COMINAR

2007 Annual Report

COMINAR REAL ESTATE INVESTMENT TRUST

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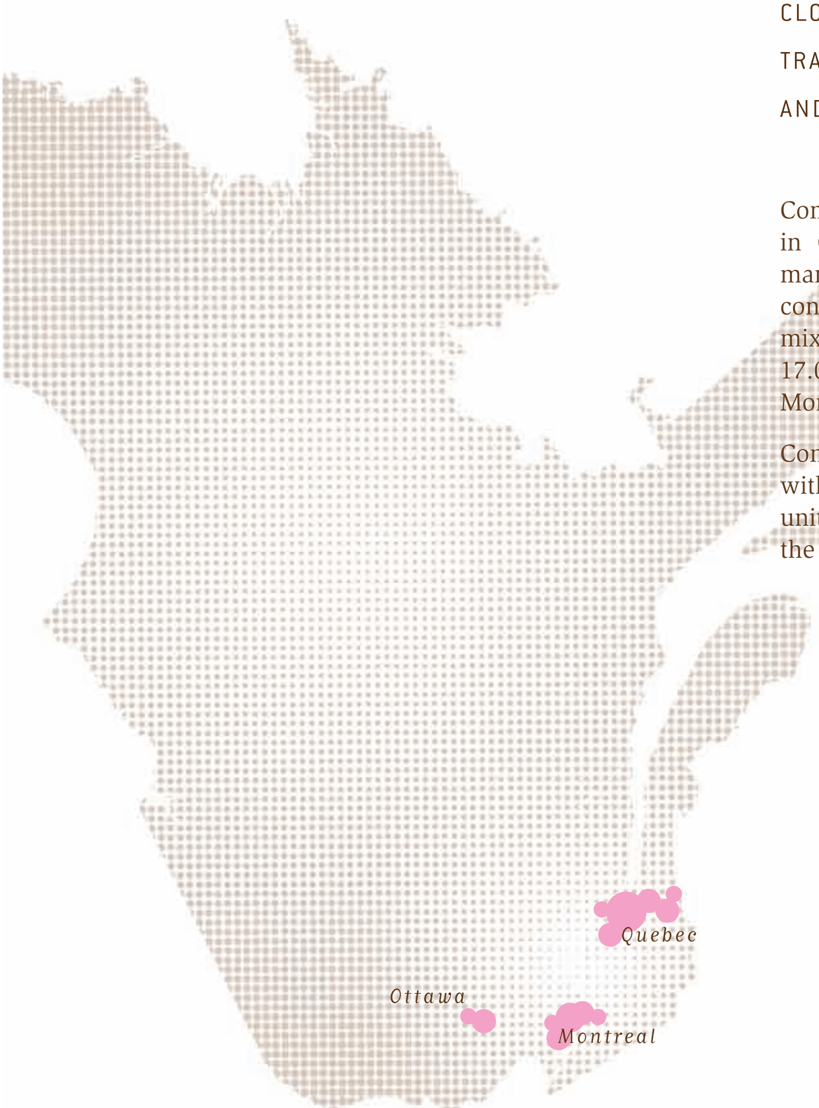
{ Profile }

CREATED IN 1998, COMINAR REAL ESTATE INVESTMENT TRUST ("COMINAR") IS AN UNINCORPORATED CLOSED-END INVESTMENT TRUST. COMINAR'S UNITS AND CONVERTIBLE DEBENTURES ARE PUBLICLY TRADED ON THE TORONTO STOCK EXCHANGE (TSX) UNDER THE SYMBOLS CUF.UN AND CUF.DB, CUF.DB.B AND CUF.DB.C.



Cominar is the largest owner of commercial properties in Quebec. As at March 13, 2008, it owned and managed a portfolio of 208 high-quality properties consisting of 36 office, 38 retail and 134 industrial and mixed-use buildings that cover a total area of over 17.0 million square feet in the Greater Quebec City, Montreal and Ottawa areas.

Cominar's objectives are to provide its unitholders with growing cash distributions and to maximize unitholder value through proactive management and the growth of its portfolio.

Cominar's principal attributes are:

- a well-diversified portfolio between three sectors of activity and three geographic regions with stable and high occupancy rates;
- a dynamic and reliable team with in-depth knowledge and experience in the real estate market;
- a complete integration and internal asset management, ensuring that the interests of management and the trustees are perfectly aligned with those of the unitholders;
- a track record of solid operational and financial performances;
- an excellent financial position, enabling it to seize acquisition and development opportunities;
- Cominar is one of the few Canadian real estate investment trusts in which the trustees and members of the management own approximately 20% of the outstanding units. This long-term commitment favours its stability and the solid and dynamic growth of its property portfolio.

{ Primary Objectives }

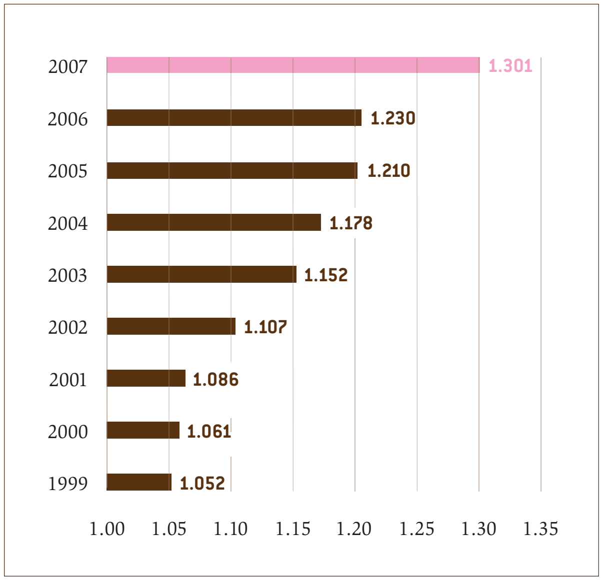
- **PROVIDE UNITHOLDERS WITH GROWING CASH DISTRIBUTIONS**
- **MAXIMIZE UNIT VALUE THROUGH PROACTIVE MANAGEMENT AND EXPANSION OF THE PROPERTY PORTFOLIO**

Distributions per unit have grown by 24% since fiscal 1999 to reach $1.301 per unit in 2007. On December 14, 2007, Cominar announced an increase in its monthly distribution, raising it from 11.0 cents per unit to 11.3 cents per unit, representing $1.356 per unit on an annualized basis for fiscal 2008.

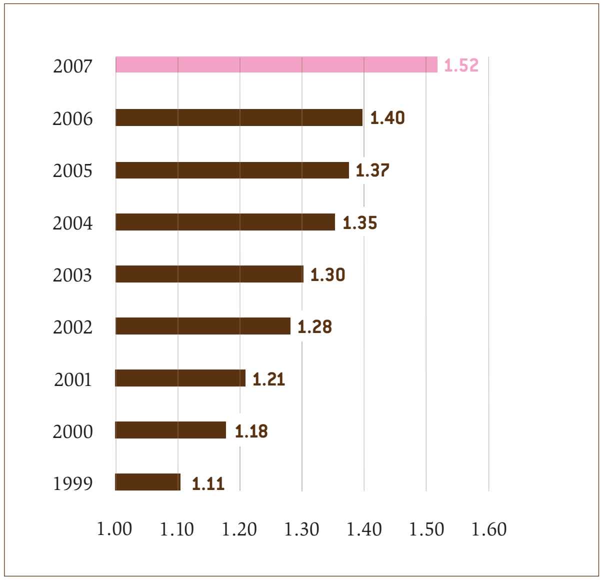
Cominar's distributable income per unit totalled $1.52 in 2007, up by more than 37% over 1999. This increase has been possible due mainly to the strategic acquisitions and value-creating developments completed over the years.

Cominar's leasable area has more than doubled since 2003; the book value of its properties has risen from $618.9 million to over $1.5 billion.

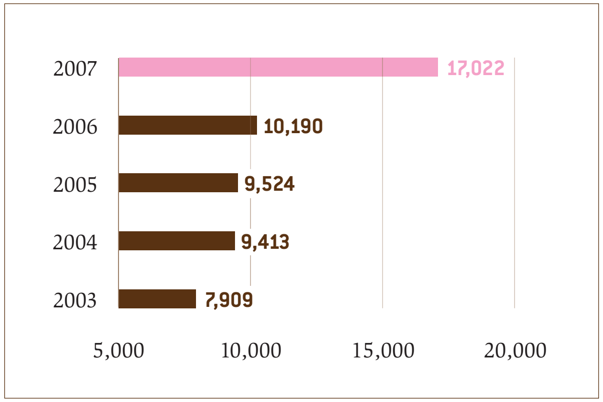
Distributions Per Unit



DI Per Unit



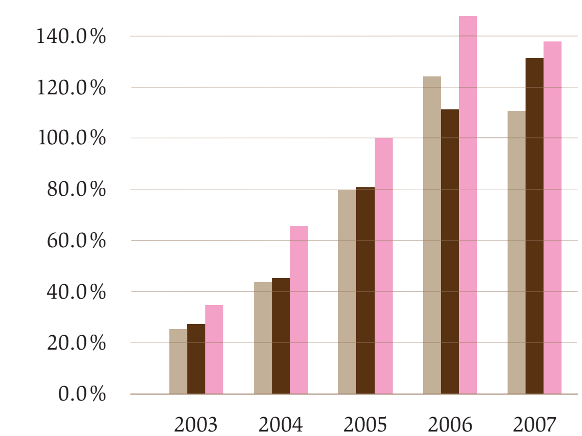
Leasable Area (in thousands of sq. ft.)



The cumulative five-year return on an investment in Cominar units, including reinvested distributions and unit price appreciation, has outperformed the S&P/TSX Composite Total Return Index and the S&P/TSX Capped REIT Total Return Index.

Cumulative Five-Year Return

(including reinvested distributions / dividends)



	2003	2004	2005	2006	2007
S&P/TSX	25.9%	43.5%	79.8%	124.2%	111.5%
S&P/TSX Reits	26.7%	45.1%	80.1%	111.2%	131.9%
Cominar	33.4%	67.9%	100.0%	148.2%	138.5%

{ Financial Highlights }

All amounts are expressed in Canadian dollars

(In thousands of dollars, except per unit amounts)	**2007**	2006
FINANCIAL DATA		
Operating revenues	**182,124**	126,750
Net operating income	**109,771**	77,051
Net income	**29,241**	34,075
Distributable income	**63,237**	48,061
Funds from operations	**72,338**	55,655
Adjusted funds from operations	**60,032**	45,692
Distributions	**55,454**	42,724
Distributable income payout ratio	**85.6%**	87.9%
Debt ratio	**55.9%**	45.4%
Debt ratio (excluding convertible debentures)	**42.7%**	40.5%
Total assets	**1,442,794**	786,455
Market capitalization	**923,563**	823,508
PER UNIT FINANCIAL DATA		
Distributable income (basic)	**1.52**	1.40
Distributable income (FD) [1]	**1.49**	1.35
Funds from operations (FD)	**1.68**	1.54
Adjusted funds from operations	**1.42**	1.29
Cash distributions	**1.301**	1.230
OPERATIONAL DATA		
Number of properties	**208**	139
Leasable area (in thousands of sq. ft.)	**17,022**	10,190
Occupancy rate	**94.7%**	94.4%
ACQUISITIONS/DEVELOPMENTS		
Acquisitions		
Number of properties	**67**	9
Leasable area (in thousands of sq. ft.)	**6,817**	587
Total investment	**648,380**	44,067
Weighted average capitalization rate	**7.0%**	9.0%
Completed developments		
Number of properties	**4**	8
Leasable area (in thousands of sq. ft.)	**218**	394
Total investment	**11,000**	23,200
Weighted average capitalization rate	**9.9%**	10.3%
Ongoing and upcoming developments		
Number of properties	**7**	7
Estimated leasable area (in thousands of sq. ft.)	**1,103**	564
Forecast total investment	**144,200**	39,200
Forecast weighted average capitalization rate	**9.4%**	9.7%

(1) Fully diluted

{ Great Team of Professionals }

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

Alain Dallaire
Executive Vice President, Operations

Me Michel Paquet
Executive Vice President, Legal Affairs and Secretary

Michel Berthelot, CA
Executive Vice President and Chief Financial Officer

Jean-Guy Moreau
Vice President, Development

Roger Turpin
Vice President, Treasurer

Anne-Marie Dubois
Vice President,
Leasing - Montreal

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

Richard Nolin
Vice President, Retail

Michel Leclerc
Vice President, Property
Management - Quebec City

Wally Commisso
Vice President, Property
Management - Montreal

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

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

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

FISCAL 2007 WAS HIGHLIGHTED BY A RECORD EXPANSION AND PERFORMANCE. AS WE WILL CELEBRATE THE REIT'S TENTH ANNIVERSARY IN 2008, WE WOULD LIKE TO UNDERLINE THE CONSISTENCY SHOWN BY COMINAR IN ITS DISCIPLINED PRACTICES OVER THE YEARS - GUIDED BY A LONG-TERM VISION AND A RESULT AND CREATION-OF-VALUE ORIENTED GROWTH STRATEGY. SINCE ITS INCEPTION IN MARCH 1998, THE REIT HAS MADE CONSTANT INVESTMENTS, ENABLING IT TO INCREASE DISTRIBUTIONS PER UNIT YEAR AFTER YEAR AND TO POSITION ITSELF STRATEGICALLY TO CONTINUE GROWING AND SUCCEED.

A Record Expansion and Performance

Since the REIT's creation, we have always considered performance and growth a core priority, constantly bearing in mind the interest of unitholders, and respecting the values of integrity, transparency, creativity, ongoing improvement and quality of service that are at the root of our corporate culture. It is thus that, over the years, we have broadened and consolidated our bases and, in 2007, we were able to successfully realize a major expansion and growth phase. By acquiring the Alexis Nihon REIT's portfolio of 35 industrial and mixed-use and 19 office properties in June 2007, we closed our largest acquisition ever. Cominar thereby positioned itself as the leading owner of commercial properties in Quebec, with an increased geographic and segmented diversification.

Fiscal 2007 was also an integration year during which we were joined by a new team who pooled their skills, expertise and market knowledge with our own. In a spirit of cooperation and initiative, the integration of this large-scale acquisition progressed efficiently on track and on schedule. At the same time, we continued to take advantage of opportunities to create further unitholder value, by acquiring another 13 properties and completing four development projects at an average capitalization rate of 9.1%, which is excellent in today's market conditions. Thus, in 2007, our portfolio's leasable area increased by 67.0% or 6.8 million square feet and our properties' gross book value grew $689.5 million or 81.5% to $1.5 billion as at December 31, 2007.

This expansion gave rise to an immediate increase in distributable income and funds from operations as well as management synergies. Combined with solid organic growth, it contributed to increase revenues and net operating income by 43.7% and 42.5%, respectively, in 2007. These excellent performance indicators also reflect the quality of our service and properties, and the effectiveness and dynamism of our leasing team who redoubled their efforts during the year to raise the occupancy rate to 94.7%. Furthermore, these results attest to our successful rigorous control over operating expenses, thanks to our fully integrated internal asset management and our expansion strategy, whereby we seek to cluster property acquisitions and developments.

We can therefore assert that in 2007, our operational and financial objectives were achieved. As our priority is to provide the REIT's unitholders with stable and growing distributions, we are pleased to point out that distributions per unit have increased year after year – including a 6% growth in 2007, whereas the distribution ratio stands at 85.6%, leaving us the latitude needed to ensure stable future distributions.

Prudent Financial Management and Optimal Capital Structure

Since the beginning, we have considered debt management particularly important, as it is a key factor for the stability and growth of a real estate investment trust and its distributions. Unitholders will remember that at our last Annual Meeting, they approved our proposal to amend the Contract of Trust in order to allow a portfolio debt to gross book value ratio of 65% if convertible debentures are outstanding. We believe, as do our trustees, that this amendment provided the REIT with greater financing flexibility.

A Flexible Expansion Strategy According to Market Conditions

Over the years, Cominar has achieved much of its growth through high-quality acquisitions based on strict selection criteria in its three sectors of activity. However, the commercial and industrial real estate market is evolving and we must adjust our expansion strategy accordingly in order to optimize our return on investment. In light of the conditions that have recently prevailed in our three sectors, specifically the great demand for income properties and a lack of office rental space in the Quebec City area, we are intensifying our expansion through construction and development projects that offer strong value-added potential.

We are hence drawing on our specialized resources and our 40-year expertise in real estate development. We currently have four property developments in progress in the Montreal region and, to take advantage of the strong economy in the Greater Quebec City Area, we will soon start up large-scale projects on three properties, some phases of which are already underway. The total investment for these construction and development projects over the next two years should total approximately $144.2 million at an average capitalization rate of 9.4%, which is much higher than current market rates for similar properties.

A Roadmap Focused on the Creation of Value

We wish to share our pride in our accomplishments with our unitholders, and we are enthusiastic in regard to the new challenges ahead of us in the coming years. It was with a clear strategic vision and confidence that we began fiscal 2008. We will pursue the successful growth strategy that has enabled us to consolidate our fundamentals and to become a foremost player in our market, in order to provide our customers with an enhanced quality of service and our unitholders with a stable and growing return.

We have the know-how and leadership at every level of our organization as well as the ongoing improvement's culture to reach new heights.

Together, with the members of Cominar's entire team, we intend to pursue our growth through value-enhanced development projects and new income property acquisition opportunities in our three sectors, while respecting our rigorous selection criteria.

We will also continue to focus on proactive leasing in order to optimize our recently acquired properties, through tight cost controls and further operating efficiencies using established performance measures.

TO ALL OUR UNITHOLDERS, WE EXPRESS OUR GRATITUDE FOR THEIR CONFIDENCE AND LOYALTY IN REGARD TO COMINAR. WE ARE COMMITTED TO MAXIMIZE THE RETURN ON THEIR INVESTMENT IN THE REIT WHICH, MORE THAN EVER, IS A SECURE VALUE. WE ACKNOWLEDGE OUR TRUSTEES FOR THEIR SUPPORT AND VALUABLE ADVICE. FINALLY, WE SINCERELY THANK ALL THE MEMBERS OF COMINAR'S TEAM, WHICH EXPANDED THIS YEAR. YOUR PROFESSIONALISM AND COMMITMENT HAVE BEEN REMARKABLE, AND ESSENTIAL TO CONTINUE ENSURING THE REIT'S GROWTH AND SUCCESS.

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

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

{ *Exceptional Growth* }

Since its creation in 1965 by Jules Dallaire, Cominar has built a solid real estate portfolio by implementing a disciplined and prudent strategy to ensure that each project contributes to the creation of value.

May 2008 will mark our 10th anniversary. Cominar has continued to grow since being listed on the Toronto Stock Exchange in May of 1998, bringing the real estate holdings to 208 buildings.

The growth was particularly highlighted in 2007 when Cominar acquired 67 new properties in the Quebec City, Montreal and Ottawa regions representing 6.8 million square feet of leasable area.

Today, Cominar is the largest diversified REIT in Quebec and the 4th in Canada owning and managing more than 17 million square feet of office, retail and industrial real estate.

{ High-Quality Properties }

OUR PORTFOLIO IS COMPRISED OF HIGH-QUALITY PROPERTIES, IDEALLY LOCATED TO SERVE CUSTOMERS IN THE QUEBEC CITY, MONTREAL AND OTTAWA REGIONS. WE OWN, MANAGE AND LEASE 208 PROPERTIES IN THE OFFICE, RETAIL AND INDUSTRIAL AND MIXED-USE SECTORS, REPRESENTING MORE THAN 17.0 MILLION SQUARE FEET OF LEASABLE AREA.

The expansion of our portfolio constitutes a key component of our growth strategy. Our expansion strategy consists of the acquisition of existing quality properties meeting our profitability criteria and the development and construction of properties that offer potential for yield growth. From 1998 to date, through the execution of our disciplined expansion program, we have increased the leasable area of our property portfolio more than fivefold.

Finally, prudent management of our distribution rate allows us to maintain a focused investment program to ensure that our properties remain in good condition.

Portfolio Characteristics

(as at December 31, 2007)

> 208 income properties

> 17.0 million square feet of leasable area

> $1.5 billion in gross book value

Ongoing and Upcoming Development Projects

> 7 properties

> 1.1 million square feet of leasable area

> $144.2 million forecast investment

> Forecast capitalization rate of 9.4%

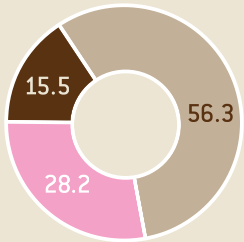
AN INTEGRAL PART OF COMINAR'S STRATEGY FROM THE OUTSET HAS BEEN TO MAINTAIN A WELL-DIVERSIFIED PROPERTY PORTFOLIO. OUR DIVERSIFICATION STRATEGY IS THREE-TIERED:

> **Sector Diversification:** We strive to maintain a strategic balance in our property portfolio among our three sectors of activity: the office, retail and industrial and mixed-use sectors. This diversification allows us to reduce the risk associated with a given sector.

> **Geographic Diversification:** While maintaining its dominant position in the Quebec City region, Cominar continued to build its presence in the Montreal area and made its first acquisitions in the Ottawa area in 2007. This diversification allows us to mitigate the risk associated with the economy in a particular region.

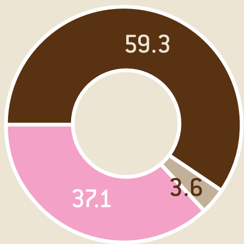
> **Customer Diversification:** With over 2,300 customers in numerous sectors of activity occupying an average of 7,000 square feet each, we always have customers who are growing and providing us with opportunities, even in a less favourable economy. This type of diversification provides stability in times of uncertainty and upside potential when the economy is strong.

Breakdown of Leasable Area by Sector (%)



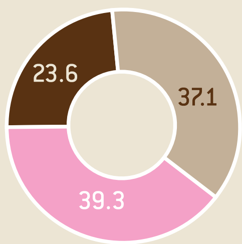
- Office
- Retail
- Industrial & Mixed-Use

Breakdown of Leasable Area by Region (%)



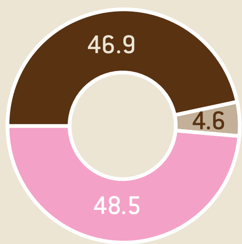
- Quebec City
- Montreal
- Ottawa

Breakdown of Net Operating Income by Sector (%)



- Office
- Retail
- Industrial & Mixed-Use

Breakdown of Net Operating Income by Region (%)



- Quebec City
- Montreal
- Ottawa

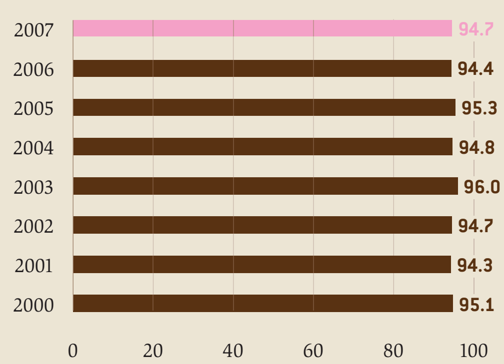
{ Proactive Property Management }

ONE OF OUR KEY STRATEGIES THROUGHOUT THE YEARS HAS BEEN TO ACTIVELY MANAGE OUR PROPERTY PORTFOLIO, WHICH ALLOWS US TO GENERATE HIGHER RETURNS OVER TIME FOR OUR UNITHOLDERS.

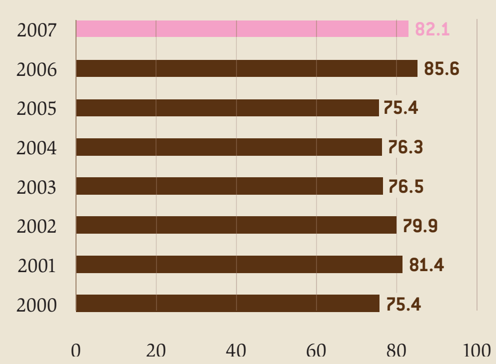
We do this in two ways: by attracting customers and keeping our occupancy rates high and stable through the use of our leasing programs, and by maximizing rental rates. Since the beginning, our occupancy rates have only fluctuated within a narrow range, remaining high and stable at around 95%. The stability of our portfolio's occupancy rate year after year reflects the high-quality of our properties, the diversification of our portfolio and our ability to attract and retain customers. Strong customer relationships are critical to our success.

We strive to meet our customers' needs in a number of ways so that when it comes time to renew their leases, they renew with us. And most of them do. Our customer retention ratio has exceeded 75% in each of the past eight years and reached 82.1% in 2007. In addition, the total for all new and renewed leases has surpassed total leases expiring every year since the inception of the Trust.

Occupancy Rate (%)



Retention Rate (%)



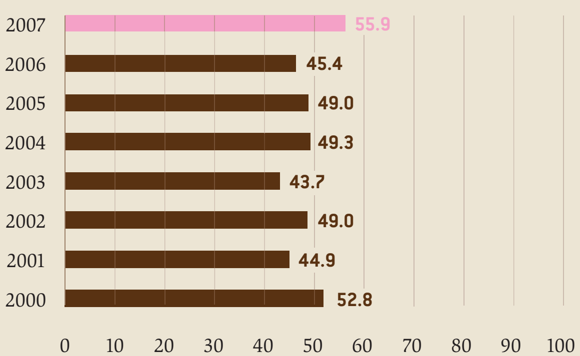
Prudent Financial Management

WE BELIEVE THAT PRUDENT FINANCIAL MANAGEMENT IS FUNDAMENTAL TO THE STABILITY AND GROWTH OF A REAL ESTATE INVESTMENT TRUST AND HAVE A LONG TRADITION OF SKILFUL AND CAREFUL STEWARDSHIP IN THIS REGARD.

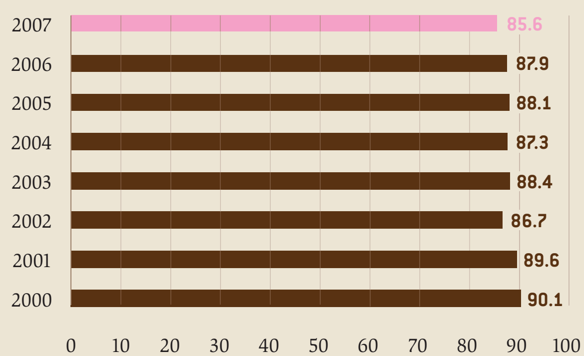
In addition to enjoying significant growth since 1998, Cominar benefits from one of the most solid balance sheets among Canadian REITs. Our debt to gross book value ratio stood at 55.9% at the end of 2007, leaving us plenty of room to grow.

We also steadfastly maintain a conservative approach to managing our distributable income payout ratio, which we also consider essential to the stability of future distributions. This approach allows us to retain the funds necessary for capital expenditures and the execution of our leasing programs. At the end of 2007, our payout ratio was 85.6%, down slightly from the previous year, and one of the lowest among our peers.

Debt Ratio (%)



DI Payout Ratio (%)



{ Property Portfolio }

Cominar's ownership in all the properties listed below is 100%, except for seven industrial and mixed-use properties that are co-owned*. Some mixed-use properties can cover several sectors.

OFFICE PROPERTIES As at December 31, 2007	Leasable area (sq. ft.)	Occupancy rate (%)
Quebec City Area		
4635 1st Avenue, Quebec City	41,069	94.1
5055 Wilfrid-Hamel Blvd West, Quebec City	28,021	100.0
5073-5075-5079 Wilfrid-Hamel Blvd West, Quebec City	28,383	100.0
2014 Cyrille-Duquet St, Quebec City	61,862	100.0
2200 Cyrille-Duquet St, Quebec City	30,485	85.8
2590-2640 Laurier Blvd, Quebec City (Place de la Cité)	698,747	98.2
455 Du Marais St, Quebec City	61,018	100.0
3175 Chemin des Quatre-Bourgeois, Quebec City (Le St-Mathieu)	103,346	88.0
979 De Bourgogne Avenue, Quebec City	66,387	100.0
150 René-Lévesque Blvd East, Quebec City (Place de la Capitale)	235,020	97.1
1265 Charest Blvd West, Quebec City	141,558	100.0
585 Charest Blvd East, Quebec City	109,376	100.0
SUB-TOTAL	**1,603,172**	
Montreal Area		
255 Crémazie Blvd East, Montreal	244,415	92.0
8500 Décarie Blvd, Mont-Royal	175,060	100.0
3400 Jean-Béraud Avenue, Laval	156,270	100.0
201 St. Laurier Blvd East, Montreal	131,648	100.0
375 Sir-Wilfrid-Laurier Blvd, Mont St-Hilaire	49,855	100.0
325 Honorius-Charbonneau, Mont St-Hilaire	19,259	100.0
1080 Beaver Hall Hill, Montreal	319,239	89.1
4700 De la Savane St, Montreal	189,933	91.1

OFFICE PROPERTIES	Leasable area (sq. ft.)	Occupancy rate (%)
455 Fénelon Blvd, Dorval	95,656	82.8
9900 Cavendish Blvd, St-Laurent	84,693	92.8
9999 Cavendish Blvd, St-Laurent	51,100	92.9
9960-9970 Chemin de la Côte-de-Liesse, Lachine	24,817	79.4
1 Place Laval, Laval	123,870	81.3
2 Place Laval, Laval	101,930	83.0
3 Place Laval, Laval	188,077	91.2
4 Place Laval, Laval	140,237	95.0
3080 Le Carrefour Blvd, Laval	89,070	74.4
3090 Le Carrefour Blvd, Laval	73,052	93.2
3100 Le Carrefour Blvd, Laval	77,580	86.0
2525 Daniel-Johnson Blvd, Laval	110,258	98.3
1111 Dr.-Frederik-Philips Blvd, St-Laurent	102,744	92.1
3300 Côte-Vertu Blvd, St-Laurent	98,268	99.7
SUB-TOTAL	**2,646,931**	
Ottawa Area		
550 De la Cité Blvd, Gatineau	320,742	100.0
480 De la Cité Blvd, Gatineau	45,528	100.0
400 Cooper St, Ottawa	175,891	99.8
SUB-TOTAL	**542,161**	
TOTAL OFFICE PROPERTIES	**4,792,264**	**94.7**




RETAIL PROPERTIES As at December 31, 2007	Leasable area (sq. ft.)	Occupancy rate (%)
Quebec City Area		
3345 Du Carrefour St, Quebec City	20,234	79.3
1367-1371 Chemin Sainte-Foy, Quebec City	5,491	100.0
5600 De la Rive-Sud Blvd, Lévis	8,100	100.0
5 D'Orléans St, Quebec City	5,792	100.0
1400 Saint-Jean-Baptiste Avenue, Quebec City	104,200	99.8
245 Soumande St, Quebec City (Halles Fleur de Lys)	89,261	92.8
2195 De la Rive-Sud Blvd, Saint-Romuald	6,225	100.0
2160 De la Rive-Sud Blvd, Saint-Romuald	72,843	100.0
2590-2640 Laurier Blvd, Quebec City (Place de la Cité)	343,619	98.6
8500 Henri-Bourassa Blvd, Quebec City (Carrefour Charlesbourg)	312,273	92.5
355 Du Marais St, Quebec City	37,375	100.0
325 Du Marais St, Quebec City	78,719	97.7
3323 Du Carrefour St, Quebec City	4,054	100.0
550 Du Marais St, Quebec City	16,649	100.0
3333 Du Carrefour St, Quebec City (Les Promenades Beauport)	502,583	98.1
1295 Charest Blvd West, Quebec City	26,000	100.0
50 Route du Président-Kennedy, Lévis (Place Lévis)	218,237	92.4
3319 Du Carrefour St, Quebec City (Tim Horton)	3,090	100.0
329 Seigneuriale St, Quebec City	3,792	100.0
1970 Chauveau Avenue, Quebec City	2,400	100.0
1275 Charest Blvd West, Quebec City	63,242	100.0
1050 René-Lévesque Blvd, Drummondville	23,129	100.0
SUB-TOTAL	**1,947,988**	

RETAIL PROPERTIES	Leasable area (sq. ft.)	Occupancy rate (%)
Montreal Area		
1479-1481-1483-1485 Saint-Bruno Blvd, St-Bruno	12,971	100.0
1465 Saint-Bruno Blvd, St-Bruno	26,093	100.0
1475 Saint-Bruno Blvd, St-Bruno	129,638	100.0
1495 Saint-Bruno Blvd, St-Bruno	34,808	100.0
800 Claude-Jutras Blvd, St-Bruno	30,352	100.0
239-245 Samson Blvd, Laval	40,772	100.0
2101 Curé-Labelle Blvd, Laval	64,684	100.0
2760 Jacques-Cartier Blvd East, Longueuil	24,400	86.1
2790 Jacques-Cartier Blvd East, Longueuil	6,000	100.0
340-360 Sir-Wilfrid-Laurier Blvd, Mont St-Hilaire	23,807	39.3
370-380 Sir-Wilfrid-Laurier Blvd, Mont St-Hilaire	46,067	86.6
345 Honorius-Charbonneau Blvd, Mont St-Hilaire and		
365 Sir-Wilfrid-Laurier Blvd, Mont St-Hilaire	71,181	96.4
377-383 Sir-Wilfrid-Laurier Blvd, Mont St-Hilaire	9,316	69.8
SUB-TOTAL	**520,089**	
Ottawa Area		
120 de l'Hôpital Blvd, Gatineau	66,414	93.7
TOTAL RETAIL PROPERTIES	**2,534,491**	**96.0**

INDUSTRIAL AND MIXED-USE PROPERTIES

As at December 31, 2007

INDUSTRIAL AND MIXED-USE PROPERTIES	Leasable area (sq. ft.)	Occupancy rate (%)
Quebec City Area		
2383-2393 Watt Avenue, Quebec City	67,092	79.3
2345-2349 Dalton Avenue, Quebec City	54,232	91.2
830 Godin Avenue, Quebec City	49,112	100.0
1165 Lomer-Gouin St, Quebec City	71,634	96.0
320 Chemin de la Canardière, Quebec City	12,915	96.1
1990 Cyrille-Duquet St, Quebec City	89,706	96.9
2006-2010 Lavoisier St, Quebec City	68,235	100.0
2022 Lavoisier St, Quebec City	58,903	97.3
2025 Lavoisier St, Quebec City	37,220	42.9
2015 Lavoisier St, Quebec City	2,134	100.0
280 Racine St, Quebec City	18,801	100.0
5130 Rideau St, Quebec City	24,385	100.0
2955 Kepler Avenue, Quebec City	14,960	100.0
1515 Saint-Jean-Baptiste Avenue, Quebec City	61,973	92.1
955 Saint-Jean-Baptiste Avenue, Quebec City	33,034	100.0
2020 Cyrille-Duquet St, Quebec City	41,133	100.0
2100 Cyrille-Duquet St, Quebec City	31,798	100.0
2150 Cyrille-Duquet St, Quebec City	22,432	100.0
2160 Cyrille-Duquet St, Quebec City	44,901	90.3
2180 Cyrille-Duquet St, Quebec City	20,100	100.0
100 Chabot St, Quebec City	59,737	100.0
310 Métivier St, Quebec City	19,345	100.0
454-456 Marconi Avenue, Quebec City	15,592	100.0
1730-1790 Newton Avenue, Quebec City	62,925	100.0
5000 Rideau St, Quebec City	2,475	100.0
5125 Rideau St, Quebec City	11,575	100.0
4175 Sainte-Anne Blvd, Quebec City	39,841	90.7
625 Des Canetons St, Quebec City	19,981	100.0
4975 Rideau St, Quebec City	35,064	100.0
2755 Dalton Avenue, Quebec City	23,853	100.0
120 De New York Avenue, St-Augustin-de-Desmaures	34,030	100.0
650 Godin Avenue, Quebec City - 460 Desrochers St, Quebec City	188,638	98.0
625 Godin Avenue, Quebec City	60,391	100.0
579 Godin Avenue, Quebec City	22,057	100.0
2700 Jean-Perrin St, Quebec City	128,688	94.9
2181-2211 Léon-Harmel St, Quebec City	71,658	92.3
1540 Cyrille-Duquet St, Quebec City	9,425	100.0
445 Saint-Jean-Baptiste Avenue, Quebec City	91,795	100.0
500 Saint-Jean-Baptiste Avenue, Quebec City	87,045	100.0
5275 Wilfrid-Hamel Blvd, Quebec City	29,989	100.0
1670 Semple St, Quebec City	90,929	96.1
2500 Jean-Perrin St, Quebec City	75,176	95.3
2600 Jean-Perrin St, Quebec City	48,814	100.0
470 Godin Avenue, Quebec City	22,532	100.0
765 Godin Avenue, Quebec City	15,350	100.0
1041 Pierre-Bertrand Blvd, Quebec City	118,611	100.0
989 Pierre-Bertrand Blvd, Quebec City	38,439	70.5
955 Pierre-Bertrand Blvd, Quebec City	47,654	100.0
1075 Des Basses-Terres St, Quebec City	48,025	100.0
235 Fortin St, Quebec City	26,006	100.0
275 Métivier St, Quebec City	38,828	100.0
300 Métivier St, Quebec City	28,708	100.0
1255 Des Artisans St, Quebec City	42,427	81.1
275 St-Sacrement Avenue, Quebec City	61,853	55.9
1775 St. Léon-Harmel St, Quebec City	22,093	100.0
2600 Saint-Jean-Baptiste Avenue, Quebec City	35,295	100.0
2800 Saint-Jean Baptiste Avenue, Quebec City	101,286	98.2
3000 Saint-Jean Baptiste Avenue, Quebec City	46,844	100.0
795 Craig St, Saint-Nicolas	23,041	100.0
SUB-TOTAL	**2,769,715**	



INDUSTRIAL AND MIXED-USE PROPERTIES As at December 31, 2007	Leasable area (sq. ft.)	Occupancy rate (%)
Montreal Area		
8288 Pie-IX Blvd, Montreal	119,520	100.0
1415 32nd Avenue, Lachine	71,503	100.0
1455 32nd Avenue, Lachine	32,500	100.0
1475 32nd Avenue, Lachine	91,690	97.4
3300 Jean-Baptiste-Deschamps Blvd, Lachine	19,393	100.0
9100 Du Parcours St, Anjou	122,602	100.0
10550 Parkway Blvd, Anjou	110,000	100.0
2105 Dagenais Blvd West, Laval	274.272	60.2
894-930 Bergar St, Laval	33,179	80.2
901-937 Michelin St, Laval	42,648	100.0
3370-3418 Industriel Blvd, Laval	55,331	100.0
3401-3421 Industriel Blvd, Laval	53,422	100.0
1405-1453 Bergar St, Laval	32,635	100.0
3424-3428 Francis-Hugues Avenue, Laval	16,114	100.0
1315 Gay-Lussac St, Boucherville	43,693	100.0
40 Chemin du Tremblay, Boucherville	142,805	100.0
620-650 Giffard St, Longueuil	52,748	99.6
677 Giffard St, Longueuil	43,471	100.0
784-818 Guimond Blvd, Longueuil	81,198	100.0
9101 Des Sciences Blvd, Anjou	72,402	100.0
1675 De Montarville Blvd, Boucherville	142,264	100.0
5250 Armand-Frappier St, Saint-Hubert	59,460	100.0
1405-1455-1495 55th Avenue, Dorval	66,185	100.0
4500-4536 Louis-B.-Mayer St, Laval	46,740	100.0
2900-2976 J.-A.-Bombardier, Laval	104,308	91.5
4451-4479 Laval Highway West, Laval	116,298	81.0
330 Avro Avenue, Pointe-Claire	101,222	100.0
19701 Clark-Graham Avenue, Baie d'Urfé	162,000	100.0

INDUSTRIAL AND MIXED-USE PROPERTIES	Leasable area (sq. ft.)	Occupancy rate (%)
940 Bergar St, Laval	15,000	100.0
11000 Parkway Blvd, Anjou	217,000	100.0
20 Hymus Blvd, Pointe-Claire	50,413	0.0
2156-2168 De la Province St, Longueuil	40,997	70.0
2170 De la Province St, Longueuil	22,615	100.0
715 Delage St, Longueuil	42,128	76.7
6445 Chemin de la Côte-de-Liesse, St-Laurent	49,546	100.0
19100-19180 Trans-Canada Highway, Baie d'Urfé	25,564	75.3
3600 Matte Blvd, Brossard	27,074	97.0
3650 Matte Blvd, Brossard	43,211	100.0
115 De Vaudreuil St, Longueuil	16,297	100.0
3071-3075 Louis-A.-Amos St, Lachine	164,195	97.7
1615-1805 55th Avenue, Dorval	158,310	100.0
3339-3403 Griffith St, Saint-Laurent	118,102	97.4
8100 Cavendish Blvd, Saint-Laurent	114,596	100.0
1949 Onésime-Gagnon St, Lachine	95,769	100.0
2260 32nd Avenue, Lachine	92,429	71.4
2102-2150 32nd Avenue, Lachine	77,416	89.3
2024-2080 32nd Avenue, Lachine	68,430	100.0
6320-6380 Chemin de la Côte-De-Liesse, Saint-Laurent	58,483	100.0
2025 De la Métropole St, Longueuil	206,523	98.8
1925-1975 Hymus Blvd, Dorval	105,708	92.8
80-140 Lindsay Avenue, Dorval	44,381	100.0
8411-8453 Chemin Dalton, Mont-Royal	31,520	100.0
8459-8497 Chemin Dalton, Mont-Royal	41,703	54.9
8545-8579 Chemin Dalton, Mont-Royal	38,423	100.0
8605-8639 Chemin Dalton, Mont-Royal	37,463	100.0
7527-7583 Henri-Bourassa Blvd, Montreal	138,915	76.2



INDUSTRIAL AND MIXED-USE PROPERTIES As at December 31, 2007	Leasable area (sq. ft.)	Occupancy rate (%)
8552-8648 Pie-IX Blvd, Montreal	147,649	86.1
8740-8878 Pie-IX Blvd, Montreal	165,589	97.9
7075 Place Robert-Joncas, Saint-Laurent	218,473	87.7
1225 Volta St, Boucherville	225,600	100.0
2000 Halpern St, Saint-Laurent	527,000	100.0
2105 23rd Avenue, Lachine	318,960	100.0
1111 46th Avenue, Lachine	107,644	100.0
1200 55th Avenue, Lachine (50% co-owned) (1)	34,231	100.0
5055 Lévy St, Saint-Laurent	60,666	100.0
243 Hymus Blvd, Pointe-Claire	40,000	100.0
2555 Pitfield Blvd, Saint-Laurent	99,000	100.0
731-749 Meloche Avenue, Dorval (25% co-owned)(1)	8,892	100.0
703-729 Meloche Avenue, Dorval (25% co-owned)(1)	7,927	100.0
679-701 Meloche Avenue, Dorval (25% co-owned)(1)	8,690	95.5
1730-1850 55th Avenue, Lachine (50% co-owned)(1)	39,512	95.5
1520-1660 55th Avenue, Lachine (50% co-owned)(1)	39,512	100.0
1875 55th Avenue, Dorval (50% co-owned)	40,939	93.6
SUB-TOTAL	**6,541,998**	
TOTAL INDUSTRIAL AND MIXED-USE PROPERTIES	**9,311,713**	**94.4**

PROPERTIES UNDER DEVELOPMENT	Leasable area (sq. ft.)	Occupancy rate (%)
3025 J.-A. Bombardier, Laval	78,757	
Mégacentre St-Bruno – Phase 1	79,341	
Mégacentre St-Bruno – Phase 2	30,899	
2400 Trans-Canada Highway, Pointe-Claire	194,993	
TOTAL PROPERTIES UNDER DEVELOPMENT	**383,990**	
TOTAL PROPERTY PORTFOLIO	**17,022,458**	**94.7**

(1) The leasable area indicated reflects Cominar's share in the property as at December 31, 2007.
** See note 24 "Subsequent Events" on page xx of the consolidated financial statements appearing in this report.*

{ Management's Discussion and Analysis }

March 13, 2008

Table of Contents

Introduction

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT"), for the fiscal year ended December 31, 2007, as well as its financial position at that date and its outlook. Dated March 13, 2008, this MD&A reflects all significant information available to that date and should be read in conjunction with the consolidated financial statements and accompanying notes included in this report on page 56. 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 2007 Annual Information Form, is available free of charge 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.

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 2008 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general business and economic conditions in Canada, 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 customers, our ability to refinance our debts upon maturity and to lease vacant space, 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 us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

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 these financial measures.

General Business Overview

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Québec. As of March 13, 2008, we own and manage a high-quality portfolio of 208 properties including 36 office buildings, 38 retail buildings and 134 industrial and mixed-use buildings covering over 17.0 million square feet in the Québec City, Montréal and Ottawa areas.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects. During fiscal 2007, we added 67 properties to Cominar's real estate portfolio, representing over 6.8 million square feet of leasable area. Consequently, the gross book value of our real estate assets has increased more than sixfold since 1998, rising from $244.6 million to over $1.5 billion as at December 31, 2007.

Our asset and property management is internalized and we are a fully integrated, self-managed real estate investment operation. 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 tax-deferred cash distributions, payable monthly, and to increase and maximize unit value through proactive management and the growth of its property portfolio.

STRATEGY

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

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

To increase the leasable area in its property portfolio, Cominar continues to seek acquisition, construction and development opportunities in the Quebec City, Montreal and Ottawa areas. The key criterion in evaluating any acquisition or development continues to be the ratio between the acquisition or development price, the related debt and the anticipated profitability of the project in question over he 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 customers.

- **Diversification of our property portfolio**

This strategic axis includes the following elements:

(a) **Sector diversification** has been an integral part of our strategy from the beginning and consists in maintaining the right balance in our property portfolio among three sectors of activity: office buildings, retail properties and industrial and mixed-use properties. By diversifying our 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 dominant position in the Québec City area, Cominar has from the outset established a major presence in the Montréal area where it owns, as at March 13, 2008, 112 properties representing approximately 10.1 million square feet of leasable area. In addition, in 2007, Cominar acquired its first properties in the Ottawa region. As with sector diversification, geographic diversification allows Cominar to better mitigate the risks associated with the real estate business.

(c) **Customer diversification** – Cominar serves an extensive and diverse customer base operating in many sectors of activity. Customers occupy an average area of 7,000 square feet. This diversification allows us to maintain foreseeable cash flows.

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

Retail real estate is a dynamic investment and 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 assure delivery of efficient, cost-effective services to our customers. The result is increased customer satisfaction and high occupancy and retention rates.

- **Prudent financial management**

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

Performance Indicators

Cominar measures the success of our strategy with a number of performance indicators, as follows:

Operational Performance
Customer satisfaction is defined as customer perception and judgment of the service received and their loyalty with respect to Cominar. Two indicators are used to measure customer satisfaction: occupancy rate and retention rate; the latter is calculated as the leasable space of renewed leases divided by the leasable space of leases that expired during the year.

Financial Performance
To measure our 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;

- **the NOI margin**, which provides an indication of the operating profitability of the portfolio;

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

- **(recurring) funds from operations per unit**, which represent a significant measure of Cominar's ability to generate cash flows;

- **(recurring) adjusted funds from operations per unit**, which considers leasing costs and capital expenditures and can vary significantly from one entity to another and/or according to their sector of activity; and

- **the 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.

Significant Event of Fiscal 2007

ACQUISITION OF PROPERTIES FROM ALEXIS NIHON REAL ESTATE INVESTMENT TRUST

During the months of June and July 2007, Cominar acquired 35 industrial and mixed-use and 19 office properties from Alexis Nihon Real Estate Investment Trust and its exclusive entities, representing 6.3 million square feet of leasable area and a $592 million investment, pursuant to the agreement between Cominar and Homburg Invest Inc. In conformity with GAAP, this transaction was treated as a business acquisition and recorded using the purchase method. The fees related to this transaction amounted to $14.9 million, of which $7.7 million related to real estate transfer duties.

The following table presents the investments made by the Trust in these properties:

Sector of activity	Number of properties	Leasable area	Purchase price
Office	19	2,412,585	349,076
Industrial and mixed-use	35	3,877,623	257,800
Total	**54**	**6,290,208**	**606,876**

Income properties	
Land	72,786
Buildings	447,620
Intangible assets and liabilities	
- Lease origination costs for in-place leases	56,677
- Above-market in-place leases	1,860
- Below-market in-place leases	(4,318)
- Customer relationships	19,838
Properties under development	12,413
Total purchase price	**606,876**
The purchase price was settled as follows:	
Cash and cash equivalents	365,330
Assumption of mortgages payable	241,546
Total consideration paid	**606,876**

The results of income properties acquired, and of co-owned properties, are included in Cominar's financial results as of their acquisition dates.

Information on the acquired properties is presented in the following table:

Income property	City	Sector[1]	Leasable area (sq.ft.)
1080 Beaver Hall Hill,	Montréal	O	319,239
4700 de la Savane,	Montréal	O	189,933
455 Fénelon Blvd.,	Dorval	O	95,656
9900 Cavendish Blvd.,	St-Laurent	O	84,693
9999 Cavendish Blvd.,	St-Laurent	O	51,100
9960-9970 Chemin de la Côte-de-Liesse,	Lachine	O	24,817
1 Place Laval,	Laval	O	123,870
2 Place Laval,	Laval	O	101,930
3 Place Laval,	Laval	O	188,077
4 Place Laval,	Laval	O	140,237
3080 Le Carrefour Blvd.,	Laval	O	89,070
3090 Le Carrefour Blvd.,	Laval	O	73,052
3100 Le Carrefour Blvd.,	Laval	O	77,480
2525 Daniel-Johnson Blvd.,	Laval	O	110,258
1111 Dr. Frederik-Philips Blvd.,	St-Laurent	O	102,744
3300 de la Côte-Vertu Blvd.,	St-Laurent	O	98,268
550 de la Cité Blvd.,	Gatineau	O	320,742
480 de la Cité Blvd.,	Gatineau	O	45,528
400 Cooper St.,	Ottawa	O	175,891
3071-3075 Louis-A.-Amos,	Lachine	I	164,195
1615-1805 55th Avenue,	Dorval	I	158,310
3339-3403 Griffith St.,	Saint-Laurent	I	118,102
8100 Cavendish Blvd.,	Saint-Laurent	I	114,596
1949 Onésime-Gagnon St.,	Lachine	I	95,769
2260 32nd Avenue,	Lachine	I	92,429
2102-2150 32nd Avenue,	Lachine	I	77,416
2024-2080 32nd Avenue,	Lachine	I	68,430
6320-6380 Chemin de la Côte-De-Liesse,	Saint-Laurent	I	58,483
2025 de la Métropole St.,	Longueuil	I	206,523
1925-1975 Hymus Blvd.,	Dorval	I	105,708
80-140 Lindsay Avenue,	Dorval	I	44,381
8411-8453 Chemin Dalton,	Mont-Royal	I	31,520
8459-8497 Chemin Dalton,	Mont-Royal	I	41,703
8545-8579 Chemin Dalton,	Mont-Royal	I	38,423
8605-8639 Chemin Dalton,	Mont-Royal	I	37,463
7527-7583 Henri-Bourassa Blvd.,	Montréal	I	138,915
8552-8648 Pie-IX Blvd,	Montréal	I	147,629
8740-8878 Pie-IX Blvd.,	Montréal	I	165,589
7075 Place Robert-Joncas,	Saint-Laurent	I	218,473
1225 Volta St.,	Boucherville	I	225,600
2000 Halpern St.,	Saint-Laurent	I	527,000
2105 23rd Avenue,	Lachine	I	318,960
1111 46th Avenue,	Lachine	I	107,644
1200 55th Avenue,	Lachine (50% co-owned) [2]	I	34,231
5055 Lévy St.,	Saint-Laurent	I	60,666
2400 Trans-Canada Highway,	Pointe-Claire	I	194,993
243 Hymus Blvd.,	Pointe-Claire	I	40,000
2555 Pitfield Blvd.,	Saint-Laurent	I	99,000
731-749 Meloche Avenue,	Dorval (25% co-owned) [2]	I	8,892
703-729 Meloche Avenue,	Dorval (25% co-owned) [2]	I	7,927
679-701 Meloche Avenue,	Dorval (25% co-owned) [2]	I	8,690
1730-1850 55th Avenue,	Lachine (50% co-owned) [2]	I	39,512
1520-1660 55th Avenue,	Lachine (50% co-owned) [2]	I	39,512
1875 55th Avenue,	Dorval (50% co-owned) [2]	I	40,939
TOTAL			**6,290,208**

(1) O = Office, I = Industrial and mixed-use
(2) Leasable area indicated reflects Cominar's share in the building

Performance Analysis

RESULTS OF OPERATIONS

The following table summarizes our results of operations for fiscal 2007 and 2006, and should be read in conjunction with the financial statements and accompanying notes presented in this Annual Report. It should be noted that certain amounts for fiscal 2006 have been reclassified as "discontinued operations" in conformity with GAAP.

For the years ended December 31,	2007	2006	Δ$
Operating revenues	**182,124**	126,750	55,374
Operating expenses	**72,353**	49,699	22,654
Net operating income	**109,771**	77,051	32,720
Interest on borrowings	**35,711**	20,712	14,999
Depreciation of income properties	**35,514**	15,261	20,253
Amortization of deferred leasing costs	**6,965**	6,139	826
Amortization of other assets	**196**	177	19
Trust administrative expenses	**2,968**	2,130	838
Other revenues	**394**	489	(95)
Unusual items	**422**	(554)	976
Net income from continuing operations	**29,233**	32,567	(3,334)
Net income from discontinued operations	**8**	1,508	(1,500)
Net income	**29,241**	34,075	(4,834)
Net income per unit (basic)	**0.70**	0.99	(0.29)
Net income per unit (diluted)	**0.69**	0.98	(0.29)

FINANCIAL POSITION

The following table summarizes our assets and liabilities as well as unitholders' equity as at December 31, 2007 and 2006, and should be read in conjunction with the financial statements and accompanying notes presented in this Annual Report.

As at December 31,	2007	2006	Δ$
ASSETS			
Income properties (amortized cost)	**1,323,095**	711,441	611,654
Properties under development and land held for future development	**61,280**	24,232	37,048
Other assets	**58,419**	50,782	7,637
Total	**1,442,794**	786,455	656,339
LIABILITIES			
Mortgages payable	**619,755**	270,142	349,613
Convertible debentures	**203,852**	39,984	163,868
Bank indebtedness	**35,321**	73,616	(38,295)
Other liabilities	**42,170**	25,705	16,465
	901,098	409,447	491,651
UNITHOLDERS' EQUITY	**541,696**	377,008	164,688
Total	**1,442,794**	786,455	656,339

PERFORMANCE INDICATORS

The following table summarizes our performance indicators for fiscal 2007 and 2006. A detailed analysis of each of these performance indicators is provided on the page indicated:

PERFORMANCE INDICATORS

	Page	2007	2006	Δ$	Δ%
Same property net operating income	27	**72,464**	70,380	2,084	3.0
DI per unit (basic)	30	**1.51**	1.41	0.10	7.1
Recurring funds from operations per unit (basic)	32	**1.73**	1.64	0.09	5.5
Recurring adjusted funds from perations per unit (basic)	33	**1.43**	1.35	0.08	5.9

	Page	2007	2006	Δ%	Δ%
NOI margin	27	**60.3%**	60.8%	(0.5)	—
Debt ratio	36	**55.9%**	45.4%	10.5	23.1
Occupancy rate	41	**94.7%**	94.4%	0.3	—
Retention rate	42	**82.1%**	85.6%	(3.5)	(4.1)

Results of Operations

OVERALL ANALYSIS

OPERATING REVENUES

We achieved excellent revenues in 2007. The 43.7% increase in operating revenues is due mainly to the contribution, since June 2007, of the office and industrial and mixed-use properties acquired from Alexis Nihon in June and July 2007, as well as other acquisitions completed and integrated in 2006 and 2007.

OPERATING REVENUES

For the years ended December 31,	2007	2006	Δ$	Δ%
Same property portfolio [1]	**120,739**	117,841	2,898	2.5
Acquisitions and developments	**61,385**	8,909	52,476	—
Total operating revenues	**182,124**	126,750	55,374	43.7

(1)The same property portfolio includes all properties owned by Cominar as at December 31, 2005, 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 in 2006 and 2007.

Our same property portfolio posted a 2.5% increase in operating revenues for fiscal 2007. This organic growth is due to rent increases provided for under existing leases, as well as higher rents obtained on the renewal of leases and the signature of new leases. It reflects the high quality of our properties and the sustained rental growth in our markets.

OPERATING EXPENSES

Operating expenses increased by 45.6% during fiscal 2007 over fiscal 2006. This variation reflects the increase in the size of the portfolio size as a result of completed acquisitions and developments. As a percentage of total operating revenues, overall operating expenses were the same as in 2006, representing approximately 39% of operating revenues, attesting to our ability to contain our operating expenses and to pass these expenses on to customers.

OPERATING EXPENSES

For the years ended December 31,	2007	2006	Δ$	Δ%
Same property portfolio	**48,275**	47,461	814	1.7
Acquisitions and development	**24,078**	2,238	21,840	—
Total operating expenses	**72,353**	49,699	22,654	45.6

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 deferred leasing costs and other assets, Trust administrative expenses, other revenues and unusual items. This definition may differ from that of other issuers and, therefore, Cominar's net operating income may not be comparable to similar measures presented by such other issuers.

NET OPERATING INCOME

For the years ended December 31,	2007	2006	Δ$	Δ%
Same property portfolio	**72,464**	70,380	2,084	3.0
Acquisitions and developments	**37,307**	6,671	30,636	—
Total NOI	**109,771**	77,051	32,720	42.5
NOI margin	**60.3%**	60.8%		

NOI grew 42.5% during fiscal 2007 over 2006, while our NOI margin stood at 60.3% of operating revenues, which is similar to that of the corresponding previous period. Our NOI margins (financial performance indicator) are still among the highest of real estate investment trusts, thanks to rigorous management of the Trust.

Same property NOI (financial performance indicator) grew 3.0% during fiscal 2007 due mainly to the increase in operating revenues and to a stringent control of operating expenses.

Cominar's management considers the analysis of same property NOI particularly important because this measure provides an indication of our success in containing operating expenses and our ability to transfer these controlled expenses to our customers. The growth in operating revenues also attests to our ability to negotiate lease agreements that provide growing cash flows over time, thereby contributing to the delivery of added value for unitholders.

INTEREST ON BORROWINGS

In 2007, total interest on borrowings increased by 72.4% as compared with 2006, due mainly to the different financing agreements arranged or assumed for the settlement of recent acquisitions. It represented 19.6% of operating revenues as at December 31, 2007, compared with 16.3% as at December 31, 2006.

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

INTEREST ON BORROWINGS

For the years ended December 31,	2007	2006	Δ$	Δ%
Mortgages and bank indebtedness	**32,878**	18,863	14,015	74.3
Convertible debentures	**6,303**	4,639	1,664	35.9
Amortization of borrowing costs	**735**	550	185	33.6
Accretion of liability component of convertible debentures	**9**	—	9	—
Amortization of fair value adjustments on assumed mortgages payable	**(52)**	—	(52)	—
Less: Capitalized interest	**(2,922)**	(1,480)	(1,442)	97.4
Less: Interest related to discontinued operations	**(1,240)**	(1,860)	620	(33.3)
Total interest on borrowings	**35,711**	20,712	14,999	72.4

DEPRECIATION OF INCOME PROPERTIES

In 2007, depreciation of income properties more than doubled as compared with 2006. This increase is due to the acquisitions and developments completed in 2006 and 2007. It should be noted that since September 2003, the CICA has required 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 customer 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. Thus, the depreciation attributable to income properties acquired or completed during the year represented 1.5 times that of the same property portfolio, or 60.0% of the total depreciation of income properties.

DEPRECIATION OF INCOME PROPERTIES

For the years ended December 31,	2007	2006	Δ$	Δ%
Same property portfolio	**14,171**	14,035	136	1.0
Acquisitions and developments	**21,343**	1,226	20,117	—
Total depreciation of income properties	**35,514**	15,261	20,253	—

DEPRECIATION OF INCOME PROPERTIES

For the years ended December 31,	2007	2006	Δ$	Δ%
Amortization of tangible assets	**22,818**	14,458	8,360	57.8
Amortization of intangible assets	**12,696**	803	11,893	—
Total depreciation of income properties	**35,514**	15,261	20,253	—

TRUST ADMINISTRATIVE EXPENSES

Administrative expenses increased by 39.3% to $3.0 million in 2007. This is, due mainly to an increase in human resources following the acquisition of the Alexis Nihon properties and new hires to support the growth needs of our real estate portfolio. Despite this increase, the Trust's administrative expenses represented only 1.6% of 2007 operating revenues, compared with 1.7% for the corresponding period in 2006.

UNUSUAL ITEMS

During the second quarter of 2007, Cominar realized non-recurring interest income of $0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, on the closing of the acquisition of the Alexis Nihon properties. During the first quarter of 2006, Cominar recorded non-recurring expenses of $0.6 million related to its offer to acquire all outstanding units of Alexis Nihon.

DISCONTINUED OPERATIONS

In accordance with the CICA Handbook Section 3475, the results of discontinued operations must be reclassified as a distinct component of net income for the fiscal year in which the sale of these operations took place, as well as for the previous year presented for comparative purposes. Consequently, net income related to a property expropriated in September 2007 (as described under "Contingency") and to a property sold in December 2006, is presented as net income from discontinued operations.

NET INCOME

Despite the excellent revenues achieved in 2007 and the growth of all of Cominar's key performance indicators, net income for the year was down 14.2% as compared with 2006. In fact, the comparison of 2007 net income with that of 2006 is not meaningful due mainly to the significant increase in depreciation of income properties attributable to acquisitions and developments completed in 2006 and 2007. The impact of this depreciation expense is based on the assumption that the value of properties falls over time. The impact of this assumption has been magnified by the application of the new rule explained on page 28 of this MD&A under "Depreciation of Income Properties". The reality tends to show that the value of properties rises or falls according to real estate market conditions.

NET INCOME

For the years ended December 31,	2007	2006	Δ$	Δ%
Net income	**29,241**	34,075	(4,834)	(14.2)
Net income per unit (basic)	**0.70**	0.99	(0.29)	(29.3)
Net income per unit (diluted)	**0.69**	0.98	(0.29)	(29.6)

CONTINGENCY

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

SEGMENTED ANALYSIS

Cominar's activities encompass three categories of real estate properties located in the Greater Québec City, Montréal and Ottawa areas. The following tables present the contributions of these properties to net operating income, by sector of activity and geographic location, for the fiscal years ended December 31, 2007 and 2006. Variations are attributable primarily to acquisitions completed in 2007.

SEGMENTED INFORMATION BY SECTOR OF ACTIVITY

NET OPERATING INCOME

For the years ended December 31,	2007	2007	2006	2006
Sector of activity				
Office	**43,135**	**39.3%**	24,820	32.2%
Retail	**25,872**	**23.6%**	23,651	30.7%
Industrial and mixed-use	**40,764**	**37.1%**	28,580	37.1%
Total NOI	**109,771**	**100.0%**	77,051	100.0%

Office Sector

In 2007, NOI from office properties posted strong growth of 73.8% subsequent to the addition to the portfolio of 21 properties in this sector. The NOI margin declined slightly due mainly to properties acquired from Alexis Nihon, which had a lower occupancy rate at the acquisition date than Cominar's existing properties. The efforts made to increase the occupancy rates in these properties have yielded benefits, as indicated under "Real Estate Operations".

For the years ended December 31,	2007	2006	Δ$	Δ%
Operating revenues	**75,107**	41,413	33,694	81.4%
Operating expenses	**31,972**	16,593	15,379	92.7%
NOI – Office	**43,135**	24,820	18,315	73.8%
NOI margin – Office	**57.4%**	59.9%		

Retail Sector

The retail sector's net operating income grew 9.4% in 2007 over the previous year, which represents an appreciable increase considering the fierce competition currently prevailing, especially in the Québec City region.

For the years ended December 31,	2007	2006	Δ$	Δ%
Operating revenues	**44,344**	41,130	3,214	7.8%
Operating expenses	**18,472**	17,479	993	5.7%
NOI – retail	**25,872**	23,651	2,221	9.4%
NOI margin – retail	**58.3%**	57.5%		

Industrial and Mixed-Use Sector

The industrial and mixed-use sector achieved an excellent performance in 2007, with a 42.6% increase in NOI stemming primarily from acquisitions during the year. This sector's operating revenues grew by 41.8%, whereas the increase in operating expenses was limited to 40.2%, contributing to maintain a stable NOI margin.

For the years ended December 31,	2007	2006	Δ$	Δ%
Operating revenues	**62,673**	44,207	18,466	41.8%
Operating expenses	**21,909**	15,627	6,282	40.2%
NOI – Industrial and mixed-use	**40,764**	28,580	12,184	42.6%
NOI margin – Industrial and mixed-use	**65.0%**	64.7%		

The following table shows that the recently completed acquisitions, primarily in the Montréal and Ottawa regions, have contributed to a better breakdown of revenue and profit streams, thereby minimizing the risk associated with any one region.

Segmented Information by Geographic Location

NET OPERATING INCOME

For the years ended December 31,	2007	2007	2006	2006
Region:				
Québec City	**53,205**	**48.5%**	50,780	65.9%
Montréal	**51,488**	**46.9%**	26,271	34.1%
Ottawa	**5,078**	**4.6%**	—	—
Total NOI	**109,771**	**100.0%**	77,051	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 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 benchmark enabling investors to ascertain the stability of distributions. Pursuant to the Contract of Trust governing Cominar, the total annual distributions paid monthly to unitholders must represent at least 85% of annual DI.

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

DISTRIBUTABLE INCOME

For the years ended December 31,	2007	2006	Δ$	
Net income (GAAP)	**29,241**	34,075	(4,834)	
+ Depreciation of income properties	**36,132**	16,276	19,856	
+ Amortization of (below-market)/above-market leases	**(250)**	120	(370)	
+ Compensation costs related to unit option plan	**217**	179	38	
+ Accretion of liability component of convertible debentures	**9**	—	9	
- Deferred rentals	**(2,060)**	(1,754)	(306)	
- Gain on sale of real estate assets	**—**	(835)	835	
- Amortization of fair value adjustments on assumed mortgages payable	**(52)**	—	(52)	
DI	**63,237**	48,061	15,176	
+ Unusual item	**(422)**	554	(976)	
RDI	**62,815**	48,615	14,200	
DISTRIBUTIONS TO UNITHOLDERS	**55,454**	42,724	12,730	
Distributions reinvested under DRIP	**(1,950)**	(1,347)	(603)	
Cash distributions	**53,504**	41,377	12,127	
Per unit information:				Δ%
DI (basic)	**1.52**	1.40	0.12	8.6
DI (fully diluted)	**1.49**	1.35	0.14	10.4
RDI (basic)	**1.51**	1.41	0.10	7.1
RDI (fully diluted)	**1.48**	1.36	0.12	8.8
DISTRIBUTIONS PER UNIT	**1.301**	1.230		
DI payout ratio	**85.6%**	87.9%		
RDI payout ratio	**86.2%**	86.9%		

Fully diluted RDI per unit grew 7.1%, thanks mainly to the immediate impact of acquisitions and developments completed since the beginning of 2006 and to the significant 3.0% increase in same property NOI. Per unit distributions rose from $1.230 in 2006 to $1.301 in 2007, whereas the payout to RDI payout ratio was 86.2%, compared with 86.9% in 2006. This attests to Cominar's ability to manage the growth of its distributions while maintaining a payout ratio that gives it the latitude needed to ensure the stability of future distributions.

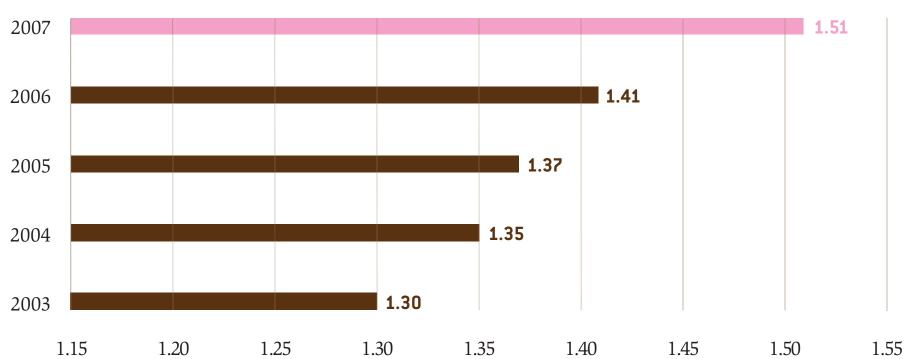
TRACK RECORD OF DI PER UNIT

(Financial Performance Indicator)

For the years ended December 31,	2007	2006	2005	2004	2003
DI per unit (basic)	**1.52**	1.40	1.37	1.35	1.30
RDI per unit (basic)	**1.51**	1.41	1.37	1.35	1.30

Cominar's 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 the per unit notion of the cash flows distributable to unitholders. Furthermore, given its historical nature, it is also a benchmark enabling investors to ascertain the stability of distributions.

RDI PER UNIT



On July 6, 2007, the Canadian Securities Administrators (CSA) issued an amended version of their "National Policy 41-201 – Income Trusts and Other Indirect Offerings", which includes guidelines on distributable cash.

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

The following table presents this reconciliation:

For the years ended December 31,	2007	2006	Δ$
Cash flows from operating activities (GAAP)	**83,447**	51,413	32,034
- Deferred rentals	**(2,060)**	(1,754)	(306)
- Amortization of deferred leasing costs	**(6,965)**	(6,139)	(826)
- Amortization of deferred financing costs and other assets	**(930)**	(728)	(202)
- Change in non-cash operating working capital items	**(10,255)**	5,269	(15,524)
DI	**63,237**	48,061	15,176

Deferred rentals result from straight-line accounting for rent increases set forth in leases. As Cominar does not collect these amounts during the year, deferred rentals are deducted from net income in the calculation of DI.

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

Furthermore, Cominar considers that no adjustment to the change in non-cash operating working capital items should be included in the calculation of DI; these items only representing changes in balance sheet items taken into consideration when establishing cash flows from operating activities.

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

For the years ended December 31,	2007	2006	Δ$
Cash flows from operating activities	**83,447**	51,413	32,034
Net income	**29,241**	34,075	(4,834)
Distributions to unitholders	**55,454**	42,724	12,730
Cash flows from operating activities in excess of distributions to unitholders	**27,993**	8,689	19,304

For fiscal 2007, cash flows from operating activities totalled $83.4 million, whereas DI amounted to $63.2 million. Excluding non-recoverable capital expenditures of $0.7 million disbursed during the year, adjusted cash flows from operations stood at $82.7 million. Cominar's operations therefore generated sufficient cash flows from its operating activities to finance distributions of $55.5 million ($53.5 million excluding distributions reinvested under the Distribution Reinvestment Plan ("DRIP")).

For comparative purposes, DI for fiscal 2006 amounted to $48.1 million, whereas cash flows from operating activities stood at $51.4 million, excluding non-recoverable capital expenditures of $1.2 million. Adjusted cash flows from operations amounted to $50.2 million. In 2006, Cominar's operations therefore generated sufficient funds to finance distributions of $42.7 million.

In the near term, the annual non-recoverable capital expenditures needed to maintain Cominar's properties in good condition are not expected to have a significant impact on cash flows such that it would affect distributions.

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

Funds from Operations

Although the notion 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), excluding gains (or impairment provisions and losses) from sales of income properties and extraordinary items, plus depreciation of income properties and amortization of deferred leasing costs. FFO 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 FFO is in compliance with REALpac recommendations, but may differ from the methods used by other trusts, and therefore cannot be used for comparison.

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 12-month periods ended December 31, 2007 and 2006:

FUNDS FROM OPERATIONS

For the years ended December 31,	**2007**	2006	Δ$	
Net income (GAAP)	**29,241**	34,075	(4,834)	
+ Depreciation of income properties	**36,132**	16,276	19,856	
+ Amortization of deferred leasing costs	**6,965**	6,139	826	
- Gain on sale of real estate assets	—	(835)	835	
FFO	**72,338**	55,655	16,683	
+ Unusual item	**(422)**	554	(976)	
Recurring FFO	**71,916**	56,209	15,707	
Per unit information:				Δ%
FFO (basic)	**1.74**	1.62	0.12	7.4
FFO (fully diluted)	**1.68**	1.54	0.14	9.1
Recurring FFO (basic)	**1.73**	1.64	0.09	5.5
Recurring FFO (fully diluted)	**1.67**	1.56	0.11	7.1

In 2007, FFO increased due to the acquisitions and developments completed during the year and strong organic growth. Recurring FFO per unit grew 5.5% for the year; on a fully diluted basis, they increased by 7.1% over the previous year.

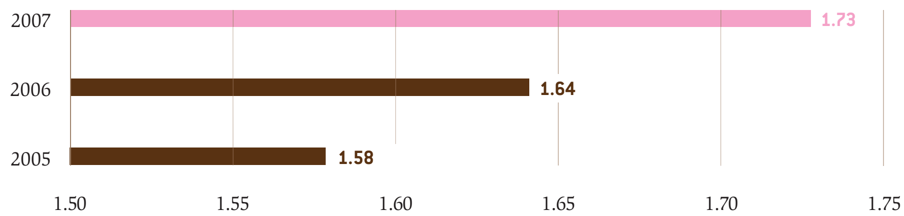
TRACK RECORD OF FUNDS FROM OPERATIONS PER UNIT

(Financial Performance Indicator)

For the years ended December 31,	**2007**	2006	2005
FFO per unit (basic)	**1.74**	1.62	1.58
Recurring FFO per unit (basic)	**1.73**	1.64	1.58

Cominar's management considers FFO per unit a further useful tool for assessing a real estate company's operating performance. Although this performance indicator is not a measure of the cash flows generated by the company, or its ability to deliver distributions, it is widely used in the financial community.

RECURRING FFO PER UNIT



Adjusted Funds from Operations

The notion of "Adjusted Funds from Operations" is fast becoming a key financial measure in the field of real estate investment trusts. AFFO constitutes an additional measure to assess Cominar's financial performance as well as its ability to maintain and increase its distributions over the long term. We believe AFFO to be an effective measure of the financial results of different real estate investment trusts operating in a similar sector of activity, since it takes into consideration leasing costs and capital expenditures, which may vary substantially from one entity to the other, depending on their sector of activity.

The AFFO measure is not defined under GAAP and should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating AFFO may differ from the methods used by other trusts, and therefore cannot be used for comparison.

The following table presents a reconciliation of FFO and AFFO based on the sector's standard definition for the 12-month periods ended December 31, 2007 and 2006:

ADJUSTED FUNDS FROM OPERATIONS

For the years ended December 31,	**2007**	2006	Δ$	
FFO	**72,338**	55,655	16,683	
+ Amortization of deferred financing costs and other assets	**735**	550	185	
+ Compensation costs related to unit option plan	**217**	179	38	
+ Accretion on liability component of convertible debentures	**9**	—	9	
- Deferred rentals	**(2,060)**	(1,754)	(306)	
- Amortization of (below-market)/above-market leases	**(250)**	120	(370)	
- Deferred financing costs	**(503)**	(384)	(119)	
- Amortization of fair value adjustments on assumed mortgages payable	**(52)**	—	(52)	
- Non-recoverable capital expenditures (1)	**(656)**	(1,195)	539	
- Leasing costs (2)	**(9,746)**	(7,479)	(2,267)	
AFFO	**60,032**	45,692	14,330	
+- Unusual item	**(422)**	554	(976)	
Recurring AFFO	**59,610**	46,246	13,364	
Per unit information:				Δ%
AFFO per unit (basic)	**1.44**	1.33	0.11	8.3
AFFO per unit (fully diluted)	**1.42**	1.29	0.13	10.1
Recurring AFFO per unit (basic)	**1.43**	1.35	0.08	5.9
Recurring AFFO per unit (fully diluted)	**1.41**	1.30	0.11	8.5

(1) Non-recoverable capital expenditures represent actual expenses incurred by Cominar to maintain its property portfolio, which are not recoverable from customers.

(2) Leasing costs represent actual leasing costs incurred, including those related to development projects.

Fully diluted recurring AFFO posted a significant increase of 8.5 % in 2007 over the previous year, due to acquisitions and developments completed during the year and strong organic growth.

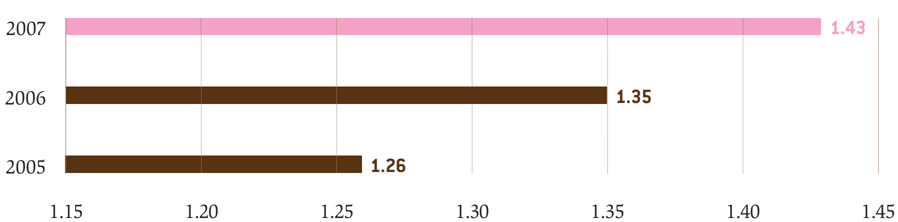
TRACK RECORD OF ADJUSTED FUNDS FROM OPERATIONS PER UNIT

(Financial Performance Indicator)

For the years ended December 31,	2007	2006	2005
AFFO per unit (basic)	**1.44**	1.33	1.26
Recurring AFFO per unit (basic)	**1.43**	1.35	1.26

Management believes that AFFO, calculated using the previously described method, represents a key measure of Cominar's ability to generate cash flows by eliminating most non-cash items from net income, and accounting for expenditures made during the period, such as non-recoverable capital expenditures and leasing costs. During the three years presented in the historical table below, AFFO has always been higher than the distributions per unit made by Cominar. Management does not expect this situation to reverse in coming fiscal years.

RECURRING AFFO PER UNIT



Liquidity and Capital Resources

LONG-TERM DEBT

The following table presents Cominar's debt balances as at December 31, 2007, including mortgages payable and convertible debentures, by year of maturity and weighted average interest rates:

LONG-TERM DEBT

Years of Maturity	Balance of Convertible Debentures ($)	Balance of Mortgages Payable ($)	Weighted Average Interest Rate (%)
2008		133,315	6.09
2009		54,750	5.58
2010		25,788	5.10
2011		6,110	7.99
2012		21,499	7.04
2013		8,115	7.31
2014	214,617	42,581	5.91
2015		14,215	5.13
2016		—	—
2017		132,296	5.38
2018		30,717	5.51
2019		17,692	6.67
2020		—	—
2021		98,284	5.55
2022		34,774	5.35
Total	**214,617**	**620,136**	**5.79**

MORTGAGES PAYABLE

As at December 31, 2007, mortgages payable amounted to $620.1 million, compared with $270.6 million as at December 31, 2006. This $349.5 million increase in mortgages payable is due mainly to recent acquisitions. At 2007 year-end, the weighted average interest rate was 5.79%, down from 6.24% as at December 31, 2006.

Cominar has staggered mortgage expiry dates over a number of years to reduce the risks related to renewal. As at December 31, 2007, the residual average term of mortgages payable was 7.0 years.

In 2008, balances of $132.1 million in mortgages payable will mature, of which $81.3 million relate to Place de la Cité in Québec City, one of Cominar's most prestigious properties.

On March 13, 2008, Cominar repaid $50.8 million in balances outstanding using its available credit facilities.

The following table presents the changes in mortgages payable in 2007:

MORTGAGES PAYABLE

	$	Weighted average rate
Balances of mortgages payable as at December 31, 2006	270.6	6.24%
Mortgages payable contracted	168.4	5.37%
Assumption of mortgages payable for acquisitions	248.5	6.02%
Repayment of balances at maturity	(53.1)	—
Monthly repayment of principal	(14.3)	—
Balances of mortgages payable as at December 31, 2007	**620.1**	**5.78%**

The following table shows mortgage repayments for the coming years:

MORTGAGE REPAYMENTS

Years ending December 31,	Repayment of principal	Balance at maturity	Total	% of total
2008	14,348	132,098	146,446	23.6
2009	11,918	52,341	64,259	10.4
2010	12,055	24,070	36,125	5.8
2011	12,330	5,056	17,386	2.8
2012	12,209	16,380	28,589	4.6
2013	11,550	4,841	16,391	2.7
2014	11,259	32,209	43,468	7.0
2015	10,573	11,073	21,646	3.5
2016	10,817	—	10,817	1.8
2017	9,815	109,423	119,238	19.2
2018	8,848	—	8,848	1.4
2019	3,987	4,141	8,128	1.3
2020	3,987	—	3,987	0.7
2021	2,396	67,963	70,359	11.3
2022	262	24,187	24,449	3.9
Total	**136,354**	**483,782**	**620,136**	**100.0**

CONVERTIBLE DEBENTURES

Cominar considers convertible debentures a highly flexible means of financing because they leave properties free of liens.

Due to the significant increase in Cominar's unit price since the issue in September 2004 of Series A unsecured subordinated convertible debentures bearing interest at 6.3% per annum, a large number of convertible debentures have been converted into units. Of the original $100.0 million issue, only $24.1 million remained outstanding as at December 31, 2007. Each debenture is convertible into units of the REIT at a conversion price of $17.40 per unit.

On May 8, 2007, Cominar issued $80.5 million in Series B unsecured subordinated convertible debentures bearing interest at a rate of 5.70% per annum and maturing in June 2014. Each debenture is convertible into units of the REIT at a conversion price of $27.50 per unit.

On October 10, 2007, Cominar issued $110.0 million in Series C unsecured subordinated convertible debentures bearing interest at a rate of 5.80% per annum and maturing in September 2014. Each debenture is convertible into units of the REIT at a conversion price of $25.25 per unit.

BANK INDEBTEDNESS

In 2007, Cominar obtained additional acquisition credit facilities of $62 million from Canadian chartered banks. As at December 31, 2007, Cominar had operating and acquisition credit facilities of $180 million, renewable annually, at interest rates of 0.00% to 0.50% above prime. These credit facilities were secured by movable and immovable hypothecs on specific assets. They are provided by three different financial institutions, and management has reason to believe that they will remain available in the future. As at December 31, 2007, bank indebtedness totalled $35.3 million. Thus, Cominar had available credit facilities of $144.7 million.

DEBT RATIO

The following table presents debt ratios as at December 31, 2007 and December 31, 2006:

DEBT TO GROSS BOOK VALUE RATIO

As at December 31,	**2007**	2006
Mortgages payable	**619,755**	270,142
Convertible debentures	**203,852**	39,984
Bank indebtedness	**35,321**	73,616
Total long-term debt	**858,928**	383,742
Portfolio gross book value	**1,535,478**	845,960
Overall debt ratio (1) (2)	**55.9%**	45.4%
Debt ratio (excluding convertible debentures)	**42.7%**	40.5%
Borrowing power - 65% of gross book value	**397,000**	—
Borrowing power - 60% (maximum allowed prior to 2007)	**156,000**	305,000

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

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

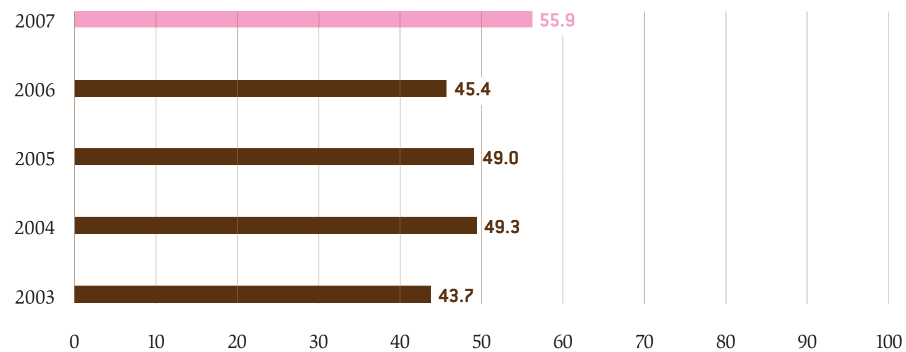
DEBT RATIO TRACK RECORD

(Financial Performance Indicator)

For the years ended December 31,	**2007**	2006	2005	2004	2003
Overall debt ratio	**55.9**	45.4	49.0	49.3	43.7
Debt ratio (excluding convertible debentures)	**42.7**	40.5	36.3	35.7	43.7
Maximum borrowing power allowed by the Contract of Trust ($M)	**397**	305	211	195	253

As at December 31, 2007, Cominar maintained a debt ratio of 55.9%, which is less than the maximum debt ratio of 65.0% allowed by its Contract of Trust if convertible debentures are outstanding. Management believes that this disciplined and conservative practice contributes to ensure the stability of future distributions and the prudent growth of the Trust.

DEBT RATIO (%)



The following table presents the interest coverage ratio as at December 31, 2007 and December 31, 2006:

INTEREST COVERAGE RATIO

As at December 31,	**2007**	2006
Net income	**29,241**	34,075
- Net income from discontinued operations	**(8)**	(1,508)
+ Unusual items	**(422)**	554
- Other revenues	**(394)**	(489)
+ Interest on borrowings	**35,711**	20,712
+ Depreciation of income properties	**35,514**	15,261
+ Amortization of deferred leasing costs	**6,965**	6,139
+ Amortization of other assets	**196**	177
EBITDA (1)	**106,803**	74,921
Interest expense	**36,951**	22,572
Interest coverage ratio ((2 (3))	**2.89**	3.32

(1) EBITDA is earnings before interest, income taxes, depreciation and amortization.

(2) The interest coverage ratio is equal to EBITDA (measure not defined by GAAP) divided by interest expense.

(3) This ratio is not defined by GAAP 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, 2007, the interest coverage ratio was 2.89:1, compared with 3.32:1 as at December 31, 2006, down slightly due to the financing of the recent acquisitions, but considered quite adequate by management.

UNITS

As was the case during the acquisition of the Alexis Nihon properties, as necessary, Cominar uses public offerings as a supplementary means of financing. The "Issued and Outstanding Units" section on page 43 of this MD&A provides further information in this regard.

CONTRACTUAL OBLIGATIONS

Cominar's most significant contractual obligations relate to its debt, including mortgages payable, convertible debentures and bank indebtedness, as well as payments required under emphyteutic leases on land for income properties, as described in further detail in note 23, "Commitments" to the financial statements.

Property Portfolio

The following table presents information about our property portfolio:

As at December 31,	**2007**	2006
Income properties (at cost)	**1,415,779**	770,946
Properties under development and land held for future development	**61,280**	24,232
Other assets	**58,419**	50,782
Portfolio gross book value	**1,535,478**	845,960
Number of properties	**208**	139
Leasable area (in thousands of sq. ft.)	**17,022**	10,190

As at December 31, 2007:

Summary by sector of activity	**Number of properties**	**Leasable area (sq.ft.)**
Office	36	4,792,264
Retail	38	2,644,731
Industrial and mixed-use	134	9,585,463
Total	**208**	**17,022,458**

Summary by geographic location	**Number of properties**	**Leasable area (sq.ft.)**
Québec City	92	6,320,875
Montréal	112	10,093,008
Ottawa	4	608,575
Total	**208**	**17,022,458**

Acquisition and Development Program

There continues to be very strong demand for quality income properties in our markets, with pension funds, private equity and other players seeking to deploy their capital. This increasing demand has put downward pressure on capitalization rates.

Nevertheless, since the beginning of 2007, Cominar has completed acquisitions and developments totalling approximately 7.0 million square feet of leasable space and representing a $659.4 million investment at a 7.0% weighted average capitalization rate. Excluding the acquisition of the Alexis Nihon properties, Cominar has identified and closed acquisitions at a 9.0% average capitalization rate, which exceeds the industry average, due to its market knowledge. Furthermore, thanks to its broad-based expertise in the real estate market, the Trust is perfectly poised to evaluate and execute successful development projects.

These completed acquisitions and developments contributed to a 67.0% increase in the portfolio's total leasable space and an 81.5% increase in the total gross value of Cominar's properties, which grew from $846.0 million to $1.5 billion as at December 31, 2007. While maintaining its dominant position in the Québec City region, the Trust continued to build its presence in the Montréal region and made its first acquisitions in the Ottawa region. For the fiscal year ended December 31, 2007, properties in the Québec City region accounted for 48.5% of net operating income, compared with 65.9% in 2006; properties in the Montréal region accounted for 46.9%, compared with 34.1% in 2006, while properties in the Ottawa region accounted for 4.6% of net operating income in 2007.

ACQUISITIONS

Detailed information about property acquisitions in 2007 is presented in the following table:

Income property	City	Sector of activity [1]	Closing date	Leasable area (sq.ft.)	Purchase price ($)	Capitalization rate (%)
19100 Trans-Canada Highway	Baie d'Urfé	I	01/07	25,564	2,100	9.4
115 de Vaudreuil St.	Longueuil	I	03/07[2]	16,297	6,100	9.0
3600 Matte Blvd.	Brossard	I	03/07[2]	27,074	—	—
3650 Matte Blvd.	Brossard	I	03/07[2]	43,211	—	—
120 de l'Hôpital Blvd.	Gatineau	R	03/07	67,140	9,750	9.1
565-585 Charest Blvd. East	Québec City	O	03/07	104,375	11,030	9.3
795 Craig St.	Saint-Nicolas	I	05/07	23,041	1,000	9.8
375 Sir-Wilfrid-Laurier Blvd.	St-Hilaire	O	06/07[3]	49,855	26,400	8.8
325 H Charbonneau Blvd.	St-Hilaire	O	06/07[3]	19,259	—	—
370 Sir-Wilfrid-Laurier Blvd.	St-Hilaire	R	06/07[3]	46,074	—	—
353 Sir-Wilfrid-Laurier Blvd.	St-Hilaire	R	06/07[3]	71,174	—	—
345 H Charbonneau Blvd.	St-Hilaire	R	06/07[3]	24,175	—	—
383 Sir-Wilfrid-Laurier Blvd.	St-Hilaire	R	06/07[3]	9,318	—	—
Alexis Nihon REIT (described on page 25)			06/07	6,290,208	592,000	6.8
Total/weighted average capitalization rate:						
- Excluding Alexis Nihon REIT				526,557	56,380	9.0
- Including Alexis Nihon REIT				6,816,765	648,380	7.0

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

(2) These three properties were acquired pursuant to a single transaction for $6.1 million.

(3) These six properties were acquired pursuant to a single transaction for $26.4 million.

DEVELOPMENT PROGRAM

Completed Developments

In 2007, the Trust converted four properties under development into income properties at a 9.9% rate of return. These properties represent a total additional leasable area of 218,308 square feet and a $11.0 million investment. The following table details the developments completed:

Development	City	Sector of activity [1]	Completion date	Leasable area (sq.ft.)	Investment ($)	Capitalization rate (%)	Leasing status (%)
2900 J.-A. Bombardier	Laval	I	Q1-2007	104,308	6,200	10.1	91.4
275 St-Sacrement	Québec City	I	Q4-2007	61,853	2,200	9.6	55.9
1255 des Artisans	Québec City	I	Q4-2007	42,427	2,100	9.5	80.1
579 Godin	Québec City	I	Q4-2007	9,720	500	9.4	100.0
Total/weighted average capitalization rate				**218,308**	**11,000**	**9.9**	

(1) I = Industrial and mixed-use

Ongoing Developments

As at December 31, 2007, Cominar's ongoing development pipeline included three properties totaling $0.2 million square feet and a $17.9 million total investment, as detailed in the following table:

Development	City	Sector of Activity [1]	Scheduled completion	Leasable area (sq.ft.)	Investment ($)	Capitalization rate (%)	Leasing status (%)
3025 J.-A. Bombardier	Laval	I	Q1-2008	78,757	5,300	9.9	38.8
St-Bruno Power Centre (Phase 1 & 2)	St-Bruno	R	Q2-2008	110,240	12,600	9.8	20.0
Total/weighted average capitalization rate				**188,997**	**17,900**	**9.8**	

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

Upcoming Developments

Consistent with its growth strategy, Cominar is pursuing its property development activities, which allows it to obtain higher returns than acquisitions in the current real estate market in Quebec.

The economy in the Québec City region is one of the strongest in Canada. The unemployment rate is one of the lowest nationwide, GDP growth is sustained, the job creation rate is high, business start-up and operating costs are low and the quality of life is excellent. Combined, these factors generate strong economic growth in the region and lead to a shortage of office rental space.

In January 2008, Cominar undertook a large-scale project on Laurier Boulevard in Québec City. One of the largest thoroughfares in Quebec City, located at the exit of the bridges connecting the two shores of the St. Laurence River, Laurier Boulevard is one of the gateways into the city, with its many hotels, office buildings and shopping centres. This future property, which will enjoy an enviable geographic location, will have a leasable area of more than 720,000 square feet, of which approximately 100,000 square feet will be used for retail purposes, leaving over 620,000 square feet of office space. The construction cost is estimated at $110 million and the capitalization rate is estimated at 9.3%.

This project will be completed in two phases. The first will extend over a period of about 18 months, will represent 396,000 square feet and a cost of approximately $74 million.

In the second quarter of 2008, Cominar also plans to begin the final phase of revitalizing Les Promenades Beauport shopping centre, located on du Carrefour Boulevard in Québec City. This project consists of the renovation of a leasable area of 65,000 square feet and a 50,000 square-foot expansion, which will bring this shopping centre's total area to approximately 551,000 square feet. The expansion will be used primarily for office space. The total cost of the project is estimated at $7.9 million, at a 9.3% capitalization rate.

In addition, a two-storey industrial and mixed-use property covering a leasable area of 50,000 square feet will be built on 4th Avenue in Lévis, at a cost of $2.9 million and a 9.6% capitalization rate. This construction, which will begin in the first quarter of fiscal 2008, represents the first phase of a project involving three industrial properties totaling over 170,000 square feet.

In February 2008, Cominar initiated construction of a 28,600 square-foot industrial and mixed-use property, located in Boucherville in the Montréal region, and representing a $5.5 million investment. Its capitalization rate is estimated at 9.8%. This property will be fully occupied by a single tenant beginning in the third quarter of fiscal 2008.

Combined, these projects represent an investment of more than $126 million over the next two years. The average capitalization rate is 9.3%, much higher than returns obtained following acquisitions.

With these development projects, Cominar intends to take advantage of the strong Québec economy, especially in the Québec City region where current demand far exceeds supply.

UPCOMING DEVELOPMENTS

(as at December 31, 2007)

Development	**City**	**Sector of activity** (1)	**Scheduled completion**	**Leasable area (sq.ft.)**	**Investment ($)**	**Capitalization rate (%)**
Laurier Blvd. – Phase 1	Quebec City	O, R	2009	396,000	74,000	9.3
Laurier Blvd. – Phase 2	Quebec City	O, R	2010	324,000	36,000	9.3
Promenades Beauport	Quebec City				7,900	
- renovation		R	2008	65,000		9.3
- expansion project		O	2008	50,000		
4th Avenue – Phase 1	Lévis	I	2008	50,000	2,900	9.6
Chemin du Tremblay	Boucherville	I	2008	28,600	5,500	9.8
Total/weighted average capitalization rate				**913,600**	**126,300**	**9.3**

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

Real Estate Operations

The following table presents our operational performance indicators as at December 31, 2007 and 2006:

As at December 31,	**2007**	2006
Occupancy rate	**94.7%**	94.4%
Tenant retention rate	**82.1%**	85.6%

OCCUPANCY RATE

Cominar consistently strives to maximize occupancy rates throughout its portfolio and has successfully maintained 95.0% average occupancy since its inception. As at December 31, 2007, occupancy stood at 94.7%, compared with 94.4% as at December 31, 2006, an increase of 0.3%.

OCCUPANCY TRACK RECORD

(Operational Performance Indicator)

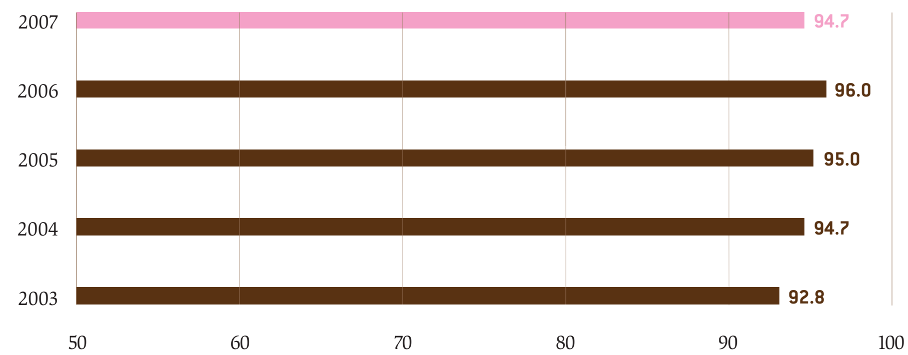
The following table presents occupancy rates by sector of activity over the past five years:

As at December 31,	**2007**	2006	2005	2004	2003
Sector of activity (%)					
Office	**94.7**	96.0	95.0	94.7	92.8
Retail	**96.0**	94.3	93.6	94.0	95.7
Industrial and mixed-use	**94.4**	93.7	96.2	95.2	97.3
Total portfolio	**94.7**	94.4	95.3	94.8	96.0

Occupancy is regarded by Cominar's management as a key indicator of customer satisfaction. Customer satisfaction is defined as customer perception and judgment of our ability to meet their needs and expectations. Our average occupancy rate has fluctuated very little over the past five years, remaining at about 95%, attesting to the fact that our efforts have borne fruit.

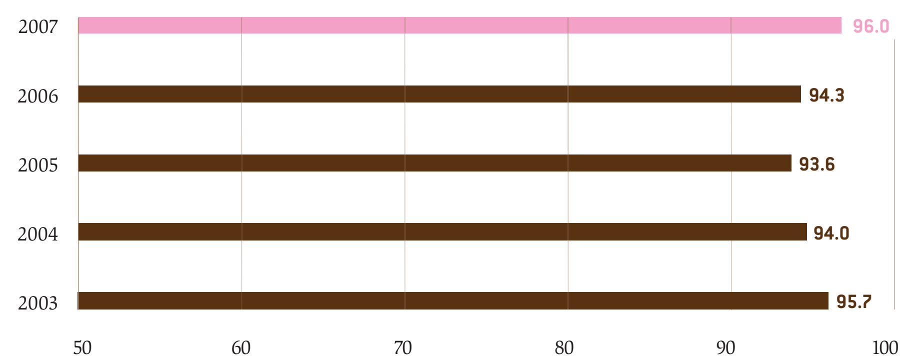
Office. In 2007, the occupancy rate in this sector was down by 1.3% from the record high posted in 2006. We nevertheless consider the 2007 year-end rate satisfactory, since it stood at approximately 93.3% when the Alexis Nihon properties were acquired.

OCCUPANCY RATE - OFFICE (%)



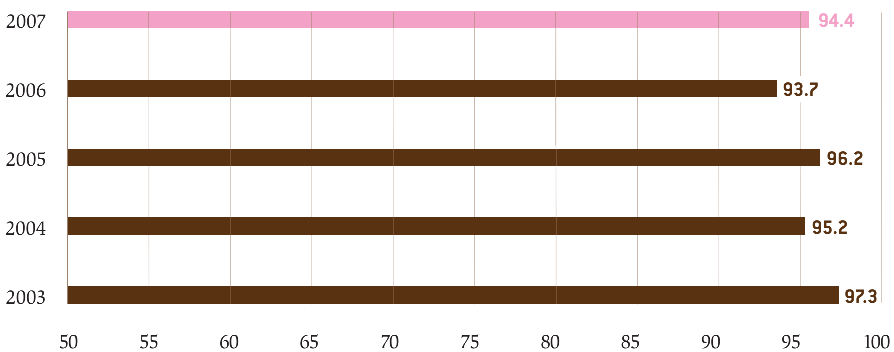
Retail. The occupancy rate in the retail sector grew 1.7% in 2007 to 96.0%: a record high since the inception of the Trust.

OCCUPANCY RATE - RETAIL (%)



Industrial and Mixed-Use. As at December 31, the occupancy rate in the industrial and mixed-use sector was up by 0.7% over the same date in 2006, and by 1.2% over the occupancy rate as at June 30, 2007, just after we took possession the Alexis Nihon properties. Cominar's management attributes these results to the efforts of its leasing team, favourable market conditions and our operational strategy.

OCCUPANCY RATE - INDUSTRIAL & MIXED-USE (%)



LEASING ACTIVITY

The following table contains a summary of Cominar's leasing activity in 2007:

LEASE EXPIRIES AND RENEWALS BY SECTOR

	Office	Retail	Industrial and mixed-use	Total
Expiring leases/2007				
Number of customers	158	126	189	**473**
Leasable area (sq.ft.)	558,364	284,456	1,476,439	**2,319,259**
Average net rent/sq.ft. ($)	9.42	9.77	5.29	**6.83**
Renewed leases				
Number of customers	107	85	126	**318**
Leasable area (sq.ft.)	400,359	270,699	1,233,019	**1,904,077**
Average net rent/sq.ft. ($)	9.75	10.67	5.66	**7.23**
% renewal	71.7%	95.2%	83.5%	**82.1%**
New leases				
Number of customers	46	45	71	**162**
Leasable area (sq.ft.)	192,112	87,626	507,950	**787,688**
Average net rent/sq.ft. ($)	10.75	9.97	5.52	**7.29**

As indicated in the above table, leasing activity remained strong across our portfolio in 2007, especially in the retail sector where 95.2% of expiring leases were renewed. Our leasing team stepped up its efforts to renew an aggregate 82.1% of leases expiring in 2007, thereby achieving a highly satisfactory performance. We also signed new leases representing 0.8 million square feet of leasable area. Our renewal rates are up in all three sectors of activity, with increases of 2.7%, 9.7% and 4.8% respectively for the office, retail and industrial sectors.

RETENTION TRACK RECORD

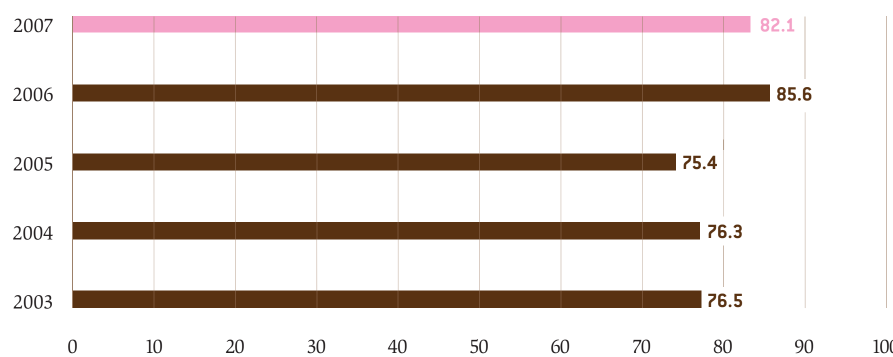
(Operational Performance Indicator)

The following table presents our retention rates over the past five years:

For the years ended December 31,	2007	2006	2005	2004	2003
Retention rate (%)	**82.1**	85.6	75.4	76.3	76.5

Cominar considers retention rate a second indicator of customer satisfaction with the services received. We are very proud of the fact that our retention rate has remained above 75.0% in each of the past eight years.

RETENTION RATE (%)



The following table details our lease maturity profile for the next five years:

LEASE MATURITY

	2008	2009	2010	2011	2012
Office					
Leasable area (sq.ft.)	660,214	429,987	537,744	320,337	734,581
Lease rate/square foot ($)	9.86	11.20	9.37	10.06	10.58
% of office portfolio	13.8	9.0	11.2	6.7	15.3
Retail					
Leasable area (sq.ft.)	351,598	237,639	240,960	322,066	362,708
Lease rate/square foot ($)	8.21	11.66	11.70	10.38	11.11
% of retail portfolio	13.3	9.0	9.1	12.2	13.7
Industrial and mixed-use					
Leasable area (sq.ft.)	1,602,096	1,204,845	1,396,690	1,005,133	1,134,745
Lease rate/square foot ($)	5.59	5.47	5.45	5.93	6.54
% of industrial and mixed-use portfolio	16.7	12.6	14.6	10.5	11.8
Portfolio total					
Leasable area (sq.ft.)	2,613,908	1,872,471	2,175,394	1,647,536	2,232,034
Lease rate/square foot ($)	7.02	7.57	7.11	7.61	8.61
% of portfolio	15.4	11.0	12.8	9.7	13.1

15.4% of our leases are up for renewal in 2008, representing 2.6 million square feet of leasable area. As of March 13, 2008, we have successfully renewed, at higher rents, 22.7% of the leases expiring in 2008, covering 0.6 million square feet of leasable area. Based on our solid renewal track record and the demand for rental properties in our two main geographic markets, we remain confident that we will be able to renew a significant proportion of expiring leases at higher rents per square foot.

The following table summarizes average lease term information as at December 31, 2007:

	Average remaining lease term (years)	Average customer size (sq.ft.)	Average in-place net rent / sq.ft. ($)
Office	4.8	5,300	10.56
Retail	5.3	3,400	10.47
Industrial and mixed-use	3.8	11,200	5.59
Portfolio average	4.3	7,000	7.81

We have approximately 2,300 customers, occupying on average 7,000 square feet of space. Our broad customer base is highly diversified. Our three largest customers, Société immobilière du Québec, a Québec government corporation, Ericsson Canada and Public Works Canada, account respectively for approximately 5.66%, 2.95% and 6.81% of our revenues. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 14.3% stems from government agencies.

The table below presents the percentage contribution to revenue of our ten largest customers:

Customer	% of revenues	Leased space (sq.ft.)
Public Works Canada	6.81	722,284
Société immobilière du Québec	5.66	982,639
Ericsson Canada Inc.	2.95	175,060
LDC Logistics Development Corp.	1.74	527,000
Hudsons Bay Company	1.45	349,312
National Bank of Canada	1.23	145,094
City of Montréal	1.13	116,226
Metro Richelieu Inc.	1.02	287,970
Wal-Mart Canada Inc.	0.88	129,638
Alcan Packaging Canada Ltd.	0.85	162,000
Total	**23.72**	**3,597,223**

Issued and Outstanding Unit Data

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

ISSUED UNITS

On June 5, 2007, Cominar issued 7,113,000 units for aggregate net proceeds of $164.1 million on the exchange of subscription receipts issued pursuant to the prospectus dated April 27, 2007. This exchange was conditional on the acquisition of the Alexis Nihon portfolio's office and industrial and mixed-use properties.

The following table presents unit issues during fiscal 2007 and 2006:

For the years ended December 31,	2007 Units	2007 $	2006 Units	2006 $
Units issued and outstanding, beginning of year	**36,600,361**	**400,698**	32,940,735	338,230
+ Units issued under public offering	**7,113,000**	**164,149**	—	—
+ Units issued on the exercise of options	**367,600**	**5,305**	470,450	6,668
+ Units issued under the distribution reinvestment plan	**92,777**	**1,795**	68,744	1,372
+ Units issued on the conversion of convertible debentures	**1,098,945**	**19,122**	3,120,432	54,296
+ Reversal of contributed surplus on the exercise of options	**—**	**103**	—	132
Units issued and outstanding, end of year	**45,272,683**	**591,172**	36,600,361	400,698

UNIT OPTION PLAN

Cominar has granted options to trustees, officers and employees for the purchase of units under a unit option plan. A maximum of 3,319,210 units may be issued under the plan. As at December 31, 2007, options for the purchase of 1,782,000 units were outstanding and 886,410 options could be granted under the plan.

For the years ended December 31,	2007 Options	2007 Price $	2006 Options	2006 Price $
Outstanding, beginning of year	**2,170,600**	**15.50**	2,354,050	14.29
Exercised	**(367,600)**	**14.58**	(470,450)	14.21
Granted	**60,000**	**23.59**	670,000	18.90
Cancelled	**(81,000)**	**18.16**	(383,000)	15.61
Outstanding, end of year	**1,782,000**	**15.84**	2,170,600	15.50
Options exercisable, end of year	**785,000**	**14.62**	497,600	13.96

CONVERTIBLE DEBENTURES

The following table presents the balances of convertible debentures and the eventual number of units that can be issued on their conversion:

As at December 31,	2007 Balance ($)	2007 Conversion price per unit($)	2007 Units ($)	2006 Balance	2006 Conversion price per unit($)	2006 Units
Series A	**24,117**	**17.40**	**1,386,034**	43,239	17.40	2,485,000
Series B	**80,500**	**27.50**	**2,927,273**	—	—	—
Series C	**110,000**	**25.25**	**4,356,436**	—	—	—
Total	**214,617**		**8,669,743**	43,239		2,485,000

The possible issue of units pursuant to the convertible debentures has an anti-dilutive effect on the calculation of diluted net income per unit.

PER UNIT CALCULATIONS

The following table presents a reconciliation between 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:

For the years ended December 31,	2007	2006
Weighted average number of units outstanding, basic	**41,592,324**	34,364,768
Dilution related to unit options	**575,158**	513,154
Weighted average number of units outstanding, diluted	**42,167,482**	34,877,922
Dilution related to the conversion of convertible debentures	**4,617,690**	4,179,184
Weighted average number of units outstanding, fully diluted	**46,785,172**	39,057,106

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 2007, Cominar posted net rental income of $1.0 million from Dalcon and CFA. The Trust incurred $9.1 million in expenses for leasehold improvements performed by Dalcon on its behalf and $11.6 million for the construction and development of income properties. Using the services of related companies for property construction work and leasehold improvements enables Cominar to achieve significant cost savings while providing better service to its customers.

Selected Quarterly Information

The following table presents, in summary form, Cominar's quarterly financial information for fiscal 2007 and 2006:

For the quarters ended	**Dec. 31, 2007**	**Sept. 30, 2007**	**June 30, 2007**	**March 31, 2007**	Dec. 31, 2006	Sept. 30, 2006	June 30, 2006	March 31, 2006
Operating revenues [(1)]	**53,300**	**53,077**	**41,476**	**34,271**	32,258	31 042	31,946	31,504
Operating expenses [(1)]	**20,918**	**19,590**	**16,726**	**15,119**	11,887	11,338	12,626	13,848
Net operating income [(1)]	**32,382**	**33,487**	**24,750**	**19,152**	20,371	19,704	19,320	17,656
Net income	**6,359**	**6,868**	**8,690**	**7,324**	10,447	9,100	8,364	6,164
Net income per unit (basic)	**0.14**	**0.15**	**0.22**	**0.20**	0.30	0.26	0.25	0.19
Net income per unit (diluted)	**0.14**	**0.15**	**0.22**	**0.20**	0.30	0.26	0.25	0.18
DI	**17,886**	**18,307**	**15,436**	**11,608**	13,394	12,919	12,030	9,718
DI per unit (fully diluted)	**0.39**	**0.40**	**0.38**	**0.31**	0.36	0.36	0.34	0.29
Funds from operations	**20,248**	**20,830**	**17,644**	**13,616**	15,338	14,778	13,923	11,616
Funds from operations per unit (fully diluted)	**0.43**	**0.45**	**0.43**	**0.36**	0.41	0.41	0.39	0.34
Distributions	**16,230**	**14,640**	**13,206**	**11,378**	11,655	10,744	10,305	10,020
Distributions per unit	**0.358**	**0.325**	**0.312**	**0.306**	0.316	0.306	0.306	0.302

(1) Certain amounts for fiscal 2006 and 2007 have been reclassified as "discontinued operations" in conformity with GAAP.

Over the past two years, Cominar has steadily improved its operating revenues, distributable income and funds from operations through new acquisitions and new developments, higher average rents and relatively stable occupancy rates. Historical trends show that first-quarter performance tends to be weaker due to increased energy consumption and snow removal over the winter months.

Fourth Quarter 2007 Results

The following table compares results for the fourth quarter of 2007 with those for the corresponding period of 2006:

For the quarters ended December 31,	**2007**	2006	Δ$	
Operating revenues [(1)]	**53,300**	32,258	21,042	
Operating expenses [(1)]	**20,918**	11,887	9,031	
Net operating income [(1)]	**32,382**	20,371	12,011	
Interest on borrowings	**11,418**	5,074	6,344	
Depreciation of income properties	**12,104**	3,934	8,170	
Amortization of deferred leasing costs	**1,785**	1,538	247	
Amortization of deferred financing costs and other assets	**35**	49	(14)	
Trust administrative expenses	**767**	502	265	
Other revenues	**86**	288	(202)	
Net income from continuing operations	**6,359**	9,562	(3,203)	
Net income from discontinued operations	**—**	885	(885)	
Net income	**6,359**	10,447	(4,088)	
Per unit information:				Δ%
Net income per unit (basic)	**0.14**	0.29	(0.15)	(51.7)
Net income per unit (diluted)	**0.14**	0.28	(0.14)	(50.0)

(1) Certain amounts for fiscal 2006 and 2007 have been reclassified as "discontinued operations" in conformity with GAAP.

For the fourth quarter ended December 31, 2007, operating revenues grew 65.2%, thereby contributing significantly to the 59.0% increase in fourth-quarter NOI. As a result of the greater depreciation expense attributable to new acquisitions and developments completed, as described in further detail under "Depreciation of Income Properties" on page 28 of this Annual Report, net income posted a $4.1 million decline for the fourth quarter.

DISTRIBUTABLE INCOME

Distributable income for the fourth quarter was as follows:

For the quarters ended December 31,	**2007**	2006	Δ$	
Net income (GAAP)	**6,359**	10,447	(4,088)	
+ Depreciation of income properties	**12,104**	4,188	7,916	
+ Amortization of (below-market)/ above-market leases	**(72)**	30	(102)	
+ Compensation costs related to unit option plan	**48**	34	14	
+ Accretion on liability component of convertible debentures	**9**	—	9	
- Deferred leasing costs	**(510)**	(470)	(40)	
- Gain on sale of real estate assets	**—**	(835)	835	
- Amortization of fair value adjustments on assumed mortgages payable	**(52)**	—	(52)	
DI	**17,886**	13,394	4,492	
DISTRIBUTIONS TO UNITHOLDERS	**16,230**	11,655	4,575	
Per unit information:				Δ%
DI per unit (basic)	**0.40**	0.37	0.03	8.1
DI per unit (fully diluted)	**0.39**	0.36	0.03	8.3
Weighted average number of units outstanding (basic)	**45,198**	36,339		
Weighted average number of units outstanding (fully diluted)	**53,853**	39,559		
DISTRIBUTIONS PER UNIT	**0.358**	0.316	0.042	

The following table presents a reconciliation between funds from operations and distributable income for the quarters ended December 31, 2007 and 2006:

For the quarters ended December 31,	**2007**	2006	Δ$
Cash flows from operating activities (GAAP)	**25,025**	18,304	6,721
- Deferred leasing costs	**(510)**	(470)	(40)
- Amortization of deferred leasing costs	**(1,785)**	(1,538)	(247)
- Amortization of deferred financing costs and other assets	**(329)**	(193)	(136)
- Change in non-cash operating working capital items	**(4,515)**	(2,709)	(1,806)
DI	**17,886**	13,394	4,492

FUNDS FROM OPERATIONS

Funds from operations for the fourth quarter were as follows:

For the quarters ended December 31,	**2007**	2006	Δ$	
Net income (GAAP)	**6,359**	10,447	(4,088)	
+ Depreciation of income properties	**12,104**	4,188	7,916	
+ Amortization of deferred leasing costs	**1,785**	1,538	247	
- Gain on sale of real estate assets	**—**	(835)	835	
FFO	**20,248**	15,338	4,910	
Per unit information:				Δ%
FFO per unit (basic)	**0.45**	0.42	0.03	7.1
FFO per unit (diluted)	**0.43**	0.41	0.02	4.9

As indicated in the above table, funds from operations for the fourth quarter of 2007 increased by $4.9 million over the fourth quarter of 2006 as a result of acquisitions and developments completed during fiscal 2007.

ADJUSTED FUNDS FROM OPERATIONS

The following table presents a reconciliation of funds from operations and adjusted funds from operations based on the sector's standard definition for the quarters ended December 31, 2007 and 2006:

ADJUSTED FUNDS FROM OPERATIONS

For the quarters ended December 31,	**2007**	2006	Δ$	
FFO	**20,248**	15,338	4,910	
+ Amortization of deferred financing costs and other assets	**295**	356	(61)	
+ Compensation expense related to unit options	**48**	34	14	
+ Accretion of liability component of convertible debentures	**9**	—	9	
- Deferred leasing costs	**(510)**	(469)	(41)	
- Amortization of (below-market)/above-market leases	**(72)**	30	(102)	
- Deferred financing costs	**126**	(83)	209	
- Amortization of fair value adjustments on assumed mortgages payable	**(52)**	—	(52)	
- Non-recoverable capital expenditures	**(108)**	(504)	396	
- Leasing costs	**(2,575)**	(2,227)	(348)	
AFFO	**17,409**	12,475	4,934	
Per unit information:				Δ%
AFFO per unit (basic)	**0.39**	0.34	0.05	14.7
AFFO per unit (fully diluted)	**0.38**	0.33	0.05	15.2

Subsequent Events

In February 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montréal that were previously co-owned. As a result of this acquisition transaction, Cominar is now the sole owner of these income properties. The purchase price amounted to $18.3 million and the combined capitalization rate, including Cominar's initial interest acquired in 2007, is estimated at 6.8%.

In February 2008, Cominar acquired land covering an area of 212,000 square feet, on which will be built a 28,600 square-foot industrial and mixed-use property. This property will be 100% occupied by a single tenant.

Unitholder Taxation

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

For the years ended December 31,	**2007**	2006
Taxable to unitholders as other income	**45.03%**	59.50%
Taxable to unitholders as capital gains income	**0.39%**	0.36%
Tax deferral	**54.58%**	40.14%
Total	**100.00%**	100.00%

Disclosure Controls and Procedures

DISCLOSURE CONTROLS AND PROCEDURES

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, as defined under Multilateral Instrument 52-109 of the Canadian Securities Administrators. They are assisted in this responsibility by the Disclosure Committee, which consists of officers of the Trust.

Under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, an assessment was conducted to measure the effectiveness of the disclosure controls and procedures used for the preparation of filings, including this MD&A, the consolidated annual financial statements, the Annual Information Form and the Management Proxy Circular. Based on that assessment, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer of Cominar concluded that the disclosure controls and procedures were effective at the close of the fiscal year ended December 31, 2007 and, more specifically, that the design of these controls and procedures provides reasonable assurance that significant information about the Trust, including its consolidated subsidiaries, is communicated to them during the period in which these filings are prepared.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No changes were made in our internal control over financial reporting during the fiscal year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Outlook

Cominar's objectives for fiscal 2008 remain unchanged, specifically to provide unitholders with growing distributions and to maximize unit value through proactive management and expansion of our property portfolio.

In December 2007, Cominar announced an increase in our monthly distribution, raising it from 11.0 cents to 11.3 cents per unit, or $1.356 per unit on an annualized basis for fiscal 2008, which represents a 4.2% increase over 2007.

The demand for high-quality retail properties remains strong in Cominar's markets. In 2008, the Trust will continue to establish our presence in selected markets by seeking and seizing acquisition opportunities that match our rigorous selection criteria. We will also carry out several development and existing property enhancement projects, which should yield a solid return on investment.

Cominar has a portfolio of high-quality properties located in strategic locations, providing it with an excellent base to continue delivering a growing return on investment to unitholders. As for the properties acquired in 2007, we are striving to control costs and achieve operational efficiencies. Our property occupancy rates are high and stable and the demand for retail space remains strong in the regions in which we operate.

Significant Accounting Policies Adopted by Cominar and Use of Estimates

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

ACQUISITION OF INCOME PROPERTIES

Since September 12, 2003, Cominar has applied the CICA's EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination". In accordance with this Abstract, the CICA requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value, to the fair value of customer relationships and to 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 proportion 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 period 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 accounting 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 the fair value.

CONVERTIBLE DEBENTURES

The CICA requires that Cominar's management estimate at its fair value the conversion option included in the convertible debentures. This estimate, if it were inadequate, would have an impact on the interest expense for the period presented in the financial statements.

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 their fair value. The subsequent evaluation will depend on the classification by Cominar of the financial instrument as financial assets held for trading, loans and receivables, or other financial liabilities.

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

Recently Published Accounting Changes

HARMONIZATION OF CANADIAN AND INTERNATIONAL STANDARDS

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan which proposed to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards. At the end of a transitional period of approximately five years, Canadian GAAP will cease to exist as a separate, distinct basis of financial reporting for public companies. We will closely monitor changes arising from this convergence in order to comply therewith by the prescribed deadline.

In the fourth quarter of 2007, the CICA issued three new Handbook sections regarding capital and financial instruments, i.e. Sections 1535, 3862 and 3863, which are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Trust does not foresee that these new sections will have a material effect on its results, financial position and cash flows.

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

Section 3862 "Financial Instruments – Disclosure" modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation".

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

New Accounting Policies Adopted in 2007

In the first quarter of 2007, the Trust adopted the following new accounting standards issued by the CICA:

Section 1530, "Comprehensive Income", requires that the presentation of comprehensive income and its components should be given the same importance in the consolidated financial statements as all other statements which form part of the consolidated financial statements. Comprehensive income represents changes in net assets of an enterprise derived from operations, events, and circumstances unrelated to unitholder contributions and the distributions made to them.

Section 3855, "Financial Instruments — Recognition and Measurement", establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. These financial instruments must be classified in defined categories. The classification determines the manner in which each instrument is evaluated and the presentation of related gains and losses. Section 3855 also provides guidelines for the accounting of transaction costs incurred from issuance of debt instruments. These transaction costs must be deducted from financial liabilities and amortized using the effective interest rate method over the estimated life of the related liabilities.

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

Interest rates, consumer spending, business investment, government spending, the level of capital market activity and volatility, and inflation: each impact the business and economic environments in which we operate and, ultimately, the level of business activity we conduct and the earnings we generate.

EXECUTION OF OUR STRATEGY

Our ability to achieve our objectives and implement our strategy impacts our financial performance. If our strategic objectives are not met with success or there is a change in our strategic objectives, our financial results could be adversely affected.

ACQUISITIONS

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

OPERATIONAL RISK

All immovable property investments are subject to elements of risk. 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. Our income and DI would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. However, this risk is minimized by the diversification of Cominar's portfolio, which allows us to maintain foreseeable cash flow. This risk is also mitigated by the fact that tenants occupy an average area of about 7,000 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 customers and improving its operational and financial performance.

DEBT AND REFINANCING

The Trust is subject to the risks associated with debt financing, including the risk that existing mortgages 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 interest rate changes, as interest on borrowings represents a significant cost in the ownership of real estate investments. Cominar seeks to reduce interest rate risks by spreading the maturity of its long-term debt and limiting the use of floating rate debt as much as possible. As at December 31, 2007, none of Cominar's long-term debt bore interest at floating interest rates.

In 2008, balances of mortgages payable totalling $132.1 million will become due, of which $81.3 million relate to the Place de la Cité property in Québec City, one of Cominar's most prestigious properties.

As at March 13, 2008, Cominar repaid $50.8 million in balances of mortgages payable using its available credit facilities.

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 specifying that no recourse may be taken against unitholders.

COMPETITION

The Trust competes for suitable immovable property investments with third parties that are presently seeking or may seek in the future immovable property investments similar to those it desires. An increase in the availability of investment funds and interest in immovable property investments may tend to increase competition for immovable property investments, thereby increasing purchase prices and reducing their yield.

In addition, numerous developers, managers and owners of properties compete with the Trust in seeking tenants. The existence of competing developers, managers and owners and competition for its tenants could have an adverse effect on its ability to lease space in its properties and on the rents charged, and could adversely affect its revenues.

GOVERNMENT REGULATION

The Trust and its properties are subject to various governmental legislation and regulations. Any change in such legislation or regulation adverse to the Trust and its properties could affect its financial results.

By their very nature, Cominar's assets and business are not subject to a high environmental risk. In accordance with the operating principles stipulated in its Contract of Trust, Cominar must conduct an environmental audit before acquiring a new property. 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 responsible for any damage resulting from their use of the leased premises.

INCOME TAXES

Cominar currently qualifies as a mutual fund trust for income tax purposes. We are required by our Contract of Trust to annually distribute all of our taxable income to unitholders and thus are generally not subject to tax on such amount. In order to maintain our current mutual fund status, we are required to comply with specific restrictions regarding our activities and the investments held by us. If we were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

NEW TAX PLAN

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

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

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

REIT EXCEPTION

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts ("REITs") for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: (i) the only "non-portfolio properties" it owns during the year are "qualified REIT properties", (ii) at least 95% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties"; interest, capital gains from the disposition of real or immovable properties; dividends and royalties, (iii) at least 75% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties" to the extent that it is from such properties situated in Canada; interest from mortgages, or hypothecs, on real or immovable properties situated in Canada and capital gains from dispositions of real or immovable properties situated in Canada and (iv) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property situated in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain public agencies, less than 75% of the equity value of the trust at that time.

As of December 31, 2007, Cominar met all of these conditions and qualified as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

CONSTRUCTION RISK

Due to the Trust's involvement in development and construction activities, it is subject to related risks such as construction cost overruns and other unforeseeable delays. Such risks are minimized by the fact that major projects are done in pha-ses, which allows it to better assess the demand for a project in particular.

ABILITY TO ATTRACT AND RETAIN KEY EMPLOYEES

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

Selected Financial Information

The following table presents a summary of selected financial information for the fiscal years indicated below:

For the years ended December 31,	**2007**	2006	2005
Income Statement Data			
Operating revenues	**182,124**	126,750	121,561
Net operating income	**109,771**	77,051	73,644
Net income	**29,241**	34,075	31,327
DI	**63,237**	48,061	44,749
Distributions	**55,454**	42,724	39,549
Per unit information:			
Net income (basic)	**0.70**	0.99	0.96
Net income (diluted)	**0.69**	0.98	0.95
DI	**1.52**	1.40	1.37
DI (fully diluted)	**1.49**	1.35	1.31
Distributions	**1.301**	1.230	1.210
Weighted average number of units (basic) (000's)	**41,592**	34,365	32,585
Weighted average number of units (fully diluted) (000's)	**46,785**	39,058	38,795
Balance Sheet Data			
Income properties	**1,323,095**	711,441	658,855
Properties under development and land held for future development	**61,280**	24,232	22,020
Total assets	**1,442,794**	786,455	725,582
Mortgages payable	**619,755**	270,142	253,581
Convertible debentures	**203,852**	39,984	97,535
Bank indebtedness	**35,321**	73,616	25,811

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 gene-rally accepted accounting principles ("GAAP"). Financial information appearing throughout our MD&A is consistent with these consolidated financial statements.

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

As at December 31, 2007, 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 and their report follows. The auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings.

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

Michel Berthelot, CA
Executive Vice President
and Chief Financial Officer

Quebec City, March 13, 2008

Auditors' Report

To the unitholders of
Cominar Real Estate Investment Trust,

We have audited the consolidated balance sheets of Cominar Real Estate Investment Trust as at December 31, 2007 and 2006 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, 2007 and 2006 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

Chartered Accountants

Quebec City, Canada
February 7, 2008
[except as to note 24 which is as of February 29, 2008]

Consolidated Balance Sheets

As at December 31,
[in thousands of dollars]

	2007	2006
	$	$
ASSETS		
Income properties *[note 4]*		
Buildings	**1,073,830**	604,628
Land	**174,657**	97,988
Intangible assets	**74,608**	8,825
	1,323,095	711,441
Properties under development *[note 5]*	**31,401**	16,628
Land held for future development *[note 5]*	**29,879**	7,604
Deferred expenses and other assets *[note 6]*	**34,920**	28,057
Prepaid expenses	**3,839**	2,654
Accounts receivable *[note 7]*	**19,660**	20,071
	1,442,794	786,455
LIABILITIES		
Mortgages payable *[note 8]*	**619,755**	270,142
Convertible debentures *[note 9]*	**203,852**	39,984
Bank indebtedness *[note 10]*	**35,321**	73,616
Accounts payable and accrued liabilities	**35,924**	21,606
Distributions payable to unitholders	**6,246**	4,099
	901,098	409,447
UNITHOLDERS' EQUITY		
Unitholders' equity	**541,696**	377,008
	1,442,794	786,455

See accompanying notes to consolidated financial statements

Approved by the Board

Michel Dallaire, Trustee

Robert Després, Trustee

Consolidated Statements of Unitholders' Equity

Years ended December 31,
[in thousands of dollars]

	2007 $	2006 $
Unitholders' contributions *[note 11]*		
Balance, beginning of year	**400,698**	338,230
Issue of units	**196,378**	62,468
Underwriters' fees and offering	**(5,904)**	—
Balance, end of year	**591,172**	400,698
Cumulative net income		
Balance, beginning of year	**218,538**	184,463
Net income	**29,241**	34,075
Balance, end of year	**247,779**	218,538
Cumulative distributions		
Balance, beginning of year	**(242,626)**	(199,902)
Distributions to unitholders	**(55,454)**	(42,724)
Balance, end of year	**(298,080)**	(242,626)
Contributed surplus		
Balance, beginning of year	**398**	351
Unit option plan	**115**	47
Balance, end of year	**513**	398
Other equity component		
Convertible debentures equity component	**312**	—
Unitholders' equity	**541,696**	377,008

See accompanying notes to consolidated financial statements

Consolidated Statements of Income and Comprehensive Income

Years ended December 31,
[in thousands of dollars except per-unit amounts]

	2007 **$**	2006 $
Operating revenues		
Rental revenue from income properties	**182,124**	126,750
Operating expenses		
Operating costs	**35,126**	24,579
Realty taxes and services	**35,470**	24,123
Property management expenses	**1,757**	997
	72,353	49,699
Operating income before the undernoted	**109,771**	77,051
Interest on borrowings	**35,711**	20,712
Depreciation of income properties	**35,514**	15,261
Amortization of deferred leasing costs	**6,965**	6,139
Amortization of other assets	**196**	177
	78,386	42,289
Operating income from real estate assets	**31,385**	34,762
Trust administrative expenses	**2,968**	2,130
Other revenues	**394**	489
Unusual items *[note 21]*	**422**	(554)
Net income from continuing operations	**29,233**	32,567
Net income from discontinued operations *[note 20]*	**8**	1,508
Net income and comprehensive income	**29,241**	34,075
Basic net income per unit *[note 13]*	**0.703**	0.992
Diluted net income per unit *[note 13]*	**0.693**	0.977

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years ended December 31,
[in thousands of dollars]

	2007 $	2006 $
OPERATING ACTIVITIES		
Net income	**29,241**	34,075
Items not affecting cash		
Depreciation of income properties	**36,132**	16,276
Amortization of above- (below-) market leases	**(250)**	120
Amortization of deferred leasing costs	**6,965**	6,139
Amortization of deferred financing costs and other assets	**930**	728
Amortization of fair value adjustments on assumed indebtedness	**(52)**	—
Accretion of liability component of convertible debentures	**9**	—
Compensation costs related to unit option plan	**217**	179
Gain on disposals of income properties	**—**	(835)
	73,192	56,682
Change in non-cash operating working capital items *[note 16]*	**10,255**	(5,269)
	83,447	51,413
INVESTING ACTIVITIES		
Acquisitions of income properties:		
- from Alexis Nihon REIT property portfolio *[note 4]*	**(365,330)**	—
- other acquisitions	**(53,052)**	(59,260)
Additions to properties under development and land held for future development	**(47,863)**	(15,122)
Net proceeds on disposal of income properties *[note 22]*	**30,000**	393
Leasing costs	**(9,746)**	(7,479)
Other assets	**(322)**	(225)
	(446,313)	(81,693)
FINANCING ACTIVITIES		
Mortgages payable	**167,987**	59,267
Repayments of mortgages payable	**(67,389)**	(42,584)
Net proceeds from issue of convertible debentures *[note 9]*	**182,720**	—
Bank indebtedness	**(38,394)**	47,805
Net proceeds from issue of units *[note 11]*	**169,454**	6,668
Distributions to unitholders	**(51,512)**	(40,876)
	362,866	30,280
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

December 31, 2007 and 2006
[in thousands of dollars except per-unit amounts]

1. DESCRIPTION OF THE TRUST

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

2. NEW ACCOUNTING POLICIES

ADOPTED IN 2007

In the first quarter of 2007, Cominar adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1530, "Comprehensive Income", requires that the presentation of comprehensive income and its components should be given the same importance in the consolidated financial statements as all other statements which form part of the consolidated financial statements. Comprehensive income represents the changes in net assets of an enterprise derived from operations, events, and circumstances unrelated to the unitholders' contributions and the distributions made to them.

Section 3855, "Financial Instruments – Recognition and Measurement", establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. These financial instruments must be classified in defined categories. The classification determines the manner in which each instrument is evaluated and the presentation of related gains and losses.

Cominar used the following classifications:

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

- Accounts receivable, including loans to certain customers, are classified as "Loans and Receivables". They are initially measured at fair value and subsequently remeasured at amortized cost using the effective interest rate method. For Cominar, the measured amount generally corresponds to cost.

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

These new standards have to be applied without restatement of prior period amounts. Upon initial application, all adjustments to the carrying amount of financial assets and liabilities must be recognized as an adjustment to the opening balance of cumulative net income or accumulated other comprehensive income, depending on the classification of existing financial assets and liabilities. The application of these new standards had no effect on Cominar's consolidated financial statements.

Section 3855 also provides guidelines for the accounting of transaction costs incurred from issuance of debt instruments. These transaction costs must be deducted from financial liabilities and amortized using the effective interest rate method over the estimated life of the related liabilities.

RECENTLY PUBLISHED

Capital and Financial Instruments: In December 2006, the CICA issued three new sections regarding capital and financial instruments. Sections 1535, 3862 and 3863 apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The Trust does not anticipate that the application of these new sections in 2008 will have a material impact on its results, financial position and cash flows.

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

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

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

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

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

3. *SIGNIFICANT ACCOUNTING POLICIES*

Basis of presentation
Cominar’s consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“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 co-owned properties.

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

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

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

Income properties, properties under development and land held for future development
Income properties are stated at cost. Cost includes acquisition costs and improvements to income properties. Regarding income properties acquired after September 12, 2003, a portion of the purchase price, if any, is allocated to operating leases, customer relationships and leasehold improvements.

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

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

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 accounting completion date, the determination of which is based on achieving a satisfactory occupancy level.

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

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

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 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 the fair value.

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

Cash and cash equivalents
Cash and cash equivalents consist of cash and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Unit option plan
Cominar has a unit option plan which is described in note 11. Cominar recognizes compensation expense when unit options are granted to trustees, management and employees with no cash settlement features.

Per unit results
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

	2007			2006
	Cost	Accumulated depreciation	Amortized cost	Amortized cost
	$	$	$	$
Buildings	1,152,333	78,503	1,073,830	604,628
Land	174,657	—	174,657	97,988
Intangible assets	88,789	14,181	74,608	8,825
	1,415,779	92,684	1,323,095	711,441

Acquisitions of income properties
In June and July 2007, Cominar acquired 54 income properties, of which 7 are co-owned, from Alexis Nihon Real Estate Investment Trust (“Alexis Nihon REIT”), representing a business acquisition according to GAAP. This transaction was recorded using the purchase method. The following table shows the net assets acquired:

	2007
	$
Income properties	
Land	72,786
Buildings	447,620
Intangible assets and liabilities:	
Prepaid origination costs	56,677
Above-market leases	1,860
Below-market leases	(4,318)
Customer relationships	19,838
Properties under development	12,413
Total purchase price	606,876
The acquisition cost was funded by:	
Cash and cash equivalents	365,330
Assumption of mortgages payable	241,546
Total acquisition cost	606,876

The results of operation of income properties acquired and co-owned properties are included in the consolidated financial statements from their acquisition date.

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the year, Cominar capitalized $2,922 [$1,480 in 2006] in interest to properties under development and land held for future development, some of which are classified in income properties at year-end.

6. DEFERRED EXPENSES AND OTHER ASSETS

	2007	2006
	$	$
At amortized cost		
Leasing costs	**34,077**	27,339
Other assets	**843**	718
	34,920	28,057

7. ACCOUNTS RECEIVABLE

	2007	2006
	$	$
Accounts receivable	**8,301**	6,391
Deferred accounts receivable	**6,674**	5,448
Other accounts receivable, bearing interest at a weighted average rate of 7.40% [7.50% as at December 31, 2006]	**2,504**	2,545
Balances of sale [note 20]	**—**	5,687
Restricted funds	**2,181**	—
	19,660	20,071

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties having a carrying value of $1,014,227 [$422,315 as at December 31, 2006]. They bear interest at rates ranging from 4.68% to 11.00% per annum [5.72% to 11.00% as at December 31, 2006] representing a weighted average year-end rate of 5.78% [6.24% as at December 31, 2006] and are renewable at various dates from January 2008 to March 2022.

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

Transaction costs related to mortgages payable are deducted from these loans, amortized using the effective interest rate method over the terms of the related mortgages and recorded under “Interest on borrowings.”

Mortgage repayments are as follows:

Years ending December 31,	**Principal repayments** $	**Balance at maturity** $	**Total** $
2008	14,348	132,098	**146,446**
2009	11,918	52,341	**64,259**
2010	12,055	24,070	**36,125**
2011	12,330	5,056	**17,386**
2012	12,209	16,380	**28,589**
2013	11,550	4,841	**16,391**
2014 and thereafter	61,944	248,996	**310,940**
	136,354	483,782	**620,136**
Plus: fair value adjustments on assumed indebtedness			**465**
Less: unamortized financing costs			**(846)**
			619,755

Mortgages payable with fixed rates amount to $620,136 [$263,809 as at December 31, 2006] and those with variable rates were repaid during the year [$6,840 as at December 31, 2006].

9. CONVERTIBLE DEBENTURES

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

	2007				2006
	Series A	**Series B**	**Series C**	**Total**	Total
Interest rates	**6.30%**	**5.70%**	**5.80%**		
Issue date	**September 2004**	**May 2007**	**October 2007**		
Conversion price per unit	**$17.40**	**$27.50**	**$25.25**		
Interest payment dates	**June 30 and December 31**	**June 30 and December 31**	**March 31 and September 30**		
Redemption date at Cominar's option	**June 2008**	**June 2010**	**September 2010**		
Maturity date	**June 2014**	**June 2014**	**September 2014**		
	$	**$**	**$**	**$**	$
Balance, beginning of year	**43,239**	**—**	**—**	**43,239**	97,535
Issuance	**—**	**80,500**	**110,000**	**190,500**	—
Holder's option conversions	**(19,122)**	**—**	**—**	**(19,122)**	(54,296)
Balance, end of year	**24,117**	**80,500**	**110,000**	**214,617**	43,239
Less: unamortized financing costs and equity component of convertible debentures				**(10,765)**	(3,255)
				203,852	39,984

Net proceeds from convertible debentures issued during 2007 amounted to $182,720.

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

In accordance with the CICA Handbook Section 3855 and Section 3861, convertible debentures have been recorded as liabilities on the balance sheet, net of the equity component of convertible debentures related to the holder's conversion option, and interest has been charged to "Interest on borrowings" in the statement of income. Debenture issue costs are deducted from liabilities and are amortized using the effective interest rate method over the term of the debenture and recorded under "Interest on borrowings."

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

10. BANK INDEBTEDNESS

Cominar has a number of operating and acquisition credit facilities of up to $180,000 [$118,000 as at December 31, 2006]. These credit facilities, subject to annual renewal, bear interest at rates ranging from prime rate plus 0.00% to prime rate plus 0.50% [prime rate plus 0.00% to prime rate plus 0.50% in 2006]. All of these credit facilities [$115,000 as at December 31, 2006] are secured by movable and immovable hypothecs on specific assets. As at December 31, 2007, the prime rate was 6.00% [6.00% as at December 31, 2006]. These credit facilities have a number of covenants which were met as at December 31, 2007.

11. ISSUED AND OUTSTANDING UNITS

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

On June 5, 2007, Cominar issued 7,113,000 units for net proceeds of $164,149 pursuant to the exchange of the subscription receipts issued in May 2007.

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

	2007		2006	
	Units	**$**	Units	$
Units issued and outstanding, beginning of year	**36,600,361**	**400,698**	32,940,735	338,230
Issued from public offering	**7,113,000**	**164,149**	—	—
Issued from exercise of options	**367,600**	**5,305**	470,450	6,668
Issued under the distribution reinvestment plan	**92,777**	**1,795**	68,744	1,372
Issued from conversion of convertible debentures	**1,098,945**	**19,122**	3,120,432	54,296
Reversal of contributed surplus on exercise of options	—	**103**	—	132
Units issued and outstanding, end of year	**45,272,683**	**591,172**	36,600,361	400,698

Unit option plan

Under the unit option plan, Cominar has granted options to the trustees, management and employees for the purchase of units. The maximum number of units issuable in connection with the plan is 3,319,210 units. As at December 31, 2007, options for the acquisition of 1,782,000 units were outstanding and 886,410 options were awardable under the plan.

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

				As at December 31, 2007	
Date of grant	**Graded vesting method**	**Maturity date**	**Exercise price $**	**Outstanding options**	**Exercisable options**
August 9, 2001	33 1/3%	August 9, 2008	11.00	**9,500**	**9,500**
November 13, 2003	20%	November 13, 2010	14.00	**1,109,500**	**659,500**
April 8, 2005	25%	November 13, 2010	17.12	**126,000**	**30,000**
May 23, 2006	20%	May 23, 2013	18.90	**477,000**	**86,000**
May 15, 2007	50%	May 15, 2014	23.59	**60,000**	—
				1,782,000	**785,000**

	2007		2006	
	Options	**Weighted average exercise price $**	Options	Weighted average exercise price $
Outstanding, beginning of year	**2,170,600**	**15.50**	2,354,050	14.29
Exercised	**(367,600)**	**14.58**	(470,450)	14.21
Granted	**60,000**	**23.59**	670,000	18.90
Cancelled	**(81,000)**	**18.16**	(383,000)	15.61
Outstanding, end of year	**1,782,000**	**15.84**	2,170,600	15.50
Exercisable options, end of year	**785,000**	**14.62**	497,600	13.96

Unit-based compensation plan

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 $**	**Weighted average distribution return**	**Weighted average risk-free interest rate**
November 13, 2003	11.70%	14.00	8.74%	4.21%
April 8, 2005	13.50%	17.12	7.58%	3.78%
May 23, 2006	13.00%	18.90	7.14%	4.10%
May 15, 2007	13.60%	23.59	5.55%	4.04%

Compensation expense is amortized using the graded vesting method.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options with no restrictions. In addition, option pricing models require the input of highly subjective assumptions, including the expected stock price volatility. Because the unit options of Cominar's trustees, management and employees have characteristics significantly different from those of traded options, and because changes in subjective input assumptions can materially affect fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the unit options of its trustees, management and employees.

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units amounting to 105% of the cash distributions. During 2007, 92,777 units were issued at a weighted average price of $19.34 for a total consideration of $1,795 pursuant to the distribution reinvestment plan.

12. INCOME TAXES

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

Cominar's subsidiaries are Canadian-based enterprises which are subject to tax on their taxable income under the Income Tax Act (Canada) at an average rate of approximately 32%. There is no provision required for the period ended December 31, 2007.

The carrying value of Cominar's net assets as at December 31, 2007 exceeded the tax basis by approximately $82,000 [$83,700 as at December 31, 2006].

New tax system

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

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

Application of new rules

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

REIT exception

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts (REITs) for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: (i) the only "non-portfolio properties" it owns during the year are "qualified REIT properties," (ii) at least 95% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties;" interest, capital gains from the disposition of real or immovable properties; dividends and royalties, (iii) at least 75% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties" to the extent that it is from such properties located in Canada; interest from mortgages on real or immovable properties located in Canada and capital gains from dispositions of real or immovable properties located in Canada; and (iv) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property located in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain public agencies, less than 75% of the equity value of the trust at that time.

As at December 31, 2007, Cominar met all of these conditions and qualifies as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

13. PER-UNIT RESULTS

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

	2007	2006
Weighted average number of units outstanding – basic	**41,592,324**	34,364,768
Effect of dilutive unit options	**575,158**	513,154
Weighted average number of units outstanding – diluted	**42,167,482**	34,877,922

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

14. DISTRIBUTIONS

Cominar is governed by a Contract of Trust that requires it to distribute 85% or more 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 costs related to unit options, accretion of liability component of convertible debentures, deferred rental income, gains or losses on disposals of income properties and amortization of fair value adjustments on assumed indebtedness.

	2007	2006
	$	$
Distributions to unitholders	**55,454**	42,724
Distributions per unit	**1.301**	1.230

15) INVESTMENTS IN CO-OWNED PROPERTIES

Cominar's proportionate share of the assets, revenues and net income of co-owned properties acquired in 2007 are as follows:

	2007	2006
	$	$
Operating revenues	**708**	—
Net income	**174**	—

Co-owned properties account for approximately 1% of the carrying value of Cominar's total assets.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items is as follows:

	2007	2006
	$	$
Prepaid expenses	**(1,184)**	(299)
Accounts receivable	**(423)**	(4,066)
Accounts payable and accrued liabilities	**11,862**	(904)
	10,255	(5,269)
Additional information		
Interest paid	**36,810**	25,129
Unpaid leasing costs	**5,280**	1,325
Additions to income properties and properties under development by assumption of mortgages payable	**249,004**	—
Unpaid additions to income properties and properties under development	**3,707**	6,075
Properties under development transferred to income properties	**10,428**	14,288

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, made in the normal course of business, have been measured at the exchange amount and have been reflected in the financial statements as follows:

	2007	2006
	$	$
Rental revenue from income properties	**990**	1,178
Other revenues	**254**	384
Income properties and properties under development	**11,641**	14,871
Deferred expenses and other assets	**9,121**	8,629
Accounts receivable	**305**	473
Accounts payable and accrued liabilities	**7,147**	8,146

18. FINANCIAL INSTRUMENTS

Cominar is exposed to financial risks that arise from fluctuations in interest rates and in the credit quality of its tenants.

Interest rate risk

Accounts receivable, except for the balances of sale mentioned in note 7, and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are disclosed in notes 8, 9 and 10 respectively.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Cominar mitigates this risk via geographic and sector diversification of its portfolio and a varied tenant mix.

Fair value

The fair value of Cominar's financial assets and liabilities, such as accounts receivable, cash and cash equivalents, bank indebtedness, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at December 31, 2007 due to their short-term nature or because they are based on current market rates.

As at December 31, 2007, the fair value of mortgages payable was approximately $8,262 greater than the carrying value [$5,693 as at December 31, 2006] due to changes in interest rates since the dates on which the individual mortgages payable were obtained. The fair value of mortgages payable has been estimated based on current market rates for mortgages of similar terms and maturities.

As at December 31, 2007, the fair value of convertible debentures exceeded their carrying value by approximately $6,891 [$2,292 as at December 31, 2006] due to the change in interest rates since the issuance dates. The fair value of convertible debentures was estimated using current market rates for convertible debentures with similar terms and maturities.

19. SEGMENTED INFORMATION

Cominar's activities include three property types located in the greater Quebec City, Montreal 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:

Year ended December 31, 2007	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	75,107	44,344	62,673	**182,124**
Depreciation of income properties	16,859	5,765	12,890	**35,514**
Net operating income(1)	43,135	25,872	40,764	**109,771**
Income properties (amortized cost)	587,324	243,618	492,153	**1,323,095**

Year ended December 31, 2006	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	41,413	41,130	44,207	**126,750**
Depreciation of income properties	5,256	5,047	4,958	**15,261**
Net operating income(1)	24,820	23,651	28,580	**77,051**
Income properties (amortized cost)	259,869	223,453	228,119	**711,441**

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

20. DISCONTINUED OPERATIONS

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

On December 21, 2006, Cominar sold an industrial and mixed-use property for $3,662, the proceeds of which were received in January 2007. This amount is presented in balances of sale in note 7. A $632 gain on disposal was realized.

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

	2007 $	2006 $
Net operating income	**1,866**	3,751
Depreciation of income properties	**(618)**	(1,015)
Interest on borrowings	**(1,240)**	(1,860)
Net income	**8**	876
Gain on disposal	—	632
Income from discontinued operations	**8**	1,508
Basic net income per unit	**0.000**	0.044
Diluted net income per unit	**0.000**	0.043

21. UNUSUAL ITEMS

During the second quarter of 2007, Cominar recorded non-recurring interest revenue amounting to $422 arising from the investment of the subscription receipts issued in May 2007 and converted into units on June 5, 2007.

In connection with its growth strategy, Cominar incurred, in the first quarter of 2006, costs totalling $554 related to its offer to acquire all the outstanding units of the Alexis Nihon REIT, which was not completed in 2006. These costs were recorded in the statement of income of the first quarter of 2006, in accordance with the provisions of CICA Emerging Issues Committee Abstract EIC-94, which states that, in cases where the entity ceases to be engaged on a regular and ongoing basis with completion of the specifically identified transaction and it is not likely that activities with respect to completion of the particular transaction will resume within the next three months, the costs incurred at that date must be immediately expensed.

22. CONTINGENCIES

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

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

b) Letters of guarantee outstanding as at December 31, 2007 amount to $2,500. This amount has been given as a performance guarantee to execute required repairs under mortgage agreements.

23. COMMITMENTS

The annual future payments required under emphyteutic leases, expiring between 2046 and 2047, on land for two income properties having a total carrying value of $57,345, are as follows:

Years ending December 31,	**Total** **$**
2008	476
2009	476
2010	486
2011	491
2012	526
2013 and thereafter	25,275

24. SUBSEQUENT EVENT

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montréal that were previously co-owned. Cominar, as a result of this acquisition transaction, is now the sole owner of these income properties. The purchase price amounted to $18.3 million and the combined capitalization rate, including Cominar's initial interest acquired in 2007, is estimated at 6.8%.

25. COMPARATIVE FIGURES

Certain 2006 figures have been reclassified to conform to the current year presentation.

{ Corporate Information }

Board of Trustees

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

MICHEL DALLAIRE, P.Eng.
President and Chief Executive Officer
Cominar Real Estate Investment Trust

YVAN CARON (1)(2)(4)
Consultant

ME GÉRARD COULOMBE, Q.C. (2)(3)
Senior Partner
Lavery De Billy

ALAIN DALLAIRE
Executive Vice President, Operations
Cominar Real Estate Investment Trust

DINO FUOCO (1)(4)
President, Matvet Inc.

PIERRE GINGRAS (4)
President, Placements Moras

GHISLAINE LABERGE (2)(3)
Real Estate Investment Consultant

MICHEL PAQUET
Executive Vice President, Legal Affairs and Secretary
Cominar Real Estate Investment Trust

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

Officers

MICHEL DALLAIRE, P.Eng.
President and Chief Executive Officer

MICHEL BERTHELOT, CA
Executive Vice President
and Chief Financial Officer

RENÉ BÉRUBÉ, C.App.
Vice President, Leasing - Quebec City

WALLY COMMISSO
Vice President,
Property Management - Montreal

ALAIN DALLAIRE
Executive Vice President, Operations

ANNE-MARIE DUBOIS
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MICHEL OUELLETTE, C.App.
Executive Vice President,
Acquisitions and Development

ME MICHEL PAQUET
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ROGER TURPIN
Vice President, Treasurer

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LISTING

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

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TAXABILITY OF DISTRIBUTIONS

In 2007, 54.6% of the distributions made by Cominar to unitholders were tax deferred.

LEGAL COUNSEL

Davies Ward Phillips & Vineberg LLP

AUDITORS

Ernst & Young LLP

ANNUAL MEETING OF UNITHOLDERS

May 14, 2008
11:00 a.m.

Château Bonne Entente
Chemin Sainte-Foy
Quebec City (Qc)

UNITHOLDER DISTRIBUTION REINVESTMENT PLAN

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

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

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