Stability Through Turbulent Times

COMINAR

INTERIM REPORT

COMINAR REAL ESTATE INVESTMENT TRUST

QUARTER ENDED SEPTEMBER 30, 2009

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THIRD QUARTER

ENDED SEPTEMBER 30, 2009

Photo on this page :
2001 McGill College, Montréal

Photos cover page left to right:
Place de la Cité, Québec City and 565-585 Charest Boulevard East, Québec City

Collaboration in Interim Report:
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MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Fellow Unitholders,

Cominar achieved satisfactory third-quarter growth despite the impact of the financial crisis. The economic slowdown further affected the Montréal region, triggering a slight decline in the industrial property occupancy rate. Conversely, we maintained a high retail property occupancy rate due notably to the shopping centres located in the Greater Québec City Area, where the economy is still strong. This solid performance allowed us to close the first nine months of the year with a healthy balance sheet to pursue our business strategy and to remain a key player in the Québec real estate market.

OUR PERFORMANCE INDICATORS POSTED SOLID GROWTH

Our third-quarter operating revenues grew by 11.4% to $63.1 million, reflecting the contribution of the acquisitions and developments completed in 2008 and 2009. Our net operating income reached $39.3 million, an increase of 8.8%. Same property net operating income was up by 0.9% for the quarter and by 2.0% for the first nine months of the current fiscal year. Recurring distributable income increased by 8.7% to $21.6 million; recurring adjusted funds from operations grew by 9.3% and distributions by 19.1% over the third quarter of 2008. These sound results, which were achieved under difficult economic conditions, attest to the quality and diversification of our portfolio, diversity and loyalty of our tenants, expertise and professionalism of our teams.

OUR OVERALL OCCUPANCY RATE REMAINS VERY SATISFACTORY

As at September 30, 2009, our overall portfolio occupancy rate stood at 93.8%, remaining very satisfactory under the circumstances. This result is directly related to our implementation of an aggressive leasing strategy, as announced at the beginning of 2009. At the end of the third quarter, our leasing team had renewed 59.4% of leases expiring in 2009 and signed new leases representing 0.5 million square feet of leasable space. It should be noted that the rental rate for expiring leases is on the rise for both office and industrial and mixed-use properties.

The office property occupancy rate in Québec City remains the highest among all Canadian metropolitan areas. Finally, it is worth noting that 44.4% of our third-quarter net operating income came from the Québec City and Ottawa regions, which continue to benefit from a very low unemployment rate and a stable economy.

OUR FINANCIAL POSITION REMAINS HEALTHY AND SOLID

In the third quarter, we completed an offering of 3.8 million units for proceeds of $57.5 million, followed by the $115.0 million offering of convertible debentures, the proceeds of which were used to pay down debt. As at September 30, 2009, our debt ratio remained conservative at 58.1%. Furthermore, our strong capacity to regularly generate cash flows enables us to maintain an excellent interest coverage ratio, which compares favourably with our peers; as at September 30, 2009, this ratio stood at 2.63:1 on an annualized basis.

OUR ONGOING DEVELOPMENTS ARE PROGRESSING AT A STEADY PACE

Ongoing development projects representing a $97.4 million investment at a 9.4% estimated average capitalization rate will add a further leasable area of approximately 0.7 million square feet. These projects are advancing well and we do not expect any significant budget overruns at this stage.

FILING OF SHELF PROSPECTUS AND EQUITY DISTRIBUTION AGREEMENT

To facilitate its financing requirements, Cominar has filed a short-form base shelf prospectus entitling it to raise up to $200 million in funds over the next 25 months. This shelf prospectus enabled Cominar to implement an at-the-market equity financing program allowing it to offer up to 2,000,000 units of which the proceeds will be used principally to fund development projects.

OUTLOOK

We are focused on efficiently and prudently managing our operations and will pursue our growth considering our development projects, land held for future development and solid financial position. Maintaining disciplined yet profitable growth and good liquidity are our priorities, and we continue to seek acquisition and development opportunities in line with our criteria and favourable for stability and value for the long term. That is why we are confident we will end fiscal 2009 with a sound performance on the eve of an economic recovery.

Michel Dallaire, Eng.
President and Chief Executive Officer

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar," the "Trust" or the "REIT") for the quarter ended September 30, 2009, in comparison with the corresponding quarter of 2008, as well as its financial position at that date and its outlook. Dated November 11, 2009, this interim MD&A reflects all significant information available as of 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 2008 Annual Information Form, is available on our website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

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.

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

NON-GAAP FINANCIAL MEASURES

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

HIGHLIGHTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2009

- Increases of:
  - 11.4% in operating revenues
  - 8.8% in net operating income
  - 8.7% in recurring distributable income
  - 11.2% in recurring funds from operations
  - 9.3% in recurring adjusted funds from operations
  - 19.1% in distributions

- Maintenance of an occupancy rate of 93.8%

- Annualized conservative interest coverage ratio of 2.63:1

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

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

- Issuance of convertible debentures in aggregate principal amount of $115 million, bearing interest at 6.5%, maturing in seven years and convertible at $20.50

SUBSEQUENT EVENTS

On October 29, 2009, the Trust filed a short form base shelf prospectus with securities regulators in each of the provinces of Canada. Accordingly, Cominar may, during the 25-month period that this short form base shelf prospectus remains valid, offer for sale and issue up to $200 million in the aggregate of Cominar units and subscription receipts. The specific variable terms of any offering of units or subscription receipts will be set forth in one or more prospectus supplements.

On November 5, 2009, the Trust entered into an Equity Distribution Agreement with a Canadian financial institution who will act as agent for the issuance, at Cominar's discretion, of up to 2 million units by way of at-the-market distributions. The units covered by this agreement will be offered pursuant to the November 5, 2009 prospectus supplement to the short form base shelf prospectus dated October 29, 2009.

On November 6, 2009, the Trust acquired a 660,000 square foot property for development, located on Pierre-Bertrand Blvd. near Highway 40, one of the main freeways of Québec City, for the cash consideration of $9.18 million.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
FINANCIAL DATA						
Operating revenues (1)(2)	**63,133**	56,658	11.4	**198,373**	172,985	14.7
Net operating income (1)(2)(3)	**39,295**	36,107	8.8	**115,526**	102,027	13.2
Same property net operating income growth (3)	**0.9%**	2.0%		**2.0%**	3.3%	
Net income (1)	**8,860**	7,887	12.3	**20,617**	18,838	9.4
(Recurring) distributable income (1)(3)	**21,636**	19,902	8.7	**59,707**	54,424	9.7
(Recurring) funds from operations (1)(3)	**24,967**	22,454	11.2	**69,661**	62,752	11.0
(Recurring) adjusted funds from operations (1)(3)	**21,060**	19,273	9.3	**58,267**	53,147	9.6
Distributions	**19,655**	16,499	19.1	**54,439**	47,963	13.5
Debt ratio				**58.1%**	57.9%	
Debt ratio (excluding convertible debentures)				**42.0%**	45.5%	
Total assets				**1,761,388**	1,509,436	
Market capitalization				**1,065,685**	967,084	
PER UNIT FINANCIAL DATA						
Net income (basic)	**0.16**	0.17	(5.9)	**0.41**	0.41	—
Distributable income (basic) (3)	**0.40**	0.44	(9.1)	**1.20**	1.20	—
Recurring distributable income (FD) (3)(4)	**0.39**	0.42	(7.1)	**1.18**	1.17	0.9
Recurring funds from operations (FD) (3)(4)	**0.44**	0.47	(6.4)	**1.35**	1.32	2.3
Recurring adjusted funds from operations (FD) (3)(4)	**0.38**	0.41	(7.3)	**1.15**	1.15	—
Distributions	**0.360**	0.360	—	**1.080**	1.052	2.7
OPERATIONAL DATA						
Number of properties				**215**	213	
Leasable area (in thousands of sq. ft.)				**18,547**	18,215	
Occupancy rate				**93.8%**	95.2%	
ACQUISITIONS AND DEVELOPMENTS						
Acquisitions						
Number of properties				**1**	12	
Leasable area (in thousands of sq. ft.)				**227**	1,187	
Total investment				**36,820**	213,614	
Weighted average capitalization rate				**8.8%**	6.8%	
Ongoing developments						
Number of properties				**4**	4	
Estimated leasable area (in thousands of sq. ft.)				**671**	671	
Forecast total investment				**97,400**	97,400	
Forecast weighted average capitalization rate				**9.4%**	9.4%	

(1) Certain 2008 figures have been modified subsequent to the retroactive adoption of a new accounting policy.
(2) Certain 2008 figures have been reclassified as discontinued operations in accordance with GAAP.
(3) Non-GAAP financial measure. See relevant sections for definition and reconciliation to closest GAAP measure.
(4) Fully diluted.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Québec. As at November 11, 2009, we owned and managed a high-quality portfolio of 215 properties including 38 office buildings, 38 retail properties and 139 industrial and mixed-use properties covering more than 18.5 million square feet in the Québec City, Montréal and Ottawa regions.

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

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

OBJECTIVES AND STRATEGY

OBJECTIVES

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

STRATEGY

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

- **Acquisition as well as construction, redevelopment and expansion of properties offering a high potential for return**
  To increase the leasable area in its property portfolio, Cominar continues to seek acquisition, construction and development opportunities in the Québec City, Montréal and Ottawa regions. 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 region where it owns, as at November 11, 2009, 117 properties representing a leasable area of over 11.1 million square feet. Cominar also owns four properties, representing 0.6 million square feet of leasable area, in the Ottawa region. Like activity segment diversification, geographic diversification allows Cominar to better spread its real estate risk;

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

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

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

PERFORMANCE INDICATORS

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

OPERATIONAL PERFORMANCE

Client satisfaction is defined as client perception and judgment of service received and demonstrates loyalty to Cominar. Two indicators are used to measure client satisfaction: occupancy rate and retention rate; the latter 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 regions in which Cominar owns properties.

FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

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

PERFORMANCE ANALYSIS

RESULTS OF OPERATIONS

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

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Operating revenues	**63,133**	56,658	11.4	**198,373**	172,985	14.7
Operating expenses	**23,838**	20,551	16.0	**82,847**	70,958	16.8
Net operating income	**39,295**	36,107	8.8	**115,526**	102,027	13.2
Interest on borrowings	**13,284**	12,512	6.2	**42,513**	36,364	16.9
Depreciation of income properties	**13,609**	12,576	8.2	**41,559**	37,657	10.4
Amortization of capitalized leasing costs	**2,498**	1,983	26.0	**7,485**	6,213	20.5
Amortization of other assets	**108**	91	18.7	**290**	225	28.9
Trust administrative expenses	**980**	1,117	(12.3)	**3,234**	2,980	8.5
Other revenues	**44**	45	(2.2)	**172**	220	(21.8)
Net income from continuing operations	**8,860**	7,873	12.5	**20,617**	18,808	9.6
Net income from discontinued operations	**—**	14	—	**—**	30	—
Net income	**8,860**	7,887	12.3	**20,617**	18,838	9.4
Net income per unit (basic)	**0.16**	0.17	(5.9)	**0.41**	0.41	—
Net income per unit (diluted)	**0.16**	0.17	(5.9)	**0.41**	0.41	—

FINANCIAL POSITION

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

	September 30, 2009	**December 31, 2008**	**Δ $**
ASSETS			
Income properties (at amortized cost)	**1,504,647**	1,507,087	(2,440)
Properties under development and land held for future development	**171,940**	93,802	78,138
Other assets	**84,801**	67,447	17,354
Total	**1,761,388**	1,668,336	93,052
LIABILITIES			
Mortgages payable	**777,212**	730,711	46,501
Convertible debentures	**313,583**	203,723	109,860
Bank indebtedness	**38,520**	186,987	(148,467)
Other liabilities	**38,915**	34,987	3,928
	1,168,230	1,156,408	11,822
UNITHOLDERS' EQUITY	**593,158**	511,928	81,230
Total	**1,761,388**	1,668,336	93,052

PERFORMANCE INDICATORS

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

Performance Indicators

		Quarter			Cumulative (nine months)		
Periods ended September 30	**Page**	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Same property net operating income	12	**34,538**	34,222	0.9	**100,117**	98,200	2.0
Recurring distributable income per unit (FD)[1]	16	**0.39**	0.42	(7.1)	**1.18**	1.17	0.9
Recurring funds from operations per unit (FD)[1]	18	**0.44**	0.47	(6.4)	**1.35**	1.32	2.3
Recurring adjusted funds from operations per unit (FD)[1]	20	**0.38**	0.41	(7.3)	**1.15**	1.15	—
Net operating income margin	12	**62.2%**	63.7%		**58.2%**	59.0%	
Debt ratio (including convertible debentures)	23				**58.1%**	57.9%	
Occupancy rate	27				**93.8%**	95.2%	

(1) Fully diluted.

RESULTS OF OPERATIONS

OVERALL ANALYSIS

OPERATING REVENUES

We achieved strong growth of 11.4% in operating revenues during the third quarter of 2009, compared with the same period of 2008. This increase resulted mainly from the contribution of office, industrial and mixed-use property acquisitions and developments completed in 2008 and 2009.

Operating Revenues

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Same property portfolio [1]	**55,516**	54,055	2.7	**172,756**	167,380	3.2
Acquisitions and developments	**7,617**	2,603	—	**25,617**	5,605	—
Total operating revenues	**63,133**	56,658	11.4	**198,373**	172,985	14.7

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

For the third quarter of 2009, our same property portfolio operating revenues rose 2.7% compared with the corresponding quarter of 2008. This organic growth was driven by rent increases provided for under existing leases, as well as lease renewals at higher rates and the execution of new leases, and reflects the high quality of our properties and sustained rental growth in our markets.

OPERATING EXPENSES

Operating expenses for the third quarter of 2009 were up 16.0% from the corresponding period of 2008. This variation stemmed mainly from the portfolio's increased size due to acquisitions and developments completed in 2008 and 2009.

Operating Expenses

Periods ended September 30	Quarter 2009	2008	Δ %	Cumulative (nine months) 2009	2008	Δ %
Same property portfolio [1]	**20,978**	19,833	5.8	**72,639**	69,180	5.0
Acquisitions and developments	**2,860**	718	—	**10,208**	1,778	—
Total operating expenses	**23,838**	20,551	16.0	**82,847**	70,958	16.8

(1) See "Operating Revenues."

NET OPERATING INCOME

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

Net Operating Income

Periods ended September 30	Quarter 2009	2008	Δ %	Cumulative (nine months) 2009	2008	Δ %
Same property portfolio(1)	**34,538**	34,222	0.9	**100,117**	98,200	2.0
Acquisitions and developments	**4,757**	1,885	—	**15,409**	3,827	—
Total NOI	**39,295**	36,107	8.8	**115,526**	102,027	13.2
NOI margin						
Same property portfolio	**62.2%**	63.3%		**58.0%**	58.7%	
Overall portfolio	**62.2%**	63.7%		**58.2%**	59.0%	

(1) See "Operating Revenues."

Same property NOI (a financial performance indicator) rose 0.9% in the third quarter of 2009 compared with the same period in 2008. The same property NOI margin fell 1.1% compared with the same period of 2008, due primarily to a slight increase in the vacancy rate.

For the nine-month period ended September 30, 2009, same property NOI was up 2.0% from the corresponding period in 2008, while the NOI margin stood at 58.0% of operating revenues, down slightly from the same period of 2008.

NOI margin showed a slight decrease and NOI same property portfolio growth was somewhat slower due to a slight decline in occupancy rates, especially in the industrial activity segment in the Montréal region.

INTEREST ON BORROWINGS

For the third quarter of 2009, total interest on borrowings increased 6.2% compared with the third quarter of 2008, owing primarily to the various financing agreements entered into or assumed in connection with the settlement of recent acquisitions. Total interest on borrowings represented 21.4% of operating revenues as at September 30, 2009, which compares favourably with our peers. By comparison, the rate stood at 21.0% of operating revenues as at September 30, 2008. As at September 30, 2009, the weighted average contractual interest rate of our long-term debt stood at 5.50%, down 13 basis points from December 31, 2008.

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

Interest on Borrowings

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Mortgages and bank indebtedness	**11,606**	9,892	17.3	**36,031**	28,856	24.9
Convertible debentures	**3,261**	3,104	5.1	**9,458**	9,357	1.1
Amortization of borrowing costs	**727**	349	—	**2,053**	1,142	79.8
Accretion of liability component of convertible debentures	**10**	10	—	**30**	28	7.1
Amortization of fair value adjustments on assumed mortgages payable	**(30)**	(32)	(6.3)	**(92)**	(95)	(3.2)
Less: Capitalized interest	**(2,290)**	(781)	—	**(4,967)**	(2,834)	75.3
Less: Interest related to discontinued operations	**—**	(30)	—	**—**	(90)	—
Total interest on borrowings	**13,284**	12,512	6.2	**42,513**	36,364	16.9

DEPRECIATION OF INCOME PROPERTIES

During the third quarter of 2009, depreciation expense in respect of income properties rose 8.2% compared with the same period in 2008. 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 amortization is therefore accelerated relative to the depreciation of properties held for a number of years.

Depreciation of Income Properties

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Same property portfolio	**11,115**	11,830	(6.0)	**34,125**	35,517	(3.9)
Acquisitions and developments	**2,494**	746	—	**7,434**	2,140	—
Total depreciation of income properties	**13,609**	12,576	8.2	**41,559**	37,657	10.4

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses amounted to $3.2 million for the period ended September 30, 2009 compared with $3.0 million for the same period in 2008. This increase resulted primarily from a higher headcount arising from acquisitions and developments completed during 2008 and 2009. Despite this increase, Trust administrative expenses represented only 1.6% of operating revenues for the first nine months of 2009, compared with 1.7% for the same period of 2008.

DISCONTINUED OPERATIONS

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

NET INCOME

Cominar's net income for the quarter ended September 30, 2009 was $8.9 million, up 12.3% over the corresponding period of 2008. Basic net income per unit stood at $0.16, down $0.01 from the same period in 2008 due to the dilutive effect of recent unit issues in 2009.

Net Income

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Net income	**8,860**	7,887	12.3	**20,617**	18,838	9.4
Net income per unit (basic)	**0.16**	0.17	(5.9)	**0.41**	0.41	—
Net income per unit (diluted)	**0.16**	0.17	(5.9)	**0.41**	0.41	—

CONTINGENCY

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

SEGMENTED ANALYSIS

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

SEGMENTED INFORMATION BY ACTIVITY SEGMENT

Net Operating Income

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Activity segment						
Office	**18,342**	14,490	26.6	**54,789**	41,972	30.5
Retail	**7,264**	7,249	0.2	**20,923**	20,757	0.8
Industrial and mixed-use	**13,689**	14,368	(4.7)	**39,814**	39,298	1.3
Total NOI	**39,295**	36,107	8.8	**115,526**	102,027	13.2

	Quarter		Cumulative (nine months)	
Periods ended September 30	**2009**	**2008**	**2009**	**2008**
Activity segment				
Office	**46.7%**	40.1%	**47.4%**	41.1%
Retail	**18.5%**	20.1%	**18.1%**	20.3%
Industrial and mixed-use	**34.8%**	39.8%	**34.5%**	38.6%
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

Office Segment

For the third quarter of 2009, NOI from office properties was up 26.6% compared with the corresponding period of 2008, due mainly to the contribution of two properties acquired in October 2008 and January 2009.

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Operating revenues	**30,885**	24,430	26.4	**96,760**	74,651	29.6
Operating expenses	**12,543**	9,940	26,2	**41,971**	32,679	28.4
NOI – Office	**18,342**	14,490	26.6	**54,789**	41,972	30.5
NOI margin – Office	**59.4%**	59.3%		**56.6%**	56.2%	

Retail Segment

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

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Operating revenues	**12,111**	11,865	2.1	**36,220**	35,670	1.5
Operating expenses	**4,847**	4,616	5.0	**15,297**	14,913	2.6
NOI – Retail	**7,264**	7,249	0.2	**20,923**	20,757	0.8
NOI margin – Retail	**60.0%**	61.1%		**57.8%**	58.2%	

Industrial and Mixed-Use Segment

Industrial and mixed-use segment NOI fell 4.7% in the third quarter of 2009, reflecting lower operating revenues compared with the corresponding period of 2008 resulting primarily from a slight decline in the occupancy rate in this activity segment, particularly in the Montréal region.

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Operating revenues	**20,137**	20,363	(1.1)	**65,393**	62,664	4.4
Operating expenses	**6,448**	5,995	7.6	**25,579**	23,366	9.5
NOI – Industrial and mixed-use	**13,689**	14,368	(4.7)	**39,814**	39,298	1.3
NOI margin – Industrial and mixed-use	**68.0%**	70.6%		**60.9%**	62.7%	

SEGMENTED INFORMATION BY GEOGRAPHIC LOCATION

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

Net Operating Income

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Region						
Québec	**15,283**	15,104	1.2	**43,783**	42,668	2.6
Montréal	**21,839**	18,748	16.5	**65,206**	52,909	23.2
Ottawa	**2,173**	2,255	(3.6)	**6,537**	6,450	1.3
Total NOI	**39,295**	36,107	8.8	**115,526**	102,027	13.2

Periods ended September 30	Quarter 2009	Quarter 2008	Cumulative (nine months) 2009	Cumulative (nine months) 2008
Region				
Québec	**38.9%**	41.8%	**37.9%**	41.8%
Montréal	**55.6%**	51.9%	**56.4%**	51.9%
Ottawa	**5.5%**	6.3%	**5.7%**	6.3%
Total NOI	**100.00%**	100.0%	**100.0%**	100.0%

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

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

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

Distributable Income

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Net income (GAAP)	**8,860**	7,887	12.3	**20,617**	18,838	9.4
+ Depreciation of income properties	**13,609**	12,587	8.1	**41,559**	37,691	10.3
- Amortization of below-market leases	**(193)**	(131)	47.3	**(572)**	(384)	49.0
+ Compensation expense related to unit option plan	**109**	176	(38.1)	**432**	477	(9.4)
+ Accretion of liability component of convertible debentures	**10**	10	—	**30**	28	7.1
- Rental income – recognition of leases on straight-line basis	**(729)**	(595)	22.5	**(2,267)**	(2,131)	6.4
- Amortization of fair value adjustments on assumed indebtedness	**(30)**	(32)	(6.3)	**(92)**	(95)	(3.2)
Recurring DI	**21,636**	19,902	8.7	**59,707**	54,424	9.7
DISTRIBUTIONS TO UNITHOLDERS	**19,655**	16,499	19.1	**54,439**	47,963	13.5
Distributions reinvested under the distribution reinvestment plan	**(377)**	(833)	(54.7)	**(1,078)**	(2,053)	(47.5)
Cash distributions	**19,278**	15,666	23.1	**53,361**	45,910	16.2
Per unit information:						
Recurring DI (basic)	**0.40**	0.44	(9.1)	**1.20**	1.20	—
Recurring DI (FD) (1)	**0.39**	0.42	(7.1)	**1.18**	1.17	0.9
DISTRIBUTIONS PER UNIT	**0.360**	0.360	—	**1.080**	1.052	2.7
DI payout ratio	**90.0%**	81.8%		**90.0%**	87.7%	

(1) Fully diluted.

Recurring DI for the third quarter of 2009 amounted to $21.6 million, up 8.7% from the corresponding period of 2008, due mainly to the impact of acquisitions and developments completed since the beginning of 2008 and to the 0.9% increase in same property NOI. Recurring DI per fully diluted unit for the third quarter of 2009 stood at $0.39 compared with $0.42 for the same period of 2008. This decline in per unit income arises primarily from the dilutive effect of unit issues in 2009. Management expects that per unit income will improve when the proceeds of these issues are invested in additions to income properties and/or when development projects are integrated into income properties.

Distributions to unitholders totalled $19.7 million, up 19.1% from the same period of 2008, with per unit distributions remaining at $0.36.

Cominar continuously tailors its growth strategy to market conditions. To offset the significant rise in property prices in recent years, the Fund is committed to construction projects, particularly in the Québec City region. This growth strategy is implemented by the purchase of land for future developments when favourable opportunities arise, both in terms of location and price. However, the substantial investments made during project development phases do not contribute to income growth until projects are completed.

Cominar takes a conservative approach to managing the distributions ratio, which it regards as a key factor in the stability of future distributions. This approach provides greater financial flexibility for our capital expenditures and the implementation of our leasing programs. As at September 30, 2009, the DI payout ratio stood at 90.0%, slightly higher than the corresponding period of 2008. This increase is due primarily to the dilutive effect of units issued under two public offerings in 2009.

Track Record of DI per Unit
(Financial Performance Indicator)

Nine-month periods ended September 30	**2009**	**2008**	**2007**	**2006**	**2005**
DI per unit (basic)	**1.20**	1.20	1.12	1.03	1.00
Recurring distributable income per unit (FD) [1]	**1.18**	1.17	1.09	0.99	0.96

(1) Fully diluted.

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

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

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

The following table presents this reconciliation:

	Quarter		**Cumulative (nine months)**	
Periods ended September 30	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities (GAAP)	**33,998**	29,681	**56,999**	52,022
- Amortization of capitalized leasing costs	**(2,498)**	(1,980)	**(7,485)**	(6,223)
- Amortization of capitalized financing costs and other assets	**(836)**	(438)	**(2,344)**	(1,366)
- Rental income – recognition of leases on straight-line basis	**(729)**	(595)	**(2,267)**	(2,131)
+ Change in non-cash working capital items	**(8,299)**	(6,766)	**14,804**	12,122
Distributable income	**21,636**	19,902	**59,707**	54,424

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:

Nine-month periods ended September 30	2009	2008	2007
Cash flows from operating activities	**56,999**	52,022	58,906
Net income	**20,617**	18,838	22,882
Distributions to unitholders	**54,439**	47,963	39,224
Cash flows from operating activities in excess of distributions to unitholders	**2,560**	4,059	19,682

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

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

FUNDS FROM OPERATIONS

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

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

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

Funds from Operations

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Net income (GAAP)	**8,860**	7,887	12.3	**20,617**	18,838	9.4
+ Depreciation of income properties	**13,609**	12,587	8.1	**41,559**	37,691	10.3
+ Amortization of capitalized leasing costs	**2,498**	1,980	26.2	**7,485**	6,223	20.3
Recurring FFO	**24,967**	22,454	11.2	**69,661**	62,752	11.0
Per unit information:						
Recurring FFO (basic)	0.46	0.49	(6.1)	**1.40**	1.38	1.4
Recurring FFO (FD) (1)	0.44	0.47	(6.4)	**1.35**	1.32	2.3

(1) Fully diluted.

For the third quarter of 2009, FFO rose 11.2% from the same period in 2008 due to acquisitions and developments completed during 2008 and 2009, and organic growth. Recurring FFO per unit fell by 6.4% on a fully diluted basis compared with the third quarter of 2008 due primarily to the dilutive effect of unit issues in 2009. For the first nine months of 2009, recurring FFO per fully diluted unit rose 2.3%.

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

Nine-month periods ended September 30	2009	2008	2007	2006
FFO per unit (basic)	**1.40**	1.38	1.29	1.20
Recurring FFO per unit (FD) [1]	**1.35**	1.32	1.24	1.15

(1) Fully diluted.

ADJUSTED FUNDS FROM OPERATIONS

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

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

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

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

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

Adjusted Funds from Operations

	Quarter			Cumulative (nine months)		
Periods ended September 30	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Funds from operations	**24,967**	22,454	11.2	**69,661**	62,752	11.0
+ Compensation expense related to unit option plan	**109**	176	(38.1)	**432**	477	(9.4)
- Rental income – recognition of leases on straight-line basis	**(729)**	(595)	22.5	**(2,267)**	(2,131)	6.4
- Amortization of below-market leases	**(193)**	(131)	47.3	**(572)**	(384)	49.0
- Amortization of capitalized leasing costs	**(2,498)**	(1,980)	26.2	**(7,485)**	(6,223)	20.3
- Capital expenditures – maintenance of rental income generating capacity	**(596)**	(651)	(8.4)	**(1,502)**	(1,344)	11.8
Recurring AFFO	**21,060**	19,273	9.3	**58,267**	53,147	9.6
Per unit information:						
Recurring AFFO per unit (basic)	**0.39**	0.42	(7.1)	**1.17**	1.17	—
Recurring AFFO (FD) [1]	**0.38**	0.41	(7.3)	**1.15**	1.15	—
DISTRIBUTIONS PER UNIT	**0.360**	0.360	—	**1.080**	1.052	2.7
AFFO payout ratio	**92.3%**	85.7%		**92.3%**	89.9%	

(1) Fully diluted.

Cominar reported $21.1 million in recurring AFFO for the third quarter of 2009, up 9.3% compared with the corresponding period of 2008. Recurring AFFO per unit stood at $0.39, down 7.1% compared with the third quarter of 2008. This decline in per unit income arises primarily from the dilutive effect of share issues in 2009. Management expects that per unit income will improve when the proceeds of these issues are invested in additions to income properties and/or when development projects are integrated into income properties.

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

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

Nine-month periods ended September 30	**2009**	**2008**
AFFO per unit (basic)	**1.17**	1.17
Recurring AFFO per unit (FD) [1]	**1.15**	1.15

(1) Fully diluted.

LIQUIDITY AND CAPITAL RESOURCES

LONG-TERM DEBT

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

Long-Term Debt

Maturity	Balance of convertible debentures ($)	Balance of mortgages payable ($)	Weighted average contractual interest rate (%)
2009		—	—
2010		100,313	4.67
2011		6,742	7.65
2012		19,731	7.01
2013		166,818	4.25
2014	212,844	89,487	5.86
2015		13,605	5.13
2016	115,000	12,995	6.40
2017		128,891	5.38
2018		94,647	5.72
2019		16,169	6.66
2020		—	—
2021		95,473	5.55
2022		33,860	5.35
Total	**327,844**	**778,731**	**5.50**

As at September 30, 2009, the weighted average contractual interest rate of our long-term debt stood at 5.50%, down 13 basis points from December 31, 2008.

MORTGAGES PAYABLE

As at September 30, 2009, mortgages payable amounted to $778.7 million, up $46.4 million from $732.3 million as at December 31, 2008. As of the date hereof, the weighted average contractual interest rate was 5.26%, down 32 basis points from 5.58% as at December 31, 2008.

Cominar has staggered mortgage maturity dates over a number of years to reduce the risks related to renewal. As at September 30, 2009, the residual average term of mortgages payable was 6.3 years.

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

Mortgages Payable

	Quarter		Cumulative (nine months)	
Periods ended September 30, 2009	**$**	**Weighted average contractual interest rate (%)**	**$**	**Weighted average contractual interest rate (%)**
Balances of mortgages payable – beginning of period	783.9	5.49	732.3	5.58
Mortgages payable contracted or assumed	—	—	108.0	4.88
Repayments of balances at maturity	—	—	(47.1)	5.53
Monthly repayments of principal	(5.2)		(14.5)	
Balances of mortgages payable – end of period	**778.7**	**5.26**	**778.7**	**5.26**

The lower weighted average contractual interest rate is due to the renegotiation of the annual fixed interest rate on mortgage payable.

The following table shows mortgage repayments for the coming years:

Repayment of Mortgages Payable

Periods ending December 31	Repayment of capital	Balance at maturity	Total	% of total
2009	5,341	—	5,341	0.7
2010	20,656	98,326	118,982	15.3
2011	20,351	5,855	26,206	3.4
2012	20,495	16,380	36,875	4.7
2013	19,093	147,218	166,311	21.5
2014	14,448	73,556	88,004	11.3
2015	13,092	11,073	24,165	3.1
2016	12,700	6,626	19,326	2.5
2017	11,408	109,423	120,831	15.5
2018	9,776	55,990	65,766	8.4
2019	3,988	4,141	8,129	1.0
2020	3,987	—	3,987	0.5
2021	2,396	67,963	70,359	9.0
2022	262	24,187	24,449	3.1
Total	**157,993**	**620,738**	**778,731**	**100.0**

CONVERTIBLE DEBENTURES

As at September 30, 2009, Cominar had four series of convertible debentures outstanding totalling $327.8 million. These debentures bear interest at contractual rates ranging from 5.7% to 6.5% per annum and mature in 2014 and 2016. As at September 30, 2009, these debentures had a weighted average contractual interest rate of 6.06% per annum.

On September 22, 2009, Cominar issued convertible unsecured subordinated debentures totalling $115 million, bearing interest at 6.5% per annum and maturing on September 30, 2016. Net proceeds were applied against the current balance of debt contracted under the terms of existing credit facilities.

BANK INDEBTEDNESS

In January 2009, Cominar proceeded with the early renewal of its operating and acquisition credit facility with a maximum authorized amount of $255 million. This facility is renewable in June 2010 and bears interest at prime plus 2.0% or the bankers' acceptance rate plus 3.0%. It is secured by a movable and immovable hypothec on specific assets. This credit facility is provided by a syndicate of lenders, and management believes it will remain available in the future. As at September 30, 2009, bank indebtedness totalled $38.5 million, which meant that Cominar had $216.5 million in borrowing capacity under the terms of its available credit facilities.

DEBT RATIO

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

Debt to Gross Carrying Value Ratio

	As at September 30, 2009	As at December 31, 2008
Mortgages payable	**777,212**	730,711
Convertible debentures	**313,583**	203,723
Bank indebtedness	**38,520**	186,987
Total debt	**1,129,315**	1,121,421
Portfolio gross carrying value	**1,944,084**	1,811,932
Overall debt ratio (1) (2)	**58.1%**	61.9%
Debt ratio (excluding convertible debentures)	**42.0%**	50.6%
Borrowing capacity – 65% of gross carrying value (3)	**384,000**	161,000

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

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

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

Debt Ratio Track Record (Financial Performance Indicator)

As at September 30	2009	2008	2007	2006	2005
Overall debt ratio	**58.1%**	57.9%	55.8%	45.0%	49.6%
Debt ratio (excluding convertible debentures)	**42.0%**	45.5%	49.3%	39.1 %	36,6 %
Maximum borrowing capacity under the Contract of Trust	**384,000**	322,000	401,000	307,500	195,000

As at September 30, 2009, Cominar maintained a debt ratio of 58.1%, which is below the maximum debt ratio of 65.0% under its Contract of Trust where convertible debentures are outstanding, and which provides the Trust with the ability to borrow up to an additional $384 million to fund future acquisitions and developments. Cominar's debt ratio currently meets its target of 58% including convertible debentures. In addition, the annualized interest coverage ratio stood at 2.63:1, which compares favourably with its peers, thanks to the REIT's increase in value since inception and its strong capacity to generate cash flows. This situation garners it access to debt markets even under difficult market conditions, as experienced throughout most of 2008.

However, at this time, management does not foresee any difficulties to renew the mortgages maturing in 2010 as it consider that Cominar's current financial situation is very sound. 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 September 30, 2008 and 2009:

Annualized Interest Coverage Ratio

As at September 30	2009	2008
Net income	**26,813**	25,106
- Net income from discontinued operations	**376**	(56)
- Other revenues	**(241)**	(306)
+ Interest on borrowings	**56,947**	47,753
+ Depreciation of income properties	**55,735**	49,754
+ Amortization of capitalized leasing costs	**9,504**	8,009
+ Amortization of other assets	**395**	260
EBITDA (1)	**149,529**	130,520
Interest expense	**56,947**	47,753
Annualized interest coverage ratio (2)(3)	**2.63**	2.73

(1) EBITDA is earnings before interest, income taxes, depreciation and amortization.
(2) The interest coverage ratio is equal to EBITDA (non-GAAP measure) divided by interest expense.
(3) This is a non-GAAP measure and may differ from similar measures presented by other entities.

The interest coverage ratio assesses Cominar's ability to pay interest on its debt using its operating revenues. As at September 30, 2009, the annualized interest coverage ratio stood at 2.63:1, a level considered sound by management, although it's slightly below the 2.73:1 ratio as at September 30, 2008.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMITMENTS

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

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

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

PROPERTY PORTFOLIO

The following table presents information about our property portfolio:

As at September 30	2009	2008
Income properties (at cost)	**1,687,343**	1,486,769
Properties under development and land held for future development	**171,940**	80,131
Other assets	**84,801**	72,238
Portfolio gross carrying value	**1,944,084**	1,639,138

As at September 30	2009	2008
Number of properties	**215**	213
Leasable area (in thousands of sq. ft.)	**18,547**	18,215

Summary by Activity Segment

As at November 11, 2009	Number of properties	Leasable area (sq. ft.)
Office	**38**	5,553,402
Retail	**38**	2,685,867
Industrial and mixed-use	**139**	10,308,088
Total	**215**	18,547,357

Summary by Geographic Location

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

ACQUISITION AND DEVELOPMENT PROGRAM

Over the years, Cominar has achieved much of its growth through high-quality acquisitions based on strict selection criteria in its three activity segments. However, the 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 region, 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.

ACQUISITION

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

CAPITAL EXPENDITURES

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

During the third quarter of fiscal 2009, Cominar incurred $2.9 million ($3.4 million in 2008) of capital expenditures to increase the rental income generating capacity of its properties. Cominar also incurred $0.6 million ($0.7 million in 2008) of capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements. Although made during the period, these expenditures will garner benefits for Cominar over their estimated useful life which extends into the coming years.

Finally, $3.5 million ($3.9 million in 2008) were incurred in the third quarter under capitalized leasing costs, including $0.5 million ($2.0 million in 2008) 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 a major project on Laurier Boulevard in Québec City, namely the construction of "Complexe Jules-Dallaire." One of the largest thoroughfares in Québec City, located at the exit of the bridges connecting the two shores of the St. Lawrence River, Laurier Boulevard is one of the gateways into the city, with many hotels, office buildings and shopping centres. This future property will enjoy an excellent location. In light of current economic uncertainty, Cominar's management elected to postpone construction of the second phase. As a result, the current project will consist of a leasable area of 396,000 square feet, of which approximately 100,000 square feet is reserved for retail space, leaving approximately 296,000 square feet for office space. Cominar's management remains optimistic regarding the delivery of this project in Québec City. The project's pre-lease rate has reached 48.0%, which is satisfactory given the property's current stage of completion. The construction cost is estimated at approximately $74 million, and the capitalization rate is expected to reach 9.3%. Although the project is slightly behind schedule, no significant budget overruns are anticipated. The first retail tenants are slated for February 2010 and the first office tenants during the second quarter of 2010.

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

Work is now complete at the 110,000 square-foot property in St-Bruno, which should facilitate the leasing of this retail space. Cominar remains confident of achieving profitability within a reasonable timeframe. The pre-lease rate stands at 31.0%.

During the first quarter of 2008, Cominar began the final revitalization phase at Les Promenades Beauport shopping centre on du Carrefour Street in Québec City. This project consists in renovating 65,000 square feet and building a 50,000 square-foot expansion, which will increase this shopping centre's total leasable area to approximately 551,000 square feet. The expansion will be primarily devoted to office space. The project's total cost is estimated at $7.9 million with a 9.3% capitalization rate. The pre-lease rate is 70.0%.

In addition, a 50,000 square-foot, two-storey industrial and mixed-use property was completed on 4th Avenue in Lévis, at an estimated cost of $2.9 million with a 9.6% capitalization rate. The property is 61.0% pre-leased.

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

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

Development	City	Activity segment (1)	Completion date	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)	Pre-lease rate (%)
Complexe Jules-Dallaire	Québec	O, R	Q2-2010	396,000	74,000	9.3	48.0
Mégacentre St-Bruno	St-Bruno	R	Q4-2009	110,240	12,600	9.8	31.0
Promenades Beauport	Québec	O, R	Q4-2009	115,000	7,900	9.3	70.0
4^{th} Avenue	Lévis	I	Q4-2009	50,000	2,900	9.6	61.0
Total/Weighted average capitalization rate (estimate)				**671,240**	**97,400**	**9.4**	

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

The expected returns on our ongoing development projects are based on the estimated costs to complete the projects and the anticipated occupancy rates. Actual returns could vary based on actual costs and occupancy rates.

REAL ESTATE OPERATIONS

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

As at September 30	2009	2008
Occupancy rate	**93.8%**	95.2%
Tenant retention rate [1]	**59.4%**	62.7%

(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 September 30, 2009, occupancy stood at 93.8%, down slightly from the end of the previous year, due to the industrial segment properties located in the Montréal area that are most affected by the economic downturn.

Occupancy Track Record (Operational Performance Indicator)

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

	September 30, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
Activity segment (%)					
Office	**94.3**	94.5	94.7	96.0	95.0
Retail	**96.9**	97.1	96.0	94.3	93.6
Industrial and mixed-use	**92.8**	94.0	94.4	93.7	96.2
Portfolio total	**93.8**	94.6	94.7	94.4	95.3

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

Office – The occupancy rate in this activity segment stood at 94.3% as at September 30, 2009, unchanged from a year earlier.

Retail – The occupancy rate in this activity segment held steady at 96.9% compared with the rate as at December 31, 2008.

Industrial and mixed-use – As at September 30, 2009, the occupancy rate in this activity segment is 92.8% down slightly, by 1.2%, over December 31, 2008 due primarily to the impact of the economic downturn.

Cominar's strategy of maintaining geographic and activity segment diversification provides for more stable occupancy rates. For example, the retail segment continues to post a very high occupancy rate of 96.9% due mainly to Cominar's shopping centres in the Québec City region, an area which has shown continued growth despite economic difficulties elsewhere in Canada.

LEASING ACTIVITY

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

Lease Maturities and Renewals by Activity Segment

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2009				
Number of tenants	178	113	244	535
Leasable area (sq. ft.)	563,076	279,096	1,650,626	2,492,798
Average net rent ($)/sq. ft.	10.52	11.09	5.36	7.16
Renewed leases				
Number of tenants	86	78	160	324
Leasable area (sq. ft.)	339,839	173,308	967,245	1,480,392
Average net rent ($)/sq. ft.	11.05	12.77	5.87	7.86
Renewal %	**60.4**	**62.1**	**58.6**	**59.4**
New leases				
Number of tenants	34	34	54	122
Leasable area (sq. ft.)	82,313	84,042	296,375	462,730
Average net rent ($)/sq. ft.	8.88	9.91	5.83	7.12

As indicated in the table above, leasing activity has been satisfactory across our portfolio since the beginning of 2009, with over 59.0% of maturing leases renewed in spite of difficult economic conditions.

We also signed new leases totalling 0.5 million square feet of leasable area. Lease renewal rates rose 6.4% in the office segment and 3.3% in the industrial and mixed-use segment. In the retail segment, lower lease renewals pertaining to significant leasable area, to a movie theatre, resulted in a 3.2% decline in our average renewal rate. Excluding this renewal, the retail sector would have shown a 10.2% increase. This rate is expected to recover gradually between now and the end of the fiscal year. On a cumulative basis, rental rates on renewed leases in the third quarter were similar to those from the corresponding period in fiscal 2008, in spite of the decline experienced in the retail sector.

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

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

Lease Maturities

	2010	2011	2012	2013	2014
Office					
Leasable area (sq. ft.)	744,294	657,841	872,965	496,462	669,054
Lease rate ($)/square foot	10.26	11.72	10.58	11.92	10.38
% of portfolio – Office	13.4%	11.8%	15.7%	8.9%	12.0%
Retail					
Leasable area (sq. ft.)	286,965	312,696	375,503	180,612	187,091
Lease rate ($)/square foot	10.88	9.89	10.62	13.92	12.41
% of portfolio – Retail	10.7%	11.6%	14.0%	6.7%	7.0%
Industrial and mixed-use					
Leasable area (sq. ft.)	1,883,227	1,425,546	1,606,358	1,041,130	1,043,639
Lease rate ($)/square foot	5.45	5.87	6.42	6.31	5.42
% of portfolio – Industrial and mixed-use	18.3%	13.8%	15.6%	10.1%	10.1%
Portfolio total					
Leasable area (sq. ft.)	2,914,486	2,396,083	2,854,826	1,718,204	1,899,784
Lease rate ($)/square foot	7.21	8.00	8.25	8.73	7.86
% of portfolio	15.7%	12.9%	15.4%	9.3%	10.2%

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

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent /sq. ft. ($)
Office	4.1	5,700	11.68
Retail	4.9	3,400	10.95
Industrial and mixed-use	3.8	10,900	5.82
Portfolio average	**4.0**	**6,800**	**8.38**

Cominar has a broad, highly diversified client base, consisting of some 2,500 tenants occupying an average of approximately 6,800 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 6.3%, 4.9% and 4.5% 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 11.2% 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	6.3	722,459
Société immobilière du Québec	4.9	1,033,495
Ericsson Canada Inc.	4.5	402,320
Bertrand distributeur en alimentation (Colabor)	1.6	344,846
LDC Logistics Development Corp.	1.5	527,000
Hudson’s Bay Company	1.3	349,312
National Bank of Canada	0.9	136,093
SITA (Société internationale de télécommunication aéronautique)	0.9	64,236
Alcan Packaging Canada Ltd	0.8	162,000
Breton, Banville et Associés S.E.N.C.	0.8	84,261
Total	**23.5**	**3,826,022**

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 September 30, 2009 and 2008:

	Quarter		Cumulative (nine months)	
Periods ended September 30	**2009**	**2008**	**2009**	**2008**
Units issued and outstanding, beginning of period	**50,695,936**	45,586,805	**45,852,175**	45,272,683
+ Units issued under public offering	**3,783,500**	—	**8,575,550**	—
+ Units issued on exercise of options	**132,800**	105,800	**141,800**	340,500
+ Units issued under distribution reinvestment plan	**21,552**	38,331	**64,263**	91,608
+ Units issued on conversion of convertible debentures	**16,724**	59,018	**16,724**	85,163
Units issued and outstanding, end of period	**54,650,512**	45,789,954	**54,650,512**	45,789,954

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

On July 8, 2009, Cominar issued 3,783,500 units at a unit price of $15.20 for proceeds totalling $57.5 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 (nine months)	
Periods ended September 30	**2009**	**2008**	**2009**	**2008**
Weighted average number of units outstanding, basic	**54,203,613**	45,653,573	**49,922,882**	45,443,917
Dilutive effect of unit options	**246,371**	503,360	**112,191**	415,916
Weighted average number of units outstanding, diluted	**54,449,984**	46,156,933	**50,035,073**	45,859,833
Dilutive effect of convertible debentures	**9,077,641**	8,604,839	**8,748,927**	8,645,576
Weighted average number of units outstanding, fully diluted	**63,527,625**	54,761,772	**58,784,000**	54,505,409

RELATED-PARTY TRANSACTIONS

Michel Dallaire, Alain Dallaire and Michel Paquet, all trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). During the third quarter of 2009, Cominar recorded $0.1 million in net rental income from Dalcon and CFA. The Trust incurred costs of $3.2 million for leasehold improvements performed by Dalcon on its behalf and costs of $16.5 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% undivided ownership interest in the Complexe Jules-Dallaire to a company owned indirectly by the Dallaire family for a purchase price of $2.0 million and entered into a co-ownership agreement with this company. Cominar now has a 95.0% undivided ownership interest in the Complexe, which is currently under construction.

SUBSEQUENT EVENTS

a) On October 29, 2009, the Trust filed a short form base shelf prospectus with securities regulators in each of the provinces of Canada. Accordingly, Cominar may, during the 25-month period that this short form base shelf prospectus remains valid, offer for sale and issue up to $200 million in the aggregate of Cominar units and subscription receipts. The specific variable terms of any offering of units or subscription receipts will be set forth in one or more prospectus supplements.

b) On November 5, 2009, the Trust entered into an Equity Distribution Agreement with a Canadian financial institution who will act as agent for the issuance, at Cominar's discretion, of up to 2 million units by way of at-the-market distributions. The units covered by this agreement will be offered pursuant to the November 5, 2009 prospectus supplement to the short form base shelf prospectus dated October 29, 2009.

c) On November 6, 2009, the Trust acquired a 660,000 square foot property for development, located on Pierre-Bertrand Blvd. near Highway 40, one of the main freeways of Québec City, for the cash consideration of $9.18 million.

UNITHOLDERS TAXATION

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

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

OUTLOOK

Cominar successfully refinanced all of its mortgages payable maturing in fiscal 2009 and extended the maturity of its operating and acquisition credit facility to June 19, 2010. As at September 30, 2009, Cominar's annualized interest coverage ratio remained strong at 2.63:1, and development projects underway representing an investment of $97.4 million and an estimated average capitalization rate of 9.4%, are moving ahead satisfactorily with no significant budget overruns anticipated. As at September 30, 2009, the properties in our portfolio posted an occupancy rate of 93.8%, slightly below the Fund's historical average. Cominar's management remains optimistic due to the resistance to the national and global economic downturn shown across the Québec economy, and particularly in the Québec City region. However, although the Bank of Canada is of the opinion that the economic downturn which hit Canada is now coming to an end and that the economic recovery should accelerate in 2010, we believe that the Montréal region, particularly the industrial segment, will be temporarily more affected than the Québec City and Ottawa regions. As a result, Cominar's occupancy rates could be impacted in the short term. Management will continue to apply an effective and disciplined management approach to its operations, and remains confident that its development projects, land held for future development and healthy balance sheet will allow the Trust to play a leading role in the Québec real estate market.

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 September 30, 2009 and, more specifically, that the design of these controls and procedures provides reasonable assurance that material information about the Trust, including its consolidated entities, 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 third quarter ended September 30, 2009 and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for external purposes in accordance with GAAP.

No changes were made in our internal control over financial reporting during the third quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SIGNIFICANT ACOUNTING ESTIMATES

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

ACQUISITIONS OF INCOME PROPERTIES

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

DEPRECIATION OF INCOME PROPERTIES

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

PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

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

IMPAIRMENT OF LONG -LIVED ASSETS

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

CONVERTIBLE DEBENTURES

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

UNIT OPTION PLAN

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

FINANCIAL INSTRUMENTS

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

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

NEW ACCOUNTING POLICIES

Adopted in 2009

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

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

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

Recently issued

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

Section 1582, *Business Combinations*

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

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

Section 1601, *Consolidated Financial Statements*

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

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

Section 1602*, Non-controlling interests*

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

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

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

Section 3862, *Financial Instruments – Disclosures*

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

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

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

International Financial Reporting Standards (IFRS)

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the adoption of IFRS for the interim and annual periods beginning on or after January 1, 2011 for Canadian profit-oriented publicly accountable enterprises. IFRS will replace 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 our consolidated financial statements prepared in accordance with GAAP to IFRS. We have completed the first two phases of this plan, which entailed primarily the preparation of a diagnostic and project set-up. Phase 3 "Development of accounting positions and identification and development of modifications required for IFRS disclosure" and Phase 4 "Solution implementation" are underway. A multidisciplinary team is working on the development of accounting positions and the implementation of modifications required for the preparation of financial information in accordance with IFRS. The internal Steering Committee approves accounting positions and modifications required for IFRS disclosure and submits its 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 grouping the accounting issues in line with Cominar's operations. Project work is sequenced by priority, in accordance with impact on financial information and implementation complexity. In-depth analysis of accounting standards is currently underway. Items to be modified, processes, systems or other factors have been identified and solutions are already being developed. Work is proceeding according to schedule. Cominar is currently assessing the impact of the future adoption of IFRS on our consolidated financial statements as well as our 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 rentals or for capital appreciation or both. All of Cominar's income properties currently meet this definition. Under IFRS, Cominar must account for its investment properties using either the cost model or the fair value model. The cost model is similar to GAAP. Under the fair value model, any gain or loss arising from a change in the fair value of an investment property is recognized in the statement of income for the period in which it arises. Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. With the fair value model, investment property is not depreciated.

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

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

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

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

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

GENERAL BUSINESS AND ECONOMIC CONDITIONS

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

EXECUTION OF OUR STRATEGY

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

ACQUISITIONS

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

DEVELOPMENT PROGRAM

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

OPERATIONAL RISK

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

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of the tenants and the economic environment in which they operate. The Trust's operating revenues and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their lease obligations or if a significant portion of vacant space in our properties could not be leased under economically favourable lease terms.

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

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

DEBT AND REFINANCING

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

UNITHOLDER LIABILITY

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

COMPETITION

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

GOVERNMENT REGULATION

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

INCOME TAXES

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

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

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

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

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

EXCEPTION FOR REAL ESTATE INVESTMENT TRUSTS

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

As at September 30, 2009, Cominar met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to Cominar. Cominar's management intends to take the necessary steps to meet these conditions on an on-going basis in the future.

RECRUITMENT OF EMPLOYEES AND EXECUTIVES

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

CAPITAL REQUIREMENTS

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST

Unaudited
September 30, 2009

CONSOLIDATED BALANCE SHEETS

[unaudited, in thousands of dollars]

	As at September 30, 2009	As at December 31, 2008
	$	$
		[note 2]
ASSETS		
Income properties *[notes 4, 8 and 10]*		
Buildings	**1,235,078**	1,228,770
Land	**202,128**	199,211
Intangible assets	**67,441**	79,106
	1,504,647	1,507,087
Properties under development *[note 5]*	**128,585**	72,945
Land held for future development *[note 5]*	**43,355**	20,857
Capitalized leasing costs and other assets *[note 6]*	**47,250**	44,141
Prepaid expenses	**11,696**	1,954
Accounts receivable *[note 7]*	**25,855**	21,352
	1,761,388	1,668,336
LIABILITIES		
Mortgages payable *[note 8]*	**777,212**	730,711
Convertible debentures *[note 9]*	**313,583**	203,723
Bank indebtedness *[note 10]*	**38,520**	186,987
Accounts payable and accrued liabilities	**32,357**	34,987
Distributions payable to unitholders	**6,558**	—
	1,168,230	1,156,408
UNITHOLDERS' EQUITY		
Unitholders' equity	**593,158**	511,928
	1,761,388	1,668,336

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

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

	Quarter		Cumulative (nine months)	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Unitholders' contributions *[note 11]*				
Balance, beginning of period	**656,489**	596,455	**600,965**	591,172
Issue of units	**60,049**	3,483	**118,275**	8,766
Underwriters' fees and offering expenses	**(2,504)**	—	**(5,206)**	—
Balance, end of period	**714,034**	599,938	**714,034**	599,938
Cumulative net income				
Balance, beginning of period	**284,156**	258,365	**272,399**	247,779
Change due to new accounting policy *[note 2]*	**—**	—	**—**	(365)
Net income	**8,860**	7,887	**20,617**	18,838
Balance, end of period	**293,016**	266,252	**293,016**	266,252
Cumulative distributions				
Balance, beginning of period	**(397,601)**	(329,544)	**(362,817)**	(298,080)
Distributions to unitholders	**(19,655)**	(16,499)	**(54,439)**	(47,963)
Balance, end of period	**(417,256)**	(346,043)	**(417,256)**	(346,043)
Contributed surplus				
Balance, beginning of period	**1,392**	752	**1,069**	513
Unit option plan	**83**	141	**406**	380
Balance, end of period	**1,475**	893	**1,475**	893
Other equity component *[note 9]*				
Equity component of convertible debentures	**1,889**	312	**1,889**	312
Total unitholders' equity	**593,158**	521,352	**593,158**	521,352

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Quarter		Cumulative (nine months)	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
		[note 2]		*[note 2]*
Operating revenues				
Rental revenue from income properties	**63,133**	56,658	**198,373**	172,985
Operating expenses				
Operating costs	**11,015**	9,771	**37,659**	31,978
Realty taxes and services	**11,922**	10,211	**42,564**	37,121
Property management expenses	**901**	569	**2,624**	1,859
	23,838	20,551	**82,847**	70,958
Operating income before the undernoted	**39,295**	36,107	**115,526**	102,027
Interest on borrowings	**13,284**	12,512	**42,513**	36,364
Depreciation of income properties	**13,609**	12,576	**41,559**	37,657
Amortization of capitalized leasing costs	**2,498**	1,983	**7,485**	6,213
Amortization of other assets	**108**	91	**290**	225
	29,499	27,162	**91,847**	80,459
Operating income from real estate assets	**9,796**	8,945	**23,679**	21,568
Trust administrative expenses	**(980)**	(1,117)	**(3,234)**	(2,980)
Other revenues	**44**	45	**172**	220
Net income from continuing operations	**8,860**	7,873	**20,617**	18,808
Net income from discontinued operations *[note 21]*	**—**	14	**—**	30
Net income and comprehensive income	**8,860**	7,887	**20,617**	18,838
Basic net income per unit *[note 13]*	**0.163**	0.173	**0.413**	0.415
Diluted net income per unit *[note 13]*	**0.163**	0.171	**0.412**	0.411

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Quarter		Cumulative (nine months)	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
OPERATING ACTIVITIES				
Net income	**8,860**	7,887	**20,617**	18,838
Items not affecting cash:				
Depreciation of income properties	**13,609**	12,587	**41,559**	37,691
Amortization of below-market leases	**(193)**	(131)	**(572)**	(384)
Amortization of capitalized leasing costs	**2,498**	1,980	**7,485**	6,223
Amortization of capitalized financing costs and other assets	**836**	438	**2,344**	1,366
Amortization of fair value adjustments on assumed indebtedness	**(30)**	(32)	**(92)**	(95)
Accretion of liability component of convertible debentures	**10**	10	**30**	28
Compensation expense related to unit option plan	**109**	176	**432**	477
	25,699	22,915	**71,803**	64,144
Change in non-cash working capital items *[note 16]*	**8,299**	6,766	**(14,804)**	(12,122)
	33,998	29,681	**56,999**	52,022
INVESTING ACTIVITIES				
Additions to income properties *[note 4]*	**(3,486)**	(4,008)	**(34,507)**	(60,626)
Additions to properties under development and land held for future development *[note 5]*	**(19,195)**	(7,957)	**(70,724)**	(18,954)
Net proceeds on disposal of share in a property held in co-ownership *[note 15]*	**—**	—	**2,015**	—
Deposit for future acquisition	**—**	(6,000)	**—**	(6,000)
Capitalized leasing costs	**(3,520)**	(3,857)	**(12,408)**	(12,783)
Other assets	**(269)**	(103)	**(495)**	(1,724)
	(26,470)	(21,925)	**(116,119)**	(100,087)
FINANCING ACTIVITIES				
Mortgages payable	**(89)**	—	**94,073**	111,232
Repayment of mortgages payable	**(5,174)**	(4,026)	**(61,583)**	(143,889)
Net proceeds from issue of convertible debentures	**110,662**	—	**110,662**	—
Bank indebtedness	**(150,973)**	10,325	**(148,902)**	122,251
Net proceeds from issue of units *[note 11]*	**56,870**	1,579	**111,799**	5,001
Distributions to unitholders	**(18,824)**	(15,634)	**(46,929)**	(46,530)
	(7,528)	(7,756)	**59,120**	48,065
Net change in cash and cash equivalents	**—**	—	**—**	—
Cash and cash equivalents, beginning of period	**—**	—	**—**	—
Cash and cash equivalents, end of period	**—**	—	**—**	—

See accompanying notes to interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1. DESCRIPTION OF THE TRUST

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

2. NEW ACCOUNTING POLICIES

Adopted in 2009

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

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

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

Consolidated balance sheet

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

Consolidated statement of unitholders' equity

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

Consolidated statement of income and comprehensive income

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

Recently issued

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

Section 1582, Business Combinations

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

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

Section 1601, Consolidated Financial Statements

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

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

Section 1602, Non-controlling Interests

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

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

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

Section 3862, Financial Instruments – Disclosures

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

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

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

International Financial Reporting Standards (IFRS)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Use of estimates

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

Revenue recognition

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

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

Cash and cash equivalents

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

Income properties

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

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

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

Properties under development and land held for future development

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

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

Disposal of income properties

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

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

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

Capitalized leasing costs and other assets

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

Impairment of long-lived assets

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

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

Financial Instruments

Cominar used the following classifications:

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

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

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

Unit option plan

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

Per unit calculations

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

4. INCOME PROPERTIES

	As at September 30, 2009		
	Cost $	Accumulated depreciation $	Amortized cost $
Buildings	**1,368,766**	**133,688**	**1,235,078**
Land	**202,128**	**—**	**202,128**
Intangible assets			
In-place operating leases	**82,816**	**40,729**	**42,087**
Client relationships	**30,534**	**6,419**	**24,115**
Acquired leasehold improvements	**3,099**	**1,860**	**1,239**
	116,449	**49,008**	**67,441**
	1,687,343	**182,696**	**1,504,647**

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

Additions to income properties

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

The following table shows the net assets acquired:

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

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

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

The following table shows the net assets acquired:

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

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

During the first nine months of 2009, Cominar continued to develop its income properties. Capital expenditures included additions, expansions, modernizations, modifications and upgrades to existing properties with a view to increasing or maintaining the production capacity of its real estate portfolio. As at September 30, 2009, outlays related to these investments totalled $9,713 [$16,820 in 2008].

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the first nine months of 2009, Cominar capitalized $4,967 [$2,834 in 2008] in interest to properties under development and land held for future development.

During the first nine months of 2009, Cominar pursued its property development and land acquisition for future development activities, with outlays totalling $70,724 [$18,954 in 2008]. Projects underway as at September 30, 2009 represent estimated constructions of over $23,647 in coming years, assuming work proceeds according to plan.

6. CAPITALIZED LEASING COSTS AND OTHER ASSETS

	As at September 30, 2009 $	As at December 31, 2008 $ *[note 2]*
At amortized cost		
Capitalized leasing costs	**44,758**	41,855
Other assets	**2,492**	2,286
	47,250	44,141

7. ACCOUNTS RECEIVABLE

	As at September 30, 2009 $	As at December 31, 2008 $
Receivables	**10,934**	8,301
Receivables – recognition of leases on straight-line basis	**12,119**	9,852
Other receivables, bearing interest at a weighted average effective rate of 7.36% as at September 30, 2009 [7.38% as at December 31, 2008]	**1,918**	2,143
Deposits in advance of work to be performed	**884**	1,056
	25,855	21,352

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties with a net carrying value of $1,137,033 [$1,085,684 as at December 31, 2008]. The mortgages payable bear contractual interest at rates ranging from 2.19% to 11.00% per annum [4.22% to 11.00% as at December 31, 2008] representing a weighted average rate of 5.26% as at September 30, 2009 [5.58% as at December 31, 2008] and are renewable at various dates from March 2010 to March 2022. As at September 30, 2009, the weighted average effective rate was 5.25% [5.54% as at December 31, 2008]. Some mortgages payable contain restrictive covenants that were met as at September 30, 2009.

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

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

Mortgage repayments are as follows:

Periods ending December 31	Repayment of principal $	Balance at maturity $	Total $
2009	5,341	—	**5,341**
2010	20,656	98,326	**118,982**
2011	20,351	5,855	**26,206**
2012	20,495	16,380	**36,875**
2013	19,093	147,218	**166,311**
2014 and thereafter	72,057	352,959	**425,016**
	157,993	620,738	**778,731**
Plus: fair value adjustments on assumed mortgages			**246**
Less: unamortized financing costs			**(1,765)**
			777,212

All mortgages payable bear interest at fixed rates.

9. CONVERTIBLE DEBENTURES

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

	As at September 30, 2009					As at December 31, 2008
	Series A	**Series B**	**Series C**	**Series D**	**Total**	**Total**
Contractual interest rate	**6.30%**	**5.70%**	**5.80%**	**6.50%**		
Effective interest rate	**6.89%**	**6.42%**	**6.60%**	**7.47%**		
Issue date	**September 2004**	**May 2007**	**October 2007**	**September 2009**		
Conversion price per unit	**$17.40**	**$27.50**	**$25.25**	**$20.50**		
Interest payment dates	**June 30 & December 31**	**June 30 & December 31**	**March 31 & September 30**	**March 31 & September 30**		
Redemption date at Cominar's option	**June 2008**	**June 2010**	**September 2010**	**September 2012**		
Maturity date	**June 2014**	**June 2014**	**September 2014**	**September 2016**		
	$	**$**	**$**	**$**	**$**	$
Balance, beginning of period	**22,635**	**80,500**	**110,000**	**—**	**213,135**	214,617
Issuance	**—**	**—**	**—**	**115,000**	**115,000**	—
Holders' option conversions	**(291)**	**—**	**—**	**—**	**(291)**	(1,482)
Balance, end of period	**22,344**	**80,500**	**110,000**	**115,000**	**327,844**	213,135
Less: unamortized financing costs and equity component of convertible debentures					**(14,261)**	(9,412)
					313,583	203,723

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

In accordance with *CICA Handbook* Section 3855 and Section 3861, convertible debentures have been recorded as liabilities in the balance sheet, net of the $1,889 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.

On September 22, 2009, Cominar issued convertible unsecured subordinated debentures totalling $115,000, bearing interest at 6.50% per annum and maturing on September 30, 2016.

During the first nine months of 2009, 291 Series A convertible debentures [1,482 in 2008] were converted into 16,724 units [85,163 in 2008] at a conversion price of $17.40 per unit, for a total of $291 [$1,482 in 2008].

10. BANK INDEBTEDNESS

Cominar has an operating and acquisition credit facility of up to $255,000 [$255,000 as at December 31, 2008]. This credit facility, subject to annual renewal, bears interest at prime plus 2.00% [0.25% in 2008] or at the bankers' acceptance rate plus 3.00% [1.50% in 2008]. This credit facility is secured by a movable and immovable hypothec on specific assets, including the carrying value of immovable property totalling $274,094 as at September 30, 2009 [$252,491 as at December 31, 2008]. As at September 30, 2009, the prime rate was 2.25% [3.50% as at December 31, 2008]. This credit facility contains certain covenants which were met as at September 30, 2009.

11. ISSUED AND OUTSTANDING UNITS

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

During the first nine months of 2009, Cominar issued 8,798,337 units, consisting of 8,575,550 units pursuant to a public offering, 141,800 units via the exercise of options, 64,263 units under the distribution reinvestment plan and 16,724 units under the convertible debenture agreement. The issuance of these units resulted in net proceeds of $111,799.

During the first nine months of 2008, Cominar issued 517,271 units, consisting of 340,500 units on the exercise of options, 91,608 units under the distribution reinvestment plan and the balance of 85,163 units on the conversion of convertible debentures. The issuance of these units resulted in net proceeds of $5,001.

Three-month periods ended September 30	2009		2008	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**50,695,936**	**656,489**	45,586,805	596,455
Units issued under public offering	**3,783,500**	**55,005**	—	—
Units issued on exercise of options	**132,800**	**1,865**	105,800	1,579
Units issued under distribution reinvestment plan	**21,552**	**357**	38,331	841
Units issued on conversion of convertible debentures	**16,724**	**291**	59,018	1,027
Reversal of contributed surplus on exercise of options	**—**	**27**	—	36
Units issued and outstanding, end of period	**54,650,512**	**714,034**	45,789,954	599,938

Nine-month periods ended September 30	2009		2008	
	Units	$	Units	$
Units issued and outstanding, beginning of period	**45,852,175**	**600,965**	45,272,683	591,172
Units issued under public offerings	**8,575,550**	**109,808**	—	—
Units issued on exercise of options	**141,800**	**1,991**	340,500	5,001
Units issued under distribution reinvestment plan	**64,263**	**952**	91,608	2,185
Units issued on conversion of convertible debentures	**16,724**	**291**	85,163	1,482
Reversal of contributed surplus on exercise of options	**—**	**27**	—	98
Units issued and outstanding, end of period	**54,650,512**	**714,034**	45,789,954	599,938

Unit repurchase program

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

Unit option plan

Cominar has granted options to management and employees for the purchase of units under a unit option plan. A maximum of 4,530,257 units may be issued under the plan. As at September 30, 2009, options for the purchase of 3,149,600 units were outstanding and 918,957 options could be granted under the plan.

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

			As at September 30, 2009		
Date of grant	**Graded vesting method**	**Maturity date**	**Exercise price $**	**Outstanding options**	**Exercisable options**
November 13, 2003	20%	November 13, 2010	14.00	698,100	698,100
April 8, 2005	25%	November 13, 2010	17.12	111,000	111,000
May 23, 2006	20%	May 23, 2013	18.90	388,000	210,000
May 15, 2007	50%	May 15, 2014	23.59	30,000	30,000
February 6, 2008	33 1/3%	February 6, 2013	18.68	857,500	289,700
December 19, 2008	33 1/3%	December 19, 2013	15.14	1,065,000	—
				3,149,600	**1,338,800**

Three-month periods ended September 30	**2009**		**2008**	
	Options	**Weighted average exercise price $**	**Options**	**Weighted average exercise price $**
Outstanding, beginning of period	**3,357,100**	**16.42**	2,471,300	17.02
Exercised	**(132,800)**	**14.06**	(105,800)	14.96
Granted	**—**	**—**	—	—
Cancelled	**(74,700)**	**18.58**	—	—
Outstanding, end of period	**3,149,600**	**16.46**	2,365,500	17.11

Nine-month periods ended September 30	**2009**		**2008**	
	Options	**Weighted average exercise price $**	**Options**	**Weighted average exercise price $**
Outstanding, beginning of period	**3,504,700**	**16.45**	1,782,000	15.84
Exercised	**(141,800)**	**14.05**	(340,500)	14.74
Granted	**—**	**—**	932,700	18.68
Cancelled	**(213,300)**	**17.81**	(8,700)	18.68
Outstanding, end of period	**3,149,600**	**16.46**	2,365,500	17.11
Exercisable options, end of period	**1,338,800**	**16.25**	1,063,500	15.05

Unit-based compensation

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

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

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

Unitholder distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units equal to 105% of the cash distributions. For the nine-month period ended September 30, 2009, 64,263 units [91,608 units in 2008] were issued for a total consideration of $952 [$2,185 in 2008] under this plan.

12. INCOME TAXES

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

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

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

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

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

Exception for real estate investment trusts (REITs)

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

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

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

13. PER UNIT CALCULATIONS

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

	Quarter		Cumulative (nine months)	
Periods ended September 30	**2009**	**2008**	**2009**	**2008**
Weighted average number of units outstanding – basic	**54,203,613**	45,653,573	**49,922,882**	45,443,917
Effect of dilutive unit options	**246,371**	503,360	**112,191**	415,916
Weighted average number of units outstanding – diluted	**54,449,984**	46,156,933	**50,035,073**	45,859,833

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

14. DISTRIBUTIONS

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

	Quarter		Cumulative (nine months)	
Periods ended September 30	**2009**	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Distributions to unitholders	**19,655**	16,499	**54,439**	47,963
Distributions per unit	**0.360**	0.360	**1.080**	1.052

15. INVESTMENTS IN CO-OWNED PROPERTIES

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

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

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

	September 30, 2009	December 31, 2008
	$	**$**
Assets	**65,719**	—
Liabilities	**2,022**	—

Nine-month periods ended September 30	2009	2008
	$	$
Operating revenues	—	204
Operating expenses	—	61
Net operating income	—	143
Cash flows from operating activities	—	143
Cash flows from investing activities[1]	23,386	—
Cash flows from financing activities	—	—

(1) Period from May 4, 2009 to September 30, 2009.

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Quarter		Cumulative (nine months)	
Periods ended September 30	2009	2008	2009	2008
	$	$	$	$
Prepaid expenses	9,148	6,875	(9,742)	(7,162)
Accounts receivable	259	2,563	(4,503)	(1,153)
Accounts payable and accrued liabilities	(1,108)	(2,582)	(559)	(3,807)
	8,299	6,766	(14,804)	(12,122)
Other information				
Interest paid	17,746	12,970	44,998	38,328
Unpaid leasing costs	1,368	3,314	1,368	3,314
Additions to income properties and properties under development by assumption of mortgages payable	—	—	13,521	1,218
Unpaid additions to income properties and properties under development	5,454	6,815	5,454	6,815
Income property transferred to properties under development	—	—	11,248	—
Property under development transferred to income properties	—	—	—	4,395

17. RELATED PARTY TRANSACTIONS

During the first nine months of 2009, Cominar entered into transactions with companies controlled by unitholders who are also members of the Trust's management. These transactions were 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 (nine months)	
Periods ended September 30	2009	2008	2009	2008
	$	$	$	$
Rental revenue from income properties	130	208	413	671
Income properties and properties under development	16,515	10,326	41,696	22,694
Capitalized leasing costs and other assets	3,183	4,831	11,380	10,930
Accounts receivable			284	110
Accounts payable and accrued liabilities			5,887	8,437

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

18. CAPITAL MANAGEMENT

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

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

Cominar's capital structure was as follows:

	As at September 30, 2009 $	As at December 31, 2008 $
Mortgages payable	**777,212**	730,711
Convertible debentures	**313,583**	203,723
Bank indebtedness	**38,520**	186,987
Unitholders' equity	**593,158**	511,928
Total of capital	**1,722,473**	1,633,349
Overall debt ratio (1)	**58.1%**	61.9%
Debt ratio (excluding convertible debentures)	**42.0%**	50.6%
Interest coverage ratio (2)	**2.63**(3)	2.68

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

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

(3) Annualized.

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, Cominar's total debt exceeds 60% of the gross carrying value of Cominar, defined as total assets and accumulated depreciation of income properties (65% if convertible debentures are outstanding). As at September 30, 2009, Cominar maintained a debt ratio of 58.1%, including convertible debentures.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As such, as at September 30, 2009, the annualized interest coverage ratio was 2.63:1, reflecting the Trust's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

19. FINANCIAL INSTRUMENTS

Fair value

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

	As at September 30, 2009		As at December 31, 2008	
	Carrying value $	Fair value $	Carrying value $	Fair value $
FINANCIAL ASSETS				
Held for trading				
Cash and cash equivalents	—	—	—	—
Loans and receivables				
Accounts receivable	**25,855**	**25,855**	21,352	21,352
Total financial assets	**25,855**	**25,855**	21,352	21,352
FINANCIAL LIABILITIES				
Other financial liabilities				
Mortgages payable(1)	**778,731**	**751,429**	732,293	712,409
Convertible debentures(1)	**327,844**	**325,530**	213,135	220,330
Bank indebtedness	**38,520**	**38,520**	186,987	186,987
Accounts payable and accrued liabilities(2)	**31,555**	**31,555**	34,158	34,158
Distributions payable to unitholders	**6,558**	**6,558**	—	—
Total financial liabilities	**1,183,208**	**1,153,592**	1,166,573	1,153,884

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

(2) Excludes commodity taxes payable of $802 [$829 in 2008].

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

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

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

Risk management

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

Credit risk

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

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

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

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

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

Interest rate risk

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

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

Mortgages payable and convertible debentures bear interest at fixed rates.

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

A 25 basis point increase or decrease in the average interest rate during the period, assuming all other variables held constant, would have resulted in a $320 increase or decrease in Cominar's net income for the period ended September 30, 2009.

Liquidity risk

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

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

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

		Maturity		
	Carrying value	**Under one year**	**One to five years**	**Over five years**
Mortgages payable *[note 8]*	778,731	93,550	326,061	359,120
Convertible debentures *[note 9]*	327,844	—	212,844	115,000
Bank indebtedness *[note 10]*	38,520	38,520	—	—
Accounts payable and accrued liabilities	31,555	24,727	6,828	—
Distributions payable to unitholders	6,558	6,558	—	—
	1,183,208	163,355	545,733	474,120

20. SEGMENTED INFORMATION

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

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

Three-month period ended September 30, 2009	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	30,885	12,111	20,137	63,133
Depreciation of income properties	7,635	1,580	4,394	13,609
Net operating income(1)	18,342	7,264	13,689	39,295

Three-month period ended September 30, 2009	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	24,430	11,865	20,363	56,658
Depreciation of income properties	6,178	1,557	4,841	12,576
Net operating income(1)	14,490	7,249	14,368	36,107

Nine-month period ended September 30, 2009	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	96,760	36,220	65,393	198,373
Depreciation of income properties	23,074	4,718	13,767	41,559
Net operating income(1)	54,789	20,923	39,814	115,526
Income properties (amortized cost)	755,272	237,464	511,911	1,504,647

Nine-month period ended September 30, 2009	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	74,651	35,670	62,664	172,985
Depreciation of income properties	18,554	4,624	14,479	37,657
Net operating income(1)	41,972	20,757	39,298	102,027
Income properties (amortized cost)	572,013	244,556	534,498	1,351,067

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

21. CONTINUED OPERATIONS

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

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

Periods ended September 30	Quarter 2009 $	2008 $	Cumulative (nine months) 2009 $	2008 $
Net operating income	—	53	—	165
Depreciation of income properties	—	11	—	34
Amortization of capitalized leasing costs	—	(2)	—	11
Interest on borrowings	—	30	—	90
Net income from discontinued operations	—	14	—	30
Basic and diluted net income per unit	—	0.000	—	0.000

22. CONTINGENCIES

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

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

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

23. COMMITMENTS

The annual future payments required under emphyteutic leases expiring between 2046 and 2047, on land for two income properties having a total net carrying value of $57,354, are as follows:

Total Periods ending December 31	$
2009	121
2010	486
2011	491
2012	526
2013	526
2014 and thereafter	24,749

24. SUBSEQUENT EVENTS

a) On October 29, 2009, the Trust filed a short form base shelf prospectus with securities regulators in each of the provinces of Canada. Accordingly, Cominar may, during the 25-month period that this short form base shelf prospectus remains valid, offer for sale and issue up to $200 million in the aggregate of Cominar units and subscription receipts. The specific variable terms of any offering of units or subscription receipts will be set forth in one or more prospectus supplements.

b) On November 5, 2009, the Trust entered into an Equity Distribution Agreement with a Canadian financial institution who will act as agent for the issuance, at Cominar's discretion, of up to 2 million units by way of at-the-market distributions. The units covered by this agreement will be offered pursuant to the November 5, 2009 prospectus supplement to the short form base shelf prospectus dated October 29, 2009.

c) On November 6, 2009, the Trust acquired a 660,000 square foot property for development, located on Pierre-Bertrand Blvd. near Highway 40, one of the main freeways of Québec City, for the cash consideration of $9.18 million.

25. COMPARATIVE FIGURES

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

CORPORATE INFORMATION

BOARD OF TRUSTEES

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

OFFICERS

UNITHOLDER INFORMATION

COMINAR REAL ESTATE INVESTMENT TRUST

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LISTING

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

TRANSFER AGENT

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LEGAL COUNSEL

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AUDITORS

Ernst & Young LLP

UNITHOLDER DISTRIBUTION REINVESTMENT PLAN

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

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

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