Cominar

Press release

For immediate release

COMINAR ANNOUNCES 2021 RESULTS

Québec City, February 28, 2022 - Cominar Real Estate Investment Trust ("Cominar" or the "REIT") (**TSX: CUF.UN**) announces its results for the fourth quarter and year ended December 31, 2021.

2021 FOURTH QUARTER AND FULL YEAR - HIGHLIGHTS

- **FFO**[1] per unit of $0.17 for the quarter compared to $0.28 for the same period in 2020 and $0.98 for 2021 compared to $0.96 for 2020. Excluding $17.8 million of consulting fees spent on the strategic review process and Sears Canada $2.7 million settlement, FFO adjusted per unit was $1.06 for 2021. FFO per unit includes the positive impact of a partial reversal of last year credit losses provisions in the amount of $8.6 million

- **AFFO**[1] per unit of $0.07 for the quarter compared to $0.24 for the same period in 2020 and $0.63 for 2021 compared to $0.71 for 2020. Excluding $17.8 million of consulting fees spent on the strategic review process and Sears Canada $2.7 million settlement, AFFO adjusted per unit was $0.71 for 2021. AFFO per unit includes the positive impact of a partial reversal of last last year credit losses provisions in the amount of $8.6 million

- **AFFO payout ratio**[1] of 42.9% for 2021 compared to 80.3% for 2020

- **Same property NOI**[1] increase of 2.9% for 2021 and decrease of 7.8% for the quarter, including a decrease of (22.5)% for the office segment, a decrease of 3.6% for the retail segment and an increase of 10.0% for the industrial and flex segment

- **Expected credit losses** of $3.6 million or 0.6% of operating revenues for 2021, mainly due to partial reversals of prior year provisions of $(8.6) million

- Investment properties negative **change in fair value** of $(370.7) million for 2021 on a proportionate basis[1] and $(233.7) million for the fourth quarter of 2021

- **In-place occupancy rate** was stable at 91.7% as at December 31, 2021 compared to December 31, 2020

- **New and renewal leasing** represented 106.8% of 2021 lease maturities

- **Growth in the average net rent** of renewed leases during 2021 stood at 7.5%, driven by a 22.4% increase in the industrial segment, a 7.0% increase in the office segment and a (2.1)% decrease in the retail segment

- As at December 31, 2021, available liquidity of $74.9 million consisted of $67.3 million of availability under our credit facilities and $7.6 million of cash and cash equivalents

- Debt ratio was 56.9% as at December 31, 2021, up from 55.3% as at December 31, 2020

"Despite the continuing challenges brought by the pandemic on the real estate industry in our markets, Cominar's operating and financial results further have improved in 2021 with a strong growth in the average net rent of renewed leases of 7.5% for our portfolio, coupled with new and renewal leasing representing 106.8% of 2021 lease maturities" said Sylvain Cossette, President and Chief Executive Officer of Cominar. Mr. Cossette added "Following the Arrangement Agreement announcement in October, we are pleased to announce that the Transaction is scheduled to close on March 1st, 2022"

"Operating results have pursued their recovery despite the challenges brought by the pandemic on the real estate industry, as evidenced by the SPNOI growth of 2.9% in 2021 compared to 2020. Expected credit losses further reduced to 0.6% of operating revenues in 2021" stated Antoine Tronquoy, Executive Vice-President and Chief Financial Officer.

1 *Refer to section "Non-IFRS and other financial measures" in this press release.*

FINANCIAL AND OPERATING HIGHLIGHTS

Net Loss : Net loss for the year ended December 31, 2021 amounted to $(195.3) million compared to net loss of $(329.3) million for 2020. The net loss decrease of $134.0 million is mainly due to a $15.1 million increase in NOI and the change in fair value of investment properties of $121.9 million, partially offset by a $16.1 million increase in strategic alternatives consulting fees.

Same Property NOI[1] ("SPNOI"): SPNOI increased by $9.8 million or 2.9% when compared with 2020. The increase in SPNOI resulted mainly from a decrease of $30.2 million in the expected credit losses and an increase in the average net rent of renewed leases in office and industrial and flex portfolios, partly offset by a decrease in project management revenues and parking revenues in our office portfolio (mainly related to the financial difficulties of a third-party parking manager).

Expected credit losses: For the year ended December 31, 2021, expected credit losses of $3.6 million were recorded ($33.6 million in 2020) of which $— million is for office ($3.9 million in 2020), $4.3 million is for retail ($25.9 million in 2020) and $(0.7) million is for industrial and flex ($3.9 million in 2020). 2021 expected credit losses were driven by a partial reversal of 2020 expected credit losses provisions in the amount of $8.6 million and the Trust recorded $6.4 million of rent reductions, of which $2.6 million was previously included in expected credit losses provision.

FFO[1]: FFO for the year ended December 31, 2021 amounted to $178.9 million or $0.98 per unit compared to $0.96 per unit for the previous year due to the $15.1 million increase in NOI (refer to the NOI section) and a decrease in finance charges, partly offset by an increase of $16.1 million in strategic alternatives consulting fees. FFO adjusted for 2021 amounted to $194.0 million or 1.06 per unit.

AFFO[1]: AFFO for the year ended December 31, 2021 amounted to $115.2 million or $0.63 per unit compared to $129.9 million or $0.71 per unit for the previous year. AFFO decreased from 2020 due to the increases in the provision for leasing costs and capital expenditures - maintenance of rental income generating capacity, partially offset by the increase in FFO. AFFO adjusted for 2021 amounted to $130.3 million or 0.71 per unit. **AFFO payout ratio**[1] for 2021 was 42.9%, down from 80.3% in 2020, as a consequence of the suspension of the distribution for October, November and December 2021 combined with the decrease in distributions effective since August 2020.

Investment properties fair value: During 2021, management revalued the entire real estate portfolio and determined that a net decrease of $347.9 million was necessary to adjust the carrying amount of investment properties to fair value.

Occupancy: As at December 31, 2021, Cominar’s in-place occupancy was 91.7%, stable when compared to year-end 2020. As at December 31, 2021 the committed occupancy rate was 93.4%, compared to 94.0% at year-end 2020.

Leasing activity: The retention rate for 2021 was 74.1% at the end of 2021. Average net rent on 4.0 million square feet of lease renewals for the year ending December 31, 2021 increased by 7.5% (increases of 22.4% for the industrial and flex portfolio, 7.0% for the office portfolio and (2.1)% for the retail portfolio). New leasing totaled 1.8 million square feet for 2021. New and renewal leasing represented 106.8% of 2021 lease maturities.

1 *Refer to section "Non-IFRS and other financial measures" in this press release.*

BALANCE SHEET AND LIQUIDITY HIGHLIGHTS

Debt ratio: The debt ratio was 56.9% as at December 31, 2021, up from 55.3% as at December 31, 2020.

Debt to EBITDA[1] : As at December 31, 2021, the debt to EBITDA[1] was 10.7x compared to 11.3x as at December 31, 2020.

Unencumbered asset to unsecured debt ratio: As at December 31, 2021, the unencumbered asset to unsecured debt ratio was 1.64:1, down from 1.76:1 as at December 31, 2020. Our pool of unencumbered properties totaled $1.6 billion as at December 31, 2021.

Secured debt to gross book value: Was 40.7% as at December 31, 2021, up from 37.5% as at December 31, 2020.

As at December 31, 2021, Cominar had $7.6 million of cash on hand, $67.3 million of availability on its credit facilities, resulting in total liquidity of $74.9 million.

INVESTMENT HIGHLIGHTS

For the year ended December 31, 2021, investments in income properties including capital expenditures, leasing costs and leasehold improvements totaled $130.3 million, up 1.3% from $128.7 million for last year. Including investments in development activities, capital expenditures totaled $145.3 million, down 5.5% from $153.7 million in 2020.

STRATEGIC REVIEW PROCESS

On October 24, 2021, Cominar announced that it has entered into an arrangement agreement (the "Arrangement Agreement") to be acquired by Iris Acquisition II LP, an entity created by a consortium led by Canderel Real Estate Property Inc. and including FrontFour Capital Group LLC, Artis REIT and partnerships managed by the Sandpiper Group (collectively, the "Purchaser") (the "Transaction").

Under the terms of the Arrangement Agreement, the Purchaser will acquire, for a consideration of $11.75 in cash per unit (the "Consideration"), all of the issued and outstanding units of Cominar. The Transaction was approved at a special meeting of unitholders called to consider the Transaction on December 21, 2021 and subsequently by the Court on December 23, 2021. Closing of the Transaction is scheduled to occur on March 1st, 2022.

NON-IFRS AND OTHER FINANCIAL MEASURES

Cominar's consolidated financial statements are prepared in accordance with IFRS. Management uses a number of measures, which are not standardized under IFRS and should not be construed as an alternative to financial measures calculated in accordance with IFRS. Cominar uses those measures to better assess its performance. Cominar's proportionate share, same property net operating income, funds from operations (FFO), adjusted funds from operations (AFFO) and debt to EBITDA are not measures recognized by International Financial Reporting Standards (IFRS) and do not have standardized meanings prescribed by IFRS. Such measures may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to similar measures reported by such other entities. These non-IFRS financial measures are more fully defined and discussed in Cominar's management's discussion and analysis for the fourth quarter and year ended December 31, 2021, available at Cominar.com and on Sedar.com.

1 *Refer to section "Non-IFRS and other financial measures" in this press release.*

RESULTS OF OPERATIONS

Periods ended December 31	Year		Year	
	2021 [1]	2020 [1]	2021 [2]	2020 [2]
	$	$	$	$
Operating revenues	**162,911**	166,156	**658,594**	661,320
Operating expenses	**(80,035)**	(78,200)	**(316,356)**	(334,133)
Net operating income	**82,876**	87,956	**342,238**	327,187
Finance charges	**(36,773)**	(33,901)	**(136,350)**	(143,640)
Trust administrative expenses	**(17,239)**	(4,212)	**(34,709)**	(16,973)
Change in fair value of investment properties	**(217,719)**	(150,295)	**(347,855)**	(469,763)
Share of joint ventures’ net income (loss)	**(14,771)**	252	**(17,638)**	(5,058)
Transaction costs	**(715)**	(77)	**(1,052)**	(5,375)
Impairment of goodwill	**—**	—	**—**	(15,721)
Net loss before income taxes	**(204,341)**	(100,277)	**(195,366)**	(329,343)
Current income taxes	**—**	—	—	66
Deferred	**58**	—	**58**	—
Net loss and comprehensive loss	**(204,283)**	(100,277)	**(195,308)**	(329,277)
Office Portfolio	**(149,903)**	(113,128)	**(160,505)**	(84,865)
Retail Portfolio	**(69,400)**	(143,027)	**(287,300)**	(351,989)
Industrial and Flex Portfolio	**49,795**	177,674	**342,473**	184,791
Corporate	**(34,775)**	(21,796)	**(89,976)**	(77,214)
Net loss and comprehensive loss	**(204,283)**	(100,277)	**(195,308)**	(329,277)

1 Quarter ended December 31, 2021 includes $12.8 million of strategic alternatives consulting fees (quarter ended December 31, 2020 includes $1.4 million of strategic alternatives consulting fees).

2 In addition to the quarter events explained above, year ended December 31, 2021 includes $5.0 million of strategic alternatives consulting fees and a $2.7 million distribution received in respect of a claim settlement regarding Sears Canada (year ended December 31, 2020 includes $0.3 million of strategic alternatives consulting fees, $2.5 million of yield maintenance fees paid in connection with the Series 4 debenture redemption and $4.6 million of penalties paid on mortgage repayments before maturity).

The decrease in operating revenues according to the consolidated financial statements in 2021 compared with 2020 resulted mainly from a decrease in the average in-place occupancy rate, a decrease in project management revenues and parking revenues in our office portfolio (mainly related to the financial difficulties of a third-party parking manager) and a decrease in the average net rent of renewed leases in our retail portfolio, partly offset by an increase in the average net rent of renewed leases in our office and industrial and flex portfolios and an increase in the in-place occupancy rate in our industrial and flex portfolio.

The decrease in operating expenses according to the consolidated financial statements in 2021 compared with 2020 resulted mainly from a decrease of $30.2 million in expected credit losses, partly offset by an increase in property taxes billed to single tenants (also included in operating revenues, no impact on NOI) and a slight increase in operating expense and property maintenance.

Finance charges were down in 2021 mainly due to a decrease in interest on debentures related to the net redemption of $250.0 million of debentures in 2020 and a decrease in interest on mortgages payable related to a mortgage repayment of $81.0 million in September 2020, partially offset by a decrease in capitalized interest and higher usage of the credit facilities.

Finally, excluding strategic alternatives consulting fees, Trust administrative expenses increased by $1.6 million when compared to the corresponding 2020 period due to a higher level of legal fees related to bankruptcies and litigation and the impact on salaries of lesser Canadian emergency wage subsidies recorded in 2021.

SAME PROPERTY NET OPERATING INCOME

Same property NOI is a non-IFRS measure used by Cominar to provide an indication of the period-over-period operating profitability of the same property portfolio, that is, Cominar's ability to increase revenues, manage costs, and generate organic growth. The same property NOI includes the results of properties owned by Cominar as at December 31 2019, with the exception of results from the properties sold, acquired and under development in 2020 and 2021, as well as the rental income arising from the recognition of leases on a straight-line basis that is a non-cash item and which, by excluding it, will allow this measure to present the impact of actual rents collected by Cominar.

	Quarter			Year		
Periods ended December 31	2021	2020		2021	2020	
	$	$	% △	$	$	% △
Property type						
Office	**29,158**	37,647	(22.5)	**130,583**	142,095	(8.1)
Retail	**26,910**	27,911	(3.6)	**110,491**	98,669	12.0
Industrial and flex	**27,176**	24,704	10.0	**103,648**	94,182	10.1
Same property NOI — Cominar's proportionate share [1]	**83,244**	90,262	(7.8)	**344,722**	334,946	2.9
Properties sold, acquired and under development in 2020 and 2021	**1,791**	151	1,086.1	**6,455**	2,270	184.4
NOI — Cominar's proportionate share [1]	**85,035**	90,413	(5.9)	**351,177**	337,216	4.1
NOI — Financial statements	**82,876**	87,956	(5.8)	**342,238**	327,187	4.6
NOI — Joint ventures	**2,159**	2,457	(12.1)	**8,939**	10,029	(10.9)

1 Refer to section "Non-IFRS and other financial measures" in this press release.

2021 fourth quarter SPNOI decreased 7.8% when compared with the corresponding quarter of 2020. This decrease resulted mainly from decreases in project management revenues, parking revenues and year end adjustments in our office portfolio, partly offset by the decrease of expected credit losses.

The decrease in same property operating revenues in 2021 compared with 2020 resulted mainly from a decrease in the average in-place occupancy rate, a decrease in project management revenues and parking revenues in our office portfolio (mainly related to the financial difficulties of a third-party parking manager) and a decrease in the average net rent of renewed leases in our retail portfolio, partly offset by an increase in the average net rent of renewed leases in our office and industrial and flex portfolios and an increase in the in-place occupancy rate in our industrial and flex portfolio.

FUNDS FROM OPERATIONS (FFO) AND ADJUSTED FUNDS FROM OPERATIONS (AFFO)

FFO is a non-IFRS measure which represents a standard real estate benchmark used to measure an entity's performance, and is calculated by Cominar as defined by REALpac as net income (calculated in accordance with IFRS) adjusted for, among other things, changes in the fair value of investment properties, deferred taxes and income taxes related to a disposition of properties, derecognition and impairment of goodwill, initial and re-leasing salary costs, adjustments relating to the accounting of joint ventures and transaction costs incurred upon a business combination or a disposition of properties. Management believes FFO to be a useful earnings measure as it adjusts net income for items that are not related to the trend in occupancy levels, rental rates and property operating costs.

AFFO is a non-IFRS measure which, by excluding from the calculation of FFO the rental income arising from the recognition of leases on a straight-line basis, the investments needed to maintain the property portfolio's capacity to generate rental income and a provision for leasing costs is calculated as defined by REALpac. Management believes AFFO provides a meaningful measure of Cominar's capacity to generate steady profits.

The following table presents a reconciliation of net loss, as determined in accordance with IFRS, and funds from operations and adjusted funds from operations:

	Quarter		Year	
Periods ended December 31	2021 [1]	2020 [1]	2021 [2]	2020 [2]
	$	$	$	$
Net loss	**(204,283)**	(100,277)	**(195,308)**	(329,277)
Deferred income taxes	**(58)**	—	**(58)**	—
Initial and re-leasing salary costs	**600**	(603)	**2,340**	2,233
Change in fair value of investment properties [3]	**233,717**	151,554	**370,670**	481,025
Capitalizable interest on properties under development — joint ventures	**48**	192	**192**	561
Transaction costs	**715**	77	**1,052**	5,375
Impairment of goodwill	**—**	—	**—**	15,721
FFO [3,4]	**30,739**	50,943	**178,888**	175,638
Provision for leasing costs	**(8,000)**	(7,750)	**(32,833)**	(30,236)
Recognition of leases on a straight-line basis [3]	**(1,205)**	1,125	**(2,200)**	1,522
Capital expenditures — maintenance of rental income generating capacity	**(8,450)**	(50)	**(28,700)**	(17,000)
AFFO [3,4]	**13,084**	44,268	**115,155**	129,924
Per unit information:				
FFO (FD) [4, 5]	**0.17**	0.28	**0.98**	0.96
AFFO (FD) [4, 5]	**0.07**	0.24	**0.63**	0.71
Weighted average number of units outstanding (FD) [5]	**182,988,040**	182,923,330	**182,967,202**	182,893,802
Payout ratio of AFFO [4, 5]	**— %**	37.5 %	**42.9 %**	80.3 %

1 Quarter ended December 31, 2021 $12.8 million of strategic alternatives consulting fees (quarter ended December 31, 2020 $1.4 million of strategic alternatives consulting fees).

2 In addition to the quarter events explained above, the year ended December 31, 2021 includes $5.0 million of strategic alternatives consulting fees and a $2.7 million distribution received in respect of a claim settlement regarding Sears Canada (the year ended December 31, 2020 includes $0.3 million of strategic alternatives consulting fees, $2.5 million in yield maintenance fees paid in connection with the Series 4 debenture redemption and $4.6 million of penalties paid on mortgage repayments before maturity).

3 Including Cominar's proportionate share in joint ventures.

4 Refer to section "Non-IFRS and Other financial measures" in this press release.

5 Fully diluted.

For 2021, excluding strategic alternatives consulting fees, FFO would have been $194.0 million or $1.06 per unit in 2021 compared to $184.4 million or $1.01 per unit in 2020 and AFFO would have been $130.3 million or $0.71 per unit in 2021 compared to $138.7 million or $0.76 per unit in 2020 and consequently the AFFO adjusted payout ratio would have been 38.0% compared to 75.0% in 2020.

OCCUPANCY RATES

	Montreal		Québec City		Ottawa		Total	
December 31, 2021	Committed	In-Place	Committed	In-Place	Committed	In-Place	Committed	In-Place
Property type								
Office	87.6 %	86.0 %	96.3 %	96.0 %	89.8 %	86.5 %	90.0 %	88.3 %
Retail	91.7 %	88.4 %	90.0 %	86.6 %	84.3 %	75.1 %	90.7 %	87.2 %
Industrial and flex	97.2 %	96.8 %	97.8 %	97.0 %	—	—	97.4 %	96.9 %
Portfolio total	**93.4 %**	**92.0 %**	**94.4 %**	**92.7 %**	**89.0 %**	**84.9 %**	**93.4 %**	**91.7 %**

SUBSEQUENT EVENTS

On January 14, 2021, Cominar entered into a new 3-month unsecured credit facility of up to $175.0 million maturing in March 2022 which bears interest at the prime rate plus 175 basis points or at the bankers' acceptance rate plus 275 basis points.

On January 18, 2022, Cominar declared a monthly distribution of $0.015 per unit payable on February 15, 2022.

On February 21, 2022, Cominar declared a monthly distribution of $0.03 per unit payable on March 15, 2022.

On February 21 2022, Cominar announced that the closing of the plan arrangement for the acquisition of Cominar by Iris Acquisition II LP was scheduled to occur on March 1, 2022.

Post year-end, Cominar completed the sale of 1 industrial and flex property and 2 retail properties for a total amount of $18.5 million.

ADDITIONAL FINANCIAL INFORMATION

Cominar's consolidated financial statements and management's discussion and analysis for 2021 are filed with SEDAR at sedar.com and are available on Cominar's website at cominar.com.

PROFILE AS AT FEBRUARY 28, 2022

Cominar is one of the largest diversified real estate investment trusts in Canada and is the largest commercial property owner in the Province of Québec. Our portfolio consists of 306 high-quality office, retail and industrial properties, totaling 35.4 million square feet located in the Montreal, Québec City and Ottawa areas. Cominar's primary objective is to maximize total return to unitholders by way of tax-efficient distributions and maximizing the unit value through the proactive management of our portfolio.

FORWARD-LOOKING STATEMENTS

This press release may contain forward-looking statements with respect to Cominar and its operations, strategy, financial performance and financial position. These statements generally can be identified by the use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intend", "believe" or "continue" or the negative thereof or similar variations and the use of conditional and future tenses. The actual results and performance of Cominar discussed herein could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulation and the factors described under "Risk Factors" in Cominar's Annual Information Form. The cautionary statements qualify all forward-looking statements attributable to Cominar and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this press release. Cominar does not assume any obligation to update the aforementioned forward-looking statements, except as required by applicable laws.

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