



Real Estate Investment Trust



Quarterly Report  
March 31, 2000



# COMINAR REAL ESTATE INVESTMENT TRUST

## Message to Unitholders

**We are pleased to announce a solid increase in our results for the first quarter ended March 31, 2000, which was the sixth consecutive quarter of growth since the Cominar REIT's inception on May 28, 1998.**

**Distributable income** for the first quarter ended March 31, 2000 rose 12.7% to \$3.8 million or \$0.2624 per unit, up from \$3.4 million or \$0.2329 per unit for the corresponding period of the previous fiscal year.

The **distribution to unitholders** grew by 10% to total \$3.8 million or \$0.2640 per unit for the first quarter ended March 31, 2000, compared with \$3.5 million or \$0.2400 per unit for the same period in 1999.

This excellent performance reflects the contribution of the acquisitions we made in 1999 and the results of the combined efforts of our integrated management and its internal leasing teams. **Rentals from income properties** rose 10.7% to reach \$13.1 million, compared with \$11.8 million for the first quarter of the previous fiscal year. **Net operating income** grew by 9.4% to total \$7.2 million, up from \$6.6 million for the first quarter of 1999. Due mainly to an increase in the amortization of deferred expenses, **net income** amounted to \$3.3 million and is almost identical to that for the first quarter of 1999.

Cominar continues to show a healthy and solid financial position. The REIT's **indebtedness** was equivalent to 52.1% of its gross book value as at March 31, 2000.

The **net book value of income properties** rose from \$264.8 million as at March 31, 1999 to \$284.5 million as at March 31, 2000, an appreciable increase of 7.4%.

In April 2000, we converted \$11.8 million of short-term loans into long-term loans bearing interest at 7.97%, maturing in 2005 and secured by income properties.

### Continued expansion

As announced on March 8, 2000, we have acquired a 91,200-square-foot industrial and mixed-use property at a cost of \$2 million. This building is located in the Jean-Talon Industrial Park in Quebec City, one of the region's busiest, where we already own 14 properties.

Additional investments of approximately \$400,000 are planned for fiscal 2000 to conform this building to the REIT's high standards. Once it is fully developed, its capitalization rate will be 11.2%.

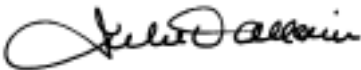
### **Acquisitions subsequent to first quarter**

On May 5, 2000, we made two new acquisitions, specifically two industrial properties in the Quebec City and Montreal areas. Located in the Jean-Talon Industrial Park in Quebec City, and the Ville d'Anjou Industrial Park in Montreal, they cover areas of 9,424 square feet and 122,600 square feet respectively, and represent investments of \$970,000 and \$6.5 million.

The three acquisitions made since the beginning of fiscal 2000 bring Cominar's real estate portfolio to 4,448,000 square feet, including 447,000 square feet in the Montreal area, an increase of 44% since June 30, 1998.

### **Expansion and growth prospects: REIT's solidity and excellent economic indicators**

With demand on the rise, and the number of bankruptcies and the employment on the decline in Quebec, we expect to maintain, if not increase, our growth rate in fiscal 2000. What's more, our financial position will enable us to seize the best expansion opportunities that arise in both the Quebec City and the Montreal areas.



Jules Dallaire  
Chairman of the Board and Chief Executive Officer

May 2000

# COMINAR REAL ESTATE INVESTMENT TRUST

## CONSOLIDATED STATEMENT OF INCOME AND DISTRIBUTABLE INCOME

Period of three months ended March 31,  
(Unaudited, in thousands  
except per unit amounts)

	2000	1999
	\$	\$
<b>Operating revenues</b>		
Rentals from income properties	13 089	11 826
<b>Operating expenses</b>		
Property operating costs	3 347	3 063
Realty taxes and services	2 349	1 995
Property management expenses	207	197
	<b>5 903</b>	<b>5 255</b>
<b>Net Operating Income</b>	<b>7 186</b>	<b>6 571</b>
Interest on hypothecs and bank indebtedness	2 728	2 365
Depreciation of income properties	547	489
Depreciation of deferred expenses and other assets	357	134
	<b>3 632</b>	<b>2 988</b>
<b>Operating income from real estate assets</b>	<b>3 554</b>	<b>3 583</b>
<b>Trust expenses</b>	<b>302</b>	<b>294</b>
	<b>3 252</b>	<b>3 289</b>
<b>Other (revenues) expenses</b>		
Loan interest	5	419
Instalment receipt interest income	-	( 365 )
Other income	( 11 )	( 18 )
	<b>( 6 )</b>	<b>36</b>
<b>Net income</b>	<b>3 258</b>	<b>3 253</b>
<b>Add (deduct)</b>		
Depreciation of income properties	547	489
Instalment receipt interest income	-	( 365 )
<b>Distributable income</b>	<b>3 805</b>	<b>3 377</b>
<b>Net income per unit</b>	<b>0,225</b>	<b>0,224</b>
<b>Distributable income per unit</b>	<b>0,262</b>	<b>0,233</b>

## COMINAR REAL ESTATE INVESTMENT TRUST

### CONSOLIDATED BALANCE SHEET

As at March 31, (Unaudited, in thousands)	2000 \$	1999 \$
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#### Assets

Income properties	284 552	264 894
Income property under development	2 036	-
Hypothec receivable	-	2 562
Instalment receipts receivable (note 3)	-	33 000
Defered expenses and other assets	8 119	3 413
Prepaid expenses	2 514	1 801
Accounts receivable	1 923	1 347
	<b>299 144</b>	<b>307 017</b>

#### Liabilities and Unitholders' Equity

##### Liabilities

Hypothecs payable (note 4)	124 701	118 197
Bank indebtedness	33 654	14 204
Loan payable (note 5)	-	33 200
Accounts payable and accrued liabilities	4 015	3 749
Distributions payable to Unitholders	1 276	1 160
	<b>163 646</b>	<b>170 510</b>

##### Unitholders' Equity

	135 498	136 507
	<b>299 144</b>	<b>307 017</b>

## COMINAR REAL ESTATE INVESTMENT TRUST

### STATEMENT OF UNITHOLDERS' EQUITY

Period of three months ended March 31, (Unaudited, in thousands)	2000 \$	1999 \$
Unitholders' Equity beginning of period	136 060	136 734
Issuance of units	8	-
Net income for the period	3 258	3 253
Distributions to Unitholders	( 3 828 )	( 3 480 )
<b>Unitholders' Equity end of period</b>	<b>135 498</b>	<b>136 507</b>

# COMINAR REAL ESTATE INVESTMENT TRUST

## CONSOLIDATED CASH FLOW STATEMENT

Period of three months ended March 31, (Unaudited, in thousands)	2000	1999
	\$	\$
<b>Cash flow from operating activities</b>		
Net income for the period	3 258	3 253
Adjustments :		
Depreciation of income properties	547	489
Depreciation of deferred expenses and other assets	357	134
Instalment receipt interest income	-	( 365 )
	<b>4 162</b>	<b>3 511</b>
Change in non-cash working capital		
Change in accounts receivables	114	( 505 )
Change in prepaid expenses	( 1 959 )	( 607 )
Change in accounts payables and accrued liabilities	( 46 )	365
	<b>( 1 891 )</b>	<b>( 747 )</b>
	<b>2 271</b>	<b>2 764</b>
<b>Cash flow from financing activities</b>		
Hypothecs principal repayments	( 1 443 )	( 1 258 )
Loan payable	5 665	2 026
Distributions to Unitholders	( 2 544 )	( 2 320 )
	<b>1 678</b>	<b>( 1 552 )</b>
<b>Cash flow from investing activities</b>		
Acquisitions of income properties	( 227 )	( 4 )
Acquisition of an income property under development	( 2 036 )	-
Proceeds from hypothec loan	-	14
Deferred expenses and other assets	( 1 686 )	( 1 222 )
Other assets	( 3 949 )	( 1 212 )
Net charge in cash	-	-
Cash beginning of period	-	-
Cash end of period	-	-
<b>Note : Interests paid</b>	<b>2 745</b>	<b>2 784</b>

# COMINAR REAL ESTATE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Period of three months ended March 31, 2000

### 1. Organization of the Trust

Cominar Real Estate Investment Trust ("Cominar") is an unincorporated closed-end real estate investment trust created for the benefit of the Unitholders. The Trust operations began on May 21, 1998 with the acquisition of an initial portfolio of properties.

### 2. Summary of significant accounting policies

#### a) Consolidation

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

#### b) Income properties

Income properties are stated at the lower of cost less accumulated depreciation and net recoverable amount. Cost includes all amounts related to the acquisition and improvement of the properties.

Depreciation of buildings is recorded on the 5% sinking fund basis to fully amortize the cost of buildings over 40 years. Depreciation of tenant improvements is recorded on a straight-line basis over the terms of the related leases.

#### c) Income property under development

The income property under development is stated at cost and is not amortized. Cost includes all amounts related to the acquisition and improvement of the property.

#### d) Deferred expenses and other assets

Deferred expenses and other assets mainly include tenant improvements and leasing expenses, including tenant inducements and commissions. These expenses are deferred and amortized on the straight-line basis over the terms of the related leases. Hypothecs financing expenses are deferred and amortized on the straight-line basis over the terms of the related hypothecs.

### 3. Instalment Receipts receivable

Under the terms of the public distribution of Receipt Units, an amount of \$4 per unit, totalling \$33,200,000 was fully paid on May 21, 1999. The receivable was non-interest bearing and was secured by the Trust's entitlements under the Final Instalments and the pledge of the Receipt Units sold. Accordingly, the receivable has been discounted for the imputed interest of \$1,460,000.

### 4. Hypothecs payable

Hypothecs payable are secured by the income properties, bear interest at a weighted average annual rate of 7.31% and are renewable between December 2000 and September 2007.

### 5. Loan payable

The loan payable bearing interest at weighted average annual rate of 5.56% has been repaid on May 21, 1999 with proceeds of the repayment of the instalment receipts receivable.

### 6. Segment disclosures

The Cominar's activities include three property types. The accounting policies followed by each property type are the same than those disclosed in the summary of accounting policies.

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	4,456	4,637	3,996	13,089
Interest on hypothecs and bank indebtedness	1,248	1,014	466	2,728
Depreciation of income properties	195	226	126	547
Operating income from real estate assets	1,191	1,315	1,048	3,554
Income properties	95,768	117,327	71,457	284,552

### 7. Comparatives figures

Certain of the March 31, 1999 comparative figures have been reclassified to conform with the new presentation adopted at the end of 1999.

# COMINAR REAL ESTATE INVESTMENT TRUST

## INFORMATION

### **Head Office**

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### **Transfert Agent**

General Trust of Canada  
Montreal  
Toronto

### **Auditors**

PricewaterhouseCoopers  
Tour de la Cité  
2600, Laurier Boulevard  
Sainte-Foy (Québec)  
G1V 4W2

### **Unit Listing**

The Toronto Stock Exchange

### **Stock Trading Symbol**

CUF.UN



# COMINAR