QUARTERLY REPORT

March 31, 2004

COMINAR
REAL ESTATE
INVESTMENT TRUST

www.cominar.com

FIRST QUARTER

March 31, 2004

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COMINAR
REAL ESTATE INVESTMENT TRUST
Message to Unitholders

We are pleased to present our performance and financial position for the first quarter of fiscal 2004. Detailed explanations are given in the management's discussion and analysis included in this report, followed by financial statements and accompanying notes.

We are happy to point out to unitholders that this first period of 2004 is our 24th consecutive quarter of growth. Cominar has posted steady growth quarter after quarter since it was first listed on the stock exchange in May 1998. This sustained performance fully matches the commitment made to Cominar's unitholders almost six years ago and drives our entire team.

The first quarter's excellent growth is due to a 15.7% increase in **operating revenues**, which totalled $27.4 million — a 16.4% growth in **net operating income**, which reached $15.3 million — and a 24.0% jump in **distributable income**, which amounted to $9.2 million or $0.292 per unit. **Cash flows from operating activities** grew by 35.5% compared with the corresponding quarter of 2003, to $11.0 million or $0.349 per unit. These results allowed us to pay a total of $9.1 million in **distributions to unitholders**, up 23.9% over the first quarter of 2003. This growth is attributable to our team's conservative yet dynamic management, the quality of our real estate portfolio including the development projects and acquisitions completed in recent months, the efforts of our leasing consultants and the quality of customer service that sets Cominar apart.

As at March 31, 2004, we had a property **occupancy rate** of 94.8%, which compares favourably with the average since 1998.

The first quarter of 2004 was also an **expansion period** in which we completed the construction of two fully leased industrial and mixed-use properties in Quebec City, as well as the expansion of four industrial and mixed-use buildings that are 78% leased in Montreal and Quebec City. These development projects cover a total additional leasable area of 175,100 square feet, represent an aggregate cost of $7.7 million, and have an average capitalization rate of 10.5%.

We completed this work while preparing for three acquisitions, which were made in the Montreal and Quebec City regions in April 2004. These acquisitions represent a leasable area of 259,000 square feet and a total investment of $33.5 million. Their capitalization rates range from 9.2% to 10.3%, which is excellent given today's real estate market.

As at March 31, 2004, we had a debt to gross book value ratio of 44.5%, which is far below the rate of 60% authorized by our Contract of Trust. In accordance with our conservative debt management policy, we ensure that this ratio stays below 55%, leaving us an acquisition capacity of $141.3 million at the close of the first quarter.

At the end of the period, **development projects** totalling 770,000 square feet of leasable space were under way on nine properties, including eight construction projects and one expansion. Scheduled to be completed by the summer of 2005, this work represents a total investment of $59.4 million.

We are confident we will achieve strong growth in the coming quarters, as we will benefit from our latest developments and acquisitions. Driven by our market intelligence and solid financial position, we will remain on the lookout for acquisition and development opportunities, which we will seize as long as they match our criteria of growth and increasing the portfolio's value over the short and long terms.

Jules Dallaire

Jules Dallaire
Chairman of the Board and Chief Executive Officer
May 2004

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

This management's discussion and analysis of the consolidated operating results and financial position of Cominar Real Estate Investment Trust ("Cominar") for the quarters ended March 31, 2004 and 2003 should be read in conjunction with the consolidated financial statements, accompanying notes and management's report appearing in the 2003 annual report. Those consolidated financial statements have been prepared in accordance with the recommendations of the *Canadian Institute of Chartered Accountants* and the *Canadian Institute of Public and Private Real Estate Companies*. In compliance with Regulation 51-102 of the *Canadian Securities Authorities*, we notify readers that the consolidated financial statements for the periods ended March 31, 2004 and 2003 have not been examined by the auditors of Cominar Real Estate Investment Trust.

Management's discussion and analysis is intended to facilitate understanding of the audited consolidated financial statements and accompanying notes. The discussion and analysis may include objectives, projections, estimates, expectations, forecasts and predictions by Cominar or management that are forward-looking. Positive or negative verbs such as "believe", "plan", "estimate', "expect" and "evaluate" are used to identify forward-looking statements. Cominar cautions readers that, by their very nature, forward-looking statements involve major risks and uncertainties such that Cominar's actions, results and financial position could differ significantly from those indicated, whether explicitly or implicitly.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cominar's accounting policies are essential to the understanding and interpretation of the interim financial results. The significant accounting polices and methods of applying the latter are identical to those used in preparing the annual consolidated financial statements for the 2003 fiscal year.

However, to comply with the CICA's new recommendations, Cominar applied the new accounting policies summarized below in the first quarter of the year.

Changes in Accounting Policies

Depreciation of Income Properties

The CICA has adopted recommendations that disallow the use of the sinking-fund method of depreciation which was currently used by real estate companies. This standard is prospective in application and effective January 1, 2004. Accordingly, Cominar will use the straight-line method to amortize the cost of its income properties over an estimated useful life of forty years. Based on the unamortized cost of Cominar's income properties as at December 31, 2003, this change will increase depreciation expense for 2004 by approximately $7.0 million. For the three-month period ended March 31, 2004, the adoption of this standard increased depreciation expense by $1.6 million, thereby reducing net income per unit by $0.051. Without this change, net income would have been $8.4 million or $0.266 per unit. However, there was no impact on distributable income.

Revenue Recognition

The CICA has adopted recommendations that require Cominar to change its method of revenue recognition when a lease has an escalator clause. This standard is prospective in application and effective January 1, 2004. Accordingly, Cominar will account for rental revenue on a straight-line basis, whereby the total rents receivable are spread equally over the term of the lease. This change will increase revenues, net income and other assets by about $1.5 million in 2004. The impact is estimated at $344,000 for the first quarter. Distributable income will be restated to eliminate the impact of this change.

Stock-Based Compensation and Other Stock-Based Payments

The CICA has amended CICA 3870, "Stock-Based Compensation and Other Stock-Based Payments", to require that the equity instruments awarded to employees be measured and expensed, thus eliminating the current provisions which permit a company to only disclose the fair value. Fair value of equity instruments would be used to measure compensation expense. The adoption of the standard will be retroactive to January 1, 2002. As a result, on January 1, 2004, Cominar recognized the cumulative effect by making an adjustment to opening unitholders' equity without restatement. Cominar has estimated that the impact of the adoption of this standard will increase Trust administrative expenses during 2004 by approximately $300,000 with a corresponding decrease to net income. There will be no impact on unitholders' equity. The amount expensed amounts to $72,000 for the first quarter.

Operating Results

Results for the first quarter ended March 31, 2004 are most satisfactory. They show a 24.0% or $1.8 million increase in **distributable income**, which totalled $9.2 million. This growth is reflected in **distributable income per unit**, which amounted to $0.292, up 2.4% over the corresponding quarter of the previous fiscal year, considering the increase of over 5.5 million in the weighted average number of outstanding units. **Rental revenues** and **net operating income** grew by 15.7% and 16.4% to stand at $7.4 million and $15.3 million respectively. This growth is due to the completion of our profitable development projects and the acquisitions we carefully selected in the last 12 months.

Net operating income, which is a term frequently used by real estate professionals, is defined as operating income before interest on mortgages and bank indebtedness, amortization of income properties, and amortization of deferred expenses and other assets.

Net income rose to $6.8 million or $0.215 per unit, up 6.3% over the same period in 2003. The accounting changes described above had a direct impact direct on net income. The change in the method of depreciating income properties had a negative impact of $1.6 million or $0.051 per unit. The recognition on a straight-line basis of rental revenues under leases which include an escalator clause also affected net income, but raising it by $344,000 or $0.01 per unit. Furthermore, expensing of the value of options granted to employees had a negative impact of $72,000. Without the impact of these changes, net income would have increased by 27.0% to total $8.1 million or $0.257 per unit. It should be noted that two of these changes had no impact on distributable income.

Impact of accounting changes on net income

(in thousands of $, except amount per unit)

Net income as at March 31, 2004	**6,821**
Impact of accounting changes	
• Depreciation of income properties	1,600
• Revenue recognition	- 344
• Stock-based compensation	72
Net income before application of the changes	**8,149**
Net income before application of the changes per unit	0.257

Rental Activities

As at March 31, 2004, Cominar showed an occupancy rate of 94.8%, which compares favourably with the average since 1998.

Trend in occupancy rate by sector

Sector	March 31, 2004	Dec. 31, 2003	March 31, 2003
Office	93.1%	92.8%	90.9%
Retail	96.1%	95.7%	95.6%
Industrial and mixed-use	94.9%	97.4%	97.2%
Total	94.8%	96.0%	94.8%

The industrial and mixed-use sector's occupancy rate declined slightly in the first quarter of 2004 compared with December 31, 2003, as properties in development are regarded as being in operation since January 1, 2004 and show an average occupancy rate of 78%. We expect this situation to gradually turn around in the coming months as these development projects are completed and occupied.

Lease renewal rates

	Expiring leases (sq.ft.)	Renewed leases (sq.ft.)	**Renewal rate (%)**
1999	546,820	437,624	**80.03**
2000	770,387	580,674	**75.37**
2001	1,098,301	894,217	**81.42**
2002	1,141,790	912,739	**79.94**
2003	1,397,779	1,069,024	**76.48**
2004 (31 mars)	1,398,251	698,152	**49.93**

The annual renewal rate of expiring leases since 1998 stands at an average of 79%, reflecting the efforts made by Cominar's team of leasing consultants and the quality of its properties. As at March 31, 2004, 49.9% of the leases expiring in 2004 had already been renewed. In addition, **new leases** had been signed for a leasable area of about 239,000 square feet.

Distributable Income and Distributions

Although it is not a measure defined by generally accepted accounting principles (GAAP), distributable income is a very important measurement unit for a real estate investment trust. It generally corresponds to net income established in accordance with GAAP, excluding amortization expense. The distributions paid annually to unitholders must represent at least 85% of distributable income and partly determine the return obtained by unitholders.

(in thousands of dollars except amounts per unit)	**March 31, 2004**	March 31, 2003
Net income for the year	**6,821**	6,415
Depreciation of income properties	**2,772**	1,042
Deferred rental revenues	**(344)**	0
Distributable income	**9,249**	7,457
Weighted average number of units	**31,690**	26,163
Basic distributable income per unit	**0.292**	0.285
Distributions paid per unit	**0.285**	0.279

Distributable income for the first quarter showed strong growth of 24%, totalling $9.2 million or $0.292 per unit for the first quarter of 2004, compared with $7.5 million or $0.285 per unit for the same period in 2003.

Distributions paid to unitholders amounted to $9.1 million, up 23.9% over $7.3 million for the first quarter of 2003. Distributions per unit stood at $0.285, compared with $0.279 for the corresponding period of the previous year.

Related-Party Transactions

Jules Dallaire and Michel Dallaire, both of whom are trustees and members of Cominar's management, exercise indirect control over *Dalcon Inc.*, *Électricité Hamo Inc.* and *Corporation financière Alpha (CFA) Inc.* Michel Paquet, also a trustee and member of Cominar's management, acts as manager of these companies.

During the first quarter of 2004, Cominar received net rental revenues of $395,000 from *Dalcon Inc.*, *Électricité Hamo Inc.* and *Corporation Financière Alpha (CFA) Inc.* Cominar incurred expenditures of $1.1 million for leasehold improvements performed for its tenants by *Dalcon Inc.* and $8.3 million for the construction of one property and the development of some of its properties.

Using the services of related companies for property construction work and leasehold improvements enables Cominar to achieve savings while providing better service for its clients.

Liquidity and Capital Resources

Cash flows from operating activities grew by 35.5% compared with the corresponding quarter of 2003, to stand at $11.0 million or $0.349 per unit. Without the impact of the changes in accounting policies, the growth in cash flows would have been 31.3% or 8.3% per unit.

While the concept of "cash flows from operating activities" is not a financial measure defined by generally accepted accounting principles, it is widely used in the real estate sector. The Canadian Institute of Public and Private Real Estate Companies defines this concept as net income adjusted for extraordinary gains, gains or losses on disposal of assets, amortization of deferred expenses and income properties. The concept of "cash flows from operating activities" should not be interpreted as a substitute for net income or cash flows from operating activities as determined by generally accepted accounting principles. As Cominar's cash flows calculation method may differ from the method used by other issuers, it may not be comparable to that of such issuers.

As at March 31, 2004, Cominar showed a debt to gross book value ratio of 44.5%, whereas a rate of 60% is authorized by its Contract of Trust. However, in accordance with its conservative debt management policy, Cominar prefers to keep this ratio below 55%, leaving it an acquisition capacity of $141.3 million as at March 31, 2004.

Mortgage Activities

As at March 31, 2004, the weighted average interest rate of Cominar's mortgages was 6.31%, down 0.20% from March 31, 2003.

Balance due on mortgages payable as at March 31, 2004 expiring as follows:

Year	Amounts (thousands of $)	Weighted average interest rate (%)
2004	14,563	7.01
2005	10,735	7.97
2006	32,389	6.23
2007	53,079	6.15
2008	131,292	6.06
2009 and subsequent	26,524	7.08
	268,582	6.31

Portfolio

During the first quarter, Cominar completed the construction of two industrial and mixed-use buildings in Quebec City. Covering a leasable area of 53,000 square feet, these properties are fully leased. They represent a total investment of $2.2 million and have an average capitalization rate of 10.4%. Cominar also finalized the 124,000-square-foot expansion of four industrial and mixed-use properties in the Montreal and Quebec City regions. These buildings are currently 78% occupied and the expansion work was completed at an average capitalization rate of 10.5%.

At the close of the first quarter, development projects were under way on nine properties covering 770,000 square feet of leasable space, including eight construction projects and one expansion. Scheduled to be completed by the summer of 2005, this work represents a $59.4 million investment and includes the following:

- the construction of a 205,000-square-foot office tower at *Place de la Cité* in Quebec City, where the first tenant has occupied 72,400 square feet on six storeys since April 1, 2004;
- the construction of four industrial and mixed-use buildings in Laval, covering 301,400 square feet of leasable space;
- the construction of three industrial and mixed-use properties in Quebec City, covering a total area of 188,000 square feet;
- and a 76,000-square-foot expansion of the *Carrefour Charlesbourg* shopping centre in Quebec City, 58,000 square feet of which has been occupied since May 1, 2004.

Acquisitions Subsequent to March 31, 2004

In April 2004, Cominar acquired two industrial and mixed-use buildings in Montreal and Quebec City. These two properties cover a total area of 102,000 square feet, represent an investment of $5.5 million, and have an average capitalization rate of 10.3%. Cominar also purchased a 157,000-square-foot office tower at a cost of $28 million in the Montreal region. This building has a capitalization rate of 9.2% and is fully rented to the Federal Government under a long-term lease.

Once this development work is completed, Cominar's portfolio will total 123 properties covering an area of 9.1 million square feet, including some 3 million square feet in the Montreal region.

These acquisitions and development projects fit fully into Cominar's current growth strategy, which is temporarily giving priority to property developments in a real estate market where prices remain high. Nevertheless, Cominar is continuing to make acquisitions by carefully selecting them based on specific criteria, such as short and long-term profitability. Year after year, Cominar remains focused on profitable growth in order to further increase its real estate portfolio's value and to provide unitholders with a stable and attractive return.

Outlook

Cominar expects to maintain solid growth in the coming periods. The development projects completed in 2003 and early 2004 have attractive occupancy rates and are making the anticipated contribution to distributable income. In addition, effective April 1, 2004, part of the new *Place de la Cité* office tower also started contributing to distributable income. The three April acquisitions will also contribute to future results. These recent developments and acquisitions will participate in the portfolio's growth and profitability in the coming periods.

RISKS AND UNCERTAINTIES

Like any real estate entity, Cominar is subject to certain risk factors in the course normal of business.

OPERATIONAL RISKS

All property investments carry risk factors, such as market demand, which is affected by economic conditions, and competition from vacant premises.

The rental value of real estate holdings can also depend on tenants' solvency and financial stability as well as the economic conditions prevailing in the communities where they do business and provide services.

The primary risk facing Cominar lies in a potential decline in its rental income. However, this risk is minimized by the diversification of its portfolio, which ensures foreseeable cash flows. This risk is also reduced by the fact that tenants occupy an average area of about 6,200 square feet.

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

DEBT AND REFINANCING

Cominar has spread the maturities of its mortgages payable over several years to reduce the risks related to their renewal. In 2004, mortgages payable of $14.6 million are renewable at a weighted average interest rate of 7.01%. Cominar does not foresee any difficulty in refinancing them as they fall due.

ENVIRONMENTAL RISK

By their very nature, Cominar's assets and business are not subject to a high environmental risk. In accordance with the operating principles stipulated in its Contract of Trust, Cominar must conduct an environmental audit before acquiring a new property, or on its existing properties when it is deemed appropriate.

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

UNITHOLDER LIABILITY

Under the heading "Operating Principles", the Contract of Trust states that any written document identifying an immovable mortgage or, in the opinion of the trustees, an important obligation, must contain terms limiting liability to Cominar's assets exclusively, and specifying that no recourse may be taken against unitholders.

COMINAR
REAL ESTATE INVESTMENT TRUST

CERTIFICATION OF INTERIM FILINGS

We, Jules Dallaire, Chairman of the Board and Chief Executive Officer and Michel Berthelot, CA, Executive Vice-President and Chief Financial Officer of Cominar Real Estate Investment Trust, certify that:

1. We have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of "Cominar Real Estate Investment Trust" for the interim period ending March 31, 2004.

2. Based on our knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
and

3. Based on our knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings.

May 11, 2004

Jules Dallaire
Chairman of the Board
and Chief Executive Officer

Michel Berthelot, CA
Executive Vice-President and
Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

Period of three months ended March 31, (unaudited, in thousands of dollars except per unit amounts)	2004 $	2003 $
Operating Revenues		
Property rental revenue	**27,419**	23,700
Operating expenses		
Property operating costs	**6,613**	5,891
Realty taxes and services	**5,210**	4,348
Property management expenses	**332**	348
	12,155	10,587
Operating Income before the following	**15,264**	13,113
Interest on mortgages and bank indebtedness	**3,970**	4,086
Depreciation of income properties	**2,772**	1,042
Amortization of deferred expenses and other assets	**1,383**	1,170
	8,125	6,298
Operating income from real estate assets	**7,139**	6,815
Trust administrative expenses	**461**	400
Other income	**143**	0
Net income for the period	**6,821**	6,415
Basic net income per unit (note 7)	**0.215**	0.245
Diluted net income per unit (note 7)	**0.213**	0.244

See accompanying notes to consolidated financial statements.

COMINAR
REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars)	As at March 31 2004 (unaudited) $	As at December 31 2003 (audited) $
Assets		
Income properties (note 4)	524,375	518,770
Properties under development	25,848	21,486
Deferred expenses and other assets	21,390	21,540
Prepaid expenses	5,552	1,901
Accounts receivable	7,615	5,525
Cash and cash equivalents	14,566	33,660
	599,346	602,882
Liabilities and Unitholders'Equity		
Liabilities		
Mortgages payable (note 5)	268,582	270,715
Accounts payable and accrued liabilities	9,550	12,570
Distributions payable to Unitholders	3,030	–
	281,162	283,285
Unitholder's Equity		
Unitholders contributions (note 6)	321,381	320,604
Cumulative net earnings	128,422	121,640
Cumulative distributions	(131,730)	(122,647)
Contributed surplus (note 6)	111	–
	318,184	319,597
	599,346	602,882

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period ended March 31, (unaudited, in thousands of dollars)	2004 $	2003 $
Unitholders contributions		
Balance, beginning of period	320,604	248,874
Issue of units	777	1,644
Balance, end of period	321,381	250,518
Cumulative net earnings		
Balance, beginning of period	121,640	90,618
Change in accounting policy (note 2)	(39)	–
Net income	6,821	6,415
Balance, end of period	128,422	97,033
Cumulative distributions		
Balance, beginning of period	(122,647)	(91,245)
Distributions to unitholders	(9,083)	(7,331)
Balance, end of period	(131,730)	(98,576)
Ccontributed surplus (note 6)		
Change in accounting policy (note 2)	39	–
Stock-based compensation plan	72	–
Balance, end of period	111	–
Unitholders' Equity	318,184	248,975

See accompanying notes to consolidated financial statements.

COMINAR
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CONSOLIDATED STATEMENTS OF CASH FLOWS

Period of three months ended March 31, (unaudited, in thousands of dollars except per unit amounts)	2004 $	2003 $
Operating activities		
Net income for the period	6,821	6,415
Items not affecting cash		
Depreciation of income properties	2,772	1,042
Amortization of deferred expenses and other assets	1,383	1,170
Leasing costs	–	(474)
Stock-based compensation costs (note 6)	72	–
Funds from operations	11,048	8,153
Leasing costs	(967)	(1 306)
Change in non-cash operating working capital items	(10,943)	(3,233)
	(862)	3,614
Financing Activities		
Mortgages payable	–	22,000
Repayments of mortgages payable	(2,133)	(5,426)
Bank indebtedness	–	(4,565)
Distributions to Unitholders	(6,053)	(4,886)
Net proceeds from issue of units (note 6)	777	1,644
	(7,409)	8,767
Investing activities		
Acquisitions of income properties	(4,773)	(9,757)
Acquisitions of properties under development	(6,071)	(2,424)
Other assets	21	(200)
	(10,823)	(12,381)
Net change in cash and cash equivalents	(19,094)	–
Cash and cash equivalents, beginning of period	33,660	–
Cash and cash equivalents, end of period	14,566	–
Change in non-cash operating working capital items		
Prepaid expenses	(3,651)	(3,507)
Accounts receivables	(2,090)	(805)
Accounts payable and accrued liabilities	(5,202)	1,079
	(10,943)	(3,233)
Additional information		
Interest paid	3,936	3,937
Leasing costs unpaid	287	508
Acquisition of an income property by assumption of a mortgage payable	–	2,433
Acquisitions of income properties and properties under development unpaid	1,895	193
Properties under development transferred to income properties	3,284	838

See accompanying notes to consolidated financial statements.

Period of three months ended March 31, 2004
(unaudited, in thousands of dollars except per unit amounts)

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 prepared 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, 2003, except for the adoption of the new recommendations described below.

3. Changes in accounting policies

Revenues recognition
On January 1st, 2004, in conformity with Section 1100 of the *Canadian Institute of Chartered Accountants* (CICA) handbook, "Generally Accepted Accounting Principles", rentals from leases with contractual rent increases are recognized based on the straight-line method. Previously, rentals from leases were recognized as they became due. The prospective adoption of this accounting policy resulted in an increase in the operating income from real estate assets of $344 for the period of three months ended March 31,2004. We expect the impact of this change in accounting policy to be approximately $1.5 million in 2004, but it will have no effect on the distributable income, since the reported rentals are added back to net income.

Depreciation of income properties
On January 1st, 2004, in conformity with Section 1100 of the CICA handbook, "Generally Accepted Accounting Principles", income properties are depreciated using the straight-line method over forthy years so as their residual value will be fully depreciated. Previously, income properties were depreciated using the 5% 40 years sinking fund basis. The prospective adoption of this accounting policy had the impact to increase depreciation of income properties of $1.6 million for the period of three months ended March 31, 2004, reducing by the way the net income for the same amount. We expect the impact of this change to be approximately $7 million in 2004. Meanwhile there will be no impact on the distributable income since the depreciation of income properties is added back to net income fo the purpose of calculating distributable income

Stock based compensation costs
On January 1st, 2004, Cominar retroactively applied as at January first, 2002, Section 3870 of the CICA handbook, "Stock-based Compensation and other Stock-based Payments". CICA requires an expense to be recognized for all forms of employee stock-based compensation using a fair value based method. The fair value of the options granted to Cominar employees and trustees on November 14, 2003, amounts to $607 and the stock-based compensation costs related will be amortized using the graded vesting method. Accordingly, the opening balance of the cumulative net earnings was adjusted of $39 without restating the published financial statements. The impact of this change in the accounting policy also had the effect to increase the Trust administrative expenses of $72 fo the period of three months ended March 31, 2003, and will be $290 for 2004. Net income will be reduced by the same amount, meanwhile there will be no impact on the Unitholders Equity.

4. Income properties

	As at March 31, 2004	As at December 31, 2003
	$	$
Land	**79,125**	78,611
Income properties	**464,016**	456,153
	543,141	534,764
Accumulated depreciation	**18,766**	15,994
	524,375	518,770

5. Mortgages payable

Mortgages payable are secured by income properties, bear interest at rates varying from 4.00% to 11.00% per annum (varying from 4.50% to 11.00% as at December 31, 2003) representing a weighted average rate of 6.31% (6.31% as at December 31, 2003) and are renewable between May 2004 and January 2019.

6. Issued and outstanding units

The ownership interests in Cominar are represented by a single class of units. The aggregate number of units which Cominar may issue is unlimited. Units represent a Unitholder's proportionate 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.

During the period of three months, Cominar issued 55,046 units for a net proceeds received of $777.

Period of three months ended March 31, 2004

Units issued and outstanding, beginning of period	31,668,291
Issued from options exercised	13,500
Issued under distribution reinvestment plan	41,546
Units issued and outstanding, end of period	31,723,337

Unit option plan

Under a unit option plan, Cominar granted options to purchase units to the trustees and employees of Cominar. The maximum number of units reserved for issuance pursuant to the unit option plan is 3,160,000 units. The options are exercisable on a cumulative basis of 20% of the options after each of the five first anniversary dates of the grant (33 1/3% of the options after each three first anniversary dates of the grant for options granted before November 14, 2003). The exercise price of options equals the market price of the Cominar's units on the date of the grant and the options maximun term is seven years.

	Options	Weighted-average exercice price $
Outstanding- Beginning of period	3,042,166	13.58
Exercised	13,500	10.46
Outstanding-End of period	3,028,666	13.60

			As at March 31, 2004	
Date of grant	Maturity date	Exercise price	Outstanding options	Options exercisable
May 21, 1999	May 21, 2004	9.25	91,000	91,000
January 14, 2000	January 14, 2005	8.55	35,000	35,000
March 27, 2001	March 27, 2006	10.20	22,333	6,000
August 9, 2001	August 9, 2008	11.00	170,333	40,333
November 14, 2003*	November 14, 2010	14.00	2,710,000	–
			3,028,666	172,333

** The November 14, 2003 grant is subject to Unitholders' approval.*

Stock-based compensation costs

Stock-based compensation costs related to options granted on November 14,2003, were calculated using the Black-Scholes model for options valuation, assuming volatility of 11.7% on the underlying units, a fixed exercise price of $14, a weighted average distribution yield of approximately 8.74% and a weighted average risk free interest rate of approximately 4.21%.

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

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan pursuant to which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. During the period, 41,546 units have been issued at a weighted average price of $15.30 pursuant to the distribution reinvestment plan.

7. 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.

Period of three months ended March 31	2004	2003
Weighted average number of units outstanding - basic	**31,690,282**	26,162,648
Effect of dilutive unit options	**364,572**	114,186
Weighted average number of units outstanding - diluted	**32,054,854**	26,276,834

8. Distributable income per unit

Cominar is governed by a Contract of Trust that requires it to distribute to unitholders 85% or more of its distributable income. The distributable income generally means the net income determined in accordance with Canadian generally accepted accounting principles including adding back the depreciation of income properties and excluding the reported rentals recognized with the application of the straight line method.

Period of three months ended March 31,	2004 $	2003 $
Net income for the period	**6,821**	6,415
Add (deduct):		
Depreciation of income properties	**2,772**	1,042
Reported rentals	**(344)**	–
Distributable income for the period	**9,249**	7,457
Retention of distributable income	**(166)**	(126)
Distribution to Unitholders	**9,083**	7,331
Distributable income per unit	**0.292**	0.285
Distributions per unit	**0.285**	0.280

9. Related party transactions

During the three months, Cominar entered into transactions with companies controlled by unitholders who are also members of the management of the trust. These transations, done in the normal course of the business, have been measured at the exchange amounts and have been reflected in the financial statements as follows:

Period of three months ended March 31,	2004 $	2003 $
Property rental revenue	**395**	283
Other income	**127**	75
Income properties and properties under development	**8,304**	3,569
Deferred expenses and other assets	**1,069**	2,227
Accounts receivable	**672**	193
Accounts payable and accrued liabilities	**2,740**	2,525

10. Subsequent events

During April 2004, Cominar acquired two industrial and mixed-use properties for a consideration of $5.5 million paid cash.

During April 2004, Cominar acquired an office building for a consideration of $28 million of which $16,663,000 paid in cash and $11,337,000 by assumption of a mortgage payable.

11. Segment disclosures

Cominar's activities include three propery types located entirely in the Province of Quebec.

The followings tables show the financial information related to these property types:

Period of three months ended March 31, 2004

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Property rental revenue	8,801	9,470	9,148	27, 419
Interest on mortgages payable and bank indebtedness	1,543	1,187	1,240	3,970
Depreciation of income properties	930	1,025	817	2,772
Net operating income (1)	5,163	5,037	5,064	15,264
Income properties	162,105	199,399	162,871	524,375

Pour le trimestre arrêté au 31 mars 2003

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Property rental revenue	7,355	8,680	7,665	23,700
Interest on mortgages payable and bank indebtedness	1,516	1,332	1,238	4,086
Depreciation of income properties	348	411	283	1,042
Net operating income (1)	4,115	4,621	4,377	13,113
Income properties	151,823	200,496	145,119	497, 438

(1) Net operating income is the operating income berfore interest, depreciation and amortization.

INFORMATION

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