact.

Distributions to unitholders in the second quarter of 2010 totalled $22.2 million, up 21.5% from the same period of 2009, with per unit distributions at $0.36 as in the second quarter of 2009.

For the six-month period ended June 30, 2010, recurring DI stood at $43.0 million, up 12.9% from the same period of 2009, while total distributions to unitholders amounted to $42.0 million, a significant rise of 20.8% compared with the same period of 2009.

Cominar drives growth through income property acquisitions and construction projects. Property development generally allows for higher returns, particularly in periods of rising property prices. Cominar also acquires land for future developments when favourable opportunities arise, both in terms of location and price, which provides the Trust with a key competitive advantage. However, these major investments have an impact on Cominar's short-term growth rate as they will contribute to results only on their integration as income properties.

Cominar takes a conservative approach to managing its distribution ratio, which it regards as a key factor in the stability of future distributions. This approach provides greater financial flexibility for its capital expenditures and the implementation of its leasing programs. The DI payout ratio as at June 30, 2010 stood at 97.3%, slightly higher than as at June 30, 2009, owing primarily to the dilutive effect of units issued under the public offerings completed in 2009 and 2010. Management expects that its DI payout ratio per unit in 2010 will be below 100.0%. Cominar management's long-term objective is a payout ratio of approximately 87%.

Track Record of DI per Unit (Financial Performance Indicator)

For the six-month periods ended June 30,	2010	2009	2008	2007	2006
DI per unit (basic)	**0.74**	0.80	0.76	0.71	0.65
Recurring DI per unit (FD) (1)	**0.73**	0.79	0.75	0.68	0.65

(1) Fully diluted.

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

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 (6 months)	
For the periods ended June 30,	**2010**	**2009**	**2010**	**2009**
Cash flows from operating activities (GAAP)	**15,943**	6,285	**27,778**	23,001
- Amortization of capitalized leasing costs	**(2,864)**	(2,389)	**(5,445)**	(4,987)
- Amortization of capitalized financing costs and other assets	**(975)**	(797)	**(1,896)**	(1,508)
- Rental income – recognition of leases on a straight-line basis	**(846)**	(774)	**(1,518)**	(1,538)
+ Change in non-cash working capital items	**11,991**	18,301	**24,066**	23,103
Distributable income	**23,249**	20,626	**42,985**	38,071

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:

For the six-month periods ended June 30,	**2010**	**2009**	**2008**
Cash flows from operating activities	**27,778**	23,001	22,341
Net income	**16,301**	11,757	10,951
Distributions to unitholders	**42,005**	34,784	31,464
Cash flows from operating activities in deficit of distributions payable to unitholders	**(7,980)**	193	(10,817)

Just as in each fiscal year since the REIT's inception, Cominar expects cash flows from operating activities for the year ending December 31, 2010 to be sufficient to fund distributions to unitholders.

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, future income taxes 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, 2010 and 2009:

Funds From Operations

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ %**	**2010**	**2009**	**Δ %**
Net income (GAAP)	**9,924**	7,715	28.6	**16,301**	11,757	38.6
+ Depreciation of income properties	**14,331**	13,731	4.4	**28,316**	27,950	1.3
+ Amortization of capitalized leasing costs	**2,864**	2,389	19.9	**5,445**	4,987	9.2
+ Future income tax benefit	**(65)**	—	—	**(65)**	—	—
Recurring FFO	**27,054**	23,835	13.5	**49,997**	44,694	11.9
Per unit information:						
Recurring FFO (basic)	**0.44**	0.48	(8.3)	**0.86**	0.94	(8.5)
Recurring FFO (FD) [(1)]	**0.42**	0.46	(8.7)	**0.82**	0.90	(8.9)

(1) Fully diluted.

For the second quarter of 2010, recurring FFO rose 13.5% from the same period of 2009, due to acquisitions and developments completed during 2009 and 2010. Recurring FFO per unit fell by 8.7% on a fully diluted basis compared with 2009 due primarily to the dilutive effect of unit issues in 2009 and 2010 and a slightly lower occupancy rate.

For the six-month period ended June 30, 2010, recurring FFO stood at $50.0 million, up 11.9% from 2009, due to acquisitions and developments completed during 2009 and 2010.

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

For the six-month periods ended June 30,	**2010**	**2009**	**2008**	**2007**	**2006**
FFO per unit (basic)	**0.86**	0.94	0.89	0.82	0.77
Recurring FFO (FD) [(1)]	**0.82**	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 unit options; rental income arising from the recognition of leases on a straight-line basis, amortization of capitalized leasing costs and amortization of above-market leases, net of the investments required to maintain Cominar's ability to generate rental income from its property portfolio. AFFO is an additional indicator to assess Cominar's financial performance and its ability to maintain and increase distributions over the long term. AFFO is not a measure defined under 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.

In calculating AFFO, 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.

The following table presents a reconciliation of FFO and AFFO for the periods ended June 30, 2010 and 2009:

Adjusted Funds From Operations

	Quarter			Cumulative (6 months)		
For the periods ended June 30,	**2010**	**2009**	**Δ %**	**2010**	**2009**	**Δ %**
Funds from operations	**27,054**	23,835	13.5	**49,997**	44,694	11.9
+ Compensation expense related to unit options	**220**	150	46.7	**443**	323	37.2
- Rental income – recognition of leases on a straight-line basis	**(846)**	(774)	9.3	**(1,518)**	(1,538)	(1.3)
- Amortization of below-market leases	**(238)**	(175)	36.0	**(441)**	(379)	16.4
- Amortization of capitalized leasing costs	**(2,864)**	(2,389)	19.9	**(5,445)**	(4,987)	9.2
- Capital expenditures – maintenance of rental income generating capacity	**(595)**	(486)	22.4	**(733)**	(906)	(19.1)
Recurring AFFO	**22,731**	20,161	12.7	**42,303**	37,207	13.7
Per unit information:						
Recurring AFFO (basic)	**0.37**	0.41	(9.8)	**0.73**	0.78	(6.4)
Recurring AFFO (FD) (1)	**0.37**	0.40	(7.5)	**0.72**	0.77	(6.5)
Distributions per unit	**0.360**	0.360	—	**0.720**	0.720	—
AFFO payout ratio	**97.3%**	87.8%		**98.6%**	92.3%	

(1) Fully diluted.

Cominar reported $22.7 million in recurring AFFO for the second quarter of 2010, up 12.7% compared with the corresponding period of 2009. Recurring AFFO per unit stood at $0.37, down 9.8% from 2009. This decline in per unit income arises primarily from the dilutive effect of share issues in 2009 and a slighty lower occupancy rate than that recorded as at June 30, 2009. Management expects per unit income to improve when the proceeds from these issues are invested in additions to income properties and development projects are integrated into income properties.

For the six-month period ended June 30, 2010, recurring AFFO stood at $42.3 million, up 13.7% from 2009. This increase is attributable to acquisitions and developments completed in 2009 and in the first half of 2010.

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

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

For the six-month periods ended June 30,	**2010**	**2009**	**2008**
AFFO per unit (basic)	**0.73**	0.78	0.75
Recurring AFFO per unit (FD) (1)	**0.72**	0.77	0.74

(1) Fully diluted.

The decline in AFFO per unit resulted primarily from the dilutive effect of unit issues in 2009 and 2010.

LIQUIDITY AND CAPITAL RESOURCES

LONG-TERM DEBT

The following table presents Cominar's balances of mortgages payable and convertible debentures as at June 30, 2010 by year of maturity and weighted average contractual interest rates:

Long-Term Debt – Balances as at June 30, 2010

Maturity	Balance of convertible debentures ($)	Balance of mortgages payable ($)	Weighted average contractual interest rate (%)
2010		43,793	5.11
2011		6,441	7.60
2012		25,977	6.81
2013		179,219	4.41
2014	210,929	85,292	5.86
2015		91,282	5.30
2016	115,000	18,305	6.38
2017	86,250	127,333	5.53
2018		95,724	5.77
2019		15,460	6.65
2020		1,440	6.39
2021		94,184	5.55
2022		33,442	5.35
Total	**412,179**	**817,892**	**5.58**

As at June 30, 2010, the weighted average contractual interest rate of our long-term debt stood at 5.58%, up 8 basis points from December 31, 2009.

MORTGAGES PAYABLE

As at June 30, 2010, mortgages payable amounted to $817.9 million, up $44.5 million from $773.4 million as at December 31, 2009, arising primarily from the assumption, in March 2010, of mortgages payable by Overland Realty Limited. At the end of the second quarter, the weighted average contractual interest rate was 5.37%, up 11 basis points from 5.26% as at December 31, 2009.

Cominar has staggered mortgage maturity dates over a number of years to reduce the risks related to renewal. As at June 30, 2010, the residual average term of mortgages payable was 5.9 years.

The following table presents the changes in mortgages payable in 2010:

Mortgages Payable

For the periods ended June 30,	Quarter		Cumulative (6 months)	
	$	Weighted average contractual interest rate (%)	$	Weighted average contractual interest rate (%)
Balance of mortgages payable, beginning of period	824,724	5.38	773,391	5.26
Mortgages payable contracted or assumed	7,028	4.92	117,152	5.59
Repayments of balances at maturity	(8,224)	5.92	(61,630)	4.46
Monthly repayments of principal	(5,636)		(11,021)	
Balance of mortgages payable, end of period	**817,892**	**5.37**	**817,892**	**5.37**

The following table shows mortgage repayments for the coming periods:

Repayment of Mortgages Payable

For the period ending December 31,	Repayment of capital	Balance at maturity	Total	% of total
2010	11,322	43,415	54,737	6.7
2011	22,732	5,855	28,587	3.5
2012	22,927	22,951	45,878	5.6
2013	21,188	161,628	182,816	22.4
2014	14,186	75,819	90,005	11.0
2015	13,975	79,802	93,777	11.4
2016	12,952	11,517	24,469	3.0
2017	11,586	109,423	121,009	14.8
2018	9,858	58,712	68,570	8.4
2019	4,038	4,141	8,179	1.0
2020	4,018	1,039	5,057	0.6
2021	2,396	67,963	70,359	8.6
2022	263	24,186	24,449	3.0
Total	**151,441**	**666,451**	**817,892**	**100.0**

CONVERTIBLE DEBENTURES

On January 12, 2010, Cominar issued convertible unsecured subordinated debentures totalling $86.3 million, bearing interest at 5.75% per annum and maturing on June 30, 2017. Net proceeds were applied against the current balance of debt contracted under the terms of existing credit facilities.

As at June 30, 2010, Cominar had five series of convertible debentures outstanding totalling $412.2 million. These debentures bear interest at contractual rates ranging from 5.70% to 6.50% per annum and mature between 2014 and 2017. As at June 30, 2010, these debentures had a weighted average contractual interest rate of 5.99% per annum.

BANK INDEBTEDNESS

In accordance with its financing strategy, Cominar has elected to reduce available borrowings under credit facilities. Cominar has now two operating and acquisition credit facilities of up to $131.2 million. These credit facilities are renewable in June 2011 and bear interest at prime plus 1.5% or the bankers' acceptance rate plus 2.5%. These credit facilities are secured by movable and immovable hypothecs on specific assets. Management believes they will remain available in the future. As at June 30, 2010, bank indebtedness totalled $31.3 million, which meant that Cominar had $99.9 million in borrowing capacity under the terms of its credit facilities.

DEBT RATIO

The following table presents debt ratios as at June 30, 2010 and December 31, 2009:

Debt to Gross Carrying Value Ratio

	As at June 30, 2010	As at December 31, 2009
Mortgages payable	**817,744**	771,991
Convertible debentures	**395,872**	313,620
Bank indebtedness	**31,325**	134,809
Total debt	**1,244,941**	1,220,420
Portfolio gross carrying amount	**2,194,595**	2,031,922
Overall debt ratio (1) (2)	**56.7%**	60.1%
Debt ratio (excluding convertible debentures)	**38.7%**	44.6%
Borrowing capacity — 65% of gross carrying amount (3)	**519,000**	287,000

(1) The overall debt ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross carrying amount 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 amount (65% if convertible debentures are outstanding).

Debt Ratio Track Record (Financial Performance Indicator)

As at June 30,	2010	2009	2008	2007	2006
Overall debt ratio	**56.7%**	60.9%	58.1%	56.8%	48.0%
Debt ratio (excluding convertible debentures)	**38.7%**	50.3%	45.5%	49.9%	38.1%
Maximum borrowing capacity under the Contract of Trust	**519,000**	227,000	322,000	358,000	240,000

As at June 30, 2010, Cominar maintained a debt ratio of 56.7%, which is below the maximum debt ratio of 65.0% allowed under its Contract of Trust where convertible debentures are outstanding, and which provides the Trust with the ability to borrow up to an additional $519 million to fund future acquisitions and developments. Cominar's annualized interest coverage ratio of 2.79:1 compares favourably with its peers.

Management considers Cominar's current financial situation very sound and does not foresee any difficulties in renewing the mortgages maturing in the two remaining quarters of 2010. The Fund also has credit facilities sufficient to fully fund development projects currently underway.

The following table presents the annualized interest coverage ratio as at June 30, 2010 and 2009:

Annualized Interest Coverage Ratio

As at March 31,	2010	2009
Net income	**33,556**	25,791
+ Net loss from discontinued operations	**—**	362
- Other revenues	**(316)**	(242)
- Future income tax benefit	**(65)**	—
+ Interest on borrowings	**55,406**	56,176
+ Depreciation of income properties	**55,448**	54,702
+ Amortization of capitalized leasing costs	**10,336**	8,989
+ Amortization of other assets	**441**	378
EBITDA (1)	**154,806**	146,156
Interest expense	**55,406**	56,176
Annualized interest coverage ratio (2) (3)	**2.79**	2.60

(1) EBITDA is earnings before interest, tax, depreciation and amortization and is a non-GAAP measure.

(2) The annualized interest coverage ratio is equal to EBITDA 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, 2010, the annualized interest coverage ratio stood at 2.79:1, a satisfactory level in management's opinion.

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 interim consolidated financial statements.

During the quarter ended June 30, 2010, 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,	2010	2009
Income properties (at cost)	**1,861,566**	1,681,484
Properties under development and land held for future development	**193,367**	155,652
Other assets	**139,662**	94,259
Portfolio gross carrying amount	**2,194,595**	1,931,395

As at June 30,	2010	2009
Number of properties	**242**	215
Leasable area (in thousands of sq. ft.)	**19,424**	18,547

Summary by Activity Segment

As at June 30, 2010	Number of properties	Leasable area (sq. ft.)
Office	**45**	5,836,000
Retail	**51**	3,065,000
Industrial and mixed-use	**146**	10,523,000
Total	**242**	19,424,000

Summary by Geographic Area

As at June 30, 2010	Number of properties	Leasable area (sq. ft.)
Québec City	**94**	6,749,000
Montréal	**128**	11,463,000
Ottawa	**4**	609,000
Atlantic provinces	**16**	603,000
Total	**242**	19,424,000

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 commercial 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 sectors 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 and hence, drawing on our specialized resources and 40-year expertise in real estate development.

ACQUISITIONS

In March 2010, Cominar acquired 100% of the issued common shares of Overland Realty Limited. The transaction, including the assumption of debt by the REIT, valued Overland at $71 million. Overland's real estate portfolio consists of 16 high quality properties located in the Atlantic provinces, including seven office buildings, three retail buildings, six industrial and mixed-use buildings and one land lease, representing a total area of 603,000 square feet.

The following schedule is a summarized description of the properties included in the real estate portfolio acquired through the acquisition of Overland Realty Limited.

7 office buildings	
Address	**Leasable area (sq. ft.)**
1115 Regent Street, Fredericton, New Brunswick	16,000
570 Queen Street, Fredericton, New Brunswick	70,000
371 Queen Street, Fredericton, New Brunswick	33,000
565 Priestman Street, Fredericton, New Brunswick	35,000
1133 Regent Street, Fredericton, New Brunswick	88,000
590 Queen Street, Fredericton, New Brunswick	42,000
1113 Regent Street, Fredericton, New Brunswick	11,000

3 retail buildings	
Address	**Leasable area (sq. ft.)**
900 Hanwell Road, Fredericton, New Brunswick	67,000
360 Pleasant Street, Miramichi, New Brunswick	25,000
146-154 Main Street, Fredericton, New Brunswick	25,000

6 industrial and mixed-use buildings	
Address	**Leasable area (sq. ft.)**
50 and 70 Crown Street, Saint-Jean, New Brunswick	33,000
385 Wilsey Road, Fredericton, New Brunswick	31,000
245 Hilton Road, Fredericton, New Brunswick	19,000
291 Industrial Drive, Saint-Jean, New Brunswick	33,000
140 MacNaughton Avenue, Moncton, New Brunswick	38,000
1080 Champlain Street, Dieppe, New Brunswick	37,000

On April 9, 2010, Cominar acquired a 31,000 square foot industrial and mixed-use building located at 3855 Matte Boulevard in Brossard for a cash consideration of $5.6 million. The capitalization rate for this building is 9%.

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 2010, Cominar incurred $4.0 million ($3.7 million in 2009) of capital expenditures to increase the rental income generating capacity of its properties. Cominar also incurred $0.6 million ($0.5 million in 2009) of capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements. Although made during the second quarter, these expenditures will garner benefits for Cominar over their estimated useful life which extends into the coming years.

Finally, $4.5 million ($4.7 million in 2009) were incurred in the second quarter of 2010 under capitalized leasing costs, including $0.9 million ($1.3 million in 2009) in connection with newly acquired properties or properties under development.

DEVELOPMENT PROGRAM

Ongoing developments

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

In January 2008, Cominar undertook phase 1 of a major project on Laurier Boulevard in Québec City, namely the "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 many hotels, office buildings and shopping centres. This property benefits from an excellent location. Phase 1 of the project consists of a leasable area of 396,000 square feet, of which approximately 100,000 square feet is reserved for retail space, leaving approximately 296,000 square feet for office space. Construction is close to completion and the fitting out of the rental space is on the track. The first retail tenant moved into its premises in February 2010 followed by others, while the first office tenants settled in their premises in the second quarter of 2010. The construction cost is now estimated at approximately $77 million, up $3 million from our previous estimate considering the additional improvements integrated to the project and cost overrun. The capitalization rate is expected to reach 9.2% and the pre-leasing rate of 65.0% is in line with our objectives.

Following the transaction closed on May 4, 2009 and discussed under Related Party Transactions, Cominar owns 95% of the development property.

The following table provides detailed information about this ongoing development project as at June 30, 2010:

Development	City	Activity segment (1)	Completion date	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)	Pre-lease rate (%)
Complexe Jules-Dallaire	Québec	O, R	Q4-2010	396,000	77,000	9.2	64.0

(1) O = Office, R = Retail

The expected return on this ongoing development project is based on the estimated costs to complete the project and the anticipated occupancy rates. Actual returns could vary based on actual costs and occupancy rates.

Upcoming Developments

As part of its anticipated development projects, the Trust currently has two development initiatives to be undertaken upon attainment of a pre-leasing rate deemed satisfactory. Such developments represent approximately 313,000 square feet and a $28.3 million investment, as detailed in the following table.

Development	City	Activity Segment (1)	GLA(2) (sq. ft.)	Investment ($)	Capitalization rate (%)
Saint Romuald, phase II	Lévis	I	73,000	5,300	9.17
Place Laval (expansion)	Laval	O	240,000	23,000	9.0
Total/ Average Weighted Capitalization Rate			**313,00**	**28,300**	**9.07**

(1) I = Industrial and Mixed-Use, O= Office.

(2) Gross Leasable Area.

The capitalization rates for these developments are based on the estimated costs to complete the projects and the expected rental rates to be achieved. Consequently, the rates currently forecasted could vary based on actual costs and rental rates.

REAL ESTATE OPERATIONS

The following table shows our operational performance indicators as at June 30, 2010, December 31, 2009 and June 30, 2009:

As at March 31	As at June 30, 2010	December 31, 2009	As at June 30, 2009
Occupancy rate	**93.0%**	93.5%	94.0%
Tenant retention rate (1)	**69.9%**	72.0%	46.1%

(1) Percentage of lease renewals.

OCCUPANCY RATE

Cominar continuously strives to maximize occupancy rates throughout its portfolio and has successfully maintained an average occupancy of approximately 95% since its inception. As at June 30, 2010, occupancy stood at 93.0%, slightly up from 92.7% at the end of the first quarter. The decline in the overall occupancy rate noted in the first quarter of 2010, which was 93.5% as at December 31, 2009, tends to be reduced. In fact, the results are encouraging given our more proactive approach adopted in the course of our operations since the beginning of the year combined with the growing demand for industrial rental space in the Montréal area. However, the context remains difficult regarding office space leasing in downtown Montreal. We are confident to see more positive effects during the next quarters. Furthermore, as at June 30, 2010, 69.9% of leases maturing in 2010 have already been renewed.

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, 2010:

	June 30, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Activity segment (%)					
Office	**95.4**	94.1	94.5	94.7	96.0
Retail	**93.6**	96.3	97.1	96.0	94.3
Industrial and mixed-use	**91.5**	92.5	94.0	94.4	93.7
Portfolio total	**93.0**	93.5	94.6	94.7	94.4

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. The average occupancy rate of 94.5% has held relatively steady over the past five years.

Geographic and activity segment diversification of the property portfolio provides for more stable occupancy rates.

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity as at June 30, 2010:

Lease Maturities and Renewals by Activity Segment

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2010				
Number of tenants	249	138	229	616
Leasable area (sq. ft.)	819,000	328,000	1,914,000	3,061,000
Average net rent ($)/sq. ft.	9.75	10.28	5.31	7.03
Renewed leases				
Number of tenants	137	79	115	331
Leasable area (sq. ft.)	680,000	169,000	1,290,000	2,139,000
Average net rent ($)/sq. ft.	10.11	11.44	5.27	7.31
Renewal %	**83.0**	**51.5**	**67.4**	**69.9**
New leases				
Number of tenants	42	38	55	135
Leasable area (sq. ft.)	117,000	144,000	417,000	678,000
Average net rent ($)/sq. ft.	12.09	8.04	6.11	7.56

As indicated in the table above, leasing activity has reached an acceptable level across our portfolio since the beginning of 2010, with 69.9% of maturing leases renewed as at June 30, 2010.

We also signed new leases for a total leasable area of 0.7 million square feet. Lease renewal rates rose 5.2% overall. The three segments posted increases in lease renewal rates: 7.2% (office), 5.9% (retail) and 2.1% (industrial and mixed-use).

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

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

Lease Maturities

	2011	2012	2013	2014	2015
Office					
Leasable area (sq. ft.)	788,000	1,028,000	580,000	795,000	639,000
Lease rate ($)/square foot	11.02	10.69	11.73	10.68	14.12
% of portfolio – Office	13.5%	17.6%	9.9%	13.6%	10.9%
Retail					
Leasable area (sq. ft.)	421,000	380,000	236,000	189,000	276,000
Lease rate ($)/square foot	9.22	10.70	12.89	12.31	11.01
% of portfolio – Retail	13.7%	12.4%	7.7%	6.2	9.0%
Industrial and mixed-use					
Leasable area (sq. ft.)	1,732,000	1,877,000	1,173,000	1,235,000	1,432,000
Lease rate ($)/square foot	5.84	6.17	6.20	5.66	5.75
% of portfolio – Industrial and mixed-use	16.5%	17.8%	11.1%	11.7%	13.6%
Portfolio total					
Leasable area (sq. ft.)	2,941,000	3,285,000	1,989,000	2,219,000	2,347,000
Lease rate ($)/square foot	7.71	8.11	8.61	8.03	8.65
% of portfolio	15.1%	16.9%	10.2%	11.4%	12.1%

The following table summarizes average remaining lease term information as at June 30, 2010:

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent/ sq. ft. ($)
Office	3.8	5, 400	11.50
Retail	4.9	3, 600	11.20
Industrial and mixed-use	3.7	10, 800	5.80
Portfolio average	**3.9**	**6, 600**	**8.44**

Cominar has a broad, highly diversified client base, consisting of some 2,700 tenants occupying an average of approximately 6,600 square feet each. Our three largest tenants, Public Works Canada, Société immobilière du Québec—both of which are government entities—and Ericsson Canada, account for approximately 5.9%, 4.4% and 4.2% of our revenues, respectively, stemming from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 10.3% stems from government agencies.

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

Tenant	% of revenues	Leased area (sq.ft.)
Public Works Canada	5.9	723,000
Société immobilière du Québec	4.4	1,043,000
Ericsson Canada Inc.	4.2	402,000
Bertrand distributeur en alimentation (Colabor)	1.5	345,000
LDC Logistics Development Corp.	1.4	527,000
Hudson's Bay Company	1.2	349,000
SITA (Société internationale de télécommunication aéronautique)	0.9	66,000
National Bank of Canada	0.8	136,000
Equant Canada Inc. (Orange Business)	0.8	56,000
Amcor PET Packaging Canada Ltd.	0.7	162,000
Total	**21.8**	**3,809,000**

ISSUED AND OUTSTANDING UNITS

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

The following table summarizes unit issues during the periods ended June 30, 2010 and 2009:

	Quarter		Cumulative (6 months)	
For the periods ended June 30,	**2010**	**2009**	**2010**	**2009**
Units issued and outstanding, beginning of period	**55,372,592**	45,871,062	**54,758,271**	45,852,175
+ Units issued under a public offering	**6,021,400**	4,792,050	**6,021,400**	4,792,050
+ Units issued on exercise of options	**176,300**	9,000	**580,000**	9,000
+ Units issued under distribution reinvestment plan	**32,358**	23,824	**51,896**	42,711
+ Units issued on conversion of convertible debentures	**60,747**	—	**98,330**	—
+ Units issued under the at-the-market equity distribution agreement	—	—	**153,500**	—
Units issued and outstanding, end of period	**61,663,397**	50,695,936	**61,663,397**	50,695,936

During the period from March 16, 2010 to March 24, 2010, Cominar issued 153,500 units for total gross proceeds of approximately $3.0 million under the at-the-market equity distribution agreement.

On April 7, 2010, Cominar issued 6,021,400 units at a unit price of $19.10 for total gross proceeds of $115.0 million.

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 (6 months)	
For the periods ended June 30,	**2010**	**2009**	**2010**	**2009**
Weighted average number of units outstanding, basic	**61,069,108**	49,618,053	**57,946,048**	47,747,040
Dilutive effect of unit options	**261,709**	46,188	**318,922**	57,108
Weighted average number of units outstanding, diluted	**61,330,817**	49,664,241	**58,264,970**	47,804,148
Dilutive effect of convertible debentures	**17,537,794**	8,584,570	**17,344,428**	8,584,570
Weighted average number of units outstanding,fully diluted	**78,868,611**	58,248,811	**75,609,398**	56,388,718

RELATED-PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of the Trust's management team, exercise indirect control over Corporation Financière Alpha (CFA) Inc. ("CFA"), Société de développement Laurier (SDL) Inc. ("SDL") and Dalcon Inc. ("Dalcon"). Michel Paquet, also a trustee and a member of the Trust's management team, is a related party of these companies as their Secretary. During the second quarter of 2010, Cominar recorded $0.2 million in net rental income from Dalcon and CFA. The Trust incurred costs of $3.5 million for leasehold improvements performed by Dalcon on its behalf and costs of $12.2 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 amount. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant cost savings while providing better service to its clients.

On May 4, 2009, Cominar sold a 5% interest in the Complexe Jules-Dallaire to SDL for a consideration of $2.0 million, reflecting 5% of investments made to date in the Complexe Jules-Dallaire by Cominar. SDL continues to assume its share of investments made since that date. As part of this transaction, Cominar and SDL have entered into a co-ownership agreement with various liquidity rights such as a buy-sell mechanism in favour of Cominar, mutual rights of first refusal, and acquisition rights in favour of Cominar in the event of a change of control of SDL, and in favour of SDL in the event of an acquisition proposal in respect of Cominar.

UNITHOLDERS TAXATION

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

For the years ended December 31	**2009**	**2008**
Taxable to unitholders as other income	28.96%	32.60%
Tax deferral	71.04%	67.40%
Total	100.00%	100.00%

TAX DEFERRAL ON 2010 DISTRIBUTIONS

Management estimates that about 60% of distributions payable by the REIT to unitholders in 2010 will be tax deferred as the Trust can claim capital cost allowances and certain other deductions.

OUTLOOK

The economic recovery that has been noted since a few months, namely in the industrial segment of the Montréal area, our presence in resilient markets and our breakthrough into the Atlantic provinces market, combined with a sound financial position and maintenance of a disciplined management approach are all factors that guarantee our success towards maintaining the REIT's growth. We are confident about obtaining good results in the second half of 2010 and we maintain an expansion strategy appropriate to the evolving context of our markets.

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 Multilateral 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, 2010 and, that the controls and procedures in place provide reasonable assurance that material information about the Trust, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

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 interim period ended June 30, 2010 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 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SIGNIFICANT ACCOUNTING ESTIMATES

Our interim MD&A is based upon the Trust's interim consolidated financial statements, prepared in accordance with GAAP. The preparation and presentation of the interim consolidated 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 require management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments regarding the carrying amount of assets and liabilities that, in reality, would not be available from other sources. Use of other 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 Emerging Issues Committee ("EIC") Abstract 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 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 AND GOODWILL

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 an asset is considered to be impaired, the impairment amount to be recognized is determined as the excess of the carrying amount of the asset over its fair value.

The carrying amount of goodwill is reviewed annually or more frequently if events or circumstances indicate it is more likely than not that goodwill may be impaired. The impairment test to be performed requires management to estimate the fair value of goodwill and compare it to its carrying amount. If the carrying amount exceeds fair value, an impairment charge must be recognized for an amount equal to the excess.

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

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 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.

Cominar has developed an IFRS changeover plan for the conversion of GAAP consolidated financial statements to IFRS. We have completed the first two phases of this plan, which consisted mainly of performing a diagnostic and setting up the changeover project. 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, after discussion with the external auditors, submits its recommendations 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 and logically categorized 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 completed. Items to be modified—processes, systems or other—have been identified and solutions are being developed. Work is proceeding according to schedule. Cominar is currently assessing the impact of the future adoption of IFRS on the consolidated financial statements as well as the Contract of Trust and other agreements.

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 rental revenue 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 in order to record them on the balance sheet. The cost model is similar to GAAP. Under the fair value model, any gain or loss arising from a change in the fair value of 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.

  The Board of Trustees has approved the use of the fair value model to measure investment properties when IFRS come into effect. This will lead to significant adjustments to the opening balance sheet, including the opening balances of income properties and unitholders' equity.

- **Business Combinations**

  Under both IFRS and current GAAP, business combinations are accounted for using the acquisition method. However, there are major differences between the two standards in other areas. The most important difference is that, under IFRS, transaction costs are expensed as incurred while GAAP requires these amounts to be included in the cost of the asset.

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

  According to this standard and its interpretation by the Canadian accounting professionals,Trust units may be treated under the IFRS as liabilities rather than as equity as they currently are under GAAP. For IFRS purposes, a liability exists when a financial instrument contains a contractual obligation to deliver cash or another financial asset to another entity. A Trust unit is deemed a liability under both IFRS and GAAP. Consequently, at the Annual and Special Meeting of Unitholders held on May 18, 2010, the Trust's unitholders adopted the desired amendments to the Contract of Trust, namely the amendments providing for the elimination of the Trust's requirement to distribute at least 85% of distributable income and all of its taxable income. The implementation of these amendments will allow Cominar to continue including its issued and outstanding units as well as its distributions in unitholders' equity without having to reclassify these units as liabilities and the distributions as an expense for the year when IFRS are adopted.

- **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 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 amount 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. Under the current IFRS on income taxes, it appears that the REIT will be permitted not to recognize income taxes for the period as well as future income taxes if the trust meets the criteria required to qualify for the REIT exemption.

- **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 or a portion thereof 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:

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

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

Recent market events and conditions, including disruptions in the international and regional credit markets and other financial systems, could impede the REIT's access to capital (including debt financing) or increase the cost of capital.

Many countries, including Canada, were affected by a recession in 2008 and early 2009. However, conditions have gradually eased in recent months with improvements in the main indicators pointing to an economic recovery. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on the REIT's financial position and results of operations, including its acquisition and development program.

DEBT FINANCING

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

A portion of the REIT's cash flows is devoted to servicing its debt, and there can be no assurance that the REIT will continue to generate sufficient cash flows from operations to meet required interest or principal payments, such that it could be required to seek renegotiation of such payments or obtain additional financing, including equity or debt financing. At the maturity of its operating and acquisition credit facilities in June, the REIT concluded new credit facility arrangements for a maximum amount of $131.2 million renewable annually. Approximately $43.4 million of the REIT's secured debt matures by the end of 2010 of which the $15.9 million debt was repaid August 1st 2010.

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

OWNERSHIP OF IMMOVABLE PROPERTY

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

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

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

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

The REIT is exposed to debt financing risks, including the risk that existing mortgage indebtedness secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing mortgages.

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

COMPETITION

The REIT competes for suitable immovable property investments with individuals, corporations and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future immovable property investments similar to those desired by the REIT. Many of those investors have greater financial resources than Cominar, or operate without the investment or operating restrictions of the REIT 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 REIT 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 and and, consequently, its ability to meet its debt obligations.

ACQUISITIONS

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

DEVELOPMENT PROGRAM

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

RECRUITMENT AND RETENTION OF EMPLOYEES AND EXECUTIVES

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

GOVERNMENT REGULATION

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

In addition, environmental and ecological legislation and policies have become increasingly important in recent years. Under various laws, the REIT could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations or for the costs of other remedial or preventive work. The failure to remove or remediate such substances, or to effect such remedial or preventive work, if any, may adversely affect an owner's ability to sell such real estate or to borrow using such real estate as collateral, and could potentially also result in claims against the owner by private plaintiffs or governmental agencies.

LIMIT ON ACTIVITIES

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

STATUS FOR TAX PURPOSES

Income taxes

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

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

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

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

Exception for real estate investment trusts (REITs)

The SIFT rules do not apply to SIFT trusts that qualify as REITs for a given taxation year. The conditions to qualify as a REIT have been amended in connection with Bill C-10, which received Royal Assent on 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, 2010, Cominar's management believes that the REIT currently meets all the criteria required to qualify for the REIT exception. As a result, the SIFT trust tax rules do not apply to Cominar. Cominar's management intends to take all the necessary steps to meet these conditions on an on-going basis in the future.

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST

Unaudited
June 30, 2010

CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of dollars]

	As at June 30, 2010 $	As at December 31, 2009 $
ASSETS		
Income properties *[notes 4, 5, 9 and 11]*		
Buildings	**1,330,005**	1,282,447
Land	**237,865**	229,266
Intangible assets	**69,845**	70,118
	1,637,715	1,581,831
Properties under development *[note 6]*	**135,284**	113,608
Land held for future development *[note 6]*	**58,083**	61,046
Land held for sale *[note 23]*	**23,968**	—
Goodwill *[note 4]*	**8,200**	—
Capitalized leasing assets and other assets *[note 7]*	**51,203**	50,706
Prepaid expenses	**24,077**	2,428
Accounts receivable *[note 8]*	**32,214**	26,327
	1,970,744	1,835,946
LIABILITIES		
Mortgages payable *[note 9]*	**817,744**	771,991
Convertible debentures *[note 10]*	**395,872**	313,620
Bank indebtedness *[note 11]*	**31,325**	134,809
Accounts payable and accrued liabilities	**31,353**	32,035
Future income tax liability *[notes 4 and 13]*	**4,766**	—
Distributions payable to unitholders	**7,400**	—
	1,360,342	1,252,455
UNITHOLDERS' EQUITY		
Unitholders' equity	**682,284**	583,491
	1,970,744	1,835,946

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

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

	Quarter		Cumulative (six months)	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Unitholders' contributions *[note 12]*				
Balance, beginning of period	**725,448**	601,221	**715,593**	600,965
Issue of units	**119,258**	57,970	**129,319**	58,226
Unit issue expenses	**(4,875)**	(2,702)	**(5,081)**	(2,702)
Balance, end of period	**839,831**	656 489	**839,831**	656,489
Cumulative net income				
Balance, beginning of period	**307,788**	276,441	**301,411**	272,399
Net income	**9,924**	7,715	**16,301**	11,757
Balance, end of period	**317,712**	284,156	**317,712**	284,156
Cumulative distributions				
Balance, beginning of period	**(456,786)**	(379,340)	**(436,971)**	(362,817)
Distributions to unitholders *[note 15]*	**(22,190)**	(18,261)	**(42,005)**	(34,784)
Balance, end of period	**(478,976)**	(397,601)	**(478,976)**	(397,601)
Contributed surplus				
Balance, beginning of period	**1,661**	1,242	**1,569**	1,069
Unit option plan	**167**	150	**259**	323
Balance, end of period	**1,828**	1,392	**1,828**	1,392
Equity components of convertible debentures *[note 10]*				
Balance, beginning and end of period	**1,889**	312	**1,889**	312
Total unitholders' equity	**682,284**	544,748	**682,284**	544,748

See accompanying notes to interim consolidated 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)	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Operating revenues				
Rental revenue from income properties	**72,808**	67,373	**142,715**	135,240
Operating expenses				
Operating costs	**11,995**	11,757	**26,155**	26,644
Realty taxes and services	**17,543**	15,292	**34,239**	30,642
Property management expenses	**1,005**	858	**1,947**	1,723
	30,543	27,907	**62,341**	59,009
Operating income before the undernoted	**42,265**	39,466	**80,374**	76,231
Interest on borrowings	**13,859**	14,452	**27,943**	29,229
Depreciation of income properties	**14,331**	13,731	**28,316**	27,950
Amortization of capital leasing costs	**2,864**	2,389	**5,445**	4,987
Amortization of other assets	**107**	91	**204**	182
Trust administrative expenses	**1,416**	1,161	**2,457**	2,254
Other revenues	**(171)**	(73)	**(227)**	(128)
Income before income taxes	**9,859**	7,715	**16,236**	11,757
Future income tax benefit	**65**	—	**65**	—
Net income and comprehensive income	**9,924**	7,715	**16,301**	11,757
Basic net income per unit *[note 14]*	**0.163**	0.155	**0.281**	0.246
Diluted net income per unit *[note 14]*	**0.162**	0.155	**0.280**	0.246

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Quarter		Cumulative (six months)	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
OPERATING ACTIVITIES				
Net income	**9,924**	7,715	**16,301**	11,757
Adjustments for:				
Depreciation of income properties	**14,331**	13,731	**28,316**	27,950
Amortization of below-market leases	**(238)**	(175)	**(441)**	(379)
Amortization of capitalized leasing costs	**2,864**	2,389	**5,445**	4,987
Amortization of capitalized financing costs and other assets	**975**	797	**1,896**	1,508
Amortization of fair value adjustments on assumed indebtedness	**(133)**	(31)	**(163)**	(62)
Accretion of liability component of convertible debentures	**56**	10	**112**	20
Compensation expense related to unit options	**220**	150	**443**	323
Future income tax benefit	**(65)**	—	**(65)**	—
	27,934	24,586	**51,844**	46,104
Change in non-cash working capital items *[note 17]*	**(11,991)**	(18,301)	**(24,066)**	(23,103)
	15,943	6,285	**27,778**	23,001
INVESTING ACTIVITIES				
Business combination *[note 4]*	**(151)**	—	**(28,625)**	—
Additions to income properties *[note 5]*	**(10,225)**	(4,248)	**(13,380)**	(31,021)
Net proceeds from disposal of share in a property held in co-ownership *[note 18]*	—	2,015	—	2,015
Additions to properties under development and land held for future development *[note 6]*	**(29,380)**	(22,599)	**(45,930)**	(51,529)
Capitalized leasing costs	**(4,460)**	(4,652	**(8,246)**	(8,888)
Other assets	**(172)**	(132)	**(354)**	(226)
	(44,388)	(29,616)	**(96,535)**	(89,649)
FINANCING ACTIVITIES				
Mortgages payable	**(44)**	19,844	**14,208**	94,162
Repayment of mortgages payable	**(6,818)**	(4,863)	**(12,066)**	(56,409)
Net proceeds from issue of convertible debentures	**(66)**	—	**82,709**	0
Bank indebtedness	**(60,023)**	(29,236)	**(103,832)**	2,071
Net proceeds from issue of units *[note 12]*	**112,659**	54,941	**121,358**	54,929
Distributions to unitholders	**(20,821)**	(17,355)	**(33,620)**	(28,105)
	24,887	23,331	**68,757**	66,648
Net change in cash and cash equivalents	**(3,558)**	—	—	—
Cash and cash equivalents, beginning of period	**3,558**	—	—	—
Cash and cash equivalents, end of period	**—**	**—**	**—**	**—**

See accompanying notes to interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the periods ended June 30, 2010 and 2009
[unaudited, in thousands of dollars except per unit amounts]

1. DESCRIPTION OF THE TRUST

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

2. FUTURE ACCOUNTING CHANGES

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. A review of the Trust's IFRS changeover plan is provided in the interim Management's Discussion and Analysis for the quarter ended June 30, 2010. 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 may be different when presented in accordance with IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Consolidation

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

Use of estimates

The preparation of financial statements in accordance with 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. The actual results that could differ materially from those estimates are income property purchase price allocations and business combinations, the fair value measurement of unit purchase options, the allocation of components on issuance of convertible debentures, the determination of the allowance for doubtful accounts and future income tax estimates. 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 in income 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, respectively.

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

Capitalized leasing costs

Capitalized leasing costs consist 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 and goodwill

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 an asset is considered to be impaired, the impairment amount to be recognized is determined as the excess of the carrying amount of the asset over its fair value.

Goodwill represents the excess of the purchase price of acquired business over the fair value of net identifiable assets acquired. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if events or circumstances indicate it is more likely than not that goodwill may be impaired. The recoverability of goodwill is determined using a two-step test approach at the segment level. Under the first step, the net carrying amount of the operating segment is compared to its fair value, which is generally determined using a market approach. If the net carrying amount of an operating segment exceeds its fair value, the second step of the test must be performed. Under the second step, the impairment amount is determined as the excess of the carrying amount of goodwill over its fair value and is charged to income for the period during which the impairment occurs. For the purposes of the impairment test, the fair value of goodwill is estimated using the same method for business combinations, that is, it represents the excess of the fair value of an operating segment over the fair value of its net identifiable assets.

Income taxes

Under current tax legislation, Cominar is not subject to income tax when its taxable income for the year is fully distributed to unitholders *[note 13]*.

Cominar uses the liability method to account for future income taxes related to incorporated subsidiaries. The net future income tax liability represents the cumulative amount of taxes applicable to temporary differences between the reported carrying amounts and tax bases of the assets and liabilities. In addition, the tax benefits resulting from tax losses available to be carried forward to future years for tax purposes, which are more likely than not to be realized, are applied against future income taxes. Future income taxes are measured at the tax rates expected to apply in the future as temporary differences reverse and tax losses are utilized. Changes to future income taxes related to changes in tax rates are recognized in income in the period when the rate change is substantively enacted.

Financial instruments

Cominar has 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 trade and other receivables, 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.

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

Unit option plan

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

Per unit calculations

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

4. ACQUISITIONS

Business combination carried in 2010

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

A consideration of $31,492 or $28,625, net of cash acquired of $2,867, was paid for this acquisition. The total consideration includes acquisition-related costs estimated at $650.

Acquisition of an income property

In April 2010, Cominar acquired an income property in the Brossard, Québec area.

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

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

	Business combination	**Acquisition of an income property**	**Total 2010 $**
Income properties			
Buildings	54,739	4,475	59,214
Land	7,520	655	8,175
Intangible assets			
In-place operating leases	5,614	289	5,903
Client relationships	3,257	181	3,438
	71,130	5,600	76,730
Prepaid expenses and other	1,898	—	1,898
Accounts receivable	1,574	—	1,574
Mortgages payable	(43,572)	—	(43,572)
Accounts receivable and accrued liabilities	(5,774)	—	(5,774)
Future income tax liability	(4,831)	—	(4,831)
Net identifiable assets acquired	20,425	5,600	26,025
Goodwill	8,200	—	8,200
Purchase price, less cash acquired	28,625	5,600	34,225

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

Additions to income properties in 2009

On January 16, 2009, Cominar acquired an income property in the Montréal, Québec area.

On December 21, 2009, Cominar acquired a mega-shopping centre consisting of ten Laval, Québec area income properties.

These transactions were accounted for using the purchase method.

The following table shows the net assets acquired:

	2009
	$
Income properties	
Buildings	54,848
Land	24,815
Intangible assets	
In-place operating leases	9,445
Client relationships	2,507
Total purchase price	91,615

The purchase price was settled as follows:

Cash and cash equivalents	78,094
Assumption of a mortgage payable	13,521
	91,615

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

5. INCOME PROPERTIES

	As at June 30, 2010		
	Cost	**Accumulated depreciation**	**Amortized cost**
	$	**$**	**$**
Buildings	**1,490,615**	**160,610**	**1,330,005**
Land	**237,865**	**—**	**237,865**
Intangible assets			
In-place operating leases	**94,631**	**52,062**	**42,569**
Client relationships	**35,356**	**9,002**	**26,354**
Acquired leasehold improvements	**3,099**	**2,177**	**922**
	133,086	**63,241**	**69,845**
	1,861,566	**223,851**	**1,637,715**

	As at December 31, 2009		
	Cost	**Accumulated depreciation**	**Amortized cost**
	$	**$**	**$**
Buildings	1,424,797	142,350	1,282,447
Land	229,266	—	229,266
Intangible assets			
In-place operating leases	88,727	44,448	44,279
Client relationships	31,918	7,212	24,706
Acquired leasehold improvements	3,099	1,966	1,133
	123,744	53,626	70,118
	1,777,807	195,976	1,581,831

During the first six months of 2010, 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 income generating capacity of its real estate portfolio. As at June 30, 2010, outlays related to these investments totalled $7,780 [$6,227 in 2009].

6. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the first six months of 2010, Cominar capitalized $8,321 [$2,677 in 2009] in interest to properties under development and land held for future development. During the same period, Cominar pursued its property development and land acquisition for future development activities, with outlays totalling $37,609 [$48,852 in 2009]. The projects underway as at June 30, 2010 will comprise estimated construction costs of some $3,000 during the coming periods, assuming work proceeds according to plan.

7. CAPITALIZED LEASING COSTS AND OTHER ASSETS

	As at June 30, 2010 $	As at December 31, 2009 $
At amortized cost		
Capitalized leasing costs	**48,583**	48,237
Other assets	**2,620**	2,469
	51,203	50,706

8) ACCOUNTS RECEIVABLE

	As at June 30, 2010 $	As at December 31, 2009 $
Trade receivables	**15,159**	10,780
Trade receivables – recognition of leases on straight-line basis	**14,272**	12,754
Other receivables bearing interest at a weighted effective tax rate of 7.34% as at June 30, 2010 [7.35% as at December 31, 2009]	**1,718**	1,848
Deposits in advance of work to be performed	**1,065**	945
	32,214	26,327

9. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties having a net carrying amount of $1,183,066 [$1,131,940 as at December 31, 2009]. They bear contractual fixed interest rates ranging from 2.19% to 11.00% per annum [2.19% to 11.00% as at December 31, 2009] representing a weighted average rate of 5.37% as at June 30, 2010 [5.26% as at December 31, 2009] and are renewable at various dates between August 2010 and March 2022. As at June 30, 2010, the weighted average effective rate was 5.34% [5.26% as at December 31, 2009]. Some mortgages payable contain restrictive covenants that were met as at June 30, 2010.

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.

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

Mortgage repayments are as follows:

	As at June 30, 2010			As at December 31, 2009
Periods ending December 31	**Repayment of principal $**	**Balance at maturity $**	**Total $**	**Total $**
2010	11,322	43,415	**54,737**	-
2011	22,732	5,855	**28,587**	-
2012	22,927	22,951	**45,878**	-
2013	21,188	161,628	**182,816**	-
2014	14,186	75,819	**90,005**	-
2015 and thereafter	58,887	351,044	**409,931**	
	155,792	668,932	**824,724**	773,391
Plus: fair value adjustments on assumed mortgages			**1,563**	215
Less: unamortized financing costs			**(1,499)**	(1,615)
Less: net debt reduction			**(212)**	—
			817,744	771,991

The following table presents the changes in mortgages payable for the period:

Mortgages payable

	As at June 30, 2010		As at December 31, 2009	
	$	**Weighted average contractual interest rate (%)**	**$**	**Weighted average contractual interest rate (%)**
Balance of mortgages payable, beginning of period	**773,391**	**5.26**	732,293	5.58
Mortgages payable contracted or assumed	**117,152**	**5.59**	108,021	4.88
Repayments of balances at maturity	**(61,630)**	**4.46**	(47,064)	5.53
Monthly repayments of principal	**(11,021)**		(19,859)	
Balance of mortgages payable – end of period	**817,892**	**5.37**	**773,391**	**5.26**

10) CONVERTIBLE DEBENTURES

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

			As at June 30, 2010				As at December 31, 2009
	Series A	**Series B**	**Series C**	**Series D**	**Series E**	**Total**	**Total**
Contractual interest rate	**6.30 %**	**5.70 %**	**5.80 %**	**6.50 %**	**5.75 %**		
Effective interest rate	**6.89 %**	**6.42 %**	**6.60 %**	**7.50 %**	**6.43 %**		
Issue date	**September 2004**	**May 2007**	**October 2007**	**September 2009**	**January 2010**		
Conversion price per unit	**$17.40**	**$27.50**	**$25.25**	**$20.50**	**$25.00**		
Interest payment dates	**June 30 & December 31**	**June 30 & December 31**	**March 31 & September 30**	**March 31 & September 30**	**June 30 & December 31**		
Redemption date at Cominar's option	**June 2008**	**June 2010**	**September 2010**	**September 2012**	**June 2013**		
Maturity date	**June 2014**	**June 2014**	**September 2014**	**September 2016**	**June 2017**		
	$	**$**	**$**	**$**	**$**	**$**	**$**
Balance, beginning of period	**22,140**	**80,500**	**110,000**	**115,000**	**—**	**327,640**	213,135
Issuance	**—**	**—**	**—**	**—**	**86,250**	**86,250**	115,000
Holders' option conversions	**(1,711)**	**—**	**—**	**—**	**—**	**(1,711)**	(495)
Balance, end of period	**20,429**	**80,500**	**110,000**	**115,000**	**86,250**	**412,179**	327,640
Less: equity component						**(1,647)**	(1,760)
Less: unamortized financing costs						**(14,660)**	(12,260)
						395,872	313,620

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.

On January 12, 2010, Cominar issued convertible unsecured subordinated debentures totalling $86,250, bearing interest at 5.75% per annum and maturing on June 30, 2017.

In accordance with CICA Handbook Section 3855 and Section 3861, convertible debentures have been recorded as liabilities in the balance sheet, net of the 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 2010, 1,711 Series A convertible debentures [nil in 2009] were converted into 98,330 units [nil in 2009] at a conversion price of $17.40 per unit, for a total of $1,711 [nil in 2009].

11. BANK INDEBTEDNESS

Cominar has two operating and acquisition credit facilities of up to $131,210 [$255,000 as at December 31, 2009]. These credit facilities, subject to annual renewal, bear interest at prime plus 1.5% [2.00% in 2009] or at the bankers' acceptance rate plus 2.5% [3.00% in 2009]. These credit facilities are secured by movable and immovable hypothecs on specific assets, including the carrying amount of immovable property totalling $199,889 as at June 30, 2010 [$273,530 as at December 31, 2009]. As at June 30, 2010, the prime rate was 2.50% [2.25% as at December 31, 2009]. These credit facilities contain certain covenants which were met throughout the period ended June 30, 2010.

12. 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 2010, Cominar issued 6,905,126 units [4,843,761 in 2009]. The issuance of these units resulted in net proceeds of $121,358 [$54,929 in 2009].

The following table shows the change in balances during the periods ended June 30:

Three-month periods ended June 30	2010		2009	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**55,372,592**	**725,448**	45,871,062	601,221
Units issued under a public offering	**6,021,400**	**110,134**	4,792,050	54,803
Units issued on exercise of options	**176,300**	**2,525**	9,000	126
Units issued under distribution reinvestment plan	**32,358**	**613**	23,824	339
Units issued on conversion of convertible debentures	**60,747**	**1,057**	—	—
Reversal of contributed surplus on exercise of options	**—**	**54**	—	—
Units issued and outstanding, end of period	**61,663,397**	**839,831**	50,695,936	656,489

Six-month periods ended June 30	2010		2009	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**54,758,271**	**715,593**	45,852,175	600,965
Units issued under a public offering	**6,021,400**	**110,134**	4,792,050	54,803
Units issued on exercise of options	**580,000**	**8,468**	9,000	126
Units issued under distribution reinvestment plan	**51,896**	**985**	42,711	595
Units issued on conversion of convertible debentures	**98,330**	**1,711**	—	—
Units issued under the at-the-market equity distribution agreement	**153,500**	**2,756**	—	—
Reversal of contributed surplus on exercise of options	**—**	**184**	—	—
Units issued and outstanding, end of period	**61,663,397**	**839,831**	50,695,936	656,489

Unit option plan

Cominar has granted options to management and employees for the purchase of units under a unit option plan. A maximum of 5,520,684 units may be issued under the plan. As at June 30, 2010, options to purchase 3,595,300 units were outstanding.

The following table shows the option characteristics in effect at period-end:

			Au 30 juin 2010		
Date of grant	Acquisition vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
November 13, 2003	20 %	November 13, 2010	14.00	235,200	235,200
April 8, 2005	25 %	November 13, 2010	17.12	57,000	57,000
May 23, 2006	20 %	May 23, 2013	18.90	379,000	290,000
May 15, 2007	50 %	May 15, 2014	23.59	30,000	30,000
February 6, 2008	33 1/3 %	February 6, 2013	18.68	830,500	550,300
December 19, 2008	33 1/3 %	December 19, 2013	15.14	938,900	241,700
December 21, 2009	33 1/3 %	December 21, 2014	19.48	1,124,700	—
				3,595,300	1,404,200

The following table shows the change in balances of outstanding options during the periods ended June 30:

Three-month periods ended June 30	2010		2009	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of period	**3,818,700**	**17.59**	3,464,000	16.44
Exercised	**(176,300)**	**14.32**	(9,000)	14.00
Cancelled	**(47,100)**	**18.65**	(97,900)	17.62
Outstanding, end of period	**3,595,300**	**17.74**	3,357,100	16.42

Six-month periods ended June	2010		2009	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of period	4,226,800	17.32	3,504,700	16.45
Exercised	(580,000)	14.60	(9,000)	14.00
Cancelled	(51,500)	18.56	(138,600)	17.40
Outstanding, end of period	3,595,300	17.74	3,357,100	16.42
Exercisable options, end of period	1,404,200	17.37	1,504,700	16.16

Unit-based compensation

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

Date of grant	Volatility	Exercise price $(1)	Weighted average return	Weighted average risk-free interest rate
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%
December 21, 2009	18.50%	19.48	7.67%	2.13%

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

Unitholder distribution reinvestment plan

Cominar has 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, 2010, 51,896 units [42,711 units in 2009] were issued for a total consideration of $985 [$595 in 2009] under this plan.

13. INCOME TAXES

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

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

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

Exception for real estate investment trusts (REITs)

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

As at June 30, 2010, 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.

The carrying amount of Cominar's net assets as at December 31, 2009, excluding the net assets of incorporated subsidiaries, exceeded the tax basis by approximately $89,000.

Cominar's subsidiaries are subject to tax on their taxable income under the Income *Tax Act* (Canada) and Taxation Act of the provinces concerned. No provision for income taxes payable is required for the six-month period ended June 30, 2010.

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

	As at June 30, 2010	As at December 31, 2009
Income tax liability		
Income properties	**5,226**	—
Mortgages payable *[note 9]*	**(460)**	—
	4,766	—

14. 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	**2010**	**2009**	**2010**	**2009**
Weighted average number of units outstanding – basic	**61,069,108**	49,618,053	**57,946,048**	47,747,040
Dilutive effect of unit options	**261,709**	46,188	**318,922**	57,108
Weighted average number of units outstanding – diluted	**61,330,817**	49,664,241	**58,264,970**	47,804,148

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

15. 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 a straight-line basis, gains or losses on disposals of income properties, amortization of fair value adjustments on assumed mortgages payable and future income taxes.

	Quarter		Cumulative (six months)	
Periods ended June 30	**2010**	**2009**	**2010**	**2009**
Distributions to unitholders	**22,190**	18,261	**42,005**	34,784
Distributions per unit	**0.360**	0.360	**0.720**	0.720

16. OWNERSHIP INTEREST IN A CO-OWNED PROPERTY

On May 4, 2009, Cominar entered into a co-ownership agreement under which it holds a 95% undivided ownership interest in the Complexe Jules-Dallaire, a property currently under construction [note 18]. As at June 30, 2010, this is the only property held in co-ownership.

Cominar's share of the assets and liabilities of the co-owned property was as follows:

	June 30, 2010	**December 31, 2009**
	$	**$**
Assets	103,889	82,366
Liabilities	1,677	4,032

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Quarter		Cumulative (six months)	
Periods ended June 30	**2010**	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Change in non-cash working capital items				
Prepaid expenses	**(8,898)**	(11,952)	**(19,751)**	(18,890)
Accounts receivable	**(365)**	330	**(4,312)**	(4,762)
Accounts payable and accrued liabilities	**(2,728)**	(6,679)	**(3)**	549
	(11,991)	(18,301)	**(24,066)**	(23,103)
Other information				
Interest paid	**16,660**	12,060	**34,666**	27,252
Unpaid leasing costs	**379**	2,601	**379**	2,601
Additions to income properties and properties under development through assumption of liabilities	**—**	—	**—**	13,521
Unpaid additions to income properties and properties under development	**1,433**	5,989	**1,433**	5,989
Income properties transferred to properties under development	**—**	—	**—**	11,248

18. RELATED PARTY TRANSACTIONS

During the first six months of 2010, 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 amount. They are reflected in the interim consolidated financial statements as follows:

	Quarter		Cumulative (six months)	
Periods ended June 30	**2010**	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Rental revenue from income properties	**156**	141	**301**	283
Income properties and properties under development	**12,209**	12,311	**22,311**	25,181
Capitalized leasing costs and other assets	**3,508**	3,970	**6,645**	8,197
Accounts receivable			**172**	364
Accounts payable and accrued liabilities			**1,491**	8,189

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 $2,015, reflecting 5% of investments made to date by Cominar in the Complexe. This company has continued to pay its share since that date. The REIT also entered into a co-ownership agreement with this company.

19. 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, 2010 $	As at December 31, 2009 $
Mortgages payable	**817,744**	771,991
Convertible debentures	**395,872**	313,620
Bank indebtedness	**31,325**	134,809
Unitholders' equity	**682,284**	583,491
Total capital	**1,927,225**	1,803,911
Overall debt ratio[1]	**56.7%**	60.1%
Debt ratio (excluding convertible debentures)	**38.7%**	44.6%
Interest coverage ratio[2]	**2.79**[3]	2.66

(1) The overall debt ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross carrying amount 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, its 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, 2010, Cominar maintained a debt ratio of 56.7%, including convertible debentures.

The annualized 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, 2010, the annualized interest coverage ratio was 2.79:1, reflecting the Trust's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

20. FINANCIAL INSTRUMENTS

Fair value

Fair value is estimated using valuation techniques and assumptions. Fair value amounts disclosed in these interim consolidated 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 amounts and fair values are as follows:

	As at June 30, 2010		As at December 31, 2009	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
FINANCIAL ASSETS				
Held for trading				
Cash and cash equivalents	—	—	—	—
Loans and receivables				
Accounts receivable(1)	**17,942**	**17,942**	13,573	13,573
Total financial assets	**17,942**	**17,942**	13,573	13,573
FINANCIAL LIABILITIES				
Other financial liabilities				
Mortgages payable(2)	**817,680**	**841,364**	773,391	751,748
Convertible debentures(2)	**412,179**	**426,292**	327,640	326,020
Bank indebtedness	**31,325**	**31,325**	134,809	134,809
Accounts payable and accrued liabilities(3)	**23,568**	**23,568**	26,417	26,417
Distributions payable to unitholders	**7,400**	**7,400**	—	—
Total financial liabilities	**1,292,152**	**1,329,949**	1,262,257	1,238,994

(1) Excludes receivables – recognition of leases on a straight-line basis amounting to $14,272 [$12,754 in 2009].

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

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

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, 2010 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 with similar terms and maturities.

The fair value of convertible debentures was estimated using current market rates for debt instruments with similar terms and maturities.

Risk management

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

Credit risk

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

Cominar mitigates credit risk via geographic and segment portfolio diversification [note 21], staggered lease maturities, diversification of revenue sources through a varied tenant mix, avoiding dependence on any single tenant by ensuring that no individual tenant contributes a significant portion of Cominar's operating revenues and conducting credit assessment for all new tenants.

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

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 its 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 8, 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 $540 increase or decrease in Cominar's net income for the six-month period ended June 30, 2010.

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 19]*.

Undiscounted contractual maturities of financial liabilities as at June 30, 2010 are as follows:

		Maturity		
	Carrying amount	**Under one year**	**One to five years**	**Over five years**
Mortgages payable(1) *[note 9]*	817,680	65,983	406,192	345,505
Convertible debentures(1) *[note 10]*	412,179	—	210,929	201,250
Bank indebtedness *[note 11]*	31,325	31,325	—	—
Accounts payable and accrued liabilities(2)	23,568	23,280	288	—
Distributions payable to unitholders	7,400	7,400	—	—
Total financial liabilities	**1,292,152**	**127,988**	**617,409**	**546,755**

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

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

21. SEGMENT INFORMATION

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

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

Three-month period ended June 30, 2010	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	34,547	15,084	23,177	72,808
Depreciation of income properties	7,876	2,233	4,222	14,331
Net operating income(1)	19,171	8,884	14,210	42,265

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)	18,950	7,061	13,455	39,466

Six-month period ended June 30, 2010	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	67,468	29,362	45,885	142,715
Depreciation of income properties	15,492	4,321	8,503	28,316
Net operating income(1)	36,928	16,659	26,787	80,374
Income properties (amortized cost)	784,839	324,005	528,871	1,637,715

Six-month period ended June 30, 2009	Office properties $	Retail properties $	Industrial and 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

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

22. CONTINGENCIES

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 $30,000 which was received during 2007. The definitive indemnity will either be set by the Québec Administrative Court, or it will be settled by the parties. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity.

23. COMMITMENTS

[a] The annual future payments required under emphyteutic leases expiring between 2046 and 2065, on land for three income properties having a total net carrying value of $59,238, are as follows:

Periods ending December 31	Total $
2010	257
2011	512
2012	547
2013	547
2014	547
2015 and thereafter	25,592

[b] Cominar has undertaken to pay $2,273 in exchange for work to be performed on land held for future development activities.

[c] On May 6, 2010, Cominar entered into an agreement with a related party in respect of the sale of land held for future developments in Québec City. This transaction is carried to optimize Cominar's land holdings for future developments.

24. SUBSEQUENT EVENTS

[a] On July 29, 2010, the REIT acquired an industrial and mixed-use property located in Brossard, Québec, with 90,000 square feet of leasable area for a cash consideration of $13,000. The capitalization rate related to this transaction was 8.5%. This property, which is a recent construction, is located near Highways 10 and 30 and has an occupancy rate of 86.6%.

[b] In July 2010, the REIT contracted a mortgage loan of $16,500 with a financial institution. The proceeds from this loan have been applied to the repayment of a $15,900 loan maturing on August 1, 2010. This loan bears interest at a rate of 4.5% and matures in 2015.

25. COMPARATIVE FIGURES

Certain 2009 figures have been reclassified to conform to the current year presentation.

CORPORATE INFORMATION

(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

Michel Dallaire, P.Eng.
President and Chief Executive Officer

Me Michel Paquet, LL.L.
Senior Executive Vice President

Michel Berthelot, CA
Executive Vice President
and Chief Financial Officer

Alain Dallaire
Executive Vice President, Operations

Scott McCrea
Executive Vice President - Atlantic provinces

Michel Ouellette, C.App.
Executive Vice President,
Acquisitions and Development

Todd Bechard, CMA, CFA
Vice President, Finance - Atlantic provinces

René Bérubé, C.App.
Vice President, Leasing - Québec City

Wally Commisso
Vice President, Property Management - Montréal

Me Andrée Dallaire, LL.L., MBA
Vice President, Corporate Affairs

Anne-Marie Dubois
Vice President,
Leasing and Development - Montréal / Ottawa

Jean-Guy Moreau
Vice President, Development

Richard S. Nolin
Vice President, Retail

Carl Pepin, CA
Vice President, Accounting

Me Patrick Quigley, LL.B., MBA
Vice President, Corporate Secretary

Roger Turpin
Vice President, Treasurer

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, CUF.DB, CUF.DB.B, CUF.DB.C, CUF.DB.D et CUF.DB.E.

TRANSFER AGENT

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Toll free: 1 800 564-6253
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TAXABILITY OF DISTRIBUTIONS

In 2009, 71.04% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

PricewaterhouseCoopers 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, 1500 University St., Suite 700, Montréal (QC) Canada, H3A 3S8

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