

Quarterly Report March 31, 2002

COMINAR REAL ESTATE INVESTMENT TRUST



COMINAR



www.cominar.com

COMINAR REAL ESTATE INVESTMENT TRUST

Message to Unitholders

On behalf of the trustees and all the employees of Cominar, I am pleased to present the results for the first quarter ended March 31, 2002. Cominar achieved all its financial objectives and got off to a strong start to fiscal 2002, with growth of 20.7% in operating revenues, 27.6% in operating income and 46.9% in distributable income.

We are very satisfied with the progress of the development work on several properties during these first three months. Public response to the expansion completed so far at Les Promenades Beauport shopping centre has been excellent and has resulted in a significant increase in business. Moreover, the occupancy rate at this expanded centre now stands at 85%. As for the 111,338-square-foot building on Pierre-Bertrand Boulevard in Quebec City, which we acquired in December 2001, it will be fully leased as of August 1, 2002.

With regard to acquisitions, given that property selling prices are currently on the rise, we have redoubled our efforts and prudence to identify expansion opportunities matching our investment criteria. We hope to acquire 11 buildings in the Montreal and Quebec City regions by the end of the second quarter. These acquisitions are worth some \$32 million and will add about 700,000 square feet of leasable area to the Trust's real estate portfolio. The properties have capitalization rates of 10% to 11% and will contribute to Cominar's future growth.

In fact, we completed two of these acquisitions on May 9, 2002. We purchased two industrial and mixed-use buildings in the centre of the new Quebec City, specifically in the Vanier Industrial Park where Cominar already owns several properties. One of the buildings, acquired at a cost of \$1.7 million, covers an area of 41,479 square feet and has a capitalization rate of 11.3%. The other covers 35,619 square feet, has a capitalization rate of 11.5%, and was acquired at a cost of \$750,000. These two new acquisitions fully match our growth criteria and objectives.

Management's Discussion and Analysis of Operating Results and Financial Position

Operating Results

Operating revenues grew by 20.7% to reach \$19.2 million, compared with \$15.9 million in the first quarter of 2001, due to the expansion of the portfolio.

Net income rose to \$6.1 million or \$0.240 per unit, up from \$4.1 million or \$0.217 per unit in the first quarter ended March 31, 2001.

Distributable income totalled \$6.9 million, an increase of 46.9% or \$2.2 million. That comes to \$0.272 per unit, compared with \$0.253 in the corresponding quarter of 2001, despite the increase in the number of units after the public offerings completed in 2001.

This strong growth in earnings was due mainly to the economies of scale resulting from our geographical clustering of acquisitions, the slight increase in interest on mortgages payable, and interest income from the mezzanine loan.

Cash flows from operating activities grew by 48.3% or \$2.4 million to reach \$7.5 million in the first quarter of 2002. That works out to \$0.294 per unit, compared with \$0.270 per unit in the first quarter of 2001.

Our solid performance during the first three months of the fiscal year enabled us to increase total **distributions** to unitholders by \$1.8 million to \$6.8 million for the quarter. Moreover, on April 17, 2002, we announced that we were raising monthly distributions per unit from \$0.088 to \$0.090, given our confidence in the sustained growth of Cominar's earnings.

Financial Position

As at March 31, 2002, **the book value of assets** amounted to \$462.8 million, covering the portfolio's 85 properties and a leasable area of 6.5 million square feet, divided between 11 office buildings, 20 retail buildings and 54 industrial and mixed-use buildings.

The debt to gross book value stood at 44.9% on March 31, 2002. This rate is much lower than the rate of 60% authorized by our Contract of Trust and gives us an acquisition capacity of \$170 million. However, consistent with our conservative debt management policy, we will keep this rate below 55%, which corresponds to an acquisition capacity of \$100 million.

Outlook

Sustained by our diversified real estate portfolio of well-located, quality properties with an occupancy rate of over 95%, and our strong and healthy financial position to seize expansion opportunities matching our criteria of return on investment for unitholders, we are well-positioned to benefit from today's favourable economic conditions. We are confident we can keep up our growth rate and further enhance our value-added portfolio with new acquisitions in the coming quarters of this year.



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

May 2002

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME AND DISTRIBUTABLE INCOME

Period of three months ended March 31, (unaudited, in thousands of dollars except per unit amounts)	2002 \$	2001 \$
Operating revenues		
Rentals from income properties	19,169	15,883
Operating expenses		
Property operating costs	4,512	3,943
Realty taxes and services	3,258	2,990
Property management expenses	242	208
	8,012	7,141
Net Operating Income	11,157	8,742
Interest on hypothecs and bank indebtedness	3,267	3,104
Depreciation of income properties	833	671
Depreciation of deferred expenses and other assets	819	533
	4,919	4,308
Operating income from real estate assets	6,238	4,434
Trust expenses	352	333
	5,886	4,101
Other (revenues) expenses		
Loan interest	-	46
Other income	(230)	(5)
	(230)	41
Net income	6,116	4,060
Add		
Depreciation of income properties	833	671
Distributable income	6,949	4,731
Basic and diluted net income per unit (note 6)	0.240	0.217
Distributable income per unit (note 6)	0.272	0.253

See accompanying notes to consolidated financial statements

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	As at March 31 2002 (unaudited) \$	As at December 31 2001 (audited) \$
(in thousands of dollars)		
Assets		
Income properties	407,788	405,987
Income properties under development	24,432	21,675
Mortgage receivable	9,000	9,000
Deferred expenses and other assets	14,890	14,023
Prepaid expenses	3,346	1,273
Accounts receivable	3,358	3,486
	462,814	455,444

Liabilities and Unitholders' Equity

Liabilities

Mortgages payable (note 3)	191,038	202,743
Bank indebtedness (note 4)	20,644	5,483
Accounts payable and accrued liabilities	6,447	6,369
Distributions payable to Unitholders	2,259	-
	220,388	214,595

Unitholders' Equity

	242,426	240,849
	462,814	455,444

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

	2002 \$	2001 \$
Period of three months ended March 31, (unaudited, in thousands of dollars)		
Unitholders' Equity -		
beginning of period	240,849	157,700
Issuance of units (note 5)	2,230	35,165
Underwriters' fees and offering costs	-	(1,602)
Net income for the period	6,116	4,060
Distributions to Unitholders	(6,769)	(4,946)
	242,426	190,377
Unitholders' Equity -		
end of period	242,426	190,377

See accompanying notes to consolidated financial statements

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

Period of three months ended March 31, (unaudited, in thousands of dollars except per unit amounts)	2002 \$	2001 \$
Cash flow from operating activities		
Net income for the period	6,116	4,060
Items not affecting cash		
Depreciation of income properties	833	671
Depreciation of deferred expenses and other assets	819	533
Deferred expenses	(264)	(204)
Funds from operations	7,504	5,060
Deferred expenses	(1,310)	(1,359)
Change in non-cash working capital		
Prepaid expenses	(2,073)	(2,635)
Accounts receivable	128	(1,470)
Accounts payable and accrued liabilities	(471)	(288)
	(3,726)	(5,752)
	3,778	(692)
Cash flow from financing activities		
Mortgages payable	8,000	7,000
Mortgages principal repayments	(19,705)	(3,903)
Bank indebtedness	15,161	(26,638)
Distributions to Unitholders	(4,401)	(3,135)
Net proceeds of offering	2,121	33,633
Underwriters' fees and offering costs	-	(80)
	1,176	6,877
Cash flow from investing activities		
Acquisitions of income properties	(2,581)	(4,969)
Acquisitions of income properties under development	(2,261)	(1,159)
Deferred expenses and other assets	(112)	(57)
	(4,954)	(6,185)
Net change in cash	-	-
Cash - beginning of period	-	-
Cash - end of period	-	-
Funds from operations per unit (note 6)	0.294	0.270
Interests paid	3,081	3,213
Acquisition of an income property under development by assumption of a mortgage payable	-	5,000
Acquisitions of income properties and income properties under development unpaid	549	-
Issuance of units under distribution reinvestment plan	109	10

See accompanying notes to consolidated financial statements

COMINAR REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Period of three months ended March 31, 2002

1. Description of the Fund

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

2. Accounting policies

Cominar consolidated financial statements are in conformity with Canadian generally accepted accounting principles and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies. These accounting policies and methods of their application follow the ones used in the annual financial statements as at December 31, 2001, with the exception of the application of the new recommendations of the Canadian Institute of Chartered Accountants regarding stock-based compensation and other stock-based payments. Cominar has chosen to recognize no compensation when unit options are granted to employees and directors under unit option plans with no cash settlement features. Cominar has not granted any options under unit option plans since December, 31, 2001.

3. Mortgages payable

Mortgages payable are secured by the income properties, bear interest at a weighted average annual rate of 6.84% and are renewable between June 2002 and January 2019.

4. Bank indebtedness

The bank indebtedness includes cash of \$181, lines of credit amounting to \$20,825 bearing interest at rates varying from prime rate plus 0.25% and prime rate plus 0.50%; the lines of credit are secured by income properties and chattel mortgages on specific properties.

5. Issued and outstanding units

Period of three months ended March 31, 2002

Units issued and outstanding - Beginning of period	25 424 335
Issued from options exercised	231 800
Issued under distribution reinvestment plan	9 202
<u>Units issued and outstanding - End of period</u>	<u>25 665 337</u>

6. Per unit amounts

Net income per unit, distributable income per unit and funds from operation per unit have been computed based on the weighted average number of units outstanding during the period :

	<u>2002</u>	<u>2001</u>
Period of three months ended March 31	25 533 845	18 716 793

7. Commitment

As at March 31, 2002, Cominar has committed itself to contract a mortgage payable of \$22.5 million at a rate of 7.04% maturing in 2007.

COMINAR REAL ESTATE INVESTMENT TRUST

8. Segment disclosures (in thousands of dollars)

Cominar's activities include three property types. The following tables show the financial information related to these property types:

Period of three months ended March 31, 2002

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	6,402	7,300	5,467	19,169
Interest on mortgages and bank indebtedness	1,216	1,103	948	3,267
Depreciation of income properties	300	334	199	833
Operating income from real estate assets	2,210	2,471	1,557	6,238
Income properties	138,411	166,894	102,483	407,788

Period of three months ended March 31, 2001

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	4,642	6,419	4,822	15,883
Interest on mortgages and bank indebtedness	1,052	1,240	812	3,104
Depreciation of income properties	207	306	158	671
Operating income from real estate assets	1,223	1,737	1,474	4,434
Income properties	100,070	154,124	86,464	340,658

INFORMATION

Quebec (Head Office)

455 rue Marais
Vanier (Quebec) G1M 3A2
Tél. : (418) 681-8151
Tél. : (418) COMINAR
Fax : (418) 681-2946

Montreal

255 Cremazie Blvd.E.
Suite 120
Montreal (Quebec) H2M 1M2
Tél. : (514) 337-8151
Fax : (514) 904-5000

Toll free : 1 866 COMINAR

Internet Site : www.cominar.com Email : info@cominar.com

Transfert Agent

National Bank Trust
Montreal - Toronto

Unit Listing

The Toronto Stock Exchange

Symbole : CUF:UN

Auditors

Ernst & Young
140 Grande-Allee E.
Suite 200
Quebec (Quebec) G1R 5P7



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