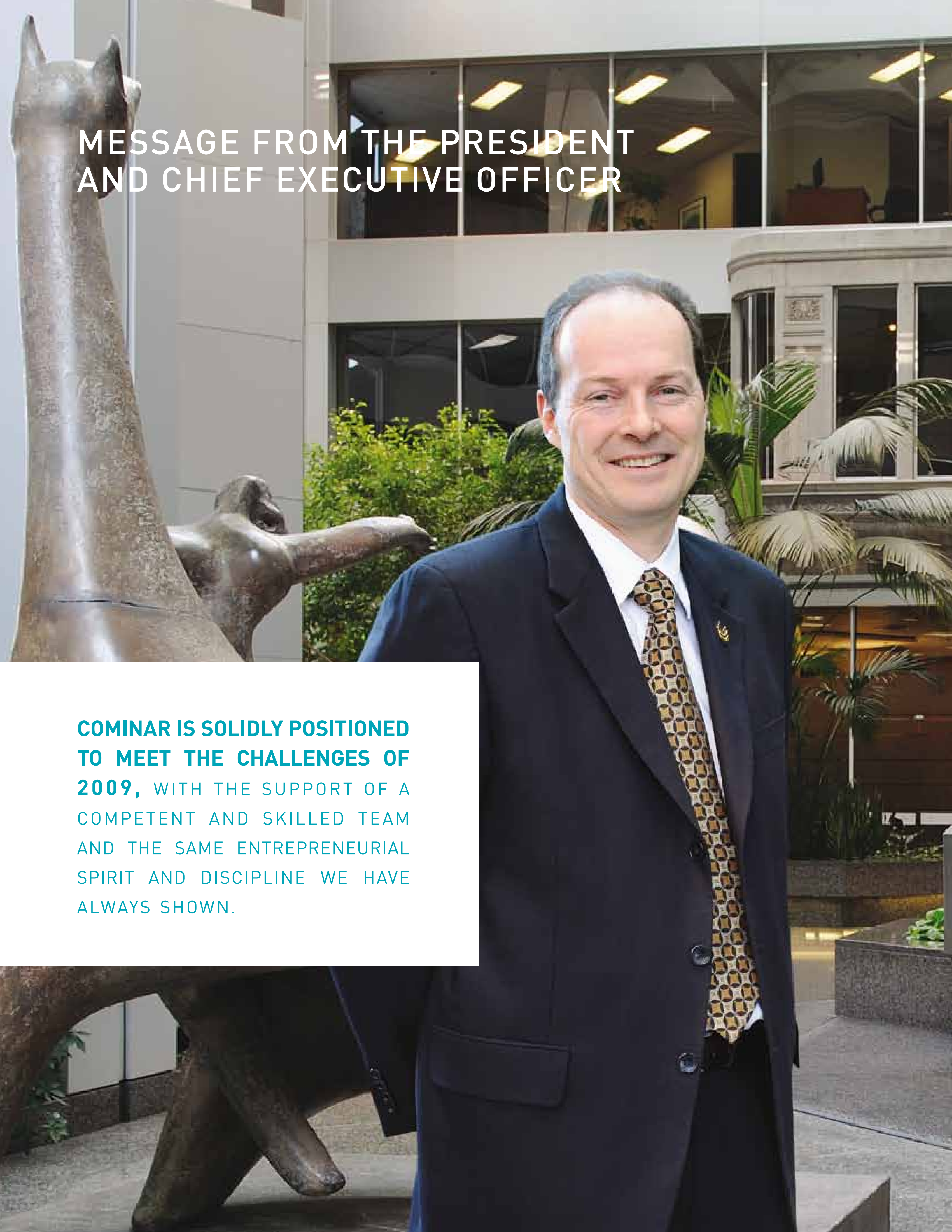
Stability Through Turbulent Times

MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year ended December 31, 2008

COMINAR REAL ESTATE INVESTMENT TRUST

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



COMINAR IS SOLIDLY POSITIONED TO MEET THE CHALLENGES OF 2009, WITH THE SUPPORT OF A COMPETENT AND SKILLED TEAM AND THE SAME ENTREPRENEURIAL SPIRIT AND DISCIPLINE WE HAVE ALWAYS SHOWN.

The year 2008 marked the 10th anniversary of the REIT. It was also our 10th consecutive year of increased revenues, net operating income and distributions paid to unitholders, and our 10th year of continued property portfolio expansion. Despite the economic turbulence of 2008, which had a severe impact on financial markets, the REIT achieved its objectives and once again turned in a solid, well-balanced performance. Operating revenues increased by 29%, net operating income by 28%, recurring distributable income by 18% and distributions by 17%, while occupancy rates remained high and stable. In 2008, the REIT's unit recorded the third-best market performance of all Canadian real estate investment trusts.

These 10 years of growth and expansion have provided the REIT with the stability it needs to face challenging conditions and meet commitments to unitholders. During these times of turmoil and investor unease, unitholders can rely on the security it offers through a combination of strategic assets and complementary strengths.

A HIGH-QUALITY REAL ESTATE PORTFOLIO GENERATING SUSTAINED GROWTH.

Since the REIT's inception, we have completed a series of acquisitions and construction and development projects that have increased the gross book value of our real estate assets seven-fold, from $244.6 million to $1.8 billion, for the 215 properties now comprising the REIT's portfolio. These acquisitions and developments all contributed to the 360% increase in distributable income and 325% increase in distributions compared with 1999. It is owing first to a cautious expansion strategy that we have achieved this growth, by means of a disciplined selection of acquisitions and development projects based on strict criteria, mainly the ratio of the cost and debt of a project to its short- and long-term profitability.

After a record expansion year in 2007, we more than doubled our $100 million annual investment target for 2008 by acquiring properties for $213.6 million that added a leasable area of 1.2 million square feet to our portfolio. Among these is the office tower located at 2001 McGill College Avenue in Montreal.

During the year, we also completed development projects of $10.8 million at a 9.8% capitalization rate. Currently underway are planned developments representing a total investment of $97.4 million and a leasable area of approximately 0.7 million square feet, at an estimated average capitalization rate of 9.4%. Ongoing developments include the final revitalization phase of Les Promenades Beauport shopping centre in Quebec City and the large retail and office project on Laurier Boulevard, one of Quebec City's major thoroughfares. The first phase of this construction, a 17-storey tower covering nearly 0.4 million square feet, is underway; regarding the second phase, we deemed it prudent to postpone it indefinitely, in light of the current economic climate.

DIVERSIFICATION OF THE PROPERTY PORTFOLIO AND CUSTOMER BASE ALLOWING SOUND RISK MANAGEMENT.

From the outset, our strategy of diversifying our acquisitions and developments by sector and geographic area has greatly contributed to the stability of operating revenues and distributions paid to unitholders. In 2008, our activities in the office, retail and industrial and mixed-use sectors accounted for 42.2%, 20.0% and 37.8%, respectively, of the year's net operating income.

Over the past decade, we have expanded our presence in three regions that enjoy an enviable economic vitality: our portfolio continues to grow in the Quebec City region, where we are consolidating our leadership position; we have established a solid presence in the Montreal region, where we own 117 properties covering more than 11.0 million square feet; and we have been present in the Ottawa region since 2007.

Our high-quality acquisitions and developments in three sectors and three geographic markets have also enabled us to diversify our client base — which includes several thousands of loyal tenants occupying an average of 6,900 square feet. Over the past five years, the average occupancy rate of our properties has remained relatively stable at around 95%, attesting to the satisfaction of our clients. Moreover, our two largest clients — Public Works Canada and Société immobilière du Québec — account, respectively, for 6.2% and 5.3% of our operating revenues and hold several leases with staggered expiries. Considering the current economic climate, it is important to point out that 12% of our revenues are generated by our government agency clientele, while less than 1% stem from manufacturing companies, most of which use the leased space for warehousing and logistics purposes.

MARKETS BENEFITING FROM A RESILIENT ECONOMY, EVEN UNDER CHALLENGING CONDITIONS, AND WHERE WE MAINTAIN SOLID OCCUPANCY RATES.

Quebec City is among the six most productive metropolitan areas in Canada. In fact, the Quebec City region enjoys good stability, thanks to an economy driven mainly by the services industry and government agencies, and to a low unemployment rate. In the office property sector, there is a 3.3% vacancy rate, one of the lowest in the country, and quality rentals are in high demand. In 2008, our property portfolios in the Quebec City and Ottawa regions together generated more than 47% of our net operating income. According to the Conference Board of Canada, Quebec City could experience GDP growth of 1.7% in 2009, confirming this market's sustained vitality.

In the Montreal region, which accounted for nearly 53% of our net operating income in 2008, most of our office buildings are located in the suburbs, which usually perform better in an economic downturn. Furthermore, most of our properties are industrial and mixed-use, which are, in general, less affected by cyclical lows.

In 2008, our overall occupancy rate held steady at 94.6%, the same as in 2007, and our leasing activities remained stable in our three markets and three sectors, particularly the office and retail sectors where, respectively, 77.4% and 96.1% of expiring leases were renewed - an excellent performance. In 2009, only 14.0% of our leases will expire, mainly for industrial and mixed-use properties, which is our most stable sector.

INTEGRATED OPERATIONS MANAGEMENT PROMOTING QUALITY CUSTOMER SERVICE AND THE REIT'S PROFITABILITY.

A practice of integrated operations management is one of the REIT's greatest strengths. Managing our own assets and properties not only means we are exempt from property management fees, but we also have better day-to-day control over our operations and operating costs and are more able to prevent customer service deficiencies. Ultimately, it is our clients who benefit from better service conditions and who are loyal in return, as reflected by our high retention rates – as well as our unitholders who receive stable, growing distributions.

Our proactive and integrated operations management allows us to generate one of the best operating profit margins among all Canadian real estate investment trusts, and we are in an ongoing process of improving our operations. That requires teamwork, excellent know-how and high-quality performance – and we have these strong fundamentals at Cominar. In 2008, our operating profit margin stood at approximately 60%, within the average of past years.

DISCIPLINED FINANCIAL MANAGEMENT PROVIDING US WITH THE FLEXIBILITY TO SEIZE ATTRACTIVE EXPANSION OPPORTUNITIES AND MAINTAIN STABLE DISTRIBUTIONS.

In order to seize the best expansion opportunities for the REIT, we have always applied the fundamental principles of sound operational and financial management. We stagger our mortgages payable over several years in order to reduce renewal-related risk, and we limit the use of financial leverage so as to ensure the stability of distributions, even in the most difficult economic times. Since our strong expansion in 2007, our debt ratio has been slightly higher than in the past, standing at 61.9%. Nevertheless, this rate remains below the maximum of 65% allowed by our Contract of Trust when convertible debentures are outstanding. Our interest coverage ratio also remains conservative at 2.7:1 thanks to the operating revenues we achieved in 2008.

Consequently, the REIT continues to enjoy a solid financial position, which makes it much easier to refinance its debt. We have already renewed or refinanced all mortgages expiring in 2009, and we also renewed our operating credit facility prior to maturity.

The REIT is solidly positioned to meet the challenges of 2009, with the support of a competent skilled team and the same entrepreneurial spirit and discipline we have always shown. Building on the strength of our organization and our financial stability, we are confident we will seize and create further opportunities in 2009, while being doubly prudent in the current economic context.

As mentioned previously, our portfolio is made up of high-quality assets that enable us, year after year, to increase our funds from operations and thereby ensure the stability of distributions. To date, our growth strategy has allowed us to weather cyclical lows and challenging conditions.

Considering our strong expansion in 2007 and 2008, we will make it a priority to further consolidate and improve our operational processes, without disregarding our portfolio's growth in 2009. We will pursue our ongoing projects and will consider any new development and acquisition opportunities that meet our criteria of quality and profitability over the short and long term.

In conclusion, the REIT will take the measures needed to face the challenges of the current economic and financial climate. It has the expertise, team, outstanding assets and financial health to achieve another sound performance in 2009.

We will continue to prove that we can meet expectations of our unitholders, whom we thank for their loyalty to Cominar. We would also like to express our gratitude to all our trustees for their advice and constant support, as well as to all our team members who share the REIT's objectives and ensure that we can successfully meet challenges.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT") for the year ended December 31, 2008, in comparison with the year ended December 31, 2007, as well as its financial position at that date and its outlook. Dated March 16, 2009, this MD&A reflects all significant information available as of that date and should be read in conjunction with the consolidated financial statements and accompanying notes included in this report. Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square-foot amounts, and are based on 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 MD&A.

TABLE OF CONTENTS

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 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 MD&A.

NON-GAAP FINANCIAL MEASURES

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

2008 HIGHLIGHTS

- INCREASE OF:
  - 29% IN OPERATING REVENUES
  - 28% IN NET OPERATING INCOME
  - 18% IN RECURRING DISTRIBUTABLE INCOME
  - 19% IN RECURRING FUNDS FROM OPERATIONS
  - 18% IN RECURRING ADJUSTED FUNDS FROM OPERATIONS
  - 17% IN DISTRIBUTIONS

- MAINTENANCE OF A STABLE OCCUPANCY RATE OF 94.6%

- RENEWAL RATES UP IN ALL THREE SECTORS OF ACTIVITY

- CONSERVATIVE INTEREST COVERAGE RATIO OF 2.68:1

- ACQUISITION OF PROPERTIES REPRESENTING CLOSE TO 1.2 MILLION SQUARE FEET OF LEASABLE AREA AND A $213.6 MILLION INVESTMENT

- DEVELOPMENT PIPELINE AS AT DECEMBER 31, 2008 REPRESENTING A TOTAL INVESTMENT OF $97.4 MILLION AND ADDING APPROXIMATELY 0.7 MILLION SQUARE FEET OF LEASABLE AREA TO OUR PORTFOLIO

- KORN/FERRY – COMMERCE MAGAZINE AWARD FOR THE BEST BOARD OF DIRECTORS IN 2008 IN THE MEDIUM-SIZED BUSINESS CATEGORY IN RECOGNITION OF THE COMMITMENT OF OUR BOARD OF DIRECTORS TO ROBUST GOVERNANCE PRACTICES

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the years ended December 31,	2008	2007	Δ %
FINANCIAL DATA			
Operating revenues (1)	**235,341**	181,870	29.4
Net operating income (1) (2)	**140,469**	109,619	28.1
Same property net operating income growth (2)	**3.7%**	3.0%	
Net income	**25,034**	29,241	(14.4)
Distributable income (2)	**74,038**	63,237	17.1
Recurring distributable income (2)	**74,038**	62,815(3)	17.9
Recurring funds from operations (2)	**85,840**	72,288(3)	18.7
Recurring adjusted funds from operations (2)	**74,128**	62,858(3)	17.9
Distributions	**64,737**	55,454	16.7
Debt ratio	**61.9%**	55.9%	
Debt ratio (excluding convertible debentures)	**50.6%**	42.7%	
Total assets	**1,668,750**	1,442,794	15.7
Market capitalization	**734,552**	923,563	(20.5)
PER UNIT FINANCIAL DATA			
Net income (basic)	**0.55**	0.70	(21.4)
Distributable income (basic) (2)	**1.63**	1.52	7.2
Recurring distributable income (FD) (2) (4)	**1.59**	1.48(3)	7.4
Recurring funds from operations (FD) (2) (4)	**1.80**	1.68(3)	7.1
Recurring adjusted funds from operations (FD) (2) (4)	**1.59**	1.48(3)	7.4
Distributions	**1.417**	1.301	8.9
OPERATIONAL DATA			
Number of properties	**214**	208	
Leasable area (in thousands of sq. ft.)	**18,320**	17,022	
Occupancy rate	**94.6%**	94.7%	
ACQUISITIONS/DEVELOPMENTS			
Acquisitions			
Number of properties	12	67	
Leasable area (in thousands of sq. ft.)	1,187	6,817	
Total investment	213,614	648,380	
Weighted average capitalization rate	6.8%	7.0%	
Completed developments			
Number of properties	**2**	4	
Leasable area (in thousands of sq. ft.)	**107**	218	
Total investment	**10,800**	11,000	
Weighted average capitalization rate	**9.8%**	9.9%	
Ongoing developments			
Number of properties	**4**	7	
Estimated leasable area (in thousands of sq. ft.)	**671**	1,103	
Forecast total investment	**97,400**	144,200	
Forecast weighted average capitalization rate	**9.4%**	9.4%	

(1) Certain 2007 figures have been reclassified as discontinued operations in conformity with GAAP.
(2) Non-GAAP financial measure. See relevant sections for definition and reconciliation to closest GAAP measure.
(3) Excluding non-recurring interest income of $0.4 million realized during the second quarter of 2007 in connection with a public offering of subscription receipts.
(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 March 16, 2009, we owned and managed a high-quality portfolio of 215 properties including 38 office buildings, 38 retail buildings and 139 industrial and mixed-use buildings covering more than 18.5 million square feet in the Québec City, Montréal and Ottawa areas.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects. Consequently, the gross carrying value of our real estate assets has increased more than sevenfold since 1998, rising from $244.6 million to over $1.8 billion as at December 31, 2008.

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 axes for reaching these objectives are:

- **Acquisition as well as construction, redevelopment and expansion of properties offering a high potential for return**

  To increase the leasable area in its property portfolio, Cominar continues to seek acquisition, construction and development opportunities in the Québec City, Montréal and Ottawa areas. The key criterion in evaluating any acquisition or development continues to be the ratio between the acquisition or development price, the related debt and the anticipated profitability of the project in question 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 axis includes the following elements:

[a] ***Sector 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 sectors of activity: 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 area, Cominar has from the outset established a major presence in the Montréal area where it owns, as at March 16, 2009, 117 properties representing a leasable area of close to 11.1 million square feet. In addition, in 2007, Cominar acquired its first properties in the Ottawa region. As with sector diversification, geographic diversification gives Cominar the ability to better mitigate the risks associated with the real estate business;

[c] ***Client diversification*** – Cominar serves an extensive and diverse client base operating in many sectors of activity. Clients occupy an average area of 6,900 square feet. This diversification allows for the maintenance of foreseeable cash flows.

- **Proactive property management emphasizing the 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 by its Contract of Trust and at a level we deem prudent. We believe that this disciplined policy contributes to the stability of future distributions and to the prudent growth of the Trust. We also take a conservative approach to managing the distributions ratio, which we regard as another key factor in the stability of future distributions. This approach allows us 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, whose renewal date is now June 30, 2010, while all mortgages maturing in 2009 have been renewed.

PERFORMANCE INDICATORS

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

OPERATIONAL PERFORMANCE

Client satisfaction is defined as client perception and judgment of service received and their loyalty with respect 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 divided by 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 per unit**, which represents a benchmark for investors to judge the stability of distributions;

- **(Recurring) funds from operations 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 per unit**, represented by funds from operations net of the normalized investments needed to maintain the portfolio's production capacity, 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 December 31, 2008 and 2007, and should be read in conjunction with the consolidated financial statements and accompanying notes presented in this Annual Report. It should be noted that certain amounts for fiscal 2007 have been reclassified as discontinued operations in conformity with GAAP.

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Operating revenues	**62,356**	53,219	17.2	**235,341**	181,870	29.4
Operating expenses	**23,786**	20,886	13.9	**94,872**	72,251	31.3
Net operating income	**38,570**	32,333	19.3	**140,469**	109,619	28.1
Interest on borrowings	**14,434**	11,388	26.7	**50,798**	35,591	42.7
Depreciation of income properties	**14,176**	12,097	17.2	**51,833**	35,470	46.1
Amortization of deferred leasing costs	**2,019**	1,796	12.4	**8,231**	6,952	18.4
Amortization of other assets	**105**	35	—	**330**	196	68.4
Trust administrative expenses	**1,206**	770	56.6	**4,186**	2,954	41.7
Other revenues	**69**	86	(19.8)	**289**	394	(26.6)
Unusual item (1)	**—**	—	—	**—**	422	—
Net income from continuing operations	**6,699**	6,333	5.8	**25,380**	29,272	(13.3)
Net income (loss) from discontinued operations	**(376)**	26	—	**(346)**	(31)	—
Net income	**6,323**	6,359	(0.6)	**25,034**	29,241	(14.4)
Net income per unit (basic)	**0.14**	0.14	—	**0.55**	0.70	(21.4)
Net income per unit (diluted)	**0.14**	0.14	—	**0.55**	0.69	(20.3)

(1) During the second quarter of 2007, Cominar realized non-recurring interest income of $0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, in connection with the closing of the acquisition of the Alexis Nihon properties.

FINANCIAL POSITION

The following table summarizes our assets and liabilities as well as unitholders' equity as at December 31, 2008 and 2007, and should be read in conjunction with the financial statements and accompanying notes presented in this Annual Report.

As at December 31,	2008	2007	Δ$
ASSETS			
Income properties (amortized cost)	**1,506,531**	1,323,095	183,436
Properties under development and land held for future development	**93,802**	61,280	32,522
Other assets	**68,417**	58,419	9,998
Total	**1,668,750**	1,442,794	225,956
LIABILITIES			
Mortgages payable	**730,711**	619,755	110,956
Convertible debentures	**203,723**	203,852	(129)
Bank indebtedness	**186,987**	35,321	151,666
Other liabilities	**34,987**	42,170	(7,183)
	1,156,408	901,098	255,310
UNITHOLDERS' EQUITY	**512,342**	541,696	(29,354)
Total	**1,668,750**	1,442,794	225,956

PERFORMANCE INDICATORS

The following table summarizes our performance indicators for the periods ended December 31, 2008 and 2007. A detailed analysis of each of these performance indicators is provided on the page indicated:

Performance Indicators

		Quarter			Cumulative		
For the periods ended December 31,	**Page**	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property net operating income	15	**20,872**	19,836	5.2	**82,174**	79,228	3.7
Recurring distributable income per unit (FD)(2)	19	**0.42**	0.39	7.7	**1.59**	1.48(1)	7.4
Recurring funds from operations per unit (FD)(2)	21	**0.48**	0.43	11.6	**1.80**	1.68(1)	7.1
Recurring adjusted funds from operations per unit (FD)(2)	23	**0.42**	0.39	7.7	**1.59**	1.48(1)	7.4
NOI margin	15				**59.7%**	60.3%	
Debt ratio	26				**61.9%**	55.9%	
Occupancy rate	31				**94.6%**	94.7%	

(1) Excluding non-recurring interest income of $0.4 million realized during the second quarter of 2007 in connection with a public offering of subscription receipts.

(2) Fully diluted.

RESULTS OF OPERATIONS

OVERALL ANALYSIS

OPERATING REVENUES

We achieved excellent revenues during fiscal 2008. The 29.4% increase in operating revenues is due mainly to the contribution of office, industrial and mixed-use property acquisitions and to developments completed in 2007 and 2008.

Operating Revenues

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ %**	**2008**	**2007**	**Δ %**
Same property portfolio [(1)]	**33,091**	32,062	3.2	**136,116**	131,757	3.3
Acquisitions and developments	**29,265**	21,157	38.3	**99,225**	50,113	98.0
Total operating revenues	**62,356**	53,219	17.2	**235,341**	181,870	29.4

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2006, 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 2007 and 2008.

For fiscal 2008, our same property portfolio operating revenues increased 3.3% over fiscal 2007. This organic growth is due to rent increases provided for under existing leases, as well as lease renewal at higher rates and the execution of new leases. It reflects the high quality of our properties and the sustained rental growth in our markets.

OPERATING EXPENSES

Operating expenses increased by 31.3% during fiscal 2008 over fiscal 2007. This variation reflects the increase in the portfolio's size as a result of acquisitions and developments completed in 2007 and 2008.

Operating Expenses

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ %**	**2008**	**2007**	**Δ %**
Same property portfolio [(1)]	**12,219**	12,226	—	**53,942**	52,529	2.7
Acquisitions and developments	**11,567**	8,660	33.6	**40,930**	19,722	—
Total operating expenses	**23,786**	20,886	13.9	**94,872**	72,251	31.3

(1) See "Operating Revenues".

NET OPERATING INCOME

Although net operating income 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 deferred leasing costs and other assets, Trust administrative expenses, other revenues and unusual items. 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

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property portfolio [1]	**20,872**	19,836	5.2	**82,174**	79,228	3.7
Acquisitions and developments	**17,698**	12,497	41.6	**58,295**	30,391	91.8
Total NOI	**38,570**	32,333	19.3	**140,469**	109,619	28.1
NOI margin						
Same property portfolio	**63.1%**	61.9%		**60.4%**	60.1%	
Overall portfolio	**61.9%**	60.8%		**59.7%**	60.3%	

(1) See "Operating Revenues".

NOI was up 28.1% in fiscal 2008 from fiscal 2007, while our NOI margin stood at 59.7% of operating revenues, which is comparable to our average over the past few years.

Same property NOI (financial performance indicator) grew by 5.2% in the fourth quarter of 2008 and by 3.7% during the year ended December 31, 2008. At 60.4%, same property NOI margin for fiscal 2008 held essentially steady over 2007.

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

INTEREST ON BORROWINGS

For 2008, total interest on borrowings increased by 42.7% compared with 2007, primarily due to the different financing agreements entered into or assumed in connection with the settlement of recent acquisitions. It represented 21.6% of operating revenues as at December 31, 2008, which compares favourably with our peers. By comparison, it represented 19.6% as at December 31, 2007. As at December 31, 2008, the weighted average contractual interest rate of our long-term debt stood at 5.63%, down 16 basis points from December 31, 2007.

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

Interest on Borrowings

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Mortgages and bank indebtedness	**11,946**	9,324	28.1	**40,800**	32,878	24.1
Convertible debentures	**3,098**	2,933	5.6	**12,456**	6,303	97.6
Amortization of borrowing costs	**400**	295	35.6	**1,543**	735	—
Accretion of liability component of convertible debentures	**9**	9	—	**37**	9	—
Amortization of fair value adjustments on assumed mortgages payable	**(32)**	(53)	(39.6)	**(127)**	(52)	—
Less: Capitalized interest	**(977)**	(1,090)	(10.4)	**(3,811)**	(2,922)	30.4
Less: Interest related to discontinued operations	**(10)**	(30)	(66.7)	**(100)**	(1,360)	—
Total interest on borrowings	**14,434**	11,388	26.7	**50,798**	35,591	42.7

DEPRECIATION OF INCOME PROPERTIES

During fiscal 2008, depreciation expense of income properties increased by 46.1% over 2007. It should be noted that since September 2003, the Canadian Institute of Chartered Accountants ("CICA") requires that the purchase price of an income property be allocated between tangible assets comprising 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. The depreciation attributable to income properties acquired or completed during the 2007 and 2008 fiscal years represented more than twice that of the same property portfolio, or 68.0% of the total depreciation expense of income properties for the year ended December 31, 2008.

Depreciation of Income Properties

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property portfolio	**4,195**	3,997	5.0	**16,566**	16,476	0.5
Acquisitions and developments	**9,981**	8,100	23.2	**35,267**	18,994	85.7
Total depreciation of income properties	**14,176**	12,097	17.2	**51,833**	35,470	46.1

Depreciation of Income Properties

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Amortization of tangible assets	**8,386**	6,956	20.6	**30,440**	22,774	33.7
Amortization of intangible assets	**5,790**	5,141	12.6	**21,393**	12,696	68.5
Total depreciation of income properties	**14,176**	12,097	17.2	**51,833**	35,470	46.1

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses increased by 41.7% to $4.2 million as at December 31, 2008. This is due mainly to an increase in human resources arising from acquisitions and developments of close to $880 million completed over the past two fiscal years. In addition, the granting of new options in 2008 generated an additional expense of $442. Despite this increase, the Trust's administrative expenses represented only 1.8% operating revenues in 2008, up slightly compared with 1.6% in 2007.

DISCONTINUED OPERATIONS

In accordance with *CICA Handbook* Section 3475, the results of discontinued operations must be reclassified as a distinct 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. Consequently, net income related to a property expropriated in September 2007 (as described under "Contingency") and to a retail property sold in 2008, is presented under net loss from discontinued operations.

NET INCOME

Despite strong results since the beginning of 2008 and growth in all of Cominar's key performance indicators, net income for the year ended December 31, 2008 was down 14.4% compared with 2007. The decline in net income in fiscal 2008 arose primarily from a significant increase in depreciation expense of income properties acquired or developed in 2007 and 2008. The depreciation expense is based on the assumption that the value of properties declines over time. The impact of this assumption has been magnified by the application of the new rule explained above under "Depreciation of Income Properties". In reality, property values tend to evolve in step with prevailing real estate market conditions. For the quarter ended December 31, 2008, the Trust reported $6.3 million in net income which was unchanged from the corresponding quarter of 2007.

Net Income

For the periods ended December 31,	Quarter 2008	Quarter 2007	Quarter Δ%	Cumulative 2008	Cumulative 2007	Cumulative Δ%
Net income	**6,323**	6,359	(0.6)	**25,034**	29,241	(14.4)
Net income per unit (basic)	**0.14**	0.14	—	**0.55**	0.70	(21.4)
Net income per unit (diluted)	**0.14**	0.14	—	**0.55**	0.69	(20.3)

CONTINGENCY

An expropriation process was initiated in June 2006 by the Centre hospitalier de l'Université de Montréal (CHUM) for the property located at 300 Viger Street in Montréal, Québec. The expropriation procedure is currently at the definitive indemnity setting stage. A property transfer notice was served on Cominar 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 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 and, consequently, Cominar has recognized no gain or loss in connection with this expropriation.

SEGMENTED ANALYSIS

Cominar's activities encompass three categories of real estate properties located in the Greater Québec City, Montréal and Ottawa areas. The following tables show the contributions of these properties to NOI, by sector of activity and geographic location, for the periods ended December 31, 2008 and 2007. Variations are attributable primarily to acquisitions completed in 2007 and 2008.

SEGMENTED INFORMATION BY SECTOR OF ACTIVITY

Net Operating Income

For the periods ended December 31,	Quarter 2008	Quarter 2007	Quarter Δ%	Cumulative 2008	Cumulative 2007	Cumulative Δ%
Sector of activity						
Office	**17,268**	13,781	25.3	**59,257**	43,132	37.4
Retail	**7,386**	6,623	11.5	**28,062**	25,725	9.1
Industrial and mixed-use	**13,916**	11,929	16.7	**53,150**	40,762	30.4
Total NOI	**38,570**	32,333	19.3	**140,469**	109,619	28.1

Office Sector

In 2008, NOI from office properties was up 37.4% compared with 2007, mainly due to a 7.2% increase in renewal rates and acquisitions completed in 2007 and 2008.

For the periods ended December 31,	Quarter 2008	Quarter 2007	Quarter Δ%	Cumulative 2008	Cumulative 2007	Cumulative Δ%
Operating revenues	**30,233**	24,435	23.7	**104,884**	75,098	39.7
Operating expenses	**12,965**	10,654	21.7	**45,627**	31,966	42.7
NOI – Office	**17,268**	13,781	25.3	**59,257**	43,132	37.4
NOI margin – Office	**57.1%**	56.4%		**56.5%**	57.4%	

Retail Sector

Retail sector NOI rose 9.1% in 2008 over 2007, fuelled by a 1.1% increase in occupancy rate and a 9.8% increase in renewal rates.

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Operating revenues	**11,765**	11,101	6.0	**47,435**	44,100	7.6
Operating expenses	**4,379**	4,478	(2.2)	**19,373**	18,375	5.4
NOI – Retail	**7,386**	6,623	11.5	**28,062**	25,725	9.1
NOI margin – Retail	**62.8%**	59.7%		**59.2%**	58.3%	

Industrial and Mixed-Use Sector

The industrial and mixed-use sector also turned in a very strong performance in 2008, with a 30.4% increase in NOI, due mainly to acquisitions completed in 2008 and 2007.

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Operating revenues	**20,357**	17,682	15.1	**83,022**	62,672	32.5
Operating expenses	**6,441**	5,753	12.0	**29,872**	21,910	36.3
NOI – Industrial and mixed-use	**13,916**	11,929	16.7	**53,150**	40,762	30.4
NOI margin – Industrial and mixed-use	**68.4%**	67.5%		**64.0%**	65.0%	

SEGMENTED INFORMATION BY GEOGRAPHIC LOCATION

The following table shows NOI growth in our three geographic markets.

Net Operating Income

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Region						
Québec City	**15,128**	13,507	12.0	**57,703**	53,057	8.8
Montréal	**21,278**	16,900	25.9	**74,152**	51,486	44.0
Ottawa	**2,164**	1,926	12.4	**8,614**	5,076	69.7
Total NOI	**38,570**	32,333	19.3	**140,469**	109,619	28.1

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.

Recurring RDI per unit for fiscal 2008 was up 7.9%, while our annual distribution amounted to $1.417 per unit, up 8.9%.

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		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Net income (GAAP)	**6,323**	6,359	(0.6)	**25,034**	29,241	(14.4)
+ Depreciation of income properties	**14,180**	12,104	17.2	**51,871**	36,132	43.6
– Amortization of below-market leases	**(192)**	(72)	—	**(576)**	(250)	—
+ Compensation expense related to unit option plan	**175**	48	—	**652**	217	—
+ Accretion of liability component of convertible debentures	**9**	9	—	**37**	9	—
– Deferred leasing costs	**(1,090)**	(510)	—	**(3,221)**	(2,060)	56.4
– Amortization of fair value adjustments on assumed mortgages payable	**(32)**	(52)	(38.5)	**(127)**	(52)	—
+ Loss on disposal of an income property	**368**	—	—	**368**	—	—
DI	**19,741**	17,886	10.4	**74,038**	63,237	17.1
Unusual item [1]	**—**	—	—	**—**	(422)	—
Recurring DI	**19,741**	17,886	10.4	**74,038**	62,815	17.9
DISTRIBUTIONS TO UNITHOLDERS	**16,774**	16,230	3.4	**64,737**	55,454	16.7
Distributions reinvested under the distribution reinvestment plan	**(880)**	(612)	43.8	**(2,933)**	(1,950)	50.4
Cash distributions	**15,894**	15,618	1.8	**61,804**	53,504	15.5
Per unit information:						
DI (basic)	**0.43**	0.40	7.5	**1.63**	1.52	7.2
Recurring DI (basic)	**0.43**	0.40	7.5	**1.63**	1.51	7.9
Recurring DI (FD) [2]	**0.42**	0.39	7.7	**1.59**	1.48	7.4
DISTRIBUTIONS PER UNIT	**0.365**	0.358	2.0	**1.417**	1.301	8.9
DI payout ratio	**84.9%**	89.5%		**86.9%**	85.6%	
Recurring DI payout ratio	**84.9%**	89.5%		**86.9%**	86.2%	

(1) During the second quarter of 2007, Cominar realized non-recurring interest income of $0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, in connection with the closing of the acquisition of the Alexis Nihon properties.

(2) Fully diluted.

Recurring DI per unit for the year ended December 31, 2008 stood at $1.63, up 7.9% over fiscal 2007, due mainly to the immediate impact of acquisitions and developments completed since the beginning of 2007 and to the 3.7% increase in same property NOI. Per unit distributions amounted to $1.417 in 2008, up 8.9% over 2007, while the DI payout ratio stood at 86.9% compared with 85.6% for the previous year.

Recurring DI was $0.42 per fully diluted unit in the fourth quarter of 2008, compared with $0.39 in the fourth quarter of 2007, an increase of 7.7%.

Track Record of DI per Unit (Financial Performance Indicator)

For the years ended December 31,	2008	2007	2006	2005	2004
DI per unit (basic)	**1.63**	1.52	1.40	1.37	1.35
Recurring DI per unit (FD) [(1)]	**1.59**	1.48	1.36	1.31	1.30

(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 Canadian Securities Administrators ("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	
For the periods ended December 31,	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities (GAAP)	**33,647**	25,500	**85,924**	84,406
– Deferred rentals	**(1,090)**	(510)	**(3,221)**	(2,060)
– Amortization of deferred leasing costs	**(2,020)**	(1,785)	**(8,243)**	(6,965)
– Amortization of deferred financing costs and other assets	**(514)**	(476)	**(2,197)**	(1,302)
– Change in non-cash operating working capital items	**(10,282)**	(4,843)	**1,775**	(10,842)
DI	**19,741**	**17,886**	74,038	**63,237**

Deferred rentals result 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 deferred leasing costs, deferred 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 believes they should not affect distributions to unitholders and therefore 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:

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Cash flows from operating activities	**33,647**	25,500	18,304	**85,924**	84,406	51,413
Net income	**6,323**	6,359	10,447	**25,034**	29,241	34,075
Distributions to unitholders	**16,774**	16,230	11,655	**64,737**	55,454	42,724
Cash flows from operating activities in excess of distributions to unitholders	**16,873**	9,270	6,649	**21,187**	28,952	8,689

For the fiscal year ending December 31, 2009, Cominar expects 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, amortization of deferred leasing costs and amortization of non-recoverable capital expenditures, 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 and, therefore, 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 December 31, 2008 and 2007:

Funds from Operations

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Net income (GAAP)	**6,323**	6,359	(0.6)	**25,034**	29,241	14.4
+ Depreciation of income properties	**14,180**	12,104	17.2	**51,871**	36,132	43.6
+ Amortization of deferred leasing costs	**2,020**	1,785	13.2	**8,243**	6,965	18.3
+ Amortization of non-recoverable capital expenditures	**9**	148	—	**324**	372	(12.9)
+ Loss on disposal of an income property	**368**	—	—	**368**	—	—
FFO	**22,900**	20,396	12.3	**85,840**	72,710	18.1
Unusual item (1)	—	—	—	—	(422)	—
Recurring FFO	**22,900**	20,396	12.3	**85,840**	72,288	18.7
Per unit information:						
Recurring FFO (basic)	**0.50**	0.45	11.1	**1.89**	1.74	8.6
Recurring FFO (FD) (2)	**0.48**	0.43	11.6	**1.80**	1.68	7.1

(1) During the second quarter of 2007, Cominar realized non-recurring interest income of $0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, in connection with the closing of the acquisition of the Alexis Nihon properties.

(2) Fully diluted.

Amortization of non-recoverable capital expenditures was added to net income since Cominar includes this expense in the operating expenses of its income properties.

In 2008, FFO increased due to acquisitions and developments completed during 2007 and 2008, and organic growth. Recurring FFO per unit grew 8.6% for the year; on a fully diluted basis, it increased by 7.1% over the previous year.

Recurring FFO rose 11.6% to $0.48 per unit on a fully diluted basis in the fourth quarter of 2008.

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

For the years ended December 31,	2008	2007	2006	2005
FFO per unit (basic)	**1.89**	1.75	1.63	1.59
Recurring FFO per unit (FD) [1]	**1.80**	1.68	1.57	1.50

(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. AFFO, an additional measure to assess Cominar's financial performance as well as its ability to maintain and increase distributions over the long term, corresponds to FFO less the normalized investments needed to maintain its real estate portfolio's production capacity.

The AFFO measure is not 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.

In presenting AFFO, Cominar provides the financial community with a measure of its capacity to generate normalized cash flows from the operation of its real estate portfolio. Cominar therefore adjusts FFO for additional items not affecting cash and deducts the normalized investments needed to maintain its production capacity.

As of the first quarter of 2008, Cominar's management decided to deduct the amortization of deferred leasing costs and the amortization of non-recoverable capital expenditures expensed during the period, rather than deducting outlays during the period, when calculating AFFO.

Initiatives to increase the occupancy rate of the Alexis Nihon REIT properties acquired in 2007 required Cominar to make a significant investment totalling $8.6 million that, presented on a cash basis, would not enable an investor to adequately assess the cash flows that will be generated by these investments, other than over the lease terms. In addition, the development projects generate significant leasing costs during the property enhancement period. In 2008, Cominar incurred over $2.3 million in leasing costs for completed developments. The remaining $6.6 million of the aggregate $17.5 million in leasing cost incurred in 2008 was attributable to the same property portfolio.

Cominar considers the amortization of 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 leasing income. Since such amortization represents the spreading over the lease term of amounts incurred irregularly over time (lease maturities, occupancy rates, etc.), there is a better correlation between FFO and the investments required to generate such funds.

Non-recoverable capital expenditures, which also represent major investments made by Cominar as part of its program to maintain its real estate portfolio's ability to generate leasing income, are not transferable to tenants pursuant to specific lease terms. These expenditures are usually incurred in summer and fall. Cominar regards the amortization of such expenditures over the useful lives of the assets as an adequate representation of the ongoing investments needed to maintain properties in good operating condition.

In Cominar's view, the various items added to interest expense, including the amortization of transaction costs, are indicative of amounts that must be periodically expended to maintain its borrowing capacity. Accordingly, no adjustment is required.

Prior-period AFFO has been restated accordingly.

The following table presents a reconciliation of FFO and AFFO for the periods ended December 31, 2008 and 2007:

Adjusted Funds from Operations

	Quarter			Cumulative		
For the periods ended December 31,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
FFO	**22,900**	20,396	12.3	**85,840**	72,710	18.1
+ Compensation expense related to unit option plan	**175**	48	—	**652**	217	—
– Deferred rentals	**(1,090)**	(510)	—	**(3,221)**	(2,060)	56.4
– Amortization of below-market leases	**(192)**	(72)	—	**(576)**	(250)	—
– Amortization of deferred leasing costs	**(2,020)**	(1,785)	13.2	**(8,243)**	(6,965)	18.3
– Amortization of non-recoverable capital expenditures	**(9)**	(148)	—	**(324)**	(372)	(12.9)
AFFO	**17,764**	17,929	10.2	**74,128**	63,280	17.1
Unusual item (1)	**—**	—	—	**—**	(422)	—
Recurring AFFO	**17,764**	17,929	10.2	**74,128**	62 858	17.9
Per unit information:						
Recurring AFFO per unit (basic)	**0.43**	0.40	7.5	**1.63**	1.51	7.9
Recurring AFFO (FD) (2)	**0.42**	0.39	7.7	**1.59**	1.48	7.4

(1) During the second quarter of 2007, Cominar realized non-recurring interest income of $0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, in connection with the closing of the acquisition of the Alexis Nihon properties.

(2) Fully diluted.

Recurring AFFO per fully diluted unit reached $1.59 in fiscal 2008, an increase of 7.4% over fiscal 2007. It rose 7.7% to $0.42 per unit in the fourth quarter of 2008.

The following table presents AFFO per unit for the Trust's last three fiscal years:

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

For the years ended December 31,	**2008**	**2007**	**2006**
AFFO per unit (basic)	**1.63**	1.52	1.40
Recurring AFFO per unit (FD) (1)	**1.59**	1.48	1.36

(1) Fully diluted.

LIQUIDITY AND CAPITAL RESOURCES

LONG-TERM DEBT

The following table presents Cominar's debt balances as at December 31, 2008, 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		52,603	5.57
2010		51,924	5.25
2011		7,024	7.69
2012		20,516	7.03
2013		169,831	5.30
2014	213,135	41,272	5.91
2015		13,873	5.13
2016		—	—
2017		130,389	5.38
2018		97,044	5.72
2019		16,844	6.66
2020		—	—
2021		96,711	5.55
2022		34,262	5.35
Total	**213,135**	**732,293**	**5.63**

As at December 31, 2008, the weighted average contractual interest rate of our long-term debt stood at 5.63%, down 16 basis points from December 31, 2007.

MORTGAGES PAYABLE

As at December 31, 2008, mortgages payable amounted to $732.3 million, up $112 million from $620.1 million as at December 31, 2007. As at December 31, 2008, the weighted average contractual interest rate of mortgages payable was 5.58%, down 20 basis points from 5.78% as at December 31, 2007.

Cominar has staggered mortgage maturity dates over a number of years to reduce the risks related to renewal. As at December 31, 2008, the residual average term of mortgages payable was 7.1 years.

The following table presents the changes in mortgages payable in 2008:

Mortgages Payable

For the year ended December 31, 2008	$	Weighted average contractual interest rate (%)
Balances of mortgages payable, beginning of year	620.1	5.78
Mortgages payable contracted or assumed	260.0	5.39
Repayments of balances at maturity	(131.7)	6.09
Monthly repayments of principal	(16.1)	
Balances of mortgages payable, end of year	**732.3**	**5.58**

In 2008, Cominar contracted or assumed $260.0 million in mortgages payable bearing interest at a weighted average contractual rate of 5.39%. The Trust repaid $131.7 million in outstanding mortgages payable at maturity bearing interest at a weighted average contractual rate of 6.09%, using its credit facilities and the proceeds from new mortgage borrowings. These financing transactions are detailed as follows:

- March 28, 2008 – $30.0 million 10-year mortgage financing with a Canadian financial institution, bearing interest at a 5.36% contractual rate. Net proceeds were used to repay outstanding credit facilities.

- May 31, 2008 – $21.8 million mortgage financing with a Canadian financial institution, bearing interest at 5.75%, maturing in 2018 and secured by a first immovable hypothec on income properties.

- June 20, 2008 – $60.0 million mortgage financing with a Canadian financial institution, bearing interest at the prime rate, which may be fixed at any time at Cominar's option, at the lender's cost of funds plus 1.25%. In July 2008, Cominar fixed the rate at 4.97% for one year. This debt matures in 2013 and is secured by an immovable hypothec on income properties.

- October 30, 2008 – $97.2 million mortgage financing with a Canadian insurance company, bearing interest at 5.4%, maturing in 2013 and secured by an immovable hypothec on a specific income property.

- October 31, 2008 – $17.0 million mortgage financing with a Canadian financial institution, bearing interest at 6.68%, maturing in 2018 and secured by an immovable hypothec on specific income properties.

- November 19, 2008 – $6.0 million mortgage financing with a Canadian financial institution, bearing interest at 4.22%, maturing in 2013 and secured by an immovable hypothec on specific properties; and

- December 18, 2008 – $26.8 million mortgage financing with a Canadian financial institution, bearing interest at 5.39%, maturing in 2010 and secured by an immovable hypothec on a specific income property.

The following table shows mortgage repayments for the coming years as at December 31, 2008:

Mortgage Repayments

For the year ending December 31,	Repayment of principal	Balance at maturity	Total	% of total
2009	16,900	52,341	69,241	9.5
2010	17,309	49,769	67,078	9.2
2011	17,261	5,855	23,116	3.2
2012	17,291	16,380	33,671	4.6
2013	15,977	149,499	165,476	22.6
2014	12,598	32,209	44,807	6.1
2015	11,991	11,073	23,064	3.1
2016	12,319	—	12,319	1.7
2017	11,408	109,423	120,831	16.5
2018	9,776	55,990	65,766	9.0
2019	3,988	4,141	8,129	1.1
2020	3,987	—	3,987	0.5
2021	2,396	67,963	70,359	9.6
2022	262	24,187	24,449	3.3
Total	**153,463**	**578,830**	**732,293**	**100.0**

As at the date of this MD&A, Cominar has renewed or refinanced all of its mortgages loans maturing in 2009.

CONVERTIBLE DEBENTURES

As at December 31, 2008, we had three series of convertible debentures outstanding totalling $213.1 million. These debentures bear interest at contractual rates ranging from 5.70% to 6.30% per annum and mature in 2014. As at year-end, these debentures had a weighted average contractual interest rate of 5.82% per annum.

BANK INDEBTEDNESS

In June 2008, Cominar replaced its three existing operating and acquisition credit facilities, which provided for a maximum amount of $180 million, with a new facility having a maximum amount of $218 million. This facility is renewable annually and bears interest at 0.25% above prime or at 1.5% above bankers' acceptance rates. It is secured by a movable and immovable hypothec on specific assets. It is provided by a syndicate of lenders, and management has reason to believe that it will remain available in the future. On September 30, 2008, this credit facility was raised to a maximum of $255.0 million. As at December 31, 2008, bank indebtedness totalled $187.0 million. As a result, as at December 31, 2008, Cominar had $61.0 million in borrowing capacity under the terms of its available credit facilities.

As at the date hereof, Cominar proceeded with the early renewal of its $255.0 million operating and acquisition credit facility. The maturity date of June 30, 2009 was extended to June 30, 2010. This credit facility bears interest at 2.0% above prime rate or at 3.0% above bankers' acceptance rates.

As at the date of this MD&A, Cominar has renewed or refinanced all of its mortgages loans maturing in 2009.

DEBT RATIO

The following table presents debt ratios as at December 31, 2008 and December 31, 2007:

Debt to Gross Carrying Value Ratio

As at December 31,	2008	2007
Mortgages payable	**730,711**	619,755
Convertible debentures	**203,723**	203,852
Bank indebtedness	**186,987**	35,321
Total debt	**1,121,421**	858,928
Portfolio gross carrying value	**1,812,346**	1,535,478
Overall debt ratio (1) (2)	**61.9%**	55.9%
Debt ratio (excluding convertible debentures)	**50.6%**	42.7%
Borrowing capacity – 65% of gross carrying value (3)	**162,000**	397,000
Borrowing capacity – 60% of gross carrying value (3)	**—**	156,000

(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 Indicators)

For the years ended December 31,	2008	2007	2006	2005	2004
Overall debt ratio	**61.9%**	55.9%	45.4%	49.0%	49.3%
Debt ratio (excluding convertible debentures)	**50.6%**	42.7%	40.5%	36.3%	35.7%
Maximum borrowing capacity under the Contract of Trust	**162,000**	397,000	305,000	211,000	195,000

As at December 31, 2008, Cominar maintained a debt ratio of 61.9%, which is less than the maximum debt ratio of 65.0% under its Contract of Trust where convertible debentures are outstanding, and which provides it with the ability to borrow up to an additional $162 million to fund future acquisitions and developments. While Cominar's debt ratio is currently above its target of 58% including the debentures, its interest coverage ratio of 2.68:1 ranks competitively among its peers due to the value added since the Trust's inception and its exceptional cash flow generating ability. This situation garners it access to debt markets even under difficult market conditions, as experienced throughout most of 2008 and currently forecast for 2009.

In addition, Cominar's management considers that given its current financial position, the Trust will be able to fully fund its scheduled development initiatives in 2009.

The following table presents the interest coverage ratio as at December 31, 2008 and December 31, 2007:

Interest Coverage Ratio

As at December 31,	**2008**	**2007**
Net income	**25,034**	29,241
+ Net loss from discontinued operations	**346**	31
- Unusual item	**—**	(422)
- Other revenues	**(289)**	(394)
+ Interest on borrowings	**50,798**	35,591
+ Depreciation of income properties	**51,833**	35,470
+ Amortization of deferred leasing costs	**8,231**	6,952
+ Amortization of other assets	**330**	196
EBITDA (1)	**136,283**	106,665
Interest expense	**50,798**	35,591
Interest coverage ratio (2)(3)	**2.68**	3.00

(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 is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As at December 31, 2008, the interest coverage ratio remained solid at 2.68:1, although down slightly from 3.00:1 as at December 31, 2007.

UNIT REPURCHASE PROGRAM

On March 6, 2008, Cominar announced that the Toronto Stock Exchange had approved its unit repurchase program, authorizing it to repurchase up to 2,265,278 of the 45,305,565 units issued and outstanding as at February 25, 2008 (representing 5% of Cominar's issued and outstanding units at that date). Cominar will thus have the opportunity to repurchase units in the open market on the Toronto Stock Exchange, from time to time, over the 12-month period beginning March 10, 2008 and ending on March 9, 2009. Cominar deems this program an appropriate use of its funds. As a result of these repurchases, the number of units outstanding will be reduced and the proportionate interest of all remaining unitholders in the unitholders' equity of Cominar will be increased rateably. All units purchased under the unit repurchase program will be cancelled. As at December 31, 2008, no units had been repurchased under this program.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

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, particularly on its cash flows and sources of financing.

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

During the year ended December 31, 2008, 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 December 31,	2008	2007
Income properties (at cost)	1,650,127	1,415,779
Properties under development and land held for future development	93,802	61,280
Other assets	68,417	58,419
Portfolio gross carrying value	1,812,346	1,535,478

As at December 31,	2008	2007
Number of properties	214	208
Leasable area (in thousands of sq. ft.)	18,320	17,022

Summary by Sector of Activity

As at March 16, 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 March 16, 2009	Number of properties	Leasable area (sq. ft.)
Québec City	94	6,742,281
Montréal	117	11,196,579
Ottawa	4	608,497
Total	**215**	**18,547,357**

ACQUISITION AND DEVELOPMENT PROGRAM

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

ACQUISITIONS

In 2008, we completed property acquisitions totalling nearly 1.2 million square feet of space for a $213.6 million investment, which were as follows.

On February 29, 2008, Cominar acquired the remaining interest in seven industrial and mixed-use properties located in Montréal that were previously jointly owned. As a result of this transaction, Cominar is now the sole owner of these income properties. The purchase price amounted to $18.6 million, including transaction fees.

On May 12, 2008, Cominar acquired two industrial properties with a leasable area of 344,846 square feet, for a consideration of $23.0 million and at a 9.7% average capitalization rate. These properties, located in Lévis and Saguenay, are fully occupied under long-term leases. The properties are excellent constructions, very well located and leased to solidly established businesses.

On May 29, 2008, Cominar acquired a 14,600 square-foot retail property in Ste-Julie for $3.1 million at an 8.8% capitalization rate. The property is 100% leased.

On October 1, 2008, Cominar acquired the 24-storey Class "A" office tower located at 2001 McGill College in Montréal for a total consideration of $165 million. The property is located on the east side of McGill College Avenue at the corner of Sherbrooke Street West, a well-known business address in the core of Montréal's business district. This office tour, consisting of 528,532 square-foot of leasable area, is connected to four-storey historic greystones along Sherbrooke Street. Its current occupancy rate is 87.4%. The property's highly diversified roster, consisting of over 24 tenants, comprises many investment grade and international corporations. The largest tenant occupies approximately 13% of the property's leasable area. The average remaining lease term exceeds six years. Cominar had been actively looking to acquire an office property in Montréal to substitute for its office property located at 300 Viger in Montréal since the CHUM initiated an expropriation process in June 2006. With its 6.3% capitalization rate, this acquisition is immediately accretive and should be measured taking into account the expropriation indemnity that Cominar expects to receive from the CHUM.

On November 3, 2008, Cominar acquired a 68,000 square-foot industrial and mixed-use property located at 4148-4150 de Portland Blvd. in Sherbrooke, Québec, for a cash consideration of $4 million. The capitalization rate for this transaction is 10.0%. The property is 100% leased.

Detailed information about these property acquisitions is included in the following table:

Income property	City	Sector of activity (1)	Closing date	Leasable area (sq. ft.)	Purchase price ($)	Capitalization rate (%)
1875 55th Avenue	Dorval	I	02/08(2)	40,939	18,564	6.8
1520-1660 55th Avenue	Montréal	I	02/08(2)	39,511	—	—
1730-1850 55th Avenue	Montréal	I	02/08(2)	39,511	—	—
1200 55th Avenue	Montréal	I	02/08(2)	34,231	—	—
731-749 Meloche Avenue	Dorval	I	02/08(2)	26,675	—	—
679-701 Meloche Avenue	Dorval	I	02/08(2)	26,069	—	—
703-729 Meloche Avenue	Dorval	I	02/08(2)	23,780	—	—
1870 St-Paul Blvd.	Saguenay	I	05/08(3)	132,846	23,000	9.7
820 Alphonse-Desrochers St.	Lévis	I	05/08(3)	212,000	—	—
933 Armand-Frappier Blvd.	Ste-Julie	R	05/08	14,600	3,050	8.8
2001 McGill College Ave.	Montréal	O	10/08	528,532	165,000	6.3
4148-4150 de Portland Blvd.	Sherbrooke	I	11/08	68,000	4,000	10.0
Total/Weighted average capitalization rate			**1,186,694**	**213 614**	**6.8**	

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

(2) These seven properties were acquired pursuant to a single transaction.

(3) These two properties were acquired pursuant to a single transaction.

DISPOSAL

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

DEVELOPMENT PROGRAM

Completed Developments

In the second quarter, Cominar completed construction of an industrial and mixed-use property in Boucherville, in the Greater Montréal Area. This $5.5 million property has a leasable area of 28,600 square feet. Its capitalization rate is 9.8%. This property is a turnkey project that has been fully occupied by a single tenant since the beginning of May 2008.

During the same period, Cominar also completed a $5.3 million industrial development in Laval, totalling 78,757 square feet of leasable area, with an estimated 9.9% capitalization rate.

The following table details these projects:

Development	City	Sector of activity (1)	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)	Occupancy rate (%)
72 du Tremblay Rd.	Boucherville	I	28,600	5,500	9.8	100.0
3025 Joseph-A.-Bombardier St.	Laval	I	78,757	5,300	9.9	75.0
Total/Weighted average capitalization rate			**107,357**	**10,800**	**9.8**	

(1) I = Industrial and mixed-use.

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 real estate market.

In January 2008, Cominar undertook a large-scale project on Laurier Boulevard in Québec City. One of the largest thoroughfares in Québec City, located at the exit of the bridges connecting the two shores of the St. Lawrence River, Laurier Boulevard is one of the gateways into the city, with its many hotels, office buildings and shopping centres. This future property will benefit from 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 as to project delivery. This project is located in Québec City, where the vacancy rate for Class "A" office property is less than 1.4% and unemployment stood at 3.8% in January 2009, compared with a national average of 7.2%. Moreover, the project's pre-lease rate has already reached 31%, 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 9.4%. The first tenants are slated to move in for November 2009. We are currently building the parking and office tower's structure. Although the project is slightly behind schedule, no budget overruns are anticipated.

We are also moving forward with our 110,000 square-foot retail development in St-Bruno, representing an investment of approximately $12.6 million. Construction of the buildings has been completed, with land and parking lot development scheduled for completion in spring 2009.

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. Work is progressing according to plan and on schedule.

In addition, a 50,000 square-foot, two-storey industrial and mixed-use property will be built on 4th Avenue in Lévis, at an estimated cost of $2.9 million with a 9.6% capitalization rate.

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

The following table provides detailed information about ongoing developments as at December 31, 2008:

Development	City	Sector of activity [1]	Completion date	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)	Occupancy rate (%)
Laurier Blvd.	Québec City	O, R	Q2-2010	396,000	74,000	9.3	31.0
Mégacentre St-Bruno	St-Bruno	R	Q2-2009	110,240	12,600	9.8	26.0
Promenades Beauport	Québec City	O, R	Q2-2009	115,000	7,900	9.3	43.0
4th Avenue	Lévis	I	Q3-2009	50,000	2,900	9.6	39.0
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 and upcoming developments 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 December 31, 2008 and 2007:

As at December 31,	2008	2007
Occupancy rate	**94.6%**	94.7%
Tenant retention rate [1]	**77.1%**	82.1%

(1) Percentage of lease renewals.

OCCUPANCY RATE

Cominar continuously strives to maximize occupancy rates throughout its portfolio and has successfully maintained an average occupancy of approximately 95.0% since its inception. As at December 31, 2008, occupancy stood at 94.6%, unchanged from the previous year.

Occupancy Track Record (Operational Performance Indicator)

The following table breaks down occupancy rates of Cominar properties by sector of activity as at the end of the years indicated:

As at December 31,	2008	2007	2006	2005	2004
Sector of activity (%)					
Office	**94.5**	94.7	96.0	95.0	94.7
Retail	**97.1**	96.0	94.3	93.6	94.0
Industrial and mixed-use	**94.0**	94.4	93.7	96.2	95.2
Total portfolio	**94.6**	94.7	94.4	95.3	94.8

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

Office. The occupancy rate in this sector stood at 94.5% as at December 31, 2008, unchanged from a year earlier.

Retail. The occupancy rate in the retail sector has increased 1.1% from the previous year to 97.1%, which is an all-time high for Cominar.

Industrial and mixed-use. As at December 31, 2008, occupancy held relatively steady at 94.0% compared with 94.4% as at December 31, 2007.

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity as at December 31, 2008:

Lease Maturities and Renewals by Sector

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2008				
Number of tenants	220	139	226	585
Leasable area (sq. ft.)	640,239	347,891	1,645,433	2,633,563
Average net rent ($)/sq. ft.	10.01	8.44	5.58	7.04
Renewed leases				
Number of tenants	133	99	159	391
Leasable area (sq. ft.)	501,449	327,455	1,185,552	2,014,456
Average net rent ($)/sq. ft.	10.65	10.84	6.05	7.93
% renewal	**77.4**	**96.1**	**73.1**	**77.1**
New leases				
Number of tenants	48	39	82	169
Leasable area (sq. ft.)	158,039	125,640	760,170	1,043,849
Average net rent ($)/sq. ft.	11.30	9.66	5.45	6.84

As indicated in the table above, leasing activity remained strong across our portfolio, especially in the office and retail sectors where 77.4% and 96.1% of maturing leases were renewed, respectively. Our leasing team stepped up its efforts to renew an aggregate 77.1% of leases maturing in 2008, thereby achieving a highly satisfying performance. We also signed new leases totalling over 1 million square feet of leasable area. Our occupancy rates for renewed leases are up in all three sectors of activity, with increases of 7.2%, 9.8% and 7.1% for the office, retail and industrial sectors, respectively.

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

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

Lease Maturities

	2009	2010	2011	2012	2013
Office					
Leasable area (sq. ft.)	587,388	700,055	628,297	825,494	478,069
Lease rate ($)/square foot	10.56	13.33	12.20	10.76	11.80
% of portfolio – Office	11.0%	13.1%	11.8%	15.5%	8.9%
Retail					
Leasable area (sq. ft.)	278,079	279,406	286,850	375,629	173,038
Lease rate ($)/square foot	11.12	10.77	10.87	10.65	14.06
% of portfolio – Retail	10.4%	10.4%	10.7%	14.0%	6.4%
Industrial and mixed-use					
Leasable area (sq. ft.)	1,700,928	1,631,433	1,328,862	1,381,186	1,031,717
Lease rate ($)/square foot	5.43	5.44	5.86	6.38	6.33
% of portfolio – Industrial and mixed-use	16.5%	15.8%	12.9%	13.4%	10.0%
Total portfolio					
Leasable area (sq. ft.)	2,566,395	2,610,894	2,244,009	2,582,309	1,682,824
Lease rate ($)/square foot	7.22	8.13	8.27	8.40	8.68
% of portfolio	14.0%	14.3%	12.3%	14.1%	9.2%

The following table summarizes average lease term information as at December 31, 2008:

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average in-place net rent / sq. ft. ($)
Office	4.8	5,500	11.57
Retail	5.4	3,400	11.07
Industrial and mixed-use	4.0	11,300	5.72
Portfolio average	**4.4**	**6,900**	**8.22**

Cominar has a broad, highly diversified client base, consisting of approximately 2,500 tenants occupying an average 6,900 square feet each. Our three largest tenants, Public Works Canada, Québec government corporation Société immobilière du Québec and Ericsson Canada, account for approximately 6.2%, 5.3% and 2.6% of 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 11.5% 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	6.2	722,559
Société immobilière du Québec	5.3	1,040,491
Ericsson Canada Inc.	2.6	175,060
Bertrand distributeur en alimentation	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	0.9	64,236
Breton, Banville et Associés S.E.N.C.	0.8	84,261
Wal-Mart Canada Inc.	0.8	129,638
Total	**21.9**	**3,573,496**

ISSUED AND OUTSTANDING UNIT DATA

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 carries 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 years ended December 31, 2008 and 2007:

For the years ended December 31,	2008 Units	2008 $	2007 Units	2007 $
Units issued and outstanding, beginning of year	**45,272,683**	**591,172**	36,600,361	400,698
+ Units issued under public offering	—	—	7,113,000	164,149
+ Units issued on exercise of options	**343,100**	**5,027**	367,600	5,305
+ Units issued under distribution reinvestment plan	**151,229**	**3,187**	92,777	1,795
+ Units issued on conversion of convertible debentures	**85,163**	**1,482**	1,098,945	19,122
+ Reversal of contributed surplus on exercise of options	—	**97**	—	103
Units issued and outstanding, end of year	**45,852,175**	**600,965**	**45,272,683**	**591,172**

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	
For the periods ended December 31,	**2008**	**2007**	**2008**	**2007**
Weighted average number of units outstanding, basic	**45,805,733**	45,197,954	**45,534,865**	41,592,324
Effect of dilutive unit options	**124,217**	448,524	**364,360**	575,158
Weighted average number of units outstanding, diluted	**45,929,950**	45,646,478	**45,899,225**	42,167,482
Dilution related to conversion of convertible debentures	**8,584,570**	8,206,251	**8,629,096**	4,617,690
Weighted average number of units outstanding, fully diluted	**54,514,520**	53,852,729	**54,528,321**	46,785,172

RELATED-PARTY TRANSACTIONS

Michel Dallaire, Alain Dallaire and Michel Paquet, trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). During fiscal 2008, Cominar recorded $0.8 million in net rental revenue from Dalcon and CFA. The Trust incurred $16.3 million in expenses for leasehold improvements performed by Dalcon on its behalf and $33.3 million for the construction and development of income properties. These transactions were in the normal course of business and were measured at the exchange amount. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant cost savings while providing better service to its clients.

SELECTED QUARTERLY INFORMATION

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

For the quarters ended	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008	March 31, 2008	Dec. 31, 2007	Sept. 30, 2007	June 30, 2007	March 31, 2007
Operating revenues (1)	**62,356**	**56,658**	**58,994**	**57,333**	53,219	53,005	41,422	34,224
Operating expenses (1)	**23,786**	**20,431**	**24,662**	**25,993**	20,886	19,567	16,702	15,096
Net operating income (1)	**38,570**	**36,227**	**34,332**	**31,340**	32,333	33,438	24,720	19,128
Net income	**6,323**	**8,007**	**6,690**	**4,014**	6,359	6,878	8,680	7,324
Net income per unit (basic)	**0.14**	**0.18**	**0.15**	**0.09**	0.14	0.15	0.22	0.20
Net income per unit (diluted)	**0.14**	**0.17**	**0.15**	**0.09**	0.14	0.15	0.22	0.20
DI	**19,741**	**20,022**	**18,592**	**15,683**	17,886	18,307	15,436	11,608
DI per unit (FD) (2)	**0.42**	**0.42**	**0.40**	**0.35**	0.39	0.40	0.38	0.31
Funds from operations	**22,900**	**22,680**	**21,553**	**18,707**	20,396	20,930	17,712	13,762
Funds from operations per unit (FD) (2)	**0.48**	**0.47**	**0.45**	**0.40**	0.43	0.45	0.43	0.36
Adjusted funds from operations	**19,764**	**20,044**	**18,615**	**15,705**	17,929	18,307	15,436	11,608
Adjusted funds from operations per unit (FD) (2)	**0.42**	**0.42**	**0.40**	**0.35**	0.39	0.40	0.37	0.31
Distributions	**16,774**	**16,499**	**16,095**	**15,369**	16,230	14,640	13,206	11,378
Distributions per unit	**0.365**	**0.360**	**0.353**	**0.339**	0.358	0.325	0.312	0.306

(1) Certain amounts for fiscal 2008 and 2007 have been reclassified as discontinued operations in conformity with GAAP.
(2) Fully diluted.

Over the past two years, Cominar has steadily improved its operating revenues, DI, funds from operations and adjusted funds from operations through new acquisitions and new developments, higher average rents and relatively stable occupancy rates.

Historical trends show that first-quarter performance tends to be weaker due to increased energy consumption and snow removal over the winter months.

SUBSEQUENT EVENTS

[a] On January 16, 2009, Cominar purchased a 227,260 square-foot office property, 100% leased to Ericsson Canada Inc., on 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.

[b] On February 2, 2009, Cominar entered into a loan agreement in the amount of $50.0 million with a financial institution. This is a loan agreement with a one-year term bearing interest at an annual rate of 4.06%, secured by a first mortgage on income properties. The loan was used to repay balances of mortgages payable maturing in 2009 and a portion of the credit facilities.

[c] On February 6, 2009, Cominar proceeded with the early renewal of its operating and acquisition credit facility in the amount of $255.0 million. The maturity date of June 30, 2009 was extended to June 30, 2010.

[d] On February 12, 2009, Cominar entered into a financing agreement for approximately $24,500 with a financial institution. The loan, which will mature in five years, bears interest at the Canada Savings Bonds rate plus 355 basis points. It will be used to repay a portion of the credit facilities.

UNITHOLDER 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

The recent financial crisis has resulted in a tightening of credit markets, stricter lending conditions and, inevitably, reduced availability of capital. However, we are confident that we can deal with this situation given our strong fundamentals and high occupancy rates. For example, against a backdrop of difficult credit market conditions, we contracted $258.8 million in new mortgage loans payable in 2008 with a weighted average term of six years, bearing interest at a weighted average rate of 5.38%. In addition, as of the date of preparation of this MD&A, we had renewed all of the mortgage loans payable that mature during the year and the credit facility now matures on June 30, 2010. We also entered into $24.5 million financing arrangement with a mortgage lender to repay a portion of the credit facility. Negotiations continue with various other lenders, and in our estimation, with over $200 million in mortgage-free and unencumbered properties as at December 31, 2008, Cominar believes that it is currently well positioned to fund its current and future financial requirements.

Despite the prevailing economic conditions around the globe, the financial well-being of the Greater Québec City Area remains solid. We underscore the fact that economic indicators point to lower variability than in the major industrialized centres in periods of instability, as its status as the capital of Québec means that it houses several provincial government departments. This financial stability is further underpinned by the campus of Université Laval and numerous research and technology firms associated with the institution. The jobless rate stood at 3.8% in January 2009, Class "A" property vacancy was below 1.5% and aggregate vacancy logs in at 3.3%, all of which are current indicators of the economic vitality in the Greater Québec City Area.

As discussed in "Acquisition and Development Program" herein, Cominar began construction work in 2008 on a 396,000-square-foot property that will include a 296,000-square-foot office tower and 100,000 square feet in commercial leasable area. The investment will total $74 million and its pre-lease rate stands at 31%, which is satisfactory given the property's current stage of completion.

Cominar is well positioned to maintain relatively stable financial performance through an economic downturn, given its quality real estate portfolio, well-diversified tenant base, sound cost and risk management discipline, and strong financial position and solid growth potential.

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 President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have caused to be evaluated under their supervision the effectiveness of DC&P, including this MD&A, the annual financial statements, the Annual Information Form and the Management Proxy Circular. 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 fiscal year ended December 31, 2008 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 President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar caused to be evaluated under their supervision the effectiveness of ICFR. 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 fiscal year ended December 31, 2008 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 quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

SIGNIFICANT ACCOUNTING POLICIES

Our MD&A is based upon the Trust's consolidated financial statements, prepared in accordance with GAAP. The preparation and presentation of the consolidated financial statements and any other financial information contained in this 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.

ACQUISITION 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 annually disclose the fair value of mortgages payable and convertible debentures for reporting purposes. The estimated fair value of debts is based on assumptions as to the interest rates used in the calculation models.

CHANGES IN ACCOUNTING POLICIES

IFRS CHANGEOVER

In January 2006, the Accounting Standards Board announced its decision to require all publicly accountable enterprises to report under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011.

The change from Canadian GAAP to IFRS will apply to all publicly accountable enterprises, which include listed companies and any other organizations that are responsible to large or diverse groups of stakeholders, including non-listed financial institutions, securities dealers and many co-operative enterprises. IFRS will have a significant effect on how these enterprises report their financial information to the wider community.

The changeover date to IFRS is effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. On that date in 2011, IFRS will replace current Canadian GAAP for publicly accountable enterprises.

Cominar has developed a plan for the changeover to IFRS. We have completed the initial diagnosis phase of the plan and have identified the differences between Canadian GAAP and IFRS. Work has commenced on assessing the impact of the differences on our business processes and systems. While the project is on schedule, we are not currently able to accurately quantify the impact that the future adoption of IFRS will have on our consolidated financial statements. IFRS on the date of adoption may differ from current IFRS. We will prepare our financial statements in accordance with IFRS effective January 1, 2011.

SECTION 3064 – *GOODWILL AND INTANGIBLE ASSETS*

Recently issued

In February 2008, the CICA issued a new standard, Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, as well as Section 3450, *Research and Development Costs*.

The new Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the asset recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets, including research and development costs.

As for the subsequent measurement of intangible assets, goodwill and disclosures, Section 3064 carries forward the requirements of the old Section 3062.

Section 3064 applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Cominar is currently evaluating the impact of this standard on its 2009 consolidated financial statements.

NEW ACCOUNTING POLICIES

In the first quarter of 2008, Cominar adopted the following new accounting standards issued by the CICA:

Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed.

Section 3862, *Financial Instruments – Disclosures*, modifies the disclosure requirements for financial instruments formerly included in Section 3861, *Financial Instruments – Disclosure and Presentation.*

Section 3863, *Financial Instruments – Presentation*, carries forward unchanged the presentation requirements of old Section 3861, *Financial Instruments – Disclosure and Presentation*.

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 we operate and, ultimately, the level of business activity we conduct, the revenues we generate, and the cost and availability of our equity and debt.

EXECUTION OF OUR STRATEGY

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

ACQUISITIONS

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

DEVELOPMENT PROGRAM

Information regarding our development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items including, but not limited to, 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 our 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 6,900 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

The Trust competes for suitable immovable property investments with third parties seeking immovable property investments similar to those of interest to the Trust. 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 currently qualifies as a mutual fund trust for income tax purposes. We are required by our Contract of Trust to annually distribute all of our taxable income to unitholders and thus are generally not subject to tax on such income. In order to maintain our current mutual fund status, we are required to comply with specific restrictions regarding our activities and our investments. If we were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

NEW TAX SYSTEM

In connection with its Tax Fairness Plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through ("SIFT") trusts to bring taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received Royal Assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more non-portfolio properties.

The new rules apply as of taxation year 2007 for SIFT trusts. However, existing SIFT trusts as at October 31, 2006, whose future growth will not exceed normal growth, benefit from a four-year transitional period before the new rules apply.

REIT EXCEPTION

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts ("REIT") for a given taxation year. 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" to the extent that it is from such properties located in Canada; interest from mortgages on real or immovable properties located in Canada and capital gains from dispositions of real or immovable properties located in Canada; 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 located in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain other public agencies, less than 75% of the equity value of the Trust at that time.

As at December 31, 2008, Cominar met all of these conditions and qualified as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar. Cominar's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

RECRUITMENT OF EMPLOYEES AND EXECUTIVES

Competition for qualified employees and executives is intense. If we are unable to attract and retain qualified employees and executives, our results of operations and financial condition, including our 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 renegotiated.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Cominar Real Estate Investment Trust ("Cominar") were prepared by management, which is respon-sible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with Canadian gene-rally accepted accounting principles ("GAAP"). Financial information appearing throughout our MD&A is consistent with these consolidated financial statements.

In discharging our responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, we maintain the necessary system of internal controls designed to ensure that transactions are authorized, assets are safeguarded and proper records are maintained.

As at December 31, 2008, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Cominar had an evaluation carried out, under their direct supervision, of the effectiveness of the controls and procedures used for the preparation of filings, as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators. Based on that evaluation, they concluded that the disclosure controls and procedures were effective.

The Board of Trustees oversees management's responsibility for financial reporting through an Audit Committee, which is composed entirely of Trustees who are not members of Cominar's management or personnel. This Committee reviews our consolidated financial statements and recommends them to the Board for approval. Other key responsibilities of the Audit Committee include reviewing our existing internal control procedures and planned revisions to those procedures, and advi-sing the trustees on auditing matters and financial reporting issues.

Ernst & Young LLP, Independent Chartered Accountants appointed by the unit-holders of Cominar upon the recommendation of the Board, have performed an independent audit of the Consolidated Financial Statements and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

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

Michel Berthelot, CA
Executive Vice President
and Chief Financial Officer

Quebec City, March 13, 2008

AUDITORS' REPORT

TO THE UNITHOLDERS OF COMINAR REAL ESTATE INVESTMENT TRUST,

We have audited the consolidated balance sheets of Cominar Real Estate Investment Trust as at December 31, 2008 and 2007 and the consolidated statements of income and comprehensive income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP [1]

Chartered Accountants
Québec City, Canada
February 11, 2009
[except as to note 24d) which is as of February 12, 2009]

1 CA auditor permit no. 9169

CONSOLIDATED BALANCE SHEETS

As at December 31,
[in thousands of dollars]

	2008 $	2007 $
ASSETS		
Income properties *[notes 4, 8 and 10]*		
Buildings	**1,228,214**	1,073,830
Land	**199,211**	174,657
Intangible assets	**79,106**	74,608
	1,506,531	1,323,095
Properties under development *[note 5]*	**72,945**	31,401
Land held for future development *[note 5]*	**20,857**	29,879
Deferred expenses and other assets *[note 6]*	**45,111**	36,001
Prepaid expenses	**1,954**	2,758
Accounts receivable *[note 7]*	**21,352**	19,660
	1,668,750	1,442,794
LIABILITIES		
Mortgages payable *[note 8]*	**730,711**	619,755
Convertible debentures *[note 9]*	**203,723**	203,852
Bank indebtedness *[note 10]*	**186,987**	35,321
Accounts payable and accrued liabilities	**34,987**	35,924
Distributions payable to unitholders	**—**	6,246
	1,156,408	901,098
UNITHOLDERS' EQUITY		
Unitholders' equity	**512,342**	541,696
	1,668,750	1,442,794

See accompanying notes to consolidated financial statements

Approved by the Board of Trustees

Robert Després
Chairman of the Board of Trustees

Michel Dallaire
Trustee

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

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

	2008 $	2007 $
Unitholders' contributions *[note 11]*		
Balance, beginning of year	**591,172**	400,698
Issue of units	**9,793**	196,378
Underwriters' fees and offering expenses	**—**	(5,904)
Balance, end of year	**600,965**	591,172
Cumulative net income		
Balance, beginning of year	**247,779**	218,538
Net income	**25,034**	29,241
Balance, end of year	**272,813**	247,779
Cumulative distributions		
Balance, beginning of year	**(298,080)**	(242,626)
Distributions to unitholders	**(64,737)**	(55,454)
Balance, end of year	**(362,817)**	(298,080)
Contributed surplus		
Balance, beginning of year	**513**	398
Unit option plan	**556**	115
Balance, end of year	**1,069**	513
Other equity component *[note 9]*		
Equity component of convertible debentures	**312**	312
Total unitholders' equity	**512,342**	541,696

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	2008 $	2007 $
Operating revenues		
Rental revenue from income properties	**235,341**	181,870
Operating expenses		
Operating costs	**44,333**	35,076
Realty taxes and services	**47,924**	35,429
Property management expenses	**2,615**	1,746
	94,872	72,251
Operating income before the undernoted	**140,469**	109,619
Interest on borrowings	**50,798**	35,591
Depreciation of income properties	**51,833**	35,470
Amortization of deferred leasing costs	**8,231**	6,952
Amortization of other assets	**330**	196
	111,192	78,209
Operating income from real estate assets	**29,277**	31,410
Trust administrative expenses	**(4,186)**	(2,954)
Other revenues	**289**	394
Unusual item	**—**	422
Net income from continuing operations	**25,380**	29,272
Net loss from discontinued operations *[note 21]*	**(346)**	(31)
Net income and comprehensive income	**25,034**	29,241
Basic net income per unit *[note 13]*	**0.550**	0.703
Diluted net income per unit *[note 13]*	**0.545**	0.693

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2008 $	2007 $
OPERATING ACTIVITIES		
Net income	**25,034**	29,241
Items not affecting cash:		
Depreciation of income properties	**51,871**	36,132
Amortization of below-market leases	**(576)**	(250)
Amortization of deferred leasing costs	**8,243**	6,965
Amortization of deferred financing costs and other assets	**2,197**	1,302
Amortization of fair value adjustments on assumed indebtedness	**(127)**	(52)
Accretion of liability component of convertible debentures	**37**	9
Compensation expense related to unit option plan	**652**	217
Loss on disposal of an income property	**368**	—
	87,699	73,564
Change in non-cash operating working capital items *[note 16]*	**(1,775)**	10,842
	85,924	84,406
INVESTING ACTIVITIES		
Acquisitions of income properties *[note 4]*	**(233,409)**	(418,382)
Additions to properties under development and land held for future development *[note 5]*	**(33,612)**	(47,863)
Net proceeds on disposal of an income property	**2,044**	—
Compensation on disposal of an income property	**—**	30,000
Leasing costs	**(17,495)**	(9,746)
Other assets	**(1,986)**	(1,281)
	(284,458)	(447,272)
FINANCING ACTIVITIES		
Mortgages payable	**257,520**	167,987
Repayment of mortgages payable	**(147,882)**	(67,389)
Net proceeds from issue of convertible debentures *[note 9]*	**—**	182,720
Bank indebtedness	**151,666**	(38,394)
Net proceeds from issue of units *[note 11]*	**5,027**	169,454
Distributions to unitholders	**(67,797)**	(51,512)
	198,534	362,866
Net change in cash and cash equivalents	**—**	—
Cash and cash equivalents, beginning of year	**—**	—
Cash and cash equivalents, end of year	**—**	—

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007
[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 2008
In the first quarter of 2008, Cominar adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, *Capital Disclosures*, establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose the following:

- its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirements to which it is subject;
- when the entity has not complied with such requirements, the consequences of such non-compliance.

Capital disclosures are provided in note 18 to these financial statements.

Section 3862, *Financial Instruments – Disclosures*, modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863, *Financial Instruments – Presentation* carries forward unchanged the presentation requirements of the old Section 3861, *Financial Instruments – Disclosure and Presentation*.

The adoption of the recommendations included in sections 3862 and 3863 had no effect on the recognition and measurement of financial instruments. Disclosures on financial instruments are provided in note 19 to these financial statements.

Recently published
In February 2008, the CICA issued a new accounting standards, Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, as well as Section 3450, *Research and Development Costs*.

The new Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the asset recognition criteria. Section 3064 also provides further information on the recognition of internally generated intangible assets, including research and development costs.

As for the subsequent measurement of intangible assets, goodwill and disclosures, Section 3064 carries forward the requirements of the old Section 3062.

Section 3064 applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. Cominar is currently assessing the impact of this standard on its 2009 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except for the new accounting policies adopted in 2008 described in note 2, accounting policies and methods followed are the same as those used in the preparation of the December 31, 2007 audited consolidated financial statements.

Consolidation

These consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of previously 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 year. Actual results could 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 are 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. Regarding income properties acquired after September 12, 2003, a portion of the purchase price, if any, is allocated to operating leases, client relationships and leasehold improvements.

Depreciation of buildings is recorded on a straight-line basis over a 40-year period.

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.

Disposals of income properties

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

- the operating results and cash flows of the disposed property are eliminated from current operations; and
- Cominar will not have significant and ongoing involvement in the operations of the sold property.

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

Deferred expenses and other assets

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

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 customers, 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.

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.

Unit option plan

Cominar has a unit option plan which is described in note 11. Cominar recognizes compensation expense when unit options are granted to trustees, management and employees. The plan does not provide for cash settlement.

Per unit calculations

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

4. INCOME PROPERTIES

	2008		
	Cost $	Accumulated depreciation $	Amortized cost $
Buildings	**1,337,102**	**108,888**	**1,228,214**
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**
	1,650,127	**143,596**	**1,506,531**

	2007		
	Cost $	Accumulated depreciation $	Amortized cost $
Buildings	1,152,333	78,503	1,073,830
Land	174,657	—	174,657
Intangible asset			
In-place operating leases	64,562	11,648	52,914
Client relationships	21,098	1,381	19,717
Acquired leasehold improvements	3,129	1,152	1,977
	88,789	14,181	74,608
	1,415,779	92,684	1,323,095

Acquisitions of income properties

On February 29, 2008, Cominar acquired the remaining interest in seven industrial and mixed-use properties located in Montréal that were previously co-owned. On May 8, 2008, Cominar acquired three income properties. Lastly, the Trust acquired two income properties during the fourth quarter of 2008. These transactions were accounted for using the acquisition method.

The following table shows the net assets acquired:

	2008 $
Income properties	
Buildings	**166,120**
Land	**22,648**
Intangible assets	
In-place operating leases	**16,440**
Client relationships	**8,875**
Total purchase price	**214,083**
The purchase price was settled as follows:	
Cash and cash equivalents	**212,865**
Assumption of a mortgage payable	**1,218**
	214,083

In 2007, Cominar acquired 67 income properties, of which seven are co-owned. These transactions were accounted for using the acquisition method. The following table shows the net assets acquired:

	2007 $
Income properties	
Buildings	491,428
Land	79,512
Intangible asset	
In-place operating leases	59,044
Client relationships	21,023
Properties under development	12,413
Total purchase price	663,420
The purchase price was settled as follows:	
Cash and cash equivalents	414,416
Assumption of mortgages payable	249,004
	663,420

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

During the year, Cominar continued to develop its income properties. Capital expenditures included additions, expansions, modernizations, modifications, completion of buildings previously under development and upgrades to existing properties with a view to increasing or maintaining the production capacity of its real estate portfolio. In 2008, outlays related to these investments totalled $20,544 [$16,379 in 2007].

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the year, Cominar capitalized $3,811 [$2,922 in 2007] in interest to properties under development and land held for future development, some of which are classified in income properties at year-end.

In 2008, Cominar pursued its property development and land acquisition for future development activities, with outlays totalling $33,612 [$47,863 in 2007]. Projects underway as at December 31, 2008 represent an estimated investment of over $45,900 in the coming years, assuming work proceeds according to plan.

6. DEFERRED EXPENSES AND OTHER ASSETS

	2008 $	2007 $
At amortized cost		
Leasing costs	**41,855**	34,077
Other assets	**3,256**	1,924
	45,111	36,001

7. ACCOUNTS RECEIVABLE

	2008 $	2007 $
Accounts receivable	**8,301**	8,301
Deferred accounts receivable	**9,852**	6,674
Other accounts receivable, bearing interest at a weighted average effective rate of 7.38% as at December 31, 2008 [7.40% as at December 31, 2007]	**2,143**	2,504
Deposits in advance of work to be performed	**1,056**	2,181
	21,352	19,660

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties having a net carrying value of $1,085,684 [$1,014,227 as at December 31, 2007]. They bear contractual interest at rates ranging from 4.22% to 11.00% per annum [4.68% to 11.00% as at December 31, 2007] representing a weighted average rate of 5.58% as at December 31, 2008 [5.78% as at December 31, 2007] and are renewable at various dates from January 2009 to March 2022. As at December 31, 2008, the weighted average effective rate was 5.54% [5.71% as at December 31, 2007]. Some mortgages payable contain restrictive covenants that were met as at December 31, 2008.

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:

Years ending December 31,	**Repayment of principal $**	**Balance at maturity $**	**Total $**
2009	16,900	52,341	**69,241**
2010	17,309	49,769	**67,078**
2011	17,261	5,855	**23,116**
2012	17,291	16,380	**33,671**
2013	15,977	149,499	**165,476**
2014 and thereafter	68,725	304,986	**373,711**
	153,463	578,830	**732,293**
Plus: fair value adjustments on assumed mortgages			**338**
Less: unamortized financing costs			**(1,920)**
			730,711

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 year:

	2008				2007
	Series A	**Series B**	**Series C**	**Total**	**Total**
Contractual interest rate	**6.30%**	**5.70%**	**5.80%**		
Effective interest rate	**6.89%**	**6.42%**	**6.60%**		
Issue date	**September 2004**	**May 2007**	**October 2007**		
Conversion price per unit	**$17.40**	**$27.50**	**$25.25**		
Interest payment dates	**June 30 and December 31**	**June 30 and December 31**	**March 31 and September 30**		
Redemption date at Cominar's option	**June 2008**	**June 2010**	**September 2010**		
Maturity date	**June 2014**	**June 2014**	**September 2014**		
	$	**$**	**$**	**$**	$
Balance, beginning of year	**24,117**	**80,500**	**110,000**	**214,617**	43,239
Issuance	**—**	**—**	**—**	**—**	190,500
Holders' option conversions	**(1,482)**	**—**	**—**	**(1,482)**	(19,122)
Balance, end of year	**22,635**	**80,500**	**110,000**	**213,135**	214,617
Less: unamortized financing costs and equity component of convertible debentures				**(9,412)**	(10,765)
				203,723	203,852

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 on the balance sheet, net of the $312 equity component of convertible debentures related to the holders' options conversion and interest has been charged to "Interest on borrowings" in the consolidated statement of income and comprehensive income. Debenture issue costs are deducted from liabilities 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.

In 2008, 1,482 convertible debentures (Series A) were converted into 85,163 units at a conversion price of $17.40 per unit, for a total of $1,482.

In 2007, 19,122 convertible debentures (Series A) were converted into 1,098,945 units at a conversion price of $17.40 per unit, for a total of $19,122.

10. BANK INDEBTEDNESS

Cominar has an operating and acquisition credit facility of up to $255,000 [$180,000 as at December 31, 2007]. This credit facility, subject to annual renewal, bears interest at 0.25% above prime [between 0.00% and 0.50% in 2007] or at 1.5% above bankers' acceptance rate. This credit facility is secured by a movable and immovable hypothec on specific assets, including the carrying value of immovable property totalling $252,491 as at December 31, 2008 [$193,134 as at December, 2007]. As at December 31, 2008, the prime rate was 3.50% [6.00% as at December 31, 2007]. This credit facility contains certain restrictive covenants which were met as at December 31, 2008.

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 year ended December 31, 2008, Cominar issued 579,492 units, 85,163 units on the conversion of convertible debentures, 151,229 units under the distribution reinvestment plan and the balance of 343,100 units via the exercise of options. The issuance of these units resulted in net proceeds of $5,027.

During the year ended December 31, 2007, Cominar issued 8,672,322 units including 7,113,000 units pursuant to a public offering, 1,098,945 units on the conversion of convertible debentures, 92,777 units under the distribution reinvestment plan, and the balance of 367,600 units via the exercise of options. The issuance of these units resulted in net proceeds of $169,454.

	2008		2007	
	Units	$	Units	$
Units issued and outstanding, beginning of year	**45,272,683**	**591,172**	36,600,361	400,698
Units issued under public offering	—	—	7,113,000	164,149
Units issued on exercise of options	**343,100**	**5,027**	367,600	5,305
Units issued under the distribution reinvestment plan	**151,229**	**3,187**	92,777	1,795
Units issued on conversion of convertible debentures	**85,163**	**1,482**	1,098,945	19,122
Reversal of contributed surplus on exercise of options	—	**97**	—	103
Units issued and outstanding, end of year	**45,852 175**	**600,965**	45,272,683	591,172

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. As at December 31, 2008, no units had been redeemed under this program.

Unit option plan

Cominar has granted options to trustees, 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 December 31, 2008, options for the acquisition of 3,504,700 units were outstanding and 705,657 options could be granted under the plan.

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

	As at December 31, 2008				
Date of grant	Graded vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
November 13, 2003	20%	November 13, 2010	14.00	837,900	837,900
April 8, 2005	25%	November 13, 2010	17.12	113,000	65,000
May 23, 2006	20%	May 23, 2013	18.90	428,000	128,000
May 15, 2007	50%	May 15, 2014	23.59	60,000	30,000
February 6, 2008	33 1/3%	February 6, 2013	18.68	904,200	—
December 19, 2008	33 1/3%	December 19, 2013	15.14	1,161,600	—
				3,504,700	**1,060,900**

	2008		2007	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of year	**1,782,000**	**15.84**	2,170,600	15.50
Exercised	**(343,100)**	**14.73**	(367,600)	14.58
Granted	**2,094,300**	**16.72**	60,000	23.59
Cancelled	**(28,500)**	**18.68**	(81,000)	18.16
Outstanding, end of year	**3,504,700**	**16.45**	1,782,000	15.84
Exercisable options, end of year	**1,060,900**	**15.05**	785,000	14.62

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) The options' exercise price represents the closing price of Cominar units on the day before the grant date.

Compensation expense is amortized using the graded vesting method.

The weighted average grant date fair value of options granted during the year is $0.74 [$1.38 in 2007].

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 year ended December 31, 2008, 151,229 units [92,777 units in 2007] were issued for a total consideration of $3,187 pursuant to the distribution reinvestment plan.

12. INCOME TAXES

Cominar is taxed as 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 of Cominar and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required.

Cominar's subsidiaries are Canadian-based enterprises which are subject to tax on their taxable income under the Income Tax Act (Canada) at an average rate of approximately 31%. No provision is required for the year ended December 31, 2008.

The carrying value of Cominar's net assets as at December 31, 2008 exceeded the tax basis by approximately $87,000 [$82,000 as at December 31, 2007].

New tax plan

In connection with its Tax Fairness Plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through ("SIFT") trusts to bring taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received Royal Assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more nonportfolio properties.

Application of new rules

The new rules apply as of taxation year 2007 for SIFT trusts. However, existing SIFT trusts as at October 31, 2006, whose future growth will not exceed normal growth, benefit from a four-year transition period before the new rules apply.

REIT exception

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts ("REIT") for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: [i] the only "nonportfolio 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" to the extent that it is from such properties located in Canada; interest from mortgages on real or immovable properties located in Canada and capital gains from dispositions of real or immovable properties located in Canada; 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 located in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain other public agencies, less than 75% of the equity value of the trust at that time.

As of December 31, 2008, Cominar met all of these conditions and qualified as a REIT. As a result, the new 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 RESULTS

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

	2008 $	2007 $
Weighted average number of units outstanding – basic	**45,534,865**	41,592,324
Effect of dilutive unit options	**364,360**	575,158
Weighted average number of units outstanding – diluted	**45,899,225**	42,167,482

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, deferred rental income, gains or losses on disposals of income properties and amortization of fair value adjustments on assumed mortgages payable.

	2008 $	2007 $
Distributions to unitholders	**64,737**	55,454
Distributions per unit	**1.417**	1.301

15. INVESTMENTS IN CO-OWNED PROPERTIES

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

Cominar's proportionate share of revenues and net income for the periods from January 1 to February 28, 2008 and from July 31 to December 31, 2007 was as follows:

	2008 $	2007 $
Operating revenues	**209**	708
Net income	**66**	174

The carrying value of co-owned properties accounted for approximately 1% of Cominar's total assets as at February 29, 2008 [1% as at December 31, 2007] [note 4].

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2008 $	2007 $
Prepaid expenses	**804**	(597)
Accounts receivable	**(1,735)**	(423)
Accounts payable and accrued liabilities	**(844)**	11,862
	(1,775)	10,842
Additional information		
Interest paid	**52,652**	36,810
Unpaid leasing costs	**3,387**	5,280
Additions to income properties and properties under development by assumption of mortgages payable	**1,218**	249,004
Unpaid additions to income properties and properties under development	**5,506**	3,707
Properties under development transferred to income properties	**4,395**	10,428

17. RELATED-PARTY TRANSACTIONS

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

	2008 $	2007 $
Rental revenue from income properties	**824**	990
Income properties and properties under development	**33,283**	11,641
Deferred expenses and other assets	**16,278**	9,121
Accounts receivable	**115**	305
Accounts payable and accrued liabilities	**8,940**	7,147

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:

	2008 $	2007 $
Mortgages payable	**730,711**	619,755
Convertible debentures	**203,723**	203,852
Bank indebtedness	**186,987**	35,321
Unitholders' equity	**512,342**	541,696
Total of capital	**1,633,763**	1,400,624
Overall debt ratio (1)	**61.9%**	55.9%
Debt ratio (excluding convertible debentures)	**50.6%**	42.7%
Interest coverage ratio (2)	**2.68**	2.89

(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.

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 December 31, 2008, Cominar maintained a debt ratio of 61.9%, slightly up from December 31, 2007, as a result of income property acquisitions and developments during the year ended December 31, 2008.

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 December 31, 2008, the interest coverage ratio was 2.68:1, reflecting the REIT's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

19. FINANCIAL INSTRUMENTS

Fair value

Fair value is subjective in nature, requiring valuation techniques and assumptions. Fair value amounts disclosed in these 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:

	2008		2007	
	Carrying value $	Fair value $	Carrying value $	Fair value $
FINANCIAL ASSETS				
Held for trading				
Cash and cash equivalents	—	—	—	—
Loans and receivables				
Accounts receivable	**21,352**	**21,352**	19,660	19,660
Total financial assets	**21,352**	**32,352**	19,660	19,660
FINANCIAL LIABILITIES				
Other financial liabilities				
Mortgages payable (1)	**732,293**	**712,409**	620,136	628,398
Convertible debentures (1)	**213,135**	**220,330**	214,617	221,508
Bank indebtedness	**186,987**	**186,987**	35,321	35,321
Accounts payable and accrued liabilities (2)	**34,158**	**34,158**	33,762	33,762
Distributions payable to unitholders	—	—	6,246	6,246
Total financial liabilities	**1,166,573**	**1,153,884**	910,082	925,235

(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 $829 [$2,162 in 2007].

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 December 31, 2008 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, interest rate 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 6,900 square feet of space. Our three largest clients account for 6.2%, 5.3% and 2.6% of 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 12.0% 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 accounts receivable 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 year, with all other variables held constant, would have impacted Cominar's net income by more or less $348 as at December 31, 2008.

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 December 31, 2008 are as follows:

		Maturity		
	Carrying value	**Under one year**	**One to five years**	**Over five years**
Mortgages payable *[notes 8 and 24]*	732,293	52,603	290,567	389,123
Convertible debentures *[note 9]*	213,135	—	213,135	—
Bank indebtedness *[notes 10 and 24]*	186,987	186,987	—	—
Accounts payable and accrued liabilities	34,158	28,713	5,445	—
	1,166,573	268,303	509,147	389,123

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:

For the year ended December 31, 2008	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	104,884	47,435	83,022	**235,341**
Depreciation of income properties	26,316	6,193	19,324	**51,833**
Net operating income (1)	59,257	28,062	53,150	**140,469**
Income properties (amortized cost)	731,469	240,699	534,363	**1 506,531**

For the year ended December 31, 2007	Office properties $	Retail properties $	Industrial mixed-use properties $	Total $
Rental revenue from income properties	75,098	44,100	62,672	**181,870**
Depreciation of income properties	16,859	5,720	12,891	**35,470**
Net operating income (1)	43,132	25,725	40,762	**109,619**
Income properties (amortized cost)	587,324	243,618	492,153	**1,323,095**

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

21. DISCONTINUED OPERATIONS

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

On September 1, 2007, the Centre hospitalier de l'Université de Montréal (CHUM) took possession of the office property located at 300 Viger Street, Montréal. A notice of expropriation had been served on this property in 2006. Since the definitive indemnity amount has not yet been set, Cominar has not recognized any related gain or loss *[Note 22a]*.

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

	2008 $	2007 $
Net operating income	**173**	2,018
Depreciation of income properties	**38**	662
Amortization of deferred leasing costs	**12**	13
Administrative expenses	**1**	14
Interest on borrowings	**100**	1,360
Income (loss)	**22**	(31)
Gain (loss) on disposal	**(368)**	—
Net loss from discontinued operations	(346)	(31)
Basic net income (loss) per unit	**(0.008)**	0.000
Diluted net income (loss) per unit	**(0.008)**	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 either be set by the Québec Administrative Court, or it will be settled by 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 December 31, 2008 amounted to $3,500. 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 $55,873, are as follows:

Years ending December 31	Total $
2009	476
2010	486
2011	491
2012	526
2013	526
2014 and thereafter	24,749

24. SUBSEQUENT EVENTS

[a] On January 16, 2009, Cominar purchased a 227,260 square-foot office property on Décarie Boulevard in Montréal for a purchase price of $36,820, consisting of $13,521 for the assumption of a mortgage payable and $23,299 paid in cash.

[b] On February 2, 2009, Cominar entered into a loan agreement in the amount of $50,000 with a financial institution. This is a loan agreement with a one-year term bearing interest at an annual rate of 4.06%, secured by a first mortgage on income properties. The loan was used to repay balances of mortgages payable at maturity and a portion of the credit facilities.

[c] On February 6, 2009, Cominar proceeded with the early renewal of its operating and acquisition credit facility in the amount of $255,000. The maturity date of June 30, 2009 was extended to June 30, 2010.

[d] On February 12, 2009, Cominar entered into a financing agreement for approximately $24,500 with a financial institution. The loan, which will mature in five years, bears interest at a rate equivalent to Government of Canada Bonds plus 355 basis points. It will be used to repay a portion of the credit facilities.

25. COMPARATIVE FIGURES

Certain 2007 figures have been reclassified to conform to the current year presentation.

CORPORATE INFORMATION

BOARD OF TRUSTEES

Robert Després, O.C., G.O.Q. (1) (3)
Chairman of the Board of Trustees
Cominar Real Estate Investment Trust
Corporate Director

Michel Dallaire, P.Eng.
President and Chief Executive Officer
Cominar Real Estate Investment Trust

Yvan Caron (1) (2) (4)
Consultant

Me Gérard Coulombe, Q.C. (2) (3)
Senior Partner
Lavery De Billy

Alain Dallaire
Executive Vice President, Operations
Cominar Real Estate Investment Trust

Dino Fuoco (1) (4)
President, Matvet Veterinary Equipment inc.

Pierre Gingras (4)
President, Placements Moras Inc.

Ghislaine Laberge (2) (3)
Director, Hypothèques CDPQ inc. and CADIM inc.

Michel Paquet, LL.L.
Executive Vice President, Legal Affairs and Secretary
Cominar Real Estate Investment Trust

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

OFFICERS

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

Michel Berthelot, CA
Executive Vice President
and Chief Financial Officer

Alain Dallaire
Executive Vice President, Operations

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

Me Michel Paquet, LL.L.
Executive Vice President,
Legal Affairs and Secretary

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

Wally Commisso
Vice President,
Property Management - Montreal

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

Anne-Marie Dubois
Vice President, Leasing - Montreal

Michel Leclerc, P.Eng.
Vice President,
Property Management - Quebec City

Jean-Guy Moreau
Vice President, Development

Richard S. Nolin
Vice President, Retail

Roger Turpin
Vice President, Treasurer

UNITHOLDER INFORMATION

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LISTING

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

TRANSFER AGENT

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Télec.: (416) 263-9394

Toll free: 1 800 564-6253

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TAXABILITY OF DISTRIBUTIONS

In 2008, 67.4% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

Ernst & Young LLP

ANNUAL MEETING OF UNITHOLDERS

May 20, 2009
11:00 a.m.

Hôtel Omni Mont-Royal
1050 Sherbrooke St. West
Montréal (Québec)

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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