QUARTERLY REPORT
March 31, 2005

COMINAR REAL ESTATE INVESTMENT TRUST

FIRST QUARTER

March 31, 2005

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Message to Unitholders

We are pleased to present the financial results of Cominar Real Estate Investment Trust ("Cominar" or the "REIT") for the first quarter ended March 31, 2005. Detailed explanations about our results and financial position are provided in the management's discussion and analysis included in this quarterly report, followed by the comparative financial statements and accompanying notes.

As Cominar's newly appointed President and Chief Executive Officer, I would like to take this opportunity to discuss the REIT's recent management changes, current status and growth outlook.

As announced on April 21, 2005, I will henceforth assume the responsibilities of President and Chief Executive Officer of Cominar, previously held by Mr. Jules Dallaire, who has retired for health reasons. However, Cominar will continue to benefit from Mr. Dallaire's experience and wise counsel since he remains Chairman of the Board of Trustees. This transfer of responsibilities is in keeping with Cominar's succession plan, which was put in place several years ago.

My appointment as President and Chief Operating Officer two years ago represented an important step to eventually take over the top executive position at Cominar. My recent promotion to the head of the organization is the result of more than 20 years of constant collaboration within Cominar, in different positions and levels of responsibilities. The experience I have acquired in the last two decades in the areas of operations, acquisitions, property developments and financing, as well as my knowledge of the real estate industry and organization, constitute important assets for Cominar's sustained growth.

The results achieved by Cominar from the outset are due to the efforts of a dynamic, reliable and responsible team, which has developed solid expertise, market intelligence and distinctive management for our clients' benefit so that ultimately, Cominar's unitholders receive growing and stable returns.

Since 1998, management has implemented a flexible and prudent growth strategy, the primary components being:

- a well-balanced segmented diversification among office, retail and industrial and mixed-use properties;
- geographical diversification between the Montreal and Quebec City areas, while maintaining the dominant presence in the Quebec City market;
- prudent debt and financial management; and
- a flexible expansion policy which rapidly adapts to market conditions and gives priority to acquisitions or developments, depending on the forecasted potential return.

Due to our team's efforts, Cominar is today solidly positioned for sustained growth. Through a series of acquisitions and developments made since its initial public offering, Cominar has increased its leasable area, distributable income and distributions to unitholders every year since inception.

In addition to enjoying sustained growth since 1998, Cominar benefits from one of the most solid balance sheets among Canadian real estate investment trusts, with a debt to gross book value ratio of 49.5% as at March 31, 2005 (including the convertible debentures), while a ratio of 60% is authorized by our Contract of Trust. We believe that debt management is fundamental to the growth and stability of a real estate investment trust, and we have a long tradition of skill and prudence in this regard. As President and Chief Executive Officer, I undertake to pursue this strategy and to continue acting with vigilance and dynamism.

Cominar benefits as well from the constant support of the Dallaire family, which is very committed to the organization with an interest of more than 22% in the outstanding units. Year after year since the fund's inception in 1998, the Dallaire family has increased its interest and it intends to continue to do so in the future.

The first quarter of 2005 was our 28th consecutive quarter of growth. This solid performance period after period reflects the growth and quality of Cominar's diversified real estate portfolio. Operating revenues amounted to $30.5 million in the first quarter, an increase of 11.0% compared with the corresponding quarter of 2004. Net operating income for the quarter was up 10.0% at $16.8 million. Distributable income stood at $9.4 million or $0.291 per unit in the first quarter. This allowed us to pay a total of $9.7 million in distributions to unitholders for the first quarter, up 7.1% over the corresponding period of 2004. Funds from operations remained stable at $11.1 million, compared with $11.0 million for the first quarter of 2004.

For fiscal 2005, we should keep up the momentum of previous years and close the year with solid growth. Given the quality of our portfolio, the strength and commitment of our team and our acquisition and property developments capabilities, we are fully confident we will continue increasing the value of the real estate portfolio and your investment in Cominar.

Michel Dallaire
President and Chief Executive Officer
May 10, 2005

Management's Discussion and Analysis of Results and Financial Position

This management's discussion and analysis of financial condition and results of operations comments on the operations, financial condition and cash flows of Cominar Real Estate Investment Trust («Cominar») for the quarter ended March 31, 2005 and 2004. It should be read in conjunction with the consolidated financial statements, accompanying notes and management's discussion and analysis contained in the 2004 annual report.

Those consolidated financial statements 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 Canadian Securities Authorities, we notify readers that the interim consolidated financial statements for the periods ended March 31, 2005 and 2004 have not been examined by Cominar's auditors.

FORWARD-LOOKING STATEMENTS

Management's discussion and analysis is intended to facilitate the understanding of the interim consolidated financial statements and accompanying notes, so that investors can get a better understanding of Cominar's future direction and make informed investment decisions. This 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 in connection with these 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 and not to place undue reliance on these forward-looking statements.

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 application are identical to those used in preparing the annual consolidated financial statements for the 2004 fiscal year, which are summarized in note 2 to the consolidated financial statements.

OUR ACTIVITIES

Cominar is one of the largest commercial property owners in the Province of Quebec. As at March 31, 2005, Cominar's real estate portfolio included 125 office, retail and industrial and mixed-use buildings in the Greater Montreal and Quebec City regions. The following table shows the portfolio and the number of square feet held by Cominar as of March 31, 2005 (1) :

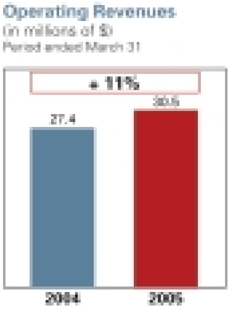
	Office		Retail		Industrial		Total	
	No.	Leasable Area (sq.ft.)	No.	Leasable Area (sq.ft.)	No.	Leasable Area (sq.ft.)	No.	Leasable Area (sq.ft.)
Income properties	14	2,220,000	27	2,430,666	84	4,826,428	125	9,477,094

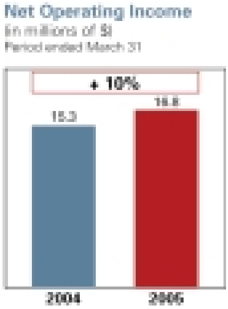
(1) Does not include properties under development

OPERATING RESULTS

The first quarter of 2005 marks our 28th quarter of continued growth. This solid performance, period after period, reflects the growth and quality of Cominar's real estate portfolio. Our results also attest to our flexible expansion strategy which is adapted to the real estate market while being conservative yet dynamic.

For the first quarter ended March 31, 2005, operating revenues grew by 11.0% over the first quarter of 2004 from $27.4 million to $30.5 million. Net operating income totalled $16.8 million, up by 10.0% or $1.5 million over the corresponding quarter of fiscal 2004. Our growth was generated by recent acquisitions and developments completed in 2004. The net operating income to revenues ratio stood at 55.1%, which is comparable to the 55.7% ratio of the corresponding quarter of 2004.





"Net operating income" is not a measure defined by generally accepted accounting principles ("GAAP"). It is, however, a term frequently used by real estate professionals to measure the intrinsic return of a real estate portfolio. Cominar defines this measure as operating income, as determined in accordance with GAAP, before interest on mortgages payable and bank indebtedness, convertible debentures, depreciation of income properties, and amortization of deferred expenses and other assets.

This first quarter generally yields the year's lowest performance due to the expenses attributable to the winter season, such as energy and snow removal costs. For the quarter ended March 31, 2005, net income stood at $6.0 million compared to $6.8 million for the same period in 2004. This decrease is mainly attributable to two elements:

- the application of CICA Handbook EIC-140 titled "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination" had a negative impact on net income. The requirement to allocate a portion of the purchase price of an income property to in-place operating leases accelerates the depreciation of income properties. However, the application of this abstract has no impact on distributable income; and

- part of the proceeds of the $100 million convertible debentures issue, bearing interest at an annual rate of 6.30%, completed towards the end of 2004, was used to reimburse $34.8 million in bank loans, which bore a lower interest rate. Moreover, given the fact that Cominar has not, since the debenture issue, made any substantial acquisitions which would increase returns, the debentures have temporarily adversely affected Cominar. However, the convertible debenture issue will protect about one-third of Cominar's debt against an increase in interest rates for the next 10 years in accordance with the prudent debt management policy. Cominar believes that this situation will improve rapidly as its property developments will be completed and as income properties will be acquired.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Although the concept of "distributable income" is not a financial measure defined by GAAP, distributable income is a measure frequently used in the real estate market. Cominar's management believes distributable income to be an excellent measure to judge Cominar's operating performance. It generally corresponds to net income established in accordance with GAAP, excluding amortization expense, deferred rental income and stock-based compensation cost related to options. The distributions paid annually to unitholders must represent at least 85% of distributable income and partly determine the return obtained by unitholders.

Distributable income for the first three months of 2005 was $9.4 million, compared with $9.2 million for the corresponding period of 2004. Distributable income per unit was $0.291, an amount similar to the corresponding quarter of 2004.

Distributions to unitholders rose 7.1% to $9.7 million, up from $9.1 million in the first three months of 2004.

Distributable Income and Distributions
Three-month period ended March 31,

(in thousands of dollars, except amounts per unit and ratios)	2005	2004
Net income	6,045	6,821
Depreciation of income properties	3,661	2,772
Deferred rentals	(353)	(344)
Amortization of above-market leases	30	0
Compensation costs related to options	36	0
Distributable income	9,419	9,249
Distributions to Unitholders	9,727	9,083
Weighted average number of units	32,387	31,690
Basic distributable income per unit	0.291	0.292
Distributions per unit	0.300	0.285
Payout ratio	103.2 %	97.7 %

RENTAL ACTIVITIES

As of March 31, 2005, Cominar showed an occupancy rate of 94.8%, in line with occupancy rate levels of December 31, 2004 and March 31, 2004.

Trend in Occupancy Rate by Sector (%)

Sector	March 31, 2005	Dec. 31, 2004	March 31, 2004
Office	94.7	94.7	93.1
Retail	95.1	94.0	96.1
Industrial and mixed-use	94.7	95.2	94.9
Total Portfolio	94.8	94.8	94.8

As at March 31, 2005, 32% of the leases expiring in 2005 had already been renewed. New leases had also been signed for approximately 295,291 square feet in leasable area. It is important to note that every year since Cominar's inception, the total new and renewed leases have always exceeded the expiring leases.

Expiries, Renewals and New Leases

March 31, 2005

Expiring leases (sq.ft.)	Renewals (sq.ft.)	New leases (sq.ft.)	Total renewals and new leases (sq.ft.)
1,070,599	343,277	295,291	638,568

LIQUIDITY AND CAPITAL RESOURCES

Funds from operations remained stable at $11.1 million compared with $11.0 million for the corresponding quarter of 2004.

While the concept of "funds from operations" is not a financial measure defined by GAAP, 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 depreciation of income properties. The concept of "funds from operations" should not be interpreted as a substitute for net income or funds from operations as determined by GAAP. As Cominar's funds from operations 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, 2005, Cominar posted a debt to gross book value ratio of 49.5%, 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 approximately $90.0 million as at March 31, 2005.

FINANCING ACTIVITIES

As at March 31, 2005, the combined weighted average interest rate of Cominar's mortgages and debentures was 6.32%, unchanged from December 31, 2004.

Balance due on mortgages payable and convertible debentures as at March 31, 2005 expiring as follows:

Year	Amount (thousands of $)	Weighted average interest rate (%)
2005	10,391	7.97
2006	34,427	6.29
2007	48,442	5.86
2008	127,582	6.06
2009 and thereafter	139,878	6.58
	360,720	6.32

REAL ESTATE PORTFOLIO

During the first quarter of 2005, Cominar acquired a 28,906 square foot retail property located near the Trans-Canada highway in Drummondville, Quebec. The purchase price was $2 million. The property has a capitalization rate of 9.5% and is currently under development.

Furthermore, Cominar has eight projects under development totalling 12 properties, for more than 756,000 square feet of leasable space. These projects represent a total investment of $47.5 million and include:

- the construction of three industrial and mixed-use buildings in Laval having 270,500 square feet of leasable space. The first building, with 47,000 square feet of leasable area, is completed and 100% leased. The construction of a second building, having 117,000 square feet of leasable area, has ended and the main floor is almost entirely leased. Consequently, Cominar has begun construction of a third 106,500 square foot building;

- the construction of three industrial and mixed-use properties in Quebec City representing 181,000 square feet of leasable area. The first builing has 35,000 square feet in leasable area and is almost 100% leased. The construction of a second building, representing 106,500 square feet of leasable area, is nearly complete. The main floor of the builing is currently 50% leased and Cominar is in negotiation for the remainder of the space. The construction of Phase 3 of the project, representing a leasable area of 40,000 square feet, will therefore begin shortly;

- a 123,400 square foot development at Les Promenades Beauport shopping centre in Quebec City, including the construction of a 24,000 square foot retail building. The property is already 80% leased and tenants should progressively begin occupying the premises; and

- a 76,000 square foot expansion at the Carrefour Charlesbourg shopping centre, of which 87% has already been leased.

These acquisitions and developments fully match the current growth strategy implemented by Cominar which, given the sustained increases in property prices over the past few years, stepped up the development of those of its properties offering a potential increase in return while being active in the acquisition market. Year after year, Cominar remains focused on profitable growth in order to increase the value of its real estate portfolio and provide its unitholders with a stable and attractive return.

UNITS ISSUED AND OUTSTANDING

As at March 31, 2005, there were 32,554,066 units issued and outstanding compared with 31,723,337 at the same date the previous year. The increase is derived from the issue of 237,900 units from options exercised, 19,804 units from the distribution reinvestment plan and 11,953 units from the conversion of convertible debentures.

RELATED-PARTY TRANSACTIONS

Jules Dallaire, Chairman of the Board of Trustees and trustee, and Michel Dallaire, trustee and a member of Cominar's management, exercise indirect control over *Dalcon Inc.* and *Corporation Financière Alpha (CFA) Inc.* Michel Paquet, also a trustee and member of Cominar's management, acts as an officer of these companies. Alain Dallaire, member of Cominar's management team, has ties to *Corporation Financière Alpha (CFA) Inc.*

During the first three months of 2005, Cominar received net rental revenues of $184,000 from *Dalcon inc.* and *Corporation Financière Alpha (CFA) inc.* Cominar incurred expenditures of $1.5 million for leasehold improvements performed for its tenants by *Dalcon inc.* and $8.9 million for the construction of properties and development projects.

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

SUBSEQUENT EVENTS

In April 2005, Cominar completed the acquisition of an industrial and mixed-use building with 14,800 square feet of leasable area in Laval, Quebec. The total purchase price was $617,350 and the estimated capitalization rate is 9.7%. The property is 100% leased and Cominar plans to add 8,000 square feet of leasable area to the property in the coming months.

On April 21, 2005, Cominar announced the appointment of Mr. Michel Dallaire as Chief Executive Officer of Cominar. He now assumes the responsibilities previously held by Mr. Jules Dallaire who retired for health reasons. Mr. Jules Dallaire will remain Chairman of the Board of Trustees.

Cominar also announced on the same day the appointment of Mr. Alain Dallaire as Executive Vice-President Leasing and Commercial Operations.

These changes were part of the succession plan of the organization.

OUTLOOK

Cominar continues to apply its strategy of growth through profitable high-quality acquisitions and the development of those of its properties offering a potential increase in return, while maintaining prudent financial management. Considering its quality properties, market intelligence, solid balance sheet and available cash, Cominar is confident it will remain on the growth track in the next quarters.

RISKS AND UNCERTAINTIES

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

Operational Risk

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 and to an increase in interest rates. As at May 1, 2005, $10.4 million of mortgages at an interest rate of 7.97% were renewable. Cominar does not foresee any difficulty in renewing those loans.

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's Liability

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, an important obligation, must contain terms limiting liability to Cominar's assets exclusively, and specifying that no recourse may be taken against unitholders.

CERTIFICATION OF INTERIM FILINGS

We, Michel Dallaire, President 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, 2005.

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.

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 10, 2005

Michel Dallaire, Eng.
President and
Chief Executive Officer

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

CONSOLIDATED BALANCE SHEETS

[In thousands of dollars]	As at March 31, 2005 [unaudited] $	As at December 31, 2004 [audited] $
Assets		
Income properties [note 3]	639,157	640,889
Properties under development [note 4]	23,372	20,967
Deferred expenses and other assets [note 5]	26,630	26,736
Prepaid expenses	5,808	2,010
Accounts receivable	7,644	6,878
Cash and cash equivalents	—	8,174
	702,611	705,654
Liabilities and Unitholder's Equity		
Liabilities		
Mortgages payable [note 6]	260,928	262,247
Convertible debentures [note 7]	99,792	100,000
Bank indebtedness [note 8]	3,020	—
Accounts payable and accrued liabilities	14,118	18,388
Distributions payable to unitholders	3,232	3,551
	381,090	384,186
Unitholders' equity		
Unitholders' contributions [note 9]	332,181	328,433
Cumulative net income	159,181	153,136
Cumulative distributions	(170,080)	(160,353)
Contributed surplus [note 9]	239	252
	321,521	321,468
	702,611	705,654

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period of three months ended March 31, [unaudited, in thousands of dollars]	2005 $	2004 $
Unitholders' contributions		
Balance, beginning of period	328,433	320,604
Issue of units [note 9]	3,748	777
Balance, end of period	332,181	321,381
Cumulative net income		
Balance, beginning of period	153,136	121,640
Change in an accounting policy	—	(39)
Net income for the period	6,045	6,821
Balance, end of period	159,181	128,422
Cumulative distributions		
Balance, beginning of period	(160,353)	(122,647)
Distributions to unitholders	(9,727)	(9,083)
Balance, end of period	(170,080)	(131,730)
Contributed surplus [note 9]		
Balance, beginning of period	252	—
Change in an accounting policy	—	39
Unit option plan	(13)	72
Balance, end of period	239	111
Unitholders' equity	321,521	318,184

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

Period of three months ended March 31, [unaudited, in thousands of dollars, except per unit amounts]	2005 $	2004 $
Operating revenues		
Rental revenue from income properties	30,473	27,419
Operating expenses		
Operating costs	7,120	6,613
Realty taxes and services	6,261	5,210
Property management expenses	300	332
	13,681	12,155
Operating income before the under noted	16,792	15,264
Interest on mortgages and bank indebtedness	3,656	3,970
Interest on convertible debentures	1,680	—
Depreciation of income properties	3,661	2,772
Amortization of deferred expenses and other assets	1,366	1,383
	10,363	8,125
Operating income from real estate assets	6,429	7,139
Trust administrative expenses	413	461
Other income	(29)	(143)
Net income for the period	6,045	6,821
Basic net income per unit [note 11]	0.187	0.215
Diluted net income per unit [note 11]	0.184	0.213

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Period of three months ended March 31, [unaudited, in thousands of dollars]	2005 $	2004 $
Operating Activities		
Net income for the period	6,045	6,821
Items not affecting cash:		
Depreciation of income properties	3,661	2,772
Amortization of above-market leases	30	—
Amortization of deferred expenses and other assets	1,366	1,383
Compensation costs related to unit option plan [note 9]	36	72
Funds from operations	11,138	11,048
Leasing costs	(1,749)	(967)
Change in non-cash operating working capital items [note 13]	(3,308)	(10,943)
	6,081	(862)
Financing Activities		
Repayments of mortgages payable	(2,346)	(2,133)
Bank indebtedness	3,020	—
Distributions to unitholders	(10,046)	(6,053)
Net proceeds from issue of units [note 9]	3,491	777
	(5,881)	(7,409)
Investing Activities		
Acquisitions of income properties	(2,855)	(4,773)
Acquisitions of properties under development	(5,590)	(6,071)
Other assets	71	21
	(8,374)	(10,823)
Net change in cash and cash equivalents	(8,174)	(19,094)
Cash and cash equivalents, beginning of period	8,174	33,660
Cash and cash equivalents, end of period	—	14,566

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Period of three months ended March 31, 2005
[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 a contract of trust on March 31, 1998 under the laws of the Province of Québec.

2. Significant Accounting Policies

Basis of presentation
Cominar's interim consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP") and the accounting policies and methods of their application follow the one used in the annual audited consolidated financial statements as at December 31, 2004.

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

Use of estimates
The preparation of financial statements in conformity with Canadian 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 rents 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 based on the straight-line method.

Income properties and properties under 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 tenant improvements and is described as an intangible asset amortized on a straight-line basis over the term of the related lease.

Depreciation of buildings is recorded using the straight-line method in order to fully amortize the cost of buildings over 40 years.

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 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 exceeds the fair value.

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. Financing costs are deferred and amortized on the straight-line basis over the terms of the related loans.

Cash and cash equivalents
Cash and cash equivalents consist of balances with banks and short term 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 9. Cominar recognizes compensation expense when unit options are granted to trustees 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, if dilutive, and is calculated using the treasury stock method.

3. Income Properties

	As at March 31, 2005 $	As at December 31, 2004 $
Land	87,658	87,533
Buildings	576,237	574,404
Intangible assets	7,474	7,474
	671,369	669,411
Accumulated depreciation and amortization	32,212	28,522
	639,157	640,889

4. Properties under Development

During the period of three months, Cominar capitalized $371 in interest to properties under development, some of which are classified in income properties at period-end.

5. Deferred Expenses and other Assets

	As at March 31, 2005 $	As at December 31, 2004 $
At amortized cost		
Leasing costs	21,659	21,658
Financing costs	4,308	4,442
Other assets	663	636
	26,630	26,736

6. Mortgages Payable

Mortgages payable are secured by income properties stated at a net book value of $432,062 [$432,330 as at December 31, 2004]. They bear interest at rates ranging from 4.25% to 11.00% per annum [4.25% to 11.00% as at December 31, 2004] representing a weighted-average year-end rate of 6.32% [6.32% as at December 31, 2004] and are renewable at various dates from May 2005 to January 2019.

Mortgage repayments are as follows:

	Principal repayments $	Balance at maturity $	Total $
Years ending December 31,			
2005	7,039	10,361	17,400
2006	9,435	32,588	42,023
2007	7,693	43,162	50,855
2008	3,025	115,070	118,095
2009	2,382	—	2,382
2010 and thereafter	15,567	14,606	30,173
	45,141	215,787	260,928

Mortgages payable having fixed rates amount to $238,855 [$239,888 as at December 31, 2004] and those having variable rates amount to $22,073 [$2,359 as at December 31, 2004].

7. Convertible Debentures

On September 17, 2004, Cominar completed a public offering of 100,000 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 paid 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 before June 30, 2008. 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 volume-weighted-average trading price of the units on the Toronto Stock Exchange (TSX) for a period of 20 consecutive 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.

Cominar may satisfy its obligation to repay 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 scheduled redemption date or the maturity date.

In accordance with the CICA Handbook Section 3860, convertible debentures have been recorded as liabilities on the balance sheet and interest has been charged to interest on convertible debentures on the statement of income. Debentures issue costs are amortized over a 10-year period and the amortization is recorded under interest on convertible debentures. As the valuation of the unitholders' equity component of the conversion option did not have a material impact on the Cominar's consolidated results, the debentures have been recorded in whole as liabilities.

During the period of three months, 208 convertible debentures were converted at a conversion price of $17.40 per unit.

8. Bank Indebtedness

Cominar has a number of operating and acquisition credit facilities of up to $65,865 [$65,865 as at December 31, 2004]. These credit facilities, subject to annual renewal, bear interest between prime rate and prime rate plus 0.50% [prime rate and prime rate plus 0.50% as at December 31, 2004]. Certain credit facilities totalling $62,865 [$62,865 as at December 31, 2004] are secured by movable and immovable hypothecs on specific assets. As at March 31, 2005, the prime rate was 4.25% [4.50% as at December 31, 2004].

9. 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 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.

During the period of three months, Cominar issued 269,657 units for net proceeds received of $3,748 [55,046 units for net proceeds received of $777 in 2004].

Period of three months ended March 31,	2005	2004
Units issued and outstanding, beginning of period	32,284,409	31,668,291
Issued from options exercised	237,900	13,500
Issued under distribution reinvestment plan	19,804	41,546
Issued from conversion of convertible debentures	11,953	—
Units issued and outstanding, end of period	32,554,066	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 under the terms of the 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 of the three first anniversary dates of the grant for options granted before November 13, 2003]. The exercise price of options equals the closing market price of Cominar's units the day preceding the date of the grant, and the options have a maximum term of seven years.

Period of three months ended March 31,	2005		2004	
	Options	Weighted–average exercise price $	Options	Weighted–average exercise price $
Outstanding, beginning of period	2,563,000	13.86	3,042,166	13.58
Exercised	(237,900)	13.07	(13,500)	10.46
Outstanding, end of period	2,325,100	13.94	3,028,666	13.60
Options exercisable, end of period	157,100	13.18	172,333	9.55

		As at March 31, 2005		
Date of grant	Maturity date	Exercise price $	Outstanding options	Options exercisable
August 9, 2001	August 9, 2006	11.00	43,000	43,000
November 13, 2003	November 13, 2010	14.00	2,282,100	114,100
			2,325,100	157,100

Unit-based compensation plan

The compensation costs associated with the options granted on November 13, 2003, were calculated using the Black-Scholes option pricing model, 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%.

Compensation costs are amortized using the graded vesting method.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options and awards which have 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 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 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 a number of units amounting to 105% of the cash distribution. During the year, 19,804 units [41,546 in 2004] were issued at a weighted-average price of $17.79 [$15.30 in 2004] pursuant to the distribution reinvestment plan.

10. 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.

11. 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,	2005	2004
Weighted-average number of units outstanding - basic	32,387,515	31,690,282
Effect of dilutive unit options	512,949	364,572
Weighted-average number of units outstanding - diluted	32,900,464	32,054,854

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

12. Distributable Income per Unit

Cominar is governed by a Contract of Trust that requires it to distribute 85% or more of its distributable income to unitholders. The distributable income generally means the net income determined in accordance with Canadian GAAP excluding the depreciation of income properties and the amortization of above-market leases, compensation costs related to unit options and deferred rentals recognized by the application of the straight-line method of accounting for contractual rent increases.

Distributable income is not a GAAP measurement and is not an alternative to net earnings determined in accordance with GAAP to assess Cominar's performance. Cominar's method of calculating distributable income may differ from that used by other trusts and accordingly, comparisons may be inappropriate.

Distributable income has been calculated under the Contract of Trust as follows:

Period of three months ended March 31,	2005 $	2004 $
Net income for the period	6,045	6,821
Add		
Depreciation of income properties	3,661	2,772
Amortization of above-market leases	30	—
Compensation costs related to unit options	36	—
Deferred rentals	(353)	(344)
Distributable income for period	9,419	9,249
Retention of distributable income	308	(166)
Distributions to unitholders	9,727	9,083
Distributable income per unit	0.291	0.292
Distributions per unit	0.300	0.285

13. Supplemental Cash Flows Information

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

Period of three months ended March 31,	2005	2004
	$	$
Prepaid expenses	(3,798)	(3,651)
Accounts receivable	(766)	(2,090)
Accounts payable and accrued liabilities	1,256	(5,202)
	(3,308)	(10,943)
Additional information		
Interest paid	3,766	3,936
Unpaid leasing costs	—	287
Acquisitions of income properties and properties under development by assumption of mortgages payable	1,027	—
Unpaid acquisitions of income properties and properties under development	4,171	1,895
Properties under development transferred to income properties	756	3,284

14. Related Party Transactions

During the year, 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 amounts and have been reflected in the financial statements as follows:

Period of three months ended March 31,	2005	2004
	$	$
Rental revenue from income properties	184	395
Other income	64	127
Income properties and properties under development	8,856	8,304
Deferred expenses and other assets	1,549	1,069
Accounts receivable	697	672
Accounts payable and accrued liabilities	5,632	2,740

15. 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 and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are described in notes 6, 7 and 8 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, accounts payable and accrued liabilities and distribution payable to unitholders, approximated the carrying value as at March 31, 2005 due to their short-term nature.

As at March 31, 2005, the fair value of mortgages payable exceeded the carrying value by approximately $6,582 [$7,379 as at December 31, 2004] 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 March 31, 2005, the fair value of convertible debentures approximates their carrying value in light of current market rates for debentures with similar terms and maturities.

16. Subsequent Event

During April 2005, Cominar acquired an industrial and mixed-use property for a consideration of $0.62 million.

17. Segmented Information

Cominar's activities include three property types located entirely in the Province of Québec. The accounting policies followed by each property type are the same as those disclosed in the significant accounting policies. The following table indicates the financial information related to these property types:

Period of three months ended March 31, 2005

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	10,935	9,532	10,006	30,473
Depreciation of income properties	1,492	1,136	1,033	3,661
Net operating income (1)	6,416	5,099	5,277	16,792
Income properties	248,566	203,264	187,327	639,157

Period of three months ended March 31, 2004

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	8,801	9,470	9,148	27,419
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

1) Net operating income is operating income before interest, depreciation, amortization, Trust administrative expenses and other income.