QUARTERLY REPORT

Quarter ended March 31, 2007
May 14, 2007

Cominar Real Estate Investment Trust

COMINAR

FIRST QUARTER
MARCH 31, 2007

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MESSAGE TO UNITHOLDERS

We are pleased to present the financial results of Cominar Real Estate Investment Trust for the first quarter ended March 31, 2007. Detailed explanations about our results and financial position are provided in the management's discussion and analysis, followed by comparative interim consolidated financial statements and accompanying notes.

The first quarter of 2007 marked a turning point for Cominar. In February 2007, after several months of hard work and unexpected upheavals, we entered into an agreement with Homburg Invest Inc. pursuant to which we agreed to acquire the industrial and office portfolio of Alexis Nihon Real Estate Investment Trust for a consideration of $592 million.

This acquisition, which is scheduled to close in late May 2007, will make Cominar one of the largest commercial property owners and managers in Quebec, with assets of over $1.4 billion. It should also bring added benefits for the REIT's unitholders considering the size and diversification of our real estate portfolio.

Subsequent to this transaction, Cominar's portfolio will include some 200 office, retail and industrial and mixed-use properties covering a leasable area of approximately 17 million square feet in the Quebec City, Montreal and Gatineau/Ottawa regions.

In upcoming quarters, we intend to focus every effort on integrating the new portfolio while applying our hands-on real estate experience to enhance occupancy rates, average rents and cash flows, which will also contribute to create added unitholder value over the long term.

Furthermore, we entered fiscal 2007 with a portfolio positioned to achieve an optimal performance in the current economic environment, with several development projects in progress, a strong balance sheet and a dedicated and motivated team.

Revenue totalled $35.4 million for the first quarter ended March 31, 2007, up 8.7% over the corresponding period of 2006. Net operating income amounted to $19.8 million, an increase of 8.1% over the first quarter of the previous year. Recurring distributable income grew to $11.6 million from $10.3 million in the corresponding period of 2006, an increase of 12.6%.

During the first quarter, we acquired six income properties totalling 0.3 million square feet of leasable space and representing an investment of approximately $29 million. We also completed a development project representing a leasable area of over 106,000 square feet and a $6.2 million investment. We currently have six development projects at different stages of advancement totalling 0.5 million square feet of leasable space and an investment of approximately $33 million. All these projects have much higher capitalization rates than the current market average for similar properties.

At the end of the first quarter, our real estate portfolio's occupancy rate remained high at 94.8%.

Subsequent to March 31, 2007, we completed a $250.5 million issue of subscription receipts and convertible debentures. The net proceeds from the issue will be used, among others, to partially finance the acquisition of the Alexis Nihon properties and to repay certain loans.

I also wish to reiterate that the Dallaire family remains committed to Cominar. We purchased some 1.5 million subscription receipts pursuant to the aforementioned issue, for an investment of approximately $35 million, thereby ensuring that our interest in the REIT is maintained at about 20%.

In conclusion, I would like to sincerely thank our Board of Trustees for their great availability and wise counsel over the past months; I also express my gratitude to our management team and employees for their commitment. Considering our portfolio, the imminent acquisition of the Alexis Nihon properties, our real estate know-how, our solid financial position and the strength of our team, we are confident we will continue to provide our unitholders with a growing return on their investment.

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

May 14, 2007

INTRODUCTION

The terms "Cominar", the "REIT", the "Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Cominar Real Estate Investment Trust. This MD&A is provided to enable a reader to assess our results of operations, financial condition and future prospects for the quarter ended March 31, 2007, compared to the preceding corresponding quarter. This MD&A should be read in conjunction with our Consolidated Financial Statements and related notes and is dated May 14, 2007. All amounts are in Canadian dollars and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Additional information about us, including our Annual Information Form, is available on our website at www.cominar.com and on the Canadian Securities Administrators' ("CSA") website at www.sedar.com.

The interim consolidated financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA"). In compliance with National Instrument 51-102 of the Canadian Securities Authorities, we hereby notify readers that the interim consolidated financial statements for the quarters ended March 31, 2007 and 2006 have not been examined by Cominar's auditors.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2007 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general business and economic conditions in Canada, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate acquisitions successfully, our ability to attract and retain key employees and executives, the financial position of tenants, our ability to refinance our debts upon maturity and to lease vacant space, as well as changes in interest rates.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. We do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

Additional information about these factors can be found in the Risks and Uncertainties section of this MD&A.

NON-GAAP FINANCIAL MEASURES

We issue guidance on and report on certain non-GAAP measures, including "net operating income", "distributable income", "funds from operations" and "adjusted funds from operations", that we use to evaluate our performance. Because non-GAAP measures do not have a standardized meaning and may differ from other issuers', securities regulations require that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure. You may find such information in the sections dealing with these financial measures.

OUR MD&A AT A GLANCE

For the quarters ended March 31 (in thousands of dollars, except per-unit amounts)

	2007	2006
FINANCIAL DATA		
Operating revenues	**$35,434**	$32,603
Net operating income	**19,826**	18,341
Recurring net income	**7,324**	6,718
Recurring distributable income	**11,608**	10,272
Recurring funds from operations	**13,616**	12,170
Recurring adjusted funds from operations	**11,403**	11,212
Cash distributions	**11,378**	10,020
Distributable income payout ratio	**98.7%**	104.1%
Debt ratio	**47.3%**	45.4%
Acquisition capacity @ 55% debt level	**155,000**	88,000
Interest coverage ratio	**3.41**	3.01
Total assets	**844,514**	786,455
Per-unit data:		
Recurring distributable income (basic)	**0.31**	0.31
Recurring distributable income (FD) (1)	**0.31**	0.30
Recurring funds from operations (FD) (1)	**0.36**	0.35
Recurring adjusted funds from operations (FD) (1)	**0.30**	0.33
Cash distributions	**0.306**	0.302
OPERATIONAL DATA		
Number of properties	**145**	129
GLA (2) (in thousands of sq. ft.)	**10,474**	9,741
Occupancy rate	**94.8%**	95.1%
Same-property net operating income growth	**2.0%**	3.2%
ACQUISITION/DEVELOPMENT HIGHLIGHTS		
Acquisitions		
Number of properties	**6**	1
GLA (2) (in thousands of sq. ft.)	**283,661**	217,000
Total investment	**28,980**	7,505
Weighted average capitalization rate of acquisitions	**9.2%**	9.4%
Developments completed		
Number of properties	**1**	1
GLA (2) (in thousands of sq. ft.)	**106,500**	45,000
Total investment	**6,200**	2,800
Weighted average capitalization rate of developments completed	**10.1%**	10.5%
Ongoing and upcoming developments		
Number of properties	**6**	12
GLA (2) (in thousands of sq. ft.)	**457,479**	736,485
Total investment	**33,000**	48,300
Weighted average capitalization rate of properties under development	**9.7%**	10.0%

(1) Fully diluted

(2) Gross leasable area

EXECUTIVE SUMMARY

Cominar Real Estate Investment Trust is an unincorporated closed-end investment trust created by a Contract of Trust and governed by the laws of the Province of Quebec. The Trust's units are publicly traded on the Toronto Stock Exchange (TSX).

We are one of the largest owners and managers of commercial properties in the Province of Quebec. We own a high-quality portfolio of 145 properties (1) in the Greater Montreal, Quebec City and Ottawa/Gatineau areas totalling 10.5 (1) million square feet. Our property portfolio is evenly divided among office buildings, retail properties and industrial and mixed-use buildings. Each sector of activity contributes to Cominar's results in roughly the same proportions.

Through a series of acquisitions, construction projects and developments made since the Fund's creation in 1998, leasable space in our property portfolio has more than tripled. The gross book value of our real estate assets rose from $244.6 million in 1998 to $908.7 million as at March 31, 2007.

Our asset and property management is internalized and we are a fully integrated, self-managed real estate investment trust. In this way, we are not subject to any third-party management contracts or property management fees, which we believe reduces the potential for conflict between the interests of management and the Trust. This fully internalized management structure ensures the interests of management and employees are aligned with those of unitholders and results in improved financial performance for Cominar.

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the quarters ended March 31, 2007 and 2006. It should be read in conjunction with our financial statements.

For the quarters ended March 31 (in thousands of dollars, except per-unit amounts)

	2007	2006	% Change
Operating revenues	**35,434**	32,603	8.7
Operating expenses			
Operating costs	**7,822**	7,252	7.9
Realty taxes and services	**7,564**	6,718	12.6
Property management expenses	**222**	292	(23.9)
Total operating expenses	**15,608**	14,262	9.4
Net operating income (1)	**19,826**	18,341	8.1
Interest on borrowings	**5,631**	5,710	(1.4)
Depreciation of income properties	**4,620**	3,883	19.0
Amortization of deferred leasing costs	**1,672**	1,547	8.1
Amortization of other assets	**50**	45	
	11,973	11,185	7.0
Operating income from real estate assets	**7,853**	7,156	9.7
Trust administrative expenses	**621**	573	8.4
Other revenues	**92**	48	
Unusual item (2)	**-**	554	
Net income from continuing activities	**7,324**	6,077	20.5
Net income from discontinued activities	**-**	87	
Net income	**7,324**	6,164	18.8
Net income per unit (basic)	**0.198**	0.187	5.9
Net income per unit (diluted)	**0.195**	0.184	6.0

(1) Net operating income is defined on page 8 of this MD&A.

(2) Cominar incurred non-recurring expenses in the amount of $554 in the first quarter of 2006 in connection with its offer for Alexis Nihon Real Estate Investment Trust.

(1) As at May 14, 2007.

It should be noted that the amounts reported above for the first quarter of 2006 have been adjusted to remove revenues and costs related to properties classified as "discontinued operations" since that period. The revenues and costs have been included in discontinued operations, in accordance with GAAP.

Operating Revenues

Overall, we achieved strong operating results in the first quarter of 2007. The 8.7% increase in operating revenues is due mainly to revenues generated by the acquisition and integration of new properties since the corresponding quarter of 2006 and the strong performance of our existing portfolio.

Approximately 62.7% of our revenue increase in the first quarter of 2007 was derived from acquisitions and the development of new properties completed in 2006, while 37.3% came from our existing portfolio. Our existing portfolio (or same property) is defined as all properties owned by Cominar as at December 31, 2005, and, therefore, does not take into account the impact on performance of acquisitions and developments completed during 2006 and 2007.

OPERATING REVENUES

For the quarters ended March 31 (in thousands of dollars)

	2007	2006	% Change
Same property	**32,124**	31,067	3.4
Acquisitions and developments	**3,310**	1,536	
Total operating revenues	**35,434**	32,603	8.7

Overall, our same-property portfolio performed extremely well during the first quarter of 2007, with revenue growth of 3.4% over the first quarter of 2006, due to price increases in existing leases and increases in rental rates upon renewal or in new leases, as a result of the high quality of our properties, combined with the sustained growth in our markets.

Operating Expenses

First-quarter operating expenses were up from the previous corresponding quarter due primarily to the increase in the size of the property portfolio following property acquisitions and developments. As a percentage of total revenues, overall operating expenses were at the same level as in the first quarter 2006 (44% of operating revenues), which attests to our ability to contain our operating expenses.

OPERATING EXPENSES

For the quarters ended March 31 (in thousands of dollars)

	2007	2006	% Change
Same property	**14,423**	13,716	5.2
Acquisitions and developments	**1,185**	546	
Total operating expenses	**15,608**	14,262	9.4

The increase in operating expenses for our existing portfolio is mainly attributable to the rise in property taxes which are recovered from tenants.

Net Operating Income

Although Net Operating Income ("NOI") is not a measure defined by GAAP, it is widely used in the real estate industry to assess operating performance. We define it as operating income, before interest on borrowings, depreciation of income properties, amortization of deferred leasing costs and other assets, Trust administrative expenses, other revenues and unusual items. It may not, however, be comparable to similar measures presented by other real estate investment trusts or companies.

NOI for the first quarter of 2007 increased by 8.1% while our NOI margin remained stable at 56.0% of total revenues, down slightly from the same period a year earlier, but still one of the highest margins among Canadian REITs.

NET OPERATING INCOME

For the quarters ended March 31 (in thousands of dollars)

	2007	2006	% Change
Same property	**17,701**	17,351	2.0
Acquisitions and developments	**2,125**	990	
Total NOI	**19,826**	18,341	8.1
NOI margin	**56.0%**	56.3%	

Same-property NOI increased by 2.0% over the first quarter of 2006, thanks mainly to our rigorous management of operating expenses, the rise in rents on lease renewals and rent increases set forth in our existing leases.

Interest on Borrowings

The 1.4% decline in interest on borrowings for the first three months of 2007 reflects the slight decrease in the weighted average interest rate and the conversion of a large number of convertible debentures during the year. However, given the fact that interest of $457,000 was capitalized in the first quarter of 2007 versus $324,000 in 2006, the actual increase in interest on borrowings was only $54,000.

INTEREST ON BORROWINGS

For the quarters ended March 31 (in thousands of dollars)

	2007	2006	% Change
Mortgages and bank indebtedness	**5,367**	5,175	3.7
Convertible debentures	**582**	730	(20.3)
Amortization of borrowing costs	**139**	129	7.8
Total	**6,088**	6,034	
- Capitalized interest	**(457)**	(324)	(41.0)
Total	**5,631**	5,710	(1.4)

Depreciation of Income Properties

Depreciation increased by 19.0% in the first quarter of 2007 compared to the previous corresponding quarter due to the growth in our property portfolio.

Amortization of Deferred Leasing Costs

Amortization increased by 8.1% in the first quarter of 2007, also due to the growth in our property portfolio.

Discontinued Operations

In accordance with CICA Handbook Section 3475, the results of operations of sold properties must be reported as a distinct component of net income for the fiscal year in which the sale took place as well as for previous fiscal years. Consequently, net income related to a property sold in December 2006 is presented as discontinued operations.

Net Income

For comparative purposes, net income for the quarters ended March 31, 2007 and 2006 presented below has been adjusted to exclude non-recurring items, i.e., expenses of $554,000 incurred in the first quarter of 2006 in connection with our offer for Alexis Nihon Real Estate Investment Trust.

The following table presents the net income calculations, taking into consideration this adjustment:

NET INCOME

For the quarters ended March 31 (in thousands of dollars, except per-unit amounts)

	2007	2006 (1)
Net income	**7,324**	6,164
+ Unusual item (2)	-	554
Recurring net income	**7,324**	6,718
Recurring net income per unit (basic)	**0.20**	0.20
Recurring net income per unit (diluted)	**0.20**	0.20

(1) Fiscal 2006 information has been reclassified to conform to the disclosure requirements for discontinued operations (see note 23 to the consolidated financial statements).

(2) Cominar incurred non-recurring expenses of $554 in the first quarter of 2006 in connection with its offer for Alexis Nihon Real Estate Investment Trust.

SEGMENTED INFORMATION

We strive to maintain a balance between our three sectors of activity so that each sector contributes approximately one-third to our total net operating income. As shown below, the three sectors brought relatively similar contributions to net operating income in the first quarter of 2007 and the first quarter of 2006.

For the quarters ended March 31 (in thousands of dollars)

Sector of Activity	**2007**	2006	**2007**	2006
Office	**7,088**	6,564	**35.8%**	35.8%
Retail	**5,828**	5,501	**29.4%**	30.0%
Industrial and mixed-use	**6,910**	6,276	**34.8%**	34.2%
Total NOI	**19,826**	18,341	**100.0%**	100.0%

Office Sector

The office sector showed strong growth of 8.0% in net operating income in the first quarter of 2007. The increase is due to the November 2006 acquisition of a 133,000-square-foot office property in the Montreal region, coupled with rent increases upon lease renewals and higher rents related to new leases.

For the quarters ended March 31 (in thousands of dollars)

	2007	2006	% Change
Operating revenues	**12,434**	11,361	9.4
Operating expenses	**5,346**	4,797	11.4
NOI – Office sector	**7,088**	6,564	8.0
NOI margin – Office sector	**57.0%**	57.8%	

Retail Sector

Net operating income in the retail sector was up 5.9% in the first quarter of 2007 over the first quarter of 2006. More than half of this increase is due to the acquisitions made in this sector at the end of 2006.

For the quarters ended March 31 (in thousands of dollars)

	2007	2006	% Change
Operating revenues	**10,692**	10,069	6.2
Operating expenses	**4,864**	4,568	6.5
NOI – Retail sector	**5,828**	5,501	5.9
NOI margin – Retail sector	**54.5%**	54.6%	

Industrial and Mixed-Use Sector

The industrial and mixed-use sector performed extremely well in the first quarter of 2007, registering a 10.2% increase in net operating income. Operating revenues were up 10.2%, while the increase in operating expenses was equivalent, i.e. 10.2%. More than two-thirds of the increase in revenues is due to the acquisitions and development projects completed in 2006 and the first three months of 2007.

For the quarters ended March 31 (in thousands of dollars)

	2007	2006	% Change
Operating revenues	**12,308**	11,173	10.2
Operating expenses	**5,398**	4,897	10.2
NOI – Industrial sector	**6,910**	6,276	10.2
NOI margin – Industrial sector	**56.1%**	56.2%	

DISTRIBUTABLE INCOME AND CASH DISTRIBUTIONS

Although the concept of "distributable income" ("DI") is not a financial measure defined under GAAP, it is a measure widely used in the field of income trusts. We consider DI an excellent tool for assessing Cominar's operating performance. DI generally corresponds to net income established in accordance with GAAP, excluding depreciation of income properties, amortization of above-market leases, compensation costs related to unit options, deferred rentals and gains or losses on sale of real estate assets. Under the Contract of Trust governing Cominar, the annual total of monthly distributions paid to unitholders must represent at least 85% of annual DI.

The table below presents the DI and recurring distributable income ("RDI") calculations as well as a reconciliation with net income calculated in accordance with GAAP:

DISTRIBUTABLE INCOME

For the quarters ended March 31 (in thousands of dollars, except per-unit amounts)

	2007	2006
Net income	**$7,324**	$6,164
+ Depreciation of income properties	**4,620**	3,905
+ Amortization of above-market leases	**30**	30
+ Compensation costs related to unit option plan	**49**	31
- Deferred rentals	**(415)**	(412)
DI	**11,608**	9,718
+ Unusual item (1)	**-**	554
RDI	**11,608**	10,272
Cash distributions	**11,378**	10,020
Per-unit amounts:		
DI (basic)	**0.31**	0.29
DI (FD) (2)	**0.31**	0.29
RDI (basic)	**0.31**	0.31
RDI (FD) (2)	**0.31**	0.30
Cash distributions	**0.306**	0.302
DI payout ratio	**98.7%**	104.1%
RDI payout ratio	**98.7%**	97.4%

(1) Cominar incurred, in the first quarter of 2006, $554 in non-recurring expenses in connection with its offer for Alexis Nihon Real Estate Investment Trust.

(2) Fully diluted

Basic DI per unit increased by 6.9% due mainly to the positive impact of accretive acquisitions and developments completed since the beginning of 2006. Fully diluted RDI per unit increased from $0.30 to $0.31, a 3.3% increase.

Per-unit distributions rose from $0.302 in the first quarter of 2006 to $0.306 in the corresponding period of 2007, while the RDI payout ratio stood at 98.7% for the first quarter of 2007, compared with 97.4% for the first quarter of 2006.

In accordance with CSA Staff Notice 52-306 (Revised) "Non-GAAP Financial Measures", the Trust is required to reconcile DI with cash flows from operating activities. The table below presents this reconciliation:

For the quarters ended March 31 (in thousands of dollars)

	2007	2006
Cash flows from operating activities	**11,615**	5,143
- Deferred rentals	**(415)**	(412)
- Amortization of deferred leasing costs	**(1,672)**	(1,547)
- Amortization of deferred financing costs and other assets	**(189)**	(175)
+ Change in non-cash operating working capital items	**2,269**	6,709
DI	**11,608**	9,718

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of our consolidated balance sheet as at March 31, 2007 and December 31, 2006:

SELECTED CONSOLIDATED BALANCE SHEET DATA

(in thousands of dollars)

	March 31, 2007	Dec. 31, 2006
Income properties	**758,546**	711,441
Properties under development and land held for future development	**33,341**	24,232
Other	**52,627**	50,782
Total assets	**844,514**	786,455
Mortgages payable	**300,247**	270,142
Convertible debentures	**31,477**	39,984
Bank indebtedness	**98,386**	73,616
Other	**29,436**	25,705
Total liabilities	**459,546**	409,447

Long-Term Debt

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

As at March 31, 2007 (in thousands of dollars)

	Debt Balance ($)	**Weighted Average Interest Rate (%)**
2007	43,508	6.52
2008	119,266	6.06
2009	6,124	6.00
2010	1,344	5.46
2011	-	-
2012 and after (1)	165,205	6.14
Total	335,447	6.16
Less: Unamortized financing costs	(3,723)	
	331,724	

(1) Includes $34.6 million in convertible debentures maturing in 2014.

Mortgages Payable

As at March 31, 2007, our mortgages payable amounted to $300.2 million, compared with $270.1 million as at December 31, 2006. This 11.1% increase is attributable to the financing of our recent acquisitions.

At the same date, the weighted average mortgage rate was 6.14%, down slightly from 6.24% on December 31, 2006. Cominar has staggered its mortgage expiry dates over a number of years to reduce the risks related to renewal. In 2007, $42.8 million in mortgages will be up for renewal. Cominar does not foresee any difficulty refinancing these mortgages as they mature.

The table below shows mortgage repayments for the upcoming fiscal years:

MORTGAGE REPAYMENTS

Years ending December 31 (in thousands of dollars)

	Payment of Principal	Balance at Maturity	Total	% of Total	Weighted Average Interest Rate (%)
2007	6,916	42,846	49,762	16.5	6.52
2008	5,198	114,736	119,934	39.9	6.06
2009	3,983	5,276	9,259	3.1	6.00
2010	4,107	1,192	5,299	1.8	5.46
2011	4,368	-	4,368	1.5	-
2012	4,325	7,453	11,778	3.9	7.74
2013	3,281	4,841	8,122	2.7	7.33
2014	3,115	2,022	5,137	1.7	6.35
2015	3,160	-	3,160	1.1	-
2016 and after	17,989	66,013	84,002	27.8	5.79
Total	**56,442**	**244,379**	**300,821**	**100.0**	**6.14**
Less : Unamortized financing costs			(574)		
Balance as per financial statements as at March 31, 2007			**300,247**		

Convertible Debentures

As a result of the significant increase in Cominar's unit price since the convertible debentures were issued in September 2004, a large number of convertible debentures have been converted into units since the issue. Of the original $100 million issue, only $34.6 million remained outstanding as at March 31, 2007.

Bank Indebtedness

As at March 31, 2007, Cominar had operating and acquisition facilities of over $118 million, renewable annually, with interest rates set at 0.00% to 0.50% above prime. They were secured by movable and immovable hypothecs on specific assets. These credit facilities are provided by two different financial institutions, and management has reason to believe they will remain available in the future. As at March 31, 2007, bank indebtedness totalled $98.4 million.

Debt Ratios

Since Cominar's inception, we have managed our debt and used leverage cautiously. We prefer to keep our debt ratio at or below 55% of our property portfolio's gross book value, although our Contract of Trust permits up to 60%. The following tables present our debt to gross book value and interest coverage ratios as at March 31, 2007 and December 31, 2006:

DEBT TO GROSS BOOK VALUE RATIO

(in thousands of dollars)

	March 31, 2007	December 31, 2006
Mortgages payable	**300,247**	270,142
Convertible debentures	**31,477**	39,984
Bank indebtedness	**98,386**	73,616
Total long-term debt	**430,110**	383,742
Portfolio gross book value	**908,669**	845,960
Debt ratio (1) (2)	**47.3%**	45.4%
Borrowing power		
55% of gross book value	**155,000**	177,500
60% of gross book value	**288,000**	305,000

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

(2) This ratio is not defined by GAAP and may differ from those of other entities.

As shown above, our debt ratio as at March 31, 2007 stood at 47.3%, above that as at December 31, 2006. This increase is due mainly to the addition of a $35.1 million mortgage during the quarter.

Although Cominar has always favoured a prudent use of leverage, we believe that our current debt ratio is not optimal and are aiming to increase it to approximately 55% by continuing to finance our acquisitions of income-producing properties and development program through the use of debt.

As at the end of the first quarter of 2007, our debt ratio provided us with up to $288.0 million in funds for our future acquisitions at debt ratios authorized under our Contract of Trust and $155.0 million at our preferred 55% debt level.

INTEREST COVERAGE RATIO

(In thousands of dollars)

	March 31, 2007	December 31, 2006
Net income	**7,324**	34,075
- Net income from discontinued operations	**-**	(1,076)
+ Unusual item (2)	**-**	554
- Other revenues	**(92)**	(488)
+ Interest on borrowings	**5,631**	22,021
+ Depreciation of income properties	**4,620**	16,188
+ Amortization of deferred leasing costs	**1,672**	6,139
+ Amortization of other assets	**50**	728
EBITDA	**19,205**	78,141
Interest expense	**5,631**	22,021
Interest coverage ratio	**3.41**	3.55

(1) The interest coverage ratio is equal to EBITDA divided by interest expense.

(2) Cominar incurred, in the first quarter of 2006, $554 in non-recurring expenses in connection with its offer for Alexis Nihon Real Estate Investment Trust.

(3) This ratio is not defined by GAAP and may differ from those of other entities.

As shown above, as at March 31, 2007, our interest coverage ratio was 3.41:1, compared with 3.55:1 as at December 31, 2006.

As at March 31, 2007, our financial position therefore remained extremely solid, with one of the lowest debt to gross book value ratios among Canadian REITs, an acquisition capacity of $155.0 million at our preferred 55% debt ratio, relatively little interest rate risk, and credit facilities of $118.0 million, of which $98.4 million was used as at March 31, 2007. Hence, we believe the funds available to us will be sufficient to meet our current obligations and to finance our future growth.

Funds from Operations

Although the notion of "funds from operations" ("FFO") is not a financial measure defined under GAAP, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with GAAP), excluding gains (or impairment provisions and losses) from sales of income properties and extraordinary items, plus depreciation of income properties and amortization of deferred leasing costs. FFO should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating FFO is in compliance with REALpac's recommendations, but may differ from the methods used by other trusts, and therefore cannot be used for comparison.

We consider FFO a meaningful additional measure of operating performance, since it excludes the assumption that the value of real estate assets diminishes predictably over time and discounts certain items included in net income, established in accordance with GAAP, that are not necessarily indicative of our operating performance (for example, gains or losses from the sale of real estate assets).

The table below presents a reconciliation of net income, as determined in accordance with GAAP, and FFO for the three month periods ended March 31, 2007 and 2006:

FUNDS FROM OPERATIONS

For the quarters ended March 31 (in thousands of dollars, except per-unit amounts)

	2007	2006
Net income	**7,324**	6,164
+ Depreciation of income properties	**4,620**	3,905
+ Amortization of deferred leasing costs	**1,672**	1,547
FFO	**13,616**	11,616
+ Unusual item (1)	-	554
Recurring FFO	**13,616**	12,170
FFO per unit (basic)	**0.37**	0.35
FFO per unit (FD) (2)	**0.36**	0.34
Recurring FFO per unit (basic)	**0.37**	0.37
Recurring FFO per unit (FD) (2)	**0.36**	0.35

(1) Cominar incurred, in the first quarter of 2006, $554 in non-recurring expenses in connection with its offer for Alexis Nihon Real Estate Investment Trust.

(2) Fully diluted.

Recurring FFO increased by 11.9% in the first quarter of 2007 over 2006, thanks to the acquisitions and developments completed during the period and internal growth. This increase resulted in a per unit increase from $0.35 to $0.36, up 2.9%.

Adjusted Funds from Operations

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

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

We define AFFO as FFO adjusted for deferred rentals, non-recoverable capital expenditures, amortization of deferred financing costs, amortization of above-market leases, deferred financing costs, compensation costs related to the unit option plan and leasing costs.

The following table shows a reconciliation of FFO and AFFO for the three-month periods ended March 31, 2007 and 2006:

ADJUSTED FUNDS FROM OPERATIONS

For the quarters ended March 31 (in thousands of dollars, except per-unit amounts)

	2007	2006
FFO	**13,616**	11,616
- Non-recoverable capital expenditures (1)	**(160)**	(49)
- Deferred rentals	**(415)**	(412)
+ Amortization of above-market leases	**30**	30
+ Amortization of deferred financing costs	**139**	129
- Deferred financing costs	**(100)**	(126)
+ Compensation costs related to unit option plan	**49**	31
- Leasing costs (2)	**(1,756)**	(561)
AFFO	**11,403**	10,658
+ Unusual item (3)	-	554
Recurring AFFO	**11,403**	11,212
Per-unit information:		
AFFO (basic)	**0.31**	0.32
AFFO (FD) (4)	**0.30**	0.31
Recurring AFFO (basic)	**0.31**	0.34
Recurring AFFO (FD) (4)	**0.30**	0.33

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

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

(3) Cominar incurred, in the first quarter of 2006, $554 in non-recurring expenses in connection with its offer for Alexis Nihon Real Estate Investment Trust.

(4) Fully diluted.

Basic and fully diluted recurring AFFO per unit decreased in the first three months of 2007 compared with the first quarter of 2006. The decrease in per-unit amounts is mostly attributable to the increase in leasing costs in the first quarter of 2007 compared with the same period in 2006. As the costs related to new developments can vary considerably from one quarter to another, management believes that the above comparative quarterly results cannot be used to determine the annual trend. Several development projects were included in income properties at the end of fiscal 2006, whereas leasing efforts were in several cases finalized in the first quarter of 2007. Although leasing costs amounted to only $0.6 million in the first quarter of 2006, they totalled $7.5 million for fiscal 2006 as a whole, representing a quarterly average of $1.8 million.

Contractual Obligations

Cominar's most substantial contractual obligations are with regard to its long-term debt, including mortgages, convertible debentures and lines of credit, as described above, and its agreement with Homburg Invest Inc. with respect to the acquisition of the office and industrial properties of Alexis Nihon Real Estate Investment Trust. For more information on the transaction, please refer to the "Proposed Acquisition of Alexis Nihon Real Estate Investment Trust Properties" section of this MD&A.

PROPERTY PORTFOLIO

The following table presents Cominar's property portfolio as at March 31, 2007 and 2006:

For the quarters ended March 31

	2007	2006
Income properties (in thousands of $)	**822,701**	770,946
Properties under development and		
land held for future development (in thousands of $)	**33,341**	24,232
Total gross value (in thousands of $)	**856,042**	795,178
Number of properties (1)	**145**	129
GLA (in thousands of sq.ft.) (1)	**10,474**	9,741
Composition (% of net operating income)		
Office	**35.8**	35.8
Retail	**29.4**	30.0
Industrial and mixed-use	**34.8**	34.2
Geographic location (% of net operating income)		
Greater Quebec City area	**61.0**	62.6
Greater Montreal area	**39.0**	37.4

(1) Includes properties built and under development

As shown in the above table, Cominar has added 16 properties, representing 0.7 million square feet, to its portfolio since the first quarter of 2006, a 7.5% increase. The total gross value of its properties went from $795.2 million to $856.0 million, up 7.6%.

While maintaining our dominant position in the Greater Quebec City area, we are also increasingly present in the Greater Montreal area. For the quarter ended March 31, 2007, properties in the Montreal area accounted for 39.0% of net operating income versus 37.4% in 2006.

REAL ESTATE OPERATIONS

The following table highlights our key operational performance indicators as at March 31, 2007 and 2006:

For the quarters ended March 31 (in thousands of dollars)

	2007	2006	% Change
Occupancy	**94.8%**	95.1%	(0.3)
Same-property NOI growth	**2.0%**	3.2%	

Occupancy

Cominar consistently strives to maximize occupancy rates throughout its portfolio and has successfully maintained a 95.0% average in occupancy since its inception. As at March 31, 2007, occupancy stood at 94.8% compared with 95.1% as at March 31, 2006, a 0.3% decrease, due to a 2.0% decrease in the industrial and mixed-use sector, partially offset by occupancy gains in the office and retail sectors.

The following table presents occupancy by sector of activity as at March 31, 2007, December 31, 2006 and March 31, 2006:

Sector of Activity (%)	**March 31, 2007**	December 31, 2006	March 31, 2006
Office	**96.5**	96.0	95.1
Retail	**95.8**	94.3	94.0
Industrial and mixed-use	**93.7**	93.7	95.7
Total portfolio	**94.8**	94.4	95.1

Office Sector. Occupancy in the office sector increased by 1.4% in the first quarter to a five-year high, fuelled by high demand and the limited availability of office space in Quebec City, where most of our office properties are located.

Retail Sector. Occupancy in the retail sector also improved in the first quarter of 2007, with a 1.8% increase over the same quarter of the previous year. The demand for retail properties remained strong due to the good performance of the local economy.

Industrial and Mixed-Use Sector. Occupancy in the industrial and mixed-use sector showed a 2.0% decrease as at March 31, 2007 compared with March 31, 2006. This decline reflects the loss, in the third quarter of 2006, of one of the REIT's tenants that was the sole occupant of a 275,000-square-foot industrial and mixed-use property in Laval due to its bankruptcy. Although approximately 35% of the property has been released, the vacancy still had a negative impact on our results. We nonetheless remain confident that we will be able to reach a satisfactory occupancy level within a reasonable timeframe, due to the property's quality and excellent location.

Leasing Activity

The following table contains a summary of our leasing activity for the first three months of 2007:

LEASE EXPIRIES AND RENEWALS BY SECTOR

	Office	Retail	Industrial and Mixed-Use	Total
Expiring leases / 2007				
Number of tenants	86	126	148	360
Area (sq.ft.)	274,726	273,140	1,056,763	1,604,629
Average net rent/sq.ft. ($)	9.14	9.71	5.49	6.83
Renewed leases				
Number of tenants	29	34	56	119
Area (sq.ft.)	86,845	162,009	482,981	731,835
Average net rent/sq.ft. ($)	10.22	10.32	5.99	7.45
% renewal	**31.6**	**59.3**	**45.7**	**45.6**
New leases				
Number of tenants	8	9	20	37
Area (sq.ft.)	19,021	18,459	213,368	250,848
Average net rent/sq.ft. ($)	9.61	15.09	4.87	5.98

As indicated above, we are seeing very strong leasing activity across our portfolio in 2007, especially in the retail sector, where 59.3% of leases expiring in 2007 have already been renewed. Our leasing team worked extremely hard and managed to renew, overall, 45.6% of leases expiring during the year. In addition, we were able to sign new leases representing 0.3 million square feet of space.

Our renewal rates were up in all three sectors of activity with the office sector showing a 10.2% increase, and the retail and industrial sectors up 8.3% and 4.5% respectively.

Based on our solid renewal track record and the demand we are seeing for rental properties in our two geographic markets, we remain optimistic that we will be able to renew a significant portion of expiring leases at higher rates per square foot.

The following table details our lease maturity profile for the next five-year period:

LEASE MATURITY

	2008	2009	2010	2011	2012
Office					
Leasable area (square feet)	302,925	119,831	219,524	189,629	266,307
Lease rate/square foot ($)	9.25	10.31	9.45	9.40	13.16
% of office portfolio	12.3	4.9	8.9	7.7	10.9
Retail					
Leasable area (square feet)	266,390	221,401	240,314	289,362	256,851
Lease rate/square foot ($)	8.72	11.95	11.18	10.13	10.83
% of retail portfolio	11.2	9.3	10.1	12.1	10.8
Industrial and mixed-use					
Leasable area (square feet)	804,394	477,309	554,122	827,267	469,548
Lease rate/square foot ($)	5.62	5.89	6.10	5.82	6.75
% of industrial and mixed-use portfolio	14.3	8.5	9.8	14.7	8.3
Total portfolio					
Leasable area (square feet)	1,373,709	818,541	1,013,960	1,306,258	992,706
Lease rate/square foot ($)	7.02	8.17	8.03	7.29	9.53
% of total portfolio	13.1	7.8	9.7	12.5	9.5

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

	Average Remaining Lease Term (Years)	Average Tenant Size (Sq.Ft.)	Average Net Rent / Sq.Ft. ($)
Office	6.1	6,037	11.23
Retail	6.7	3,498	10.34
Industrial and mixed-use	4.9	9,055	5.78
Portfolio Average	**5.6**	**6,061**	**8.18**

We have approximately 1,500 tenants that occupy, on average, 6,000 square feet of space. Our broad base of tenants is highly diversified.

Our three largest tenants, Société immobilière du Québec, a Quebec government corporation, Ericsson Canada and Public Works Canada, represent approximately 7.8%, 4.5% and 4.0% of our revenues, respectively. The stability and quality of our cash flow is further enhanced with approximately 15.9% coming from government agencies. The table below sets out the percentage contribution to our revenues of our ten largest tenants:

Tenant	% of Revenues	Leased Space (Sq.Ft.)
Société immobilière du Québec [1]	7.8	809,399
Ericsson Canada inc.	4.5	175,060
Public Works Canada [1]	3.9	237,102
Quebecor Media Inc.	3.1	171,532
City of Montreal [1]	1.6	112,774
National Bank of Canada [1]	1.3	109,954
Wal-Mart Canada Inc.	1.3	129,638
Alcan Packaging Canada Ltd.	1.3	162,000
Dynacast Canada Inc.	1.1	101,222
Autorité des marchés financiers	1.1	78,764
Total	**27.1**	**2,087,445**

(1) This tenant has entered into several long-term leases with Cominar for different premises.

ACQUISITION AND DEVELOPMENT PROGRAM

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

Nevertheless, since the beginning of the year, we have been able to complete acquisitions and developments representing approximately 0.4 million square feet of leasable space and a $35.2 million investment at a 9.2% weighted average capitalization rate, which is substantially higher than the market. Our knowledge of the Montreal and Quebec City markets allows us to identify and close acquisitions at higher capitalization rates than the average. At the same time, our expertise in the full spectrum of real estate disciplines makes us well qualified to evaluate and execute successful development projects.

Acquisitions

In the quarter ended March 31, 2007, Cominar purchased six properties representing approximately 0.3 million square feet of leasable space and a $29.0 million investment at a weighted average capitalization rate of 9.2%. The REIT also purchased parcels of land in the Greater Quebec City and Montreal areas for future development purposes totalling 2.3 million square feet for an investment of $9.6 million. Details of our income property acquisitions are shown in the following table:

Income Property	City	Sector of Activity [1]	Closing Date	GLA [2] (Sq.Ft.)	Purchase Price (In Thousands of $)	Capitalization Rate (%)
19100 Trans-Canada	Baie d'Urfé	I	01/07	25,564	$2,100	9.4
115 Vaudreuil	Longueuil	I	03/07	16,297	6,100 [3]	9.0 [3]
3600 Matte	Brossard	I	03/07	27,074	- [3]	- [3]
3650 Matte	Brossard	I	03/07	43,211	- [3]	- [3]
120 de l'Hôpital	Gatineau	R	03/07	67,140	9,750	9.1
565-585 Charest Est	Quebec City	O	03/07	104,375	11,030	9.3
Total/Weighted Average Capitalization Rate				**283,661**	**$28,980**	**9.2%**

(1) I = Industrial and Mixed-Use, R = Retail, O = Office
(2) Gross Leasable Area. Excludes land acquisitions
(3) These three properties were acquired pursuant to the same transaction for $6,100.

Development Program

Completed Development

Cominar's internal development program continued to progress at a steady pace during the first quarter. We thus have, converted one property, representing 106,500 square feet of space and an investment of $6.2 million, into income-producing status at a development yield of 10.1%. The following table details the development completed thus far in 2007:

Development	City	Sector of Activity (1)	Completion Date	GLA (2) (Sq.Ft.)	Investment (In Thousands of $)	Capitalization Rate (%)	Leasing Status (%)
2900 J.-A. Bombardier	Laval	I	Q1-2007	106,500	$6,200	10.1	100.0
Total/Weighted Average Capitalization Rate				**106,500**	**$6,200**	**10.1%**	

(1) I = Industrial and Mixed-Use
(2) Gross Leasable Area

Ongoing Developments

At the date hereof, Cominar's ongoing development pipeline included five properties representing 0.3 million square feet and a $22.7 million total investment. Details of the REIT's ongoing development program are as follows:

Development	City	Sector of Activity (1)	Scheduled Completion	GLA (2) (Sq.Ft.)	Investment (In Thousands of $)	Capitalization Rate (%)	Leasing Status (%)
275 St-Sacrement	Quebec City	I	Q3-2007	66,479	$2,200	9.6	29.0
3025 J.-A. Bombardier	Laval	I	Q3-2007	80,000	5,300	9.9	25.0
1255 des Artisans	Quebec City	I	Q3-2007	36,000	2,100	9.5	61.0
579 Godin	Quebec City	I	Q4-2007	10,000	500	9.4	100.0
Power Centre	St-Bruno	R	Q1-2008	105,000	12,600	9.8	26.0
Total/Weighted Average Capitalization Rate				**297,479**	**$22,700**	**9.8%**	

(1) I = Industrial and Mixed-Use, R = Retail
(2) Gross Leasable Area

Upcoming Development

Cominar's development portfolio benefits from a very strong development yield of 9.4%. The REIT currently has one upcoming development totalling 0.2 million square feet and a $10.3 million total investment. Details are as follows:

Development	City	Sector of Activity (1)	Start Date	GLA (2) (Sq.Ft.)	Investment (In Thousands of $)	Capitalization Rate (%)
Highway 20	Lévis	I, R	Q2-2007 (3)	160,000	10,300	9.4
Total/Weighted Average Capitalization Rate				**160,000**	**$10,300**	**9.4%**

(1) I = Industrial and Mixed-Use, R = Retail
(2) Gross Leasable Area
(3) This development will be completed by phase. The date indicates the beginning of Phase 1 of the project.

The expected returns on the developments listed above are within a 9.4% to 9.8% range. These returns are based on the estimated costs to complete the projects and the expected rental rates to be achieved. Actual results could vary based on actual costs and rental rates.

Portfolio Summary

The following table summarizes Cominar's property portfolio as at May 14, 2007 by sector of activity and geographic location:

SUMMARY BY SECTOR OF ACTIVITY

	Number of Properties	GLA (1) (Square Feet)
Office	16	2,453,238
Retail	32	2,385,843
Industrial and mixed-use	97	5,634,632
Total	**145**	**10,473,713**

(1) Gross Leasable Area

SUMMARY BY GEOGRAPHIC LOCATION

	Number of Properties	GLA (1) (Square Feet)
Greater Quebec City Area	90	6,218,744
Greater Montreal Area	54	4,187,829
Ottawa/Gatineau Area	1	67,140
Total	**145**	**10,473,713**

(1) Gross Leasable Area

PROPOSED ACQUISITION OF ALEXIS NIHON REAL ESTATE INVESTMENT TRUST PROPERTIES

As part of our growth strategy, from time to time, we explore opportunities for strategic acquisitions of entities in our lines of business or property portfolios. On December 4, 2006, we entered into a combination agreement (the "Combination Agreement") with Alexis Nihon Real Estate Investment Trust ("Alexis Nihon") to create one of Quebec's largest commercial property owners. Under the terms of the Combination Agreement, as amended on December 22, 2006 and subsequently on January 29, 2007, Cominar proposed to acquire all of the issued and outstanding units of Alexis Nihon for either: (i) $18.50 in cash per Alexis Nihon unit, up to a maximum of $138.75 million Alexis Nihon units in the aggregate, pursuant to a cash offer or (ii) 0.77 of a Cominar unit up to a maximum of 17,284,777 units, on a tax-deferred, rollover basis. Cominar was also entitled to receive from Alexis Nihon, if the Combination Agreement was terminated in certain circumstances, a termination fee in the amount of $12.5 million (the "Termination Fee").

On February 14, 2007, Homburg Invest Inc. ("Homburg") announced that it intended to make an all cash offer to acquire all of the issued and outstanding units of Alexis Nihon at a price of $18.50 per unit.

On February 16, 2007, Homburg announced that it had submitted a binding written proposal to the Board of Trustees of Alexis Nihon proposing to increase its announced offer to acquire all of the outstanding units of Alexis Nihon to $18.60 per unit (the "Homburg Proposal"), which the Board of Trustees of Alexis Nihon determined constituted a "superior proposal" within the meaning of the Combination Agreement.

On February 20, 2007, Cominar announced that it had entered into a binding asset purchase agreement with Homburg pursuant to which Cominar agreed to purchase approximately 6.5 million square feet of office and industrial properties (the "Properties") of Alexis Nihon for a sum of $592 million. Cominar also announced that it had waived the five day period right to match set forth in the Combination Agreement as well as its Termination Fee, but only as it relates to the Homburg Proposal, if it is completed, and not in respect of any other acquisition proposal. The purchase of the Properties was then conditional upon the success of Homburg's previously announced offer for Alexis Nihon units.

On April 6, 2007, Homburg and Alexis Nihon announced that Homburg was succesful in its offer to purchase Alexis Nihon units. A Special Meeting of Unitholders of Alexis Nihon will be held on May 17, 2007, and Cominar expects the acquisition of the Properties to close in late May 2007.

The Properties represented approximately 72% of Alexis Nihon's leasable space as at September 30, 2006 and comprise 35 industrial buildings representing approximately 4.1 million square feet of leasable space and 19 office properties representing approximately 2.4 million square feet of space.

The transaction would allow Cominar to become one of the largest commercial property owners and managers in the Province of Quebec. Upon completion of the transaction, Cominar would continue to own a well-diversified portfolio of properties made up of 35 office (41% of estimated net operating income), 132 industrial (39%) and 32 retail (20%). The geographic profile of Cominar's portfolio would be further diversified. The resultant geographic mix would be 54% in Montreal, 40% in Quebec City and 6% in the Ottawa-Gatineau region.

The purchase of the Properties is expected to be immediately accretive to Cominar's distributable income and funds from operations on a pro forma basis and for future periods.

We believe that the purchase of the Properties would provide substantial benefits to Cominar unitholders, including:

- **Leading Market Position:** The acquisition of the Properties would create one of the largest owners and managers of commercial real estate in the Province of Quebec, with 199 properties and approximately 17.0 million square feet of leasable space;

- **Diversified and Enhanced Portfolio:** The purchase would further diversify Cominar's geographic base of properties and would further enhance its office and industrial holdings; and

- **Immediately Accretive:** The transaction is expected to be immediately accretive to distributable income and funds from operations. Future benefits are also expected to be derived from property management and operating synergies as well as enhanced clustering of Cominar's properties.

The transaction should bring considerable benefits to the unitholders of Cominar by significantly expanding the property portfolio in terms of size and diversification with a focus on the Montreal and Quebec markets. Following the completion of the proposed purchase, Cominar would have total assets of over $1.4 billion.

Cominar provided Homburg with a deposit of $17.1 million on February 20, 2007. If Cominar decides not to purchase the Properties, it will forfeit its deposit. Homburg and Cominar have initiated discussions to most efficiently transition property management functions within Alexis Nihon.

On May 8, 2007, Cominar completed a $250.5 million issue of subscription receipts and convertible debentures, representing $170 million in subscription receipts at a price of $23.90 each, and $80.5 million in convertible unsecured subordinated debentures bearing interest at an annual rate of 5.70% and maturing December 31, 2014. The net proceeds from the issue will be used, among others, to partially finance the acquisition of the Properties and to repay certain loans.

In the first quarter of 2006, $554,000 in costs were treated as expenses related to our offer for Alexis Nihon, in accordance with CICA Abstract EIC-94 (please refer to note 19 to the consolidated financial statements). These costs included legal, advisory and other professional fees. Additional costs were incurred in 2006 and the first quarter of 2007 and are expected to be incurred in future quarters. If the transaction with Homburg is completed, management believes that these costs will be capitalized.

ISSUED AND OUTSTANDING UNIT DATA

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

The table below compares the issuance in units in the first quarter of 2007 and 2006:

For the quarters ended March 31 (in thousands)

	2007	2006
Units issued and outstanding, beginning of period	**36,600**	32,941
+ Units issued from options exercised	**220**	257
+ Units issued under DRIP [1]	**12**	17
+ Units issued from conversion of convertible debentures	**495**	103
Units issued and outstanding, end of period	**37,327**	33,318
Weighted average number of units outstanding (basic)	**36,899**	32,997
Weighted average number of units outstanding (FD) [2]	**39,738**	39,076

(1) Distribution Reinvestment Plan
(2) Fully diluted

RELATED-PARTY TRANSACTIONS

Michel Dallaire and Alain Dallaire, trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). Michel Paquet, a trustee and member of the management team, has ties with Dalcon and CFA as an officer.

In the first quarter of 2007, Cominar posted net rental revenues of $0.2 million from Dalcon and CFA. The REIT incurred $2.1 million in expenses for leasehold improvements performed by Dalcon on its behalf and $3.0 million for the construction and development of income properties.

Using the services of related companies for property construction work and leasehold improvements enables Cominar to achieve important savings while providing better service to its customers.

SUBSEQUENT EVENTS

For information on events subsequent to March 31, 2007 related to our expired offer for Alexis Nihon and proposed transaction with Homburg regarding the acquisition of Alexis Nihon's industrial and office portfolio, please refer to the "Proposed Acquisition of Alexis Nihon Real Estate Investment Trust Properties" section of this MD&A.

On April 23, 2007, the REIT entered into an $82.3 million lending agreement with a financial institution. It relates to a guaranteed ten-year loan bearing interest at an annual rate of 5.3%, secured by first ranking mortgages on certain properties and assets of Cominar. This loan was used to repay credit facilities and to finance acquisitions.

On May 7, 2007, Cominar signed an agreement with a financial institution for a $60 million increase in its general acquisition facilities, bringing such facilities to $178 million.

On May 8, 2007, Cominar completed a $250.5 million issue of subscription receipts and convertible debentures, representing $170 million in subscription receipts at a price of $23.90 each, and $80.5 million in convertible unsecured subordinated debentures bearing interest at an annual rate of 5.70% and maturing December 31, 2014. The net proceeds from the issue will be used, among others, to partially finance the acquisition of the Properties and to repay certain loans.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

Internal Control over Financial Reporting

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

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

OUTLOOK

We enter 2007 with a project underway that would represent the largest acquisition since the inception of the REIT. It would bring our asset base to over $1.4 billion and our portfolio would benefit from accretive positioning, with several development projects in progress and upcoming and a strong balance sheet. Our goals for 2007 are to:

- pursue our growth in our three sectors of activity;
- continue to tightly manage our costs;
- achieve an optimal capital structure by increasing our debt to gross book value ratio to approximately 55%;
- successfully complete the acquisition of the Alexis Nihon Properties and promptly integrate these properties into our portfolio; and
- continue expanding our property portfolio through accretive acquisitions and developments.

SIGNIFICANT ACCOUNTING ESTIMATES

Our MD&A is based upon the REIT's consolidated financial statements, prepared in accordance with GAAP. The preparation and presentation of the consolidated financial statements and other financial information contained in the MD&A involves a judicious choice of appropriate accounting principles and methods whose application requires the making of estimates and enlightened judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those based upon passed experience. These estimates constitute the basis for our judgments regarding the book value of assets and liabilities that would not otherwise be readily available through other sources. Use of other methods of estimation might have yielded different amounts than those presented. Actual results could differ from these estimates.

Income Properties

Income properties are stated at cost. The cost includes all acquisition costs and improvements to income properties. Since September 12, 2003, Cominar has 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 requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value, to the fair value of customer relationships, if any, and to 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 using the straight-line method over the terms of the related leases.

Depreciation of Income Properties

In accordance with Section 1100 of the CICA Handbook, "Generally Accepted Accounting Principles", income properties have been depreciated using the straight-line method in order to fully depreciate their residual value over a forty-year term.

The intangible assets, which represent acquisition costs for 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 and Land held for Future Developments

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.

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 Real Estate Investments

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 Cominar considers that such assets are 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 a straight-line basis over the terms of the related loans.

Unit Option Plan

Under a unit option plan, Cominar has granted options to purchase units to its trustees, management and employees. In accordance with Section 3870 of the CICA Handbook, "Stock-Based Compensation and Other Stock-based Payments", Cominar recognizes an expense for employee stock-based compensation using the fair value-based method and the stock-based compensation costs are amortized using the graded vesting method.

RECENTLY PUBLISHED ACCOUNTING CHANGES

Harmonization of Canadian and International Standards

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

NEW ACCOUNTING POLICIES

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

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

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

Cominar used the following classifications:

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

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

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

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

Section 3855 also provides guidelines for the accounting of transaction costs incurred from issuance of debt instruments. These transaction costs must be deduced from financial liabilities and amortized using the effective interest rate method over the estimated life of the related liabilities. Following the adoption of Section 3855, non amortized financing costs of $3.7 million as at March 31, 2007 [$3.8 million as at December 31, 2006], previously recorded as Deferred expenses and other assets, have been reclassified as adjustments to the related mortgages payable or convertible debentures, as applicable.

RISKS AND UNCERTAINTIES

Like any real estate entity, we are exposed to certain risk factors in our normal course of business including:

General Business and Economic Conditions

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

Execution of our Strategy

Our ability to execute on our objectives and strategic goals will influence our financial performance. If our strategic goals do not meet with success or there is a change in our strategic goals, our financial results could be adversely affected.

Acquisitions

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

Operational Risk

All immovable property investments are subject to elements of risk. Such investments are affected by local real estate markets, demand for leased premises, competition from other available premises and various other factors.

The value of immovable property and any improvements thereto may also depend on the credit and financial stability of the tenants and the economic environment in which they operate. Our income and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. However, this risk is minimized by the diversification of the portfolio, which brings more certainty to foreseeable cash flows. This risk is also reduced by the fact that tenants occupy an average area of about 6,000 square feet.

As a fully integrated real estate investment trust, we can also exercise tighter preventive control over our operations while developing a relationship of trust with our clients and improving our operational and financial performance.

Debt and Refinancing

We are subject to the risks associated with debt financing, including the risk that existing mortgages secured by our properties will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing mortgages. Our profitability may be impacted by interest rates changes, as interest on borrowings represents a significant cost in the ownership of real estate investments. We seek to reduce our interest rate risks by spreading the maturity of our long-term debt and limiting as much as possible the use of floating rate debt. As at March 31, 2007, only 2.0% of our long-term debt had floating interest rates. Between now and the end of 2007, an amount of $42.8 million in mortgages bearing interest at an average weighted rate of 6.52% will have to be renewed. We do not foresee any difficulty in refinancing them as they become due.

Unitholders' Liabilities

Under the heading "Operating Principles", the Contract of Trust states that any written document identifying an immovable hypothec or, in the opinion of the trustees, a material obligation, must contain terms limiting liability to our assets exclusively, and specifying that no recourse may be taken against unitholders.

Competition

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

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

Government Regulation

We and our properties are subject to various governmental legislation and regulations. Any change in such legislation or regulation adverse to us and our properties could affect our financial results.

By their very nature, our assets and business are not subject to a high environmental risk. In accordance with the operating principles stipulated in our Contract of Trust, we must conduct an environmental audit before acquiring a new property. Environmental audits are conducted on our existing properties when deemed appropriate.

In our leases, we require that tenants conduct their business in compliance with environmental legislation, and that they be held responsible for any damage resulting from their use of the leased premises.

Income Taxes

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

Proposed Tax Rules for Income Trusts

On October 31, 2006, the Minister of Finance (Canada) (the "Minister") announced proposals which deal with the taxation regime applicable to specified investment flow-through trusts or partnerships (a "SIFT"). In addition, on December 15, 2006, the Minister released growth guidelines (the "Growth Guidelines"), which addressed the circumstances in which a SIFT which was publicly traded on October 31, 2006, could become taxable under the Proposals in a taxation year before 2011. Such circumstance is generally where the SIFT has exceeded "normal growth" as circumscribed by the Growth Guidelines. Bill C-52, which implements these proposals, received first reading in the House of Commons on March 29, 2007 (collectively, the "SIFT Proposals"). There can be no assurance that the SIFT Proposals will be enacted in the form set out in Bill C-52.

New Taxation Regime

The SIFT Proposals alter the taxation regime applicable to income trusts that are SIFTs and their investors. For SIFTs that are trusts, the SIFT will be subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (generally, income (other than certain dividends) from, or capital gains realised on, "non-portfolio properties"), at a rate that is equivalent to the federal general corporate tax rate, plus 13% on account of provincial tax. Distributions that are paid as returns of capital will not attract this tax. The amount of a distribution in respect of which this tax is payable will also be taxed in the hands of the unitholder as though it were a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit if paid to an individual resident in Canada.

Effective Dates for New Taxation Regime

The SIFT Proposals are contemplated to apply beginning with the 2007 taxation year of a trust unless the trust would have been a SIFT trust on October 31, 2006, if the definition "SIFT trust" had been in force on that date and applied to the trust on that date (the "Existing Trust Exception"). For trusts that meet the Existing Trust Exemption, the SIFT Proposals will apply commencing with the earlier of the trust's 2011 taxation year and the first taxation year of the trust in which it exceeds "normal growth" as determined under the Growth Guidelines.

In the Growth Guidelines, the Minister stated that a SIFT will not be considered to have exceeded "normal growth" if its equity capital were to grow as a result of issuances of new equity, in any of the intervening periods described below, by an amount that does not exceed the greater of $50 million and an objective "safe harbour". The Minister indicated that the safe harbour amount will be measured by reference to a SIFT's market capitalization as at the end of trading on October 31, 2006 measured in terms of a SIFT's issued and outstanding publicly-traded units (the "Market Capitalization"). For the period from November 1, 2006 to the end of 2007 (the "Initial Safe Harbour Period"), a SIFT's safe harbour will be 40% of the Market Capitalization. A SIFT's safe harbour for each of the 2008 through 2010 calendar years will be 20% of the Market Capitalization. The annual safe harbour amounts are cumulative; whereas the $50 million amounts are not cumulative. New equity for these purposes includes units and debt that is convertible into units.

REIT Exception

This new taxation regime is not applicable to real estate investment trusts ("REITs") that meet certain specified criteria relating to the nature of their income and investments. In particular, to qualify for the exception under the SIFT Proposals applicable to REITs (the "REIT Exception") in a particular taxation year (i) the REIT must, at no time in the taxation year, hold "non-portfolio property" other than "qualified REIT properties", (ii) not less than 95% of the REIT's revenues for the taxation year must be derived from one or more of the following: rent from "real or immovable properties"; interest, capital gains from dispositions of real or immovable properties; dividends; and royalties, (iii) not less than 75% of the REIT's revenues for the taxation year must be derived from one or more of the following: rent from "real or immovable properties", to the extent that it is derived from real or immovable properties situated in Canada; interest from mortgages, or hypothecs, on real or immovable property situated in Canada; and capital gains from dispositions of real or immovable properties situated in Canada, and (iv) at no time in the taxation year may the total fair market value of all properties held by the REIT, each of which is a real or immovable property situated in Canada, cash, or, generally, a debt obligation of a government in Canada or certain other public bodies, be less than 75% of the equity value of the REIT at that time. Generally, the SIFT Proposals contain a look-through rule under which a REIT could qualify for the REIT Exception where it holds its Canadian real properties indirectly through intermediate entities.

Accordingly, unless the REIT Exception is applicable to Cominar, the SIFT Proposals could, commencing in 2011, impact the level of cash distributions which would otherwise be made by Cominar. The SIFT Proposals do not fully accommodate the current business structures used by many Canadian REITs and contain a number of technical tests that many Canadian REITs, including Cominar, may find difficult to satisfy or which remain to be verified. The Minister's stated intention is to exempt REITs from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". Bill C-52 corrected certain problems with the proposed rules, but other matters remain to be verified. Accordingly, it is possible that further changes to these technical tests will be made prior to their enactment in order to accommodate some or all of the existing Canadian REITs, including Cominar, existing Canadian REITs, including Cominar, may need to restructure their affairs in order to limit the application of the SIFT Proposals.

Cominar shall continue to evaluate the developments in this area, and it is the intention of Cominar to take such steps as are necessary prior to 2011 to ensure that, to the extent possible, the negative effects of the proposed SIFT rules on Cominar and its unitholders are minimized.

Construction Risk

Due to our involvement in development and construction activities, we are subject to related risks such as construction cost overruns and other unforeseeable delays. Such risks are minimized by the fact that major projects are done by phases, which allows to better assess the demand for a project in particular.

Ability to Attract and Retain Key Employees

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

CONSOLIDATED BALANCE SHEETS

[in thousands of dollars]

	As at March 31, 2007 (unaudited) $	As at December 31, 2006 (audited) $
ASSETS		
Income properties *[note 4]*	**758,546**	711,441
Properties under development *[note 5]*	**20,572**	16,628
Land held for future development *[note 5]*	**12,769**	7,604
Deferred expenses and other assets *[note 6]*	**28,652**	28,057
Prepaid expenses	**8,505**	2,654
Accounts receivable *[note 7]*	**15,470**	20,071
	844,514	786,455
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Mortgages payable *[note 8]*	**300,247**	270,142
Convertible debentures *[note 9]*	**31,477**	39,984
Bank indebtedness *[note 10]*	**98,386**	73,616
Accounts payable and accrued liabilities	**25,629**	21,606
Distributions payable to unitholders	**3,807**	4,099
	459,546	409,447
Unitholders' equity *[note 11]*		
Unitholders' contributions	**412,707**	400,698
Cumulative net income	**225,862**	218,538
Cumulative distributions	**(254,004)**	(242,626)
Contributed surplus	**403**	398
	384,968	377,008
	844,514	786,455

Contingency *[note 21]*
Subsequent events and commitment *[note 22]*

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period of three months ended March 31,
[unaudited, in thousands of dollars]

	2007 $	2006 $
Unitholders' contributions		
Balance, beginning of period	**400,698**	338,230
Issue of units	**12,009**	5,745
Balance, end of period	**412,707**	343,975
Cumulative net income		
Balance, beginning of period	**218,538**	184,463
Net income	**7,324**	6,164
Balance, end of period	**225,862**	190,627
Cumulative distributions		
Balance, beginning of period	**(242,626)**	(199,902)
Distributions to unitholders	**(11,378)**	(10,020)
Balance, end of period	**(254,004)**	(209,922)
Contributed surplus		
Balance, beginning of period	**398**	351
Unit option plan	**5**	10
Balance, end of period	**403**	361
Unitholders' equity	**384,968**	325,041

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Period of three months ended March 31,
[unaudited, in thousands of dollars, except per-unit amounts]

	2007 $	2006 $
Operating revenues		
Rental revenue from income properties	**35,434**	32,603
Operating expenses		
Operating costs	**7,822**	7,252
Realty taxes and services	**7,564**	6,718
Property management expenses	**222**	292
	15,608	14,262
Operating income before the undernoted	**19,826**	18,341
Interest on borrowings	**5,631**	5,710
Depreciation of income properties	**4,620**	3,883
Amortization of deferred leasing costs	**1,672**	1,547
Amortization of other assets	**50**	45
	11,973	11,185
Operating income from real estate assets	**7,853**	7,156
Trust administrative expenses	**621**	573
Other revenues	**92**	48
Unusual item *[note 20]*	**-**	554
Net income from continuing operations	**7,324**	6,077
Net income from discontinued operations *[note 19]*	**-**	87
Net income and comprehensive income	**7,324**	6,164
Basic net income per unit *[note 13]*	**0.198**	0.187
Diluted net income per unit *[note 13]*	**0.195**	0.184

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Period of three months ended March 31,
[unaudited, in thousands of dollars]

	2007 $	2006 $
OPERATING ACTIVITIES		
Net income	**7,324**	6,164
Items not affecting cash		
Depreciation of income properties	**4,620**	3,905
Amortization of above-market leases	**30**	30
Amortization of deferred leasing costs	**1,672**	1,547
Amortization of deferred financing costs and other assets	**189**	175
Compensation costs related to unit option plan	**49**	31
	13,884	11,852
Change in non-cash operating working capital items *[note 15]*	**(2,269)**	(6,709)
	11,615	5,143
FINANCING ACTIVITIES		
Mortgages payable	**35,140**	-
Repayments of mortgages payable	**(12,426)**	(4,507)
Bank indebtedness	**24,770**	22,923
Financing costs	**(100)**	-
Distributions to unitholders	**(11,396)**	(9,897)
Net proceeds from issue of units *[note 11]*	**3,077**	3,585
	39,065	12,104
INVESTING ACTIVITIES		
Acquisitions of income properties	**(40,410)**	(13,720)
Acquisitions of properties under development and land held for future development	**(8,449)**	(2,793)
Leasing costs	**(1,756)**	(561)
Other assets	**(65)**	(173)
	(50,680)	(17,247)
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	-	-

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Period of three months ended March 31, 2007
[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 laws of the Province of Quebec.

2) NEW ACCOUNTING POLICIES

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

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

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

Cominar used the following classifications:

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

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

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

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

Section 3855 also provides guidelines for the accounting of transaction costs incurred from issuance of debt instruments. These transaction costs must be deduced from financial liabilities and amortized using the effective interest rate method over the estimated life of the related liabilities. Following the adoption of Section 3855, non amortized financing costs of $3,723 as at March 31, 2007 [$3,762 as at December 31, 2006], previously recorded as Deferred expenses and other assets, have been reclassified as adjustments to the related mortgages payable or convertible debentures, as applicable.

3) SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
Cominar's unaudited interim consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP"). Accounting policies and methods followed are the same as those used in the preparation of the December 31, 2006 audited financial statements.

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

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

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

Properties under development and land held for future development are stated at cost. Cost includes initial acquisition costs, other direct costs, realty taxes, interest related to their financing and all operating revenues and expenses during the development period.

Capitalization of costs to properties under development continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level.

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

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

Impairment of long-lived assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value.

Period of three months ended March 31, 2007 [inaudited, in thousands of dollars except per-unit amounts]

Deferred expenses and other assets

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

Cash and cash equivalents

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

Unit option plan

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

Per unit results

Basic net income per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit purchase options and the potential issuance of units under convertible debentures, if dilutive.

4) INCOME PROPERTIES

	As at March 31, 2007			As at December 31, 2006
		Accumulated	Amortized	Amortized
	Cost	amortization	cost	cost
	$	$	$	$
Land	**102,292**	**-**	**102,292**	97,988
Buildings	**688,633**	**61,212**	**627,421**	604,628
Intangible assets	**14,676**	**2,943**	**11,733**	8,825
Deposit for future acquisition *[note 22]*	**17,100**	**-**	**17,100**	-
	822,701	**64,155**	**758,546**	711,441

5) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the period, Cominar capitalized $457 [$324 in 2006] in interest to properties under development and land held for future development, some of which are classified in income properties at period-end.

6) DEFERRED EXPENSES AND OTHER ASSETS

	As at March 31, 2007	As at December 31, 2006
	$	$
At amortized cost		
Leasing costs	**27,919**	27,339
Other assets	**733**	718
	28,652	28,057

Period of three months ended March 31, 2007 [inaudited, in thousands of dollars except per-unit amounts]

7) ACCOUNTS RECEIVABLE

	As at March 31, 2007 $	As at December 31, 2006 $
Accounts receivable	**7,140**	6,391
Deferred accounts receivable	**5,863**	5,448
Other accounts receivable, bearing interest at a weighted average rate of 7.40% [7.50% as at December 31, 2006]	**2,467**	2,545
Balances of sale *[note 19]*	-	5,687
	15,470	20,071

8) MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties stated at a net book value of $458,184 [$422,315 as at December 31, 2006]. They bear interest at rates ranging from 5.35% to 9.13% per annum [5.72% to 11.00% as at December 31, 2006] representing a weighted average year-end rate of 6.14% [6.24% as at December 31, 2006] and are renewable at various dates from May 2007 to March 2022.

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

Mortgage repayments are as follows:

Years ending December 31,	Principal Repayments $	Balance at maturity $	Total $
2007	6,916	42,846	**49,762**
2008	5,198	114,736	**119,934**
2009	3,983	5,276	**9,259**
2010	4,107	1,192	**5,299**
2011	4,368	-	**4,368**
2012	4,325	7,453	**11,778**
2013 and thereafter	27,545	72,876	**100,421**
	56,442	244,379	**300,821**
Less : amortized cost of financing costs			**(574)**
			300,247

Mortgages payable having fixed rates amount to $294,041 [$263,809 as at December 31, 2006] and those having variable rates amount to $6,780 [$6,840 as at December 31, 2006].

9) 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.

Cominar may satisfy its obligation to repay the 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 the scheduled redemption date or the maturity date.

In accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 and Section 3860, convertible debentures have been recorded as liabilities on the balance sheet and interest has been charged to "Interest on borrowings" in the statement of income. Debenture issue costs are deducted from liabilities, amortized using the affective interest rate method over a 10-year period and recorded under "Interest on borrowings". 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.

During the first quarter, 8,613 convertible debentures were converted into 494,991 units at a conversion price of $17.40 per unit, for a total amount of $8,613.

10) BANK INDEBTEDNESS

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

11) ISSUED AND OUTSTANDING UNITS

The ownership interests in Cominar are represented by a single class of units. 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 first quarter, Cominar issued 726,612 units of which 494,991 units were issued pursuant to the convertible debenture conversion and 11,521 units under the distribution reinvestment plan, the balance of 220,100 units via the exercise of options resulted in net proceeds of $3,077.

Period of three months ended March 31, 2007 [inaudited, in thousands of dollars except per-unit amounts]

Period of three months ended March 31,	2007		2006	
	Units	**$**	**Units**	**$**
Units issued and outstanding, beginning of period	**36,600,361**	**400,698**	32,940,735	338,230
Issued from options exercised	**220,100**	**3,077**	256,750	3,585
Issued under distribution reinvestment plan	**11,521**	**274**	17,964	347
Issued from conversion of convertible debentures	**494,991**	**8,613**	102,982	1,792
Reversal of contributed surplus on exercise of options	-	**45**	-	21
Units issued and outstanding, end of period	**37,326,973**	**412,707**	33,318,431	343,975

Unit option plan

Under the unit option plan, Cominar granted options to the trustees, management and employees for the purchase of units. The maximum number of units issuable in connection with the plan is 3,319,210 units. As at March 31, 2007, options for the acquisition of 1,950,500 units were outstanding and 865,410 options were awardable under the plan.

The options granted are exercisable on a cumulative basis of 25% of options after each of the first four anniversaries of the grant date for the options granted on April 8, 2005, 20% of options after each of the first five anniversaries of the grant date for the options granted on November 13, 2003 and May 23, 2006, and 33 1/3% of options after each of first three anniversaries of the grant date for the options granted prior to November 13, 2003. The exercise price of the options represents the closing price of the units of Cominar on the day before the grant date and the options have a maximum seven-year term.

Period of three months ended March 31,	2007		2006	
	Options	**Weighted average exercise price $**	**Options**	**Weighted average exercise price $**
Outstanding, beginning of period	**2,170,600**	**15.50**	2,354,050	14.29
Exercised	**(220,100)**	**14.04**	(256,750)	14.00
Outstanding, end of period	**1,950,500**	**15.66**	2,097,300	14.32
Options exercisable, end of period	**307,500**	**13.91**	227,300	13.64

			As at March 31, 2007	
Date of grant	**Maturity date**	**Exercise price $**	**Outstanding options**	**Options exercisable**
August 9, 2001	August 9, 2008	11.00	**9,500**	**9,500**
November 13, 2003	November 13, 2010	14.00	**1,218,000**	**298,000**
April 8, 2005	November 13, 2010	17.12	**153,000**	-
May 23, 2006	May 23, 2013	18.90	**570,000**	-
			1,950,500	**307,500**

Unit-based compensation plan

The compensation expense related to the options granted on May 23, 2006 was calculated using the Black-Scholes option pricing model assuming a volatility of 13.0% in respect of said units, a fixed exercise price of $18.90, a weighted average distribution return of approximately 7.14% and a weighted average risk-free interest rate of approximately 4.10%. For the options granted on April 8, 2005, Cominar assumed a volatility of 13.5%, a fixed exercise price of $17.12, a weighted average distribution return of approximately 7.58% and a weighted average risk-free interest rate of approximately 3.78% and for the options granted on November 13, 2003, assuming a volatility of 11.7% in respect of said units, a fixed exercise price of $14, a weighted-average distribution return of approximately 8.74% and a weighted average risk-free interest rate of 4.21%.

Compensation expense is amortized using the graded vesting method.

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

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants a number of units amounting to 105% of the cash distribution. During the first quarter, 11,521 units were issued at a weighted average price of $23.76 for a consideration of $274 pursuant to the distribution reinvestment plan.

12) INCOME TAXES

Proposed Tax Rules for Income Trusts

On October 31, 2006, the Minister of Finance (Canada) (the "Minister") announced proposals which deal with the taxation regime applicable to specified investment flow-through trusts or partnerships (a "SIFT"). In addition, on December 15, 2006, the Minister released growth guidelines (the "Growth Guidelines"), which addressed the circumstances in which a SIFT which was publicly traded on October 31, 2006, could become taxable under the Proposals in a taxation year before 2011. Such circumstance is generally where the SIFT has exceeded "normal growth" as circumscribed by the Growth Guidelines. Bill C-52, which implements these proposals, received first reading in the House of Commons on March 29, 2007 (collectively, the "SIFT Proposals"). There can be no assurance that the SIFT Proposals will be enacted in the form set out in Bill C-52.

New Taxation Regime

The SIFT Proposals alter the taxation regime applicable to income trusts that are SIFTs and their investors. For SIFTs that are trusts, the SIFT will be subject to tax in respect of certain distributions that are attributable to the SIFT's "non-portfolio earnings" (generally, income (other than certain dividends) from, or capital gains realised on, "non-portfolio properties"), at a rate that is equivalent to the federal general corporate tax rate, plus 13% on account of provincial tax. Distributions that are paid as returns of capital will not attract this tax. The amount of a distribution in respect of which this tax is payable will also be taxed in the hands of the unitholder as though it were a taxable dividend from a taxable Canadian corporation, which dividend will be eligible for the enhanced dividend tax credit if paid to an individual resident in Canada.

Effective Dates for New Taxation Regime

The SIFT Proposals are contemplated to apply beginning with the 2007 taxation year of a trust unless the trust would have been a SIFT trust on October 31, 2006, if the definition "SIFT trust" had been in force on that date and applied to the trust on that date (the "Existing Trust Exception"). For trusts that meet the Existing Trust Exemption, the SIFT Proposals will apply commencing with the earlier of the trust's 2011 taxation year and the first taxation year of the trust in which it exceeds "normal growth" as determined under the Growth Guidelines.

In the Growth Guidelines, the Minister stated that a SIFT will not be considered to have exceeded "normal growth" if its equity capital were to grow as a result of issuances of new equity, in any of the intervening periods described below, by an amount that does not exceed the greater of $50 million and an objective "safe harbour". The Minister indicated that the safe harbour amount will be measured by reference to a SIFT's market capitalization as at the end of trading on October 31, 2006 measured in terms of a SIFT's issued and outstanding publicly-traded units (the "Market Capitalization"). For the period from November 1, 2006 to the end of 2007 (the "Initial Safe Harbour Period"), a SIFT's safe harbour will be 40% of the Market Capitalization. A SIFT's safe harbour for each of the 2008 through 2010 calendar years will be 20% of the Market Capitalization. The annual safe harbour amounts are cumulative; whereas the $50 million amounts are not cumulative. New equity for these purposes includes units and debt that is convertible into units.

Period of three months ended March 31, 2007 [inaudited, in thousands of dollars except per-unit amounts]

REIT Exception

This new taxation regime is not applicable to real estate investment trusts ("REITs") that meet certain specified criteria relating to the nature of their income and investments. In particular, to qualify for the exception under the SIFT Proposals applicable to REITs (the "REIT Exception") in a particular taxation year (i) the REIT must, at no time in the taxation year, hold "non-portfolio property" other than "qualified REIT properties", (ii) not less than 95% of the REIT's revenues for the taxation year must be derived from one or more of the following: rent from "real or immovable properties"; interest, capital gains from dispositions of real or immovable properties; dividends; and royalties, (iii) not less than 75% of the REIT's revenues for the taxation year must be derived from one or more of the following: rent from "real or immovable properties", to the extent that it is derived from real or immovable properties situated in Canada; interest from mortgages, or hypothecs, on real or immovable property situated in Canada; and capital gains from dispositions of real or immovable properties situated in Canada, and (iv) at no time in the taxation year may the total fair market value of all properties held by the REIT, each of which is a real or immovable property situated in Canada, cash, or, generally, a debt obligation of a government in Canada or certain other public bodies, be less than 75% of the equity value of the REIT at that time. Generally, the SIFT Proposals contain a look-through rule under which a REIT could qualify for the REIT Exception where it holds its Canadian real properties indirectly through intermediate entities.

Accordingly, unless the REIT Exception is applicable to Cominar, the SIFT Proposals could, commencing in 2011, impact the level of cash distributions which would otherwise be made by Cominar. The SIFT Proposals do not fully accommodate the current business structures used by many Canadian REITs and contain a number of technical tests that many Canadian REITs, including Cominar, may find difficult to satisfy or which remain to be verified. The Minister's stated intention is to exempt REITs from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". Bill C-52 corrected certain problems with the proposed rules, but other matters remain to be verified. Accordingly, it is possible that further changes to these technical tests will be made prior to their enactment in order to accommodate some or all of the existing Canadian REITs, including Cominar, existing Canadian REITs, including Cominar, may need to restructure their affairs in order to limit the application of the SIFT Proposals.

Cominar shall continue to evaluate the developments in this area, and it is the intention of Cominar to take such steps as are necessary prior to 2011 to ensure that, to the extent possible, the negative effects of the proposed SIFT rules on Cominar and its unitholders are minimized.

13) PER-UNIT RESULTS

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

Period of three months ended March 31,	2007	2006
Weighted average number of units outstanding - basic	**36,899,236**	32,997,492
Effect of dilutive unit options	**714,947**	530,057
Weighted average number of units outstanding - diluted	**37,614,183**	33,527,549

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

Period of three months ended March 31, 2007 [inaudited, in thousands of dollars except per-unit amounts]

14) DISTRIBUTIONS

Cominar is governed by a Contract of Trust that requires it to distribute 85% or more of its distributable income to unitholders. The distributable income generally means the net income determined in accordance with GAAP excluding the depreciation of income properties and the amortization of above-market leases, compensation costs related to unit options, deferred rentals and gains or losses on sale of income properties.

Period of three months ended March 31,	2007	2006
Distributions to unitholders	**11,378**	10,020
Distributions per unit	**0.306**	0.302

15) SUPPLEMENTAL CASH FLOW INFORMATION

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

Period of three months ended March 31,	2007	2006
	$	$
Prepaid expenses	**(5,851)**	(5,012)
Accounts receivable	**4,601**	(863)
Accounts payable and accrued liabilities	**(1,019)**	(834)
	(2,269)	(6,709)

Additional information		
Interest paid	**6,662**	7,325
Unpaid leasing costs	**1,820**	1,680
Acquisitions of income properties and properties under development by assumption of mortgages payable	**7,458**	-
Unpaid acquisitions of income properties and properties under development	**10,622**	2,449
Properties under development transferred to income properties	**3,589**	3,216

16) RELATED-PARTY TRANSACTIONS

During the first quarter, Cominar entered into transactions with companies controlled by unitholders who are also members of the Trust's management. These transactions, made in the normal course of business, have been measured at the exchange amount and have been reflected in the financial statements as follows:

Period of three months ended March 31,	2007	2006
	$	$
Rental revenue from income properties	**248**	296
Other revenues	**48**	22
Income properties and properties under development	**2,955**	5,564
Deferred expenses and other assets	**2,095**	1,919
Accounts receivable	**213**	638
Accounts payable and accrued liabilities	**8,483**	6,292

17) FINANCIAL INSTRUMENTS

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

Interest rate risk

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

Period of three months ended March 31, 2007 [inaudited, in thousands of dollars except per-unit amounts]

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

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

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

As at March 31, 2007, the fair value of mortgages payable exceeded the carrying value by approximately $1,701 [$5,693 as at December 31, 2006] due to changes in interest rates since the dates on which the individual mortgages payable were obtained. The fair value of mortgages payable has been estimated based on current market rates for mortgages of similar terms and maturities.

As at March 31, 2007, the fair value of convertible debentures exceeded the carrying value by approximately $1,275 [$2,292 as at December 31, 2006] due to the change in interest rates since the issuance date. The fair value of convertible debentures has been estimated based on the current market rate for convertible debentures of similar terms and maturities.

18) SEGMENTED INFORMATION

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

Period of three months ended March 31, 2007

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	**12,434**	**10,692**	**12,308**	**35,434**
Depreciation of income properties	**1,810**	**1,361**	**1,449**	**4,620**
Net operating income (1)	**7,088**	**5,828**	**6,910**	**19,826**
Income properties (amortized cost) (2)	**269,201**	**229,100**	**243,145**	**741,446**

(1) Net operating income is "operating income before the undernoted" in the statement of income.
(2) Excluding the deposit for future acquisition mentioned in note 21.

Period of three months ended March 31, 2006

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	11,361	10,069	11,173	32,603
Depreciation of income properties	1,511	1,265	1,107	3,883
Net operating income (1)	6,564	5,501	6,276	18,341
Income properties (amortized cost)	243,360	213,383	211,852	668,595

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

Period of three months ended March 31, 2007 [inaudited, in thousands of dollars except per-unit amounts]

19) DISCONTINUED OPERATIONS

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

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

Period of three months ended March 31,	**2007**	**2006**
	$	**$**
Net operating income	-	109
Depreciation of income properties	-	(22)
Net income	-	87
Income from discontinued operations	-	87
Basic net income per unit	-	0.002
Diluted net income per unit	-	0.002

20) UNUSUAL ITEM

In connection with its growth strategy, Cominar incurred, in the first quarter of 2006, costs totalling $554 related to its offe for Alexis Nihon Real Estate Investment Trust ("Alexis Nihon"), which was not completed in 2006. These costs have been recorded in the statement of income of the first quarter of 2006, in accordance with the provisions of the Canadian Institute of Chartered Accountants Emerging Issues Committee Abstract EIC-94, which states that, in cases where the entity ceases to be engaged on a regular and ongoing basis with completion of the specifically identified transaction and it is not likely that activities with respect to completion of the particular transaction will resume within the next three months, the costs incurred at that date must be immediately expensed.

21) CONTINGENCY

Cominar received an expropriation notice relating to an office building with 171,000 sq. ft. of rental space located at 300 Viger Street, Montreal.

Since the expropriation process is in its preliminary stages, it is currently not possible to estimate the amount of the compensation that might be paid by the expropriating authority.

22) SUBSEQUENT EVENTS AND COMMITMENT

On February 19, 2007, Cominar entered into a binding asset purchase agreement with Homburg Invest Inc. ("Homburg") under the terms of which Cominar agreed to purchase the office and industrial buildings of Alexis Nihon representing 6,500,000 sq. ft. of rental space for a total of $592,000 (the "Acquisition"). The purchase is conditional upon the completion of the purchase offer from Homburg for all the outstanding units of Alexis Nihon.

On April 6, 2007, Homburg and Alexis Nihon announced that Homburg had completed its purchase offer of Alexis Nihon units. A special meeting of Alexis Nihon unitholders will be held on May 17, 2007. Cominar anticipates that the acquisition of Alexis Nihon's properties will close at the end of May or the beginning of June 2007.

On April 23, 2007, Cominar entered into a $82,250 lending agreement with a financial institution. It relates to a guaranteed ten-year loan bearing interest at an annual rate of 5.3 %, secured by first ranking mortgages on certain properties and assets of Cominar. This loan was used to repay credit facilities and to finance acquisitions.

On May 7, 2007, Cominar signed an agreement with a financial institution for a $60,000 increase in its general acquisition facilities, bringing such facilities to $178,000.

On May 8, 2007, Cominar completed a $250,500 issue of subscription receipts and convertible debentures, including $170,000 in subscription receipts with a subscription price of $23.90 each and $ 80,500 of unsecured debentures bearing interest at an annual rate of 5.70% and maturing on December 31, 2014. The net proceeds from the issue will be used, in part, to finance the Acquisition and to repay certain loans.

23) COMPARATIVE FIGURES

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

UNITHOLDER INFORMATION

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Unitholder Distribution Reinvestment Plan

Cominar Real Estate Investment Trust offers holders of its units the opportunity to participate in its Unitholder Distribution Reinvestment Plan (the "DRIP").

The DRIP allows participants to have their monthly cash distributions reinvested in additional units of Cominar. **In addition, participants will be entitled to receive an additional distribution equal to 5% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.**

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

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