QUARTERLY REPORT

Period ended September 30, 2007

November 7, 2007

Cominar Real Estate Investment Trust

COMINAR

THIRD QUARTER
SEPTEMBER 30, 2007

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MESSAGE TO UNITHOLDERS

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

The third quarter was a very active and profitable period for Cominar. Efficiently supported by our teams, we pursued the integration of the major acquisition we closed in June 2007, adding a leasable area of 6.5 million square feet to our portfolio and representing a $592.0 million investment.

Combined with the other acquisitions closed since the beginning of 2007, Cominar has added a total of 67 properties to its portfolio in the last nine months, representing approximately 7 million square feet. This expansion has increased its portfolio's total leasable space by 67.2% and its gross book value by 80.0%, from $846.0 million to $1.52 billion as at September 30, 2007.

We should also mention that this expansion greatly improved the geographic breakdown of our portfolio and of our net operating income, 51.1% of which came from the Montreal region in the third quarter, 42.5% from the Greater Quebec City area where we maintain our dominant position, and 6.4% from the Ottawa area.

The benefits of this expansion are the result of our integration efforts, our sound internal management of our assets and properties, and the increase in the occupancy rate of the newly acquired properties, which are reflected in our financial performance for the third quarter and first nine months of 2007.

Our third-quarter results brought an excellent 71.0% growth in revenue which amounted to $53.1 million, reflecting the contribution of the properties acquired from Alexis Nihon for the full quarter and the other acquisitions integrated since the beginning of 2007, as well as the most satisfactory performance of the existing portfolio. Combined with the solid results achieved in the previous two quarters, revenue totalled $128.8 million for the first nine months of 2007, a significant increase of 36.3%. Due to our solid operational performance, third-quarter net operating income jumped 70.0%, to $33.5 million; for the first nine months, it rose 36.5% to $77.4 million for a net operating margin of 60.1%, equivalent to the corresponding period of 2006. We recorded recurring distributable income of $18.3 million, up 41.7% over the third quarter of 2006, contributing to increase it for the first nine months of 2007 by 27.6%, to $44.9 million.

Distributions to unitholders grew by 36.3% in the third quarter and by 26.2% for the first nine months, to total $14.6 million and $39.2 million respectively.

At the end of the third quarter, our portfolio occupancy rate stood at 94.3%, compared with 93.5% as at June 30, 2007, almost reaching the 94.4% occupancy rate posted at December 31, 2006. Although the Alexis Nihon properties had a lower occupancy rate than Cominar at their acquisition date; we are pleased that the efforts to raise their occupancy rate are yielding results. Our leasing activities continue to progress at a steady pace across our portfolio. As at September 30, 2007, our leasing team had successfully renewed 72.9% of all the leases expiring in 2007 and had signed new leases covering 0.7 million square feet. Furthermore, considering the high rental demand in our markets and the quality of our properties, we are confident we can renew a large proportion of expiring leases at a higher rate per square foot.

As at September 30, 2007, we were pursuing development work on five properties representing 0.3 million square feet and a total investment of $22.7 million. It should be pointed out that these projects' very solid capitalization rates are much higher than the current market average for comparable properties. In addition, one other 0.2 million-square-foot development is currently planned, representing a $10.3 million investment in the Greater Quebec City area.

We expect to achieve satisfactory growth for the year ending December 31, 2007. In order to create further unitholder value, we will continue to carefully manage our real estate portfolio, by tightly controlling operating costs and maintaining optimal internal growth, while remaining on the lookout for expansion-by-acquisition and development in line with our earnings and long-term growth criteria.

Michel Dallaire, Eng.
President and Chief Executive Officer
November 7, 2007

INTRODUCTION

The terms "Cominar", the "REIT", the "Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Cominar Real Estate Investment Trust. This MD&A is provided to enable a reader to assess our results of operation, financial condition and future prospects for the period ended September 30, 2007, compared with the corresponding period of 2006. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements and related notes and is dated November 7, 2007. All amounts are in Canadian dollars and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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

The interim unaudited consolidated financial statements for the periods ended September 30, 2007 and 2006 have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA"). In compliance with National Instrument 51-102 of the CSAs we hereby notify readers that these financial statements have not been reviewed by Cominar's auditors.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

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

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

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

NON-GAAP FINANCIAL MEASURES

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

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

SELECTED FINANCIAL INFORMATION

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	**%Δ**	**2007**	**2006**	**%Δ**
FINANCIAL DATA						
Total assets				**1,442,009**	765,545	88.4
Operating revenues	**53,077**	31,042	71.0	**128,824**	94,492	36.3
Net operating income	**33,487**	19,704	70.0	**77,389**	56,680	36.5
Net income	**6,868**	9,100	(24.5)	**22,882**	23,628	(3.2)
Recurring distributable income	**18,307**	12,919	41.7	**44,929**	35,221	27.6
Recurring funds from operations	**20,830**	14,778	41.0	**51,668**	40,871	26.4
Recurring adjusted funds from operations	**17,440**	11,483	51.9	**42,201**	33,771	25.0
Distributions	**14,640**	10,744	36.3	**39,224**	31,069	26.2
Distributable income payout ratio	**79.3%**	82.7%		**84.2%**	88.7%	
Debt ratio				**55.8%**	45.0%	
Acquisition capacity @ 65% debt level				**401,000**	469,000	
Interest coverage ratio				**2.94**	3.48	
Per-unit data:						
Recurring distributable income (basic)	**0.41**	0.37		**1.11**	1.05	
Recurring distributable income (FD) [1]	**0.40**	0.36		**1.09**	1.01	
Recurring funds from operations (FD) [1]	**0.45**	0.41		**1.24**	1.15	
Recurring adjusted funds from operations (FD) [1]	**0.38**	0.32		**1.03**	0.97	
Distributions	**0.325**	0.306		**0.943**	0.914	
OPERATIONAL DATA						
Number of properties				**205**	138	
GLA [2] (in thousands of sq.ft.)				**17,041**	10,083	
Occupancy rate				**94.3%**	94.6%	
ACQUISITION/DEVELOPMENT HIGHLIGHTS						
Acquisitions						
Number of properties				**67**	8	
GLA [2] (in thousands of sq.ft.)				**7,023**	454	
Total investment				**648,380**	23,800	
Weighted average capitalization rate				**7.0%**	9.2%	
Developments completed						
Number of properties				**1**	5	
GLA [2] (in thousands of sq.ft.)				**107**	319	
Total investment				**6,200**	17,100	
Weighted average capitalization rate				**10.1%**	10.3%	
Ongoing and upcoming developments						
Number of properties				**6**	11	
GLA [2] (in thousands of sq.ft.)				**457**	684	
Total investment				**33,000**	47,700	
Weighted average capitalization rate				**9.7%**	9.7%	

(1) Fully diluted

(2) Gross leasable area

FUND DESCRIPTION

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

The Trust has also issued convertible debentures that are publicly traded on the Toronto Stock Exchange (TSX) under the ticker symbols CUF.DB, CUF.DB.B and CUF.DB.C.

The Trust is one of the largest owners and managers of commercial properties in the Province of Quebec. As of November 7, 2007, it holds a high-quality portfolio of 205 properties, seven of which are co-owned, in the Greater Montreal, Quebec City and Ottawa areas totalling 17.0 million sq.ft. Our portfolio is divided among office buildings, retail properties and industrial and mixed-use buildings.

Since its inception in 1998, the Fund has completed successive acquisitions, construction projects and property developments. On June 1, 2007, the Fund acquired 28 industrial properties and 19 office properties owned by Alexis Nihon Real Estate Investment Trust. On July 6, 2007, Cominar completed this transaction with the acquisition of seven co-owned industrial properties. These two transactions added 6.5 million sq.ft. of leasable space to Cominar's portfolio. Consequently, since 1998, leasable space in our real estate portfolio has increased more than sixfold, while the gross book value of our real estate assets rose from $244.6 million to $1.44 billion as at September 30, 2007.

Except for the co-owned properties acquired last July, our asset and property management is totally internalized and we are a fully integrated real estate investment trust.. This management structure ensures the interests of management and employees are aligned with those of unitholders and results in improved financial performance for Cominar.

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the periods ended September 30, 2007 and 2006.

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	**%Δ**	**2007**	**2006**	**%Δ**
Operating revenues	**53,077**	31,042	71.0	**128,824**	94,492	36.3
Operating expenses						
Operating costs	**9,135**	5,551	64.6	**24,059**	18,394	30.8
Realty taxes and services	**9,900**	5,566	77.9	**26,210**	18,624	40.7
Property management expenses	**555**	221	151.1	**1,166**	794	46.9
Total operating expenses	**19,590**	11,338	72.8	**51,435**	37,812	36.0
Net operating income (1)	**33,487**	19,704	70.0	**77,389**	56,680	36.5
Interest on borrowings	**12,468**	5,584	123.3	**25,533**	17,033	49.9
Depreciation of income properties	**12,047**	3,889	209.8	**23,410**	11,327	106.7
Amortization of deferred leasing costs	**1,761**	1,537	14.6	**5,180**	4,601	12.6
Amortization of other assets	**59**	43	37.2	**161**	128	25.8
	26,335	11,053	138.3	**54,284**	33,089	64.1
Operating income from real estate assets	**7,152**	8,651	(17.3)	**23,105**	23,591	(2.1)
Trust administrative expenses	**749**	557	34.5	**2,201**	1,628	35.2
Other revenues	**133**	48	177.1	**308**	201	53.2
Unusual items (2)	**-**	-	-	**422**	(554)	-
Net income from continuing operations	**6,536**	8,142	(19.7)	**21,634**	21,610	0.1
Net income from discontinued operations	**332**	958	(65.3)	**1,248**	2,018	(38.2)
Net income	**6,868**	9,100	(24.5)	**22,882**	23,628	(3.2)
Net income per unit (basic)	**0.153**	0.263	(41.8)	**0.567**	0.701	(19.1)
Net income per unit (diluted)	**0.152**	0.259	(41.3)	**0.558**	0.691	(19.2)

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

(2) Cominar recorded non-recurring revenue of $0.4 million on investments made with the proceeds of subscription receipts issued in May 2007 and converted into units in June 2007 on the closing of the acquisition of the Alexis Nihon REIT properties. Cominar incurred non-recurring expenses of $0.6 million in the first quarter of 2006 in connection with its purchase offer for Alexis Nihon Real Estate Investment Trust.

It should be noted that the amounts reported in table above for the periods ended September 30, 2007 and 2006 have been adjusted to remove revenues and costs related to a property expropriated in September 2007 by the Centre hospitalier de l'Université de Montréal and an industrial and mixed-use property sold in December 2006. The revenues and costs have been included in discontinued operations, in accordance with GAAP.

Operating Revenues

We achieved excellent results during the third quarter of 2007. The 71.0% increase in operating revenues is primarily due to the contributions, since June 2007, of the acquisition of Alexis Nihon REIT's 47 office and industrial and mixed-use properties and the other acquisitions completed and integrated in 2006 and 2007, over and above the strong performance of our existing portfolio.

Our excellent third-quarter performance, combined with the solid results achieved in the first two quarters, boosted operating revenues for the first nine months of 2007 to $128.8 million, up $34.3 million or 36.3% over the same period in 2006.

OPERATING REVENUES

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
Same property	**29,386**	29,214	0.6	**91,262**	88,950	2.6
Acquisitions and developments	**23,691**	1,828	—	**37,562**	5,542	-
Total operating revenues	**53,077**	31,042	71.0	**128,824**	94,492	36.3

Our same-property portfolio, including all properties owned by Cominar as at December 31, 2005 other than those presented under discontinued operations, ,excluding, therefore, the benefits of the acquisitions and developments completed in 2006 and 2007, posted a growth in operating revenues of 2.6% for the first nine months of 2007. This organic growth is due to the scheduled increase in rents for existing leases, renewed leases and new leases, and reflects the high quality of our properties and the sustained growth in our markets.

Operating Expenses

Operating expenses for the third quarter increased by 72.8% over the corresponding period of 2006 and by 36% for the first nine months over the same period in 2006. These variations reflect the increase in the portfolio's size as a result of the completed acquisitions and developments. As a percentage of total operating revenues, overall operating expenses were at the same level as in 2006, representing approximately 37% of operating revenues for the third quarter and 40% for the first nine months of the year, attesting to our ability to contain our operating expenses and to flow these expenses through to tenants.

OPERATING EXPENSES

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
Same property	**10,407**	10,987	(5.3)	**37,105**	36,348	2.1
Acquisitions and developments	**9,183**	351	-	**14,330**	1,464	-
Total operating expenses	**19,590**	11,338	72.8	**51,435**	37,812	36.0

The third-quarter reduction in our same-property operating expenses is mainly attributable to a $0.7 million decrease in realty taxes and services. These expenses were recorded in the first half of the year, whereas in 2006 this amount was recognized in the third quarter. These transactions had no impact on net operating income as single tenants' realty taxes and services expenses were recognized as operating expenses at the same time as the corresponding revenues.

Net Operating Income

Although Net Operating Income ("NOI") is not a measure defined by GAAP, it is widely used in the real estate industry to assess operating performance. We define it as operating income before interest on borrowings, depreciation of income properties, amortization of deferred leasing costs and other assets, Trust administrative expenses, as well as other revenues and unusual items. This definition may differ from that of other issuers and, therefore, Cominar's net operating income may not be comparable to similar measures presented by such other issuers.

NOI for the third quarter of 2007 grew 70.0% over the same period in 2006, whereas our NOI margin amounted to 63.1% of operating revenues, compared with 63.5% for the corresponding period of 2006. For the first nine months of 2007, NOI was up 36.5% and represented 60.1% of operating revenues, up slightly over the corresponding period of 2006. Our NOI margins are still among the highest of Canadian real estate investment trusts, thanks to the Cominar's rigorous management.

NET OPERATING INCOME

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
Same property	**18,978**	18,227	4.1	**54,157**	52,601	3.0
Acquisitions and developments	**14,509**	1,477	-	**23,232**	4,079	-
Total NOI	**33,487**	19,704	70.0	**77,389**	56,680	36.5
NOI margin	**63.1%**	63.5%		**60.1%**	60.0%	

Same-property NOI grew 3.0% in the first nine months of 2007, thanks mainly to scheduled rent increases in our existing leases, renewed leases and new leases, as well as stringent control over operating expenses.

Interest on Borrowings

Third-quarter interest on borrowings increased by 123.3% as a result of different financings arranged or assumed for the settlement of recent acquisitions. Owing to these items, interest on borrowings for the first nine months of 2007 was up 49.9%, representing 19.8% of operating revenues as at September 30, 2007, compared with 18.0% as at September 30, 2006.

In May 2007, Cominar issued $80.5 million in unsecured subordinated convertible debentures bearing interest at 5.7% per annum and maturing in June 2014.

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

In addition, mortgages payable of $168.4 million were contracted at a weighted average rate of 5.37% during the first nine months. These borrowings were used to repay the existing debt coming due and to finance our acquisitions. Lastly, Cominar obtained an additional acquisition credit facility of $62 million from Canadian chartered banks, raising its total credit facilities to $180 million.

INTEREST ON BORROWINGS

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
Mortgages and bank indebtedness	**11,485**	4,834	137.6	**23,556**	13,809	70.6
Convertible debentures	**1,588**	1,034	53.6	**3,369**	3,929	(14.3)
Amortization of borrowing costs	**184**	140	31.4	**440**	407	8.1
	13,257	6,008	120.7	**27,365**	18,145	50.8
Less: Capitalized interest	**(789)**	(424)	86.1	**(1,832)**	(1,112)	64.7
Total as per financial statements	**12,468**	5,584	123.3	**25,533**	17,033	49.9

Depreciation of Income Properties

Depreciation of income properties more than tripled for the third quarter of 2007 and doubled for the first nine months of the year. These increases are due mainly to the acquisitions and developments completed in 2006 and 2007. It should be noted that, since September 2003, the purchase price of an income property is allocated between the tangible assets comprised of land and the building, and intangible assets such as operating leases and customer relationships. As these intangible assets are amortized on a straight-line basis over the terms of the related leases, the resulting amortization is therefore accelerated in comparison with the depreciation of properties held for several years. For example, for the third quarter of 2007, the increase in amortization of intangible assets represented $5.0 million, or 60.9% of the increase in total depreciation of income properties. For the first nine months of the year, it represented $7.1 million, or 58.6% of the increase in total depreciation expense.

DEPRECIATION OF INCOME PROPERTIES

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
Same property	**3,475**	3,470	0.0	**10,657**	10,540	1.1
Acquisitions and developments	**8,572**	419	-	**12,753**	787	-
Total	**12,047**	3,889	209.8	**23,410**	11,327	106.7

DEPRECIATION OF INCOME PROPERTIES

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
Depreciation of tangible assets	**6,834**	3,645	87.5	**15,856**	10,855	46.1
Amortization of intangible assets	**5,213**	244	-	**7,554**	472	-
Total	**12,047**	3,889	209.8	**23,410**	11,327	106.7

Trust Administrative Expenses

Administrative expenses rose 34.5% to $0.7 million for the third quarter of 2007, due mainly to an increase in human resources following the acquisition of Alexis Nihon and new hires to support our real estate portfolio's growth needs. The administrative expenses related to the status of a listed Trust and investor relations were also up as a result of the expansion. For the first nine months of 2007, administrative expenses totalled $2.2 million, an increase of 35.2%. Despite these increases, Trust administrative expenses represented only 1.4% of operating revenues for the third quarter of 2007, compared with 1.8% for the corresponding period of 2006, whereas on a cumulative basis, they held steady at a ratio of approximately 1.7% of operating revenues.

Unusual Items

During the second quarter of 2007, Cominar realized non-recurring interest income of $0.4 million on investments made with the proceeds of subscription receipts issued in May 2007 and converted into units in June 2007, on the closing of the acquisition of the Alexis Nihon properties. During the first quarter of 2006, Cominar recorded non-recurring expenses of $0.6 million related to its purchase offer for Alexis Nihon REIT.

Discontinued Operations

In accordance with CICA Handbook Section 3475, the results of operations of sold properties must be reported as a distinct component of net income for the fiscal year in which the sale took place as well as for the previous fiscal year presented for comparative purposes. Consequently, net income related to a property expropriated in September 2007 (as described under "Contingency") and a property sold in December 2006 is presented as net income from discontinued operations.

Net Income

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

Despite the growth of all of Cominar's key performance indicators, recurring net income for the nine-month period ended September 30, 2007 was down 7.1% from 2006, due primarily to the significant increase in depreciation of income properties. The measure of this expense is based on the assumption that the value of properties diminishes over time. The impact of this assumption was magnified by the application of the new rule explained on page 9 of this MD&A under "Depreciation of Income Properties".

NET INCOME

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	**%Δ**	**2007**	**2006**	**%Δ**
Net income (1)	**6,868**	9,100	(24.5)	**22,882**	23,628	(3.2)
- Unusual items	**-**	-		**(422)**	554	
Recurring net income	**6,868**	9,100	(24.5)	**22,460**	24,182	(7.1)
Recurring net income per unit (basic)	**0.15**	0.26	(42.3)	**0.56**	0.72	(22.2)
Recurring net income per unit (diluted)	**0.15**	0.26	(42.3)	**0.55**	0.71	(22.2)

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

Contingency

An expropriation process was initiated in June 2006 by the Centre hospitalier de l'Université de Montréal (CHUM) for the property located at 300 Viger Street in Montreal, Quebec.

The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served to Cominar on August 27, 2007, effective September 1, 2007, and the Quebec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to the applicable legislation. The provisional indemnity amounts to $30 million, of which $28 million had been received as at September 30, 2007.

The definitive indemnity will either be set by the Quebec Administrative Court, or it will be settled by the parties in the coming year. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity. Furthermore, management believes that the recently paid provisional indemnity is insufficient to fully compensate for the loss in value of the property.

SEGMENTED INFORMATION

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

SEGMENTED INFORMATION BY SECTOR OF ACTIVITY

For the nine-month periods ended September 30

	2007	**2006**	**2007**	**2006**
Office	**29,351**	18,088	**37.9%**	31.9%
Retail	**19,203**	17,529	**24.8%**	30.9%
Industrial and mixed-use	**28,835**	21,063	**37.3%**	37.2%
Total NOI	**77,389**	56,680	**100.0%**	100.0%

Office Sector

In the third quarter of 2007, net operating income in this sector was up $7.6 million or 123.9% over the same period in 2006. This growth reflects the contribution of the June 1, 2007 acquisition of the 19 Alexis Nihon REIT properties, combined with the other properties acquired in 2007 and 2006 in this sector. However, these acquisitions increased operating expenses and brought net operating margin down slightly, to 58.3% for the quarter. For the first nine months of 2007, the sector's net operating income grew 62.3% and the net operating margin decreased 1.3% to 57.9%.

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	**%Δ**	**2007**	**2006**	**%Δ**
Operating revenues	**23,661**	10,192	132.2	**50,663**	30,564	65.8
Operating expenses	**9,865**	4,031	144.7	**21,312**	12,476	70.8
NOI – office	**13,796**	6,161	123.9	**29,351**	18,088	62.3
NOI margin	**58.3%**	60.4%		**57.9%**	59.2%	

Retail Sector

In the third quarter of 2007, net operating income in this sector was up $1.2 million or 11.5% over the same period in 2006. For the first nine months of the year, net operating income grew $1.1 million or 18.5%. These increases are due mainly to the acquisitions completed in this sector in 2007 and late 2006.

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	**%Δ**	**2007**	**2006**	**%Δ**
Operating revenues	**11,306**	10,136	11.5	**33,171**	30,786	7.7
Operating expenses	**4,259**	4,190	1.6	**13,968**	13,257	5.7
NOI – retail	**7,047**	5,946	18.5	**19,203**	17,529	9.5
NOI margin	**62.3%**	58.7%		**57.9%**	56.9%	

Industrial and Mixed-Use Sector

In the third quarter of 2007, the contribution of the acquisition of 28 Alexis Nihon properties, combined with that of the other acquisitions and developments completed in 2007 and 2006, boosted this sector's net operating income by $5.0 million or 66.4%. For the first nine months of 2007, net operating income in this sector was up $7.8 million or 36.9% and net operating margin held steady at approximately 64%.

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	**%Δ**	**2007**	**2006**	**%Δ**
Operating revenues	**18,110**	10,714	69.0	**44,990**	33,142	35.7
Operating expenses	**5,466**	3,117	75.4	**16,155**	12,079	33.7
NOI – industrial and mixed-use	**12,644**	7,597	66.4	**28,835**	21,063	36.9
NOI margin	**69.8%**	70.9%		**64.1%**	63.6%	

Segmented Information by Geographic Location

The following tables show that the acquisition of Alexis Nihon properties and the recent acquisitions completed in the Montreal and Ottawa regions during 2007 have contributed to a more balanced segmented breakdown.

NET OPERATING INCOME BY GEOGRAPHIC LOCATION

For the periods ended September 30

	Quarter		Cumulative (nine months)	
	2007	**2006**	**2007**	**2006**
Quebec City	**14,222**	12,892	**39,651**	37,161
Montreal	**17,101**	6,812	**34,587**	19,519
Ottawa	**2,164**	-	**3,151**	-
Total net operating income	**33,487**	19,704	**77,389**	56,680

NET OPERATING INCOME BY GEOGRAPHIC LOCATION (%)

For the periods ended September 30

	Quarter		Cumulative (nine months)	
	2007 %	**2006 %**	**2007 %**	**2006 %**
Quebec City	**42.5**	65.4	**51.2**	65.6
Montreal	**51.1**	34.6	**44.7**	34.4
Ottawa	**6.4**	-	**4.1**	-
Total net operating income	**100.0**	100.0	**100.0**	100.0

DISTRIBUTABLE INCOME AND CASH DISTRIBUTIONS

Although the concept of "distributable income" ("DI") is not a financial measure defined under GAAP, it is a measure widely used in the field of income trusts. The definition of distributable income is contained in the Contract of Trust governing Cominar and provides that the total of monthly distributions paid to unitholders must represent at least 85% of annual DI. We consider DI an excellent tool for assessing the Trust's performance. Given its historical nature, it is also a benchmark enabling investors to ascertain the stability of distributions and their financing.

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

The following table presents the DI and recurring distributable income ("RDI") calculations,, thus excluding unusual items, as well as a reconciliation with net income calculated in accordance with GAAP:

DISTRIBUTABLE INCOME

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
Net income	**6,868**	9,100		**22,882**	23,628	
+ Depreciation of income properties	**12,201**	4,141		**24,028**	12,088	
+ Amortization of above-market (below-market) leases	**(170)**	30		**(178)**	90	
+ Compensation costs related to unit option plan	**70**	83		**169**	145	
- Deferred rentals	**(662)**	(435)		**(1,550)**	(1,284)	30.8
DI	**18,307**	12,919	41.7	**45,351**	34,667	
Unusual items (2)	**-**	-		**(422)**	554	
RDI	**18,307**	12,919	41.7	**44,929**	35,221	27.6
Cash distributions	**14,640**	10,744	36.3	**39,224**	31,069	26.2
Per-unit amounts:						
DI (basic)	**0.41**	0.37	10.8	**1.12**	1.03	8.7
DI (FD) (1)	**0.40**	0.36	11.1	**1.10**	0.99	11.1
RDI (basic)	**0.41**	0.37	10.8	**1.11**	1.05	5.7
RDI (FD) (1)	**0.40**	0.36	11.1	**1.09**	1.01	7.9
Cash distributions	**0.325**	0.306	6.2	**0.943**	0.914	3.2
DI payout ratio	**79.3%**	82.7%		**84.2%**	88.7%	
RDI payout ratio	**79.3%**	82.7%		**85.0%**	87.0%	

(1) Fully diluted.

(2) Cominar recorded non-recurring revenue of $0.4 million on investments made with the proceeds of subscription receipts issued in May 2007 and converted into units in June 2007 on the closing of the acquisition of the Alexis Nihon REIT properties. Cominar incurred non-recurring expenses of $0.6 million in the first quarter of 2006 in connection with its purchase offer for Alexis Nihon Real Estate Investment Trust.

In the third quarter of 2007, basic DI per unit grew 10.8% over the corresponding period in 2006, thanks mainly to the immediate impact of the acquisitions and developments completed since the beginning of 2006. Fully diluted RDI per unit rose 11.1%, from $0.36 to $0.40.

For the first nine months of 2007, the contribution of the acquisitions and developments completed since the beginning of 2006 and of Cominar's existing portfolio lifted basic DI per unit up 8.7% and fully diluted RDI per unit up 7.9%.

Per-unit distributions rose to $0.943 in the first nine months of 2007 from $0.914 in the coresponding period in 2006, while the RDI payout ratio was 85.0% as at September 30, 2007, compared with 87.0% as at September 30, 2006.

For fiscal 2007, the REIT paid monthly distributions of $0.102 per unit in January, February, March and April; monthly distributions of $0.105 in May, June and July; and monthly distributions of $0.110 in August and September. A monthly distribution of $0.110 has been declared for October.

On July 6, the Canadian Securities Administrators (CSAs) issued an amended version of their "National Policy 41-201 – Income Trusts and Other Indirect Offerings", which includes guidelines on distributable cash.

In accordance with amended "National Policy 41-201", the Trust is required to reconcile DI (a non-GAAP measure) with cash flows from operating activities as shown in the financial statements. The following table presents this reconciliation:

For the periods ended September 30

	Quarter		**Cumulative (nine months)**	
	2007	**2006**	**2007**	**2006**
Cash flows from operating activities	**30,711**	17,756	**58,422**	33,109
- Deferred rentals	**(622)**	(435)	**(1,550)**	(1,284)
- Amortization of deferred leasing costs	**(1,761)**	(1,537)	**(5,180)**	(4,601)
- Amortization of deferred financing costs and other assets	**(243)**	(183)	**(601)**	(535)
+ Change in non-cash operating working capital items	**(9,738)**	(2,682)	**(5,740)**	7,978
DI	**18,307**	12,919	**45,351**	34,667
Cash distributions to unitholders	**14,640**	10,744	**39,224**	31,069

Deferred rentals result from the straight-line accounting for scheduled rent increases set forth in existing leases. As Cominar does not collect these amounts during the period, deferred rentals are deducted from net income in the computation of distributable income.

Although amortization of deferred leasing costs, deferred financing costs and other assets are non-cash items, Cominar deducts them in the computation of distributable income, due to the fact that the items related to this amortization must be excluded from cash flows available for distribution to unitholders.

Furthermore, Cominar considers that no adjustment related to the change in non-cash operating working capital items should be made in the computation of distributable income; these items only representing changes in balance sheet items taken into consideration when establishing cash flows from operating activities.

Cominar also presents the following table, in accordance with CSA guidelines, to enable its readers to assess the source of cash distributions and how they relate to net income.

For the periods ended September 30

	Quarter		Cumulative (nine months)	
	2007	**2006**	**2007**	**2006**
Cash flows from operating activities	**30,711**	17,756	**58,422**	33,109
Net income	**6,868**	9,100	**22,882**	23,628
Cash distributions to unitholders	**14,640**	10,744	**39,224**	31,069
Cash flows from operating activities in excess of cash distributions to unitholders	**16,071**	7,012	**19,198**	2,040

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

For the first nine months of 2007, cash flows from operating activities totalled $58.4 million, whereas DI amounted to $45.4 million. Deducting non-recoverable capital expenditures of $0.5 million disbursed during the period, adjusted cash flows from operations amounted to $57.9 million. Cominar's operations, therefore, generated sufficient funds to finance distributions of $39.2 million.

For comparative purposes, DI for the first nine months of 2006 amounted to $34.7 million, whereas cash flows from operating activities stood at $33.1 million, excluding non-recoverable capital expenditures of $0.7 million. Adjusted cash flows from operations amounted to $32.4 million. In 2006, Cominar's operations, therefore, generated sufficient funds to finance distributions of $31.0 million.

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

As a period's net income is not used in the calculation of distributions payable to unitholders, Cominar considers that the comparison with this item is not indicative of its capacity to pay sustained distributions. The difference between distributions, established on the basis of distributable income, and net income, is primarily attributable to non-cash items (see the reconciliation between net income and distributable income included in this MD&A).

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of Cominar's consolidated balance sheets as at September 30, 2007 and December 31, 2006:

SELECTED CONSOLIDATED BALANCE SHEET DATA

	September 30, 2007	**Dec. 31, 2006**
Income properties (amortized cost)	**1,324,189**	711,441
Properties under development and land held for future development	**53,399**	24,232
Other	**64,421**	50,782
Total assets	**1,442,009**	786,455
Mortgages payable	**626,052**	270,142
Convertible debentures	**99,155**	39,984
Bank indebtedness	**124,281**	73,616
Other	**43.165**	25,705
Total liabilities	**892,653**	409,447

Long-term debt

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

Year of Maturity	Debt Balance Rate ($)	Weighted Average Interest (%)
2007	1,882	5.99
2008	134,576	6.09
2009	55,268	5.58
2010	25,944	5.10
2011	6,166	8.01
2012	21,734	7.05
2013	8,241	7.32
2014(1)	148,226	6.00
2015	14,298	5.13
2016	-	-
2017	132,757	5.38
2018	31,224	5.51
2019	17,895	6.67
2020	-	-
2021	98,665	5.55
2022	34,897	5.35
Total	**731,773**	**5.79**
Plus: Adjustment of debts assumed at fair value	497	
Less: Unamortized financing costs	(7,063)	
Total	725,207	

(1) Includes $105.3 million of convertible debentures.

Mortgages Payable

As at September 30, 2007, our mortgages payable amounted to $626.1 million, compared with $270.1 million as at December 31, 2006. This $356.0 million increase is attributable to the financing of the recent acquisitions, including the assumption of the mortgages payable on the properties acquired from Alexis Nihon REIT.

As at the same date, the weighted average mortgage rate was 5.78%, down from 6.24% as at December 31, 2006. Cominar has staggered its mortgage expiry dates over a number of years to reduce the risks related to renewal. In 2007, $1.9 million in mortgages will be up for renewal. In 2008, $132.1 million in mortgages will mature, of which $81.3 million relate to the Place de la Cité property, in Québec, one of Cominar's most prestigious properties. The REIT does not foresee any difficulty refinancing these mortgages as they mature.

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

MORTGAGE REPAYMENTS

Years ending December 31

	Repayment of Principal	Balance at Maturity	Total	% of Total	Weighted Average Interest Rate (%)
2007	4,447	1,859	6,306	1.0	5.99
2008	14,348	132,098	146,446	23.4	6.09
2009	11,918	52,341	64,259	10.3	5.58
2010	12,055	24,070	36,125	5.8	5.10
2011	12,330	5,056	17,386	2.8	8.01
2012	12,209	16,380	28,589	4.6	7.05
2013	11,550	4,841	16,391	2.6	7.32
2014	11,259	32,209	43,468	6.9	6.00
2015	10,573	11,073	21,646	3.5	5.13
2016	10,817	-	10,817	1.7	-
2017	9,815	109,423	119,238	19.0	5.38
2018	8,848	-	8,848	1.4	5.51
2019	3,987	4,141	8,128	1.3	6.67
2020	3,987	-	3,987	0.6	-
2021	2,396	67,963	70,359	11.2	5.55
2022	262	24,187	24,449	3.9	5.35
Total	**140,801**	**485,641**	**626,442**	**100.0**	**5.78**
Plus: Adjustment of debts assumed at fair value			497		
Less: Unamortized financing costs			(887)		
Balance as per financial statements as at September 30, 2007			**626,052**		

Convertible Debentures

Due to the significant increase in Cominar's unit price since the Series A unsecured subordinated convertible debentures bearing interest at 6.3% per annum were issued in September 2004, a large number of convertible debentures have been converted into units since their issue. Of the original $100 million issue, only $24.8 million remained outstanding as at September 30, 2007.

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

Issued Units

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

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

Bank Indebtedness

As at September 30, 2007, Cominar had operating and acquisition facilities of over $180 million, renewable annually, at interest rates of 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 September 30, 2007, bank indebtedness totalled $124.3 million.

Debt Ratios

Under its Contract of Trust, the REIT could not contract or assume debt if, considering the debt thereby contracted or assumed, its total debt exceeded 60% of its property portfolio's gross book value. At its last Annual General Meeting, Cominar amended this Contract to allow it, with the trustees' approval, to reach 65% of the gross book value, if convertible debentures of the REIT are outstanding.

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

DEBT TO GROSS BOOK VALUE RATIO

	September 30, 2007	Decembre 31, 2006
Mortgages payable	**626,052**	270,142
Convertible debentures	**99,155**	39,984
Bank indebtedness	**124,281**	73,616
Total long-term debt	**849,488**	383,742
Portfolio gross book value	**1,522,661**	845,960
Overall debt ratio (1) (2)	**55.8%**	45.4%
Debt ratio (excluding convertible debentures)	**49.3%**	40.5%
Borrowing power - 65% of gross book value	**401,000**	470,000

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

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

As shown in the above table, our overall debt ratio as at September 30, 2007 was 55.8%, compared with 45.4% as at December 31, 2006. This increase is due to the mortgages assumed on the acquisition of the Alexis Nihon properties, three new mortgages totalling $168.4 million, the issue of $80.5 million of convertible debentures and the increase in acquisition credit facilities during the period.

As at September 30, 2007, our overall debt ratio allowed us to acquire up to $401 million in properties at the maximum debt ratio permitted by our Contract of Trust.

INTEREST COVERAGE RATIO

	September 30, 2007	Decembre 31, 2006
Net income	**22,882**	34,075
- Net income from discontinued operations	**(1,248)**	(1,076)
+ Unusual items	**(422)**	554
- Other revenues	**(308)**	(488)
+ Interest on borrowings	**25,553**	22,021
+ Depreciation of income properties	**23,410**	16,188
+ Amortization of deferred leasing costs	**5,180**	6,139
+ Amortization of other assets	**161**	728
EBITDA	**75,188**	78,141
Interest expense	**25,533**	22,021
Interest coverage ratio (1) (2)	**2.94**	3.55

(1) The interest coverage ratio is equal to EBITDA (measure not defined by GAAP) divided by interest expense.

(2) This ratio is not defined by GAAP and may differ from similar measures presented by other entities.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt from operating income. Thus, as at September 30, 2007, our interest coverage ratio stood at 2.94:1, compared with 3.55:1 as at December 31, 2006.

As at September 30, 2007, Cominar's financial position remained healthy and solid. Its debt to gross book value provided for an acquisition capacity of $401 million at the maximum debt ratio of 65%. In addition, Cominar had available credit facilities of $55.8 million. Hence, Cominar believes its available funds will be sufficient to meet its current obligations and finance its future growth.

Funds from Operations

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

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

The following table presents a reconciliation of net income, as determined in accordance with GAAP, and FFO for the periods ended September 30, 2007 and 2006:

FUNDS FROM OPERATIONS

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
Net income	**6,868**	9,100		**22,882**	23,628	
+ Depreciation of income properties	**12,201**	4,141		**24,028**	12,088	
+ Amortization of deferred leasing costs	**1,761**	1,537		**5,180**	4,601	
FFO	**20,830**	14,778	41.0	**52,090**	40,317	29.2
Unusual items	-	-		**(422)**	554	
Recurring FFO	**20,830**	14,778	41.0	**51,668**	40,871	26.4
Per-unit information:						
FFO per unit (basic)	**0.47**	0.43	9.3	**1.29**	1.20	7.5
FFO per unit (FD) (1)	**0.45**	0.41	9.8	**1.25**	1.14	9.6
Recurring FFO per unit (basic)	**0.47**	0.43	9.3	**1.28**	1.21	5.8
Recurring FFO per unit (FD) (1)	**0.45**	0.41	9.8	**1.24**	1.15	7.8

(1) Fully diluted.

For the third quarter of 2007, recurring FFO rose 41.0% to $20.8 million, compared with $14.8 million for the same period in 2006. This increase came from the contribution of the 2007 and 2006 acquisitions and developments as well as organic growth, and resulted in a 9.8% increase in recurring FFO per unit on a fully diluted basis.

For the first nine months of 2007, recurring FFO grew $10.8 million or 26.4% over the corresponding period of 2006. This increase reflects the contribution of the acquisitions and developments completed since 2006 and same-property growth. For the first nine months of 2007, the cumulative increase in recurring FFO per unit reached 7.8% on a fully diluted basis.

Adjusted Funds from Operations

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

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

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

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

ADJUSTED FUNDS FROM OPERATIONS

For the periods ended September 30

	Quarter			Cumulative (nine months)		
	2007	**2006**	%Δ	**2007**	**2006**	%Δ
FFO	**20,830**	14,778		**52,090**	40,317	
- Non-recoverable capital expenditures (1)	**(328)**	(504)		**(548)**	(691)	
- Deferred rentals	**(662)**	(435)		**(1,550)**	(1,284)	
+ Amortization of above-market (below-market) leases	**(170)**	30		**(178)**	90	
+ Amortization of deferred financing costs	**184**	140		**440**	194	
- Deferred financing costs	**(131)**	(83)		**(629)**	(302)	
+ Compensation costs related to unit option plan	**70**	83		**169**	145	
- Leasing costs (2)	**(2,353)**	(2,526)		**(7,171)**	(5,252)	
AFFO	**17,440**	11,483	51.9	**42,623**	33,217	28.3
Unusual items	**-**	-		**(422)**	554	
Recurring AFFO	**17,440**	11,483	51.9	**42,201**	33,771	25.0
Per-unit information:						
AFFO per unit (basic)	**0.39**	0.33	18.2	**1.06**	0.99	7.1
AFFO per unit (FD) (3)	**0.38**	0.32	18.8	**1.03**	0.95	8.4
Recurring AFFO per unit (basic)	**0.39**	0.33	18.2	**1.05**	1.00	5.0
Recurring AFFO per unit (FD) (3)	**0.38**	0.32	18.8	**1.03**	0.97	6.2

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

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

(3) Fully diluted.

For the third quarter of 2007, fully diluted recurring AFFO per unit increased $0.06 or 18.8% over the third quarter of 2006, to $0.38. For the first nine months of 2007, fully diluted recurring AFFO per unit increased $0.06 to $1.03. As the costs related to new developments can vary significantly from one quarter to another, management believes that the above comparative quarterly and cumulative results cannot be used to determine the annual trend with certainty.

Contractual Obligations

Cominar's most substantial contractual obligations are with regard to its long-term debt, including mortgages, convertible debentures and lines of credit, as described above, as well as the payments due under emphyteutic leases for land held for income properties.

PROPERTY PORTFOLIO

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

	September 30, 2007	Decembre 31, 2006
Income properties (cost)	**1,404,841**	770,946
Properties under development and land held for future development	**53,399**	24,232
Other assets	**64,421**	50,782
Portfolio gross book value	**1,522,661**	845,960
Number of properties	**205**	139
GLA (in thousands of sq.ft.)	**17,041**	10,190
Segmented breakdown (% of net operating income)		
Office	**37.9**	34.9
Retail	**24.8**	29.5
Industrial and mixed-use	**37.3**	35.6
Geographic breakdown (% of net operating income)		
Greater Quebec City area	**51.2**	63.3
Greater Montreal area	**44.7**	36.7
Ottawa area	**4.1**	—

During the first nine months of 2007, Cominar added 67 properties representing an additional leasable area of 7.0 million sq.ft. to its portfolio, including the acquisition of 54 Alexis Nihon properties covering a leasable area of 6.5 million sq.ft.. These acquisitions increased the total leasable area of Cominar's portfolio by 67.2% and the total gross value of Cominar's properties by 80.0%, from $846 million to $1.52 billion as at September 30, 2007.

While maintaining its dominant position in the Greater Quebec City area, the Trust is also increasingly present in the Greater Montreal area and has completed its first acquisitions in the Ottawa area. For the first nine months of 2007, properties in the Montreal area accounted for 44.7% of net operating income, compared with 36.7% in 2006, whereas those in the Ottawa area accounted for 4.1% of net operating income.

REAL ESTATE OPERATIONS

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

For the periods ended September 30

	2007	2006
Occupancy	**94.3%**	94.6%
Same-property NOI growth	**3.0%**	3.5%

Occupancy

Cominar consistently strives to maximize property occupancy rates and has successfully maintained 95.0% occupancy on average since its inception. As at September 30, 2007, occupancy stood at 94.3%, compared with 93.5% as at June 30, 2007. This 0.8% increase is the result of efforts focused on raising the occupancy rate of the properties acquired from Alexis Nihon REIT, which was lower than that of Cominar on their acquisition date.

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

Sector of Activity (%)	September 30, 2007	June 30, 2007	Dec. 31, 2006
Office	**94.4**	93.3	96.0
Retail	**95.4**	95.1	94.3
Industrial and mixed-use	**94.0**	93.2	93.7
Total portfolio	**94.3**	93.5	94.4

Leasing Activity

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

LEASE EXPIRIES AND RENEWALS BY SECTOR

	Office	Retail	Industrial and Mixed-Use	Total
Expiring leases / 2007				
Number of tenants	158	126	189	**473**
Area (sq.ft.)	558,364	284,456	1,476,439	**2,319,259**
Average net rent/sq.ft. ($)	9.42	9.77	5.29	**6.83**
Renewed leases				
Number of tenants	88	74	113	**275**
Area (sq.ft.)	349,218	232,513	1,108,550	**1,690,281**
Average net rent/sq.ft. ($)	9.81	11.38	5.57	**7.25**
% renewal	62.5	81.7	75.1	**72.9**

NEW LEASES

	Office	Retail	Industrial and Mixed-Use	Total
Number of tenants	41	40	67	**148**
Area (sq.ft.)	184,931	64,934	499,997	**749,862**
Average net rent/sq.ft. ($)	10.73	11.78	5.59	**7.40**

As indicated in the above table, leasing activity remains strong across our portfolio in 2007, especially in the retail sector where 81.7% of leases expiring during the year have already been renewed. Our leasing team has stepped up its efforts to renew an aggregate 72.9% of leases expiring in 2007. We have also signed new leases representing 0.7 million sq.ft. of space. Our renewal rates are up in all three sectors of activity.

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

The following table details our lease maturity profile for the next five years:

LEASE MATURITY

	2008	2009	2010	2011	2012
Office					
Leasable area (sq.ft.)	673,230	396,853	519,001	306,059	698,063
Lease rate/square foot ($)	9.89	11.44	9.46	9.90	10.58
% of office portfolio	14.2	8.4	10.9	6.5	14.7
Retail					
Leasable area (sq.ft.)	317,594	231,356	255,624	319,366	347,689
Lease rate/square foot ($)	8.88	11.95	11.40	10.34	11.14
% of retail portfolio	12.5	9.1	10.1	12.6	13.7
Industrial and mixed-use					
Leasable area (sq.ft.)	1,550,856	1,173,908	1,368,704	1,006,171	1,025,397
Lease rate/square foot ($)	5.61	5.48	5.42	5.93	6.51
% of industrial and mixed-use portfolio	15.9	12.0	14.0	10.3	10.5
Total portfolio					
Leasable area (sq.ft.)	2,541,680	1,802,117	2,143,329	1,631,596	2,071,149
Lease rate/square foot ($)	7.15	7.62	7.11	7.54	8.66
% of portfolio	14.9	10.6	12.6	9.6	12.2

The following table summarizes the average lease term information as at September 30, 2007, as well as the average area occupied by tenant and the average net rent per sq.ft.:

	Average Remaining Lease Term (years)	Average Tenant Size (sq. ft.)	Average Net Rent / sq. ft. ($)
Office	4.8	5,310	10.47
Retail	5.4	3,454	10.48
Industrial and mixed-use	3.8	11,015	5.58
Portfolio average	**4.4**	**6,944**	**7.80**

We have approximately 2,300 tenants that occupy, on average, 6,944 sq.ft. of space. Our broad base of tenants is highly diversified.

Our three largest tenants, Public Works Canada, Société immobilière du Québec, a Quebec government corporation, and Ericsson Canada, represent approximately 7.0%, 5.1% and 3.0% of our net operating income, respectively. The stability and quality of our cash flows from operating activities is further enhanced by the fact that 12.1% of net operating income stems from government agencies.

The table below sets out the percentage contribution to our net revenues of our ten largest tenants:

Tenant	% of NOI	Leased Space (sq. ft.)
Public Works Canada (1)	7.0	740,888
Société immobilière du Québec (1)	5.7	968,774
Ericsson Canada Inc.	3.0	175,060
LDC Logistics Development Corp.	1.8	527,000
Hudson Bay Company	1.5	349,312
City of Montreal (1)	1.1	116,226
National Bank of Canada (1)	1.1	146,605
Métro Richelieu Inc.	1.0	287,970
Wal-Mart Canada Inc.	0.9	129,638
Alcan Packaging Canada Ltd.	0.9	162,000
Total	**24,0**	**3,603,473**

(1) This tenant has entered into several leases with Cominar for a number of premises.

ACQUISITION AND DEVELOPMENT PROGRAM

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

Nevertheless, since the beginning of 2007, Cominar has completed acquisitions and developments totalling approximately 7.1 million sq.ft. of leasable space and a $654.6 million investment at a 7.0% weighted average capitalization rate. Excluding the acquisition of the Alexis Nihon properties, Cominar has identified and closed acquisitions at a 9.0% average capitalization rate, which exceeds the industry average, due to its market knowledge. Furthermore, thanks to its broad-based expertise in the real estate market, the Trust is perfectly poised to evaluate and execute successful development projects.

Acquisitions

During the first nine months of 2007, Cominar purchased 67 properties representing approximately 7.0 million sq.ft. of leasable space and a $648.4 million investment at a 7.0% weighted average capitalization rate. It also acquired land in the Greater Quebec City and Montreal areas for future development purposes totalling 3.3 million sq.ft. for an investment of $12.1 million. Details of our income property acquisitions are shown in the following table:

Income Property	City	Sector of Activity (1)	Closing Date	GLA (l.C.) (2)	Purchase Price ($)	Capitalization Rate (%)
19100 Trans-Canada	Baie d'Urfé	I	01/07	25,564	2,100	9.4
115 Vaudreuil	Longueuil	I	03/07 (3)	16,297	6,100	9.0
3600 Matte	Brossard	I	03/07 (3)	27,074	-	-
3650 Matte	Brossard	I	03/07 (3)	43,211	-	-
120 de l'Hôpital	Gatineau	R	03/07	67,140	9,750	9.1
565-585 Charest Est	Quebec City	O	03/07	104,375	11,030	9.3
795 Craig	Lévis	I	05/07	23,041	1,000	9.8
375 W. Laurier	St-Hilaire	O	06/07 (4)	49,855	26,400	8.8
325 H. Charbonneau	St-Hilaire	O	06/07 (4)	19,259	-	-
370 W. Laurier	St-Hilaire	R	06/07 (4)	46,074	-	-
353 W. Laurier	St-Hilaire	R	06/07 (4)	71,174	-	-
345 H. Charbonneau	St-Hilaire	R	06/07 (4)	24,175	-	-
383 W. Laurier.	St-Hilaire	R	06/07 (4)	9,318	-	-
Alexis Nihon REIT			06/07	6,496,050	592,000	6.8
Total/Weighted Average Capitalization Rate:						
Excluding Alexis Nihon REIT				**526,557**	**56,380**	**9.0**
Including Alexis Nihon REIT				**7,022,607**	**648,380**	**7.0**

(1) I = Industrial and Mixed-Use, R = Retail, O = Office
(2) Gross Leasable Area. Excludes land acquisitions.
(3) These three properties were acquired pursuant to the same transaction for $6.1 million.
(4) These six properties were acquired pursuant to the same transaction for $26.4 million.

Development Program

Completed Development

In 2007, the Trust converted a property under development into an income property at a return rate of 10.1%, representing an area of 106,500 square feet and a total investment of $6.2 million. The following table details the development completed thus far:

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

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

Ongoing Developments

As at September 30, 2007, Cominar's ongoing development pipeline included five properties representing 0.3 million sq.ft. and a $22.7 million total investment. Details of the REIT's ongoing development program are as follows:

Development	City	Sector of Activity (1)	Scheduled Completion	GLA (sq.ft.) (2)	Investment ($)	Capitalization Rate (%)	Leasing Status (%)
275 St-Sacrement	Quebec City	I	Q4-2007	66,479	2,200	9.6	41.0
3025 J.-A. Bombardier	Laval	I	Q4-2007	80,000	5,300	9.9	26.0
1255 des Artisans	Quebec City	I	Q4-2007	36,000	2,100	9.5	81.0
579 Godin	Quebec City	I	Q4-2007	10,000	500	9.4	100.0
Power Centre	St-Bruno	R	Q1-2008	105,000	12,600	9.8	26.0
Total/Weighted Average Capitalization Rate				**297,479**	**22,700**	**9.8**	

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

Upcoming Development

The REIT currently has upcoming development representing approximately 0.3 million sq.ft. and a $10.3 million investment. Details are as follows:

Development	City	Sector of Activity (1)	Start Date	GLA (sq. ft.) (2)	Investment ($)	Capitalization Rate (%)
Highway 20	Lévis	I, R	Q4-2007 (3)	160,000	10,300	9.4
Total/Weighted Average Capitalization Rate				**160,000**	**10,300**	**9.4**

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

Cominar expects to achieve the indicated return on the development based on the estimated costs to complete the project and expected rental rates. Actual results could vary based on actual costs and rental rates.

Portfolio Summary

The following table summarizes Cominar's property portfolio as of November 7, 2007 by sector of activity and geographic location:

SUMMARY BY SECTOR OF ACTIVITY

	Number of Properties	GLA (sq. ft.) (1)
Office	36	4,740,440
Retail	36	2,536,584
Industrial and mixed-use	133	9,764,103
Total	**205**	**17,041,127**

(1) Gross Leasable Area

SUMMARY BY GEOGRAPHIC LOCATION

	Number of Properties	GLA (sq. ft.) (1)
Greater Quebec City Area	91	6,241,785
Greater Montreal Area	110	10,197,477
Ottawa Area	4	601,865
Total	**205**	**17,041,127**

(1) Gross Leasable Area

ACQUISITION OF ALEXIS NIHON REAL ESTATE INVESTMENT TRUST PROPERTIES

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

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

- **Leading Market Position:** They have helped position Cominar as one of the largest owners and managers of commercial real estate in the Province of Quebec;

- **Diversified and Enhanced Portfolio:** They have further diversified Cominar's geographic base of properties and enhanced its office and industrial and mixed-use holdings; and

- **Immediately Accretive:** They were immediately accretive to distributable income and funds from operations, and also yielded management synergies.

ISSUED AND OUTSTANDING UNIT DATA

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

The following table presents the different sources of unit issues during the periods mentioned:

For the periods ended September 30

	Quarter		Cumulative (nine months)	
	2007	**2006**	**2007**	**2006**
Units issued and outstanding, beginning of period	**44,659,225**	34,382,083	**36,600,361**	32,940,735
+ Units issued under public offering	-	-	**7,113,000**	-
+ Units issued on exercise of options	**15,900**	50,500	**322,600**	386,050
+ Units issued under DRIP	**28,879**	17,747	**58,286**	52,060
+ Units issued from conversion of convertible debentures	**448,155**	1,764,932	**1,057,912**	2,836,417
Units issued and outstanding, end of period	**45,152,159**	36,215,262	**45,152,159**	36,215,262
Weighted average number of units outstanding (basic)	**44,794,022**	35,074,319	**40,377,240**	33,699,511
Weighted average number of units outstanding (FD) (1)	**49,831,161**	38,725,813	**44,416,112**	38,937,929

(1) Fully diluted: i.e., considering the contingent exercise of outstanding unit purchase options and the contingent conversion of convertible debentures.

RELATED-PARTY TRANSACTIONS

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

In the third quarter of 2007, Cominar posted net rental income of $0.2 million from Dalcon and CFA. The Trust incurred $2.2 million in expenses for leasehold improvements performed by Dalcon on its behalf and $3.3 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 significant cost savings while providing better service to its customers.

SUBSEQUENT EVENTS

On October 10, 2007, Cominar issued $110.0 million of unsecured subordinated convertible debentures bearing interest at 5.80% per annum and maturing September 30, 2014. The net proceeds from the issue was used for the repayment of outstanding credit facilities.

On October 15, 2007, Cominar completed the acquisition of 119,986 square feet of land for future development on one of downtown Quebec City's main arteries, for a $9.7 million cash consideration.

CONTINGENCY

An expropriation process was initiated in June 2006 by the Centre hospitalier de l'Université de Montréal (CHUM) for the property located at 300 Viger Street in Montreal, Quebec.

The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served to Cominar on August 27, 2007, effective September 1, 2007, and the Quebec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to the applicable legislation. The provisional indemnity amounts to $30 million, of which $28 million had been received as at September 30, 2007.

The definitive indemnity will either be set by the Quebec Administrative Court, or it will be settled by the parties in the coming year. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity. Furthermore, management believes that the recently paid provisional indemnity is insufficient to fully compensate for the loss in value of the property.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

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

No changes were made in our internal control over financial reporting during the third quarter ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

OUTLOOK

During the fourth quarter of 2007, the Trust will remain focused on its goals of:

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

SIGNIFICANT ACCOUNTING ESTIMATES

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

SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY COMINAR MAKING USE OF ESTIMATES:

Income Properties

Income properties are stated at cost. The cost includes all acquisition costs and improvements to income properties. Since September 12, 2003, Cominar has applied the CICA's EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination." In accordance with this Abstract, the CICA requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value, to the fair value of customer relationships, if any, and to the fair value of leasehold improvements.

Depreciation of Income Properties

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

Intangible assets, which represent acquisition costs for in-place operating leases, customer relationships and tenant improvements, are amortized on a straight-line basis over the terms of the related leases or the estimated term of the customer relationships.

Properties under Development and Land held for Future Developments

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

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

Impairment of Real Estate Investments

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

Unit Option Plan

Under a unit option plan, Cominar has granted options to purchase units to its trustees, management and employees. Cominar recognizes an expense for employee stock-based compensation using the Black-Scholes option pricing model (fair value-based method). This model requires the input of subjective assumptions, including the expected stock price volatility. The related compensation expense is amortized using the graded vesting method.

RECENTLY PUBLISHED ACCOUNTING CHANGES

Harmonization of Canadian and International Standards

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

NEW ACCOUNTING POLICIES

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

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

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

Cominar used the following classifications:

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

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

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

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

Section 3855 also provides guidelines for the accounting of transaction costs incurred from issuance of debt instruments. These transaction costs must be deduced from financial liabilities and amortized using the effective interest rate method over the estimated life of the related liabilities. Following the adoption of Section 3855, unamortized financing costs of $7.1 million as at September 30, 2007 [$3.8 million as at December 31, 2006], previously recorded as "Deferred Expenses and Other Assets", have been reclassified as adjustments to the related mortgages payable or convertible debentures, as applicable.

RISKS AND UNCERTAINTIES

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

General Business and Economic Conditions

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

Execution of our Strategy

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

Acquisitions

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

Operational Risk

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

The value of immovable property and any improvements thereto may also depend on the credit and financial stability of the tenants and the economic environment in which they operate. Our income and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. However, this risk is minimized by the diversification of the portfolio, which brings more certainty to foreseeable cash flows. This risk is also reduced by the fact that tenants occupy an average area of about 6,944 sq.ft..

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

Debt and Refinancing

We are subject to the risks associated with debt financing, including the risk that existing mortgages secured by our properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing mortgages. Our profitability may be impacted by interest rates changes, as interest on borrowings represents a significant cost in the ownership of real estate investments. We seek to reduce our interest rate risks by spreading the maturity of our long-term debt and limiting as much as possible the use of floating rate debt. As at September 30, 2007, none of our long-term debt had floating interest rates. Between now and the end of 2007, an amount of $1.9 million in mortgages bearing interest at an average weighted rate of 5.99% will have to be renewed. In 2008, balances of mortgages payable of $132.1 million will become due, including $81.3 million related to Place de la Cité in Quebec City, one of Cominar's most prestigious properties. The Trust 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 our assets exclusively, and specifying that no recourse may be taken against unitholders.

Competition

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

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

Government Regulation

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

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

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

Income Taxes

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

New Tax System

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

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

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

REIT Exception

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

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

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

Construction Risk

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

Ability to Attract and Retain Key Employees

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

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Cominar REIT

Unaudited

September 30, 2007

CONSOLIDATED BALANCE SHEETS

[in thousands of dollars]

	As at September 30, 2007 (unaudited) $	As at December 31, 2006 (audited) $
ASSETS		
Income properties *[note 4]*	**1,324,189**	711,441
Properties under development *[note 5]*	**37,497**	16,628
Land held for future development *[note 5]*	**15,902**	7,604
Deferred expenses and other assets *[note 6]*	**30,988**	28,057
Prepaid expenses	**12,382**	2,654
Accounts receivable *[note 7]*	**21,051**	20,071
	1,442,009	786,455
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Mortgages payable *[note 8]*	**626,052**	270,142
Convertible debentures *[note 9]*	**99,155**	39,984
Bank indebtedness *[note 10]*	**124,281**	73,616
Accounts payable and accrued liabilities	**38,199**	21,606
Distributions payable to unitholders	**4,966**	4,099
	892 653	409,447
Unitholders' equity *[note 11]*		
Unitholders' contributions	**589,329**	400,698
Cumulative net income	**241,420**	218,538
Cumulative distributions	**(281,850)**	(242,626)
Contributed surplus	**457**	398
	549,356	377,008
	1,442,009	786,455

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

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

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

	Quarter		Cumulative (nine months)	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Unitholders' contributions				
Balance, beginning of period	**580,683**	362,384	**400,698**	338,230
Issue of units	**8,697**	31,813	**194,534**	55,967
Underwriters' fees and offering costs	**(51)**	-	**(5,903)**	-
Balance, end of period	**589,329**	394,197	**589,329**	394,197
Cumulative net income				
Balance, beginning of period	**234,552**	198,991	**218,538**	184,463
Net income	**6,868**	9,100	**22,882**	23,628
Balance, end of period	**241,420**	208,091	**241,420**	208,091
Cumulative distributions				
Balance, beginning of period	**(267,210)**	(220,227)	**(242,626)**	(199,902)
Distributions to unitholders	**(14,640)**	(10,744)	**(39,224)**	(31,069)
Balance, end of period	**(281,850)**	(230,971)	**(281,850)**	(230,971)
Contributed surplus				
Balance, beginning of period	**407**	342	**398**	351
Unit option plan	**50**	44	**59**	35
Balance, end of period	**457**	386	**457**	386
Unitholders' equity	**549,356**	371,703	**549,356**	371,703

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

	Quarter		Cumulative (nine months)	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Operating revenues				
Rental revenue from income properties	**53,077**	31,042	**128,824**	94,492
Operating expenses				
Operating costs	**9,135**	5,551	**24,059**	18,394
Realty taxes and services	**9,900**	5,566	**26,210**	18,624
Property management expenses	**555**	221	**1,166**	794
	19,590	11,338	**51,435**	37,812
Operating income before the undernoted	**33,487**	19,704	**77,389**	56,680
Interest on borrowings	**12,468**	5,584	**25,533**	17,033
Depreciation of income properties	**12,047**	3,889	**23,410**	11,327
Amortization of deferred leasing costs	**1,761**	1,537	**5,180**	4,601
Amortization of other assets	**59**	43	**161**	128
	26,335	11,053	**54,284**	33,089
Operating income from real estate assets	**7,152**	8,651	**23,105**	23,591
Trust administrative expenses	**749**	557	**2,201**	1,628
Other revenues	**133**	48	**308**	201
Unusual items *[note 20]*	-	-	**422**	(554)
Net income from continuing operations	**6,536**	8,142	**21,634**	21,610
Net income from discontinued operations *[note 19]*	**332**	958	**1,248**	2,018
Net income and comprehensive income	**6,868**	9,100	**22,882**	23,628
Basic net income per unit *[note 13]*	**0,153**	0,263	**0,567**	0,701
Diluted net income per unit *[note 13]*	**0,152**	0,259	**0,558**	0,691

See accompanying notes to interim consolidated financial statements

CONSOLIDATED STATEMENTS OF CASHFLOWS

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

	Quarter		Cumulative (nine months)	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
OPERATING ACTIVITIES				
Net income	**6,868**	9,100	**22,882**	23,628
Adjustments for:				
Depreciation of income properties	**12,201**	4,141	**24,028**	12,088
Amortization of above- (below-) market leases	**(170)**	30	**(178)**	90
Amortization of deferred leasing costs	**1,761**	1,537	**5,180**	4,601
Amortization of deferred financing costs and other assets	**243**	183	**601**	535
Compensation costs related to unit option plan	**70**	83	**169**	145
	20,973	15,074	**52,682**	41,087
Change in non-cash working capital items *[note 15]*	**9,738**	2,682	**5,740**	(7,978)
	30,711	17,756	**58,422**	33,109
FINANCING ACTIVITIES				
Mortgages payable	-	-	**167,987**	59,433
Repayments of mortgages payable	**(4,061)**	(21,931)	**(60,811)**	(39,267)
Bank indebtedness	**(19,509)**	39,566	**50,666**	21,688
Distributions to unitholders	**(13,739)**	(10,250)	**(37,028)**	(30,095)
Net proceeds from issue of units *[note 11]*	**201**	716	**168,781**	5,487
Net proceeds from issue of convertible debentures *[note 9]*	-	-	**77,386**	-
	(37,108)	8,101	**366,981**	17,246
INVESTING ACTIVITIES				
Additions to income properties	**(9,666)**	(12,472)	**(413,631)**	(31,080)
Additions to properties under development and land held for future development	**(9,526)**	(10,825)	**(32,358)**	(13,816)
Compensation on disposal of a real estate asset	**28,000**	-	**28,000**	-
Leasing costs	**(2,353)**	(2,526)	**(7,171)**	(5,252)
Other assets	**(58)**	(34)	**(243)**	(207)
	6,397	(25,857)	**(425,403)**	(50,355)
Net change in cash and cash equivalents	-	-	-	-
Cash and cash equivalents, beginning of period	-	-	-	-
Cash and cash equivalents, end of period	-	-	-	-

See accompanying notes to interim consolidated financial statements

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

1. DESCRIPTION OF THE TRUST

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

2. NEW ACCOUNTING POLICIES

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

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

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

Cominar used the following classifications:

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

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

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

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

Section 3855 also provides guidelines for the accounting of transaction costs incurred from issuance of debt instruments. These transaction costs must be deduced from financial liabilities and amortized using the effective interest rate method over the estimated life of the related liabilities. Following the adoption of Section 3855, unamortized financing costs amounting to $7,063 as at September 30, 2007 [$3,762 as at December 31, 2006], previously recorded as "Deferred Expenses and Other Assets," are from now on recorded as a reduction of the related mortgages payable or convertible debentures, as applicable.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation
These interim consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries.

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

Revenue recognition
Rental revenue from income properties includes rent from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees, parking income and incidental income.

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

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

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

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

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

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

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

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

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

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

Deferred expenses and other assets

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

Cash and cash equivalents

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

Unit option plan

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

Per unit results

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

4. INCOME PROPERTIES

		2007		2006
	Cost	Accumulated depreciation	Amortized cost	Amortized cost
	$	$	$	$
Land	**172,946**	**-**	**172,946**	97,988
Buildings	**1,144,614**	**71,541**	**1,073,073**	604,628
Intangible assets	**87,281**	**9,111**	**78,170**	8,825
	1, 404,841	**80,652**	**1,324,189**	711,441

Additions to income properties

During the nine-month period ended September 30, 2007, Cominar acquired 67 income properties (8 in 2006), of which 7 are co-owned, and related assets and liabilities. The following table shows the net assets acquired:

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

	Acquired from Alexis-Nihon REIT	Other acquisitions	Nine-month period ended Sept. 30, 2007	Nine-month period ended Sept. 30, 2006
	$	$	$	$
Income properties				
Land	**70,276**	**7,124**	**77,400**	3,784
Buildings	**451,049**	**43,247**	**494,296**	18,327
Intangible assets and liabilities:				
Prepaid origination costs	**57,547**	**4,649**	**62,196**	1,108
Above-market leases	**814**	**176**	**990**	-
Below-market leases	**(4,712)**	**-**	**(4,712)**	-
Customer relationships	**20,370**	**1,184**	**21,554**	-
Leasehold improvements	**-**	**-**	**-**	581
Properties under development	**12,125**	**-**	**12,125**	-
Total purchase price	**607,469**	**56,380**	**663,849**	23,800
The acquisition cost was funded by:				
Cash and bank indebtedness	**359,660**	**48,922**	**408,582**	23,800
Assumption of mortgages payable	**241,029**	**7,458**	**248,487**	-
Balance of sale	**6,780**	**-**	**6,780**	-
Total acquisition cost	**607,469**	**56,380**	**663,849**	23,800

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

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

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the period, Cominar capitalized $1,832 [$1,112 in 2006] in interest to properties under development and land held for future development, some of which are classified in income properties at period-end.

6. DEFERRED EXPENSES AND OTHER ASSETS

	As at September 30, 2007	As at December 31, 2006
	$	$
At amortized cost		
Leasing costs	**30,188**	27,339
Other assets	**800**	718
	30,988	28,057

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

7. ACCOUNTS RECEIVABLE

	As at September 30, 2007 $	As at December 31, 2006 $
Accounts receivable	**12,538**	6,391
Deferred accounts receivable	**6,164**	5,448
Other accounts receivable, bearing interest at a weighted average rate of 7.40% [7.50% as at December 31, 2006]	**2,349**	2,545
Balances of sale *[note 19]*	-	5,687
	21,051	20,071

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties stated at a net book value of $1,032,330 [$422,315 as at December 31, 2006]. They bear interest at rates ranging from 4.68% to 11.00% per annum [5.72% to 11.00% as at December 31, 2006] representing a weighted average year-end rate of 5.78% [6.24% as at December 31, 2006] and are renewable at various dates from November 2007 to March 2022.

Certain loans on some income properties assumed in connection with acquisitions completed during the period were adjusted to their fair value using market rates in effect at the date of acquisition. These fair value adjustments are amortized through income under “Interest on borrowings” over the residual term to maturity of the loans using the effective interest rate method.

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

Mortgage repayments are as follows:

Years ending December 31	Principal repayments $	Balance at maturity $	Total $
2007	4,447	1,859	**6,306**
2008	14,348	132,098	**146,446**
2009	11,918	52,341	**64,259**
2010	12,055	24,070	**36,125**
2011	12,330	5,056	**17,386**
2012	12,209	16,380	**28,589**
2013 and thereafter	73,494	253,837	**327,331**
	140,801	485,641	**626,442**
Plus: adjustment of debts assumed at fair value			**497**
Less: unamortized financing costs			**(887)**
			626,052

Mortgages payable with fixed rates amount to $626,442 [$263,809 as at December 31, 2006] and those with variable rates were repaid during the period [$6,840 as at December 31, 2006].

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

9. CONVERTIBLE DEBENTURES

	As at September 30, 2007			As at December 31, 2006
	Series A	**Series B**	**Total**	
Interest rates	**6.30%**	**5.70%**		
Mature date	**June 30, 2014**	**June 30, 2014**		
Conversion price per unit	**$17.40**	**$27.50**		
	$	**$**	**$**	$
Balance, beginning of period	**43,239**	**-**	**43,239**	97,535
Issue	**-**	**80,500**	**80,500**	-
Holder's option conversions	**(18,408)**	**-**	**(18,408)**	(54,296)
	24,831	**80,500**	**105,331**	43,239
Less: unamortized financing costs			**(6,176)**	(3,255)
			99,155	39,984

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

On May 8, 2007, Cominar completed a public offering of 80,500 Series B convertible unsecured subordinated debentures, bearing interest at the annual rate of 5.70%, for total gross proceeds of $80,500 including the over-allotement option exercised by the underwriters. The debentures mature on June 30, 2014, and interest is payable semi-annually on June 30 and December 31 of each year as of June 30, 2007. Each debenture is convertible into units of Cominar at the holder's option at any time prior to the earlier of the maturity date and the last business day immediately preceding the date specified by Cominar for redemption at a conversion price of $27.50 per unit. The debentures are not redeemable prior to June 30, 2010. On or after June 30, 2010 and prior to June 30, 2012, the debentures may be redeemed in whole or in part at Cominar's option at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the weighted average trading price of the units on the Toronto Stock Exchange (TSX) for a period of 20 consecutive trading days exceeds 125% of the conversion price. Subsequent to June 30, 2012 and prior to the maturity date, the debentures may be redeemed in whole or in part at Cominar's option at a price equal to their principal amount plus accrued and unpaid interest.

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

In accordance with the CICA Handbook Section 3855 and Section 3860, convertible debentures have been recorded as liabilities on the balance sheet and interest has been charged to "Interest on borrowings" in the statement of income. Debenture issue costs are deducted from liabilities, amortized using the effective interest rate method over the debenture, period and recorded under "Interest on borrowings." As the valuation of the "Unitholders' equity" component of the conversion option did not have a material impact on Cominar's consolidated results, the debentures were recorded in whole as liabilities.

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

During the period, 18,408 convertible debentures (Series A) were converted into 1,057,912 units at a conversion price of $17.40 per unit, for a total amount of $18,408

10. BANK INDEBTEDNESS

Cominar has a number of operating and acquisition credit facilities of up to $180,000 [$118,000 as at December 31, 2006]. These credit facilities, subject to annual renewal, bear interest at rates ranging from prime rate plus 0.00% to prime rate plus 0.50% [prime rate plus 0.00% to prime rate plus 0.50% in 2006]. All of these credit facilities [$115,000 as at December 31, 2006] are secured by movable and immovable hypothecs on specific assets. As at September 30, 2007, the prime rate was 6.25% [6.00% as at December 31, 2006]. These credit facilities have a number of covenants which were met as at September 30, 2007.

11. ISSUED AND OUTSTANDING UNITS

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

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

As at September 30, 2007, Cominar had issued 8,551,798 units including 7,113,000 units pursuant to a public offering, 1,057,912 units from conversion of convertible debentures, 58,286 units under the distribution reinvestment plan, and the balance of 322,600 units via the exercise of options. The issuance of these units resulted in net proceeds of $168,781.

	Three-month period ended September 30, 2007		Nine-month period ended September 30, 2007	
	Units	$	Units	$
Units issued and outstanding, beginning of period	44,659,225	580,683	36,600,361	400,698
Issued from public offering	-	-	7,113,000	164,149
Issued from options exercised	15,900	200	322,600	4,632
Issued under distribution reinvestment plan	28,879	627	58,286	1,331
Issued from conversion of convertible debentures	448,155	7,798	1,057,912	18,408
Reversal of contributed surplus on exercise of options	-	21	-	111
Units issued and outstanding, end of period	45,152,159	589,329	45,152,159	589,329

Unit option plan

Under the unit option plan, Cominar has granted options to the trustees, management and employees for the purchase of units. The maximum number of units issuable in connection with the plan is 3,319,210 units. As at September 30, 2007, options for the acquisition of 1,908,000 units were outstanding and 805,410 options were awardable under the plan.

The options granted are exercisable on a cumulative basis of 50% of options after each of the first two anniversaries of the grant date for the options granted on May 15, 2007, 25% of options after each of the first four anniversaries of the grant date for the options granted on April 8, 2005, 20% of options after each of the first five anniversaries of the grant date for the options granted on November 13, 2003 and May 23, 2006, and 33 1/3% of options after each of first three anniversaries of the grant date for the options granted prior to November 13, 2003. The exercise price of the options represents the closing price of the units of Cominar on the day before the grant date and the options have a maximum seven-year term.

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

	Three-month period ended September, 2007		Nine-month period ended September 30, 2007	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of period	**1,923,900**	**15.42**	2,170,600	15.50
Exercised	**15,900**	**15.08**	322,600	14.52
Granted	**-**	**-**	60,000	23.59
Outstanding, end of period	**1,908,000**	**15.92**	1,908,000	15.92
Options exercisable, end of period	**370,000**	**15.43**	370,000	15.43

			As at September 30, 2007	
Date of grant	Maturity date	Exercise price $	Outstanding options	Exercisable options
August 9, 2001	August 9, 2008	11.00	**9,500**	**9,500**
November 13, 2003	November 13, 2010	14.00	**1,154,500**	**234,500**
April 8, 2005	November 13, 2010	17.12	**135,000**	**33,000**
May 23, 2006	May 23, 2013	18.90	**549,000**	**93,000**
May 15, 2007	May 15, 2014	23.59	**60,000**	**-**
			1,908,000	**370,000**

Unit-based compensation plan

The compensation expense related to the options granted on May 15, 2007 was calculated using the Black-Scholes option pricing model assuming a volatility of 13.6% in respect of said units, a fixed exercise price of $23.59, a weighted average distribution return of approximately 5.55% and a weighted average risk-free interest rate of approximately 4.04%. For the options granted on May 23, 2006, Cominar assumed a volatility of 13.0%, a fixed exercise price of $18.90, a weighted average distribution return of approximately 7.14% and a weighted average risk-free interest rate of approximately 4.10%. For the options granted on April 8, 2005, Cominar assumed a volatility of 13.5%, a fixed exercise price of $17.12, a weighted average distribution return of approximately 7.58% and a weighted average risk-free interest rate of approximately 3.78% and for the options granted on November 13, 2003, assuming a volatility of 11.7% in respect of said units, a fixed exercise price of $14, a weighted average distribution return of approximately 8.74% and a weighted average risk-free interest rate of 4.21%.

Compensation expense is amortized using the graded vesting method.

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

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units amounting to 105% of the cash distribution. As at September 30, 2007, 58,286 units were issued at a weighted average price of $22.83 for a consideration of $1,331 pursuant to the distribution reinvestment plan.

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

12. INCOME TAXES

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

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

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

New tax system

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

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

Application of new rules

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

REIT exception

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

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

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

13. PER-UNIT RESULTS

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

	Quarter		Cumulative (nine months)	
Period ended September 30	**2007**	**2006**	**2007**	**2006**
Weighted average number of units outstanding - basic	**44,794,022**	34,578,166	**40,377,240**	33,699,511
Effect of dilutive unit options	**504,119**	496,153	**617,369**	497,118
Weighted average number of units outstanding - diluted	**45,298,141**	35,074,319	**40,994,609**	34,196,629

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

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

14. DISTRIBUTIONS

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

	Quarter		Cumulative (nine months)	
Period ended September 30	**2007**	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Distributions to unitholders	**14,640**	10,744	**39,224**	31,069
Distributions per unit	**0,325**	0,306	**0,943**	0,914

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Quarter		Cumulative (nine months)	
Period ended September 30	**2007**	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Prepaid expenses	**5,444**	3,661	**(9,728)**	(5,141)
Accounts receivable	**(2,241)**	(1,551)	**(682)**	(1,660)
Accounts payable and accrued liabilities	**6,535**	572	**16,150**	(1,177)
	9,738	2,682	**5,740**	(7,978)
Additional information				
Interest paid	**12,728**	5,005	**24,217**	19,431
Unpaid leasing costs	**2,182**	1,917	**2,182**	1,917
Additions to income properties and properties under development by assumption of mortgages payable	**3,158**	-	**248,487**	-
Unpaid additions to income properties and properties under development	**5,660**	4,765	**5,660**	4,765
Properties under development transferred to income properties	-	11,072	**6,255**	14,288

16. RELATED-PARTY TRANSACTIONS

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

	Quarter		Cumulative (nine months)	
Period ended September 30	**2007**	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Rental revenue from income properties	**248**	275	**743**	864
Other revenues	**52**	41	**126**	117
Income properties and properties under development	**3,282**	4,311	**8,416**	11,609
Deferred expenses and other assets	**2,178**	4,172	**5,729**	7,788
Accounts receivable	-	-	**106**	405
Accounts payable and accrued liabilities	-	-	**6,158**	9,323

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

17. FINANCIAL INSTRUMENTS

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

Interest rate risk

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

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

Credit risk

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

Fair value

The fair value of Cominar's financial assets and liabilities, such as accounts receivable, cash and cash equivalents, bank indebtedness, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at September 30, 2007 due to their short-term nature or because they are based on current market rates.

As at September 30, 2007, the fair value of mortgages payable was approximately $559 less than the carrying value by [$5,693 greater than the carrying value as at December 31, 2006] due to changes in interest rates since the dates on which the individual mortgages payable were obtained. The fair value of mortgages payable has been estimated based on current market rates for mortgages of similar terms and maturities.

As at September 30, 2007, the fair value of convertible debentures exceeded the carrying value by approximately $2,951 [$2,292 as at December 31, 2006] due to the change in interest rates since the issuance date. The fair value of convertible debentures was estimated using current market rates for convertible debentures with similar terms and maturities.

18. SEGMENTED INFORMATION

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

Three-month period ended September 30, 2007	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	**23,661**	**11,306**	**18,110**	**53,077**
Depreciation of income properties	**5,956**	**1,499**	**4,592**	**12,047**
Net operating income (1)	**13,796**	**7,047**	**12,644**	**33,487**

Three-month period ended September 30, 2006	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	10,192	10,136	10,714	**31,042**
Depreciation of income properties	1,280	1,276	1,333	**3,889**
Net operating income (1)	6,161	5,946	7,597	**19,704**

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

Three-month period ended September 30, 2007	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	**50,663**	**33,171**	**44,990**	**128,824**
Depreciation of income properties	**10,661**	**4,271**	**8,478**	**23,410**
Net operating income (1)	**29,351**	**19,203**	**28,835**	**77,389**
Income properties	**587,271**	**244,817**	**492,101**	**1,324,189**

Three-month period ended September 30, 2006	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	30,564	30,786	33,142	**94,492**
Depreciation of income properties	3,839	3,812	3,676	**11,327**
Net operating income (1)	18,088	17,529	21,063	**56,680**
Income properties	241,590	219,853	226,597	**688,040**

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

19. DISCONTINUED OPERATIONS

On September 1, 2007, the Centre hospitalier de l'Université de Montréal took possession of the office property located at 300 Viger Street, in Montreal. A notice of expropriation had been served on this property in 2006. Since the definitive indemnity amount has not yet been set, Cominar has not recognized any related gain or loss. (See note 21(a)).

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

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

	Quarter		Cumulative (nine months)	
Period ended September 30	**2007** $	**2006** $	**2007** $	**2006** $
Net operating income	**486**	1,210	**1,866**	2,779
Depreciation of income properties	**(154)**	(252)	**(618)**	(761)
Income from discontinued operations	**332**	958	**1,248**	2,018
Basic net income per unit	**0,007**	0,028	**0,031**	0,060
Diluted net income per unit	**0,007**	0,027	**0,030**	0,059

20. UNUSUAL ITEMS

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

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

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

21. CONTINGENCIES

a) An expropriation process was initiated in June 2006 by the Centre hospitalier de l'Université de Montréal (CHUM) for the property located at 300 Viger Street in Montreal, Quebec.

The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served to Cominar on August 27, 2007, effective September 1, 2007, and the Quebec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to the applicable legislation. The provisional indemnity amounts to $30 million, of which $28 million had been received as at September 30, 2007.

The definitive indemnity will either be set by the Quebec Administrative Court, or it will be settled by the parties in the coming year. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity. Furthermore, management believes that the recently paid provisional indemnity is insufficient to fully compensate for the loss in value of the property.

(b) Letters of guarantee outstanding as at June 30, 2007, amount to $2,500. This amount has been given as a performance guarantee to execute required repairs under a mortgage agreement.

22. COMMITMENTS

The annual future payments required under emphyteutic leases, expiring between 2046 and 2047, on land for two income properties having a total net carrying value of $48,455, are as follows:

Years ending December 31,	Total $
2007	119
2008	476
2009	476
2010	486
2011	491
2012	526
2013 and thereafter	25,274

23. SUBSEQUENT EVENTS

On October 10, 2007, Cominar issued $110.0 of unsecured subordinated convertible debentures bearing interest at 5.80% per annum and maturing September 30, 2014. The net proceeds from the issue was used for the repayment of outstanding credit facilities.

On October 15, 2007, Cominar completed the acquisition of 119,986 square feet of land for future development on one of downtown Québec City's main arteries, for a $9.7 million cash consideration.

24. COMPARATIVE FIGURES

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

UNITHOLDER INFORMATION

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Unitholder Distribution Reinvestment Plan

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

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

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

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