QUARTERLY REPORT

Quarter ended March 31, 2006

May 10, 2006

Cominar Real Estate Investment Trust

FIRST QUARTER

MARCH 31, 2006

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MESSAGE TO UNITHOLDERS

We are pleased to present the financial results of Cominar Real Estate Investment Trust for the first quarter ended March 31, 2006. Detailed explanations about our results and financial position are provided in the management discussion and analysis included in this quarterly report, followed by comparative interim consolidated financial statements and accompanying notes.

We are pleased with our first quarter 2006 results, which show strong growth in our major financial performance indicators. For the quarter, operating revenues amounted to $32.7 million, an increase of 7.7% compared with the corresponding quarter of 2005. Net operating income for the quarter was up 10.0% to $18.5 million. Distributions to unitholders were up 3.1% over the corresponding period in 2005, from $9.7 million to $10.0 million.

During the first quarter, we acquired a 217,000 square foot industrial and mixed-use property in Anjou for $7 million. The capitalization rate is estimated at 9.4% and the property is 100% leased.

During the same period, we also completed the development of Phase 2 of the Henri IV Project, a 45,000 square foot industrial and mixed-use property representing a $2.8 million investment. The capitalization rate is estimated at 10.5% and the property is almost fully leased. It was integrated into Cominar's property portfolio during the first quarter.

We currently have 12 development projects at various stages of completion representing 736,785 square feet of leasable space and a $48.3 million investment. All of these developments have capitalization rates that are substantially higher than those dictated by current conditions in the commercial property market.

At the end of the first quarter, our occupancy rate remained stable at 95.1%. Our debt-to-gross book value ratio stood at 50.0%, in keeping with our prudent debt management policy.

Given the strength of our existing portfolio, the developments that should come on board this year, the commitment of our team, our acquisition and property development capabilities, and our solid financial position, we remain confident that we will end the year on a solid note.

Michel Dallaire, P.Eng.
President and Chief Executive Officer
May 10, 2006

INTRODUCTION

The following is a discussion of the consolidated financial condition and results of operations of Cominar Real Estate Investment Trust ("Cominar" or the "Trust") for the quarters ended March 31, 2006 and 2005, and should be read together with Cominar's consolidated financial statements. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the discussion regarding forward-looking statements.

Cominar's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are in Canadian dollars unless otherwise indicated.

The Trust has issued guidance on and reports on certain non-GAAP measures that are used by management to evaluate the performance of Cominar. Because non-GAAP measures do not have a standardized meaning, 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.

FORWARD—LOOKING STATEMENTS

This document and the Management's discussion and analysis contain statements about expected future events and financial and operating results of Cominar that are forward-looking. By their nature, forward-looking statements require the Trust to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors may cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Factors that may cause actual results to differ materially include but are not limited to economic conditions, the financial position of tenants, the Trust's ability to refinance its debts upon maturity and to lease vacant space, as well as changes in interest rates and other risk factors discussed herein and listed from time to time in Cominar' reports, comprehensive public disclosure documents, including the Annual Information Form, and in other documents filed with securities commissions in Canada and filed on SEDAR at *www.sedar.com*.

For further information, see the "Risks and Uncertainties" section of the Management's discussion and analysis.

The Trust has neither the intention nor the obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

OUR ACTIVITIES

Cominar is an unincorporated closed-end investment trust constituted pursuant to a contract of trust and governed by the laws of the Province of Quebec. The Trust's units and convertible debentures are publicly traded on the Toronto Stock Exchange (TSX) under the symbols CUF.UN and CUF.DB, respectively.

Cominar is one of the largest owners and managers of commercial properties in the Province of Quebec. Through a series of acquisitions, construction projects and developments made since the Trust was created in 1998, leasable space in Cominar's property portfolio has more than tripled, from 51 properties with total space of approximately 3.1 million square feet, concentrated in the Quebec City area, to 129 properties with total space of over 9.7 million square feet, divided between the Quebec City and Montreal regions. The gross book value of Cominar's income properties, properties under development and land held for future development rose from $244.6 million in 1998 to $737.2 million as at March 31, 2006.

Cominar's property portfolio is evenly divided among three sectors. These three sectors are office buildings, retail properties and industrial and mixed-use properties. Each contributes to Cominar's results in roughly the same proportions.

Cominar's principal objectives are to deliver to its unitholders growing tax-deferred cash distributions and to increase and maximize unit value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are essential to the understanding and interpretation of the financial results appearing in this quarterly report. The significant accounting policies used in preparing the consolidated financial statements for the quarters ended March 31, 2006 and 2005, respectively, are summarized in note 2 of the notes to consolidated financial statements.

OPERATING RESULTS

Principal Financial Data for the Quarter

The principal consolidated financial data presented below, which is for the quarters ended March 31, 2006 and 2005, should be read in conjunction with the financial statements.

Consolidated Statements of Income

(in thousands of $, except amounts per unit)

Quarters ended	**March 31, 2006**	**March 31, 2005**	**Change ($)**	**Change (%)**
Operating revenues	**32,739**	30,407	2,332	7.7
Operating expenses				
Operating costs	**7,253**	7,105	148	2.1
Realty taxes and services	**6,743**	6,228	515	8.2
Property management expenses	**293**	299	(6)	(2.0)
	14,289	13,632	657	4.8
Net operating income	**18,450**	16,775	1,675	10.0
Interest on borrowings	**5,580**	5,199	381	7.3
Depreciation of income properties	**3,905**	3,648	257	7,0
Amortization of deferred leasing costs	**1,547**	1,327	220	16.6
Amortization of deferred financing costs and other assets	**175**	176	(1)	0,0
	11,207	10,350	857	8.3
Operating income from real estate assets	**7,243**	6,425	818	12.7
Trust administrative expenses	**573**	413	160	38.7
Other revenues	**48**	29	19	65.5
Unusual item (1)	**554**	-	554	N/A
Net income from continuing operations	**6,164**	6,041	123	2.0
Net income from discontinued operations	**-**	4	(4)	N/A
Net income	**6,164**	6,045	119	2.0
Distributable income (2)	**9,718**	9,419	299	3.2
Basic net income per unit (3)	**0,187**	0,187	0,000	0.0
Distributable income per unit	**0,295**	0,291	0,004	1.4

NOTES

(1) As part of its growth strategy, Cominar incurred, during the first quarter of 2006, non-recurring expenses in connection with a transaction which was not concluded.

(2) Cominar is governed by a Contract of Trust that requires it to distribute 85% or more of its distributable income to unitholders. "Distributable income" is defined on page 9 and in note 12 of the consolidated financial statements for the quarters ended March 31, 2006 and 2005.

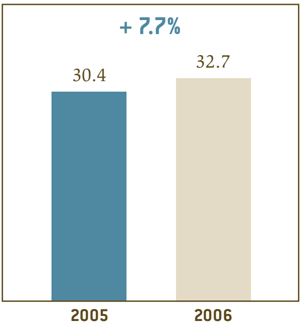
(3) Considering there is a negligible difference between basic net income per unit and diluted net income per unit, the latter is not presented in this table.

Operating Revenues and Net Operating Income

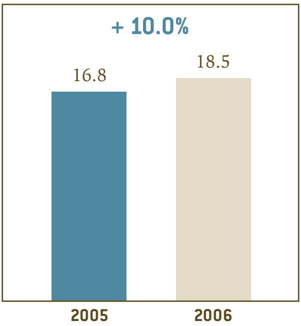
In the first quarter of 2006, Cominar's operating revenues rose by $2.3 million or 7.7% to $32.7 million, compared to $30.4 million in 2005. Net operating income[1] also increased considerably to $18.5 million, or nearly $1.7 million more than in the first quarter of 2005. The main sources of these increases were acquisitions and developments that were incorporated into the property portfolio in fiscal 2005.

The following graphs compare operating revenues and net operating income for the quarters ended March 31, 2005 and 2006.

Operating Revenues
(in million of $)
Period ended March 31



Net Operating Income
(in million of $)
Period ended March 31



During the first quarter of 2006, the ratio of net operating income to operating revenues held steady at 56.4%, a level comparable to the previous quarters.

NOTES

(1) Although the concept of net operating income is not a measure defined by GAAP it is widely used in real estate. Cominar defines it as operating income before interest on borrowings, depreciation of income properties, amortization, Trust administrative expenses, other revenues and unusual item.

Operating Expenses

The main expenses related to the operation of income properties include energy, realty taxes and services, interest on borrowings and the depreciation of income properties. These expenses combined amounted to nearly 77% of all operating expenses for Cominar's income properties in the first quarter of 2006.

In the first quarter of 2006, depreciation of income properties increased by $0.25 million due to acquisitions and developments completed since the first quarter of 2005. This item amounted to 12.0% of operating revenues in the first quarter, as in the first quarter of 2005.

During the same period, the Trust's administrative expenses were $0.6 million, up 38.7% over the first quarter of 2005, as a result of the addition of new employees and the increase in expenses related to our investor relations program.

Unusual Item

Cominar continues to pursue two main objectives: increasing unitholders distributions and maximizing unit value. In order to meet these objectives, the Trust constantly remains on the lookout for growth opportunities.

As part of its growth strategy, Cominar incurred in the first quarter of 2006, $554,000 in non-recurring expenses in connection with a transaction which was not concluded. These expenses are all reflected in the first quarter consolidated statements of income.

Net Income

Net income for the quarter ended March 31, 2006 reached $6.2 million compared to $6.0 million in the previous corresponding quarter. Excluding the non-recurring expenses described under "Unusual Item", net income stood at $6.7 million, an 11.7% increase over the first quarter of 2005.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

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

The table below presents the distributable income calculation and the distributable income adjusted, for comparison purposes, to exclude non-recurring expenses incurred in the first quarter of 2006 in connection with a transaction which was not concluded, as well as a reconciliation with net income calculated in accordance with GAAP.

Distributable Income and Distributions

(in thousands of dollars, except amounts per unit)

Quarters ended	March 31, 2006	March 31, 2005
Net income for the period	**6,164**	6,045
Depreciation of income properties	**3,905**	3,661
Amortization of above-market leases	**30**	30
Compensation costs related to unit option plan	**31**	36
Deferred rentals	**(412)**	(353)
Distributable income for the period	**9,718**	9,419
Unusual Item	**554**	-
Recurring distributable income	**10,272**	9,419
Distributions to unitholders	**10,020**	9,727
Weighted average number of units outstanding	**32,997**	32,387
Basic distributable income per unit	**0.295**	0.291
Recurring basic distributable income per unit	**0.311**	0.291
Distributions per unit	**0.302**	0.300

As shown in the table above, recurring distributable income for the first quarter of 2006 was $10.3 million, or $0.311 per unit, compared to a 2005 figure of $9.4 million, or $0.291 per unit, representing increases of 9.1% and 6.9%, respectively.

Per unit distributions rose from $0.300 in the first quarter of 2005 to $0.302 in 2006.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of Cominar's consolidated balance sheet as at March 31, 2006 and December 31, 2005.

Selected data from the Consolidated Balance Sheet

(in thousand of dollars)

	March 31, 2006	December 31, 2005
Income properties	**668,595**	658,855
Properties under development	**16,050**	20,777
Land held for future development	**5,214**	1,243
Other	**50,537**	44,707
TOTAL ASSETS	**740,396**	725,582
Mortgages payable	**249,074**	253,581
Convertible debentures	**95,743**	97,535
Bank indebtedness	**48,734**	25,811
Other	**21,804**	25,513
TOTAL LIABILITIES	**415,355**	402,440

Debt Overview

Over the past two years, Cominar has diversified its sources of financing beyond traditional bank loans and mortgages by issuing $100 million in convertible unsecured subordinated debentures. Cominar attempts to minimize its exposure to variable interest rates as much as possible to protect against potential interest rate increases. As at March 31, 2006, only 9.0% of Cominar's long term debt had variable interest rates.

Long Term Debt
The following table presents Cominar's debt balance, including mortgages payable and convertible debentures, as at March 31, 2006, by year of maturity and weighted average interest rate.

Long Term Debt
Period ended December 31
(in thousands of dollars)

	Debt balance ($)	Weighted average Interest rate (%)
2006	41,132	6.12
2007	46,120	6.41
2008	123,547	6.06
2009	—	—
2010	—	—
2011 and after [1]	134,018	6.58
TOTAL	**344,817**	**6.32**

NOTES
(1) Includes $95,743 in convertible debentures maturing in 2014.

Mortgages Payable
As at March 31, 2006, mortgages payable amounted to $249.1 million, compared to $253.6 million as at December 31, 2005, a drop of 1.8%.

As at the same date, the weighted average mortgage rate was 6.32%, compared to 6.27% on December 31, 2005. Cominar has staggered its mortgage expiry dates over a number of years to reduce the risks related to renewal. In 2006, $40.5 million in mortgages will be up for renewal. Cominar does not foresee any difficulties refinancing these mortgages as they mature.

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

Mortgage Repayments
Period ending December 31
(in thousands of $)

	Payment of principal	Balance at maturity	Total
2006	7,070	40,500	47,570
2007	7,693	43,162	50,855
2008	3,087	115,008	118,095
2009	2,382	—	2,382
2010	2,563	—	2,563
2011 and after	14,605	13,004	27,609
TOTAL	**37,400**	**211,674**	**249,074**

Convertible Debentures

In September 2004, Cominar completed a public offering of convertible unsecured subordinated debentures, bearing interest at the annual rate of 6.30%, for total gross proceeds of $100 million. These debentures are described in note 7 of the consolidated financial statements for the quarters ended March 31, 2006 and 2005. During the first quarter ended March 31, 2006, a total of 1,792 convertible debentures were converted at a conversion price of $17.40 per unit and outstanding convertible debentures amounted to $95.7 million.

Bank Indebtedness

As at March 31, 2006, Cominar had operating and acquisition facilities of up to $65.9 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 March 31, 2006, bank indebtedness totaled $48.7 million.

Debt Ratio

Since it was first founded, Cominar has managed its debt and used leverage cautiously. Management prefers to keep its debt ratio at or below 55% of its property portfolio's gross book value, although the Contract of Trust permits up to 60%. The following table presents Cominar's debt ratios as at March 31, 2006 and December 31, 2005:

Debt Ratio

(in thousands of dollars)

	March 31, 2006	December 31, 2005
Mortgages payable and bank indebtedness	**297,808**	279,392
Convertible debentures	**95,743**	97,535
Total debt	**393,551**	376,927
Portfolio gross book value	**787,725**	768,976
Debt ratio (1) (2)	**50.0 %**	49.0 %
Borrowing power		
55% of gross book value	**88,000**	102,000
60% of gross book value	**197,000**	211,000

NOTES

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

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

As shown above, the debt ratio as at March 31, 2006, was 50.0%, which was in line with fiscal 2005. This ratio—one of the lowest of all real estate investment trusts in Canada—provides up to $197.0 million in funds for Cominar's future acquisitions at debt ratios authorized under its Contract of Trust.

Cominar's financial position therefore remains healthy and solid, with a debt-to-gross book value ratio of under 55% as at March 31, 2006, an acquisition capacity of nearly $90 million at Cominar's preferred debt ratio, relatively little interest rate risk, and credit facilities of $65.9 million, of which only $48.7 million were used as at March 31, 2006.

Cominar believes the funds available will be sufficient for the Trust to meet its current obligations and finance its future growth.

Funds from Operations

Although the notion of “funds from operations” 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. Funds from operations should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring Cominar’s performance. The Trust’s method of calculating funds from operations is in compliance with REALpac’s recommendations, but may differ from the methods used by other trusts, and therefore cannot be used for comparison.

Cominar considers funds from operations 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 the Trust’s operating performance (for example, gains or losses from the sale of income properties).

The table below presents a reconciliation of net income as determined in accordance with GAAP and funds from operations for the three month periods ended March 31, 2006 and 2005. Due to their non-recurring nature, expenses in the amount of $554,000 incurred in the first quarter of 2006 in connection with a transaction which was not concluded, have been excluded to provide a better comparison between the two quarters.

Funds from Operations

(in thousands of dollars, except amounts per unit)

Quarters ended	**March 31, 2006**	**March 31, 2005**
Net income for the period	**6,164**	6,045
Depreciation of income properties	**3,905**	3,661
Amortization of deferred leasing costs	**1,547**	1,327
Funds from operations	**11,616**	11,033
Unusual Item	**554**	-
Recurring funds from operations	**12,170**	11,033
Weighted average number of units outstanding (basic)	**32,997**	32,387
Weighted average number of units outstanding (diluted)	**33,528**	32,900
Basic funds from operations, per unit	**0.352**	0.341
Diluted funds from operations, per unit	**0.346**	0.335
Recurring basic funds from operations, per unit	**0.369**	0.341
Recurring diluted funds from operations, per unit	**0.363**	0.335

Recurring funds from operations increased by $1.1 million in the first quarter of 2006, or 10.3%, to a total of $12.2 million compared to $11,0 million in the corresponding period of 2005. The per-unit figure was $0.369, compared to $0.341 in the first quarter of 2005, an increase of 8.2%.

ISSUED AND OUTSTANDING UNITS

Ownership interests in Cominar are represented by a single class of unit that is 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.

During the first quarter, Cominar issued 377,696 units, including (i) 256,750 units pursuant to the exercise of unit options, providing $3.6 million in net proceeds; (ii) 17,964 units pursuant to the distribution reinvestment plan; and (iii) 102,982 units pursuant to the conversion of convertible debentures. At the close of the first quarter, Cominar had a total of 33.3 million units issued and outstanding, compared to 32.6 million at the end of the first quarter of 2005, an increase of 2.1%.

Unit Issuance

Quarters ended	March 31, 2006	March 31, 2005
Units issued and outstanding, beginning of period	**32,940,735**	32,284,409
Issued from options exercised	**256,750**	237,900
Issued under distribution reinvestment plan	**17,964**	19,804
Issued from conversion of convertible debentures	**102,982**	11,953
Units issued and outstanding, end of period	**33,318,431**	32,554,066

PROPERTY PORTFOLIO

The following table presents Cominar's property portfolio as at March 31, 2006 and 2005:

Property Portfolio
(in thousands of dollars)

	March 31, 2006	March 31, 2005
Income properties (amortized costs)	**668,595**	639,157
Properties under development	**16,050**	23,372
Land held for future development	**5,214**	—
TOTAL	**689,859**	662,529
Number of properties [1]	**129**	125
Leasable area (in thousands of square feet) [1]	**9,741**	9,477
Composition (% of net operating income)		
Office	**35.6**	38,2
Retail	**29.8**	30,4
Industrial and mixed-use	**34.6**	31,4

NOTES
(1) Includes properties built and under development.

The Trust maintains a disciplined growth strategy based on long term profitability. Given the objective of increasing unitholder distributions and the rising prices in the real estate market, Cominar continues to be highly selective in its choice of acquisitions and developments. During the first quarter of 2006, Cominar acquired one income property and land for future development and completed a building development.

Acquisitions

In the first quarter of 2006, Cominar acquired a 217,000 square foot industrial and mixed-use property in Anjou, Quebec, for $7 million, at an estimated capitalization rate of 9.4%. The property is 100% leased.

Cominar also acquired a 476,000 square foot lot in St-Bruno-de-Montarville at a cost of $3.8 million. The lot is located in the center of an established power center occupied by Wal-Mart, Home Depot and Winners, part of which Cominar already owns. Cominar plans to build a 105,000 square foot multi-building retail complex at an estimated cost of $8.8 million. In keeping with its proven, conservative development strategy, the Trust plans to carry out this project in phases. Cominar is currently negotiating with a number of retail tenants, and the first phase of the project should begin construction in spring 2006. This development project represents a total investment of approximately $12.6 million, at an estimated capitalization rate of 9.8%, as described under “Upcoming Developments”.

Development Projects

Given the steady rise in real estate prices, Cominar continued to pursue, in the first quarter of 2006, its building development projects. In general, the capitalization rates on these projects are significantly higher than on the acquisition market, which should yield strong long term returns for unitholders.

Completed Development Project

During the first quarter of 2006, Cominar completed one building development representing 45,000 square feet of leasable area and a $2.8 million investment. The capitalization rate of this project was 10.5%. The building is nearly fully leased and was integrated into Cominar’s property portfolio in the first quarter. The following table details this development project:

Completed Development Project

	Sector of activity (1)	Project type (2)	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)
Henri-IV Project, Québec					
3000 St-Jean-Baptiste	I	NC	45,000	2,800,000	10.5

NOTES

(1) I = industrial and mixed-use

(2) NC = new construction

Ongoing Development Projects

As at March 31, 2006, six buildings representing 461,485 square feet of leasable space and a $24 million investment were in development and at various stages of completion. Their capitalization rates ranged from 9,5% to 10,8%. Cominar expects to complete most of these projects in spring 2006. The Trust considers demand for lease space of these projects to be high, and the leasing process is unfolding as expected.

The following table presents the development projects underway as at March 31, 2006:

Ongoing Development Projects

	Sector of activity (1)	Project type (2)	Leasable area (sq. ft.)	Investment (M$)	Capitalization rate (%)	Expected completion	Lease rate (%)
Henri-IV Project, Quebec							
2800 St-Jean-Baptiste	I	NC	105,000	6,5	10.5	Spring 2006	81
Highway 440 Project							
4451 autoroute Laval O	I	NC	117,000	7,1	10.1	Spring 2006	75
2900 J.A. Bombardier	I	NC	106,500	6,2	10.1	Spring 2006	35
275 St-Sacrement	I	R, E	66,479	2,2	9.6	Fall 2006	14
1050 René-Lévesque	R	R	28,906	0,3	9.5	Summer 2006	76
40 ch. du Tremblay	I	E	37,600	1,7	10.8	Fall 2006	100
Total / Weighted average capitalization rate			**461,485**	**24,0**	**10.2**		

NOTES

(1) I = industrial and mixed-use, R = retail

(2) NC = new construction, E = expansion, R = renovation

Upcoming Developments

As at March 31, 2006, Cominar was at various stages of the planning process with a number of development projects, construction of which was not yet underway. These projects are the following:

Upcoming Developments

	Sector of activity [1]	Project type [2]	Leasable area (sq. ft.)	Investment (M$)	Capitalization rate (%)	Expected construction start
940 Bergar	I	R, E	22,800	0,4	11.8	Spring 2006
Rue Godin – Project	I	NC	30,000	1,6	9.4	Spring 2006
Laval – Project	I	NC	80,000	5,3	9.9	Summer 2006
St-Bruno – Project	R	NC	105,000	12,6	9.8	Summer 2006
St-Augustin – Project	I	NC	33,000	4,0	9.5	Spring 2006
Beauport – Project	R	NC	4,200	0,4	9.9	Spring 2006
Total / Weighted average capitalization rate			**275,000**	**24,3**	**9,8**	

NOTES

(1) I = industrial and mixed-use, R = retail

(2) NC = new construction, E = expansion, R = renovation

Portfolio Summary

The following table summarizes Cominar's property portfolio as at March 31, 2006:

Summary by Sector as at March 31, 2006

	OFFICE		RETAIL		INDUSTRIAL		TOTAL	
	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)
Properties	14	2,212,143	28	2,338,749	87	5,190,240	129	9,741,132

Geographic Diversification as at March 31, 2006

	QUEBEC CITY		MONTREAL		TOTAL	
	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)
Properties	88	6,152,302	41	3,588,830	129	9,741,132

Property Portfolio Management

Occupancy Rates

A consistently high occupancy rate year after year generates a stable inflow of funds from operations. From 1999 to 2005, Cominar has averaged 95.1% occupancy in its property portfolio. For the three months ended March 31, 2006, occupancy stood at 95,1%, which is in line with the previous year.

The following table presents the occupancy rates for Cominar properties by sector as at March 31, 2006, December 31, 2005 and March 31, 2005:

Evolution of Occupancy Rates by Sector
(%)

Sector	March 31, 2006	December 31, 2005	March 31, 2005
Office	95,1	95.0	94.7
Retail	94,0	93.6	95.1
Industrial and mixed-use	95,7	96.2	94.7
Total portfolio	**95,1**	**95.3**	**94.8**

The stability of the portfolio's occupancy rate year after year reflects the quality of Cominar's properties, the diversity of its clientele and the relative balance of its portfolio among its three sectors of activity.

Lease Renewals

With sound portfolio management and strong client relations, Cominar is able to retain a significant portion of its tenants when their leases expire. Like in most sectors of activity, client retention is a priority for Cominar since a stable client base is much less costly than searching for new tenants.

The following table illustrates this fact and shows the leasable area covered by new client leases each year:

Rental Area of Expiring, Renewed, and New Leases
(as at December 31)

	Expiring leases (sq. ft.)	Renewed leases (sq. ft.)	New leases (sq. ft.)	Total (sq. ft.)
December 31				
1999	546,820	437,624	132,100	569,724
2000	770,387	580,674	331,845	912,519
2001	1,098,301	894,217	392,158	1,286,375
2002	1,141,790	912,739	557,826	1,470,565
2003	1,397,779	1,069,024	580,302	1,649,326
2004	1,350,176	1,030,303	517,997	1,548,300
2005	1,104,405	832,795	589,085	1,421,880
March 31				
2006	**961,977**	**524,164**	**178,137**	**702,301**

As illustrated in the table above, the total for all new and renewed leases has remained higher than total leases expiring every year since the Trust was created.

As at March 31, 2006, Cominar's leasing team had renewed 54,5% of expiring leases and issued new leases for 178,137 square feet.

SUBSEQUENT EVENTS

In April 2006, Cominar entered into an agreement with a financial institution pursuant to which the line of credit made available by such institution was increased from $25 million to $55 million. The interest rate applicable is prime plus 0.5%.

In May 2006, Cominar also entered into two long-term financing agreements with two financial institutions for a total amount of $60 million, bearing interest at an average rate of approximately 5.8%. These financings are secured by immovable hypothecs on specific properties.

The first financing, in the amount of $57 million, will mature in 2021 while the second, in the amount of $3 million, will mature in 2019.

RELATED PARTY TRANSACTIONS

Jules Dallaire, a trustee, and Michel Dallaire, a trustee and member of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). Michel Paquet, also a trustee and member of Cominar management, has ties with these companies as a manager. Alain Dallaire, a member of the Cominar management team, has ties with Dalcon and CFA.

In the first quarter, Cominar posted net rental revenues of $296,000 from Dalcon and CFA. It incurred $1.9 million in expenses for leasehold improvements performed by Dalcon and $5.6 million for the construction and development of income properties.

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

OUTLOOK

Cominar's objectives for fiscal 2006 remain the same: continue delivering growing distributions to unitholders and maximize unit value through proactive management and expansion of its property portfolio.

Cominar will continue to establish itself in its selected markets by seeking out and assessing acquisition opportunities that meet its rigorous selection criteria. Cominar will also pursue several development projects which should offer unitholders excellent returns on investment.

The current portfolio of high quality and well-located properties provides Cominar with a strong base to continue delivering increasing returns to unitholders. We will continue to work toward aggressively managing our costs and improving our operations. Occupancy rates for the properties in our portfolio are stable, and demand for commercial space remains strong in the two markets where we operate. In addition, our development projects all show capitalization rates higher than most in the property market, thereby favoring greater profitability in the long run.

RISKS AND UNCERTAINTIES

Like any real estate entity, Cominar is exposed to certain risk factors in its normal course of business including:

Operational Risk
All immovable property investments are subject to elements of risk. Such investments are affected by general economic conditions, 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. The Trust's 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 its 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 6,200 square feet.

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

Debt and Refinancing
The Trust is subject to the risks associated with debt financing, including the risk that existing mortgages secured by its 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. The Trust's profitability may be impacted by interest rates changes, as interest on borrowings represents a significant cost in the ownership of real estate investments. Cominar seeks to reduce its interest rate risks by spreading the maturity of its long-term debt and limiting as much as possible the use of floating rate debt. As at March 31, 2006, only 9.0% of the Cominar's long-term debt had floating interest rates. In 2006, an amount of $40.5 million in mortgages bearing interest at an average weighted rate of 6.12% will have to be renewed. Cominar does 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 Cominar's assets exclusively, and specifying that no recourse may be taken against unitholders.

Competition
The Trust competes for suitable immovable property investments with third parties that are presently seeking or may seek in the future immovable property investments similar to those desired by the Trust. 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 the Trust in seeking tenants. The existence of competing developers, managers and owners and competition for the Trust's tenants could have an adverse effect on the Trust's ability to lease space in its properties and on the rents charged, and could adversely affect the Trust's revenues.

Government Regulation
The Trust and its properties are subject to various governmental legislation and regulations. Any change in such legislation or regulation adverse to the Trust and its properties could affect the Trust's financial results.

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

In its leases, Cominar requires 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.

Construction Risk
Due to its involvement in development and construction activities, the Trust is 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.

ADDITIONAL INFORMATION

Additional information relating to Cominar, including the Annual Report and Annual Information Form, is available on SEDAR at *www.sedar.com*.

CONSOLIDATED BALANCE SHEETS

[In thousands of dollars]

	As at March 31, 2006 [unaudited] $	As at December 31, 2005 [audited] $
ASSETS		
Income properties *[note 3]*	**668,595**	658,855
Properties under development *[note 4]*	**16,050**	20,777
Land held for future development	**5 214**	1 243
Deferred expenses and other assets *[note 5]*	**29,964**	30,009
Prepaid expenses	**7,367**	2,355
Accounts receivable	**13,206**	12,343
	740,396	725,582
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Mortgages payable *[note 6]*	**249,074**	253,581
Convertible debentures *[note 7]*	**95,743**	97,535
Bank indebtedness *[note 8]*	**48,734**	25,811
Accounts payable and accrued liabilities	**18,405**	21,890
Distributions payable to unitholders	**3,399**	3,623
	415,355	402,440
Unitholders' equity *[note 9]*		
Unitholders' contributions	**343,975**	338,230
Cumulative net income	**190,627**	184,463
Cumulative distributions	**(209,922)**	(199,902)
Contributed surplus	**361**	351
	325,041	323,142
	740,396	725,582

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period of three months ended March 31,

[unaudited, in thousands of dollars]

	2006 $	2005 $
Unitholders' contributions		
Balance, beginning of period	**338,230**	328,433
Issue of units	**5,745**	3,748
Balance, end of period	**343,975**	332,181
Cumulative net income		
Balance, beginning of period	**184,463**	153,136
Net income	**6,164**	6,045
Balance, end of period	**190,627**	159,181
Cumulative distributions		
Balance, beginning of period	**(199,902)**	(160,353)
Distributions to unitholders	**(10,020)**	(9,727)
Balance, end of period	**(209,922)**	(170,080)
Contributed surplus		
Balance, beginning of period	**351**	252
Unit option plan	**10**	(13)
Balance, end of period	**361**	239
Unitholders' equity	**325,041**	321,521

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

Period of three months ended March 31,

[unaudited, in thousands of dollars except per unit amounts]

	2006 $	2005 $
Operating revenues		
Rental revenue from income properties	**32,739**	30,407
Operating expenses		
Operating costs	**7,253**	7,105
Realty taxes and services	**6,743**	6,228
Property management expenses	**293**	299
	14,289	13,632
Operating income before the under noted	**18,450**	16,775
Interest on borrowings	**5,580**	5,199
Depreciation of income properties	**3,905**	3,648
Amortization of deferred leasing costs	**1,547**	1,327
Amortization of deferred financing costs and other assets	**175**	176
	11,207	10,350
Operating income from real estate assets	**7,243**	6,425
Trust administrative expenses	**573**	413
Other revenues	**48**	29
Unusual item *[note 17]*	**554**	—
Net income from continuing operations	**6,164**	6,041
Net income from discontinued operations *[note 18]*	**—**	4
Net income	**6,164**	6,045
Basic net income per unit *[note 11]*	**0.187**	0.187
Diluted net income per unit *[note 11]*	**0.184**	0.184

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Period of three months ended March 31,

[unaudited, in thousands of dollars]

	2006 $	2005 $
OPERATING ACTIVITIES		
Net income	**6,164**	6,045
Items not affecting cash		
Depreciation of income properties	**3,905**	3,661
Amortization of above-market leases	**30**	30
Amortization of deferred leasing costs	**1,547**	1,327
Amortization of deferred financing costs and other assets	**175**	176
Compensation costs related to unit option plan	**31**	36
Leasing costs	**(561)**	(1,749)
Change in non-cash operating working capital items *[note 13]*	**(6,709)**	(3,308)
	4,582	6,218
FINANCING ACTIVITIES		
Repayments of mortgages payable	**(4,507)**	(2,346)
Bank indebtedness	**22,923**	3,020
Distributions to unitholders	**(9,897)**	(9,693)
Net proceeds from issue of units *[note 9]*	**3,585**	3,138
	12,104	(5,881)
INVESTING ACTIVITIES		
Acquisitions of income properties	**(13,720)**	(2,855)
Acquisitions of properties under development and land held for future development	**(2,793)**	(5,590)
Other assets	**(173)**	(66)
	(16,686)	(8,511)
Net change in cash and cash equivalents	**—**	(8,174)
Cash and cash equivalents, beginning of period	**—**	8,174
Cash and cash equivalents, end of period	**—**	—

See accompanying notes to consolidated financial statements

Period of three months ended March 31, 2006

[unaudited, in thousands of dollars except per unit amounts]

1) DESCRIPTION OF THE FUND

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

2) SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cominar's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP ") and the accounting policies and methods of their application follow the one used in the annual audited consolidated financial statements as at December 31, 2005.

Consolidation

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

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the amounts of assets and liabilities reported in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Revenue recognition

Rental revenue from income properties include rents from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees, parking income and incidental income.

Rental revenue from leases with contractual rent increases are recognized based on the straight-line method.

Income properties, properties under development and land held for future development

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

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

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

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

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

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

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

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 9. 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.

3) INCOME PROPERTIES

	As at March 31, 2006 $	As at December 31, 2005 $
Land	**90,081**	88,910
Buildings	**617,599**	605,865
Intangible assets	**8,244**	7,474
	715,924	702,249
Accumulated depreciation and amortization	**47,329**	43,394
	668,595	658,855

4) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

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

5) DEFERRED EXPENSES AND OTHER ASSETS

	As at March 31, 2006 $	As at December 31, 2005 $
At amortized cost		
Leasing costs	**25,370**	25,413
Financing costs	**3,920**	3,926
Other assets	**674**	670
	29,964	30,009

6) MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties stated at a net book value of $422,874 [$427,614 as at December 31, 2005]. They bear interest at rates ranging from 5.50% to 11.00% per annum [5,00% to 11.00% as at December 31, 2005] representing a weighted average year-end rate of 6.32% [6.27% as at December 31, 2005] and are renewable at various dates from May 2006 to January 2019.

Mortgage repayments are as follows:

Years ending December 31,	Principal repayments $	Balance at maturity $	Total $
2006	7,070	40,500	**47,570**
2007	7,693	43,162	**50,855**
2008	3,087	115,008	**118,095**
2009	2,382	—	**2,382**
2010	2,563	—	**2,563**
2011 and there after	14,605	13,004	**27,609**
	37,400	211,674	**249,074**

Mortgages payable having fixed rates amount to $218,209 [$222,314 as at December 31, 2005] and those having variable rates amount to $30,865 [$31,267 as at December 31, 2005].

7) CONVERTIBLE DEBENTURES

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

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

Handbook Section 3860, convertible debentures have been recorded as liabilities on the balance sheet and interest has been charged to “Interest on borrowings” on the statement of income. Debenture issue costs are amortized over a 10-year period and recorded under “Amortization of deferred financing cost and other assets”. As the valuation of the unitholders’ equity component of the conversion option did not have a material impact on the Cominar’s consolidated results, the debentures have been recorded in whole as liabilities. For the first quarter ended March 31, 2006, 1,792 convertible debentures had been converted into 102,982 units at a conversion price of $17.40 per unit, for a consideration of $ 1,792.

8) BANK INDEBTEDNESS *[NOTE 19]*

Cominar has a number of operating and acquisition credit facilities of up to $65,865 [$65,865 as at December 31, 2005]. These credit facilities, subject to annual renewal, bear interest between prime rate and prime rate plus 0.50% [0.00% and 0.50% in 2005]. Of these credit facilities, $62,865 [$62,865 as at December 31, 2005] are secured by movable and immovable hypothecs on specific assets. As at March 31, 2006, the prime rate was 5.50% [5.00% as at December 31, 2005].

9) ISSUED AND OUTSTANDING UNITS

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

During the first quarter of 2006, Cominar issued 377,696 units [269,657 units in 2005] of which 102,982 were issued pursuant to the conversion of convertible debentures [11,953 units in 2005] and 17,964 under the distribution reinvestment plan [19,804 units in 2005], the balance of 256,750 units issued from the exercise of options represented net proceeds received of $3,585 [237,900 units for net proceeds received of $3,138 in 2005].

Period of three months ended March 31,

	2006	2005
Units issued and outstanding, beginning of period	**32,940,735**	32,284,409
Issued from options exercised	**256,750**	237,900
Issued under distribution reinvestment plan	**17,964**	19,804
Issued from conversion of convertible debentures	**102,982**	11,953
Units issued and outstanding, end of period	**33,318,431**	32,554,066

Unit option plan

Under a unit option plan, Cominar granted options to purchase units to the trustees, management and employees of Cominar. The maximum number of units reserved for issuance under the terms of the plan is 3,160,000 units. The options are exercisable on a cumulative basis as follows: 25% of the options after each of the four first anniversary dates of the grant for options granted on April 8, 2005, 20% of the options after each of the five first anniversary dates of the grant for options granted November 13, 2003, and 33 1/3% of the options after each of the three first anniversary dates of the grant for options granted before November 13, 2003. The exercise price of options equals the closing market price of Cominar’s units the day preceding the date of the grant, and the options have a maximum term of seven years.

Period of three months ended March 31,

	2006		2005	
	Options	Weighted-average exercise price $	Options	Weighted-average exercise price $
Outstanding, beginning of period	**2,354,050**	**14.29**	2,563,000	13.86
Exercised	**(256,750)**	**14.00**	(237,900)	13.07
Granted	**—**	**—**	—	—
Outstanding, end of period	**2,097,300**	**14.32**	2,325,100	13.94
Options exercisable, end of period	**227,300**	**13.64**	157,100	13.18

			2006	
Date of grant	**Maturity date**	**Exercise price $**	**Outstanding options**	**Options exercisable**
August 9, 2001	August 9, 2008	11.00	**27,000**	**27,000**
November 13, 2003	November 13, 2010	14.00	**1,826,300**	**200,300**
April 8, 2005	November 13, 2010	17.12	**244,000**	**—**
			2,097,300	**227,300**

Unit-based compensation plan

The compensation costs associated with the options granted on April 8, 2005 were calculated using the Black-Scholes option pricing model, assuming volatility of 13.5% on the underlying units, a fixed exercise price of $17.12, a weighted-average distribution yield of approximately 7.58% an a weighted-average risk-free interest rate of approximately 3.78%, and for the options granted on November 13, 2003, assuming volatility of 11.7% on the underlying units, a fixed exercise price of $14, a weighted-average distribution yield of approximately 8.74% and a weighted-average risk-free interest rate of approximately 4.21%.

Compensation costs are amortized using the graded vesting method.

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

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants a number of units amounting to 105% of the cash distribution. During the first quarter of 2006, 17,964 units [19,805 in 2005] were issued at a weighted-average price of $19.32 [$17.79 in 2005] for a consideration of $347 [$352 in 2005] pursuant to the distribution reinvestment plan.

10) 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.

11) PER-UNIT RESULTS

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

Period of three months ended March 31,

	2006	**2005**
Weighted-average number of units outstanding - basic	**32,997,492**	32,387,515
Effect of dilutive unit options	**530,057**	512,949
Weighted-average number of units outstanding - diluted	**33,527,549**	32,900,464

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

12) DISTRIBUTABLE INCOME PER UNIT

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

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

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

Period of three months ended March 31,

	2006	**2005**
	$	**$**
Net income for the period	**6,164**	6,045
Add (deduct)		
Depreciation of income properties	**3,905**	3,661
Amortization of above-market leases	**30**	30
Compensation costs related to unit option plan	**31**	36
Deferred rentals	**(412)**	(353)
Distributable income for the period	**9,718**	9,419
Distributions to unitholders	**10,020**	9,727
Distributable income per unit	**0.295**	0.291
Distributions per unit	**0.302**	0.300

13) SUPPLEMENTAL CASH FLOW INFORMATION

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

Period of three months ended March 31,

	2006 $	2005 $
Prepaid expenses	**(5,012)**	(3,798)
Accounts receivable	**(863)**	(766)
Accounts payable and accrued liabilities	**(834)**	1,256
	(6,709)	(3,308)
Additional information		
Interest paid	**7,325**	3,766
Unpaid leasing costs	**1,680**	—
Acquisitions of income properties and properties under development by assumption of mortgages payable	**—**	1,027
Unpaid acquisitions of income properties and properties under development	**2,449**	4,171
Properties under development transferred to income properties	**3,216**	756

14) 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 o business, have been measured at the exchange amount and have been reflected in the financial statements as follows:

Period of three months ended March 31,

	2006 $	2005 $
Rental revenue from income properties	**296**	278
Other revenues	**22**	64
Income properties and properties under development	**5,564**	8,856
Deferred expenses and other assets	**1,919**	1,549
Accounts receivable	**638**	697
Accounts payable and accrued liabilities	**6,292**	5,632

15) 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 18, and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are disclosed in notes 6, 7 and 8 respectively.

Credit risk

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

Fair value

The fair value of Cominar's financial assets and liabilities, such as accounts receivable, cash and cash equivalents, bank indebtedness, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at March 31, 2006 due to their short-term nature or based on current market rates.

As at March 31, 2006, the fair value of mortgages payable exceeded the carrying value by approximately $3,462 [$5,466 as at December 31, 2005] due to changes in interest rates since the dates on which the individual mortgages payable were obtained. The fair value of mortgages payable has been estimated based on current market rates for mortgages of similar terms and maturities.

As at March 31, 2006, the fair value of convertible debentures exceeded the carrying value by approximately $5,411 [$7,088 as at December 31, 2005] due to the change in interest rates since the issuance date. The fair value of convertible debentures has been estimated based on the current market rate for convertible debentures of similar terms and maturities.

16) SEGMENTED INFORMATION

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

Period of three months ended March 31,		**2006**		
	Office properties	**Retail properties**	**Industrial and mixed-use properties**	**Total**
	$	**$**	**$**	**$**
Rental revenue from income properties	**11,361**	**10,069**	**11,309**	**32,739**
Depreciation of income properties	**1,511**	**1,265**	**1,129**	**3,905**
Net operating income (1)	**6,564**	**5,501**	**6,385**	**18,450**
Income properties	**243,360**	**213,383**	**211,852**	**668,595**

Period of three months ended March 31,		**2005**		
	Office properties	**Retail properties**	**Industrial and mixed-use properties**	**Total**
	$	**$**	**$**	**$**
Rental revenue from income properties	10,935	9,532	9,940	30,407
Depreciation of income properties	1,492	1,136	1,020	3,648
Net operating income [1]	6,416	5,099	5,260	16,775
Income properties	248,566	203,264	187,327	639,157

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

17) UNUSUAL ITEM

As part of its growth strategy, Cominar incurred, in the first quarter of 2006, non-recurring expenses in connection with a transaction which was not concluded. These expenses are all reflected in the first quarter' statement of income.

18) DISCONTINUED OPERATIONS

During June 2005, Cominar sold an industrial and mixed-use property for a consideration of $2,700 of which $675 was paid in cash. The remaining $2,025 bearing interest at 6%, is receivable in June 2006 and is recorded under the accounts receivable. A gain on sale of $248 was realized.

19) SUBSEQUENT EVENTS

In April 2006, Cominar entered into a credit agreement with a financial institution pursuant to which its credit facility was increased by $30,000. The interest rate applicable is prime plus 0.5%.

In May 2006, Cominar also entered into two long-term financing agreements with two financial institutions for a total amount of $60 million, bearing interest at an average rate of approximately 5.8%. These financings are secured by immovable hypothecs on specific properties.

The first financing, in the amount of $57 million, will mature in 2021 while the second, in the amount of $3 million, will mature in 2019.

20) COMPARATIVE FIGURES

Certain 2005 figures have been reclassified to conform with the present year presentation.

Cominar Real Estate Investment Trust

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Stock Exchange Listings

Units and convertible debentures of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbols "CUF.UN" and "CUF.DB", respectively.

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Legal Counsel

Davies Ward Phillips & Vineberg LLP

Auditors

Ernst & Young LLP

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: National Bank Trust, c/o Share Ownership Management, 1100 University, 9th Floor, Montreal, Quebec, H3B 2G7, Tel.: (514) 871-7171, Toll free: 1-800-341-1419, Fax: (514) 871-7442, Email: *clientele@tbn.bnc.ca*

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