

Quarterly Report

March 31, 2001



COMINAR REAL ESTATE INVESTMENT TRUST

COMINAR



www.cominar.com

COMINAR REAL ESTATE INVESTMENT TRUST

Message to Unitholders

On behalf of the trustees, management and employees of Cominar, we hereby present the REIT's results for the first quarter ended March 31, 2001.

We are pleased to report that Cominar had a strong start to the year with a solid financial performance, two acquisitions including a major one in the Montreal area, and a successful third public offering in February 2001.

As we stated at the Annual Meeting on May 15, 2001, our growth strategy is focused on a single objective: to enhance the value of our unitholders' investment through acquisitions with value-added potential and proactive management of the real estate portfolio.

On January 31 of this year, we announced the acquisition of a 12-storey office building covering an area of 232,414 square feet located at 255 Crémazie Boulevard in Montreal. This property is ideally situated along Highway 40, Montreal's main east-west artery. The acquisition cost was \$7.6 million, and developments are under way for an additional \$5.1 million investment, which will bring total costs to \$12.7 million. Subsequent to the completion of the planned developments, the property's capitalization rate will be about 13%, and we expect its fair market value to increase considerably by the end of 2003.

As a result of this acquisition, our real estate portfolio in the Greater Montreal area covers approximately 893,000 square feet, compared with 334,000 square feet as at December 31, 1999.

Our first acquisition of the current fiscal year was followed on April 1, 2001, by the purchase of a 19,405-square-foot industrial and mixed-use building in the Vanier Industrial Park, in the Greater Quebec City area, where ten of Cominar holdings are located. The property was acquired at a cost of \$450,000, and its capitalization rate is 13.1%.

In addition, the scheduled developments have now started at Carrefour Beauport. We will invest \$14 million over twelve months to increase the property's area by 222,000 square feet, including 160,000 square feet of retail space and 62,000 square feet of office space. The developments include work on the land to increase the shopping centres visibility, the building of two malls and the addition of some 2,000 extra parking spaces.

Managements Discussion and Analysis of Operating Results and Financial Position

Operating Results

For the three-month period ended March 31, 2001, **rentals from income properties** rose 21.3% to \$15.9 million, up from \$13.1 million for the corresponding period of 2000.

Net operating income amounted to \$8.7 million, compared with \$7.2 million for the first quarter of the previous fiscal year, an increase of 21.7%.

Distributable income rose 24.3% to \$4.7 million, up from \$3.8 million for the first three months of the previous year. This works out to \$0.253 per unit, compared with \$0.262 per unit for the first quarter of 2000. The slight decline in distributable income per unit was due to the **issue of 3,450,000 units** in February 2001, for net proceeds of about \$33 million, the positive impact of which has not been totally felt.

Total distributions to unitholders grew by 29.2% or \$1.1 million for the first quarter of the fiscal year, increasing to \$4.9 million, or \$0.088 monthly per unit.

Cash flows from operating activities grew by some \$1.0 million, rising to \$5.0 million in the first quarter, up 24.3% over the corresponding period of the previous fiscal year.

These excellent operating results reflect primarily the portfolios prior expansion, as well as the Cominar REIT'S integrated and rigorous management.

Financial Position

As at March 31, 2001, the portfolio consisted of 79 properties covering a total leasable area of almost 5.4 million square feet, an increase of 74.6% since the Trusts inception. The building occupancy rate for income properties was 94.8% at the close of the first quarter.

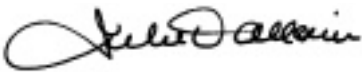
The book value of income properties totalled \$348.2 million as at March 31, 2001, up from \$337.8 million as at December 31, 2000, an increase of \$10.5 million.

The proceeds from the February 2001 issue of units enabled us to repay part of our bank indebtedness, which was reduced to \$4.0 million **as at March 31, 2001, down from \$30.6 million as at December 31, 2000. After accounting for hypothecs payable of \$165.6 million as at March 31, 2001, the REITs indebtedness was 45.5% of the real estate portfolios gross book value**, which is much lower than the 60% authorized by Cominar's Contract of Trust.

It should also be noted that on March 27, 2001, we amended our distribution reinvestment plan to offer unitholders an additional number of parts corresponding to 5% of the distributions.

Outlook

We expect to keep up this excellent momentum and to continue growing in the coming quarters, fuelled by a buoyant economy which is increasing the demand for rental space. Several developments and further expansion of the real estate portfolio will contribute to generating considerable added value. Since early this year, we have already made several purchase offers which could materialize within the next few weeks.



Jules Dallaire
Chairman of the Board,
President and Chief Executive Officer

May 2001

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME AND DISTRIBUTABLE INCOME

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

	2001	2000
	\$	\$
Operating revenues		
Rentals from income properties	15,883	13,089
Operating expenses		
Property operating costs	3,943	3,347
Realty taxes and services	2,990	2,349
Property management expenses	208	207
	7,141	5,903
Net Operating Income	8,742	7,186
Interest on hypothecs and bank indebtedness	3,104	2,728
Depreciation of income properties	671	547
Depreciation of deferred expenses and other assets	533	357
	4,308	3,632
Operating income from real estate assets	4,434	3,554
Trust expenses	333	302
	4,101	3,252
Other (revenues) expenses		
Loan interest	46	5
Other income	(5)	(11)
	41	(6)
Net income	4,060	3,258
Add		
Depreciation of income properties	671	547
Distributable income	4,731	3,805
Net income per unit (note5)	0.217	0.225
Distributable income per unit (note5)	0.253	0.262

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	As at March 31 2001	As at December 31 2000
(Unaudited, in thousands)	\$	\$
Assets		
Income properties	340,658	336,360
Income properties under development	7,567	1,408
Deferred expenses and other assets	11,616	10,151
Prepaid expenses	3,312	677
Accounts receivable	3,927	2,457
	367,080	351,053

Liabilities and Unitholders' Equity

Liabilities

Hypothecs payable (note 3)	165,632	157,535
Bank indebtedness	4,002	30,640
Accounts payable and accrued liabilities	5,268	5,178
Distributions payable to Unitholders	1,801	-
	176,703	193,353

Unitholders' Equity	190,377	157,700
	367,080	351,053

COMINAR REAL ESTATE INVESTMENT TRUST

STATEMENTS OF UNITHOLDERS' EQUITY

Period of three months ended March 31, (Unaudited, in thousands)	2001	2000
	\$	\$
Unitholders' Equity - beginning of period	157,700	136,060
Issuance of units (note 4)	35,165	8
Underwriters' fees and offering costs	(1,602)	-
Net income for the period	4,060	3,258
Distributions to Unitholders	(4,946)	(3,828)
Unitholders' Equity - end of period	190,377	135,498

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED CASH FLOW STATEMENTS

Period of three months ended March 31, (Unaudited, in thousands except per unit amounts)	2001	2000
	\$	\$
Cash flow from operating activities		
Net income for the period	4,060	3,258
Adjustments :		
Depreciation of income properties	671	547
Depreciation of deferred expenses and other assets	533	357
Deferred expenses	(204)	(91)
Funds from operations	5,060	4,071
Deferred expenses	(1,359)	(1,579)
Change in non-cash working capital		
Change in accounts receivables	(1,470)	114
Change in prepaid expenses	(2,635)	(1,959)
Change in accounts payables and accrued liabilities	(288)	(46)
	(5,752)	(3,470)
	(692)	601
Cash flow from financing activities		
Hypothecs payable	7,000	-
Hypothecs principal repayments	(3,903)	(1,443)
Bank indebtedness	(26,638)	5,665
Distributions to Unitholders	(3,135)	(2,544)
Net proceeds of offering	33,633	-
Offering costs	(80)	-
	6,877	1,678
Cash flow from investing activities		
Acquisitions of income properties	(4,969)	(227)
Acquisitions of income properties under development	(1,159)	(2,036)
Deferred expenses and other assets	(57)	(16)
	(6,185)	(2,279)
Net change in cash	-	-
Cash - beginning of period	-	-
Cash - end of period	-	-
Funds from operations per unit	0.270	0.281
Interests paid	3,213	2,745
Acquisition of income property under development by assumption of an hypothec payable	5,000	-

COMINAR REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Period of three months ended March 31, 2001

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. Cominar's operations began on May 21, 1998 with the acquisition of an initial portfolio of properties.

2. Summary of significant accounting policies

The accounting policies and methods of their application follow the ones used in the annual financial statements as at December 31, 2000.

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 properties under development

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

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. Hypothecs payable

Hypothecs payable are secured by the income properties, bear interest at a weighted average annual rate of 7.19% and are renewable between May 2001 and January 2019.

4. Public offering

On the quarter, Cominar issued 3,450,000 units for net proceeds of \$33,322,425 pursuant to the prospectus dated January 26, 2001. The units were sold at \$10.10 per unit.

5. Income per unit

Net income per unit and distributable income per unit has been computed based on the weighted average number of units outstanding during the period, as follows :

	(in thousands)	
	2001	2000
Three months ended March 31	18,717	14,500

As at March 31, 2001 there were 20,456,998 units issued and outstanding (14,500,000 as at March 31, 2000).

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. The following table shows the financial information related to these property types:

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	4,642	6,419	4,822	15,883
Interest on hypothecs and bank indebtedness	1,052	1,240	812	3,104
Depreciation of income properties	207	306	158	671
Operating income from real estate assets	1,121	1,595	1,344	4,060
Income properties	100,070	154,124	86,464	340,658

7. Comparatives figures

Certain of the March 31, 2000 comparative figures have been reclassified to conform with the new presentation adopted at the end of 2000.

COMINAR REAL ESTATE INVESTMENT TRUST

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Unit Listing

The Toronto Stock Exchange

Stock Trading Symbol

CUF.UN



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