Annual report 2000

COMINAR REAL ESTATE INVESTMENT TRUST

COMINAR

www.cominar.com

CORPORATE PROFILE

COMINAR REAL ESTATE INVESTMENT TRUST (REIT) is a closed-end investment trust established by a Contract of Trust under the laws of the province of Quebec. Founded on March 31, 1998, the REIT made its initial public offering in May 1998. Cominar owns a portfolio of 78 office, commercial, industrial and mixed use properties in the Montreal and Quebec City areas.

Its principal objectives are to:

- provide unitholders with growing tax-deferred cash distributions payable monthly;

- increase and maximize unit value through proactive management, including the acquisition of income properties and the redevelopment and expansion of various properties in its portfolio.

With the participation of a reliable, experienced team, the REIT will continue to grow by striving for a balanced expansion of its portfolio, according to trends in the marketplace.

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HIGHLIGHTS

Financial Results

(in thousands of dollars except per unit amounts)

	2000	1999	Variation %
Rentals	54,465	48,381	12.6
Net operating income	31,943	27,886	14.6
Distributable income	18,365	16,064	14.3
Distributable income per unit	1.18	1.11	6.3
Weighted average number of units	**15,593,469**	**14,500,099**	

2nd public offering

- Issue of 2,472,500 units at $9.50 per unit
- Net proceeds: $22.1 million

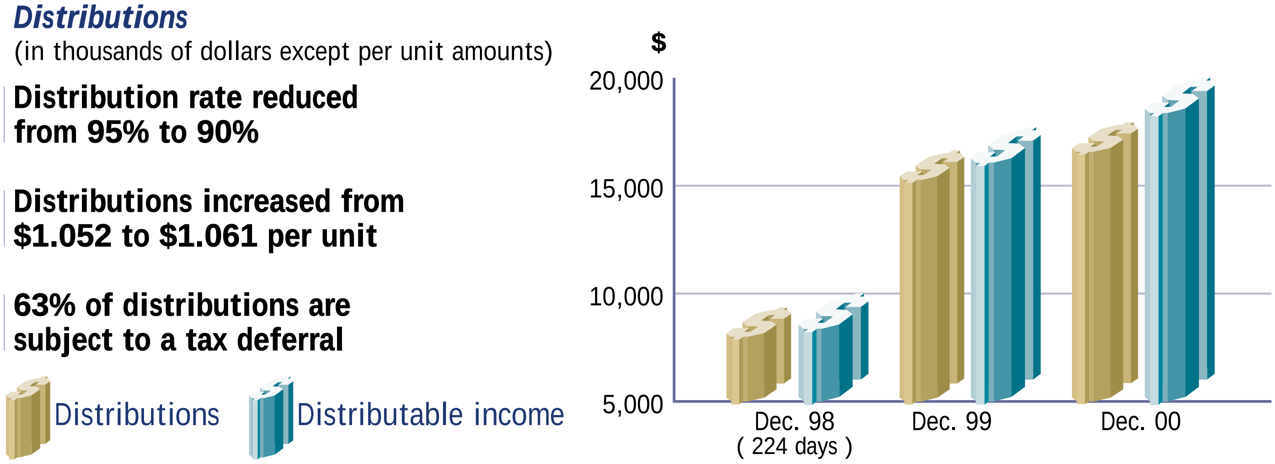
Distributions

(in thousands of dollars except per unit amounts)

Distribution rate reduced from 95% to 90%

Distributions increased from $1.052 to $1.061 per unit

63% of distributions are subject to a tax deferral

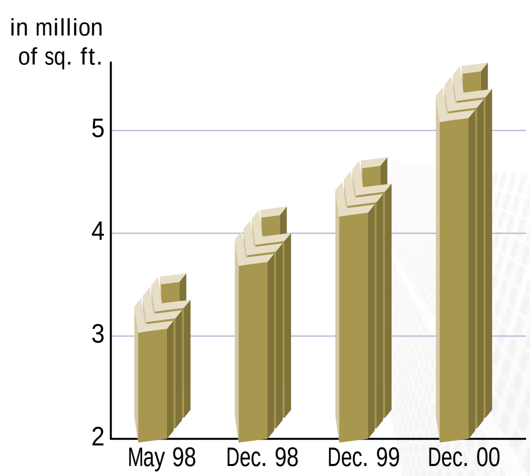


Unitholder Distribution Reinvestment Plan

The plan has been modified in order to offer unitholders an additional amount equivalent to **5%** of the distribution, payable under the form of additional units.

Portfolio Expansion

- **12 acquisitions**
  - 7 in Greater Quebec City area
  - 5 in Greater Montreal area
- **Growth in portfolio**
  - **21.1% or 892,000 sq. ft. over 1999**
  - **2,044,000 sq. ft. over May 1998**



For further information, please visit our web site: www.cominar.com

MESSAGE TO UNITHOLDERS

For the Cominar Real Estate Investment Trust, fiscal 2000 was marked by solid growth generated by the acquisitions made in 1999 and 2000, as well as by very satisfactory internal growth. Highlights of the year included a second public offering of units and strong expansion through acquisitions. This allowed Cominar to achieve its growth, performance and portfolio appreciation objectives for fiscal 2000. We continued to develop our solid foothold in the Greater Montreal area and to consolidate our dominant position in Quebec City, while maintaining a balanced and diversified portfolio.

M. Jules Dallaire,
Chairman, President and Chief Executive Officer

NET OPERATING INCOME AND DISTRIBUTABLE INCOME UP MORE THAN 14%, IMPROVED FINANCIAL FLEXIBILITY

Our operating revenues passed the $50 million mark in 2000 to total $54.5 million, an increase of 12.6% over the year-ago figure. Our building **occupancy rate** remained relatively steady at 95.1%. We recorded **net operating income** of $31.9 million and distributable income of $18.4 million, for respective increases of 14.6% and 14.3% compared with 1999. The **distributable income per unit** was up 6.3% to $1.18 versus $1.11 for 1999.

In July 2000, we completed a second public offering of units with net proceeds of $22.1 million, which was used to repay bank loans that had been contracted for acquisitions. Early this year, a third public offering, which closed on February 15, 2001, brought in net proceeds of $33.1 millions. We remain very intent on keeping our indebtedness below 55% of the gross book value of the Trust, even though our by-laws allow us to run a debt ratio as high as 60%. Thus, as at December 31, 2000, the Cominar REIT's debt equalled 52.8% of the gross book value, and this ratio dropped to 44.7% following the public offering in February 2001.

Our excellent performance has allowed us to revise our distribution strategy so as to provide greater financial flexibility without actually reducing the distribution to unitholders. As planned, we have decreased our distribution rate, which has dropped to 90% from 95% in 1999. This measure will help to promote the expansion and long-term growth of our real estate portfolio. Correspondingly, **the distribution per unit** amounted to $1.061 for fiscal 2000, up slightly from the per-unit distribution of $1.052 for 1999.

TWELVE STRATEGIC ACQUISITIONS IN 2000 INCLUDING ONE BUILDING UNDER DEVELOPMENT: PORTFOLIO BOOK VALUE UP $52.9 MILLION AND LEASABLE AREA UP 21.1%

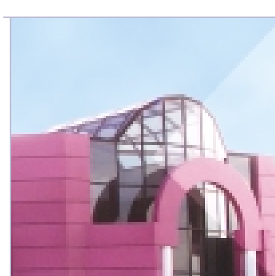
Fiscal 2000 was very favourable for the expansion of our real estate portfolio. We held to our strategy of acquiring only properties in very good condition, located in busy areas near major thoroughfares, and offering good long-term development potential. Furthermore, we have focused on properties located near our existing holdings so that we can achieve economies of scale and continue to offer our clients superior service quality. So far, this strategy of clustering our acquisitions in very busy and well-located retail and industrial zones has proved profitable for us and our clients, without preventing us from taking advantage of purchase opportunities in other promising sectors, should they arise. To minimize risk, we have also maintained our three-sector diversification strategy, i.e. office, retail, and industrial and mixed use properties. For fiscal 2000, each of these sectors contributed approximately equally to the Cominar REIT's net operating income.

Our real estate portfolio has grown by 892,383 square feet of leasable space in 2000, compared to 508,000 square feet in 1999, for an increase of 21.1%, adding $52.9 million to the portfolio's book value. Including the property acquired in Montreal in January 2001, our acquisitions have totalled nearly 1,125,000 square feet of leasable space in the past eleven months. At the end of January 2001, our real estate portfolio amounted to over 5.3 million square feet, an increase of 74% over what Cominar owned when it was first listed in 1998.

In the Quebec City area, we have consolidated our dominant position by adding 566,273 square feet of leasable space to our portfolio, including a 40,000 square foot industrial and mixed use property currently under construction on Boulevard de la Capitale in Quebec City. Situated between two properties already owned by Cominar, this building has a very advantageous location. With the addition of this property, the Centre Metrobec will have total leasable space of 248,925 square feet. The capitalization rate for this new building will be 11%. Our principal acquisition of the year was Carrefour Beauport, a 280,000 square foot property that is the largest shopping centre along Quebec City's Boulevard de la Capitale. Moreover, we are planning to invest $14 million in developing this property to increase its area by 222,000 square feet: 160,000 sq. ft. of retail space and 62,000 sq. ft. of office space. This development, which is expected to take about twelve months, will increase the total area of the property to more than 500,000 square feet, with the capitalization rate of 11.5%.

We are applying the same expansion strategy in the Greater Montreal area, where we spent 1999-2000 developing a solid base for our portfolio by acquiring industrial and mixed use properties clustered in an industrial zone near major thoroughfares and Dorval International Airport. In November 2000, we made our first acquisition in the retail sector, adding a four-property retail megacentre in St. Bruno to our portfolio. This centre has total leasable space of 203,510 square feet and an enviable location across from Les Promenades Saint-Bruno, a major shopping centre. Its capitalization rate is 10.3%. Also, in January 2001, we completed the acquisition of a 12 storey office building with a total area of 232,414 square feet. Located along Highway 40, Montreal's main east-west artery, this property will be refurbished and its capitalization rate will subsequently be about 13%. Thus, as at January 31, 2001, our real estate portfolio in the Montreal area totalled nearly 893,000 square feet, compared to 334,000 square feet as at December 31, 1999.

We feel that we are well on the way to achieving the goal we set for ourselves when we listed on the stock market, which was to have our real estate portfolio appreciate by $100 million in five years. As at December 31, 2000, two and a half years after the creation of the Cominar REIT, we believe that our



portfolio of income properties would represent a market value that is $53 million higher than its book value, mainly due to astute acquisitions and subsequent property development.

OUR STRONG SKILLS BASE: MARKET KNOWLEDGE, INTEGRATED MANAGEMENT AND QUALITY SERVICE

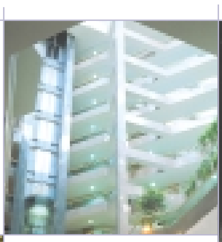
During the fiscal year, all our teams continued to focus on enhancing our distinctive characteristics in order to maintain our lead in the market. Right from the start, we demonstrated our willingness to innovate by making Cominar the first Real Estate Investment Trust in Canada to be fully self-administered and self-directed. This integrated management, which enables us to strictly control management costs and provide superior service, promotes harmonization of the interests of management and employees with those of the unitholders. Furthermore, we are always improving on the many benefits to our clients, including lower operating expenses due to strategic partnerships with suppliers, the availability of a mobile generator in case of power outages, and a start-up assistance program for new entrepreneurs, who then become our clients. As well, we continue to develop our exclusive real estate market database, a major asset for our rental agents and for finding the expansion projects most likely to contribute to our growth.

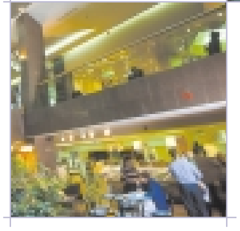
OUTLOOK FOR 2001: CONTINUED GROWTH AND EXPANSION

Economic forecasts indicate that 2001 will be a good year for Quebec, and should bring a significant increase in provincial GDP. Higher employment and private investment, reduced taxes and lower mortgage rates should contribute to healthy economic expansion this year. In terms of the stock market, the bursting of the technological bubble effectively helped to bring investor interest back to sectors that are more stable, less expensive and less risky. Our sector has recorded steady growth and offers solid assets to benefit from this renewed interest from investors. The only Real Estate Investment Fund in Quebec, Cominar positioned itself as one of Quebec's ten largest property owners in 2000. During 2001, we will actively pursue our growth, bringing all our competitive strengths into play to seize market opportunities that are aligned with our strategies and consistent with our short- and long-term performance objectives.

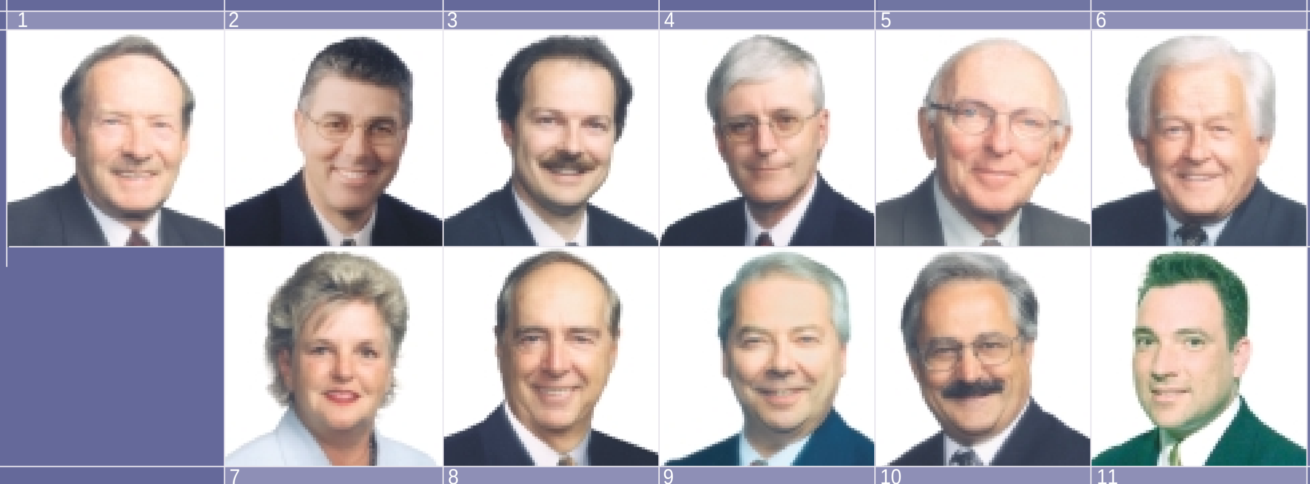
In closing, we would like to thank the trustees of the Cominar Real Estate Investment Trust for their informed advice. We are grateful to our employees for their commitment to achieving the Trust's goals and for the consistent quality of their work. A warm thank-you goes to all our unitholders for their support: rest assured we are determined to have your investments in the Cominar Real Estate Investment Trust continue to appreciate. We have every reason to believe that 2001 will be another year of growth and added value.

Jules Dallaire
Chairman, President
and Chief Executive Officer





TRUSTEES AND OFFICERS



SUMMARY OF THE PROPERTIES

Property	Ownership Interest (%)	Leasable Area (square feet)	Occupancy %
Office Properties			
Place de la Cité, 2600, boul. Laurier, Sainte-Foy	100	428,354	94.94
150, boul. René-Lévesque, Québec	100	242,049	97.10
455, rue Marais, Vanier	100	61,207	80.02
979, avenue de Bourgogne, Sainte-Foy	100	67,154	87.53
2014, boul. Jean-Talon Nord, Sainte-Foy	100	61,556	97.23
2200, boul. Jean-Talon Nord, Sainte-Foy	100	29,816	90.63
3175, chemin des Quatre-Bourgeois, Sainte-Foy	100	99,755	97.74
4635, 1ère Avenue, Charlesbourg	100	40,336	92.82
5055, boul. Wilfrid-Hamel Ouest, Québec	100	26,497	54.93
5075, boul. Wilfrid-Hamel Ouest, Québec	100	28,055	93.69
Sub-Total (Office)		1,084,779	93.30
Retail Properties			
Place de la Cité, 2600, boul. Laurier, Sainte-Foy	100	388,263	94.05
Carrefour Charlesbourg, 8500, boul. Henri-Bourassa, Charlesbourg	100	265,036	93.96
Halles Fleur-de-Lys, 245, rue Soumande, Vanier	100	89,808	91.19
5, Place Orléans, Beauport	100	5,792	100.00
329, rue Seigneuriale, Beauport	100	3,792	100.00
325, rue Marais, Vanier	100	77,517	95.31
355, rue Marais, Vanier	100	37,178	100.00
550, rue Marais, Vanier	100	16,627	100.00
1371, chemin Sainte-Foy, Québec	100	5,491	100.00
1400, rue Saint-Jean-Baptiste, Québec	100	102,700	89.30
1465, boul. Saint-Bruno, Saint-Bruno-de-Montarville	100	26,093	100.00
1475, boul. Saint-Bruno, Saint-Bruno-de-Montarville	100	129,638	100.00
1485, boul. Saint-Bruno, Saint-Bruno-de-Montarville	100	12,971	100.00
1495, boul. Saint-Bruno, Saint-Bruno-de-Montarville	100	34,808	100.00
1970, avenue Chauveau, Québec	100	2,400	100.00
2160, boul. de la Rive-Sud, Saint-Romuald	100	74,966	97.19
2195, boul. de la Rive-Sud, Saint-Romuald	100	6,225	100.00
3333, rue du Carrefour, Beauport	100	280,000	93.46
Sub-Total (Retail)		1,559,305	94.74
Industrial and Mixed Use Properties			
100, rue Chabot, Vanier	100	107,000	100.00
280, rue Racine, Loretteville	100	18,801	100.00
320, chemin de la Canardière, Québec	100	12,777	80.03
445, St-Jean Baptiste, Québec	100	56,226	94.54
450, rue Saint-Jean-Baptiste, Québec	100	44,869	84.08
500, St-Jean Baptiste, Québec	100	43,671	100.00
1515, rue Saint-Jean-Baptiste, Québec	100	61,771	100.00
454-456, rue Marconi, Sainte-Foy	100	15,853	74.17
470, avenue Godin, Vanier	100	23,000	100.00
579, avenue Godin, Vanier	100	12,337	100.00
625, avenue Godin, Vanier	100	60,078	100.00

Property	Ownership Interest (%)	Leasable Area (square feet)	Occupancy %
650, avenue Godin, Vanier	100	196,335	100.00
625, rue des Canetons, Québec	100	19,981	100.00
830, rue Godin, Vanier	100	48,990	100.00
905, avenue Ducharme, Vanier	100	20,504	100.00
955, rue Saint-Jean-Baptiste, Québec	100	32,904	100.00
1165, rue Gouin, Québec	100	70,913	100.00
1415, 32 ième Avenue, Lachine	100	71,500	100.00
1455, 32 ième Avenue, Lachine	100	32,500	100.00
1475, 32 ième Avenue, Lachine	100	91,690	100.00
1750-90, avenue Newton, Québec	100	63,135	100.00
1540, boul. Jean-Talon Nord, Sainte-Foy	100	9,425	100.00
1990, boul. Jean-Talon Nord, Sainte-Foy	100	88,843	95.72
2160, boul. Jean-Talon Nord, Sainte-Foy	100	45,151	86.06
2020, boul. Jean-Talon Nord, Sainte-Foy	100	41,133	100.00
2100, boul. Jean-Talon Nord, Sainte-Foy	100	31,316	100.00
2150, boul. Jean-Talon Nord, Sainte-Foy	100	22,560	100.00
2180, boul. Jean-Talon Nord, Sainte-Foy	100	17,444	100.00
1670, rue Semple, Sainte-Foy	100	91,200	89.47
2010, rue Lavoisier, Sainte-Foy	100	68,235	100.00
2015, rue Lavoisier, Sainte-Foy	100	2,006	100.00
2022, rue Lavoisier, Sainte-Foy	100	59,249	93.63
2025, rue Lavoisier, Sainte-Foy	100	37,078	100.00
2181, rue Léon Harmel, Québec	100	45,000	90.75
2345, rue Dalton, Sainte-Foy	100	54,258	100.00
2755, rue Dalton, Sainte-Foy	100	23,880	100.00
2385, rue Watt, Sainte-Foy	100	65,828	96.41
2500, rue Jean-Perrin, Québec	100	79,032	74.25
2700, rue Jean-Perrin, Québec	100	131,066	92.13
2955, rue Kepler, Sainte-Foy	100	14,960	100.00
3300, JB Deschamps, Lachine	100	19,393	100.00
4175, boul. Sainte-Anne, Beauport	100	39,245	100.00
4975, rue Rideau, Québec	100	32,861	81.79
5000, rue Rideau, Québec	100	2,475	100.00
5125, rue Rideau, Québec	100	11,575	100.00
5130, rue Rideau, Québec	100	24,408	100.00
5275, boul. Wilfrid-Hamel, Québec	100	29,719	84.73
8288, boul. Pie-IX, Montréal	100	119,000	100.00
9100, boul. Parcours, Anjou	100	122,600	100.00
		2,433,775	96.14
Industrial and Mixed Use Properties under development			
2600, rue Jean-Perrin, Québec	100	40,000	——
Sub-Total (Industrial and Mixed Use)		2,473,775	96.14
Total Portfolio		**5,117,859**	**95.10**

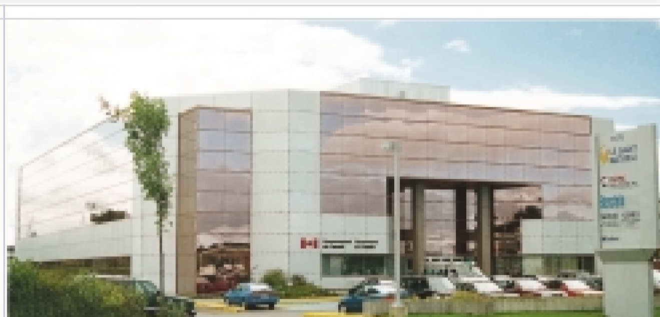
Quebec

PLACE DE LA CITÉ SAINTE-FOY

CARREFOUR CHARLESBOURG CHARLESBOURG

PLACE LÉVIS LEVIS

PLACE DE LA CAPITALE QUEBEC



LE SAINT-MATHIEU SAINTE-FOY

TOUR BELLE COUR SAINTE-FOY

Montreal

1475 32nd AVENUE LACHINE

1465 SAINT-BRUNO BLVD. SAINT-BRUNO

1475 SAINT-BRUNO BLVD. SAINT-BRUNO

255 CRÉMAZIE EAST MONTREAL

1485 SAINT-BRUNO BLVD. SAINT-BRUNO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Since being listed, Cominar has shown consistent, solid growth, quarter after quarter, in rental income, net operating income and distributable income, while continuing to expand its portfolio in the three sectors it has targeted from the beginning: office properties, retail properties and industrial/mixed use properties.

In July 2000, Cominar completed a second public offering with the issue of 2,472,500 units at $9.50 per unit, for net proceeds of $22.1 million.

Subsequent to fiscal 2000, on February 15, 2001, Cominar completed a third public offering with net proceeds of approximately $33 million.

The Management's Discussion and Analysis of operating results and financial position of Cominar should be read in conjunction with the audited financial statements for the fiscal year ended December 31, 2000.

OPERATING RESULTS

Cominar is continuing to develop its real estate portfolio along the two strategic lines that have so far produced steady growth: i.e. geographical concentration and balanced sectoral diversification. This expansion strategy favours economies of scale and high quality customer service while minimizing sector-related risks, maintaining cash-flow and income stability, diversifying Cominar's client base and improving the Trust's growth potential.

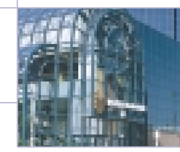
Operating Revenues, Net Operating Income and Distributable Income

Operating revenues amounted to $54.5 million, an increase of 12.6% or $6 million over the 1999 figure. Net operating income rose to $31.9 million, up 14.6% or $4 million from a year earlier. The distributable income stood at $18.4 million, recording growth of 14.3% or $2.3 million compared to 1999. Taking into account the dilution caused by the public offering of 2,472,500 units completed in 2000, distributable income per share increased to $1.18 versus $1.11 in 1999.

These very satisfactory results chiefly reflect the contributions of acquisitions made in fiscal 1999 and 2000. Efficient portfolio management combined with the quality of the properties and the favourable economic climate had a significant positive impact on this growth.

On a segmented basis:

- the three sectors – office, retail and industrial/mixed use – contributed almost equally to Cominar's net operating income ;
- the industrial and mixed use sector showed the strongest growth with an increase in net operating income of 51.25%;
- net operating income for the office properties sector remained relatively steady, which is satisfactory given the wave of consolidation in this market in the greater Quebec City area.



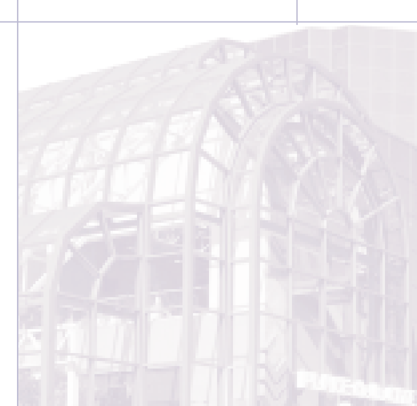
Segmented Information

(in thousands of dollars)	Rental Income		Net operating income	
Sectors	2000	1999	2000	1999
Office	18,086	17,740	10,747	10,657
Retail	19,536	18,833	11,085	10,544
Industrial and mixed use	16,843	11,808	10,111	6,685
Total	**54,465**	**48,381**	**31,943**	**27,886**

Quarterly Information
(in thousands of dollars except per unit amounts)

	2000					1999				
	March 31	June 30	Sept. 30	Dec. 31	**Total**	March 31	June 30	Sept. 30	Dec. 31	**Total**
Rentals from income properties	13,089	13,445	13,677	14,254	**54,465**	11,826	11,989	12,071	12,495	**48,381**
Net operating income	7,186	7,972	8,065	8,720	**31,943**	6,571	6,775	7,242	7,298	**27,886**
Net income	3,258	3,889	4,257	4,723	**16,127**	3,253	3,370	3,880	4,074	**14,577**
Basic and diluted net income per unit	0.225	0.268	0.259	0.282	**1.034**	0.224	0.233	0.267	0.281	**1.005**
Distributable income	3,805	4,443	4,820	5,297	**18,365**	3,377	3,648	4,386	4,653	**16,064**
Distributable income per unit	0.262	0.306	0.294	0.316	**1.178**	0.233	0.252	0.302	0.321	**1.108**
Weighted average number of units	14,500	14,500	16,386	16,763	**15,593**	14,500	14,500	14,500	14,500	**14,500**

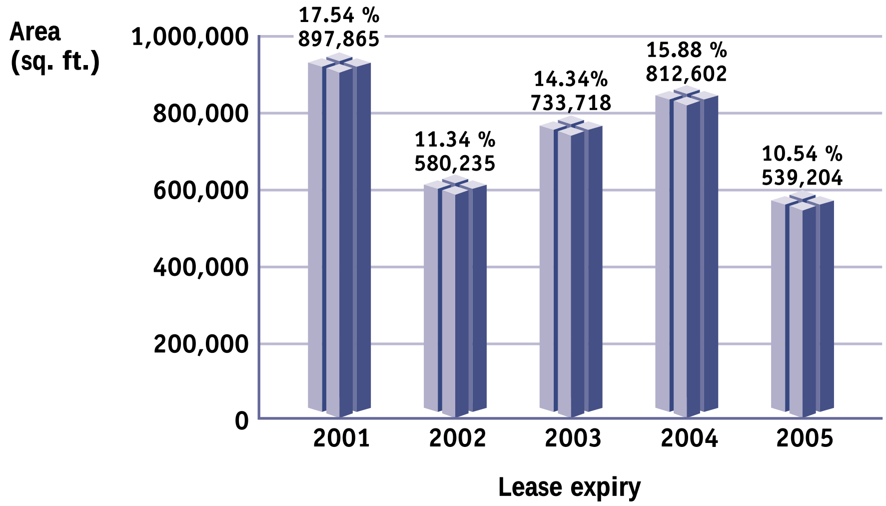
For the fiscal year ended December 31, 2000, the fundamental items were higher than the corresponding figures for 1999 in every quarter. Distributable income was up 12.7% and 21.8% in the first and second quarters and 9.9% and 13.8% in the third and fourth quarters.



Occupancy Rate

The occupancy rate for portfolio properties held steady at 95.1% in 2000. The leasing team renewed 73% of the leases that expired during the year and signed new leases for a total of 291,714 square feet.

Cominar has always made sure that lease expiry dates are spread over a number of years to reduce the risk of a major annual fluctuation in cash flow. The leases that expire each year represent an average of 13.9% of the total square footage of Cominar's income property portfolio.



Interest on Hypothecs Payable and Bank Indebtedness

For the fiscal year ended December 31, 2000, Cominar incurred interest expenses of $10.9 million, which is $1.4 million higher than in 1999. This variance was caused by an increase in the REIT's total net indebtedness, incurred to finance acquisitions made in fiscal 2000.

The weighted average interest rate on hypothecs was 7.29% as at December 31, 2000. This is a slight increase of 0.03% compared to December 31, 1999. However, this rate may decrease during the coming year given the current downward trend and the ongoing negotiations for renewing the hypothecs that mature in 2001.

Depreciation of Deferred Expenses and Other Assets

The depreciation of deferred expenses and other assets increased by 96.1% during the year. It must be remembered that when the Cominar REIT was established, the balance of deferred expenses was zero. Given that the cumulative amount of each year's deferred expenses is amortized over an average of five years, Cominar will continue to record increases in this item until 2003. Subsequently, the depreciation will keep pace with future acquisitions of income properties and expiring leases.

Trust Expenses

As an entirely self-administered and self-directed Trust, the Cominar REIT is not subject to any management contracts with third parties and therefore does not have to pay any property management fees to external specialists. This administrative structure enables Cominar to keep its expenses to a minimum. For fiscal 2000, they amounted to 1.8% of operating revenues.

Distributable Income and Distributions to Unitholders

Distributable Income totalled $18.4 million or $1.18 per unit, for an increase of 14.3% from 1999. Cominar is pleased to have reached the objective it set at the beginning of the year to reduce its distribution percentage without decreasing the distribution to unitholders. In 2000, distributions to unitholders were up slightly to $1.061 per unit compared to $1.052 in 1999. About 62,8% of these distributions are subject to a tax deferral, compared to 68.6% in the previous year, which offers significant advantages to many unitholders.

FINANCIAL POSITION

Assets

During the year, Cominar increased the book value of its income properties by $52.9 million. As at December 31, 2000, the number of properties in the portfolio rose from 65 to 77, with one being considered under development until the end of March 2001. These acquisitions increased the portfolio's leasable area to 5.1 million square feet, for a growth of 21.1% compared to the portfolio as at December 31, 1999 and more than 66% since Cominar's inception.

Properties acquired in 2000

Date	Location	Interest (%)	Area (sq. ft.)
March 3	1670 Semple, Quebec City	100	91,200
May 3	1540 Jean-Talon Nord, Ste-Foy	100	9,425
May 25	450 St-Jean Baptiste, Quebec City	100	44,869
June 22	2500 Jean-Perrin, Quebec City	100	77,859
December 15	470 Godin, Vanier	100	22,920
December 22	Carrefour Beauport, Beauport	100	280,000
		Total / Quebec City area :	**526,273**
May 5	9100 Du Parcours, Anjou	100	122,600
November 30	Power Centre, Saint-Bruno (4 properties)	100	203,510
		Total / Montreal area	**326,110**
Under development			
September 1st	2600 Jean-Perrin, Quebec City		40,000
		Total	**892,383**

One of Cominar's priorities is to ensure that its acquisitions always increase the value of its portfolio and contribute to better all-round performance. All the acquisitions made in fiscal 2000 meet these stringent selection criteria and provide solid leverage, with capitalization rates between 9.9% and 13% and financing rates between 7% and 8%.

In expanding into the greater Montreal area, Cominar has developed a core portfolio of clustered industrial and mixed use buildings occupied by single tenants. In November 2000, Cominar moved into the retail sector with the acquisition of the 4-property Power Centre in St-Bruno. On January 26, 2001, Cominar completed the acquisition of a 12-storey office building with a total area of 232,414 square feet, located at 255 Crémazie Blvd. in Montreal, for a total consideration of $7.6 million. An estimated $5.1 million in renovations are planned for this property. This acquisition brought Cominar's total portfolio to more than 5.3 million square feet, with about 893,000 square feet in the Greater Montreal area.

It should be noted that some of the properties acquired by Cominar since its inception have immediately made a full contribution to results, while others, acquired at prices well below their replacement cost, needed to be developed before reaching their full potential. With its team of experienced leasing agents and knowledge of the market, Cominar has been able to develop these properties effectively.

Liabilities

As at December 31, 2000, Cominar's liabilities consisted mainly of $157.5 million in hypothecs payable and $30.6 million in bank loans, for an increase of $34 million compared to indebtedness as at December 31, 1999. This increase is mainly due to financing the acquisition of income properties in fiscal 2000.

In January 2000, Cominar arranged an unsecured line of credit for $3 million at prime plus 0.50%, bringing its bank borrowing capacity to $35 million.

Then in April 2000, the REIT obtained a loan for $11.8 million from a Canadian banking institution, secured by a first mortgage on properties at an interest rate of 7.97%, maturing in 2005.

The net proceeds of $22.1 million arising from the public offering of units completed in July 2000 were used entirely to pay down bank indebtedness.

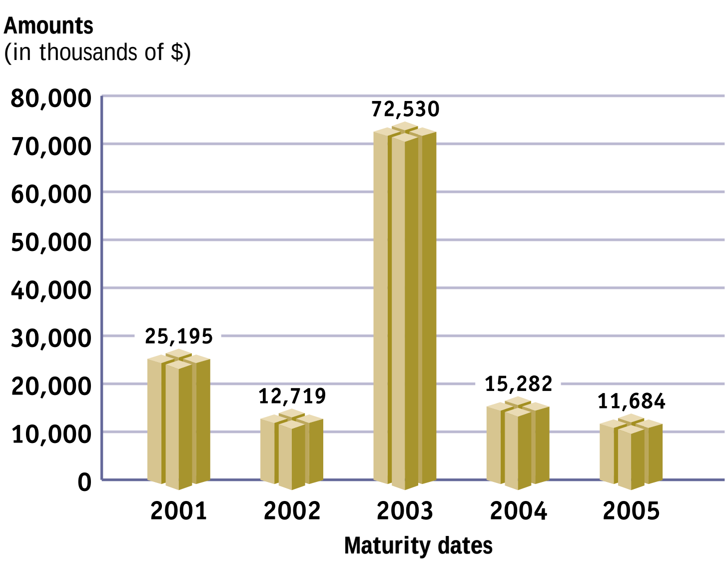
When acquiring the Power Centre in St-Bruno in November 2000 and the Carrefour Beauport shopping centre in December 2000, Cominar assumed hypothecs payable of $15.2 million and $7.25 million, respectively. The hypothec charged to the Power Centre's four properties bears interest at 6.935% and matures in 2018; the hypothec charged to Carrefour Beauport bears interest at 7.50% and matures in 2002.

In December 2000, Cominar arranged a $17.7 million hypothecary loan facility, of which $3 million had been drawn down as at December 31, 2000.

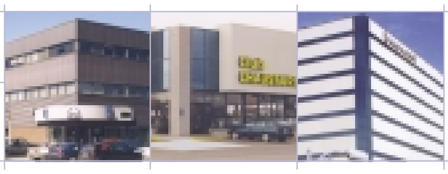
The Contract of Trust limits Cominar's debt to a maximum of 60% of its gross book value, which equals the book value of the REIT's assets plus accumulated depreciation. As at December 31, 2000, Cominar's debt amounted to 52.8% of gross book value, compared to 51.7% as at December 31, 1999.

The total balance of hypothecs payable maturing in 2001 stood at $25.2 million as at December 31, 2000, and the weighted average annual rate is 7.45%. Cominar does not foresee any difficulty in renewing the hypothecs payable at their respective maturity dates. To reduce the risk inherent in refinancing its borrowings, Cominar will continue to maintain an adequate combination of short, medium and long-term financial commitments.

Maturity dates of hypothecs payable for the next five years



The management of Cominar intends to continue its conservative management of borrowings by ensuring that the REIT's debt remains below 55% of its gross book value, i.e. 5% lower than authorized by the Contract of Trust.



Liquidity and Capital Resources

Cominar's principal sources of liquidity are determined by its capacity to generate income from its business operations, arrange new loans and increase equity by issuing new units on the stock market.

During fiscal 2000, income from business operations showed a sharp increase, rising to $19.2 million or $1.23 per unit compared to $16.2 million or $1.12 per unit for fiscal 1999.

Cominar also increased its liquidity by arranging a $3 million bank loan, thus bringing its short-term borrowing capacity to $35 million. As at December 31, 2000, $4.4 million remained available.

As at December 31, 2000, Cominar's indebtedness ratio was 52.8%, and debts bearing interest at variable rates and maturing within a year did not exceed 12.5% of its gross book value.

Cominar recently completed a third public offering of 3,450,000 units, including the over-allotment option, at a price of $10.10 per unit. This offering closed February 15, 2001, and net proceeds totalled approximately $33 million. Following this offering, Cominar's indebtedness ratio stood at 44.7% and its borrowing capacity amounted to $140 million.

In March 2001, the Trustees of the REIT modified the Distribution Reinvestment Plan in order to increase the participation of the unitholders. Those joining the plan will be granted the right to receive an additional amount equivalent to **5%** of the distributions they are entitled to and they have chosen to be reinvested, such amount being payable with additional units.

For further information, see the section «Distribution Reinvestment Plan» on our web site: www.cominar.com.

RISKS AND UNCERTAINTIES

Like any real estate company, Cominar is subject to certain risk factors in the normal course of business.

Operational Risk

All property investments carry risk factors, including economic conditions, local real estate markets and competition from unoccupied premises.

The rental value of the real estate properties can also depend on tenants' solvency and financial stability as well as the economic conditions prevailing in the territories in which they do business and provide services.

The main risk facing Cominar relates to the potential reduction of its rental income. However, this risk is minimized by the diversification of Cominar's portfolio, which ensures foreseeable cash flows. This risk is also reduced by the fact that no tenant occupies lease space amounting to more than 5.54% of net income, and that the average area occupied per tenant is about 4,600 square feet.

Operating as a fully integrated real estate investment trust, Cominar is also able to exercise tighter preventive control over its business, while developing a trust-based relationship with customers and improving operational and financial performance.

Debt and Refinancing

To ensure healthy risk management with regard to debt, Cominar may neither contract nor assume any debt if its total indebtedness exceeds 60% of its gross book value. Note that as at December 31, 2000, Cominar's indebtedness corresponded to 52.8% of its gross book value.

By spreading the maturities of its hypothecs payable over several years, Cominar reduces the risks related to their renewal. In 2001, hypothecs payable of $25.2 million are renewable, which represents a low percentage of Cominar's total indebtedness. Cominar does not foresee any difficulty in refinancing its debt as it falls due.

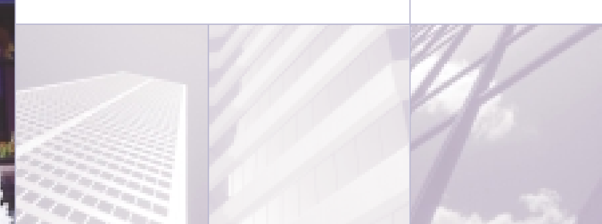
Environmental Risk

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 the Contract of Trust, Cominar must carry out an environmental audit before acquiring a new property, or on its own properties when it is deemed necessary.

In its leases, Cominar requires that tenants run their businesses in accordance with environmental legislation, and that they be held responsible for any damage resulting from the use of the leased premises.

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, an important obligation, must contain terms limiting liability to Cominar's assets exclusively, and stating that no recourse may be taken against unitholders.



MANAGEMENT'S RESPONSABILITY

The accompanying consolidated financial statements have been prepared in accordance with the recommendations of the *Canadian Institute of Chartered Accountants* and the *Canadian Institute of Public and Private Real Estate Companies*. The management of the REIT is responsible for their integrity and objectivity. The REIT maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting and administrative procedures are of high quality. The financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

"PricewaterhouseCoopers LLP" were retained as auditors of the REIT. They have audited the consolidated financial statements in accordance with generally accepted auditing principles to enable them to express their opinion on the consolidated financial statements. Their report as auditors is set forth herein.

The consolidated financial statements have been further reviewed and approved by the Board of Trustees and its Audit Committee. The auditors have direct and full access to the Audit Committee.

Jules Dallaire
Chairman, President
and Chief Executive Officer

Michel Berthelot, c.a.
Executive Vice-President
and Chief Financial Officer

AUDITORS' REPORT

We have audited the consolidated balance sheets of Cominar Real Estate Investment Trust as at December 31, 2000 and 1999 and the consolidated statements of unitholders' equity, income 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, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Quebec, Quebec, Canada
January 11, 2001
(except for note 14, dated February 7, 2001)

Consolidated Balance Sheets
As at December 31, 2000 and 1999

(in thousands of dollars)

	2000 $	1999 $
Assets		
Income properties (note 3)	336,360	284,898
Income property under development	1,408	-
Deferred expenses and other assets	10,151	6,790
Prepaid expenses	677	554
Accounts receivable	2,457	2,037
	351,053	294,279
Liabilities and Unitholders' Equity		
Liabilities		
Hypothecs payable (note 4)	157,535	126,144
Bank indebtedness (note 5)	30,640	27,991
Accounts payable and accrued liabilities	5,178	4,084
	193,353	158,219
Unitholders' Equity		
16,976,388 issued and outstanding units (14,500,398 in 1999) (note 6)	157,700	136,060
	351,053	294,279

Consolidated Statements of Unitholders' Equity
For the years ended December 31, 2000 and 1999

(in thousands of dollars)

	2000 $	1999 $
Unitholders' Equity – Beginning of year	136,060	136,734
Proceeds of offering (note 6)	23,522	4
Underwriter's fees and offering costs	(1,442)	-
Net income for the year	16,127	14,577
Distributions to Unitholders	(16,567)	(15,255)
Unitholders' Equity – End of year	157,700	136,060

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements of Income
For the years ended December 31, 2000 and 1999

(in thousands of dollars except per unit amounts)

	2000 $	1999 $
Operating revenues		
Rentals from income properties	54,465	48,381
Operating expenses		
Property operating costs	12,527	11,707
Realty taxes and services	9,294	8,121
Property management expenses	701	667
	22,522	20,495
Net Operating Income	31,943	27,886
Interest on hypothecs and bank indebtedness	10,916	9,491
Depreciation of income properties	2,238	2,052
Depreciation of deferred expenses and other assets	1,506	768
	14,660	12,311
Operating income from real estate assets	17,283	15,575
Trust expenses	983	809
Other (revenues) expenses		
Loan interest	198	860
Instalment receipts interest income	-	(565)
Other income	(25)	(106)
	173	189
Net income for the year	16,127	14,577
Basic and diluted net income per unit (note 9)	1.03	1.01

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Consolidated Statements of Cash Flows
For the years ended December 31, 2000 and 1999

(in thousands of dollars except per unit amounts)

	2000 $	1999 $
Cash flows from operating activities		
Net income for the year	16,127	14,577
Items not affecting cash		
Depreciation of income properties	2,238	2,052
Depreciation of deferred expenses and other assets	1,506	768
Instalment receipts interest income	-	(565)
Deferred expenses	(709)	(621)
Funds from operations	19,162	16,211
Deferred expenses	(3,807)	(4,493)
Change in non-cash operating working capital items		
Prepaid expenses	(123)	377
Accounts receivable	(420)	(1,196)
Accounts payable and accrued liabilities	(344)	964
	(4,694)	(4,348)
	14,468	11,863
Cash flows from financing activities		
Hypothecs payable	14,830	7,266
Hypothecs principal repayments	(5,919)	(5,494)
Bank indebtedness	2,649	15,812
Loan payable	-	(33,200)
Proceeds of instalment receipts	-	33,200
Net proceeds of offering (note 6)	22,362	-
Offering costs	(315)	-
Distributions to Unitholders	(16,534)	(15,251)
	17,073	2,333
Cash flows from investing activities		
Acquisitions of income properties	(30,682)	(16,653)
Acquisition of income property under development	(508)	-
Hypothec receivable	-	2 577
Deferred expenses and other assets	(351)	(120)
	(31,541)	(14,196)
Net change in cash	-	-
Cash – Beginning of year	-	-
Cash – End of year	-	-
Funds from operations per unit (note 9)	1.23	1.12
Additional information		
Total interests paid	11,020	10,351
Acquisition of income properties by assumption of hypothecs payable	22,480	4,917
Acquisition of income properties and income property under development unpaid	1,438	-

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Notes to Consolidated Financial Statements - December 31, 2000 and 1999

(in thousands of dollars except per unit amounts)

1. Description of the Fund

Cominar Real Estate Investment Trust (the "REIT") 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 Quebec.

2. Summary of significant accounting policies

Basis of presentation

The REIT's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

Consolidation

These consolidated financial statements include the accounts of the REIT and its wholly-owned subsidiary, Les Services Administratifs Cominar Inc.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the amounts of assets and liabilities reported 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.

Income properties and depreciation

Income properties are stated at the lower of cost less accumulated depreciation and net recoverable amount. Cost includes acquisition costs and improvements to income properties.

Depreciation of buildings is recorded on the 5% sinking fund basis to fully amortize the cost of buildings over 40 years.

Income property under development is stated at the lower of cost and its economic value. Cost includes all acquisition and development costs of the income property.

Deferred expenses and other assets

Deferred expenses and other assets mainly include tenant improvements and leasing expenses, including tenant inducements and commissions. These expenses are deferred and amortized on the straight-line basis over the terms of the related leases. Hypothecs financing expenses are deferred and amortized on the straight-line basis over the terms of the related hypothecs.

Unit option plan

The REIT has a unit option plan described in note 6. No compensation expense is recognized for this plan when unit options are issued. Any consideration paid by optionholders on exercise of unit options is credited to Unitholders' equity.

Income taxes

On January 1, 2000, the Trust retroactively adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) regarding income taxes. Under these new recommendations, income taxes are accounted for using the liability method. However, as mentioned in note 8, no provision for income taxes is required, and consequently, the retroactive adoption of these new recommendations had no effect on prior years' net income and Unitholders'equity.

Employee future benefits

On January 1, 2000, the Trust retroactively adopted the new recommendations of the CICA regarding employee future benefits. The adoption of these new recommendations had no effect on prior years' net income and Unitholders' equity.

3. Income properties

			2000
	Cost $	**Accumulated Amortization** $	**Net** $
Land	53,910	-	53,910
Income properties	287,870	5,420	282,450
	341,780	5,420	336,360

			1999
	Cost $	**Accumulated Amortization** $	**Net** $
Land	42,702	-	42,702
Income properties	245,378	3,182	242,196
	288,080	3,182	284,898

4. Hypothecs payable

Hypothecs payable are secured by income properties, bear interest at a fixed weighted average annual rate of 7.29% (7.26% in 1999) and are renewable between January 2001 and December 2018.

Notes to Consolidated Financial Statements - December 31, 2000 and 1999
(in thousands of dollars except per unit amounts)

Hypothecs principal repayments are as follows:

Years ending December 31,	$
2001	30,713
2002	17,163
2003	67,096
2004	15,171
2005	11,467
2006 and thereafter	15,925
	157,535

As at December 31, 2000, the REIT had an authorized hypothec of $17,700, bearing interest at prime rate, of which $14,700 were unused.

5. Bank indebtedness

The bank indebtedness includes cash of $85 (bank overdraft of $77 in 1999), credit facilities amounting to $7,225 ($10,914 in 1999) bearing interest at prime rate plus 0.25% and 0.375% and bankers acceptances of $23,500 ($17,000 in 1999) bearing interest at rates varying from 7.05% to 7.5%; credit facilities and bankers acceptances are secured by income properties and chattel mortgages on specific properties.

6. Issued and outstanding units

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

During 2000, the REIT issued 2,472,500 units at $9.50 per unit pursuant to a secondary public offering. The proceeds of this offering, net of underwriter's fees of $1,127, amounted to $22,362.

Unit option plan

The REIT adopted a unit option plan for which the participation is restricted to the trustees and key employees of the REIT. The maximum number of units reserved for issuance pursuant to the unit option plan is 1,450,000 units. The options will be exercisable on a cumulative basis as to 33 1/3% of the options after each of the three first anniversary of the date of grant. The exercise price of options equals the market price of the REIT's units on the date of grant.

	2000		1999	
	Options	Weighted-average exercise price $	Options	Weighted-average exercise price $
Outstanding – Beginning of year	903,000	9.41	189,000	10.10
Cancelled	-	-	(21,000)	(10.10)
Granted	498,000	8.55	735,000	9.25
Outstanding – End of year	1,401,000	9.10	903,000	9.41

			December 31, 2000	
Date of grant	Maturity date	Exercise price $	Outstanding options	Options exercisable
May 29, 1998	May 29, 2003	10.10	168,000	112,000
May 21, 1999	May 21, 2004	9.25	735,000	245,000
January 14, 2000	January 14, 2005	8.55	498,000	-
			1,401,000	357,000

Distribution reinvestment plan

The REIT adopted a distribution reinvestment plan pursuant to which unitholders may elect to have all cash distributions of the REIT automatically reinvested in additional units. During the year, 3,495 units (398 in 1999) have been issued at a weighted average price of $9.48 ($9.32 in 1999) pursuant to the distribution reinvestment plan.

Notes to Consolidated Financial Statements - December 31, 2000 and 1999

(in thousands of dollars except per unit amounts)

7. Commitments

As at December 31, 2000, the REIT has committed itself to purchase income properties for a total consideration of approximately $13,400 of which $5,700 payable in cash and $7,700 by assumption of hypothecs payable.

8. Income taxes

The REIT 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 the REIT to Unitholders of the REIT and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes has been recorded.

As at December 31, taxable (deductible) differences between tax bases and reported amounts of assets of the Trust were as follows:

	2000 $	1999 $
Income properties	18,517	10,343
Financing and unit issue expenses	(3,930)	(4,164)
	14,587	6,179

9. Per unit amounts

Per unit amounts are calculated based on the weighted average number of units outstanding during the year of 15,593,469 (14,500,099 in 1999).

The possible issuance of units under the unit option plan has an anti-dilutive effect on the current year's basic net income per unit amount.

10. Distributable income per unit

Distributable income has been calculated pursuant to the REIT's Contract of Trust as follows:

	2000 $	1999 $
Net income for the year	16,127	14,577
Add (deduct):		
Depreciation of income properties	2 238	2 052
Instalment receipts interest income	-	(565)
Distributable income for the year	18,365	16,064
Distributable income per unit	1.18	1.11
Distributions per unit	1.06	1.05

11. Related party transactions

During the year, the REIT had transactions with related parties. These transactions, done in the normal course of business, have been measured at exchange amounts and have been reflected in the financial statements as follows:

	2000 $	1999 $
Rentals from income properties	838	441
Loan interest	-	283
Income properties and income property under development	4,164	-
Deferred expenses and other assets	4,237	4,848
Accounts receivable	143	97
Accounts payable and accrued liabilities	935	72

12. Financial instruments

The REIT is exposed to financial risks that arise from the fluctuation in interest rates and in the credit quality of its tenants. The REIT manages these risks as follows:

Interest rate risk

Accounts receivable and accounts payable and accrued liabilities bear no interest.

The interest rates on hypothecs payable and bank indebtedness are respectively described in notes 4 and 5.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT mitigates this risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to only one tenant. Credit evaluations are made about each new tenant.

Fair value

The fair value of the majority of the REIT's financial assets and liabilities, representing net working capital, approximates the carrying value as at December 31, 2000 due to their short-term nature. In these circumstances, the fair value is determined to be the market or exchange value of the assets and liabilities.

The fair value of the hypothecs payable approximates their carrying value.

Notes to Consolidated Financial Statements - December 31, 2000 and 1999

(in thousands of dollars except per unit amounts)

13. Segment disclosures

The REIT's activities include three property types. The accounting policies followed by each property type are the same than those disclosed in the summary of accounting policies. The following table shows the financial information related to these property types:

				2000
	Office properties $	Retail properties $	Industrial and mixed use properties $	Total $
Rentals from income properties	18,086	19,536	16,843	54,465
Interest on hypothecs and bank indebtedness	4,176	3,978	2,762	10,916
Depreciation of income properties	780	904	554	2,238
Operating income from real estate assets	5,301	5,741	6,241	17,283
Income properties	96,931	153,528	85,901	336,360
Acquisition of income properties	15,118	1,111	37,471	53,700

				1999
	Office properties $	Retail properties $	Industrial and mixed use properties $	Total $
Rentals from income properties	17,740	18,833	11,808	48,381
Interest on hypothecs and bank indebtedness	4,367	3,571	1,553	9,491
Depreciation of income properties	766	901	385	2,052
Operating income from real estate assets	5,250	5,840	4,485	15,575
Income properties	96,007	116,726	72,165	284,898
Acquisition of income properties	-	-	21,570	21,570

14. Subsequent events

As at January 22, 2001, the Trust has committed itself to purchase income properties for a cash consideration of $12,450.

Also, on January 26, 2001, the Trust acquired an income property for a consideration of $7,600 of which $2,600 paid in cash and $5,000 by assumption of hypothec payable.

Finally, under the terms of a prospectus dated February 7, 2001, the Trust is expected to issue 3,000,000 units for a total of $30,300. The net proceeds of this issue is estimated at $28,732, net of the underwriter's fees and the offering costs amounting to $1,568.

The prospectus provides for an over-allotment option under which the Trust must issue upon the request of the underwriter, up to 450,000 units totalling $4,340, net of the underwriter's fees of $205.

The net proceeds of this offering will be used to repay bank indebtedness.

Information

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