COMINAR

QUARTERLY REPORT

Quarter ended September 30, 2006

November 8, 2006

Cominar Real Estate Investment Trust

THIRD QUARTER

SEPTEMBER 30, 2006

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MESSAGE TO UNITHOLDERS

We are pleased to present the financial results of Cominar Real Estate Investment Trust for the third quarter ended September 30, 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 third quarter results, which, once again, show strong growth in our major financial performance indicators. For the quarter, operating revenues amounted to $32.7 million, an increase of 9.7% compared to the corresponding quarter of 2005. Net operating income for the quarter was up 10.0% to $20.9 million. Recurring distributable income reached $12.9 million, or $0.374 per unit, compared to $11.8 million, or $0.362 per unit, representing increases of 9.3% and 3.3%, respectively.

During the third quarter, we acquired six income properties representing 186,000 square feet of space for over $14 million and land in St-Romuald for future development purposes for an amount of $1.2 million. Subsequent to the end of the quarter, we also acquired a 133,000 square foot property in Montréal for $19 million and a lot for an upcoming development project. Year to date, Cominar has acquired land and income-producing properties for a total amount of $49.2 million.

We completed, during the last quarter, four development projects totalling 273,000 square feet of leasable space and a $14.3 million investment. We currently have 11 development projects at various stages of completion representing over 683,000 square feet of leasable space and a $48 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 third quarter, our occupancy rate remained high at 94.6%.

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
November 8, 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 September 30, 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.

NON-GAAP FINANCIAL MEASURES

The Trust has issued guidance on and reports on certain non-GAAP measures, including "net operating income", "distributable income" and "funds from operations", that are used by management to evaluate the performance of Cominar. Because non-GAAP measures do not have a standardized meaning and may differ from other issuers', securities regulations require that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure. You may find such information in the sections dealing with these financial measures.

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 thus 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 139[(1)] properties with total space of approximately 10.2[(1)] 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 $767.9 million as at September 30, 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 September 30, 2006 and 2005, respectively, are summarized in note 2 of the notes to the consolidated financial statements

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NOTE
(1) As at November 8, 2006.

OPERATING RESULTS

Principal Financial Data

The principal consolidated financial data presented below, which is for the quarters and periods ended September 30, 2006 and 2005, should be read in conjunction with the financial statements contained herein.

Consolidated Statements of Income

(Unaudited, in thousands of $, except amounts per unit)

Periods ended	Sept. 30, 2006 (Three Months)	Sept. 30, 2005 (Three Months)	2006 YTD (Nine Months)	2005 YTD (Nine Months)
Operating revenues	**32,742**	29,812	**98,664**	90,889
Operating expenses				
Operating costs	5,816	5,544	**19,104**	18,313
Realty taxes and services	5,789	4,935	**19,298**	17,367
Property management expenses	223	299	**803**	960
	11,828	10,778	**39,205**	36,640
Net operating income (1)	**20,914**	19,034	**59,459**	54,249
Interest on borrowings	**5,444**	5,042	**16,626**	15,312
Depreciation of income properties	**4,141**	3,748	**12,088**	11,043
Amortization of deferred leasing costs	**1,537**	1,355	**4,601**	4,038
Amortization of deferred financing costs and other assets	**183**	174	**535**	519
	11,305	10,319	**33,850**	30,912
Operating income from real estate assets	**9,609**	8,715	**25,609**	23,337
Trust administrative expenses	**557**	466	**1,628**	1,366
Other revenues	**48**	73	**201**	181
Unusual item (2)	**—**	—	**554**	—
Net income from continuing operations	**9,100**	8,322	**23,628**	22,152
Net income from discontinued operations	**—**	—	**—**	257
Net income	**9,100**	8,322	**23,628**	22,409
Distributable income (3)	**12,919**	11,818	**34,667**	32,457
Basic net income per unit	**0.263**	0.255	**0.701**	0.689
Distributable income per unit	**0.374**	0.362	**1.029**	0.998

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 of deferred expenses and other assets, Trust administrative expenses and other revenues.

(2) 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.

(3) 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 September 30, 2006 and 2005.

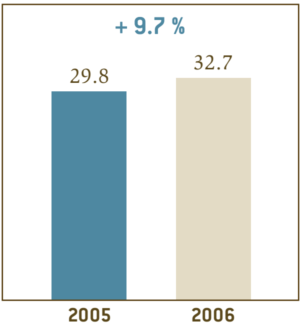
Operating Revenues and Net Operating Income

In the third quarter of 2006, Cominar's operating revenues rose by $2.9 million or 9.7% to $32.7 million, compared to $29.8 million in 2005. Net operating income also increased considerably to $20.9 million, or 10.0% more than in the third quarter of 2005. The main sources of these increases were acquisitions and developments that were incorporated into the property portfolio in fiscal 2005 and since the beginning of 2006.

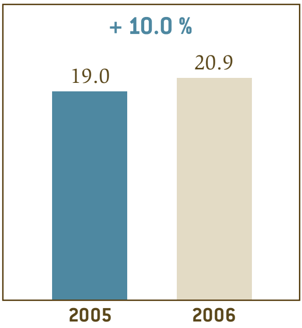
For the first nine months of the year, operating revenues increased by 8.6%, from $90.9 million to $98.7 million. Net operating income was up 9.6% to $59.5 million.

The following graphs compare operating revenues and net operating income for the periods ended September 30, 2005 and 2006.

Operating Revenues
(in million of $)
Period ended September 30



Net Operating Income
(in million of $)
Period ended September 30



Although the ratio of net operating income to operating revenues reached a level comparable to the previous corresponding quarter, Cominar's cumulative ratio has increased 0.6%, fuelled by an additional $596,000 in net operating income. This improvement is due to efficient management and operating and property management expenses limited to a 3.3% increase after nine months.

During the quarter, one of Cominar's tenant, which occupied 100% of a 275,000 square foot industrial and mixed-use property in Laval, declared bankruptcy. The impact on Cominar's third quarter revenues was minimal since the REIT received revenues from such tenant until August, inclusively. We remain confident that we will be able to reach a satisfactory occupancy level within a reasonable timeframe, given the property's quality and excellent location. The building is already 21% leased. This bankruptcy might, however, have a maximum negative impact of $430,000 on revenues in the next quarter.

Operating Expenses

The main expenses related to the operation of income properties include energy, realty taxes and services, interest on borrowings and depreciation of income properties. These expenses combined amounted to nearly 78% of all operating expenses for Cominar's income properties in the third quarter of 2006.

During the quarter, operating expenses increased by 9.3% to reach $11.8 million, due mainly to a 17.3% rise in realty taxes and services. For the nine-month period ended September 30, 2006, operating expenses were up 7.1%. These increases are the result of the recent integration of new income properties to the real estate portfolio.

Net Income

Net income for the quarter ended September 30, 2006 reached $9.1 million compared to $8.3 million in the previous corresponding quarter, up 9.6%. For the first nine months of the year, net income increased by 5.4%, from $22.4 million to $23.6 million. The growth in quarterly and cumulative net income, in addition to being fueled by the net operating income ratio, was impacted by the conversion of over $30.7 million convertible debentures into units during the quarter and $49.4 million since the beginning of the year. These conversions decreased the interest expense by more than $679,000 on a cumulative basis. However, the per unit return was slightly impacted. Finally, cumulative net income of $23.6 million takes into consideration $554,000 in non-recurring expenses incurred in the first quarter in connection with an important transaction which was not concluded.

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 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 distributable income adjusted, for comparison purposes, to exclude $554,000 in non-recurring expenses incurred in the first quarter of 2006 in connection with an important transaction that was not concluded, as well as a reconciliation with net income calculated in accordance with GAAP for the quarters ended on September 30, 2006 and 2005 as well as on a cumulative basis.

Distributable Income and Distributions

(in thousands of dollars, except amounts per unit)

Periods ended	Sept. 30, 2006 (Three Months)	Sept. 30, 2005 (Three Months)	2006 YTD (Nine Months)	2005 YTD (Nine Months)
Net income for the period	**9,100**	8,322	**23,628**	22,409
Depreciation of income properties	**4,141**	3,748	**12,088**	11,070
Amortization of above-market leases	**30**	30	**90**	90
Compensation costs related to unit option plan	**83**	55	**145**	146
Deferred rentals	**(435)**	(337)	**(1,284)**	(1,010)
Gain on sale of income property	**—**	—	**—**	(248)
Distributable income	**12,919**	11,818	**34,667**	32,457
Unusual Item	**—**	—	**554**	—
Recurring distributable income	**12,919**	11,818	**35,221**	32,457
Distributions to unitholders	**10,744**	9,815	**31,069**	29,353
Weighted average number of units outstanding	**34,578**	32,632	**33,700**	32,523
Basic distributable income per unit	**0.374**	0.362	**1.029**	0.998
Recurring basic distributable income per unit	**0.374**	0.362	**1.045**	0.998
Distributions per unit	**0.306**	0.300	**0.914**	0.900
Distributable income payout ratio	**81.8%**	82.9%	**88.8%**	90.2%
Recurring distributable income payout ratio	**81.8%**	82.9%	**87.5%**	90.2%

As shown in the table above, recurring distributable income for the third quarter of 2006 was $12.9 million, or $ 0.374 per unit, compared to a 2005 figure of $11.8 million, or $0.362 per unit, representing increases of 9.3% and 3.3%, respectively.

On a cumulative basis, recurring distributable income reached $35.2 million compared to $32.5 million in 2005, an 8.3% increase. Recurring distributable income per unit stood at $1.045, up 4.7% over the corresponding period of 2005.

The increase in recurring distributable income implies that Cominar generated more funds during the nine-month period, allowing an increase in distributions of more than $1.7 million or 5.8%.

Per unit distributions rose from $0.300 in the third quarter of 2005 to $0.306 in 2006. Year-to-date, distributions were $0.914.

For the first nine months of the year, Cominar paid out to its unitholders 87.5% of its recurring distributable income compared to 90.2% in the previous corresponding period. This prudent approach allows Cominar to have additional funds necessary for capital expenditures.

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

Periods ended	Sept. 30, 2006 (Three Months)	Sept. 30, 2005 (Three Months)	YTD 2006 (Nine Months)	YTD 2005 (Nine Months)
Cash flows from operating activities	**17,756**	18,559	**33,109**	35,442
Deferred rentals	**(435)**	(337)	**(1,284)**	(1,010)
Amortization of deferred leasing costs	**(1,537)**	(1,355)	**(4,601)**	(4,038)
Amortization of deferred financing costs and other assets	**(183)**	(174)	**(535)**	(520)
Change in non-cash operating working capital items	**(2,682)**	(4,875)	**7,978**	2,583
Distributable income	**12,919**	11,818	**34,667**	32,457

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of Cominar's consolidated balance sheet as at September 30, 2006 and December 31, 2005.

Selected Data from the Consolidated Balance Sheet

(in thousand of dollars)

	As at Sept. 30, 2006	As at Dec. 31, 2005
Income property	**688,040**	658,855
Properties under development	**17,685**	20,777
Land held for future development	**6,590**	1,243
Other	**53,230**	44,707
TOTAL ASSETS	**765,545**	725,582
Mortgages payable	**273,966**	253,581
Convertible debentures	**48,181**	97,535
Bank indebtedness	**47,499**	25,811
Other	**24,196**	25,513
TOTAL LIABILITIES	**393,842**	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 September 30, 2006, only 6.3% 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 September 30, 2006, by year of maturity and weighted average interest rate.

Long Term Debt

As at September 30, 2006
(in thousands of dollars)

	Debt balance ($)	Weighted average interest rate (%)
2006	11,146	5.84
2007	44,545	6.58
2008	121,437	6.06
2009	—	—
2010	—	—
2011 and after [1]	145,019	6.36
TOTAL	**322,147**	**6.26**

NOTE
(1) Includes $ 48,181 in convertible debentures maturing in 2014

Mortgage payable

As at September 30, 2006, mortgages payable amounted to $274.0 million, compared to $253.6 million as at December 31, 2005.

As at the same date, the weighted average mortgage rate was 6.25%, in line with the rate on December 31, 2005. Cominar has staggered its mortgage expiry dates over a number of years to reduce the risks related to renewal. Until the end of 2006, $11.1 million in mortgages will be up for renewal. Cominar does not foresee any difficulties refinancing these mortgages as they mature.

Of this amount, a $10.1 million mortage loan due November 1, 2006 was extended until February 2007 under the same terms and conditions. Cominar plans to enter into, in the course of the next few months, approximately $120 million of new mortage loans, which will be used to repay its acquisition credit facilities and the mortgage loan mentioned above. The table below shows mortgage repayments for the upcoming fiscal years:

Mortgage Repayments

Periods ending December 31
(in thousands of $)

	Payment of principal	Balance at maturity	Total
2006	2,323	11,099	**13,422**
2007	8,229	43,141	**51,370**
2008	3,939	115,008	**118,947**
2009	3,283	—	**3,283**
2010	3,517	—	**3,517**
2011 and after	26,848	56,579	**83,427**
TOTAL	**48,139**	**225,827**	**273,966**

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 September 30, 2006 and 2005. Since the beginning of the year, a total of 49,354 convertible debentures were converted at a conversion price of $17.40 per unit and outstanding convertible debentures amounted to $48.2 million as at September 30, 2006.

Bank Indebtedness

As at September 30, 2006, Cominar had operating and acquisition facilities of up to $88.0 million, renewable annually, with interest rates set at 0.00% to 0.50% above prime. They were secured by movable and immovable hypothecs on specific assets. These credit facilities are provided by two different financial institutions, and management has reason to believe they will remain available in the future. As at September 30, 2006, bank indebtedness totaled $47.5 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 ratio as at September 30, 2006 and December 31, 2005:

Debt Ratio

(in thousands of dollars)

	As at Sept. 30, 2006	As at Dec. 31, 2005
Mortgages payable and bank indebtedness	**321,465**	279,392
Convertible debentures	**48,181**	97,535
Total long term debt	**369,646**	376,927
Portfolio gross book value	**821,118**	768,976
Debt ratio (1) (2)	**45.0%**	49.0%
Borrowing power		
55% of gross book value	**182,000**	102,000
60% of gross book value	**307,500**	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 of income properties).

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

As shown above, the debt ratio as at September 30, 2006, was 45.0%, which was below fiscal 2005. This decrease is mainly due to the conversion of 49,354 convertible debentures into 2.8 million units since the beginning of the year. Although Cominar favors a prudent use of leverage, management believes that the current debt ratio is not optimal and will aim to increase it to approximately 55% by continuing to finance the acquisition of income producing properties and its upcoming development projects through the use of debt. Management will also assess other options in order to favour a more optimal capital structure.

Cominar's current debt ratio provides up to $307.5 million in funds for Cominar's future acquisitions at the 60% debt ratio authorized under its Contract of Trust.

Cominar's financial position remains healthy and solid, with a debt-to-gross book value ratio of under 55% as at September 30, 2006, an acquisition capacity of nearly $182.0 million at Cominar's preferred debt ratio, relatively little interest rate risk, and credit facilities of $88.0 million, of which only $47.5 million were used as at September 30, 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 and nine month periods ended September 30, 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 an important transaction which was not concluded, have been excluded to provide a better comparison between the quarters and on a cumulative basis.

Funds from Operations
(in thousands of dollars, except amounts per unit)

Periods ended	**Sept. 30, 2006 (Three Months)**	**Sept. 30, 2005 (Three Months)**	**2006 YTD (Nine Months)**	**2005 YTD (Nine Months)**
Net income	**9,100**	8,322	**23,628**	22,409
Depreciation of income properties	**4,141**	3,748	**12,088**	11,070
Amortization of deferred leasing costs	**1,537**	1,355	**4,601**	4,038
Gain on sale of income property	**—**	—	**—**	(248)
Funds from operations	**14,778**	13,425	**40,317**	37,269
Unusual Item	**—**	—	**554**	—
Recurring funds from operations	**14,778**	13,425	**40,871**	37,269
Weighted average number of units outstanding (basic)	**34,578**	32,632	**33,700**	32,523
Basic funds from operations, per unit	**0.427**	0.411	**1.196**	1.146
Recurring basic funds from operations, per unit	**0.427**	0.411	**1.213**	1.146

Recurring funds from operations increased by $1.4 million in the third quarter of 2006, or 10.5%, to a total of $14.8 million compared to $13.4 million in the corresponding period of 2005. The per-unit figure was $ 0.427, compared to $ 0.411 in the third quarter of 2005, an increase of 3.9%.

For the nine-month period ended September 30, 2006, recurring funds from operations reached $40.9 million, up 9.7%. This increase is largely due to the integration of new properties to the real estate portfolio in 2005 and 2006.

ISSUED AND OUTSTANDING UNITS

Ownership interests in Cominar are represented by a single class of units 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 third quarter, Cominar issued 1,833,181 units, including (i) 50,500 units pursuant to the exercise of unit options; (ii) 17,747 units pursuant to the distribution reinvestment plan; and (iii) 1,764,934 units pursuant to the conversion of convertible debentures. At the close of the third quarter, Cominar had a total of 36.2 million units issued and outstanding, compared to 32.7 million at the end of September 2005, for an increase of 10.7%.

Unit Issuance

(in thousands)

	Sept. 30, 2006	Sept. 30, 2005
Units issued and outstanding, beginning of quarter	34,382	32,597
Issued from options exercised	50.5	22.1
Issued under distribution reinvestment plan	17.7	12.7
Issued from conversion of convertible debentures	1,765	76.8
Units issued and outstanding, end of quarter	36,215	32,708

PROPERTY PORTFOLIO

The following table presents Cominar's property portfolio as at September 30, 2006 and 2005:

Property Portfolio
(in thousands of dollars)

	Sept. 30, 2006	**Sept. 30, 2005**
Income properties	**688,040**	639,192
Properties under development	**17,685**	30,907
Land held for future development	**6,590**	334
TOTAL	**712,315**	670,433
Number of properties [1]	**138**	125
Leasable area (in thousands of square feet) [1]	**10,083**	9,467
Composition (% of net operating income)		
Office	**34.5**	36.3
Retail	**29.5**	31.1
Industrial and mixed-use	**36.0**	32.6

NOTE
(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 third quarter of 2006, Cominar acquired six income properties and land for future development, completed the development of four properties and pursued its development projects.

Year-to-date, Cominar has acquired land and income properties totalling approximately $49.2 million, completed five development projects representing a $17.1 million investment and had approximately $47.7 million of ongoing or upcoming development projects.

Acquisitions
In the third quarter, Cominar acquired six income-producing properties totalling 186,210 square feet of space and a $14.1 million investment. The weighted average capitalization rate associated with these transactions was 9.1%. The following table details these acquisitions:

Property	Sector of activity [1]	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)
2156-2168 rue de la Province, Longueuil	I	41,276	— [2]	— [2]
2170 rue de la Province, Longueuil	I	22,572	— [2]	— [2]
715 rue Delage, Longueuil	I	42,462	6.2[2]	9.0[2]
6445 Côte de Liesse, St-Laurent	I	49,500	2.5	9.6
2760-2784 Jacques Cartier Est, Longueuil	R	24,400	— [3]	— [3]
2790-2794 Jacques Cartier Est, Longueuil	R	6,000	5.4[3]	9.0[3]
Total/Weighted average capitalization rate		**186,210**	**14.1**	**9.1**

NOTES
(1) I = Industrial, R = Retail
(2) These three properties were acquired pursuant to the same transaction for $6.2 million at a 9% capitalization rate.
(3) These two properties were acquired pursuant to the same transaction for $5.4 million at a 9% capitalization rate.

During the quarter, Cominar also acquired approximately 500,000 square feet of land in Lévis for $1.2 million. Details with respect to the development project planned for this property are outlined in the "Upcoming Developments" section.

Development Projects

Given the steady rise in real estate prices, Cominar has been pursuing, in the third quarter of 2006, its building development projects. In general, the capitalization rates associated with these projects are significantly higher than on the acquisition market, which should yield strong long term returns for unitholders.

Completed Development Projects

Since the beginning of 2006, Cominar has completed five developments representing 318,706 square feet of leasable area and a $17.1 million investment. The weighted average capitalization rate of these projects was 10.3%. The following table details these completed developments and indicates in which quarter they were integrated into the property portfolio:

Completed Development Projects

	Sector of activity (1)	Project Type(2)	Leasable area (sq.ft.)	Investment (M $)	Capitalization rate (%)	Completion	Lease rate (%)
Henri-IV Project, Québec							
3000 St-Jean Baptiste	I	NC	45,000	2.8	10.5	T1 2006	78
2800 St-Jean-Baptiste	I	NC	105,000	6.5	10.5	T3 2006	90
Highway 440 Project							
4451 autoroute Laval O	I	NC	117,000	7.1	10.1	T3 2006	85
1050 René-Lévesque	R	R	28,906	0.3	9.5	T3 2006	76
940 Bergar	I	R, E	22,800	0.4	11.8	T3 2006	100
Total/Weighted average capitalization rate			**318,706**	**17.1**	**10.3**		

NOTES
(1) I = Industrial, R = Retail
(2) NC = New Construction, E = Expansion, R = Renovation

Ongoing Development Projects

As at September 30, 2006, six buildings representing 327,779 square feet of leasable space and a $19.8 million investment were in development and at various stages of completion. Their capitalization rates ranged from 9.5% to 10.8%. 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 September 30, 2006:

Ongoing Development Projects

	Sector of activity(1)	Project type(2)	Leasable area (sq.ft)	Investment (M$)	Capitalization rate (%)	Expected completion	Lease rate (%)
Highway 440 Project							
2900 J.A. Bombardier	I	NC	106,500	6.2	10.1	Winter 2007	47
275 St-Sacrement	I	R, E	66,479	2.2	9.6	Fall 2006	29
40 ch. du Tremblay	I	E	37,600	1.7	10.8	Fall 2006	100
St-Augustin	I	NC	33,000	4.0	9.5	Fall 2006	100
Beauport	R	NC	4,200	0.4	9.9	Fall 2006	100
Laval	I	NC	80,000	5.3	9.9	Summer 2007	25
Total/ Weighted average capitalization rate			**327,779**	**19.8**	**9.9**		

NOTES
(1) I = Industrial, R = Retail
(2) NC = New Construction, E = Expansion, R = Renovation

Upcoming Development Projects

As at September 30, 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 Development Projects

	Sector of activity (1)	Project type(2)	Leasable area (sq.ft.)	Investment ($)	Capitalization rate (%)	Expected start construction date
Godin	I	NC	30,000	1.6	9.4	Winter 2007
St-Bruno	R	NC	105,000	12.6	9.8	Winter 2007(3)
20 Hymus blvd. Pointe-Claire	I	E	25,000	1.3	9.4	Winter 2007
Lévis	R, I	NC	160,000	10.3	9.4	Spring 2007(3)
Des Artisans	I	NC	36,000	2.1	9.5	Winter 2007
Total/ Weighted average capitalization rate			**356,000**	**27.9**	**9.6**	

NOTES
(1) I = Industrial, R = Retail
(2) NC = New Construction, E = Expansion, R = Renovation
(3) These projects will be carried out in phases. The expected construction date indicated above refers to the beginning of phase 1 of each project.

The project on Godin St. had to be slightly delayed since the negotiations with one of our existing clients, wanting to lease an important portion of the property to be built, have yet to be finalized. Phase 1 of the St-Bruno project was also postponed pending the obtaining of the City's construction permit. Management believes such permit will be obtained in the near future.

Recent Events

Cominar recently received, from the Centre hospitalier de l'Université de Montréal (CHUM), one of Montreal's main hospitals, an expropriation notice with respect to a 171,000 square foot office property located at 300 Viger East, in Montreal. The property was acquired by Cominar in 2004 for $30.5 million. The building is located on part of the site required for the implementation of the CHUM, planned, at the earliest, for year 2010.

Expropriation laws in Quebec involve the payment of an indemnity based on the "value to the owner" principle, which implies that after receiving compensation, the owner should be in the same economic position as before the expropriation.

Canada Post Corporation, the sole tenant of a 56,337 square foot industrial and mixed-use property located in Quebec City, exercised, during the third quarter, the purchase option set forth in its lease agreement and will become the owner of such property on or about December 15, 2006 for $3,661,905. This transaction will result in a gain on sale of assets of approximately $625,000 for Cominar.

Portfolio Summary

The following table summarizes Cominar's property portfolio as at September 30, 2006:

Summary by Sector as at September 30, 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	31	2,373,349	93	5,497,793	138	10,083,285

Geographic Diversification as at September 30, 2006

	QUEBEC CITY		MONTREAL		TOTAL	
	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)
Properties	90	6,214,606	48	3,868,679	138	10,083,285

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 September 30, 2006, occupancy stood at 94.6%, slightly below the previous year's. The following table presents the occupancy rates for Cominar properties by sector as at September 30, 2006, June 30, 2006 and September 30, 2005:

Evolution of Occupancy Rates by Sector

(%)

Sector	**Sept. 30, 2006**	**June 30, 2006**	**Sept. 30, 2005**
Office	**95.6**	94.4	95.1
Retail	**95.1**	93.5	95.1
Industrial and mixed-use	**93.9**	97.1	95.5
Total portfolio	**94.6**	95.6	95.3

The occupancy rate as at September 30, 2006 was negatively impacted by the bankruptcy of a tenant that occupied 100% of a 275,000 square foot industrial and mixed-use property in Laval. We nonetheless remain confident that we will be able to reach a satisfactory occupancy level within a reasonable timeframe, given the property's quality and excellent location. The building is already 21% leased.

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.)
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
As at Sept. 30 2006	**994,306**	**799,361**	**510,260**	**1,309,621**

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 September 30, 2006, Cominar's leasing team had renewed 80.4 % of expiring leases, exceeding the 78% yearly average, and issued new leases for 510,260 square feet. In addition, Cominar has already renewed approximately 20% of the leases expiring in 2007.

SUBSEQUENT EVENTS

In October 2006, Cominar acquired a 133,000 square foot office property in Montreal for $19 million at an 8.8% capitalization rate. The six storey property is almost entirely leased and more than half of the space is occupied by the City of Montreal pursuant to several long-term leases staggered until 2016.

Cominar also recently acquired a lot for future development. It is located in an area where Cominar already owns several properties and was acquired for $0.2 million. Details with respect to this development project are outlined in the "Upcoming Development Projects" section of this document.

RELATED PARTY TRANSACTIONS

Michel Dallaire, Alain Dallaire and Michel Paquet, all trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA").

In the third quarter, Cominar posted net rental revenues of $275,000 from Dalcon and CFA. It incurred $4.2 million in expenses for leasehold improvements performed by Dalcon and $4.3 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

Our current portfolio of high quality and well-located properties provides us 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 high, and demand for commercial space remains strong in the two markets where we operate.

So far this year, we have invested or are in the process of investing more than $107 million for the acquisition and development of income properties, at capitalization rates higher than most in the property market. Until the end of the year, we will continue to seek out and assess acquisition opportunities that meet our rigorous selection criteria and will also pursue our many development projects, which should offer unitholders excellent returns on investment.

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 favorable 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 September 30, 2006, only 6.3% of the REIT's long-term debt had floating interest rates. Cominar does not foresee any difficulty in refinancing its mortgages 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 in 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 September 30, 2006 [unaudited] $	As at December 31, 2005 [audited] $
ASSETS		
Income properties *[note 3]*	**688,040**	658,855
Properties under development *[note 4]*	**17,685**	20,777
Land held for future development	**6,590**	1,243
Deferred expenses and other assets *[note 5]*	**31,731**	30,009
Prepaid expenses	**7,496**	2,355
Accounts receivable	**14,003**	12,343
	765,545	725,582
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Mortgages payable *[note 6]*	**273,966**	253,581
Convertible debentures *[note 7]*	**48,181**	97,535
Bank indebtedness *[note 8]*	**47,499**	25,811
Accounts payable and accrued liabilities	**20,615**	21,890
Distributions payable to unitholders	**3,581**	3,623
	393,842	402,440
Unitholders' equity *[note 9]*		
Unitholders' contributions	**394,197**	338,230
Cumulative net income	**208,091**	184,463
Cumulative distributions	**(230,971)**	(199,902)
Contributed surplus	**386**	351
	371,703	323,142
	765,545	725,582

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period ended September 30,

[unaudited, in thousands of dollars]

	Quarter		Cumulative (nine months)	
	2006 $	2005 $	2006 $	2005 $
Unitholders' contributions				
Balance, beginning of period	**362,384**	332,843	**338,230**	328,433
Issue of units	**31,813**	1,886	**55,967**	6,296
Balance, end of period	**394,197**	334,729	**394,197**	334,729
Cumulative net income				
Balance, beginning of period	**198,991**	167,223	**184,463**	153,136
Net income	**9,100**	8,322	**23,628**	22,409
Balance, end of period	**208,091**	175,545	**208,091**	175,545
Cumulative distributions				
Balance, beginning of period	**(220,227)**	(179,891)	**(199,902)**	(160,353)
Distributions to unitholders	**(10,744)**	(9,815)	**(31,069)**	(29,353)
Balance, end of period	**(230,971)**	(189,706)	**(230,971)**	(189,706)
Contributed surplus				
Balance, beginning of period	**342**	287	**351**	252
Unit option plan	**44**	48	**35**	83
Balance, end of period	**386**	335	**386**	335
Unitholders' equity	**371,703**	320,903	**371,703**	320,903

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

Period ended September 30,

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

	Quarter		Cumulative (nine months)	
	2006 $	**2005 $**	**2006 $**	**2005 $**
Operating revenues				
Rental revenue from income properties	**32,742**	29,812	**98,664**	90,889
Operating expenses				
Operating costs	**5,816**	5,544	**19,104**	18,313
Realty taxes and services	**5,789**	4,935	**19,298**	17,367
Property management expenses	**223**	299	**803**	960
	11,828	10,778	**39,205**	36,640
Operating income before the undernoted :	**20,914**	19,034	**59,459**	54,249
Interest on borrowings	**5,444**	5,042	**16,626**	15,312
Depreciation of income properties	**4,141**	3,748	**12,088**	11,043
Amortization of deferred leasing costs	**1,537**	1,355	**4,601**	4,038
Amortization of deferred financing costs and other assets	**183**	174	**535**	519
	11,305	10,319	**33,850**	30,912
Operating income from real estate assets	**9,609**	8,715	**25,609**	23,337
Trust administrative expenses	**557**	466	**1,628**	1,366
Other revenues	**48**	**73**	**201**	**181**
Unusual item *[note 17]*	**—**	—	**554**	—
Net income from continuing operations	**9,100**	8,322	**23,628**	22,152
Net income from discontinued operations *[note 18]*	**—**	—	**—**	257
Net income	**9,100**	8,322	**23,628**	22,409
Basic net income per unit *[note 11]*	**0.263**	0,255	**0.701**	0,689
Diluted net income per unit *[note 11]*	**0.259**	0,251	**0.691**	0,678

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Period ended September 30,

[unaudited, in thousands of dollars]

	Quarter		Cumulative (nine months)	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
OPERATING ACTIVITIES				
Net income	**9,100**	8,322	**23,628**	22,409
Adjustments for:				
Depreciation of income properties	**4,141**	3,748	**12,088**	11,070
Amortization of above-market leases	**30**	30	**90**	90
Amortization of deferred leasing costs	**1,537**	1,355	**4,601**	4,038
Amortization of deferred financing costs and other assets	**183**	174	**535**	520
Compensation costs related to unit options	**83**	55	**145**	146
Gain on sale of an income property	**—**	—	**—**	(248)
Change in non-cash operating working capital items *[note 13]*	**2,682**	4,875	**(7,978)**	(2,583)
	17,756	18,559	**33,109**	35,442
FINANCING ACTIVITIES				
Mortgages payable	**—**	—	**59,652**	—
Repayments of mortgages payable	**(21,931)**	(2,459)	**(39,267)**	(7,211)
Bank indebtedness	**39,566**	3,070	**21,688**	19,949
Distributions to unitholders	**(10,250)**	(9,563)	**(30,095)**	(28,779)
Net proceeds from issue of units *[note 9]*	**716**	304	**5,487**	3,834
	8,101	(8,648)	**17,465**	(12,207)
INVESTING ACTIVITIES				
Acquisitions of income properties	**(12,472)**	(7,758)	**(31,080)**	(14,522)
Net proceeds from disposition of an income property	**—**	—	**—**	675
Acquisitions of properties under development and land held for future development	**(10,825)**	(578)	**(13,816)**	(13,099)
Leasing costs	**(2,526)**	(1,543)	**(5,252)**	(4,320)
Other assets	**(34)**	(32)	**(426)**	(143)
	(25,857)	(9,911)	**(50,574)**	(31,409)
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 the consolidated financial statements

1) DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar") is an unincorporated closed-end real estate investment trust created pursuant to a 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 have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP ") and the accounting policies and methods of their application follow the ones 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. So, 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.

Contractual rental revenue from leases with rent increases are recognized based on a straight-line method.

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

Income properties are stated at cost. Cost includes all amounts related to the acquisition and improvement of 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 over 40 years.

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.

Properties under development and land held for future development are stated at cost. Cost includes acquisition costs, other direct costs, realty taxes, interest related to their financing and all operating revenues and all operating 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 Cominar considers that such asset is impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value.

Deferred expenses and other assets
Deferred expenses and other assets mainly consist of leasing costs such as leasehold improvement costs 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 September 30, 2006 $	As at December 31, 2005 $
Land	**93,741**	88,910
Buildings	**640,710**	605,865
Intangible assets	**9,162**	7,474
	743,613	702,249
Accumulated depreciation and amortization	**55,573**	43,394
	688,040	658,855

4) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

As at September 30, 2006, Cominar capitalized $ 1,112 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 September 30, 2006 $	As at December 31, 2005 $
At amortized cost		
Leasing costs	**27,244**	25,413
Financing costs	**3,780**	3,926
Other assets	**707**	670
	31,731	30,009

6) MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties stated at a net book value of $457,922 [$427,614 as at December 31, 2005]. They bear interest at rates ranging from 5.68% to 9.125% per annum [5,00% to 11.00% as at December 31, 2005] representing a weighted average rate of 6.25% [6.27% as at December 31, 2005] and are renewable at various dates from November 2006 to July 2021.

Mortgage repayments are as follows:

Years ending December 31,	Principal repayments $	Balance at maturity $	Total $
2006	2,323	11,099	**13,422**
2007	8,229	43,141	**51,370**
2008	3,939	115,008	**118,947**
2009	3,283	—	**3,283**
2010	3,517	—	**3,517**
2011 and there after	26,848	56,579	**83,427**
	48,139	225,827	**273,966**

Mortgages payable having fixed rates amount to $253,614 [$222,314 as at December 31, 2005] and those having variable rates amount to $20,352 [$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 Cominar units 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 Cominar units. 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 fiancing 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.

During the first nine months of 2006, 49,354 convertible debentures were converted (including 30,710 during the third quarter) into 2,836,417 units at a conversion price of $17.40 per unit, for a consideration of $49,354.

8) BANK INDEBTEDNESS *[NOTE 19]*

Cominar has a number of operating and acquisition credit facilities of up to $88,000 [$65,865 as at December 31, 2005]. These credit facilities, subject to annual renewal, bear interest between 0.00% and 0.50% [0.00% and 0.50% in 2005] above prime rate. Of these credit facilities, $85,000 [$62,865 as at December 31, 2005] are secured by movable and immovable hypothecs on specific assets. As at September 30, 2006, the prime rate was 6.00% [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 of which the number is unlimited. The 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 the right to participate equally and ratably in any distributions by Cominar.

As at September 30, 2006, Cominar issued 3,274,527 units [424,078 units in 2005] of which 2,836,417 were issued pursuant to the conversion of convertible debentures [88,790 units in 2005] and 52,060 under the distribution reinvestment plan [47,288 units in 2005]. The balance of 386,050 units issued from the exercise of options represented net proceeds received of $5,487 [288,000 units for net proceeds received of $3,834 in 2005].

	Period of three months ended September 30, 2006	Period of nine months ended September 30, 2006
Units issued and outstanding, beginning of period	34,382,083	32,940,735
Issued from options exercised	50,500	386,050
Issued under distribution reinvestment plan	17,747	52,060
Issued from conversion of convertible debentures	1,764,932	2,836,417
Units issued and outstanding, end of period	36,215,262	36,215,262

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 3,319,210 units. As at September 30, options allowing the acquisition of 2,259,000 units were outstanding.

The granted options can be exercised on a cumulative basis as follows: 25% of the options after each of the first four anniversary dates of the grant for options granted on April 8, 2005, 20% of the options after each of the first five anniversary dates of the grants for options granted November 13, 2003 and May 23, 2006, and 33 1/3% of the options after each of the first three 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 September 30, 2006		Period of nine months ended September 30, 2006	
	Options	Weighted-average exercise price $	Options	Weighted-average exercise price $
Outstanding, beginning of period	2,384,500	15.52	2,354,050	14.29
Granted	—	—	670,000	18.90
Exercised	(50,500)	14.19	(386,050)	14.25
Cancelled	(75,000)	18.90	(379,000)	15.62
Outstanding, end of period	2,259,000	15,44	2,259,000	15.44
Options exercisable, end of period	105,000	13.82	105,000	13.82

As at September 30, 2006

Date of grant	Maturity date	Exercise price $	Outstanding options	Options exercisable
August 9, 2001	August 9, 2008	11.00	**13,000**	**13,000**
November 13, 2003	November 13, 2010	14.00	**1,516,500**	**85,500**
April 8, 2005	November 13, 2010	17.12	**159,500**	**6,500**
May 23, 2006	May 23, 2013	18.90	**570,000**	**—**
			2,259,000	**105,000**

Unit-based compensation plan

The compensation costs associated with the options granted on May 23, 2006 were calculated using the Black-Scholes option pricing model, assuming volatility of 13.0% on the underlying units, a fixed exercise price of $18.90, a weighted-average distribution yield 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 yield 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 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, the existing estimate models, in management's opinion, do not necessarily provide a reliable single measure of the fair value of the unit options granted to 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. As at September 30, 2006, 52,060 units [47,288 in 2005] were issued at a weighted-average price of $19.52 [$18.07 in 2005] for a consideration of $1,016 [$854 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 Cominar's unitholders 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 the reconciliation between the weighted-average number of units outstanding – basic and the weighted-average number of units outstanding - diluted used to calculate per unit amounts.

Period ended September 30,

	Quarter		Cumulative (nine months)	
	2006	**2005**	**2006**	**2005**
Weighted-average number of units outstanding-basic	**34,578,166**	32,631,991	**33,699,511**	32,522,637
Effect of dilutive unit options	**496,153**	550,564	**497,118**	550,564
Weighted-average number of units outstanding-diluted	**35,074,319**	33,182,555	**34,196,629**	33,073,201

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

12) DISTRIBUTIONS

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

Period ended September 30,	**Quarter**		**Cumulative (nine months)**	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Distributions to unitholders	**10,744**	9,815	**31,069**	29,353
Distributions per unit	**0.306**	0.300	**0.914**	0.900

13) SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash operating working capital items are as follows:

Period ended September 30,	**Quarter**		**Cumulative (nine months)**	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Prepaid expenses	**3,661**	745	**(5,141)**	(5,200)
Accounts receivable	**(1,551)**	402	**(1,660)**	(1,356)
Accounts payable and accrued liabilities	**572**	3,728	**(1,177)**	3,973
	2,682	4,875	**(7,978)**	(2,583)
Additional information				
Interest paid	**5,005**	4,017	**19,431**	15,272
Unpaid leasing costs	**1,917**	596	**1,917**	596
Acquisitions of income properties and properties under development by assumption of mortgages payable	**—**	—	**—**	1,027
Unpaid acquisitions of income properties and properties under development	**4,765**	2,813	**4,765**	2,813
Properties under development transferred to income properties	**11,072**	—	**14,288**	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 team. These transactions, made in the normal course of business, have been measured at the exchange amount and have been reflected in the financial statements as follows:

Period ended September 30,	**Quarter**		**Cumulative (nine months)**	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Rental revenue from income properties	**275**	387	**864**	945
Other revenues	**41**	70	**117**	237
Income properties and properties under development	**4,311**	5,680	**11,609**	19,732
Deferred expenses and other assets	**4,172**	1,376	**7,788**	3,828
Accounts receivable			**405**	382
Accounts payable and accrued liabilities			**9,323**	5,016

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 September 30, 2006 due to their short-term nature or based on the fact they bear interest at current market rates.

As at September 30, 2006, the fair value of mortgages payable exceeded the carrying value by approximately $4,823 [$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 September 30, 2006, the fair value of convertible debentures exceeded the carrying value by approximately $2,309 [$7,088 as at December 31, 2005] due to changes in interest rates since the issuance date. The fair value of convertible debentures has been estimated based on the current market rate for debt securities 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 September 30, 2006

	Office properties $	Retail properties $	Industrial & mixed-use properties $	Total $
Rental revenue from income properties	11,757	10,135	10,850	**32,742**
Depreciation of income properties	1,511	1,276	1,354	**4,141**
Net operating income [1]	7,262	5,946	7,706	**20,914**

Period of three months ended September 30, 2005

	Office properties $	Retail properties $	Industrial & mixed-use properties $	Total $
Rental revenue from income properties	10,857	9,884	9,071	**29,812**
Depreciation of income properties	1,517	1,186	1,045	**3,748**
Net operating income [1]	6,515	6,140	6,379	**19,034**

Period of nine months ended September 30, 2006

	Office properties $	Retail properties $	Industrial & mixed-use properties $	Total $
Rental revenue from income properties	34,327	30,786	33,551	**98,664**
Depreciation of income properties	4,534	3,811	3,743	**12,088**
Net operating income [1]	20,537	17,531	21,391	**59,459**
Income properties	241,590	219,853	226,597	**688,040**

Period of nine months ended September 30, 2005

	Office properties $	Retail properties $	Industrial & mixed-use properties $	Total $
Rental revenue from income properties	32,866	29,128	28,895	**90,889**
Depreciation of income properties	4,478	3,471	3,094	**11,043**
Net operating income [1]	19,670	16,848	17,731	**54,249**
Income properties	246,863	204,203	188,126	**639,192**

NOTE

(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 statement of income of the first quarter.

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 7.5%, is receivable in February 2007 and is recorded under the accounts receivable. A gain on sale of $248 was realized.

19) SUBSEQUENT EVENTS

On October 31, 2006, Cominar acquired a 133,000 square foot office property for an amount of $19 million, paid in cash.

On November 6, 2006, Cominar acquired land for an amount of $200.

20) CONTRACTUAL OBLIGATION

Canada Post Corporation, the sole occupant of a 56,337 square foot industrial and mixed-use property located in Québec City, exercised its option to purchase the leased property, as per its lease agreement. It will become the owner therof on or about December 15, 2006 for an amount of $3,662. This transaction will result in a gain on sale of assets of approximately $625.

21) CONTINGENCY

Cominar recently received a notice of expropriation with respect to a 171,000 square foot office building located at 300 Viger Street East, in Montréal.

The expropriation process being at a preliminary stage, it is not currently possible to estimate the indemnity that might be paid out by the expropriating authority.

22) COMPARATIVE FIGURES

Certain figures of the 2005 financial statements have been reclassified to conform with the 2006 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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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: Computershare Trust Company of Canada, c/o Share Ownership Management, 1100 University Ave, 9th Floor Toronto (ON) Canada, M5J 2Y1, Tel.: (514) 982-7555, Fax: (416) 263-9394 or 1 800 453-0330, Toll free: 1 800 564-6253, Email: *service@computershare.com*

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