Press Release
For Immediate Release

Excellent 1st quarter of 2004 for Cominar, which achieved strong growth and a further expansion

- **Increases of 16.4% in net operating income, 24.0% in distributable income and 23.9% in distributions to unitholders**
- **Completion of six industrial and mixed-use development projects**
- ***Subsequent events: three acquisitions***

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Quebec City, May 11, 2004 — At the Annual Meeting of the Unitholders held this morning in Montreal, Cominar is announcing excellent results for its first quarter ended March 31, 2004. That marks its 24th consecutive quarter of solid growth. **Rental revenues** grew by 15.7% to total $27.4 million, compared with $23.7 million for the same period in 2003. **Net operating income** rose 16.4% to $15.3 million. **Distributable income** stood at $9.2 million, an increase of 24.0%. **Distributable income per unit** amounted to $0.292, up 2.4%.

In the first quarter of 2004, to comply with the CICA's new recommendations, Cominar applied new accounting policies relating to the amortization of income properties, revenue recognition, and stock-based compensation and other stock-based payments. These changes had a direct impact on net income, but little impact on distributable income.

Net income grew by 6.3% over the same period in 2003, to reach $6.8 million or $0.215 per unit. The change in the method of amortizing income properties had a negative impact of $1.6 million or $0.051 per unit. The recognition on a straight-line basis of rental revenues under leases which include an escalator clause also affected net income, but raising it by $344,000 or $0.01 per unit. Furthermore, expensing of the value of options granted to employees had a negative impact of $72,000. Without the impact of these changes, net income would have increased by 27.0% to total $8.1 million or $0.257 per unit.

"Fiscal 2004 got off to a strong start in terms of both growth and portfolio expansion. These excellent results allowed us to pay a total of $9.1 million in **distributions to unitholders**, or $0.285 per unit, up 23.9% over $7.3 million or $0.279 for the same period in 2003. We are very pleased with the first quarter's growth. It is due to our teams' conservative yet dynamic management and our quality portfolio, including the developments and acquisitions completed in recent months in a market where high prices require caution when making acquisitions. We also owe these results to the efforts of our leasing consultants, as well as the quality of customer service that sets Cominar apart," indicated Jules Dallaire, Chairman of the Board and Chief Executive Officer.

Cash flows from operating activities grew by 35.5% compared with the corresponding quarter of 2003, to stand at $11.0 million or $0.349 per unit. Without the impact of the changes in accounting policies, the growth in cash flows would have been 31.3% or 8.3% per unit.

As at March 31, 2004, Cominar showed an **occupancy rate** of 94.8%, which compares favourably with the average since 1998. The **annual lease renewal rate since 1998** stands at an average of 79%, reflecting the efforts made by Cominar's team of leasing consultants and the quality of its properties. As at March 31, 2004, 49.9% of the leases expiring in 2004 had already been renewed. In addition, **new leases** had been signed for a leasable area of about 239,000 square feet.

Cominar shows a **debt to gross book value ratio** of 44.5%, whereas a rate of 60% is authorized by its Contract of Trust. However, in accordance with its conservative debt management policy, Cominar prefers to keep this ratio below 55%, leaving it an acquisition capacity of $141.3 million as at March 31, 2004.

Six industrial and mixed-use development projects in Montreal and Quebec City

The first quarter was also an expansion period in which Cominar completed the construction of two industrial and mixed-use buildings in Quebec City. Covering a leasable area of 53,000 square feet, these properties are fully leased. They represent a total investment of $2.2 million and have an average capitalization rate of 10.4%. Cominar also finalized the 124,000-square-foot expansion of four industrial and mixed-use properties in the Montreal and Quebec City regions. These buildings are currently 78% occupied and the expansion work was completed at an average capitalization rate of 10.5%.

Three acquisitions subsequent to the first quarter

In April 2004, Cominar acquired two industrial and mixed-use buildings in Montreal and Quebec City. These two properties cover a total area of 102,000 square feet, represent an investment of $5.5 million, and have an average capitalization rate of 10.3%. Cominar also purchased a 157,000-square-foot office tower at a cost of $28 million in the region de Montreal. This building has a capitalization rate of 9.2% and is fully rented to the Federal Government under a long-term lease.

Four development projects under way on nine properties

At the close of the first quarter, four development projects were under way on nine properties covering 770,000 square feet of leasable space, including eight construction projects and one expansion. Scheduled to be completed by the summer of 2005, this work represents a $59.4 million investment and includes the following:

- the construction of a 205,000-square-foot office tower at *Place de la Cité* in Quebec City, where the first tenant has occupied 72,400 square feet on six storeys since April 1, 2004;
- the construction of four industrial and mixed-use buildings in Laval, covering 301,400 square feet of leasable space;
- the construction of three industrial and mixed-use properties in Quebec City, covering a total area of 188,000 square feet;
- and a 76,000-square-foot expansion of the *Carrefour Charlesbourg* shopping centre in Quebec City, 58,000 square feet of which has been occupied since May 1, 2004.

Once this development work is completed, Cominar's portfolio will total 122 properties covering an area of 9.1 million square feet, including some 3 million square feet in the Montreal region.

These acquisitions and development projects fit fully into Cominar's current growth strategy, which is temporarily giving priority to property developments in a real estate market where prices remain high. Nevertheless, Cominar is continuing to make acquisitions by carefully selecting them based on specific criteria, such as short and long-term profitability. Year after year, Cominar remains focused on profitable growth in order to further increase its real estate portfolio's value and to provide unitholders with a stable and attractive return.

Outlook

Cominar expects to maintain solid growth in the coming periods. The development projects completed in 2003 and early 2004 have attractive occupancy rates and are making the anticipated contribution to distributable income. In addition, effective April 1, 2004, part of the new *Place de la Cité* office tower also started contributing to distributable income. The three April acquisitions will also contribute to future results. These recent developments and acquisitions will participate in the portfolio's growth and profitability in the coming periods.

PROFILE *as at May 11, 2004*

As one of the largest retail property owners in the Greater Quebec City Area, Cominar Real Estate Investment Trust enjoys a dominant presence and economies of scale. The REIT currently owns a diversified portfolio of **115 properties consisting of 13 office buildings, 25 retail buildings and 77 industrial and mixed-use buildings, which cover a total area of over more than 8.3 million square feet in the Montreal and Quebec City regions.** As Cominar's asset and property management is fully internalized and fully integrated, the REIT is an entirely self-administered and self-directed real estate investment trust.

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For information:
Jules Dallaire, Chairman of the Board and Chief Executive Officer
Michel Dallaire, Eng., President and Chief Operating Officer
Michel Berthelot, CA, Executive Vice-President and Chief Financial Officer
Tel: (418) 681-8151
jdallaire@cominar.com
mdallaire@cominar.com
mberthelot@cominar.com

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Income

Period of three months ended March 31, (unaudited, in thousands of dollars, except per unit amounts)	**2004** **$**	2003 $
Operating revenues		
Property rental revenue	**27,419**	23,700
Operating expenses		
Property operating costs	**6,613**	5,891
Realty taxes and services	**5,210**	4,348
Property management expenses	**332**	348
	12,155	10,587
Operating income before the following	**15,264**	13,113
Interest on mortgages and bank indebtedness	**3,970**	4,086
Depreciation of income properties	**2,772**	1,042
Amortization of deferred expenses and other assets	**1,383**	1,170
	8,125	6,298
Operating income from real estate assets	**7,139**	6,815
Trust administrative expenses	**461**	400
Other income	**143**	0
Net income for the period	**6,821**	6,415
Basic net income per unit (note 7)	**0.215**	0.245
Diluted net income per unit (note 7)	**0.213**	0.244

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets

(in thousands of dollars)	**As at March 31, 2004 (unaudited) $**	As at December 31, 2003 (audited) $
Assets		
Income properties (note 4)	**524,375**	518,770
Properties under development	**25,848**	21,486
Deferred expenses and other assets	**21,390**	21,540
Prepaid expenses	**5,552**	1,901
Accounts receivable	**7,615**	5,525
Cash and cash equivalents	**14,566**	33,660
	599,346	602,882
Liabilities and Unitholders'Equity		
Liabilities		
Mortgages payable (note 5)	**268,582**	270,715
Accounts payable and accrued liabilities	**9,550**	12,570
Distributions payable to Unitholders	**3,030**	-
	281,162	283,285
Unitholder's Equity		
Unitholders contributions (note 6)	**321,381**	320,604
Cumulative net earnings	**128,422**	121,640
Cumulative distributions	**(131,730)**	(122,647)
Contributed surplus	**111**	0
	318,184	319,597
	599,346	602,882

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity

Period ended March 31, (Unaudited, in thousands of dollars)	**2004 $**	2003 $
Unitholders contributions		
Balance, beginning of period	**320,604**	248,874
Issue of units	**777**	1,644
Balance, end of period	**321,381**	250,518
Cumulative net earnings		
Balance, beginning of period	**121,640**	90,618
Change in accounting policy (note 2)	**(39)**	
Net income	**6,821**	6,415
Balance, end of period	**128,422**	97,033
Cumulative distributions		
Balance, beginning of period	**(122,647)**	(91,245)
Distributions to unitholders	**(9,083)**	(7,331)
Balance, end of period	**(131,730)**	(98,576)
Contributed surplus (note 6)		
Change in accounting policy (note 2)	**39**	0
Stock-based compensation plan	**72**	0
Balance, end of period	**111**	0
Unitholders' Equity	**318,184**	248,975

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows

Period of three months ended March 31, (unaudited, in thousands of dollars, except per unit amounts)	**2004** **$**	2003 $
Operating activities		
Net income for the period	**6,821**	6,415
Items not affecting cash:		
Depreciation of income properties	**2,772**	1,042
Amortization of deferred expenses and other assets	**1,383**	1,170
Leasing costs	**0**	(474)
Stock-based compensation costs (note 6)	**72**	
Funds from operations	**11,048**	8,153
Leasing costs	**(967)**	(1,306)
Change in non-cash operating working capital items	**(10,943)**	(3,233)
	(862)	3,614
Financing activities		
Mortgages payable	**0**	22,000
Repayments of mortgages payable	**(2,133)**	(5,426)
Bank indebtedness	**0**	(4,565)
Distributions to Unitholders	**(6,053)**	(4,886)
Net proceeds from issue of units (note 6)	**777**	1,644
	(7,409)	8,767
Investing activities		
Acquisitions of income properties	**(4,773)**	(9,757)
Acquisitions of properties under development	**(6,071)**	(2,424)
Other assets	**21**	(200)
	(10,823)	(12,381)
Net change in cash and cash equivalents	**(19,094)**	0
Cash and cash equivalents, beginning of period	**33,660**	0
Cash and cash equivalents, end of period	**14,566**	0
Change in non-cash operating working capital items		
Prepaid expenses	**(3,651)**	(3,507)
Accounts receivable	**(2,090)**	(805)
Accounts payable and accrued liabilities	**(5,202)**	1,079
	(10,943)	(3,233)
Additional information		
Interest paid	**3,936**	3k937
Leasing costs unpaid	**287**	508
Acquisition of an income property by assumption of a mortgage payable	**0**	2,433
Acquisitions of income properties and properties under development unpaid	**1,895**	193
Properties under development transferred to income properties	**3,284**	838

COMINAR REAL ESTATE INVESTMENT TRUST
Notes to the consolidated financial statements

Period of three months ended March 31, 2004
(unaudited, in thousands of dollars except per unit amounts)

1. Description of the Fund
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 law of the Province of Quebec.

2. Accounting policies
Cominar 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. These accounting policies and methods of their application follow the ones used in the annual financial statements as at December 31, 2003, except for the adoption of the new recommendations described below.

3. Changes in accounting policies

Revenues recognition
On January 1st, 2004, in conformity with Section 1100 of the Canadian Institute of Chartered Accountants (CICA) handbook, "Generally Accepted Accounting Principles", rentals from leases with contractual rent increases are recognized based on the straight-line method. Previously, rentals from leases were recognized as they became due. The prospective adoption of this accounting policy resulted in an increase in the operating income from real estate assets of 344$ for the period of three months ended March 31, 2004. We expect the impact of this change in accounting policy to be approximately 1.5 million $ in 2004, but it will have no effect on the distributable income, since the reported rentals are added back to net income.

Depreciation of income properties
On January 1st, 2004, in conformity with Section 1100 of the CICA handbook, "Generally Accepted Accounting Principles", income properties are depreciated using the straight-line method over forty years so as their residual value will be fully depreciated. Previously, income properties were depreciated using the 5% 40 years sinking fund basis.

The prospective adoption of this accounting policy had the impact to increase depreciation of income properties of 1.6 million $ for the period of three months ended March 31, 2004, reducing by the way the net income for the same amount. We expect the impact of this change to be approximately 7 million $ in 2004. Meanwhile there will be no impact on the distributable income since the depreciation of income properties is added back to net income for the purpose of calculating distributable income.

Stock based compensation costs
On January 1st, 2004, Cominar retroactively applied as at January 1st, 2002, Section 3870 of the CICA handbook, "Stock-based Compensation and other Stock-based Payments". ICCA requires an expense to be recognized for all forms of employee stock-based compensation using a fair value based method. The fair value of the options granted to Cominar employees and trustees on November 14, 2003, amounts to 607$ and the stock-based compensation costs related will be amortized using the graded vesting method. Accordingly, the opening balance of the Cumulative net earnings was adjusted of 39$ without restating the published financial statements. The impact of this change in the accounting policy also had the effect to increase the Trust administrative expenses of 72$ fo the period of three months ended March 31, 2003, and will be 290$ for 2004. Net income will be reduced by the same amount, meanwhile there will be no impact on the Unitholders Equity.

4. Income properties

	As at March 31, 2004 ($)	As at December 31, 2003 ($)
Land	79,125	78,611
Income properties	464,016	456,153
	543,141	534,764
Accumulated depreciation	18,766	15,994
	524,375	518,770

5. Mortgages payable

Mortgages payable are secured by income properties, bear interest at rates varying from 4.00% to 11.00% per annum (varying from 4.50% to 11.00% as at December 31, 2003) representing a weighted average rate of 6.31% (6.31% as at December 31, 2003) and are renewable between May 2004 and January 2019.

6. Issued and outstanding units

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

During the period of three months, Cominar issued 55,046 units for a net proceeds received of $777.

Period of three months ended March 31, 2004

Units issued and outstanding, beginning of period	31,668,291
Issued from options exercised	13,500
Issued under distribution reinvestment plan	41,546
Units issued and outstanding, end of period	31,723,337

Unit option plan

Under a unit option plan, Cominar granted options to purchase units to the trustees and employees of Cominar. The maximum number of units reserved for issuance pursuant to the unit option plan is 3,160,000 units. The options are exercisable on a cumulative basis of 20% of the options after each of the five first anniversary dates of the grant (33 1/3% of the options after each three first anniversary dates of the grant for options granted before November 14, 2003). The exercise price of options equals the market price of the Cominar's units on the date of the grant and the options maximum term is seven years.

	Options	Weighted-average exercise price $
Outstanding, beginning of period	3,042,166	13.58
Exercised	13,500	10.46
Outstanding, end of period	3,028,666	13.60

			Au 31 mars 2004	
Date of grant	Maturity date	Exercise price	Outstanding options	Options exercisable
May 21, 1999	May 21, 2004	9.25	91,000	91,000
January 14, 2000	January 14, 2005	8.55	35,000	35,000
March 27, 2001	March 27, 2006	10.20	22,333	6,000
August 9, 2001	August 9,2008	11.00	170,333	40,333
November 14, 2003	November 14, 2010	14.00	2,710,000	0
			3,028,666	172,333

Stock-based compensation costs
Stock-based compensation costs related to options granted on November 14, 2003, were calculated using the Black-Scholes model for options valuation, assuming volatility of 11.7% on the underlying units, a fixed exercise price of 14$, a weighted average distribution yield of approximately 8.74% and a weighted average risk free interest rate of approximately 4.21%.

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

Distribution reinvestment plan
Cominar adopted a distribution reinvestment plan pursuant to which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. During the period, 41546 units have been issued at a wheighted average price of $15.30 pursuant to the distribution reinvestment plan.

7. 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.

Period of three months ended March 31,	2004	2003
Weighted average number of units outstanding – basic	31,690,282	26,162,648
Effect of dilutive unit options	364,572	114,186
Weighted average number of units outstanding – diluted	32,054,854	26,276,834

8. Distributable income per unit
Cominar is governed by a Contact of Trust that requires it to distribute to unitholders 85% or more of its distributable income. The distributable income generally means the net income determined in accordance with Canadian generally accepted accounting principles including adding back the depreciation of income properties and excluding the reported rentals recognized with the application of the straight line method as follows:

Period of three months ended March 31,	2004 $	2003 $
Net income for the period	6,821	6,415
Add (deduct) :		
Depreciation of income properties	2,772	1,042
Reported rentals revenues	(344)	0
Distributable income for the year	9,249	7,457
Retention of distributable income	(166)	(126)
Distribution to Unitholders	9,083	7,331
Distributable income per unit	0.292	0.285
Distributions per unit	0.285	0.280

9. Related party transactions
During the three months, Cominar entered into transactions with companies controlled by unitholders who are also members of the management of the trust. These transactions, done in the normal course of the business, have been measured at the exchange amounts and have been reflected in the financial statements as follows:

Period of three months ended March 31,	2004	2003
	$	$
Property rental revenue	395	283
Other income	127	75
Income properties and properties under development	8,304	3,569
Deferred expenses and other assets	1,069	2,227
Accounts receivable	672	193
Accounts payable and accrued liabilities	2,740	2,525

10. Subsequent event
During April 2004, Cominar acquired two industrial and mixed-use properties for a consideration of 5.5 millions paid cash.

11. Commitment
During April 2004, Cominar has entered into an agreement to purchase an office building for a consideration of 28 millions $.

12. Segment disclosures
Cominar's activities include three property types located entirely in the Province of Quebec.

The following tables show the financial information related to theses property types:

Period of three months ended March 31, 2004

	Office properties	Retail properties	Industrial and mixed-use properties	Total
	$	$	$	$
Property rental revenue	8,801	9,470	9,148	27,419
Interest on mortgages payable and bank indebtedness	1,543	1,187	1,240	3,970
Depreciation of income properties	930	1,025	817	2,772
Net operating income (1)	5,163	5,037	5,064	15,264
Income properties	162,105	199,399	162,871	524,375

Period of three months ended March 31, 2003

	Office properties	Retail properties	Industrial and mixed-use properties	Total
	$	$	$	$
Property rental revenue	7,355	8,680	7,665	23,700
Interest on mortgages payable and bank indebtedness	1,516	1,332	1,238	4,086
Depreciation of income properties	348	411	283	1,042
Net operating income (1)	4,115	4,621	4,377	13,113
Income properties	151,823	200,496	145,119	497,438

(1) Net operating income is the operating income berfore interst, depreciation and amortization.