PRESS RELEASE
For immediate release

Cominar pursues its solid growth and expansion

Excellent results for fiscal 2004

- **Distributable income rises 21.9% and total distributions paid to unitholders increase by 20.1%.**
- **The average annual return per unit, including distributions and stock market appreciation, works out to 23.7% for the last five years.**

TSX - CUF.UN

Quebec City, March 3, 2005 — For a seventh consecutive year since its inception, Cominar Real Estate Investment Trust ("Cominar" or the "REIT") achieved strong growth and further expanded through major developments and new constructions, completing several during the year, as well as six acquisitions, including five properties fully leased on a long-term basis.

For the fiscal year ended December 31, 2004, Cominar recorded **operating revenues** of $111.0 million, up from $96.6 million in 2003. This growth of 14.9% or $14.4 million reflects the acquisitions and developments completed in 2003 and 2004. **Net operating income** totalled $68.2 million, up by 17.3% or $10.1 million. Excluding changes in accounting policies with respect to the recognition of rental income on the straight-line method, the increase in operating revenues and net operating income was 13.5% and 15.0%, respectively. **Distributable income** jumped by 21.9% or $7.7 million to $43.0 million. **Distributable income per unit** reached $1.349. **Net income** stood at $31.5 million or $0.99 per unit for 2004. Excluding the impact of the new accounting policies for purposes of comparison with the previous year, **net income** stood at $37.6 million, an increase of 21.3% over $31.0 million in 2003. Net income per unit excluding the impact of these changes rose to $1.181 from $1.146 in 2003.

Cominar paid **total distributions** of $37.7 million to unitholders in 2004, up 20.1% over $31.4 million in 2003. **Distributions per unit** amounted to $1.178 (based on a weighted average of 31.9 million units), compared with $1.152 last year (27.1 million units).

Cash flows from operating activities grew by 27.4% to $49.6 million or $1.557 per unit, compared with $38.9 million or $1.439 per unit in 2003.

"Over the past five years, including distributions and stock market appreciation, unitholders have earned an average annual return per unit of 23.7%, which is a solid performance. In 2004, we further enhanced the value of our real estate portfolio by focusing on the development work at six of our properties, completing the construction of two properties on REIT sites sought by customers, and making six acquisitions matching our criteria of quality and long-term increase in value. We added a leasable area of 1.1 million square feet to the portfolio, representing a total investment of $121.4 million, including $103.8 million in 2004. At year-end, we showed a debt to gross book value of 49.3%. Four major developments currently in progress represent an investment of $44.1 million and should be completed by the close of 2005," indicated Jules Dallaire, Chairman of the Board and Chief Executive Officer.

For the fourth quarter ended December 31, 2004, excluding the impact of the new accounting policies for purposes of comparison with the fourth quarter of the previous year, **rental revenues** grew by 17.0% or $4.1 million to $28.3 million, up from $24.2 million for the same period of 2003. **Net operating income** rose 15.6% to $18.3 million. **Distributable income** was up by 7.1% at $11.2 million or $0.350 per unit. **Net income** amounted to $9.2 million or $0.289 per unit, compared with $9.4 million or $0.322 per unit for the corresponding period of 2003. Distributable income per unit and net income per unit reflect the impact of the September 17, 2004 issue of convertible debentures which yielded gross proceeds of $100 million. This impact on net income is estimated at $0.5 million or $0.015 per unit. The other factor that affected fourth-quarter results was the October 1, 2004 departure of the Zellers store which occupied about 80,000 square feet of *Les Promenades Beauport* shopping centre in Quebec City. It should be noted that Zellers' departure was anticipated upon the purchase of the shopping centre in December 2000; it enabled Cominar to undertake the second phase of this centre's development in December 2004 — a project that will significantly increase the centre's profitability. It should be mentioned that an area of 58,000 square feet is already leased by Leon's Furniture on a long-term basis; this new tenant will move into these premises in June 2005.

Fourth-quarter results — comparative financial highlights
(in thousands of dollars except amounts per unit)

	Dec.31, 2004	Dec.31, 2004*	Dec.31, 2003
Operating revenues	28,671	28,340	24,224
Net operating income	18,656	18,325	15,854
Net income	7,892	9,215	9,417
Basic net income per unit	0.246	0.287	0.322
Distributable income	11,219	11,219	10,477
Basic distributable income per unit	0.350	0.350	0.358
Weighted average number of units (000)	32,058	32,058	29,267

* Figures excluding the impact of the changes in accounting policies applicable since January 1, 2004

As at December 31, 2004, Cominar had a **property occupancy rate** of 94.8%, comparable to the average obtained since 1998.

Four developments in progress — a $44.1 million investment

Cominar currently has four development projects under way covering a total of 658,000 square feet, divided between the Greater Quebec City Area, namely the expansion and construction of the *Carrefour Charlesbourg* and *Les Promenades Beauport* shopping centres, and the Henri IV project including the construction of three industrial and mixed-use properties — and the Montreal area, namely the Highway 440 project in Laval, which also includes the construction of three industrial and mixed-use properties. These developments represent a total investment of $44.1 million and should be completed by the end of 2005. Upon their completion, Cominar will own 124 properties and about 9.6 million square feet, including 6.2 million square feet in the Quebec City area and 3.4 million square feet in the Montreal region.

<u>Outlook</u>

"We are most confident about Cominar's future, based on the strengths we have developed over the past seven years, such as the quality and segmented and geographical diversification of our income property portfolio, the skills and experience of our team, our solid financial position and our ability to perform new developments and make profitable, high-potential acquisitions. Note that Cominar has little exposure to the risk of an increase in interest rates, with loans of only $19.7 million due in 2005, and this risk remains fairly low for subsequent years. In 2005, we will reap the benefits of the developments and acquisitions completed in 2004 and 2005. We will focus on leveraging our strengths as economic conditions are expected to remain relatively favourable in the regions where the REIT operates," added Jules Dallaire.

<u>PROFILE *as at March 3, 2005*</u>

As one of the largest commercial property owners in the Greater Quebec City Area, Cominar Real Estate Investment Trust enjoys a dominant presence and significant economies of scale. Including the four constructions currently in progress, the REIT owns a diversified portfolio of **122 properties consisting of 14 office buildings, 25 retail buildings and 83 industrial and mixed-use buildings which cover a total area of approximately 9.4 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.

- 30 -

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

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Income

Years ended December 31, **[In thousands of dollars except per unit amounts]**

	2004 $	2003 $
Operating revenues		
Rental revenue from income properties *[note 3]*	**111,012**	96,577
Operating expenses		
Operating costs	**22,202**	21,083
Realty taxes and services	**19,567**	16,235
Property management expenses	**1,089**	1,174
	42,858	38,492
Operating income before the under noted	**68,154**	58,085
Interest on mortgages and bank indebtedness	**16,130**	16,898
Interest on convertible debentures	**1,928**	—
Depreciation of income properties *[note 3]*	**12,472**	4,240
Amortization of deferred expenses and other assets	**5,257**	4,636
	35,787	25,774
Operating income from real estate assets	**32,367**	32,311
Trust administrative expenses	**1,886**	1,512
Other income	**(1,054)**	(223)
Net income	**31,535**	31,022
Basic net income per unit *[note 12]*	**0.990**	1.146
Diluted net income per unit *[note 12]*	**0.981**	1.143

See accompanying notes to consolidated financial statements

COMINAR REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

As at December 31, **[In thousands of dollars]**

	2004 $	2003 $
ASSETS		
Income properties *[note 4]*	**640,889**	518,770
Properties under development *[note 5]*	**20,967**	21,486
Deferred expenses and other assets *[note 6]*	**26,736**	21,540
Prepaid expenses	**2,010**	1,901
Accounts receivable	**6,878**	5,525
Cash and cash equivalents *[note 14]*	**8,174**	33,660
	705,654	602,882
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Mortgages payable *[note 7]*	**262,247**	270,715
Convertible debentures *[note 8]*	**100,000**	—
Accounts payable and accrued liabilities	**18,388**	12,570
Distributions payable to unitholders	**3,551**	—
	384,186	283,285
Unitholders' equity		
Unitholders' contributions *[note 10]*	**328,433**	320,604
Cumulative net income	**153,136**	121,640
Cumulative distributions	**(160,353)**	(122,647)
Contributed surplus *[note 10]*	**252**	—
	321,468	319,597
	705,654	602,882

See accompanying notes to consolidated financial statements

COMINAR REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Unitholders' Equity

Years ended December 31, **[In thousands of dollars]**

	2004 $	2003 $
Unitholders' contributions		
Balance, beginning of year	**320,604**	248,874
Issue of units *[note 10]*	**7,903**	74,652
Underwriters' fees and offering expenses	**(74)**	(2,922)
Balance, end of year	**328,433**	320,604
Cumulative net income		
Balance, beginning of year	**121,640**	90,618
Change in an accounting policy *[note 3]*	**(39)**	—
Net income	**31,535**	31,022
Balance, end of year	**153,136**	121,640
Cumulative distributions		
Balance, beginning of year	**(122,647)**	(91,245)
Distributions to unitholders	**(37,706)**	(31,402)
Balance, end of year	**(160,353)**	(122,647)
Contributed surplus *[note 10]*		
Change in an accounting policy *[note 3]*	**39**	—
Unit option plan	**213**	—
Balance, end of year	**252**	—
Unitholders' equity	**321,468**	319,597

See accompanying notes to consolidated financial statements

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows

Years ended December 31, **[In thousands of dollars]**

	2004 $	2003 $
OPERATING ACTIVITIES		
Net income	**31,535**	31,022
Items not affecting cash		
Depreciation of income properties	**12,472**	4,240
Amortization of above-market leases	**56**	—
Amortization of deferred expenses and other assets	**5,257**	4,636
Leasing costs	**—**	(953)
Compensation costs related to unit option plan *[note 10]*	**289**	—
Funds from operations	**49,609**	38,945
Leasing costs	**(6,512)**	(6,554)
Change in non-cash operating working capital items *[note 14]*	**(3,261)**	3,761
	39,836	36,152
FINANCING ACTIVITIES		
Mortgages payable	**—**	52,806
Repayments of mortgages payable	**(26,530)**	(17,216)
Net proceeds from issue of convertible debentures *[note 8]*	**96,250**	—
Bank indebtedness	**—**	(33,332)
Distributions to Unitholders	**(34,155)**	(31,402)
Net proceeds from issue of units *[note 10]*	**7,753**	71,730
	43,318	42,586
INVESTING ACTIVITIES		
Acquisitions of income properties	**(95,821)**	(25,546)
Acquisitions of properties under development	**(12,551)**	(19,185)
Other assets	**(268)**	(347)
	(108,640)	(45,078)
Net change in cash and cash equivalents	**(25,486)**	33,660
Cash and cash equivalents, beginning of year	**33,660**	—
Cash and cash equivalents, end of year *[note 14]*	**8,174**	33,660

See accompanying notes to consolidated financial statements

COMINAR REAL ESTATE INVESTMENT TRUST
Notes to Consolidated Financial Statements
December 31, 2004 and 2003 **[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 laws of the Province of Québec.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cominar's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles.

Consolidation

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

Use of estimates

The preparation of financial statements in conformity with Canadian 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.

Revenue recognition

Rental revenue from income properties includes rents 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 based on the straight-line method.

Income properties and properties under 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 tenant improvements.

Depreciation of buildings is recorded using the straight-line method in order to fully amortize the cost of buildings over 40 years.

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

Properties under 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 all expenses during the development period.

2. SIGNIFICANT ACCOUNTING POLICIES [Continued]

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 within a predetermined time limit.

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. Financing costs are deferred and amortized on the straight-line basis over the terms of the related loans.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short term 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 10. Cominar recognizes compensation expense when unit options are granted to trustees 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, if dilutive, and is calculated using the treasury stock method.

3. CHANGES IN ACCOUNTING POLICIES

Revenue recognition

As of January 1, 2004, in accordance 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 in income 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 net income of $1,360 for the year ended December 31, 2004. This change in accounting policy had no effect on distributable income, since deferred rentals are added back to net income.

3. CHANGES IN ACCOUNTING POLICIES [Continued]

Depreciation of income properties

As of January 1, 2004, in accordance with Section 1100 of the CICA Handbook, "Generally Accepted Accounting Principles", income properties are depreciated using the straight-line method in order to fully depreciate their residual value over a forty-year term. Previously, income properties were depreciated using the sinking fund basis at the rate of 5%. The prospective adoption of this accounting policy increased depreciation of income properties by $7,120 for the year ended December 31, 2004, thereby reducing net income by the same amount. However, there was no impact on distributable income since the depreciation of income properties is added back to net income for the purpose of calculating distributable income.

Unit-based compensation costs

As of January 1, 2004, Cominar retroactively applied as at January 1, 2002, Section 3870 of the CICA Handbook, "Stock-based Compensation and other Stock-based Payments." The CICA now 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 13, 2003, amounts to $607 and the stock-based compensation costs related are amortized using the graded vesting method. Accordingly, the opening balance of cumulative net income was adjusted by $39 without restatement of prior financial statements. The application of this change in accounting policy also had the effect of increasing Trust administrative expenses by $289 and reduced net income by the same amount for the year ended December 31, 2004. However, there was no impact on the unitholders' equity.

Acquisitions of income properties

As of September 12, 2003, Cominar prospectively applied EIC-140 of the CICA Handbook, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination." In accordance with this Abstract, the CICA now 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 value of customer relationships and the fair value of leasehold improvements. This allocation is based on management assumptions and estimates. These intangible assets are included in income properties and are amortized on a straight-line basis over the terms of the related leases. Previously, no value was allocated to these intangible assets. The adoption of this Abstract accelerated the depreciation of income properties, but had no impact on distributable income.

This accounting policy has been applied to acquisitions made during the year ended December 31, 2004. Of the acquisition cost of the current financial year, Cominar allocated $7,474 to the estimated fair value of the acquired intangible assets.

4. INCOME PROPERTIES

	2004 $	**2003** $
Land	**87,533**	78,611
Buildings	**574,404**	456,153
Intangible assets	**7,474**	—
	669,411	534,764
Accumulated depreciation and amortization	**28,522**	15,994
	640,889	518,770

5. PROPERTIES UNDER DEVELOPMENT

During the year, Cominar capitalized $1,172 [$491 in 2003] in interest to properties under development, some of which are classified in income properties at year-end.

6. DEFERRED EXPENSES AND OTHER ASSETS

	2004 $	2003 $
At amortized cost		
Leasing costs	**21,658**	20,312
Financing costs	**4,442**	452
Other assets	**636**	776
	26,736	21,540

7. MORTGAGES PAYABLE

Mortgages payable are secured by income properties stated at a net book value of $375 595 They bear interest at rates ranging from 4.25% to 11.00% per annum [4.50% to 11.00% in 2003] representing a weighted-average year-end rate of 6.32% [6.31% in 2003] and are renewable at various dates from May 2005 to January 2019.

Mortgage repayments are as follows:

	Principal repayments $	Balance at maturity $	Total $
Years ending December 31,			
2005	9,308	10,361	19,669
2006	9,340	31,664	41,004
2007	7,646	43,162	50,808
2008	3,025	115,186	118,211
2009	2,382	—	2,382
2010 and thereafter	15,567	14,606	30,173
	47,268	214,979	262,247

Mortgages payable having fixed rates amount to $239,888 [$247,208 in 2003] and those having variable rates amount to $22,359 [$23,507 in 2003].

8. CONVERTIBLE DEBENTURES

On September 17, 2004, Cominar completed a public offering of 100,000 convertible unsecured subordinated debentures, bearing interest at the annual rate of 6.30%, for total gross proceeds of $100,000. The debentures mature on June 30, 2014 and interest is paid semi-annually on June 30 and December 31. Each debenture is convertible into units of Cominar at the holder's option at any time prior to the earlier of the maturity date and the last business day immediately preceding the date specified by Cominar for redemption at a conversion price of $17.40 per unit. The debentures are not redeemable before June 30, 2008. On or after June 30, 2008 and prior to June 30, 2010, the debentures may be redeemed in whole or in part at Cominar's option at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted-average trading price of the units on the Toronto Stock Exchange (TSX) for a period of 20 consecutive days exceeds 125% of the conversion price. Subsequent to June 30, 2010 and prior to the maturity date, the debentures may be redeemed in whole or in part at Cominar's option at a price equal to their principal amount plus accrued and unpaid interest.

8. CONVERTIBLE DEBENTURES [Continued]

Cominar may satisfy its obligation to repay principal of the debentures by issuing units of Cominar. In the event that Cominar elects to satisfy its obligation by repaying the principal with units of the Trust, it must issue units equal to 95% of the volume-weighted-average trading price of the units on the TSX during the period of 20 consecutive trading days ending on the fifth trading day preceding scheduled redemption date or the maturity date.

In accordance with the CICA Handbook Section 3860, convertible debentures have been recorded as liabilities on the balance sheet and interest has been charged to interest on convertible debentures on the statement of income. Debentures issue costs are amortized to interest on convertible debentures over a 10-year period and recorded under interest on convertible debentures. As the valuation of the unitholders' equity component of the conversion option did not have a material impact on the Cominar's consolidated results, the debentures have been recorded in whole as liabilities.

9. BANK INDEBTEDNESS

Cominar has a number of operating and acquisition credit facilities of up to $65,865 [$35,865 in 2003]. These credit facilities, subject to annual renewal, bear interest between prime rate and prime rate plus 0.50% [0.50% in 2003]. Certain credit facilities totalling $62,865 [$32,865 in 2003] are secured by movable and immovable hypothecs on specific assets. As at December 31, 2004, the prime rate was 4.25% [4.50% in 2003].

10. 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 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.

During the year, Cominar issued 616,118 units for net proceeds received of $7,753 [5,546,872 units for net proceeds received of $71,730 in 2003].

	2004	**2003**
Units issued and outstanding, beginning of year	**31,668,291**	26,121,419
Issued on November 13, 2003 [at $13.80 per unit]	—	5,000,000
Issued from options exercised	**479,166**	451,367
Issued under distribution reinvestment plan	**136,952**	95,505
Units issued and outstanding, end of year	**32,284,409**	31,668,291

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 under the terms of the 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 of the three first anniversary dates of the grant for options granted before November 13, 2003]. The exercise price of options equals the market price of Cominar's units on the date of the grant, and the options have a maximum term of seven years.

10. ISSUED AND OUTSTANDING UNITS [Continued]

	2004		2003	
	Options	Weighted-average exercise price $	Options	Weighted-average exercise price $
Outstanding, beginning of year	**3,042,166**	**13.58**	799,533	9.90
Exercised	**(479,166)**	**12.09**	(451,367)	9.66
Granted	—	—	2,710,000	14.00
Cancelled	—	—	(16,000)	11.00
Outstanding, end of year	**2,563,000**	**13.86**	3,042,166	13.58
Options exercisable, end of year	**395,000**	**13.11**	185,833	9.62

			2004	
Date of grant	Maturity date	Exercise price $	Outstanding options	Options exercisable
March 27, 2001	March 27, 2006	10.20	**4,000**	**4,000**
August 9, 2001	August 9, 2008	11.00	**111,500**	**111,500**
November 13, 2003	November 13, 2010	14.00	**2,447,500**	**279,500**
			2,563,000	**395,000**

Unit-based compensation plan

The compensation costs associated with the options granted on November 13, 2003, were calculated using the Black-Scholes option pricing model, 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%.

Compensation costs are amortized using the graded vesting method.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options and awards which have 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 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 and employees.

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under to which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants a number of units amounting to 105% of the cash distribution. During the year, 136,952 units [95,505 in 2003] were issued at a weighted-average price of $15.07 [$13.52 in 2003] pursuant to the distribution reinvestment plan.

11. 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.

The carrying value of Cominar's net assets as at December 31, 2004 exceeds the tax basis by approximately $64 600 [$52 800 as at December 31, 2003].

12. 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.

	2004 $	**2003** $
Weighted-average number of units outstanding - basic	**31,868,876**	27,063,868
Effect of dilutive unit options	**275,083**	82,944
Weighted-average number of units outstanding - diluted	**32,143,959**	27,146,812

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

13. DISTRIBUTABLE INCOME PER UNIT

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 the net income determined in accordance with Canadian generally accepted accounting principles ("GAAP") excluding the depreciation of income properties and the amortization of above-market leases, compensation costs related to unit options and deferred rentals recognized by the application of the straight-line method of accounting for contractual rent increases.

Distributable income is not a GAAP measurement and is not an alternative to net earnings determined in accordance with GAAP to assess Cominar's performance. Cominar's method of calculating distributable income may differ from that used by other trusts and accordingly, comparisons may be inappropriate.

Distributable income has been calculated under to the Contract of Trust as follows:

	2004 $	**2003** $
Net income for the year	**31,535**	31,022
Add		
Depreciation of income properties	**12,472**	4,240
Amortization of above-market leases	**56**	—
Compensation costs related to unit options	**289**	—
Deferred rentals	**(1,360)**	—
Distributable income for the year	**42,992**	35,262
Retention of distributable income	**(5,286)**	(3,860)
Distributions to unitholders	**37,706**	31,402
Distributable income per weighted-average unit	**1.349**	1.303
Distributions per unit	**1.178**	1.152
Payout ratio	**87.3%**	88.4 %

14. SUPPLEMENTAL CASH FLOWS INFORMATION

Cash and cash-equivalents include the followings:

	2004 $	2003 $
Cash [including $1,291 bearing interest at 1.25%] [$10,795 at 2.50% in 2003]	**2,787**	12,673
Short-term investment, 2.40% [2.65% and 2.68% in 2003], maturing in January 2005	**5,387**	20,987
	8,174	33,660

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

	2004 $	2003 $
Prepaid expenses	**(109)**	(330)
Accounts receivable	**(1,353)**	(1,076)
Accounts payable and accrued liabilities	**(1,799)**	5,167
	(3,261)	3,761
Additional information		
Interest paid	**17,798**	16,342
Unpaid leasing costs	**418**	495
Acquisitions of income properties and properties under development by assumption of mortgages payable	**18,062**	11,134
Unpaid acquisitions of income properties and properties under development	**9,279**	1,585
Properties under development transferred to income properties	**17,578**	1,098

15. 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 amounts and have been reflected in the financial statements as follows:

	2004 $	2003 $
Rental revenue from income properties	**1,295**	1,542
Other income	**572**	698
Income properties and properties under development	**33,399**	21,214
Deferred expenses and other assets	**5,084**	7,503
Accounts receivable	**829**	605
Accounts payable and accrued liabilities	**10,714**	2,484

16. 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 and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are described in notes 7, 8 and 9 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, accounts payable and accrued liabilities and distribution payable to unitholders, approximated the carrying value as at December 31, 2004 due to their short-term nature.

As at December 31, 2004, the fair value of mortgages payable exceeded the carrying value by approximately $7,379 [$4,800 as at December 31, 2003] 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, 2004, the fair value of convertible debentures approximates their carrying value in light of current market rates for debentures with similar terms and maturities.

17. SEGMENTED INFORMATION

Cominar's activities include three property types located entirely in the Province of Québec. The accounting policies followed by each property type are the same as those disclosed in the significant accounting policies. The following table indicates the financial information related to these property types:

	2004			
	Office properties $	**Retail properties** $	**Industrial and mixed use properties** $	**Total** $
Rental revenue from income properties	**38,457**	**37,701**	**34,854**	**111,012**
Depreciation of income properties	**4,623**	**4,213**	**3,636**	**12,472**
Net operating income [(1)]	**23,668**	**22,164**	**22,322**	**68,154**
Income properties	**249,400**	**202,008**	**189,481**	**640,889**
Acquisitions of income properties	**91,058**	**6,440**	**37,093**	**134,591**

17. SEGMENTED INFORMATION [Continued]

	2003			
	Office properties $	Retail properties $	Industrial and mixed use properties $	Total $
Rental revenue from income properties	30,914	35,637	30,026	96,577
Depreciation of income properties	1,476	1,602	1,162	4,240
Net operating income (1)	18,362	20,641	19,082	58,085
Income properties	162,965	199,781	156,024	518,770
Acquisitions of income properties	12,581	6,424	18,310	37,315

(1) Net operating income is operating income before interest, depreciation, amortization, Trust administrative expenses and other income.