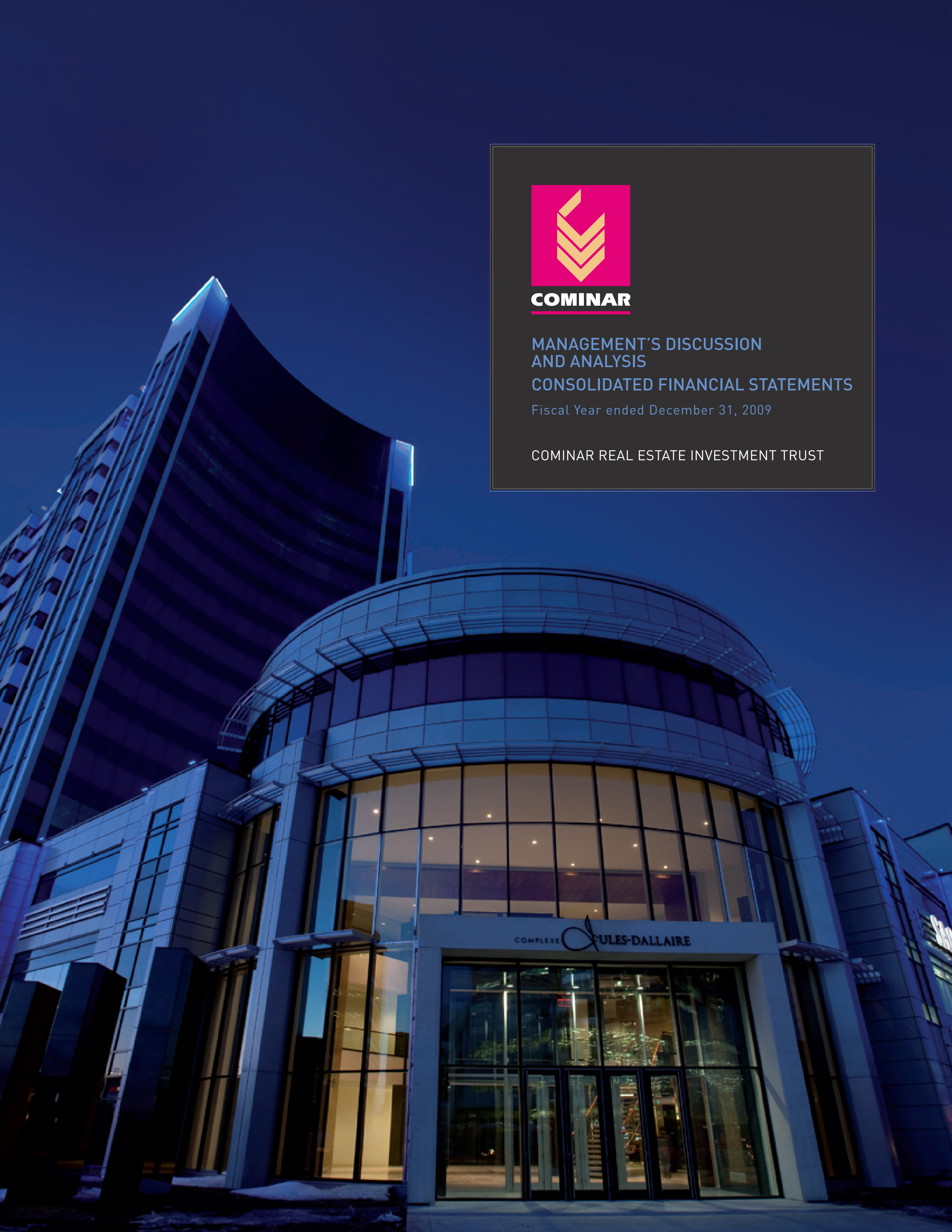

COMINAR

MANAGEMENT'S DISCUSSION AND ANALYSIS
CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year ended December 31, 2009

COMINAR REAL ESTATE INVESTMENT TRUST


COMPLEXE JULES-DALLAIRE

MESSAGE TO UNITHOLDERS

Cominar achieved satisfactory growth and further expanded its real estate portfolio in 2009, while raising $230 million in financing, even considering the financial crisis and a severe recession.

Since the Trust's inception, we have strived to implement the best management practices and to take advantage of development and expansion-by-acquisition opportunities, which assure us of sound growth – as we also did in 2009, when we invested approximately $100 million in property acquisitions and virtually completed the construction of Phase 1 of "Complexe Jules-Dallaire" at a cost of $74 million.

Our team's synergy and strength and our passion for excellence allow us to achieve healthy and sustainable growth year after year while meeting our commitments to our unitholders, even under challenging economic conditions.

DURING THE YEAR, WE CONTINUED TO CREATE VALUE BY BUILDING ON OUR STRONG FUNDAMENTALS AND OUR STRATEGIC ASSETS

The quality and diversification of our real estate portfolio – the expertise and dynamism of our team – our financial strength – our proactive and integrated operations management – and our dominant position in the Québec City region, which distinguished itself with its economic vitality.

We are satisfied with the results we achieved in 2009 despite the economic conditions. While the Greater Montréal region was more affected by the context, as reflected by an increase in the industrial property vacancy rate, the Québec City region – where we maintain a dominant position – continued to benefit from appreciable stability and economic vitality thanks to new research centres, growing innovative companies and the expansion of the insurance sector. According

Robert Després, O.C., G.O.Q., *Chairman of the Board*
Michel Dallaire, P.Eng., *President and Chief Executive Officer*

to the Conference Board, Québec City was one of the top-performing Canadian cities in 2009, posting an increase in employment and an unemployment rate far below that of the Province of Québec and the rest of Canada.

Driven by the acquisitions and quality developments we completed in 2008 and 2009, our operating revenues grew by 11.4%. As for our operational performance, it resulted in a 10.4% increase in our net operating income, due notably to the strong growth of the office segment stemming from the acquisitions made in 2008 and 2009. Our recurring distributable income and distributions paid to unitholders increased by 9.4% and 14.5% respectively.

The quality of our properties and our integrated and proactive management are strong fundamentals that contribute to maintain high and relatively stable occupancy rates. Our properties' average occupancy rate has held relatively steady at 94.5% over the past five years. In 2009, the occupancy rate for the office and retail segments declined slightly, to 94.1% and 96.3% respectively. Conversely, the industrial and mixed-use segment posted a decrease of 1.5% from 2008 to stand at 92.5%, due mainly to the effects of the economic downturn. Our overall occupancy rate was 93.5% for the 2009 fiscal year, which is acceptable in such challenging times.

IN 2009, WE INVESTED CLOSE TO $100 MILLION IN PROPERTY AND LAND ACQUISITIONS, AND THE PRESTIGIOUS "COMPLEXE JULES-DALLAIRE" WELCOMED ITS FIRST TENANT IN EARLY 2010

Our growth strategy remains rooted in the acquisition, construction, redevelopment and expansion of properties offering a high-potential return, in order to ensure the growth of distributions and increase return on investment for unitholders. As the 2009 economic downturn did not really favour the investment market, we were even more rigorous and prudent; nevertheless, we took advantage of two opportunities fully matching our criteria in the Montréal region. We acquired an office property and a shopping centre representing a $91.6 million total investment and covering a total area of 0.5 million square feet. In Québec City, we acquired a parcel of land for $9.2 million, which we consider an attractive opportunity given its outstanding location near Highway 40, one of the thoroughfares in the Québec City area.

For a few years now, we have witnessed a lack of leasable office space in the Québec City area, as well as high demand for quality properties. In this context, we adjusted our expansion strategy based on market trends and completed several construction and development projects offering higher added value. In 2009, we basically completed the construction of Phase 1 of "Complexe Jules-Dallaire", begun in January 2008. This project represents a $74 million investment and a 396,000-square-foot leasable area, of which 296,000 square feet are designed for office space and 100,000 for retail premises. We were pleased to welcome our first retail tenant in February 2010. Considering this property's many assets, notably its strategic location along one of the most important thoroughfares in Québec City, its versatility and its LEED certified construction, we foresee benefiting from a high occupancy rate once the work is completed.

OUR FINANCIAL STRENGTH, CONSERVATIVE MANAGEMENT AND GROWTH POTENTIAL ALLOWED US TO RAISE $230 MILLION IN FINANCING IN 2009 AND TO CONTRACT $108 MILLION IN MORTGAGES PAYABLE – WHILE LOWERING OUR DEBT RATIO

Considering the economic conditions that prevailed in 2009, we were pleased to raise a considerable amount of financing and to thereby consolidate our financial position while setting the stage for new expansion phases. This attests to the financial community's confidence in our REIT as well as our capacity to create value in the future. In 2009, we completed two unit issues and an issue of convertible debentures for total proceeds of $230 million. We also contracted mortgages payable for an aggregate amount of $108 million, and we paid distributions totaling $74.2 million to our unitholders. At the end of the fiscal year, our debt ratio stood at 60.1% and our interest coverage ratio at 2.66:1, which still compares favourably with that of our peers.

These financing arrangements contributed to solidify our financial position and to increase our investment potential, but they also had a dilutive effect on our per-unit performance. However, this dilution will be offset by the return provided by our acquisitions as well as by ongoing developments, once they start to generate revenue.

In October 2009, we filed a base shelf prospectus in order to offer for sale and issue up to $200 million in the aggregate of Cominar units and subscription receipts. Subsequently, we implemented a program in order to issue a maximum of 2 million units through the at-the-market process.

COMINAR IS WELL POSITIONED TO CONTINUE ITS GROWTH AND GEOGRAPHIC DIVERSIFICATION IN 2010

Fiscal 2010 got off to a strong start as we have completed an acquisition that allows us to establish ourselves in several cities in the Maritime Provinces while giving us access to our fourth geographic region. In January 2010, we filed a takeover bid to acquire all the outstanding common shares of Overland Realty Limited for a consideration of approximately $71 million. Overland is fully compatible with our activities and our geographic and segmented diversification strategy, with a portfolio of 17 quality properties in our three business sectors representing a total leasable area of 0.6 million square feet. We also remain on the lookout for new opportunities in our three business sectors, in line with our criteria, and we plan to further expand in 2010.

Signs of an economic recovery are starting to appear in the Montréal market, and the economy in the Québec City region should remain stable and dynamic, which will contribute to sustain our growth.

Cominar has quality assets, proven organizational and managerial capabilities, operational discipline, good financial flexibility and a strong knowledge of its markets. Its management remains firmly committed and owns a substantial capital interest in the REIT. Fiscal 2009 was a difficult year for many economic segments and it is in such periods that we benefit even more from the expertise, professionalism, creativity and commitment of our team members.

We thank our unitholders for their confidence and trust, and for their loyalty to Cominar. We also express our gratitude to our trustees for their wise counsel and support. We extend sincere thanks to all our team members who contribute daily to Cominar's success. Leadership is a team concern and together we will continue on the path to profitable growth in 2010 and the years ahead.

Robert Després, O.C., G.O.Q.
Chairman of the Board of Trustees

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

565-585 Charest Est Blvd, Québec City

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, 2009, in comparison with the year ended December 31, 2008, as well as its financial position at that date and its outlook. Dated March 11, 2010, 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 2009 Annual Information Form, is available on our website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

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

TABLE OF CONTENTS

FISCAL 2009 HIGHLIGHTS

/ Increases of:

- 11.4% in operating revenues
- 10.4% in net operating income
- 9.4% in recurring distributable income
- 10.0% in recurring funds from operations
- 9.8% in recurring adjusted funds from operations
- 14.5% in distributions

/ Occupancy rate of 93.5% maintained

/ Interest coverage ratio of 2.66:1

/ 1ST QUARTER

- Acquisition of a Montréal office property representing nearly 0.2 million square feet of leasable area and a $36.8 million investment

/ 2ND QUARTER

- Unit issuance for proceeds of $57.5 million in connection with a public offering

/ 3RD QUARTER

- Unit issuance for proceeds of $57.5 million in connection with a public offering
- Issuance of convertible debentures with an aggregate principal amount of $115.0 million, bearing interest at 6.5%, maturing in seven years

/ 4TH QUARTER

- Filing of a short form base shelf prospectus with securities regulators in each of the provinces of Canada. Accordingly, Cominar may, during the 25-month period that the short form base shelf prospectus remains valid, offer for sale and issue up to $200 million in the aggregate of units and subscription receipts of the REIT.
- Equity Distribution Agreement entered into with a Canadian financial institution who will act as agent for the issuance, at the REIT's discretion, of up to 2 million units by way of at-the-market distributions.
- Acquisition of land representing 0.7 million square feet for future developments, located in Québec City, in close proximity to Highway 40, one of the area's main thorough-fares, for a purchase price of $9.2 million.
- Acquisition of the Quartier Laval new format retail centre in Laval, consisting of ten properties representing 0.3 million square feet in the aggregate, located along Highway 15 and in close proximity to the new Montmorency metro station, for a purchase price of $59.3 million.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2010 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and the use of the conditional tense, and words and expressions of similar import are intended to identify forward-looking statements.

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

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

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

For the years ended December 31,	2009	2008	Δ %
FINANCIAL DATA			
Operating revenues	**262,063**	235,341	11.4
Net operating income [(1) (2)]	**154,959**	140,420	10.4
Same property net operating income growth [(2)]	**1.5%**	3.7%	
Net income [(1)]	**29,012**	24,985	16.1
(Recurring) distributable income [(1) (2)]	**80,937**	73,989	9.4
(Recurring) funds from operations [(1) (2)]	**93,972**	85,467	10.0
(Recurring) adjusted funds from operations [(1) (2)]	**78,940**	71,911	9.8
Distributions	**74,154**	64,737	14.5
Debt ratio	**60.1%**	61.9%	
Debt ratio (excluding convertible debentures)	**44.6%**	50.6%	
Total assets [(1)]	**1,835,946**	1,668,336	
Market capitalization	**1,059,573**	734,552	
PER UNIT FINANCIAL DATA			
Net income (basic)	**0.57**	0.55	3.6
Distributable income (basic) [(2)]	**1.58**	1.63	(3.1)
Recurring distributable income (FD) [(2) (3)]	**1.55**	1.59	(2.5)
Recurring funds from operations (FD) [(2) (3)]	**1.77**	1.80	(1.7)
Recurring adjusted funds from operations (FD) [(2) (3)]	**1.52**	1.55	(1.9)
Distributions	**1.440**	1.417	1.6
OPERATIONAL DATA			
Number of properties	**225**	214	
Leasable area (in thousands of sq. ft.)	**18,790**	18,320	
Occupancy rate	**93.5%**	94.6%	
ACQUISITIONS AND DEVELOPMENTS			
Acquisitions			
Number of properties	**11**	12	
Leasable area (in thousands of sq. ft.)	**481**	1,187	
Total investment	**96,100**	213,614	
Weighted average capitalization rate	**8.4%**	6.8%	
Completed Developments			
Number of properties	**3**	2	
Leasable area (in thousands of sq. ft.)	**266**	107	
Total investment	**23,400**	10,800	
Weighted average capitalization rate	**9.6%**	9.8%	
Ongoing Developments			
Number of properties	**1**	4	
Estimated leasable area (in thousands of sq. ft.)	**396,000**	671	
Anticipated investment	**74,000**	97,400	
Forecast weighted average capitalization rate	**9.3%**	9.4%	

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

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

(3) Fully diluted.

GENERAL BUSINESS OVERVIEW

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Québec. As at December 31, 2009, we owned and managed a high-quality portfolio of 225 properties including 38 office buildings, 48 retail properties and 139 industrial and mixed-use properties covering 18.8 million square feet in the Québec City, Montréal and Ottawa regions.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects. Consequently, the gross carrying value of our real estate assets has increased more than eightfold since 1998, rising from $244.6 million to over $2.0 billion as at December 31, 2009.

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

OBJECTIVES AND STRATEGY

OBJECTIVES

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

STRATEGY

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

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

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

- **Diversification of our property portfolio**

  This strategic element encompasses the following:

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

[b] **Geographic diversification** – While consolidating its leading position in the Québec City region, Cominar has from the outset established a major presence in the Montréal area where it owns, as at December 31, 2009, 127 properties representing a leasable area of over 11.4 million square feet. Cominar also owns four properties, representing 0.6 million square feet of leasable area, in the Ottawa region. Like activity segment diversification, geographic diversification allows Cominar to better spread its real estate risk;

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

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

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

- **Prudent financial management**

  Debt management continues to be a decisive factor in growth and stability for a real estate investment trust. Cominar maintains its debt ratio below the maximum authorized under its Contract of Trust and at a level we deem prudent. We believe that this disciplined policy contributes to the stability of future distributions and to the prudent growth of the Trust. We also take a conservative approach to managing the distributions ratio, which we regard as another key factor in the stability of future distributions. This approach provides us with greater financial flexibility for our capital expenditures and for the implementation of our leasing programs.

PERFORMANCE INDICATORS

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

OPERATIONAL PERFORMANCE

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

FINANCIAL PERFORMANCE

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

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

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

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

- **(Recurring) funds from operations ("FFO") per unit**, which represent a standard real estate benchmark to measure an entity's performance, excluding amortization expense related to income properties and capitalized leasing costs calculated using historical costs and losses on disposal of an income property from net income established in accordance with GAAP;

- **(Recurring) adjusted funds from operations ("AFFO") per unit**, which, excluding the investments needed to maintain the property portfolio's ability to generate rental income from the calculation of funds from operations, represent a meaningful measure of Cominar's ability to generate cash flows; 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, 2009 and 2008, and should be read in conjunction with the consolidated financial statements and accompanying notes presented in this MD&A. It should be noted that certain amounts relating to fiscal 2008 have been modified subsequent to the retroactive adoption of a new accounting policy.

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Operating revenues	**63,690**	62,356	2.1	**262,063**	235,341	11.4
Operating expenses	**24,257**	23,963	1.2	**107,104**	94,921	12.8
Net operating income	**39,433**	38,393	2.7	**154,959**	140,420	10.4
Interest on borrowings	**14,179**	14,434	(1.8)	**56,692**	50,798	11.6
Depreciation of income properties	**13,523**	14,176	(4.6)	**55,082**	51,833	6.3
Amortization of capitalized leasing costs	**2,393**	2,018	18.6	**9,878**	8,231	20.0
Amortization of other assets	**129**	105	22.9	**419**	330	27.0
Trust administrative expenses	**859**	1,206	(28.8)	**4,093**	4,186	(2.2)
Other revenues	**45**	69	(34.8)	**217**	289	(24.9)
Net income from continuing operations	**8,395**	6,523	28.7	**29,012**	25,331	14.5
Net loss from discontinued operations	**—**	(376)	—	**—**	(346)	—
Net income	**8,395**	6,147	36.6	**29,012**	24,985	16.1
Net income per unit (basic)	**0.15**	0.13	15.4	**0.57**	0.55	3.6
Net income per unit (diluted)	**0.15**	0.13	15.4	**0.57**	0.54	5.6

FINANCIAL POSITION

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

As at December 31,	2009	2008	$ Δ	Δ %
ASSETS				
Income properties (at amortized cost)	**1,581,831**	1,507,087	74,744	5.0
Properties under development and land held for future development	**174,654**	93,802	80,852	86.2
Other assets	**79,461**	67,447	12,014	17.8
Total	**1,835,946**	1,668,336	167,610	10.0
LIABILITIES				
Mortgages payable	**771,991**	730,711	41,280	5.6
Convertible debentures	**313,620**	203,723	109,897	53.9
Bank indebtedness	**134,809**	186,987	(52,178)	(27.9)
Other liabilities	**32,035**	34,987	(2,952)	(8.4)
	1,252,455	1,156,408	96,047	8.3
UNITHOLDERS' EQUITY	**583,491**	511,928	71,563	14.0
Total	**1,835,946**	1,668,336	167,610	10.0

PERFORMANCE INDICATORS

The following table summarizes our performance indicators for the periods ended December 31, 2009 and 2008. 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**	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Same property net operating income	16	**33,752**	33,703	0.1	**133,869**	131,902	1.5
Recurring distributable income per unit (FD)[1]	20	**0.38**	0.42	(9.5)	**1.55**	1.59	(2.5)
Recurring FFO per unit (FD)[1]	23	**0.42**	0.47	(10.6)	**1.77**	1.80	(1.7)
Recurring AFFO per unit (FD)[1]	24	**0.37**	0.40	(7.5)	**1.52**	1.55	(1.9)
NOI margin	16	**61.9%**	61.6%		**59.1%**	59.7%	
Debt ratio (including convertible debentures)	27				**60.1%**	61.9%	
Occupancy rate	31				**93.5%**	94.6%	

(1) Fully diluted.

RESULTS OF OPERATIONS

OVERALL ANALYSIS

OPERATING REVENUES

We achieved strong operating revenue growth during fiscal 2009. The 11.4% increase resulted mainly from the contribution of property acquisitions and developments completed in 2008 and 2009.

OPERATING REVENUES

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Same property portfolio (1)	**54,990**	54,703	0.5	**227,745**	222,083	2.5
Acquisitions and developments	**8,700**	7,653	13.7	**34,318**	13,258	—
Total operating revenues	**63,690**	62,356	2.1	**262,063**	235,341	11.4

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2008, 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 2009.

Our same property portfolio operating revenues rose 2.5% in fiscal 2009 compared with the corresponding quarter of 2008. This organic growth, driven by rent increases under existing leases, lease renewals at higher rates and the signing of new leases, reflects the high quality of our properties and sustained rental growth in our markets.

OPERATING EXPENSES

Operating expenses rose 12.8% in fiscal 2009 compared with 2008. This variance stemmed mainly from an expanded portfolio through acquisitions and developments completed in 2008 and 2009.

OPERATING EXPENSES

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Same property portfolio (1)	**21,237**	21,001	1.1	**93,876**	90,181	4.1
Acquisitions and developments	**3,020**	2,962	2.0	**13,228**	4,740	—
Total operating expenses	**24,257**	23,963	1.2	**107,104**	94,921	12.8

(1) See "Operating Revenues."

NET OPERATING INCOME

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

NET OPERATING INCOME

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Same property portfolio [1]	**33,752**	33,703	0.1	**133,869**	131,902	1.5
Acquisitions and developments	**5,681**	4,690	21.1	**21,090**	8,518	—
Total NOI	**39,433**	38,393	2.7	**154,959**	140,420	10.4
NOI margin						
Same property portfolio	**61.4%**	61.6%		**58.8%**	59.4%	
Overall portfolio	**61.9%**	61.6%		**59.1%**	59.7%	

(1) See "Operating Revenues."

For the year ended December 31, 2009, same property NOI, a financial performance indicator, was up 1.5% from 2008, while the NOI margin stood at 58.8% of operating revenues, down slightly from 2008, due primarily to a slight decrease in occupancy rates, particularly in the Montréal-area industrial segment.

INTEREST ON BORROWINGS

Total interest on borrowings for fiscal 2009 rose 11.6% compared with 2008, owing primarily to the various financing agreements entered into or assumed in settling recent acquisitions. Total interest on borrowings were equal to 21.6% of operating revenues as at December 31, 2009 and 2008, which compares favourably with other REITs. As at December 31, 2009, the weighted average contractual interest rate of our long-term debt stood at 5.50%, down 13 basis points from December 31, 2008.

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

INTEREST ON BORROWINGS

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Mortgages and bank indebtedness	**10,870**	11,946	(9.0)	**46,901**	40,800	15.0
Convertible debentures	**4,977**	3,098	60.7	**14,435**	12,456	15.9
Amortization of borrowing costs	**902**	400	—	**2,955**	1,543	91.5
Accretion of liability component of convertible debentures	**53**	9	—	**83**	37	—
Amortization of fair value adjustments on assumed mortgages payable	**(32)**	(32)	—	**(124)**	(127)	(2.4)
Less: Capitalized interest	**(2,591)**	(977)	—	**(7,558)**	(3,811)	98.3
Less: Interest related to discontinued operations	**—**	(10)	—	**—**	(100)	—
Total interest on borrowings	**14,179**	14,434	(1.8)	**56,692**	50,798	11.6

DEPRECIATION OF INCOME PROPERTIES

Depreciation expense of income properties for fiscal 2009 rose 6.3% compared with 2008. It should be noted that since September 2003, the CICA requires that the purchase price of an income property be allocated between tangible assets comprising the land and the building, and intangible assets such as operating leases and client relationships. These intangible assets are amortized on a straight-line basis over the terms of related leases. The resulting amortization is therefore accelerated relative to the depreciation of properties held for a number of years.

DEPRECIATION OF INCOME PROPERTIES

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Same property portfolio	**11,058**	11,895	(7.0)	**45,183**	47,412	(4.7)
Acquisitions and developments	**2,465**	2,281	8.1	**9,899**	4,421	—
Total depreciation of income properties	**13,523**	14,176	(4.6)	**55,082**	51,833	6.3

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses, amounting to $4.1 million as at December 31, 2009, were unchanged from their 2008 level. Trust administrative expenses represented only 1.6% of operating revenues in 2009, and 1.8% in 2008.

DISCONTINUED OPERATIONS

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

NET INCOME

Cominar reported $29.0 million in net income for fiscal 2009, up 16.1% from 2008. Basic net income per unit stood at $0.57, up 3.6% from 2008.

NET INCOME

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Net income	**8,395**	6,147	36.6	**29,012**	24,985	16.1
Net income per unit (basic)	**0.15**	0.13	15.4	**0.57**	0.55	3.6
Net income per unit (diluted)	**0.15**	0.13	15.4	**0.57**	0.54	5.6

CONTINGENCY

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

SEGMENTED ANALYSIS

Cominar's activities encompass three categories of real estate properties located in the Québec City, Montréal and Ottawa areas. The following tables show the contributions of these properties to NOI, by activity segment and geographic markets, for the years ended December 31, 2009 and 2008. The changes resulted primarily to acquisitions completed in 2008 and 2009.

SEGMENTED INFORMATION BY ACTIVITY SEGMENT

NET OPERATING INCOME

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Activity segment						
Office	**18,268**	17,238	6.0	**73,056**	59,209	23.4
Retail	**7,564**	7,271	4.0	**28,488**	28,028	1.6
Industrial and mixed-use	**13,601**	13,884	(2.0)	**53,415**	53,183	0.4
Total NOI	**39,433**	38,393	2.7	**154,959**	140,420	10.4

	Quarter		Cumulative	
For the periods ended December 31,	**2009**	**2008**	**2009**	**2008**
Activity segment				
Office	**46.3%**	44.9%	**47.1%**	42.2%
Retail	**19.2%**	18.9%	**18.4%**	20.0%
Industrial and mixed-use	**34.5%**	36.2%	**34.5%**	37.8%
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

Office Segment

NOI from office properties for fiscal 2009 was up 23.4% compared with 2008, due mainly to the contribution of two properties acquired in October 2008 and January 2009.

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Operating revenues	**30,763**	30,234	1.7	**127,524**	104,884	21.6
Operating expenses	**12,495**	12,996	(3.9)	**54,468**	45,675	19.3
NOI – Office	**18,268**	17,238	6.0	**73,056**	59,209	23.4
NOI margin – Office	**59.4%**	57.0%		**57.3%**	56.5%	

Retail Segment

Retail segment NOI for fiscal 2009 increased slightly from its 2008 level.

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Operating revenues	**12,552**	11,765	6.7	**48,772**	47,435	2.8
Operating expenses	**4,988**	4,494	11.0	**20,284**	19,407	4.5
NOI – Retail	**7,564**	7,271	4.0	**28,488**	28,028	1.6
NOI margin – Retail	**60.3%**	61.8%		**58.4%**	59.1%	

Industrial and Mixed-Use Segment

Industrial and mixed-use segment NOI for fiscal 2009 remained unchanged from its 2008 level.

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Operating revenues	**20 375**	20 357	—	**85 767**	83 022	3.3
Operating expenses	**6 774**	6 473	4.7	**32 352**	29 839	8.4
NOI – Industrial and mixed-use	**13 601**	13 884	(2.0)	**53 415**	53 183	0.4
NOI margin – Industrial and mixed-use	**66.8%**	68.2%		**62.3%**	64.1%	

SEGMENTED INFORMATION BY GEOGRAPHIC AREA

The following table shows NOI growth and breakdown our three geographic areas.

NET OPERATING INCOME

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ%**	**2009**	**2008**	**Δ%**
Geographic area						
Québec	**15,227**	14,971	1.7	**59,009**	57,638	2.4
Montréal	**22,107**	21,258	4.0	**87,313**	74,167	17.7
Ottawa	**2,099**	2,164	(3.0)	**8,637**	8,615	0.3
Total NOI	**39,433**	38,393	2.7	**154,959**	140,420	10.4

	Quarter		Cumulative	
For the periods ended December 31,	**2009**	**2008**	**2009**	**2008**
Geographic area				
Québec	**38.6%**	39.0%	**38.1%**	41.0%
Montréal	**56.1%**	55.4%	**56.3%**	52.8%
Ottawa	**5.3%**	5.6%	**5.6%**	6.2%
Total NOI	**100.0%**	100.0%	**100.0%**	100.0%

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

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

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

DISTRIBUTABLE INCOME

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Net income (GAAP)	**8,395**	6,147	36.6	**29,012**	24,985	16.1
+ Depreciation of income properties	**13,523**	14,180	(4.6)	**55,082**	51,871	6.2
- Amortization of below-market leases	**(191)**	(192)	(0.5)	**(763)**	(576)	32.5
+ Compensation expense related to unit option plan	**116**	175	(33.7)	**548**	652	(16.0)
+ Accretion of liability component of convertible debentures	**53**	9	—	**83**	37	—
- Rental income – recognition of leases on straight-line basis	**(634)**	(1,090)	(41.8)	**(2,901)**	(3,221)	(9.9)
- Amortization of fair value adjustments on assumed indebtedness	**(32)**	(32)	—	**(124)**	(127)	(2.4)
+ Loss on disposal of an income property	**—**	368	—	**—**	368	—
Recurring DI	**21,230**	19,565	8.5	**80,937**	73,989	9.4
DISTRIBUTIONS TO UNITHOLDERS	**19,715**	16,774	17.5	**74,154**	64,737	14.5
Distributions reinvested under the distribution reinvestment plan	**(434)**	(880)	(50.7)	**(1,512)**	(2,933)	(48.4)
Cash distributions	**19,281**	15,894	21.3	**72,642**	61,804	17.5
Per unit information:						
Recurring DI (basic)	**0.39**	0.43	(9.3)	**1.58**	1.63	(3.1)
Recurring DI (FD) (1)	**0.38**	0.42	(9.5)	**1.55**	1.59	(2.5)
DISTRIBUTIONS PER UNIT	**0.360**	0.365	(1.4)	**1.440**	1.417	1.6
DI payout ratio	**92.3%**	84.9%		**91.1%**	86.9%	

(1) Fully diluted.

Recurring DI for fiscal 2009 amounted to $80.9 million, up 9.4% from 2008, due mainly to the impact of acquisitions and developments completed since the beginning of 2008 and to the 1.5% increase in same property NOI. Recurring DI per fully diluted unit for 2009 totalled $1.55 compared with $1.59 for the previous year. This decline in per unit income resulted primarily from the dilutive effect of unit issues in 2009. Cominar's management expects per unit income to improve when the proceeds of these issues are invested in additions to income properties and development projects are integrated into income properties.

Distributions to unitholders in 2009 totalled $74.2 million, up 14.5% from 2008, with per unit distributions amounting to $1.44, up 1.6% from 2008.

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

Cominar takes a conservative approach to managing its distribution ratio, which it regards as a key factor in the stability of future distributions. This approach provides greater financial flexibility for its capital expenditures and the implementation of its leasing programs. The DI payout ratio as at December 31, 2009 stood at 91.1%, slightly higher than in 2008, owing primarily to the dilutive effect of units issued during 2009's two public offerings.

TRACK RECORD OF DI PER UNIT
(Financial Performance Indicator)

For the years ended December 31,	2009	2008	2007	2006	2005
DI per unit (basic)	**1.58**	1.63	1.52	1.40	1.37
Recurring DI per unit (FD) (1)	**1.55**	1.59	1.48	1.36	1.31

(1) Fully diluted.

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

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

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

The following table presents this reconciliation:

	Quarter		Cumulative	
For the periods ended December 31,	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities (GAAP)	**32,321**	33,537	**89,320**	85,559
- Amortization of capitalized leasing costs	**(2,393)**	(2,020)	**(9,878)**	(8,243)
- Amortization of capitalized financing costs and other assets	**(1,031)**	(507)	**(3,375)**	(1,873)
- Rental income – recognition of leases on straight-line basis	**(634)**	(1,090)	**(2,901)**	(3,221)
+ Change in non-cash working capital items	**(7,033)**	(10,355)	**7,771**	1,767
Distributable income	**21,230**	19,565	**80,937**	73,989

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

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

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

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

For the years ended December 31,	2009	2008	2007
Cash flows from operating activities	**89,320**	85,559	84,406
Net income	**29,012**	24,985	29,241
Distributions to unitholders	**74,154**	64,737	55,454
Cash flows from operating activities in excess of distributions payable to unitholders	**15,166**	20,822	28,952

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

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

FUNDS FROM OPERATIONS

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

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

The following table presents a reconciliation of net income, as determined in accordance with GAAP, and FFO for the periods ended December 31, 2009 and 2008:

FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Net income (GAAP)	**8,395**	6,147	36.6	**29,012**	24,985	16.1
+ Depreciation of income properties	**13,523**	14,180	(4.6)	**55,082**	51,871	6.2
+ Amortization of capitalized leasing costs	**2,393**	2,020	18.5	**9,878**	8,243	19.8
+ Loss on disposal of an income property	**—**	368	—	**—**	368	—
Recurring FFO	**24,311**	22,715	7.0	**93,972**	85,467	10.0
Per unit information:						
Recurring FFO (basic)	**0.45**	0.50	(10.0)	**1.84**	1.88	(2.1)
Recurring FFO (FD) [(1)]	**0.42**	0.47	(10.6)	**1.77**	1.80	(1.7)

(1) Fully diluted.

For fiscal 2009, FFO rose 10.0% from fiscal 2008 due to acquisitions and developments completed during 2008 and 2009, and organic growth. Recurring FFO per unit fell by 1.7% on a fully diluted basis compared with 2008 due primarily to the dilutive effect of unit issues in 2009.

TRACK RECORD OF FUNDS FROM OPERATIONS PER UNIT (Financial Performance Indicator)

For the years ended December 31,	**2009**	**2008**	**2007**	**2006**	**2005**
FFO per unit (basic)	**1.84**	1.88	1.75	1.63	1.59
Recurring FFO per unit (FD) [(1)]	**1.77**	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. Cominar defines this measure as FFO adjusted for non-cash items such as compensation expense related to the unit plan, rental income arising from the recognition of leases on a straight-line basis, amortization of capitalized leasing costs and amortization of above-market leases, net of the investments required to maintain Cominar's ability generate rental income from its property portfolio. AFFO is an additional indicator to assess Cominar's financial performance and its ability to maintain and increase distributions over the long term. AFFO is not a measure defined under GAAP and should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating AFFO may differ from the methods used by other trusts and, therefore, may not be useful for comparison.

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

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

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

The following table presents a reconciliation of FFO and AFFO for the periods ended December 31, 2009 and 2008:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Cumulative		
For the periods ended December 31,	**2009**	**2008**	**Δ %**	**2009**	**2008**	**Δ %**
Funds from operations	**24,311**	22,715	7.0	**93,972**	85,467	10.0
+ Compensation expense related to unit option plan	**116**	175	(33.7)	**548**	652	(16.0)
- Rental income – recognition of leases on straight-line basis	**(634)**	(1,090)	(41.8)	**(2,901)**	(3,221)	(9.9)
- Amortization of below-market leases	**(191)**	(192)	(0.5)	**(763)**	(576)	32.5
- Amortization of capitalized leasing costs	**(2,393)**	(2,020)	18.5	**(9,878)**	(8,243)	19.8
- Capital expenditures – maintenance of rental income generating capacity	**(536)**	(824)	(35.0)	**(2,038)**	(2,168)	(6.0)
Recurring AFFO	**20,673**	18,764	10.2	**78,940**	71,911	9.8
Per unit information:						
Recurring AFFO per unit (basic)	**0.38**	0.41	(7.3)	**1.54**	1.58	(2.5)
Recurring AFFO (FD) (1)	**0.37**	0.40	(7.5)	**1.52**	1.55	(1.9)
Distributions per unit	**0.360**	0.365	(1.4)	**1.440**	1.417	1.6
AFFO payout ratio	**94.7%**	89.0%		**93.5%**	89.7%	

(1) Fully diluted.

Cominar reported $78.9 million in recurring AFFO for fiscal 2009, up 9.8% from 2008. Recurring AFFO per unit stood at $1.54, down 2.5% from 2008. This decline in per unit income arises primarily from the dilutive effect of share issues in 2009. Management expects per unit income to improve when the proceeds of these issues are invested in additions to income properties and development projects are integrated into income properties.

The following table presents the Trust's AFFO per unit for the last four fiscal years ended December 31:

TRACK RECORD OF ADJUSTED FUNDS FROM OPERATIONS PER UNIT (Financial Performance Indicator)

For the years ended December 31,	**2009**	**2008**	**2007**	**2006**
AFFO per unit (basic)	**1.54**	1.58	1.52	1.40
Recurring AFFO per unit (FD) (1)	**1.52**	1.55	1.48	1.36

(1) Fully diluted.

LIQUIDITY AND CAPITAL RESOURCES

LONG-TERM DEBT

The following table presents Cominar's balances of mortgages payable and convertible debentures as at December 31, 2009 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 (%)
2010		99,644	4.67
2011		6,644	7.63
2012		19,459	7.01
2013		165,666	4.25
2014	212,640	88,758	5.86
2015		13,514	5.13
2016	115,000	12,793	6.40
2017		128,378	5.38
2018		93,826	5.73
2019		15,937	6.66
2020		—	—
2021		95,049	5.55
2022		33,723	5.35
Total	**327,640**	**773,391**	**5.50**

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

MORTGAGES PAYABLE

As at December 31, 2009, mortgages payable amounted to $773.4 million, up $41.1 million from $732.3 million as at December 31, 2008. As of the date hereof, the weighted average contractual interest rate was 5.26%, down 32 basis points from 5.58% as at December 31, 2008.

Cominar has staggered mortgage maturity dates over a number of years to reduce the risks related to renewal. As at December 31, 2009, the residual average term of mortgages payable was 6.1 years.

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

MORTGAGES PAYABLE

For the years ended December 31, 2009	$	Weighted average contractual interest rate (%)
Balance of mortgages payable, beginning of year	732.3	5.58
Mortgages payable contracted or assumed	108.0	4.88
Repayments of balances at maturity	(47.1)	5.53
Monthly repayments of principal	(19.8)	
Balance of mortgages payable, end of year	**773.4**	**5.26**

The following table shows mortgage repayments for the coming years:

MORTGAGE REPAYMENTS

For the year ending December 31,	Repayment of principal	Balance at maturity	Total	% of total
2010	20,656	98,326	118,982	15.4
2011	20,351	5,855	26,206	3.4
2012	20,495	16,380	36,875	4.8
2013	19,093	147,218	166,311	21.5
2014	14,449	73,556	88,005	11.4
2015	13,092	11,073	24,165	3.1
2016	12,700	6,626	19,326	2.5
2017	11,408	109,423	120,831	15.6
2018	9,776	55,990	65,766	8.5
2019	3,988	4,141	8,129	1.1
2020	3,987	—	3,987	0.5
2021	2,396	67,963	70,359	9.1
2022	262	24,187	24,449	3.1
Total	**152,653**	**620,738**	**773,391**	**100.0**

CONVERTIBLE DEBENTURES

On September 22, 2009, Cominar issued convertible unsecured subordinated debentures totalling $115 million, bearing interest at 6.50% per annum and maturing on September 30, 2016. Net proceeds were applied against the current balance of debt contracted under the terms of existing credit facilities.

As at December 31, 2009, Cominar had four series of convertible debentures outstanding totalling $327.6 million. These debentures bear interest at contractual rates ranging from 5.70% to 6.50% per annum and mature in 2014 and 2016. As at December 31, 2009, these debentures had a weighted average contractual interest rate of 6.05% per annum.

BANK INDEBTEDNESS

In January 2009, Cominar proceeded with the early renewal of its operating and acquisition credit facility with a maximum authorized amount of $255 million. This facility is renewable in June 2010 and bears interest at prime plus 2.0% or the bankers' acceptance rate plus 3.0%. It is secured by a movable and immovable hypothec on specific assets. This credit facility is provided by a syndicate of lenders, and management believes it will remain available in the future. As at December 31, 2009, bank indebtedness totalled $134.8 million, which meant that Cominar had $120.2 million in available borrowing capacity under the terms of its credit facilities.

DEBT RATIO

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

DEBT TO GROSS CARRYING VALUE RATIO

As at December 31,	2009	2008
Mortgages payable	**771,991**	730,711
Convertible debentures	**313,620**	203,723
Bank indebtedness	**134,809**	186,987
Total debt	**1,220,420**	1,121,421
Portfolio gross carrying amount	**2,031,922**	1,811,932
Overall debt ratio (1) (2)	**60.1%**	61.9%
Debt ratio (excluding convertible debentures)	**44.6%**	50.6%
Borrowing capacity – 65% of gross carrying amount (3)	**287,000**	162,000

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

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

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

DEBT RATIO TRACK RECORD
(Financial Performance Indicator)

For the years ended December 31,	2009	2008	2007	2006	2005
Overall debt ratio	**60.1%**	61.9%	55.9%	45.4%	49.0%
Debt ratio (excluding convertible debentures)	**44.6%**	50.6%	42.7%	40.5%	36.3%
Maximum borrowing capacity under the Contract of Trust	**287,000**	162,000	397,000	305,000	211,000

As at December 31, 2009, Cominar maintained a debt ratio of 60.1%, which is below the maximum debt ratio of 65.0% under its Contract of Trust where convertible debentures are outstanding, and which provides the Trust with the ability to borrow up to an additional $287 million to fund future acquisitions and developments. Cominar's debt ratio currently meets its target of 58% including convertible debentures. In addition, the interest coverage ratio stood at 2.66:1, which compares favourably with its peers, thanks to the REIT's increase in value since inception and its strong capacity to generate cash flows. This situation garners it access to debt markets even under difficult market conditions, as experienced in 2008 and 2009.

At this time, management does not foresee any difficulties to renew the mortgages maturing in 2010 as it considers that Cominar's current financial situation is very sound. The Fund also has credit facilities sufficient to fully fund the development project currently underway.

The following table presents the interest coverage ratio as at December 31, 2009 and 2008:

INTEREST COVERAGE RATIO

As at December 31,	2009	2008
Net income	29,012	24,985
+ Net loss from discontinued operations	—	346
- Other revenues	(217)	(289)
+ Interest on borrowings	56,692	50,798
+ Depreciation of income properties	55,082	51,833
+ Amortization of capitalized leasing costs	9,878	8,231
+ Amortization of other assets	419	330
EBITDA [1]	150,866	136,234
Interest expense	56,692	50,798
Interest coverage ratio [2][3]	**2.66**	2.68

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

(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, 2009, the interest coverage ratio stood at 2.66:1, a satisfactory level in management's opinion.

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, including its cash flows and sources of financing.

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

During the year ended December 31, 2009, Cominar complied with all of its loan commitments and was not in default on any covenant as at the balance sheet date.

PROPERTY PORTFOLIO

The following table presents information about our property portfolio:

As at December 31,	2009	2008
Income properties (at cost)	1,777,807	1,650,683
Properties under development and land held for future development	174,654	93,802
Other assets	79,461	67,447
Portfolio gross carrying amount	**2,031,922**	1,811,932

As at December 31,	2009	2008
Number of properties	**225**	214
Leasable area (in thousands of sq. ft.)	**18,790**	18,320

SUMMARY BY ACTIVITY SEGMENT

As at December 31, 2009	Number of properties	Leasable area (sq. ft.)
Office	**38**	5,540,063
Retail	**48**	2,949,246
Industrial and mixed-use	**139**	10,300,903
Total	**225**	**18,790,212**

SUMMARY BY GEOGRAPHIC LOCATION

As at December 31, 2009	Number of properties	Leasable area (sq. ft.)
Québec	**94**	6,748,959
Montréal	**127**	11,432,025
Ottawa	**4**	609,228
Total	**225**	**18,790,212**

ACQUISITION AND DEVELOPMENT PROGRAM

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

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

ACQUISITIONS

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

On December 21, 2009, Cominar completed the acquisition of the Quartier Laval shopping centre for a cash consideration of $59.3 million. This power centre comprises ten retail properties covering an area of about 253,329 square feet and is located in Laval, Québec, along Highway 15, close to the new Montmorency Metro station. The capitalization rate for this transaction was 8.1%.

CAPITAL EXPENDITURES

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

During fiscal 2009, Cominar incurred $24.9 million ($17.2 million in 2008) of capital expenditures to increase the rental income generating capacity of its properties. Cominar also incurred $2.0 million ($2.2 million in 2008) of capital expenditures to maintain rental income generating capacity, consisting mainly of major expenditures for maintenance and repairs, as well as property equipment replacements. Although made during the fiscal year, these expenditures will garner benefits for Cominar over their estimated useful life which extends into the coming years.

Finally, $16.8 million ($17.5 million in 2008) were incurred in 2009 under capitalized leasing costs, including $3.4 million ($10.9 million in 2008) in connection with newly acquired properties or properties under development.

DEVELOPMENT PROGRAM

Completed Developments

In 2009, the Trust converted three development properties into income properties representing additional leasable area of 265,633 square feet and an investment of $23.4 million. The following table presents the completed developments:

Development	City	Activity segment (1)	Completion date	Leasable area (sq. ft.)	Investment(2) ($)	Capitalization rate (%)
Promenades Beauport	Québec	O, R	Q4-2009	104,325	7.9	9.3
Mégacentre Saint-Bruno	Saint-Bruno	R	Q4-2009	110,240	12.6	9.8
1990, 5e Rue	Saint-Romuald	I	Q4-2009	51,068	2.9	9.6
Total				**265,633**	**23.4**	**9.6**

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

(2) In millions of dollars

Ongoing developments

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

In January 2008, Cominar undertook a major project on Laurier Boulevard in Québec City, namely the construction of "Complexe Jules-Dallaire." One of the largest thoroughfares in Québec City, located at the exit of the bridges connecting the two shores of the St. Lawrence River, Laurier Boulevard is one of the gateways into the city, with many hotels, office buildings and shopping centres. This property enjoys 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 consists of a leasable area of 396,000 square feet, of which approximately 100,000 square feet is reserved for retail space, leaving approximately 296,000 square feet for office space. Cominar's management remains optimistic regarding the delivery of this project in Québec City. The project's pre-lease rate has reached 61.0%. The construction cost is estimated at approximately $74 million, and the capitalization rate is expected to reach 9.3%. Although the project is slightly behind schedule, no significant budget overruns are anticipated. The first retail tenants moved into their premises in February 2010 and the first office tenants are slated for the second quarter of 2010.

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

The following table provides detailed information about the ongoing development as at December 31, 2009:

Development	City	Activity segment (1)	Completion date	Leasable area (sq. ft.)	Investment ($)	Occupancy rate (%)	Pre-lease rate (%)
Complexe Jules-Dallaire	Québec	O, R	Q2-2010	396,000	74,000	9.3	61.0

(1) O = Office, R = Retail

The expected returns on this ongoing development project is 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, 2009 and 2008:

As at December 31,	2009	2008
Occupancy rate	**93.5%**	94.6%
Tenant retention rate (1)	**72.0%**	77.1%

(1) Percentage of lease renewals.

OCCUPANCY RATE

Cominar continuously strives to maximize occupancy rates throughout its portfolio and has successfully maintained an average occupancy of approximately 95% since its inception. As at December 31, 2009, occupancy stood at 93.5%, down slightly from the end of the previous year, due to the industrial segment properties located in the Montréal area that are most affected by the economic downturn.

OCCUPANCY TRACK RECORD
(Operational Performance Indicator)

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

As at December 31,	2009	2008	2007	2006	2005
Activity segment (%)					
Office	**94.1**	94.5	94.7	96.0	95.0
Retail	**96.3**	97.1	96.0	94.3	93.6
Industrial and mixed-use	**92.5**	94.0	94.4	93.7	96.2
Portfolio total	**93.5**	94.6	94.7	94.4	95.3

The occupancy rate is regarded by Cominar's management as a key indicator of client satisfaction. Client satisfaction is defined as client perception and judgment of our ability to meet their needs and expectations. The average occupancy rate of 94.5% has held relatively steady over the past five years.

Cominar's strategy of maintaining geographic and activity segment diversification provides for more stable occupancy rates. For example, the retail segment continues to post a very high occupancy rate of 96.3% due mainly to Cominar's shopping centres in the Québec City area, an area which has shown continued growth despite economic difficulties elsewhere in Canada.

LEASING ACTIVITY

The following table summarizes Cominar's leasing activity as at December 31, 2009:

LEASE MATURITIES AND RENEWALS BY ACTIVITY SEGMENT

	Office	Retail	Industrial and mixed-use	Total
Leases maturing in 2009				
Number of tenants	178	113	244	535
Leasable area (sq. ft.)	563,076	279,096	1,650,626	2,492,798
Average net rent ($)/sq. ft.	10.52	11.09	5.36	7.16
Renewed leases				
Number of tenants	107	87	170	364
Leasable area (sq. ft.)	377,287	233,643	1,183,594	1,794,524
Average net rent ($)/sq. ft.	11.41	11.62	5.95	8.13
Renewal%	**67.0**	**83.7**	**71.7**	**72.0**
New leases				
Number of tenants	37	37	58	132
Leasable area (sq. ft.)	88,452	117,100	349,965	555,517
Average net rent ($)/sq. ft.	9.58	8.99	5.97	7.18

As indicated in the table above, leasing activity has been satisfactory across our portfolio since the beginning of 2009, with over 72.0% of maturing leases renewed in spite of difficult economic conditions.

We also signed new leases totalling 0.6 million square feet of leasable area. Lease renewal rates rose 9.8% in the office segment and 3.2% in the industrial and mixed-use segment. In the retail segment, lower lease renewal rates pertaining to significant leasable area, to a movie theatre, resulted in a 2.4% decline in our average renewal rate. Excluding this renewal, the retail sector would have shown an 8.2 % increase. On a cumulative basis, lease renewal rates in fiscal 2009 were up 3.4% from fiscal 2008, in spite of the decline experienced in the retail sector.

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

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

LEASE MATURITIES

	2010	2011	2012	2013	2014
Office					
Leasable area (sq. ft.)	794,853	695,205	900,749	498,059	691,090
Lease rate ($)/square foot	9.68	11.15	10.26	11.65	10.27
% of portfolio – Office	14.3%	12.5%	16.3%	9.0%	12.5%
Retail					
Leasable area (sq. ft.)	323,475	326,369	386,892	200,470	191,642
Lease rate ($)/square foot	10.38	9.44	10.51	13.42	12.27
% of portfolio – Retail	11.0%	11.1%	13.1%	6.8%	6.5%
Industrial and mixed-use					
Leasable area (sq. ft.)	1,887,423	1,468,349	1,606,309	1,014,674	1,120,739
Lease rate ($)/square foot	5.34	5.75	6.29	6.27	5.49
% of portfolio – Industrial and mixed-use	18.3%	14.3%	15.6%	9.9%	10.9 %
Portfolio total					
Leasable area (sq. ft.)	3,005,751	2,489,923	2,893,950	1,713,203	2,003,471
Lease rate ($)/square foot	7.03	7.74	8.09	8.67	7.78
% of portfolio	16.0%	13.3%	15.4%	9.1%	10.7%

The following table summarizes average remaining lease term information as at December 31, 2009:

	Average remaining lease term (years)	Average leased area per tenant (sq. ft.)	Average net rent ($)/sq. ft.
Office	4.0	5,700	11.40
Retail	5.3	3,600	11.55
Industrial and mixed-use	3.7	10,900	5.80
Portfolio average	**4.0**	**6,800**	**8.42**

Cominar has a broad, highly diversified client base, consisting of some 2,500 tenants occupying an average of approximately 6,800 square feet each. Our three largest tenants, Public Works Canada, Société immobilière du Québec—both of which are government entities – and Ericsson Canada, account for approximately 6.1%, 4.5% and 4.4% of our revenues, respectively, stemming from several leases with staggered maturities. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 10.6% 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	6.1	722,459
Société immobilière du Québec	4.5	1,033,495
Ericsson Canada Inc.	4.4	402,320
Bertrand distributeur en alimentation (Colabor)	1.6	344,846
LDC Logistics Development Corp.	1.5	527,000
Hudson's Bay Company	1.3	349,312
SITA (Société internationale de télécommunication aéronautique)	1.0	64,236
National Bank of Canada	0.9	136,093
Alcan Packaging Canada Ltd	0.8	162,000
Breton, Banville et Associés S.E.N.C.	0.8	84,261
Total	**22.9**	**3,826,022**

ISSUED AND OUTSTANDING UNITS

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

The following table summarizes unit issues during the periods ended December 31, 2009 and 2008:

	Quarter		Cumulative	
For the periods ended December 31	**2009**	**2008**	**2009**	**2008**
Units issued and outstanding, beginning of period	**54,650,512**	45,789,954	**45,852,175**	45,272,683
+ Units issued under public offering	—	—	**8,575,550**	—
+ Units issued on exercise of options	**66,200**	2,600	**208,000**	343,100
+ Units issued under distribution reinvestment plan	**29,835**	59,621	**94,098**	151,229
+ Units issued on conversion of convertible debentures	**11,724**	—	**28,448**	85,163
Units issued and outstanding, end of period	**54,758,271**	45,852,175	**54,758,271**	45,852,175

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

On July 8, 2009, Cominar issued 3,783,500 units at a unit price of $15.20 for proceeds totalling $57.5 million.

PER UNIT CALCULATIONS

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

	Quarter		Cumulative	
For the periods ended December 31	**2009**	**2008**	**2009**	**2008**
Weighted average number of units outstanding, basic	**54,668,912**	45,805,733	**51,119,141**	45,534,865
Dilutive effect of unit options	**357,381**	124,217	**173,488**	364,360
Weighted average number of units outstanding, diluted	**55,026,293**	45,929,950	**51,292,629**	45,899,225
Dilutive effect of convertible debentures	**14,173,695**	8,584,570	**10,105,119**	8,629,096
Weighted average number of units outstanding – fully diluted	**69,199,988**	54,514,520	**61,397,748**	54,528,321

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 2009, Cominar recorded $0.6 million in net rental revenue from Dalcon and CFA. The Trust incurred costs of $17.5 million for leasehold improvements performed by Dalcon on its behalf and costs of $60.8 million for the construction and development of income properties. These transactions were entered into in the normal course of business and are measured at the exchange amount. By retaining the services of related companies for property construction work and leasehold improvements, Cominar achieves significant cost savings while providing better service to its clients.

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

SUBSEQUENT EVENTS

On January 12, 2010, Cominar announced the closing of an $86.3 million convertible debenture issue for net proceeds totalling $82.7 million. The proceeds from the issuance of debentures were applied against the current balance of debt contracted under the terms of existing credit facilities to fund Cominar's acquisition program and ongoing developments and will be used to fund future acquisitions.

On January 19, 2010, Cominar made a takeover bid to acquire all of the outstanding common shares of Overland Realty Limited (Overland) for $0.82 per share. The transaction, including the assumption of debt by Cominar, values Overland Realty Limited at approximately $70.9 million. Considering that more than 90% of the outstanding common shares of Overland have been deposited at the expiry of Cominar's take-over bid on March 9, 2010, Cominar acquires the totality of the Overland shares. Overland's operations are consequently integrated to Cominar as of March 10, 2010.

UNITHOLDERS TAXATION

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

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

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, 2009	Sept. 30, 2009	June 30, 2009	March 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008	March 31, 2008
Operating revenues	**63,690**	**63,133**	**67,373**	**67,867**	62,356	56,658	58,994	57,333
Operating expenses	**24,257**	**23,838**	**27,826**	**31,183**	23,963	20,551	24,524	25,883
Net operating income	**39,433**	**39,295**	**39,547**	**36,684**	38,393	36,107	34,470	31,450
Net income	**8,395**	**8,860**	**7,715**	**4,042**	6,147	7,887	6,826	4,125
Net income per unit (basic)	**0.15**	**0.16**	**0.16**	**0.09**	0.13	0.17	0.15	0.09
Net income per unit (diluted)	**0.15**	**0.16**	**0.16**	**0.09**	0.13	0.17	0.15	0.09
Distributable income	**21,230**	**21,636**	**20,626**	**17,445**	19,565	19,902	18,728	15,794
Recurring DI per unit (FD)	**0.38**	**0.39**	**0.41**	**0.38**	0.42	0.42	0.40	0.35
Funds from operations	**24,311**	**24,967**	**23,835**	**20,859**	22,715	22,454	21,572	18,726
Recurring FFO per unit (FD)	**0.42**	**0.44**	**0.46**	**0.44**	0.47	0.47	0.45	0.40
Adjusted funds from operations	**20,673**	**21,060**	**20,161**	**17,046**	18,764	19,273	18,192	15,682
Recurring AFFO (FD)	**0.37**	**0.38**	**0.40**	**0.37**	0.40	0.41	0.39	0.35
Distributions	**19,715**	**19,655**	**18,261**	**16,523**	16,774	16,499	16,095	15,369
Distributions per unit	**0.360**	**0.360**	**0.360**	**0.360**	0.365	0.360	0.353	0.339

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, at 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.

OUTLOOK

The transactions at the end of 2009 and in early 2010 give Cominar's management reasons to be optimistic about the future. We ended 2009 with the acquisition of ten retail income properties for $59.3 million. We also made a takeover bid to acquire all of the outstanding shares of Overland Realty Limited, a company that owns 17 properties in New Brunswick, for a total investment of approximately $71 million. Following this transaction, Cominar's geographic diversification will be extended to a fourth region, in addition to its presence in the Québec City, Montréal and Ottawa areas.

Backed by its solid financial resources, Cominar will continue in 2010 its growth strategy focused on quality and profitable acquisitions. Leveraging the strong competitive edge provided by its land held for future development, Cominar will also continue to develop new properties that will contribute to higher profitability. Accordingly, Cominar' management is confident about sustaining growth in 2010 and over the coming years.

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 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.

An evaluation of the effectiveness of DC&P, including this MD&A, the annual financial statements, the Annual Information Form and the Management Proxy Circular was conducted. 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, 2009 and, more specifically, that the design of these controls and procedures provides reasonable assurance that material information about the Trust, including its consolidated subsidiaries, is made known to them during the period in which these filings are being prepared.

The effectiveness of ICFR has also been evaluated. Based on that evaluation, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of the Trust concluded that the ICFR was effective as at the end of the fiscal year ended December 31, 2009 and, more specifically, that the financial reporting is reliable and that the financial statements have been prepared for external purposes in accordance with GAAP.

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

SIGNIFICANT ACCOUNTING ESTIMATES

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

ACQUISITIONS OF INCOME PROPERTIES

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

DEPRECIATION OF INCOME PROPERTIES

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

PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

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

IMPAIRMENT OF LONG-LIVED ASSETS

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

CONVERTIBLE DEBENTURES

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

UNIT OPTION PLAN

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

FINANCIAL INSTRUMENTS

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

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

NEW ACCOUNTING POLICIES

ADOPTED IN 2009

Section 3064, Goodwill and Intangible Assets

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

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

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

Section 3862, Financial Instruments – Disclosures
During the fourth quarter of 2009, Cominar adopted the amendments made to Section 3862, *Financial Instruments – Disclosures*, issued by the CICA. This Section has been amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements.

These amendments are effective for annual consolidated financial statements relating to fiscal years beginning on or after September 30, 2009.

Cominar's adoption of this new standard had no impact on its results, its financial position and its cash flows.

RECENTLY ISSUED

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

Section 1582, Business Combinations
This Section, which supersedes former Section 1581, *Business Combinations*, establishes standards for the recognition of a business combination.

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

Section 1601, Consolidated Financial Statements
This Section which, together with new Section 1602, supersedes former Section 1600, *Consolidated Financial Statements*, establishes standards for the preparation of consolidated financial statements.

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

Section 1602, Non-controlling Interests
This new Section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

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

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

The team has structured the conversion project in accordance with the results of the diagnostic and logically categorized the accounting issues in line with Cominar's operations. Project work is sequenced by priority, in accordance with impact on financial information and implementation complexity. In-depth analysis of accounting standards is completed. Items to be modified, processes, systems or other factors have been identified and solutions are already being developed. Work is proceeding according to schedule. Cominar is currently assessing the impact of the future adoption of IFRS on the consolidated financial statements as well as the Contract of Trust and other agreements.

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

- **IAS 40, Investment Property**

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

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

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

- **IAS 12, Income Taxes**

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

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

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

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

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

RISKS AND UNCERTAINTIES

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

GENERAL BUSINESS AND ECONOMIC CONDITIONS

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

EXECUTION OF OUR STRATEGY

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

ACQUISITIONS

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

DEVELOPMENT PROGRAM

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

OPERATIONAL RISK

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

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

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

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

DEBT AND REFINANCING

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

UNITHOLDER LIABILITY

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

COMPETITION

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

GOVERNMENT REGULATION

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

INCOME TAXES

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

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

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

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

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

EXCEPTION FOR REAL ESTATE INVESTMENT TRUSTS

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

As at December 31, 2009, Cominar met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to Cominar. Cominar's management intends to take the necessary steps to meet these conditions on an on-going basis in the future.

RECRUITMENT OF EMPLOYEES AND EXECUTIVES

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

CAPITAL REQUIREMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS

COMINAR REAL ESTATE INVESTMENT TRUST

December 31, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Cominar Real Estate Investment Trust ("Cominar") were prepared by management, which is responsible for the integrity and fairness of the information presented, including the many amounts that must of necessity be based on estimates and judgments. These consolidated financial statements were prepared in accordance with Canadian generally 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, 2009, 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 advising the trustees on auditing matters and financial reporting issues.

Ernst & Young LLP, Independent Chartered Accountants appointed by the unitholders of Cominar upon the recommendation of the Board, have performed an independent audit of the Consolidated Financial Statements as at December 31, 2009 and 2008 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 11, 2010

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, 2009 and 2008 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, 2009 and 2008 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 16, 2010
[except as to note 24b) which is as of March 10, 2010]

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[1] CA auditor permit no. 10845

CONSOLIDATED BALANCE SHEETS

As at December 31
[in thousands of dollars]

	2009 $	2008 $ *[note 2]*
ASSETS		
Income properties *[notes 4, 8 and 10]*		
Buildings	**1,282,447**	1,228,770
Land	**229,266**	199,211
Intangible assets	**70,118**	79,106
	1,581,831	1,507,087
Properties under development *[note 5]*	**113,608**	72,945
Land held for future development *[note 5]*	**61,046**	20,857
Capitalized leasing costs and other assets *[note 6]*	**50,706**	44,141
Prepaid expenses	**2,428**	1,954
Accounts receivable *[note 7]*	**26,327**	21,352
	1,835,946	1,668,336
LIABILITIES		
Mortgages payable *[note 8]*	**771,991**	730,711
Convertible debentures *[note 9]*	**313,620**	203,723
Bank indebtedness *[note 10]*	**134,809**	186,987
Accounts payable and accrued liabilities	**32,035**	34,987
	1,252,455	1,156,408
UNITHOLDERS' EQUITY		
Unitholders' equity	**583,491**	511,928
	1,835,946	1,668,336

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]

	2009 $	2008 $
Unitholders' contributions *[note 11]*		
Balance, beginning of year	**600,965**	591,172
Issue of units	**120,016**	9,793
Underwriters' fees and unit issue expenses	**(5,388)**	—
Balance, end of year	**715,593**	600,965
Cumulative net income		
Balance, beginning of year	**272,399**	247,779
Change due to new accounting policy *[note 2]*	**—**	(365)
Net income	**29,012**	24,985
Balance, end of year	**301,411**	272,399
Cumulative distributions		
Balance, beginning of year	**(362,817)**	(298,080)
Distributions to unitholders *[note 14]*	**(74,154)**	(64,737)
Balance, end of year	**(436,971)**	(362,817)
Contributed surplus		
Balance, beginning of year	**1,069**	513
Unit option plan	**500**	556
Balance, end of year	**1,569**	1,069
Equity component of convertible debentures *[note 9]*		
Balance, beginning of year	**312**	312
Convertible debentures issued during the year	**1,577**	—
Balance, end of year	**1,889**	312
Total unitholders' equity	**583,491**	511,928

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]

	2009 $	2008 $ *[note 2]*
Operating revenues		
Rental revenue from income properties	**262,063**	235,341
Operating expenses		
Operating costs	**49,919**	44,397
Realty taxes and services	**53,720**	47,924
Property management expenses	**3,465**	2,600
	107,104	94,921
Operating income before the undernoted	**154,959**	140,420
Interest on borrowings	**56,692**	50,798
Depreciation of income properties	**55,082**	51,833
Amortization of capitalized leasing costs	**9,878**	8,231
Amortization of other assets	**419**	330
	122,071	111,192
Operating income from real estate assets	**32,888**	29,228
Trust administrative expenses	**(4,093)**	(4,186)
Other revenues	**217**	289
Net income from continuing operations	**29,012**	25,331
Net loss from discontinued operations *[note 21]*	**—**	(346)
Net income and comprehensive income	**29,012**	24,985
Basic net income per unit *[note 13]*	**0.568**	0.549
Diluted net income per unit *[note 13]*	**0.566**	0.544

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2009 $	2008 $ *[note 2]*
OPERATING ACTIVITIES		
Net income	**29,012**	24,985
Items not affecting cash:		
Depreciation of income properties	**55,082**	51,871
Amortization of below-market leases	**(763)**	(576)
Amortization of capitalized leasing costs	**9,878**	8,243
Amortization of capitalized financing costs and other assets	**3,375**	1,873
Amortization of fair value adjustments on assumed mortgages payable	**(124)**	(127)
Accretion of liability component of convertible debentures	**83**	37
Compensation expense related to unit option plan	**548**	652
Loss on disposal of an income property	**—**	368
	97,091	87,326
Change in non-cash working capital items *[note 16]*	**(7,771)**	(1,767)
	89,320	85,559
INVESTING ACTIVITIES		
Additions to income properties *[note 4]*	**(105,075)**	(233,284)
Additions to properties under development and land held for future development *[note 5]*	**(93,409)**	(33,612)
Net proceeds on disposal of share in a property held in co-ownership *[note 15]*	**2,015**	—
Net proceeds on disposal of an income property	**—**	2,044
Capitalized leasing costs	**(16,814)**	(17,495)
Other assets	**(602)**	(1,746)
	(213,885)	(284,093)
FINANCING ACTIVITIES		
Mortgages payable	**93,987**	257,520
Repayment of mortgages payable	**(66,923)**	(147,882)
Net proceeds from issue of convertible debentures	**110,362**	—
Bank indebtedness	**(52,792)**	151,666
Net proceeds from issue of units *[note 11]*	**112,573**	5,027
Distributions to unitholders	**(72,642)**	(67,797)
	124,565	198,534
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, 2009 and 2008
[in thousands of dollars except per unit amounts]

1. DESCRIPTION OF THE TRUST

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

2. NEW ACCOUNTING POLICIES

Adopted in 2009
Section 3064, Goodwill and Intangible Assets

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

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

Cominar's adoption of this new standard and the amended standard required the restatement of the balance of unitholders' equity as at January 1, 2008 and the consolidated financial statements for fiscal 2008 as follows:

CONSOLIDATED BALANCE SHEET

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

CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

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

CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME

	Fiscal 2008
Effect of restatement – increase (decrease)	**$**
Operating expenses	49
Net loss and comprehensive loss	(49)
Basic and diluted net loss per unit	(0.001)

Section 3862, Financial Instruments – Disclosures

During the fourth quarter of 2009, Cominar adopted the amendments made to Section 3862, *Financial Instruments – Disclosures*, issued by the CICA. This Section has been amended to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements.

These amendments are effective for annual consolidated financial statements relating to fiscal years ending on or after September 30, 2009.

Cominar's adoption of this new standard had no impact on its results, its financial position and its cash flows.

Recently issued

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

Section 1582, Business Combinations

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

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

Section 1601, Consolidated Financial Statements

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

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

Section 1602, Non-controlling Interests

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

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

International Financial Reporting Standards (IFRS)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cominar's consolidated financial statements have been prepared in accordance with GAAP.

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 the property it co-owns.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. The actual results that could differ materially from those estimates are income property purchase price allocations, the fair value measurement of unit purchase options, the allocation of components on issuance of convertible debentures and the determination of the allowance for doubtful accounts. Actual results could therefore differ from those estimates.

Revenue recognition

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

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

Cash and cash equivalents

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

Income properties

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

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

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

Properties under development and land held for future development

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

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

Disposal of income properties

Operating results and the gains and losses on disposal relating to income properties disposed of during the 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 no longer has significant and ongoing involvement in the operations of the sold property.

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

Capitalized leasing costs

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

Impairment of long-lived assets

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

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

Financial Instruments

Cominar has used the following classifications:

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

- Accounts receivable, including trade and other receivables, are classified as “Loans and Receivables.” They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest method.

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

Unit option plan

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

Per unit calculations

Basic net income per unit is calculated based on the weighted average number of units outstanding for the 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

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

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

Additions to income properties

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

On December 22, 2009, Cominar acquired a mega-shopping centre consisting of ten income properties in the Laval, Québec area.

These transactions were accounted for using the purchase method.

The following table shows the net assets acquired:

	2009 $
Income properties	
Buildings	**54,848**
Land	**24,815**
Intangible assets	
In-place operating leases	**9,445**
Client relationships	**2,507**
Total purchase price	**91,615**
The purchase price was settled as follows:	
Cash and cash equivalents	**78,094**
Assumption of a mortgage payable	**13,521**
	91,615

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

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

During the year, Cominar continued to develop its income properties. Capital expenditures included additions, expansions, modernizations, modifications and upgrades to existing properties with a view to increasing or maintaining the income generating capacity of its real estate portfolio. During 2009, outlays related to these investments totalled $26,981 [$20,419 in 2008].

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the year, Cominar capitalized $7,558 [$3,811 in 2008] in interest to properties under development and land held for future development.

During the year, Cominar pursued its property development and land acquisition for future development activities, with outlays totalling $93,409 [$33,612 in 2008]. The project underway as at December 31, 2009 will comprise estimated construction costs of over $5,600 during the next fiscal year, assuming work proceeds according to plan.

6. CAPITALIZED LEASING COSTS AND OTHER ASSETS

	2009 **$**	**2008** **$** *[note 2]*
At amortized cost		
Capitalized leasing costs	**48,237**	41,855
Other assets	**2,469**	2,286
	50,706	44,141

7. ACCOUNTS RECEIVABLE

	2009 $	2008 $
Receivables	**10,780**	8,301
Receivables – recognition of leases on straight-line basis	**12,754**	9,852
Other receivables, bearing interest at a weighted average effective rate of 7.35% as at December 31, 2009 [7.38% as at December 31, 2008]	**1,848**	2,143
Deposits in advance of work to be performed	**945**	1,056
	26,327	21,352

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties with a net carrying value of $1,131,940 [$1,085,684 as at December 31, 2008]. The mortgages payable bear interest at contractual fixed rates ranging from 2.19% to 11.00% per annum [4.22% to 11.00% as at December 31, 2008] representing a weighted average rate of 5.26% as at December 31, 2009 [5.58% as at December 31, 2008] and are renewable at various dates from March 2010 to March 2022. As at December 31, 2009, the weighted average effective rate was 5.26% [5.54% as at December 31, 2008]. Some mortgages payable contain restrictive covenants that were met as at December 31, 2009.

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

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

Mortgage repayments are as follows:

	2009			2008
Years ending December 31	**Repayment of principal $**	**Balance at maturity $**	**Total $**	
2010	**20,656**	**98,326**	**118,982**	
2011	**20,351**	**5,855**	**26,206**	
2012	**20,495**	**16,380**	**36,875**	
2013	**19,093**	**147,218**	**166,311**	
2014	**14,449**	**73,556**	**88,005**	
2015 and thereafter	**57,609**	**279,403**	**337,012**	
	152,653	**620,738**	**773,391**	732,293
Plus: fair value adjustments on assumed mortgages payable			**215**	338
Less: unamortized financing costs			**(1,615)**	(1,920)
			771,991	730,711

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

MORTGAGES PAYABLE

	2009		2008	
	$	Weighted average contractual interest rate (%)	$	Weighted average contractual interest rate (%)
Balance of mortgages payable, beginning of year	**732,293**	**5.58**	620,137	5.78
Mortgages payable contracted or assumed	**108,021**	**4.88**	260,038	5.39
Repayments of balances at maturity	**(47,064)**	**5.53**	(131,734)	6.09
Monthly repayments of principal	**(19,859)**		(16,148)	
Balance of mortgages payable, end of year	**773,391**	**5.26**	**732,293**	**5.58**

9. CONVERTIBLE DEBENTURES

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

	2009					2008
	Series A	Series B	Series C	Series D	Total	Total
Contractual interest rate	**6.30%**	**5.70%**	**5.80%**	**6.50%**		
Effective interest rate	**6.89%**	**6.42%**	**6.60%**	**7.50%**		
Issue date	**September 2004**	**May 2007**	**October 2007**	**September 2009**		
Conversion price per unit	**$17.40**	**$27.50**	**$25.25**	**$20.50**		
Interest payment dates	**June 30 & December 31**	**June 30 & December 31**	**March 31 & September 30**	**March 31 & September 30**		
Redemption date at Cominar's option	**June 2008**	**June 2010**	**September 2010**	**September 2012**		
Maturity date	**June 2014**	**June 2014**	**September 2014**	**September 2016**		
	$	**$**	**$**	**$**	**$**	**$**
Balance, beginning of year	**22,635**	**80,500**	**110,000**	**—**	**213,135**	214,617
Issuance	**—**	**—**	**—**	**115,000**	**115,000**	—
Holders' option conversions	**(495)**	**—**	**—**	**—**	**(495)**	(1,482)
Balance, end of year	**22,140**	**80,500**	**110,000**	**115,000**	**327,640**	213,135
Less: unamortized financing costs and equity components					**(14,020)**	(9,412)
					313,620	203,723

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

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

In accordance with CICA Handbook Section 3855 and Section 3861, convertible debentures have been recorded as liabilities in the balance sheet, net of the $1,577 equity component of convertible debentures related to the holders' conversion options, and interest has been charged to "Interest on borrowings" in the consolidated statement of income and comprehensive income. Convertible debenture issue costs are deducted from debt and are amortized through income using the effective interest method over the term of the debentures under “Interest on borrowings” in the consolidated statement of income and comprehensive income.

During the year, 495 Series A convertible debentures [1,482 in 2008] were converted into 28,448 units [85,163 in 2008] at a conversion price of $17.40 per unit, for a total of $495 [$1,482 in 2008].

10. BANK INDEBTEDNESS

Cominar has an operating and acquisition credit facility of up to $255,000 [$255,000 as at December 31, 2008]. This credit facility, subject to annual renewal, bears interest at prime plus 2.00% [0.25% in 2008] or at the bankers' acceptance rate plus 3.00% [1.50% in 2008]. This credit facility is secured by a movable and immovable hypothec on specific assets, including the carrying value of immovable property totalling $273,530 as at December 31, 2009 [$252,491 as at December 31, 2008]. As at December 31, 2009, the prime rate was 2.25% [3.50% as at December 31, 2008]. This credit facility contains certain covenants which were met as throughout the year ended December 31, 2009.

11. ISSUED AND OUTSTANDING UNITS

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

During the year, Cominar issued 8,906,096 units [579,492 in 2008]. The issuance of these units resulted in net proceeds of $112,574 [$5,027 in 2008].

The following table shows the change in balances during the years ended December 31:

	2009		2008	
	Units	**$**	**Units**	**$**
Units issued and outstanding, beginning of year	**45,852,175**	**600,965**	45,272,683	591,172
Units issued under public offerings	**8,575,550**	**109,627**	—	—
Units issued on exercise of options	**208,000**	**2,947**	343,100	5,027
Units issued under distribution reinvestment plan	**94,098**	**1,512**	151,229	3,187
Units issued on conversion of convertible debentures	**28,448**	**495**	85,163	1,482
Reversal of contributed surplus on exercise of options	**—**	**47**	—	97
Units issued and outstanding, end of year	**54,758,271**	**715,593**	45,852,175	600,965

Unit repurchase program

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

Unit option plan

Cominar has granted options to management and employees for the purchase of units under a unit option plan. A maximum of 4,530,257 units may be issued under the plan. As at December 31, 2009, options to purchase 4,226,800 units were outstanding.

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

		As at December 31, 2009			
Date of grant	Graded vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
November 13, 2003	20%	November 13, 2010	14.00	651,800	651,800
April 8, 2005	25%	November 13, 2010	17.12	109,000	109,000
May 23, 2006	20%	May 23, 2013	18.90	379,000	201,000
May 15, 2007	50%	May 15, 2014	23.59	30,000	30,000
February 6, 2008	33 1/3%	February 6, 2013	18.68	852,400	284,600
December 19, 2008	33 1/3%	December 19, 2013	15.14	1,043,600	336,400
December 21, 2009 (1)	33 1/3%	December 21, 2014	19.48	1,161,000	—
				4,226,800	**1,612,800**

(1) The issuance is subject to ratification by unitholders at the annual and special meeting of the Reit.

The following table shows the change in balances during the years ended December 31:

	2009		2008	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of year	**3,504,700**	**16.45**	1,782,000	15.84
Exercised	**(208,000)**	**14.19**	(343,100)	14.73
Granted	**1,161,000**	**19.48**	2,094,300	16.72
Cancelled	**(230,900)**	**17.82**	(28,500)	18.68
Outstanding, end of year	**4,226,800**	**17.32**	3,504,700	16.45
Exercisable options, end of year	**1,612,800**	**16.06**	1,060,900	15.05

Unit-based compensation

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

Date of grant	Volatility	Exercise price $ (1)	Weighted average return	Weighted average risk-free interest rate
November 13, 2003	11.70%	14.00	8.74%	4.21%
April 8, 2005	13.50%	17.12	7.58%	3.78%
May 23, 2006	13.00%	18.90	7.14%	4.10%
May 15, 2007	13.60%	23.59	5.55%	4.04%
February 6, 2008	15.60%	18.68	7.47%	3.89%
December 19, 2008	18.00%	15.14	9.74%	3.00%
December 21, 2009	18.50%	19.48	7.67%	2.13%

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

The grant date fair value of an option granted during the year is $1.01 [$0.74 in 2008].

Unitholder distribution reinvestment plan

Cominar has a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units equal to 105% of the cash distributions. During the year, 94,098 units [151,229 units in 2008] were issued for a total consideration of $1,512 [$3,187 in 2008] under this plan.

12. INCOME TAXES

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

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

The carrying value of Cominar's net assets as at December 31, 2009 exceeded the tax basis by approximately $89,000 [$87,000 as at December 31, 2008].

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

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

Exception for real estate investment trusts (REITs)

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

As at December 31, 2009, Cominar met all of these conditions and qualified as a REIT. As a result, the SIFT trust tax rules do not apply to Cominar.

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

13. PER UNIT CALCULATIONS

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

	2009	2008
Weighted average number of units outstanding – basic	**51,119,141**	45,534,865
Dilutive effect of unit options	**173,488**	364,360
Weighted average number of units outstanding – diluted	**51,292,629**	45,899,225

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

14. DISTRIBUTIONS

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

	2009 $	2008 $
Distributions to unitholders	**74,154**	64,737
Distributions per unit	**1.440**	1.417

15. INVESTMENTS IN CO-OWNED PROPERTIES

On May 4, 2009, Cominar entered into a co-ownership agreement under which it holds a 95% undivided ownership interest in Complexe Jules-Dallaire, a property currently under construction *[note 17]*. As at December 31, 2009, this is the only property held in co-ownership.

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

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

As at December 31	2009 $	2008 $
Assets	**82,366**	—
Liabilities	**4,032**	—

	2009 $	2008 $
Operating revenues	—	209
Operating expenses	—	62
Net operating income	—	147
Net income	—	66
Cash flows from operating activities	—	147
Cash flows from investing activities	**38,023**	—
Cash flows from financing activities	—	—

16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2009 $	2008 $
Prepaid expenses	**(474)**	811
Accounts receivable	**(4,975)**	(1,735)
Accounts payable and accrued liabilities	**(2,322)**	(843)
	(7,771)	(1,767)
Other information		
Interest paid	**58,849**	52,652
Unpaid leasing costs	**2,833**	3,387
Additions to income properties and properties under development by assumption of mortgages payable	**13,521**	1,218
Unpaid additions to income properties and properties under development	**5,432**	5,506
Properties under development transferred to income properties	**9,961**	4,395

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 amount. They are reflected in the consolidated financial statements as follows:

	2009 $	2008 $
Rental revenue from income properties	**569**	824
Income properties and properties under development	**60,757**	33,283
Capitalized leasing costs and other assets	**17,492**	16,278
Accounts receivable	**220**	115
Accounts payable and accrued liabilities	**7,807**	8,940

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

18. CAPITAL MANAGEMENT

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

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

Cominar's capital structure was as follows:

Years ending December 31	2009 $	2008 $
Mortgages payable	**771,991**	730,711
Convertible debentures	**313,620**	203,723
Bank indebtedness	**134,809**	186,987
Unitholders' equity	**583,491**	511,928
Total of capital	**1,803,911**	1,633,349
Overall debt ratio (1)	**60.1%**	61.9%
Debt ratio (excluding convertible debentures)	**44.6%**	50.6%
Interest coverage ratio (2)	**2.66**	2.68

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

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

Cominar's Contract of Trust provides that it may not incur debt if, taking into consideration the debt thus incurred or assumed, its total debt exceeds 60% of the gross carrying value of Cominar, defined as total assets and accumulated depreciation of income properties (65% if convertible debentures are outstanding). As at December 31, 2009, Cominar maintained a debt ratio of 60.1%, including convertible debentures.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As such, as at December 31, 2009, the interest coverage ratio was 2.66:1, reflecting the REIT's capacity to meet its debt-related obligations.

Capital management objectives remain unchanged from the previous year.

19. FINANCIAL INSTRUMENTS

Fair value

Fair value is estimated using valuation techniques and assumptions. Fair value amounts disclosed in these consolidated 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:

	2009		2008	
	Carrying value $	Fair value $	Carrying value $	Fair value $
FINANCIAL ASSETS				
Held for trading				
Cash and cash equivalents	—	—	—	—
Loans and receivables				
Accounts receivable [1]	**13,573**	**13,573**	11,500	11,500
Total financial assets	**13,573**	**13,573**	11,500	11,500
FINANCIAL LIABILITIES				
Other financial liabilities				
Mortgages payable [2]	**773,391**	**751,748**	732,293	712,409
Convertible debentures [2]	**327,640**	**326,020**	213,135	220,330
Bank indebtedness	**134,809**	**134,809**	186,987	186,987
Accounts payable and accrued liabilities [3]	**26,417**	**26,417**	29,945	29,945
Total financial liabilities	**1,262,257**	**1,238,994**	1,162,360	1,149,671

(1) Excludes receivables – recognition of leases on straight-line basis amounting to $12,754 [$9,852 in 2008].

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

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

The fair value of Cominar's cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximated the carrying value as at December 31, 2009 due to their short term nature or because they are based on current market rates.

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

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

Risk management

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

Credit risk

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

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

Cominar 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 its future cash flows. Cominar reduces its exposure to interest rate risk by staggering the maturities of its loans and by generally using long-term debt bearing interest at fixed rates.

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

Mortgages payable and convertible debentures bear interest at fixed rates.

Cominar is exposed to interest rate fluctuations mainly due to bank indebtedness bearing interest at variable rates. A 25 basis point increase or decrease in the average interest rate during the period, assuming all other variables held constant, would have resulted in a $368 increase or decrease in Cominar's net income for the year ended December 31, 2009.

Liquidity risk

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

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

Undiscounted contractual maturities of financial liabilities as at December 31, 2009 are as follows:

		Maturity		
	Carrying value	**Under one year**	**One to five years**	**Over five years**
Mortgages payable [(1)] *[note 8]*	773,391	118,982	317,398	337,011
Convertible debentures [(1)] *[note 9]*	327,640	—	212,640	115,000
Bank indebtedness *[note 10]*	134,809	134,809	—	—
Accounts payable and accrued liabilities [(2)]	26,417	26,129	288	—
Total financial liabilities	1,262,257	279,920	530,326	452,011

(1) Excludes amortization of fair value adjustments on assumed mortgages payable, unamortized financing costs and the equity components of convertible debentures.
(2) Excludes commodity taxes and other non-financial liabilities.

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, 2009	**Office properties $**	**Retail properties $**	**Industrial and mixed-use properties $**	**Total $**
Rental revenue from income properties	127,524	48,772	85,767	**262,063**
Depreciation of income properties	30,637	6,379	18,066	**55,082**
Net operating income [(1)]	73,056	28,487	53,416	**154,959**
Income properties (amortized cost)	752,103	315,044	514,684	**1,581,831**

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)]	59,209	28,029	53,182	140,420
Income properties (amortized cost)	731,647	240,772	534,668	1,507,087

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

21. CONTINUED OPERATIONS

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

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

	2009 $	2008 $
Net operating income	—	173
Depreciation of income properties	—	38
Amortization of capitalized leasing costs	—	12
Administrative expenses	—	1
Interest on borrowings	—	100
Net income	—	22
Loss on disposal	—	(368)
Net loss from discontinued operations	—	(346)
Basic and diluted net loss per unit	—	(0.008)

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 of $30 million was received in 2007. The definitive indemnity will be set by the Québec Administrative Court or settled between the parties. 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, 2009 amounted to $2,190. These letters have been provided as a performance guarantee to execute required repairs under mortgage agreements.

23. COMMITMENTS

[a] The annual future payments required under emphyteutic leases expiring between 2046 and 2047, on land for two income properties having a total net carrying value of $56,885, are as follows:

Years ending December 31	Total $
2010	486
2011	491
2012	526
2013	526
2014	526
2015 and thereafter	24,223

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

24. SUBSEQUENT EVENTS

[a] On January 12, 2010, Cominar announced the closing of an $86,250 convertible debenture issue for net proceeds totalling $82,700. The proceeds from the issuance of debentures were applied against the current balance of debt contracted under the terms of existing credit facilities to fund Cominar's acquisition program and ongoing developments and will be used to fund future acquisitions.

[b] On January 19, 2010, Cominar made a takeover bid to acquire all of the outstanding common shares of Overland Realty Limited (Overland) for $0.82 per share. The transaction, including the assumption of debt by Cominar, values Overland Realty Limited at approximately $70,900. Considering that more than 90% of the outstanding common shares of Overland have been deposited at the expiry of Cominar's take-over bid on March 9, 2010, Cominar acquires the totality of the Overland shares. Overland's operations are consequently integrated to Cominar as of March 10, 2010.

25. COMPARATIVE FIGURES

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