QUARTERLY REPORT

Period ended June 30, 2007

Cominar Real Estate Investment Trust

COMINAR

SECOND QUARTER
JUNE 30, 2007

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MESSAGE TO UNITHOLDERS

We are pleased to present the financial results of Cominar Real Estate Investment Trust for the second quarter and first six months ended June 30, 2007. Detailed explanations about our results and financial position are provided in the Management's Discussion and Analysis, followed by the comparative interim consolidated financial statements and accompanying notes.

During the first six months of 2007, our real estate portfolio posted an exceptional expansion that certainly positions Cominar among the largest commercial property owners and managers in the Province of Quebec. Furthermore, the second quarter yielded excellent growth, reflecting the contribution of our acquisitions and the solid performance of our existing portfolio.

Since the beginning of the year, we have acquired a total of 67 properties representing a leasable area of about 7 million square feet and a $648.4 million investment, to which are added the acquisition of land in the Greater Montreal and Quebec City areas totalling 2.6 million square feet, for a $10.7 million investment and the developments completed during the first quarter at a cost of $6.2 million. The expansion of the property portfolio since early in 2007 therefore represents a total investment of $665.3 million. The salient acquisition was that of Alexis Nihon's 35 industrial buildings and 19 office buildings covering 6.5 million square feet, for a consideration of $592.0 million.

On the date hereof, Cominar's portfolio consists of 206 quality properties in the Greater Montreal, Quebec City and Ottawa/Gatineau areas totalling over 17.2 million square feet. Since its inception in 1998, our real estate portfolio's leasable space has increased more than sixfold, as well as the gross book value which has grown from $244.6 million to approximately $1.5 billion.

Our second-quarter results brought an excellent 29% growth in revenue which totalled $42.6 million, reflecting the contribution of the Alexis Nihon acquisition, the other acquisitions integrated since the beginning of 2006 and the solid performance of the existing portfolio. Net operating income jumped 27.4% to $25.5 million. Recurring distributable income rose 24.8% to $15.0 million, up from $12.0 million for the corresponding quarter of 2006.

At the end of the second quarter, our real estate portfolio's occupancy rate stood at 93.5%, compared with 94.8% as at March 31, 2007. This variation is primarily attributable to the properties acquired from Alexis Nihon, which had a lower occupancy rate than Cominar. Consistent with our occupancy optimization strategy, which has enabled us to maintain a rate of some 95% since the Trust's inception, our leasing team is currently focused on improving the rate of the acquired properties and we are confident that its efforts will yield positive results. Our leasing activities are progressing at a steady pace across our portfolio.

We are actively pursuing our development program on five properties representing 0.3 million square feet and a $22.7 million investment. These projects have much higher capitalization rates than the current market average for comparable properties.

Considering Cominar's strong performance as well as the quality of its acquisitions and developments, the Board of Trustees elected to increase monthly cash distributions to unitholders from 10.5 cents per unit to 11.0 cents per unit, representing a 4.8% increase. The increase will be effective with the August 2007 distribution payable in September 2007.

In upcoming quarters, we will continue to create value for our unitholders by further expanding our real estate portfolio through new acquisitions and developments at rates of return consistent with our objectives, while maintaining tight operating cost control and solid internal growth.

As previously mentioned, our leasing team is intensifying its efforts to renew the leases expiring in 2007 at the earliest opportunity and to increase our property occupancy rates, which will also contribute to create value for the long term.

With the support of our committed and highly skilled teams who have in-depth knowledge of the markets in which we operate, the size and quality of our portfolio, and the solidity of our financial balance sheet, we are better positioned than ever to achieve growing returns.

Michel Dallaire, Eng.
President and Chief Executive Officer

August 13, 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 period ended June 30, 2007, compared with the corresponding period of 2006. This MD&A should be read in conjunction with our consolidated financial statements and related notes and is dated August 13, 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' website at www.sedar.com.

The unaudited consolidated financial statements for the periods ended June 30, 2007 and 2006 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 unaudited consolidated financial statements have not been reviewed 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", which we use to evaluate our performance. Because non-GAAP measures do not have a standardized meaning and may differ from similar measures presented by other issuers, securities regulations require that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure. You may find such information in the sections dealing with these financial measures.

All amounts in this MD&A are in thousands of dollars, except amounts per unit and per square foot.

SELECTED FINANCIAL INFORMATION

For the periods ended June 30

	Quarter		Cumulative (six months)	
	2007	**2006**	**2007**	**2006**
FINANCIAL DATA				
Operating revenues	**$42,615**	$33,045	**$78,049**	$65,648
Net operating income	**25,456**	19,984	**45,282**	38,325
Net income	**8,690**	8,364	**16,014**	14,528
Recurring distributable income	**15,014**	12,030	**26,622**	22,302
Recurring funds from operations	**17,222**	13,923	**30,838**	26,093
Recurring adjusted funds from operations	**13,358**	11,289	**24,761**	22,501
Distributions	**13,206**	10,305	**24,584**	20,325
Distributable income payout ratio	**80.0%**	85.0%	**87.0%**	93.5%
Debt ratio			**56.8%**	48.0%
Acquisition capacity @ 65% debt level			**358,000**	470,000
Interest coverage ratio			**3.35**	3.55
Total assets			**1,472,518**	746,278
Per-unit data:				
Recurring distributable income (basic)	**0.38**	0.36	**0.70**	0.67
Recurring distributable income (FD) [(1)]	**0.37**	0.34	**0.68**	0.65
Recurring funds from operations (FD) [(1)]	**0.42**	0.39	**0.78**	0.74
Recurring adjusted funds from operations (FD) [(1)]	**0.33**	0.32	**0.64**	0.65
Distributions	**0.312**	0.306	**0.618**	0.608
OPERATIONAL DATA				
Number of properties			**199**	132
GLA [(2)] (sq.ft.)			**16,802**	9,897
Occupancy rate			**93.5%**	95.6%
Same-property net operating income growth			**2.3%**	2.9%
ACQUISITION/DEVELOPMENT HIGHLIGHTS				
Acquisitions				
Number of properties			**60**	2
GLA [(2)] (sq.ft.)			**6,612**	267
Total investment			**631,080**	9,875
Weighted average capitalization rate of acquisitions			**7.0%**	9.4%
Developments completed				
Number of properties			**1**	1
GLA [(2)] (sq.ft.)			**107**	45
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**	13
GLA [(2)] (sq.ft.)			**457**	761
Total investment			**33,000**	49,600
Weighted average capitalization rate of properties under development			**9.5%**	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. As at August 13, 2007, we own a high-quality portfolio of 206 properties, seven of which are co-owned, in the Greater Montreal, Quebec City and Ottawa/Gatineau areas totalling 17.2 million sq. ft. Our portfolio is divided among office buildings, retail properties and industrial and mixed-use buildings.

Since its inception in 1998, the Trust has completed successive acquisitions, construction projects and property developments. On June 1, 2007, the Trust acquired 28 industrial properties and 19 office properties owned by Alexis Nihon Real Estate Investment Trust. On July 6, 2007, Cominar completed this transaction with the acquisition of seven co-owned industrial properties. These two transactions added 6.5 million sq. ft. of leasable space to Cominar's portfolio. Since 1998, leasable space in our real estate portfolio has increased more than sixfold, while the gross book value of our real estate assets has risen from $244.6 million to $1.47 billion as at June 30, 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 an improved financial performance for Cominar.

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the periods ended June 30, 2007 and 2006, and should be read in conjunction with our interim consolidated financial statements.

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Operating revenues	**42,615**	33,045	29.0	**78,049**	65,648	18.9
Operating expenses						
Operating costs	**7,533**	6,034	24.8	**15,355**	13,286	15.6
Realty taxes and services	**9,228**	6,741	36.9	**16,792**	13,459	24.8
Property management expenses	**398**	286	39.2	**620**	578	7.3
Total operating expenses	**17,159**	13,061	31.4	**32,767**	27,323	19.9
Net operating income (1)	**25,456**	19,984	27.4	**45,282**	38,325	18.2
Interest on borrowings	**7,434**	5,739	29.5	**13,065**	11,449	14.1
Depreciation of income properties	**7,207**	4,019	79.3	**11 827**	7,902	49.7
Amortization of deferred leasing costs	**1,747**	1,517	15.2	**3,419**	3,064	11.6
Amortization of other assets	**52**	40	30.0	**102**	85	20.0
	16,440	11,315	45.3	**28,413**	22,500	26.3
Operating income from real estate assets	**9,016**	8,669	4.0	**16,869**	15,825	6.6
Trust administrative expenses	**831**	498	66.9	**1,452**	1,071	35.6
Other revenues	**83**	105	(21.0)	**175**	153	14.4
Unusual items (2)	**422**	-		**422**	(554)	
Net income from continuing activities	**8,690**	8,276	5.0	**16,014**	14,353	11.6
Net income from discontinued activities	**-**	88		**-**	175	
Net income	**8,690**	8,364	3.9	**16,014**	14,528	10.2
Net income per unit (basic)	**0.221**	0.250	(11.6)	**0.420**	0.437	(3.9)
Net income per unit (diluted)	**0.217**	0.246	(11.8)	**0.413**	0.430	(4.0)

(1) Net operating income is defined on page 7 of this MD&A.
(2) Cominar incurred non-recurring expenses of $0.6 million in the first quarter of 2006 in connection with its offer for Alexis Nihon Real Estate Investment Trust. Cominar recorded non-recurring revenue of $0.4 million from the public offering of subscription receipts issued in May 2007 and converted into units in June 2007 on the closing of the acquisition of the Alexis Nihon REIT properties.

It should be noted that the amounts reported previously for the periods ended June 30, 2006 have been adjusted to remove revenues and costs related to the property sold in December 2006 and classified as "discontinued operations". The revenues and costs have been included in discontinued operations, in accordance with GAAP.

Operating Revenues

We achieved excellent operating results during the second quarter of 2007. The 29.0% increase in operating revenues is due to the contribution for approximately one month of the acquisition of the Alexis Nihon properties and the other acquisitions completed and integrated since the beginning of 2006, to which is added the strong performance of our existing portfolio.

Our excellent second-quarter performance, combined with the solid first-quarter results, boosted operating revenues for the first six months of 2007 to $78.0 million, up $12.4 million or 18.9% over the same period in 2006.

OPERATING REVENUES

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Same property	**32,088**	30,866	4.0	**64,178**	61,934	3.6
Acquisitions and developments	**10,527**	2,179	383.1	**13,871**	3,714	373.5
Total operating revenues	**42,615**	33,045	29.0	**78,049**	65,648	18.9

Our same-property portfolio, including all properties owned by Cominar as at December 31, 2005 and excluding the benefits of the acquisitions and developments completed in 2006 and 2007, posted a growth in operating revenues of 4.0% for the second quarter and 3.6% for the first six months of 2007. This growth is due to the increase in rents for existing leases, renewed leases and new leases, reflecting the high quality of our properties and the sustained growth in our markets.

Operating Expenses

Operating expenses for the second quarter of 2007 increased 31.4% over the corresponding period of 2006 and 19.9% for the first six months of the year over the first half of 2006. These variations reflect the increase in the portfolio's size as a result of the completed acquisitions and developments. As a percentage of total operating revenues, overall operating expenses were relatively the same as in 2006, representing 40.3% of operating revenues for the second quarter and 42% for the first six months of the year, attesting to our ability to contain our operating expenses.

OPERATING EXPENSES

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Same property	**13,330**	12,484	6.8	**27,619**	26,211	5.4
Acquisitions and developments	**3,829**	577	563.6	**5,148**	1,112	462.9
Total operating expenses	**17,159**	13,061	31.4	**32,767**	27,323	19.9

The increase in operating expenses for our existing portfolio is mainly attributable to a $0.7 million rise in realty taxes and services 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 second quarter of 2007 grew 27.4% over the same period in 2006, whereas our NOI margin amounted to 59.7% of operating revenues, compared with 60.5% for the corresponding period of 2006. For the first six months of 2007, NOI was up 18.2% and represented 58.0% of operating revenues, versus 58.4% for the equivalent period of 2006. Although it was down slightly from prior periods, our NOI margin is still one of the highest among Canadian real estate investment trusts, thanks to the REIT's rigorous management.

NET OPERATING INCOME

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Same property	**18,758**	18,381	2.1	**36,559**	35,722	2.3
Acquisitions and developments	**6,698**	1,603	317.8	**8,723**	2,603	335.1
Total NOI	**25,456**	19,984	27.4	**45,282**	38,325	18.2
NOI margin	**59.7%**	60.5%		**58.0%**	58.4%	

Same-property NOI grew 2.1% in the second quarter and 2.3% in the first six months of 2007, thanks mainly to our stringent control of operating expenses, the rise in rents on lease renewals and rent increases set forth in our existing leases.

Interest on Borrowings

Second-quarter interest on borrowings increased 29.5% as a result of the period's acquisitions and the different financing arranged or assumed for the settlement of these acquisitions. Owing to these items, interest on borrowing for the first six months of 2007 was up 14.1%.

Cominar issued $80.5 million in convertible debentures bearing interest at 5.7%.

In connection with the acquisition of Alexis Nihon's properties, Cominar also assumed $237.8 million in mortgages payable at a weighted average rate of approximately 5.6%.

In addition, mortgages payable of $133.2 million were contracted at a weighted average rate of 5.38% during the second quarter. These borrowings were used to repay the existing debt coming due and to finance the acquisitions. Finally, Cominar obtained an additional acquisition credit facility of $60 million from a Canadian chartered bank, raising its total credit facilities to $178 million.

INTEREST ON BORROWINGS

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Mortgages and bank indebtedness	**6,704**	4,594	45.9	**12,071**	8,975	34.5
Convertible debentures	**1,199**	1,371	(12.5)	**1,781**	2,895	(38.5)
Amortization of borrowing costs	**117**	138	(15.2)	**256**	267	(4.1)
	8,020	6,103	31.4	**14,108**	12,137	16.2
- Capitalized interest	**(586)**	(364)	61.0	**(1,043)**	(688)	51.6
Total as per financial statements	**7,434**	5,739	29.5	**13,065**	11,449	14.1

Depreciation of Income Properties

Depreciation of income properties was up 79.3% for the second quarter of 2007 and 49.7% for the first six months of the year. This increase is due mainly to the acquisitions and developments completed in 2006 and 2007. Effective September 2003, the purchase price of an income property is allocated between the tangible assets comprised of land and the building, and intangible assets such as operating leases and customer relationships. As these intangible assets are amortized on a straight-line basis over the terms of the related leases, the resulting amortization is therefore accelerated in comparison with the depreciation of properties held for several years.

Depreciation of Income Properties

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Same property	**3,823**	3,752	1.9	**7,647**	7,488	2.1
Acquisitions and developments	**3,384**	267	1167.4	**4,180**	414	1009.7
Total	**7,207**	4,019	79.3	**11,827**	7,902	49.7

For the second quarter of 2007, the increase in amortization of intangible assets represented $1.8 million, or 57% of the increase in total depreciation of income properties. For the first six months of the year, it represented $2.1 million, or 53% of the increase in total depreciation expense.

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Depreciation of tangible assets	**5,173**	3,802	36.1	**9,327**	7,500	24.4
Amortization of intangible assets	**2,034**	217	837.3	**2,500**	402	621.9
Total	**7,207**	4,019	79.3	**11,827**	7,902	49.7

Trust Administrative Expenses

Administrative expenses rose 66.9% to $0.8 million for the second quarter of 2007, due mainly to an increase in human resources following the acquisition of Alexis Nihon and new hires to support our real estate portfolio's growth needs. The administrative expenses related to the status of a listed Trust and investor relations were also up as a result of the expansion. For the first six months of 2007, administrative expenses totalled $1.5 million, an increase of 35.6%.

Unusual Item

During the second quarter of 2007, Cominar realized non-recurring interest income of $0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, on the closing of the acquisition of the Alexis Nihon properties.

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 under discontinued operations.

Net Income

For comparative purposes, net income for the periods ended June 30, 2007 and 2006 presented below has been adjusted to exclude the aforementioned unusual item.

Thanks to the growth of all of Cominar's key performance criteria, second-quarter recurring net income was down only slightly, due primarily to the significantly higher depreciation of income properties. The evaluation of this expense is based on the assumption that the value of properties diminishes over time. The impact of this assumption was magnified by the application of the new rule explained on page 9 under "Depreciation of Income Properties".

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Net income (1)	**8,690**	8,364	3.9	**16,014**	14,528	10.2
- Unusual item	**(422)**	-		**(422)**	554	
Recurring net income	**8,268**	8,364	(1.1)	**15,592**	15,082	3.4
Recurring net income per unit (basic)	**0.21**	0.25	(16.0)	**0.41**	0.45	(8.9)
Recurring net income per unit (diluted)	**0.21**	0.25	(16.0)	**0.40**	0.45	(11.1)

(1) The figures for 2006 have been reclassified to conform to the financial reporting requirements for discontinued operations (see note 19 to the consolidated financial statements).

SEGMENTED INFORMATION

Cominar's activities encompass three categories of real estate properties located in the Greater Quebec City, Montreal and Ottawa/Gatineau areas. The following table presents these properties' contributions to net operating income, by sector of activity and by geographic location.

For the periods ended June 30

Sector of Activity	**2007**	**2006**	**2007**	**2006**
Office	**16,935**	13,275	**37.4%**	34.6%
Retail	**12,157**	11,584	**26.8%**	30.2%
Industrial and mixed-use	**16,190**	13,466	**35.8%**	35.2%
Total NOI	**45,282**	38,325	**100.0%**	100.0%

Office Sector

Net operating income in this sector was up $3.1 million or 46.8% in the second quarter of 2007 over the same period in 2006. This growth reflects the contribution of the June 1, 2007 acquisition of the 19 Alexis Nihon properties, combined with the other three properties acquired in 2007 and the 2006 acquisitions. Conversely, the period's increased operating expenses had a slightly adverse impact on the net operating margin, which fell to 58.7%. For the first six months of 2007, the sector's net operating income grew 27.6% and the net operating margin decreased by 1.0% to 57.8%.

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Operating revenues	**16,878**	11,210	50.6	**29,305**	22,570	29.8
Operating expenses	**7,025**	4,499	56.1	**12,370**	9,295	33.1
NOI – office	**9,853**	6,711	46.8	**16,935**	13,275	27.6
NOI margin	**58.7%**	59.9%		**57.8%**	58.8%	

Retail Sector

Net operating income in this sector was up $0.2 million or 4.0% in the second quarter of 2007 over the same period in 2006. For the first six months of the year, net operating income grew $0.5 million or 4.9%. These increases are due mainly to the acquisitions completed in this sector in 2007 and late 2006. Conversely, net operating margin narrowed as a result of higher operating expenses during the period.

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Operating revenues	**11,165**	10,581	5.5	**21,864**	20,650	5.9
Operating expenses	**4,841**	4,498	7.6	**9,707**	9,066	7.1
NOI – retail	**6,324**	6,083	4.0	**12,157**	11,584	4.9
NOI margin	**56.6%**	57.5%		**55.6%**	56.1%	

Industrial and Mixed-Use Sector

In the second quarter of 2007, the contribution of the acquisition of 28 Alexis Nihon properties, combined with that of the other acquisitions and developments completed in 2007 and 2006, boosted this sector's net operating income by $2.1 million or 29.1%. For the first six months of 2007, net operating income in this sector was up $2.7 million or 20.2% and net operating margin held relatively steady.

For the periods ended June 30

	Quarter			Cumulative (six months)		
	2007	**2006**	**% Δ**	**2007**	**2006**	**% Δ**
Operating revenues	**14,572**	11,254	29.5	**26,880**	22,428	19.9
Operating expenses	**5,293**	4,064	30.2	**10,690**	8,962	19.3
NOI – industrial and mixed-use	**9,279**	7,190	29.1	**16,190**	13,466	20.2
NOI margin	**63.7%**	63.9%		**60.2%**	60.0%	

Segmented Information by Geographic Location

The following table shows that the acquisition of Alexis Nihon properties and the recent acquisitions completed in the Montreal and Ottawa/Gatineau regions have changed the contribution of each region to the Trust's net operating income.

For the periods ended June 30

	Quarter		Cumulative (six months)	
Region	**2007**	**2006**	**2007**	**2006**
Quebec City	**25,429**	24,270	**56.1%**	63.3%
Montreal	**18,866**	14,055	**41.7%**	36.7%
Ottawa/Gatineau	**987**	-	**2.2%**	-
Total net operating income	**45,282**	38,325	**100%**	100%

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. The definition of distributable income is contained in the Contract of Trust governing Cominar and provides that the total of monthly distributions paid to unitholders must represent at least 85% of annual DI. We consider DI an excellent tool for assessing the Trust's performance. Given its historical nature, it is also a benchmark enabling investors to ascertain the stability of distributions and their financing.

DI generally corresponds to net income established in accordance with GAAP, excluding depreciation of income properties, adjustments from the amortization of above-market (below-market) leases on the purchase of income properties, compensation costs related to unit options, deferred rentals and gains or losses on sales of real estate assets.

The following table 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 periods ended June 30

	Quarter		Cumulative (six months)	
	2007	**2006**	**2007**	**2006**
Net income	**8,690**	8,364	**16,014**	14,528
+ Depreciation of income properties	**7,207**	4,042	**11,827**	7,947
+ Amortization of above-market (below-market) leases	**(38)**	30	**(8)**	60
+ Compensation costs related to unit option plan	**50**	31	**99**	62
- Deferred rentals	**(473)**	(437)	**(888)**	(849)
DI	**15,436**	12,030	**27,044**	21,748
- Unusual item [1]	**(422)**	-	**(422)**	554
RDI	**15,014**	12,030	**26,622**	22,302
Cash distributions	**13,206**	10,305	**24,584**	20,325
Per-unit amounts:				
DI (basic)	**0.39**	0.36	**0.71**	0.65
DI (FD) [2]	**0.38**	0.34	**0.69**	0.63
RDI (basic)	**0.38**	0.36	**0.70**	0.67
RDI (FD) [2]	**0.37**	0.34	**0.68**	0.65
Cash distributions	**0.312**	0.306	**0.618**	0.608
DI payout ratio	**80.0%**	85.0%	**87.0%**	93.5%
RDI payout ratio	**82.1%**	85.0%	**88.3%**	90.7%

(1) Non-recurring interest income from the public offering of subscription receipts issued in May 2007 and converted in June 2007 on the closing of the acquisition of the Alexis Nihon properties.
(2) Fully diluted.

Basic DI per unit grew 8.3% during the second quarter of 2007 over the corresponding period in 2006, thanks mainly to the immediate impact of the acquisitions and developments completed since the beginning of 2006. Fully diluted RDI per unit rose 8.8% from $0.34 to $0.37.

For the first six months of 2007, the contribution of the acquisitions and developments completed since the beginning of 2006 and of Cominar's existing portfolio lifted basic DI per unit up 9.2% and fully diluted RDI per unit up 4.6%.

Per-unit distributions rose to $0.618 in the first six months of 2007 from $0.608 in the first half of 2006, while the RDI payout ratio amounted to 88.3% as at June 30, 2007, compared with 90.7% as at June 30, 2006.

At the Board meeting held on August 10, 2007, the Trustees approved a new increase in the monthly cash distributions to unitholders, raising them by 4.8% from 10.5 cents to 11.0 cents per unit. The increase will be effective with the August 2007 distribution payable in September 2007.

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 following table presents this reconciliation:

For the periods ended June 30

	Quarter		Cumulative (six months)	
	2007	**2006**	**2007**	**2006**
Cash flows from operating activities	**16,096**	10,210	**27,711**	15,353
- Deferred rentals	**(473)**	(437)	**(888)**	(849)
- Amortization of deferred leasing costs	**(1,747)**	(1,517)	**(3,419)**	(3,064)
- Amortization of deferred financing costs and other assets	**(169)**	(177)	**(358)**	(352)
+ Change in non-cash operating working capital items	**1,729**	3,951	**3,998**	10,660
DI	**15,436**	12,030	**27,044**	21,748

On its inception, Cominar set a target of paying distributions equivalent to approximately 87% or 88% of its annual DI to unitholders. The Trust has met this target since 2002 and its payout ratio is one of the lowest among its peers in Canada. This internal policy gives us further leverage to ensure that unitholders receive steadily increasing cash distributions.

For the first six months of 2007, cash flows from operating activities totalled $27.7 million, whereas DI amounted to $27.0 million. Deducting non-recoverable capital expenditures of $0.2 million disbursed during the period, AFFO amounted to $27.5 million. Cominar's operations therefore generated sufficient funds to finance distributions of $24.6 million.

For comparative purposes, DI for the first six months of 2006 amounted to $21.7 million, whereas cash flows from operating activities stood at $15.4 million, not including non-recoverable capital expenditures of $0.2 million. Cash distributions totalled $20.3 million for the period, due notably to the change in non-cash working capital items.

It should be pointed out that this type of comparison for an interim period must be used with caution since changes in non-cash working items can have a material impact on cash flows from operating activities.

For fiscal 2006, DI amounted to $48.1 million, distributions stood at $42.7 million, and non-recoverable capital expenditures totalled $1.2 million, whereas cash flows from operating activities amounted $51.4 million, largely exceeding the annual distributions paid to unitholders.

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

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of Cominar's consolidated balance sheet as at June 30, 2007 and December 31, 2006.

SELECTED CONSOLIDATED BALANCE SHEET DATA

	June 30, 2007	Dec. 31, 2006
Income properties	**1,359,598**	711,441
Properties under development and land held for future development	**46,092**	24,232
Other	**66,828**	50,782
Total assets	**1,472,518**	786,455
Mortgages payable	**626,777**	270,142
Convertible debentures	**106,947**	39,984
Bank indebtedness	**143,791**	73,616
Other	**46,571**	25,705
Total liabilities	**924,086**	409,447

Long-term Debt

The following table presents Cominar's debt balance, including mortgages payable and convertible debentures, as at June 30, 2007, by year of maturity and weighted average interest rate:

As at June 30, 2007

	Debt Balance ($)	Weighted Average Interest Rate (%)
2007	4,163	6.45
2008	135,821	6.09
2009	55,779	5.58
2010	26,098	5.10
2011	3,049	5.14
2012	21,965	7.05
2013	8,365	7.33
2014(1)	156,334	6.01
2015	14,380	5.13
2016	-	-
2017	130,914	5.38
2018	31,723	5.51
2019	18,095	6.68
2020	-	-
2021	99,040	5.55
2022	35,020	5.35
Total	740,746	5.76
Less: Unamortized financing costs	(7,022)	
	733,724	

(1) Includes $113.1 million in convertible debentures.

Mortgages Payable

As at June 30, 2007, our mortgages payable amounted to $626.8 million, compared with $270.1 million as at December 31, 2006. This $356.7 million increase is attributable to the financing of the recent acquisitions and the assumption of the mortgages payable on the properties acquired from Alexis Nihon.

At the same date, the weighted average mortgage rate was 5.76%, down from 6.24% as at December 31, 2006. Cominar has staggered its mortgage expiry dates over a number of years to reduce the risks related to renewal. In 2007, $4.1 million in mortgages will be up for renewal. In 2008, $132.1 million in mortgages will be up for renewal, of which $81.3 million is related to the Place de la Cité property, one of Cominar's most prestigious properties. The REIT does not foresee any difficulty refinancing these mortgages as they mature.

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

MORTGAGE REPAYMENTS

Years ending December 31

	Payment of Principal	Balance at Maturity	Total	% of Total	Weighted Average Interest Rate (%)
2007	6,579	4,100	10,679	1.7	6.45
2008	14,163	132,098	146,261	23.3	6.09
2009	11,711	52,341	64,052	10.2	5.58
2010	11,820	24,077	35,897	5.7	5.10
2011	12,121	2,830	14,951	2.4	5.14
2012	12,217	16,380	28,597	4.6	7.05
2013	11,559	4,841	16,400	2.6	7.33
2014	11,211	32,266	43,477	6.9	6.38
2015	10,582	11,073	21,655	3.5	5.13
2016	10,826	-	10,826	1.7	-
2017	11,868	107,182	119,050	19.0	5.38
2018	8,848	-	8,848	1.4	5.51
2019	3,987	4,142	8,129	1.3	6.68
2020	3,987	-	3,987	0.6	-
2021	2,383	67,976	70,359	11.2	5.55
2022	262	24,187	24,449	3.9	5.35
Total	**144,124**	**483,493**	**627,617**	**100.0**	**5.76**
Less: Unamortized financing costs			(840)		
Balance as per financial statements as at June 30, 2007			626,777		

Convertible Debentures

As a result of the significant increase in Cominar's unit price since the Series A 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 $32.6 million remained outstanding as at June 30, 2007.

On May 8, 2007, Cominar issued $80.5 million in Series B convertible unsecured subordinated debentures bearing interest at a rate of 5.70% per annum and maturing in June 2014.

Issued Units

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

The ownership interests in Cominar are represented by a single class of units. Units represent a unitholder's proportionate and undivided 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.

Bank Indebtedness

As at June 30, 2007, Cominar had operating and acquisition facilities of over $178 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 three different financial institutions, and management has reason to believe they will remain available in the future. As at June 30, 2007, bank indebtedness totalled $143.8 million.

Debt Ratios

Under its Contract of Trust, the REIT could not contract or assume debt if, considering the debt thereby contracted or assumed, its total debt exceeded 60% of its property portfolio's gross book value.

At its last Annual General Meeting, Cominar amended this Contract to allow it, with the trustees' approval, to reach 65% of the gross book value, if convertible debentures of the REIT are outstanding.

The following table presents Cominar's debt ratio and interest coverage ratio as at June 30, 2007 and December 31, 2006:

DEBT TO GROSS BOOK VALUE RATIO

	June 30, 2007	Dec. 31, 2006
Mortgages payable	**626,777**	270,142
Convertible debentures	**106,947**	39,984
Bank indebtedness	**143,791**	73,616
Total long-term debt	**877,515**	383,742
Portfolio gross book value	**1,543,843**	845,960
Overall debt ratio(1) (2)	**56.8%**	45.4%
Debt ratio (excluding convertible debentures)	**49.9%**	40.5%
Borrowing power - 65% of gross book value	**358,000**	470,000

(1) The overall debt to gross book value ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross book value of the property portfolio (total value of assets plus accumulated depreciation).
(2) This ratio is not defined by GAAP and may differ from those of other entities.

As shown in the above table, our overall debt ratio as at June 30, 2007 was 56.8%, compared with 45.4% as at December 31, 2006. This increase is due to the mortgages assumed on the acquisition of the Alexis Nihon properties, two mortgages totalling $133.3 million, the issue of $80.5 million in convertible debentures and the increase in acquisition credit facilities during the second quarter of 2007.

As at June 30, 2007, our overall debt ratio allowed us to acquire up to $358 million in properties at the maximum debt ratio permitted by our Contract of Trust.

INTEREST COVERAGE RATIO

	June 30, 2007	Dec. 31, 2006
Net income	**16,014**	34,075
- Net income from discontinued operations	**-**	(1,076)
+ Unusual item (3)	**(422)**	554
- Other revenues	**(175)**	(488)
+ Interest on borrowings	**13,065**	22,021
+ Depreciation of income properties	**11,827**	16,188
+ Amortization of deferred leasing costs	**3,419**	6,139
+ Amortization of other assets	**102**	728
EBITDA	**43,830**	78,141
Interest expense	**13,065**	22,021
Interest coverage ratio (1) (2)	**3.35**	3.55

(1) The interest coverage ratio is equal to EBITDA (measure not defined by GAAP) divided by interest expense.
(2) This ratio is not defined by GAAP and may differ from similar measures presented by other entities.
(3) Non-recurring interest income from the public offering of subscription receipts issued in May 2007 and converted in June 2007 on the closing of the acquisition of the Alexis Nihon properties.

As previously indicated, as at June 30, 2007, our interest coverage ratio stood at 3.35:1, compared with 3.55:1 as at December 31, 2006.

As at June 30, 2007, our financial position remained healthy and solid with one of the lowest overall debt to gross book value ratios among Canadian real estate investment trusts, an acquisition capacity of $358 million at the maximum debt ratio of 65%, relatively little interest rate exposure and available credit facilities of $34.2 million. Hence, we believe the funds available to us will be sufficient to meet our current obligations and 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 following table presents a reconciliation of net income, as determined in accordance with GAAP, and FFO for the periods ended June 30, 2007 and 2006:

FUNDS FROM OPERATIONS

For the periods ended June 30

	Quarter		Cumulative (six months)	
	2007	**2006**	**2007**	**2006**
Net income	**8,690**	8,364	**16,014**	14,528
+ Depreciation of income properties	**7,207**	4,042	**11,827**	7,947
+ Amortization of deferred leasing costs	**1,747**	1,517	**3,419**	3,064
FFO	**17,644**	13,923	**31,260**	25,539
+ Unusual item (1)	**(422)**	-	**(422)**	554
Recurring FFO	**17,222**	13,923	**30,838**	26,093
FFO per unit (basic)	**0.45**	0.42	**0.82**	0.77
FFO per unit (FD) (2)	**0.43**	0.39	**0.79**	0.73
Recurring FFO per unit (basic)	**0.44**	0.42	**0.81**	0.78
Recurring FFO per unit (FD) (2)	**0.42**	0.39	**0.78**	0.74

(1) Non-recurring interest income from the public offering of subscription receipts issued in May 2007 and converted in June 2007 on the closing of the acquisition of the Alexis Nihon properties.
(2) Fully diluted.

For the second quarter of 2007, recurring FFO rose 23.7% to $17.2 million, compared with $13.9 million for the same period in 2006. This increase stemmed from the contribution of the 2007 and 2006 acquisitions and developments as well as internal growth, and resulted in a 4.8% increase in recurring FFO per unit.

For the first six months of 2007, recurring FFO grew $4.7 million or 18.2% over the corresponding period of 2006. This increase reflects the contribution of the acquisitions and developments completed since 2006 and same-property growth.

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 an effective measure of the financial results of different real estate investment trusts operating in a similar sector of activity, since it takes into consideration leasing costs and capital expenditures, which may vary substantially from one entity to the other, depending on their sector of activity.

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

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

The following table presents a reconciliation of FFO and AFFO for the periods ended June 30, 2007 and 2006:

ADJUSTED FUNDS FROM OPERATIONS

For the periods ended June 30

	Quarter		Cumulative (six months)	
	2007	**2006**	**2007**	**2006**
FFO	**17,644**	13,923	**31,260**	25,539
- Non-recoverable capital expenditures (1)	**(60)**	(138)	**(220)**	(187)
- Deferred rentals	**(473)**	(437)	**(888)**	(849)
+ Amortization of above-market (below-market) leases	**(38)**	30	**(8)**	60
+ Amortization of deferred financing costs	**117**	138	**256**	267
- Deferred financing costs	**(398)**	(93)	**(498)**	(219)
+ Compensation costs related to unit option plan	**50**	31	**99**	62
- Leasing costs (2)	**(3,062)**	(2,165)	**(4,818)**	(2,726)
AFFO	**13,780**	11,289	**25,183**	21,947
+ Unusual item (3)	**(422)**	-	**(422)**	554
Recurring AFFO	**13,358**	11 289	**24,761**	22,501
Per-unit information:				
AFFO (basic)	**0.35**	0.34	**0.66**	0.66
AFFO (FD) (3)	**0.34**	0.32	**0.65**	0.64
Recurring AFFO per unit (basic)	**0.34**	0.34	**0.65**	0.68
Recurring AFFO per unit (FD) (4)	**0.33**	0.32	**0.64**	0.65

(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) Non-recurring interest income from the public offering of subscription receipts issued in May 2007 and converted in June 2007 on the closing of the acquisition of the Alexis Nihon properties.
(4) Fully diluted.

For the second quarter of 2007, fully diluted recurring AFFO per unit increased $0.01 over the second quarter of 2006, to $0.33. For the first six months of 2007, basic and fully diluted recurring AFFO per unit decreased $0.03 and $0.01 respectively to $0.65 and $0.64. As the costs related to new developments can vary significantly from one quarter to another, management believes that the above comparative quarterly and cumulative results cannot be used to determine the annual trend. Several development projects were included in income properties at the end of 2006 and, in several cases, leasing efforts yielded benefits in the first quarter of 2007.

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, as well as the payments due under emphyteutic leases for land held for income properties.

PROPERTY PORTFOLIO

The following table presents Cominar's property portfolio as at June 30, 2007 and December 31, 2006:

	June 30, 2007	Dec. 31, 2006
Income properties	**1,417,401**	770,946
Properties under development and land held for future development	**46,092**	24,232
Total gross book value	**1,463,493**	795,178
Number of properties (1)	**199**	139
GLA (in thousands of sq.ft.) (1)	**16,802**	10,190
Composition (% of net operating income)		
Office	**37.4**	34.9
Retail	**26.8**	29.5
Industrial and mixed-use	**35.8**	36.7
Geographic breakdown (% of net operating income)		
Greater Quebec City area	**56.1**	63.3
Greater Montreal area	**41.7**	36.7
Ottawa/Gatineau area	**2.2**	-

(1) Includes properties built and under development.

During the first two quarters of 2007, Cominar added 60 properties representing an additional leasable area of 6.6 million sq. ft. to its portfolio, including the acquisition of 47 Alexis Nihon properties covering a leasable area of 6.1 million sq. ft. These acquisitions increased the total leasable area of Cominar's portfolio by 65% and the total gross value of its properties by 84%, from $795 million to $1.46 billion as at June 30, 2007.

While maintaining its dominant position in the Greater Quebec City area, the Trust is also increasingly present in the Greater Montreal area and has completed its first acquisitions in the Ottawa/Gatineau area. For the second quarter of 2007, properties in the Montreal area accounted for 41.7% of net operating income, compared with 36.7% in 2006, whereas those in the Ottawa/Gatineau area accounted for 2.2% of net operating income.

REAL ESTATE OPERATIONS

The following table highlights our key operational performance indicators as at June 30, 2007 and 2006:

For the periods ended June 30

	2007	2006	% Δ
Occupancy	**93.5%**	95.6%	(1.4)
Same-property NOI growth	**2.3%**	2.9%	

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 June 30, 2007, occupancy stood at 93.5%, compared with 94.8% as at March 31, 2007. This 1.3% decrease is due primarily attributable to the properties acquired from Alexis Nihon Real Estate Investment Trust, which had a lower occupancy rate than Cominar.

The following table presents occupancy by sector of activity as at June 30, 2007, March 31, 2007 and December 31, 2006:

Sector of Activity (%)	June 30, 2007	March 31, 2007	Dec. 31, 2006
Office	**93.3**	96.5	96.0
Retail	**95.1**	95.8	94.3
Industrial and mixed-use	**93.2**	93.7	93.7
Total portfolio	**93.5**	94.8	94.4

Office *and* ***Industrial and Mixed-use.*** Occupancy rates in these sectors were down from March 31, 2007. This decline can be explained by the fact that the occupancy of the office properties acquired from Alexis Nihon was lower than that of Cominar.

Retail. The properties located in Mont St-Hilaire, acquired in June 2007, had a lower occupancy rate than Cominar's average, which accounts for the slight decline in occupancy in the retail sector during the second quarter.

Leasing Activity

The following table contains a summary of Cominar's leasing activity in the first six months of 2007:

LEASE EXPIRIES AND RENEWALS BY SECTOR

	Office	Retail	Industrial and Mixed-Use	Total
Expiring leases / 2007				
Number of tenants	158	126	189	**473**
Area (sq.ft.)	558,364	284,456	1,476,439	**2,319,259**
Average net rent/sq.ft. ($)	9.42	9.77	5.29	**6.83**
Renewed leases				
Number of tenants	74	64	99	**237**
Area (sq.ft.)	331,173	215,449	812,428	**1,359,050**
Average net rent/sq.ft. ($)	9.89	11.04	5.77	**7.61**
% renewal	59.3	75.7	55.0	**58.5**
New leases				
Number of tenants	25	28	45	**98**
Area (sq.ft.)	70,002	40,236	356,775	**467,013**
Average net rent/sq.ft. ($)	9.11	11.66	5.36	**6.47**

As indicated in the above table, leasing activity remains strong across our portfolio in 2007, especially in the retail sector where 75.7% of expiring leases have already been renewed. Our leasing team has stepped up its efforts to renew an aggregate 58.5% of leases expiring in 2007. We have also signed new leases representing 0.5 million sq. ft. of space.

Our renewal rates are up in all three sectors of activity. The office sector is showing a 5.0% increase, while the retail and industrial sectors are up 13.0% and 11.4% 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 years:

LEASE MATURITY

	2008	2009	2010	2011	2012
Office					
Leasable area (sq. ft.)	668,653	383,300	504,177	272,779	669,356
Lease rate/sq. ft. ($)	9.84	11.50	9.42	9.98	10.57
% of office portfolio	13.6	7.8	10.3	5.6	13.6
Retail					
Leasable area (sq. ft.)	321,806	237,608	262,872	317,043	330,365
Lease rate/sq. ft. ($)	8.89	11.82	11.22	10.33	10.94
% of retail portfolio	12.7	9.4	10.4	12.5	13.0
Industrial and mixed-use					
Leasable area (sq. ft.)	1,516,953	932,338	1,327,548	1,011,384	745,498
Lease rate/sq. ft. ($)	5.63	5.54	5.38	5.95	6.74
% of industrial and mixed-use portfolio	16.2	10.0	14.2	10.8	8.0
Total portfolio					
Leasable area (sq. ft.)	2,507,412	1,553,246	2,094,597	1,601,203	1,745,219
Lease rate/sq. ft. ($)	7.17	7.97	7.08	7.51	9.00
% of portfolio	14.9	9.2	12.5	9.5	10.4

The following table summarizes the average lease term information as at June 30, 2007:

	Average Remaining Lease Term (Years)	Average Tenant Size (Sq.Ft.)	Average Net Rent / Sq.Ft. ($)
Office	5.0	5,510	10.63
Retail	5.4	3,490	10.45
Industrial and mixed-use	3.8	11,187	5.56
Portfolio average	**4.4**	**6,770**	**7.84**

We have approximately 2,200 tenants that occupy, on average, 6,800 sq. ft. of space. Our broad base of tenants is highly diversified.

Our three largest tenants, Public Works Canada, Société immobilière du Québec, a Quebec government corporation, and Ericsson Canada, represent approximately 6.8%, 5.2% and 3.0% of our net operating income, respectively. The stability and quality of our cash flow is further enhanced with approximately 15.0% coming from government agencies. The following table sets out the percentage contribution to our net operating income of our ten largest tenants:

Tenant	% of NOI	Leased Space (Sq.Ft.)
Public Works Canada (1)	6.8	736,226
Société immobilière du Québec (1)	5.2	816,641
Ericsson Canada inc.	3.0	175,060
Quebecor Media inc.	2.1	171,532
LDC Logistics Development Corp.	1.7	527,000
Hudson Bay Company	1.4	349,312
National Bank of Canada (1)	1.1	146,630
City of Montreal (1)	1.1	112,774
Métro Richelieu Inc.	1.0	287,970
Wal-Mart Canada inc.	0.9	129,638
Total	**24.3**	**3,452,783**

(1) This tenant has entered into several leases with Cominar for a number of 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 downward pressure on capitalization rates.

Nevertheless, since the beginning of 2007, Cominar has completed acquisitions and developments totalling approximately 6.7 million sq. ft. of leasable space and a $637.3 million investment at a 7.0% weighted average capitalization rate. Excluding the acquisition of the Alexis Nihon properties, Cominar has identified and closed acquisitions at a 9.0% average capitalization rate, which exceeds the industry average, due to its market knowledge. Furthermore, thank to its broad-based expertise in the real estate market, the Trust is perfectly poised to evaluate and execute successful development projects.

Acquisitions

During the first six months of 2007, Cominar purchased 60 properties representing approximately 6.6 million sq. ft. of leasable space and a $631.1 million investment at a 7.0% weighted average capitalization rate. It also acquired land in the Greater Quebec City and Montreal areas for future development purposes totalling 2.6 million sq. ft. for a $10.7 million investment. 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 ($)	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
795 Craig	Lévis	I	05/07	23,041	1,000	9.8
375 W. Laurier	St-Hilaire	O	06/07	49,855	26,400 [4]	8.8 [4]
325 H Charbonn.	St-Hilaire	O	06/07	19,259	[4]	[4]
370 W. Laurier	St-Hilaire	R	06/07	46,074	[4]	[4]
353 W. Laurier	St-Hilaire	R	06/07	71,174	[4]	[4]
345 H Charbonn.	St-Hilaire	R	06/07	24,175	[4]	[4]
383 W. Laurier	St-Hilaire	R	06/07	9,318	[4]	[4]
Total/Weighted Average Capitalization Rate				**526,557**	**56,380**	**9.0**
Alexis Nihon REIT			**06/07**	**6,085,633**	**574,700**	**6.8**
Total/Weighted Average Capitalization Rate				**6,612,190**	**631,080**	**7.0**

(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 $6.1 million.
(4) These six properties were acquired pursuant to the same transaction for $26.4 million.

Development Program

Completed Development

The Trust's internal development program has continued to progress at a steady pace since the beginning of 2007. It has converted one property, representing 106,500 sq. ft. of space and a $6.2 million investment, into income-producing status at a development yield of 10.1%. The following table details the development completed thus far:

Development	City	Sector of Activity[1]	Completion Date	GLA [2] (Sq.Ft.)	Investment ($)	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

As at June 30, 2007, Cominar's ongoing development pipeline included five properties representing 0.3 million sq. ft. 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 ($)	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	26.0
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 representing approximately 0.2 million sq. ft. and a $10.3 million investment. Details are as follows:

Development	City	Sector of Activity(1)	Start Date	GLA(2) (Sq.Ft.)	Investment ($)	Capitalization Rate (%)
Highway 20	Lévis	I, R	Q3-2007(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 return on the developments listed above is 9.4. This return is 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 of August 13, 2007 by sector of activity and geographic location:

SUMMARY BY SECTOR OF ACTIVITY

	Number of Properties	GLA(1) (Sq. Ft.)
Office	37	4,911,972
Retail	36	2,536,584
Industrial and mixed-use	133	9,764,103
Total	**206**	**17,212,659**

(1) Gross Leasable Area.

SUMMARY BY GEOGRAPHIC LOCATION

	Number of Properties	GLA(1) (Sq. Ft.)
Greater Quebec City Area	91	6,241,785
Greater Montreal Area	111	10,369,009
Ottawa/Gatineau Area	4	601,865
Total	**206**	**17,212,659**

(1) Gross Leasable Area.

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 June 1, 2007, Cominar purchased 28 industrial and mixed-use properties and 19 office properties from Alexis Nihon Real Estate Investment Trust and its exclusive entities, representing a leasable area of 6.1 million sq. ft., pursuant to the agreement between Cominar and Homburg Invest Inc. On July 6, 2007, Cominar completed this transaction with the acquisition of seven co-owned industrial properties for a price of $17.3 million. The acquisition by Cominar of interests in these co-owned properties was subject to rights of first refusal granted to a third party that were not exercised.

We believe that these acquisitions provide substantial benefits to Cominar's unitholders, including:

- **Leading Market Position:** They have helped make Cominar one of the largest owners and managers of commercial real estate in the Province of Quebec;
- **Diversified and Enhanced Portfolio:** They have further diversified Cominar's geographic base of properties and enhanced its office and industrial and mixed-use holdings; and
- **Immediately Accretive:** They were immediately accretive to distributable income and funds from operations, and also yielded management synergies.

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 following table compares the issuance of units during the periods mentioned:

For the periods ended June 30

	Quarter		Cumulative (six months)	
	2007	**2006**	**2007**	**2006**
Units issued and outstanding, beginning of period	**37,326,973**	33,318,431	**36,600,361**	32,940,735
+ Units issued under public offering	**7,113,000**	-	**7,113,000**	-
+ Units issued on exercise of options	**86,600**	78,800	**306,700**	335,550
+ Units issued under DRIP	**17,886**	16,349	**29,407**	34,313
+ Units issued from conversion of convertible debentures	**114,766**	968 503	**609,757**	1,071,485
Units issued and outstanding, end of period	**44,659,225**	34,382,083	**44,659,225**	34,382,083
Weighted average number of units outstanding (basic)	**39,351,706**	33,505,504	**38,132,246**	33,252,902
Weighted average number of units outstanding (FD) (1)	**43,592,462**	38,985,287	**41,671,985**	39,036,594

(1) 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 second quarter of 2007, Cominar posted net rental revenues of $0.2 million from Dalcon and CFA. The Trust incurred $1.5 million in expenses for leasehold improvements performed by Dalcon on its behalf and $2.2 million for the construction and development of income properties.

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

SUBSEQUENT EVENT

On July 6, 2007, Cominar acquired Alexis Nihon's interest in seven co-owned industrial properties representing approximately 410,000 sq. ft. of leasable space at a cost of $17.3 million, consisting of $3.2 million in mortgages payable assumed and a cash consideration of $14.1 million.

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 second quarter ended June 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

OUTLOOK

During the second half of 2007, the Trust will remain focused on its goals of:

- sustained internal growth in its three sectors of activity;
- tight control over operating costs;
- an optimal capital structure; and
- ongoing expansion of its real estate portfolio through value-maximizing acquisitions and developments.

SIGNIFICANT ACCOUNTING ESTIMATES

Our MD&A is based upon Cominar's consolidated financial statements, prepared in accordance with GAAP. The preparation and presentation of the consolidated financial statements in accordance with GAAP and any other financial information contained in the MD&A involves a judicious choice of appropriate accounting principles and methods whose application requires management to make estimates that have an impact on the assets and liabilities reported in the financial statements. These same estimates also have an impact on the presentation of the period's contingencies, revenues and expenses. Our estimates, which are often based upon past experience, are based upon assumptions which we believe to be reasonable. Use of other methods of estimation might have yielded different amounts than those presented. Actual results could differ from these estimates.

Significant Accounting Policies Adopted by Cominar Making Use of 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 the CICA's EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination." In accordance with this Abstract, the CICA requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value, to the fair value of customer relationships, if any, and to the fair value of leasehold improvements.

Depreciation of Income Properties

Income properties are depreciated using the straight-line method in order to fully depreciate their residual value over a forty-year term.

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 or the estimated term of the customer relationships.

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.

Unit Option Plan

Under a unit option plan, Cominar has granted options to purchase units to its trustees, management and employees. Cominar recognizes an expense for employee stock-based compensation using the Black-Scholes option pricing model (fair value-based method). This model requires the input of subjective assumptions, including the expected stock price volatility. The related compensation expense is 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 represents changes in 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, unamortized financing costs of $7.0 million as at June 30, 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 capital markets and inflation, each affect 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 6,800 sq. ft.

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 favourable as the terms of existing mortgages. Our profitability may be affected 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 June 30, 2007, none of our long-term debt had floating interest rates. Between now and the end of 2007, an amount of $4.1 million in mortgages bearing interest at an average weighted rate of 6.45% 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 Contract of Trust to annually distribute all of our taxable income to unitholders and thus are generally not subject to tax on such amount. In order to maintain our current mutual fund status, we are required to comply with specific restrictions regarding our activities and the investments held by us. If we were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

New Tax System

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

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

Application of New Rules

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

REIT Exception

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

As of June 30, 2007, Cominar meets all these conditions and qualifies as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

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

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.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Cominar REIT

Unaudited

June 30, 2007

CONSOLIDATED BALANCE SHEETS

[in thousands of dollars]

	As at June 30, 2007 (unaudited) $	As at December 31, 2006 (audited) $
ASSETS		
Income properties *[note 4]*	**1,359,598**	711,441
Properties under development *[note 5]*	**31,455**	16,628
Land held for future development *[note 5]*	**14,637**	7,604
Deferred expenses and other assets *[note 6]*	**30,490**	28,057
Prepaid expenses	**17,826**	2,654
Accounts receivable *[note 7]*	**18,512**	20,071
	1,472,518	786,455
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Mortgages payable *[note 8]*	**626,777**	270,142
Convertible debentures *[note 9]*	**106,947**	39,984
Bank indebtedness *[note 10]*	**143,791**	73,616
Accounts payable and accrued liabilities	**41,882**	21,606
Distributions payable to unitholders	**4,689**	4,099
	924,086	409,447
Unitholders' equity *[note 11]*		
Unitholders' contributions	**580,683**	400,698
Cumulative net income	**234,552**	218,538
Cumulative distributions	**(267,210)**	(242,626)
Contributed surplus	**407**	398
	548,432	377,008
	1,472,518	786,455

Contingencies *[note 21]*
Commitments *[note 22]*
Subsequent event *[note 23]*

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period ended June 30,
[unaudited, in thousands of dollars]

	Quarter		Cumulative (six months)	
	2007	2006	2007	2006
	$	$	$	$
Unitholders' contributions				
Balance, beginning of period	**412,707**	343,975	**400,698**	338,230
Issue of units	**173,828**	18,409	**185,837**	24,154
Underwriters' fees and offering costs	**(5,852)**	-	**(5,852)**	-
Balance, end of period	**580,683**	362,384	**580,683**	362,384
Cumulative net income				
Balance, beginning of period	**225,862**	190,627	**218,538**	184,463
Net income	**8,690**	8,364	**16,014**	14,528
Balance, end of period	**234,552**	198,991	**234,552**	198,991
Cumulative distributions				
Balance, beginning of period	**(254,004)**	(209,922)	**(242,626)**	(199,902)
Distributions to unitholders	**(13,206)**	(10,305)	**(24,584)**	(20,325)
Balance, end of period	**(267,210)**	(220,227)	**(267,210)**	(220,227)
Contributed surplus				
Balance, beginning of period	**403**	361	**398**	351
Unit option plan	**4**	(19)	**9**	(9)
Balance, end of period	**407**	342	**407**	342
Unitholders' equity	**548,432**	341,490	**548,432**	341,490

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Period ended June 30,
[unaudited, in thousands of dollars, except per-unit amounts]

	Quarter		Cumulative (six months)	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Operating revenues				
Rental revenue from income properties	**42,615**	33,045	**78,049**	65,648
Operating expenses				
Operating costs	**7,533**	6,034	**15,355**	13,286
Realty taxes and services	**9,228**	6,741	**16,792**	13,459
Property management expenses	**398**	286	**620**	578
	17,159	13,061	**32,767**	27,323
Operating income before the undernoted	**25,456**	19,984	**45,282**	38,325
Interest on borrowings	**7,434**	5,739	**13,065**	11,449
Depreciation of income properties	**7,207**	4,019	**11,827**	7,902
Amortization of deferred leasing costs	**1,747**	1,517	**3,419**	3,064
Amortization of other assets	**52**	40	**102**	85
	16,440	11,315	**28,413**	22,500
Operating income from real estate assets	**9,016**	8,669	**16,869**	15,825
Trust administrative expenses	**831**	498	**1,452**	1,071
Other revenues	**83**	105	**175**	153
Unusual items *[note 20]*	**422**	-	**422**	(554)
Net income from continuing operations	**8,690**	8,276	**16,014**	14,353
Net income from discontinued operations *[note 19]*	**-**	88	**-**	175
Net income and comprehensive income	**8,690**	8,364	**16,014**	14,528
Basic net income per unit *[note 13]*	**0.221**	0.250	**0.420**	0.451
Diluted net income per unit *[note 13]*	**0.217**	0.246	**0.413**	0.430

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASHFLOWS

Period ended June 30,
[unaudited, in thousands of dollars]

	Quarter		Cumulative (six months)	
	2007	2006	2007	2006
	$	$	$	$
OPERATING ACTIVITIES				
Net income	**8,690**	8,364	**16,014**	14,528
Adjustments for:				
Depreciation of income properties	**7,207**	4,042	**11,827**	7,947
Amortization of above- (below-) market leases	**(38)**	30	**(8)**	60
Amortization of deferred leasing costs	**1,747**	1,517	**3,419**	3,064
Amortization of deferred financing costs and other assets	**169**	177	**358**	352
Compensation costs related to unit option plan	**50**	31	**99**	62
	17,825	14,161	**31,709**	26,013
Change in non-cash working capital items *[note 15]*	**(1,729)**	(3,951)	**(3,998)**	(10,660)
	16,096	10,210	**27,711**	15,353
FINANCING ACTIVITIES				
Mortgages payable	**132,947**	59,433	**167,987**	59,433
Repayments of mortgages payable	**(44,324)**	(12,829)	**(56,750)**	(17,336)
Bank indebtedness	**45,405**	(40,801)	**70,175**	(17,878)
Distributions to unitholders	**(11,893)**	(9,948)	**(23,289)**	(19,845)
Net proceeds from issue of units *[note 11]*	**165,503**	1,186	**168,580**	4,771
Net proceeds from issue of convertible debentures *[note 9]*	**77,386**	-	**77,386**	-
	365,024	(2,959)	**404,089**	9,145
INVESTING ACTIVITIES				
Additions to income properties	**(363,555)**	(4,888)	**(403,965)**	(18,608)
Additions to properties under development and land held for future development	**(14,383)**	(198)	**(22,832)**	(2,991)
Leasing costs	**(3,062)**	(2,165)	**(4,818)**	(2,726)
Other assets	**(120)**	-	**(185)**	(173)
	(381,120)	(7,251)	**(431,800)**	(24,498)
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 interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Period ended June 30, 2007
[unaudited, in thousands of dollars, except per-unit amounts]

1. DESCRIPTION OF THE TRUST

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

2. NEW ACCOUNTING POLICIES

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

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

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

Cominar used the following classifications:

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

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

- 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, unamortized financing costs amounting to $7,022 as at June 30, 2007 [$3,762 as at December 31, 2006], previously recorded as "Deferred Expenses and Other Assets," are from now on recorded as a reduction of the related mortgages payable or convertible debentures, as applicable.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
Cominar's unaudited interim consolidated financial statements have been prepared in accordance 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 interim consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries.

Use of estimates
The preparation of financial statements in accordance 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 rent from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees, parking income and incidental income.

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

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

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

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

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

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

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

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

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

Period ended June 30, 2007 [unaudited, 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

		2007		2006
	Cost $	Accumulated depreciation $	Amortized cost $	Amortized cost $
Land	**172,727**	**-**	**172,727**	97,988
Buildings	**1,154,965**	**66,385**	**1,088,580**	604,628
Intangible assets	**89,709**	**4,940**	**84,769**	8,825
Deposit for future acquisition *[note 23]*	**13,522**	**-**	**13,522**	-
	1,430,923	**71,325**	**1,359,598**	711,441

Additions to income properties

During the period ended June 30, 2007, Cominar acquired 60 income properties (2 in 2006) and related assets and liabilities. The following table shows the net assets acquired:

Period ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

	Acquired from Alexis-Nihon REIT $	Other acquisitions $	Six-month period ended June 30, 2007 $	Six-month period ended June 30, 2006 $
Income properties				
Land	**66,249**	**7,124**	**73,373**	1,422
Buildings	**439,368**	**43,247**	**482,615**	7,683
Intangible assets and liabilities				
Prepaid origination costs	**56,525**	**4,649**	**61,174**	603
Above-market leases	**814**	**176**	**990**	-
Below-market leases	**(4,712)**	**-**	**(4,712)**	-
Customer relationships	**19,800**	**1,184**	**20,984**	-
Leasehold improvements	**-**	**-**	**-**	167
Properties under development	**12,125**	**-**	**12,125**	-
Total purchase price	**590,169**	**56,380**	**646,549**	9,875
The acquisition cost was funded by:				
Cash and bank indebtedness	**345,518**	**48,922**	**394,440**	9,875
Assumption of mortgages payable	**237,871**	**7,458**	**245,329**	-
Balance of sale	**6,780**	**-**	**6,780**	-
Total acquisition cost	**590,169**	**56,380**	**646,549**	9,875

The allocation of the purchase price to the fair values of the net assets acquired and liabilities assumed for properties that Cominar bought from Alexis Nihon Real Estate Investment Trust ("Alexis Nihon") in the current quarter has not been finalized and will be subject to adjustments.

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

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the period, Cominar capitalized $1,043 [$688 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 June 30, 2007 $	As at December 31, 2006 $
At amortized cost		
Leasing costs	**29,690**	27,339
Other assets	**800**	718
	30,490	28,057

Period ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

7. ACCOUNTS RECEIVABLE

	As at June 30, 2007	As at December 31, 2006
	$	$
Accounts receivable	**9,727**	6,391
Deferred accounts receivable	**6,337**	5,448
Other accounts receivable, bearing interest at a weighted average rate of 7.40% [7.50% as at December 31, 2006]	**2,448**	2,545
Balances of sale *[note 19]*	-	5,687
	18,512	20,071

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties stated at a net book value of $1,029,956 [$422,315 as at December 31, 2006]. They bear interest at rates ranging from 4.68% to 9.13% per annum [5.72% to 11.00% as at December 31, 2006] representing a weighted average year-end rate of 5.76% [6.24% as at December 31, 2006] and are renewable at various dates from July 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	6,579	4,100	**10,679**
2008	14,163	132,098	**146,261**
2009	11,711	52,341	**64,052**
2010	11,820	24,077	**35,897**
2011	12,121	2,830	**14,951**
2012	12,217	16,380	**28,597**
2013 and thereafter	75,513	251,667	**327,180**
	144,124	483,493	**627,617**
Less: unamortized financing costs			**(840)**
			626,777

Mortgages payable with fixed rates amount to $627,617 [$263,809 as at December 31, 2006] and those with variable rates were repaid during the period [$6,840 as at December 31, 2006].

Period ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

9. CONVERTIBLE DEBENTURES

	As at June 30, 2007			As at December 31, 2006
	Series A	**Series B**	**Total**	
Interest rates	**6.30%**	**5.70%**		
Mature date	**June 30, 2014**	**June 30, 2014**		
Conversion price per unit	**$17.40**	**$27.50**		
	$	**$**	**$**	$
Balance, beginning of period	**43,239**	**-**	**43,239**	97,535
Issue	**-**	**80,500**	**80,500**	-
Holder’s option conversions	**(10,610)**	**-**	**(10,610)**	(54,296)
	32,629	**80,500**	**113,129**	43,239
Less: unamortized financing costs			**(6,182)**	(3,255)
			106,947	39,984

On September 17, 2004, Cominar completed a public offering of 100,000 Series A 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 payable 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 prior to June 30, 2008, except in the event of a change of control. 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 weighted average trading price of the units on the Toronto Stock Exchange (TSX) for a period of 20 consecutive trading 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.

On April 27, 2007, Cominar completed a public offering of 70,000 Series B convertible unsecured subordinated debentures, bearing interest at the annual rate of 5.70%, for total gross proceeds of $70,000. The debentures mature on June 30, 2014, and interest is payable semi-annually on June 30 and December 31 of each year as of June 30, 2007. 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 $27.50 per unit. The debentures are not redeemable prior to June 30, 2010. On or after June 30, 2010 and prior to June 30, 2012, 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 weighted average trading price of the units on the Toronto Stock Exchange (TSX) for a period of 20 consecutive trading days exceeds 125% of the conversion price. Subsequent to June 30, 2012 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, as the case may be.

In accordance with the *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 effective interest rate method over the debenture, 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 Cominar’s consolidated results, the debentures were recorded in whole as liabilities.

Period ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

During the period, 10,610 convertible debentures (Series A) were converted into 609,757 units at a conversion price of $17.40 per unit, for a total amount of $10,610.

10. BANK INDEBTEDNESS

Cominar has a number of operating and acquisition credit facilities of up to $178,000 [$118,000 as at December 31, 2006]. These credit facilities, subject to annual renewal, bear interest at rates ranging from prime rate plus 0.00% to prime rate plus 0.50% [prime rate plus 0.00% to prime rate plus 0.50% in 2006]. Of these credit facilities, $175,000 [$115,000 as at December 31, 2006] is secured by movable and immovable hypothecs on specific assets. As at June 30, 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 June 30, 2007.

11. ISSUED AND OUTSTANDING UNITS

On June 5, 2007, Cominar issued 7,113,000 units for net proceeds of $164,149 pursuant to the exchange of the subscription receipts issued under the prospectus dated April 27, 2007. This exchange was conditional to the acquisition of Alexis Nihon's industrial and office properties.

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

As at June 30, 2007, Cominar had issued 8,058,864 units including 7,113,000 units pursuant to a public offering, 609,757 units from conversion of convertible debentures, 29,407 units under the distribution reinvestment plan, and the balance of 306,700 units via the exercise of options. The issuance of these units resulted in net proceeds of $168,580.

	Three-month period ended June 30, 2007		Six-month period ended June 30, 2007	
	Units	**$**	**Units**	**$**
Units issued and outstanding, beginning of period	**37,326,973**	**412,707**	**36,600,361**	**400,698**
Issued from public offering	**7,113,000**	**164,149**	**7,113,000**	**164,149**
Issued from options exercised	**86,600**	**1,355**	**306,700**	**4,432**
Issued under distribution reinvestment plan	**17,886**	**430**	**29,407**	**704**
Issued from conversion of convertible debentures	**114,766**	**1,997**	**609,757**	**10,610**
Reversal of contributed surplus on exercise of options	**-**	**45**	**-**	**90**
Units issued and outstanding, end of period	**44,659,225**	**580,683**	**44,659,225**	**580,683**

Unit option plan

Under the unit option plan, Cominar has granted options to the trustees, management and employees for the purchase of units. The maximum number of units issuable in connection with the plan is 3,319,210 units. As at June 30, 2007, options for the acquisition of 1,923,900 units were outstanding and 805,410 options were awardable under the plan.

The options granted are exercisable on a cumulative basis of 50% of options after each of the first two anniversaries of the grant date for the options granted on May 15, 2007, 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 ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

	Three-month period ended June 30, 2007		Six-month period ended June 30, 2007	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of period	**1,950,500**	**15.66**	2,170,600	15.50
Exercised	**86,600**	**15.64**	306,700	14.49
Granted	**60,000**	**23.59**	60,000	23.59
Outstanding, end of period	**1,923,900**	**15.91**	1,923,900	15.91
Options exercisable, end of period	**385,900**	**15.42**	385,900	15.42

			As at June 30, 2007	
Date of grant	Maturity date	Exercise price $	Outstanding options	Exercisable options
August 9, 2001	August 9, 2008	11.00	**9,500**	**9,500**
November 13, 2003	November 13, 2010	14.00	**1,166,900**	**246,900**
April 8, 2005	November 13, 2010	17.12	**135,000**	**33,000**
May 23, 2006	May 23, 2013	18.90	**552,500**	**96,500**
May 15, 2007	May 14, 2014	23.59	**60,000**	**-**
			1,923,900	**385,900**

Unit-based compensation plan

The compensation expense related to the options granted on May 15, 2007 was calculated using the Black-Scholes option pricing model assuming a volatility of 13.6% in respect of said units, a fixed exercise price of $23.59, a weighted average distribution return of approximately 5.55% and a weighted average risk-free interest rate of approximately 4.04%. For the options granted on May 23, 2006, Cominar assumed a volatility of 13.0%, 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 with a number of units amounting to 105% of the cash distribution. As at June 30, 2007, 29,407 units were issued at a weighted average price of $23.94 for a consideration of $704 pursuant to the distribution reinvestment plan.

Period ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

12. INCOME TAXES

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

Cominar’s subsidiaries are Canadian-based enterprises which are subject to tax on their taxable income under the *Income Tax Act* (Canada) at an average rate of approximately 32%. There is no provision required for the period ended June 30, 2007.

The carrying value of Cominar’s net assets as at December 31, 2006 exceeded the tax basis by approximately $83,700.

New tax system

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

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

Application of new rules

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

REIT exception

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

As of June 30,2007, Cominar met all of these conditions and qualifies as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

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

13. PER-UNIT RESULTS

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

	Quarter		Cumulative (six months)	
Period ended June 30	**2007**	**2006**	**2007**	**2006**
Weighted average number of units outstanding - basic	**39,351,706**	33,505,504	**38,132,246**	33,252,902
Effect of dilutive unit options	**633,042**	465,143	**673,995**	497,600
Weighted average number of units outstanding - diluted	**39,984,748**	33,970,647	**38,806,241**	33,750,502

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

Period ended June 30, 2007 [unaudited, 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 and below-market leases, compensation costs related to unit options, deferred rentals and gains or losses on sale of income properties.

	Quarter		Cumulative (six months)	
Period ended June 30	**2007**	**2006**	**2007**	**2006**
	$	$	$	$
Distributions to unitholders	**13,206**	10,305	**24,584**	20,325
Distributions per unit	**0.312**	0.306	**0.618**	0.608

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Quarter		Cumulative (six months)	
Periode ended June 30	**2007**	**2006**	**2007**	**2006**
	$	$	$	$
Prepaid expenses	**(9,321)**	(3,790)	**(15,172)**	(8,802)
Accounts receivable	**(3,042)**	754	**1,559**	(109)
Accounts payable and accrued liabilities	**10,634**	(915)	**9,615**	(1,749)
	(1,729)	(3,951)	**(3,998)**	(10,660)
Additional information				
Interest paid	**4,827**	7,101	**11,489**	14,426
Unpaid leasing costs	**2,275**	1,194	**2,275**	1,194
Additions to income properties and properties under development by assumption of mortgages payable	**237,871**	-	**245,329**	-
Unpaid additions to income properties and properties under development	**15,785**	4,077	**15,785**	4,077
Properties under development transferred to income properties	**2,666**	-	**6,255**	3,216

16. RELATED-PARTY TRANSACTIONS

During the period, 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:

	Quarter		Cumulative (six months)	
Periode ended June 30	**2007**	**2006**	**2007**	**2006**
	$	$	$	$
Rental revenue from income properties	**247**	293	**495**	589
Other revenues	**25**	53	**73**	76
Income properties and properties under development	**2,179**	1,734	**5,134**	7,298
Deferred expenses and other assets	**1,456**	1,697	**3,551**	3,616
Accounts receivable	**-**	-	**305**	441
Accounts payable and accrued liabilities	**-**	-	**5,974**	7,530

Period ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

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.

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 June 30, 2007 due to their short-term nature or because they are based on current market rates.

As at June 30, 2007, the fair value of mortgages payable was approximately $362 less than the carrying value by [$5,693 greater than the carrying value 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 June 30, 2007, the fair value of convertible debentures exceeded the carrying value by approximately $1,377 [$2,292 as at December 31, 2006] due to the change in interest rates since the issuance date. The fair value of convertible debentures was estimated using current market rates for convertible debentures with similar terms and maturities.

18. SEGMENTED INFORMATION

Cominar's activities include three property types located in the Greater Quebec City, Montreal and Ottawa/Gatineau areas. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies. The following table indicates the financial information from continuing operations related to these property types:

Three-month period ended June 30, 2007	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	16,878	11,165	14,572	**42,615**
Depreciation of income properties	3,359	1,410	2,438	**7,207**
Net operating income (1)	9,853	6,324	9,279	**25,456**

Three-month period ended June 30, 2006	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	11,210	10,581	11,254	**33,045**
Depreciation of income properties	1,511	1,271	1,237	**4,019**
Net operating income (1)	6,711	6,083	7,190	**19,984**

Period ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

Six-month period ended June 30, 2007	**Office properties $**	**Retail properties $**	**Industrial and mixed-use properties $**	**Total $**
Rental revenue from income properties	29,305	21,864	26,880	**78,049**
Depreciation of income properties	5,169	2,771	3,887	**11,827**
Net operating income (1)	16,935	12,156	16,191	**45,282**
Income properties (2)	622,918	155,139	568,019	**1,346,076**

Six-month period ended June 30, 2006	**Office properties $**	**Retail properties $**	**Industrial and mixed-use properties $**	**Total $**
Rental revenue from income properties	22,570	20,650	22,428	**65,648**
Depreciation of income properties	3,022	2,536	2,344	**7,902**
Net operating income (1)	13,275	11,585	13,465	**38,325**
Income properties	241,843	212,374	215,913	**670,130**

(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 4.

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.”

	Quarter		**Cumulative (six months)**	
Period ended June 30	**2007 $**	**2006 $**	**2007 $**	**2006 $**
Net operating income	-	111	-	220
Depreciation of income properties	-	(23)	-	(45)
Income from discontinued operations	-	88	-	175
Basic net income per unit	-	0.003	-	0.005
Diluted net income per unit	-	0.003	-	0.005

Period ended June 30, 2007 [unaudited, in thousands of dollars except per-unit amounts]

20. UNUSUAL ITEMS

During the second quarter of 2007, Cominar recorded non-recurring interest revenue amounting to $422 arising from the investment of the subscription receipts issued in May 2007 and converted into units in June 2007 at the time of the purchase of Alexis Nihon's properties.

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

21. CONTINGENCIES

(a) In 2006, Cominar received an expropriation notice relating to an office building with 171,000 sq. ft. of rental space located at 300 Viger Street, Montreal. Given that the expropriation process is still pending and the amount of compensation had not been set as of the date hereof, it is currently not possible to estimate the amount of the compensation that might be paid by the expropriating authority.

(b) Letters of guarantee outstanding as at June 30, 2007, amount to $5,000. This amount has been given as a performance guarantee to execute required repairs under a mortgage agreement.

22. COMMITMENTS

The annual future payments required under emphyteutic leases, expiring between 2046 and 2047, on land for two income properties having a total net carrying value of $49,051, are as follows:

Years ending December 31,	**Total** **$**
2007	238
2008	476
2009	476
2010	486
2011	491
2012	526
2013 and thereafter	25,274

23. SUBSEQUENT EVENT

On July 6, 2007, Cominar bought Alexis Nihon's participation in seven co-owned industrial properties, representing approximately 410,000 sq. ft. of leasable area for a total consideration of $17,300 consisting of $3,158 in assumed mortgages payable and $14,142 in cash.

24. 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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