# *Interim Report*

Quarter Ended March 31, 2008

COMINAR REAL ESTATE INVESTMENT TRUST

COMINAR

**FIRST QUARTER**

Ended March 31, 2008

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# *Message to Unitholders*

THIS REPORT PRESENTS THE FINANCIAL RESULTS OF COMINAR REAL ESTATE INVESTMENT TRUST FOR THE FIRST QUARTER ENDED MARCH 31, 2008. DETAILED EXPLANATIONS ABOUT OUR RESULTS AND FINANCIAL POSITION ARE PROVIDED IN OUR MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A"), FOLLOWED BY THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND ACCOMPANYING NOTES.

Cominar achieved a record financial performance in the first three months of the year. We are pleased to report an excellent increase of 67.5% in operating revenues which totaled $57.4 million, reflecting the contribution of the properties acquired in 2007 and the first quarter of 2008, the developments completed during these periods and solid same property organic growth. First-quarter net operating income also posted a strong increase of 63.9% to reach $31.4 million, thanks to the contribution of our three sectors which maintained solid growth during the period. We recorded recurring distributable income of $15.7 million, up 35.1%, or $0.35 per unit. Distributions to unitholders grew 35.1% to total $15.4 million or $0.339 per unit.

In the first quarter, we further expanded our real estate portfolio by acquiring the remaining interest in seven Montreal-area industrial properties in which we had purchased an interest in July 2007, following the acquisition of properties from Alexis Nihon Real Estate Investment Trust. We completed these acquisitions for a purchase price of $18.3 million and thereby added a leasable area of 230,716 square feet to our portfolio.

Along with the quarter's excellent results, the salient event of the first three months of 2008 was definitely the start-up of several large-scale projects, primarily in the Quebec City region, pursuant to the development program announced in our 2007 Annual Report. Combined, these projects represent an investment of more than $144 million over the next years and attractive value-added potential, having an average capitalization rate of 9.4%.

In January, we thus initiated a major construction representing an investment of approximately $110 million at a 9.3% estimated capitalization rate. Well located on Laurier Boulevard in Quebec City, this property will cover a total leasable area of more than 720,000 square feet. The first 396,000-square-foot phase will be completed at an approximate budget of $74 million and will be ready to receive its first occupants in August 2009.

During the quarter, we also began the final phase of revitalizing Les Promenades Beauport shopping centre, located on du Carrefour Boulevard in Quebec City, representing a $7.9 million investment at a 9.3% estimated capitalization rate.

Also in the Quebec City region, we initiated the construction of a 50,000-square-foot industrial and mixed-use property at a cost of $2.9 million and a 9.6% capitalization rate. This construction is an integral part of a project consisting of three industrial properties that will represent a leasable area of over 170,000 square feet.

Finally, we built a 28,600-square-foot industrial and mixed-use property on 212,000 square feet of land acquired in the Montreal region in February 2008. This project represents a $5.5 million investment and its capitalization rate is estimated at 9.8%. This property has been fully occupied by a single tenant since the beginning of May.

Our leasing activities continued to progress at a steady pace across our portfolio throughout the quarter. As of March 31, 2008, our portfolio occupancy rate stood at 95.3%, thereby exceeding the 94.7% posted as at December 31, 2007. Satisfactory occupancy rates were achieved in all three sectors, and especially in the retail sector where the rate rose to a record high since the inception of the REIT, to 96.2% by the end of the quarter. Considering the high rental demand in our markets and the quality of our properties, we are confident we can renew a large proportion of expiring leases at a higher rate per square foot.

Our primary objective is to continue creating value through optimal organic growth and the completion of acquisitions and development projects matching our criteria of profitability and growth over the long term. With our excellent fundamentals, strong financial position, experienced professional teams, integrated management and distinctive quality of service, we are confident we will achieve a solid performance in upcoming periods.

**Michel Dallaire, Eng.**
President and Chief Executive Officer

May 14, 2008


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# Management's Discussion and Analysis

## Introduction

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT") for the quarter ended March 31, 2008, in comparison with the corresponding quarter of 2007, as well as its financial position at that date and its outlook. Dated May 14, 2008, this MD&A reflects all significant information available to that date and should be read in conjunction with the interim consolidated financial statements and accompanying notes included in this report. Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts, and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The interim 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 Administrators, we hereby caution that the interim consolidated financial statements for the periods ended March 31, 2008 and 2007 have not been reviewed by Cominar's auditors.

Additional information about us, including our 2007 Annual Information Form, is available on our website at *www.cominar.com* and on the Canadian Securities Administrators' ("CSA") website at *www.sedar.com*.

The Board of Trustees, under the recommendation of the Audit Committee, has approved the contents of this MD&A.

## Caution Regarding Forward-Looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2008 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general business and economic conditions in Canada, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate acquisitions successfully, our ability to attract and retain key employees and executives, the financial position of customers, our ability to refinance our debts upon maturity and to lease vacant space, as well as changes in interest rates.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Additional information about these factors can be found in the "Risks and Uncertainties" section of this MD&A.

## Non-GAAP Financial Measures

We issue guidance on and report on certain non-GAAP measures, including "net operating income", "distributable income", "funds from operations" and "adjusted funds from operations", which we use to evaluate our performance. Because non-GAAP measures do not have a standardized meaning and may differ from similar measures presented by other issuers, securities regulations require that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure. You may find such information in the sections dealing with these financial measures.

# Financial Highlights

| For the quarters ended March 31, | 2008 | 2007 |
|---|---|---|
| ***FINANCIAL DATA*** | | |
| Operating revenues (1) | **57,406** | 34,271 |
| Net operating income (1) (2) | **31,386** | 19,152 |
| Net income | **4,014** | 7,324 |
| Distributable income (2) | **15,683** | 11,608 |
| Funds from operations (2) | **18,707** | 13,672 |
| Adjusted funds from operations (2) | **15,705** | 11,608 |
| Distributions | **15,369** | 11,378 |
| Debt ratio | **57.3%** | 47.3% |
| Debt ratio (excluding convertible debentures) | **44.4%** | 43.9% |
| Total assets | **1,473,147** | 844,514 |
| Market capitalization | **924,746** | 880,917 |
| ***PER UNIT FINANCIAL DATA*** | | |
| Net income (basic) | **0.09** | 0.20 |
| Distributable income (basic) | **0.35** | 0.31 |
| Distributable income (FD) (3) | **0.35** | 0.31 |
| Funds from operations (FD) | **0.40** | 0.36 |
| Adjusted funds from operations (FD) | **0.35** | 0.31 |
| Cash distributions | **0.339** | 0.306 |
| Distributable income payout ratio | **96.9%** | 98.7% |
| ***OPERATIONAL DATA*** | | |
| Number of properties | **208** | 145 |
| Leasable area (in thousands of sq. ft.) | **17,253** | 10,474 |
| Occupancy rate | **95.3%** | 94.8% |
| ***ACQUISITIONS/DEVELOPMENTS*** | | |
| **Acquisitions** | | |
| Number of properties | **7** (4) | 6 |
| Leasable area (in thousands of sq. ft.) | **231** | 284 |
| Total investment | **18,564** | 28,980 |
| Weighted average capitalization rate | **6.8%** | 9.2% |
| **Completed developments** | | |
| Number of properties | — | 1 |
| Leasable area (in thousands of sq. ft.) | — | 107 |
| Total investment | — | 6,200 |
| Weighted average capitalization rate | — | 10.1% |
| **Ongoing and upcoming developments** | | |
| Number of properties | **7** | 6 |
| Estimated leasable area (in thousands of sq. ft.) | **1,103** | 457 |
| Forecast total investment | **144,200** | 33,000 |
| Forecast weighted average capitalization rate | **9.4%** | 9.7% |

*(1) Certain figures for the first quarter of 2007 have been reclassified as discontinued operations in conformity with GAAP.*
*(2) Non-GAAP financial measures.*
*(3) Fully diluted*
*(4) Cominar has acquired the remaining interest in seven properties that were co-owned.*

## General Business Overview

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Quebec. As of May 14, 2008, we own and manage a high-quality portfolio of 211 properties including 36 office buildings, 38 retail buildings and 137 industrial and mixed-use buildings covering 17.6 million square feet in the Quebec City, Montreal and Ottawa areas.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects. Consequently, the gross book value of our real estate assets has increased more than sixfold since 1998, rising from $244.6 million to over $1.5 billion as at March 31, 2008.

Our asset and property management is entirely internalized and we are a fully integrated, self-managed real estate investment operation. Thus, we are not bound to a third party by management contracts or property management fees. This mode of operation reduces the potential for conflict between the interests of management and the Trust, while ensuring that the interests of management and employees are aligned with those of unitholders. The result is an improved financial performance for Cominar.

## Objectives and Strategy

### OBJECTIVES

Cominar's primary objectives are to provide its unitholders with growing tax-deferred cash distributions, payable monthly, and to increase and maximize unit value through proactive management and the growth of its property portfolio.

### STRATEGY

To continue to ensure the growth of distributions and to increase return on investment for unitholders, Cominar strives to manage growth, operational risk and debt in a flexible and prudent manner. The key strategic axes for reaching these objectives are:

- **Acquisition as well as construction, redevelopment and expansion of properties offering a high potential for return**

To increase the leasable area in its property portfolio, Cominar continues to seek acquisition, construction and development opportunities in the Quebec City, Montreal and Ottawa areas. The key criterion in evaluating any acquisition or development continues to be the ratio between the acquisition or development price, the related debt and the anticipated profitability of the project in question over the short and long term. Cominar maintains a conservative growth strategy, based on a very strict selection of properties to be acquired and the construction and development of quality properties in locations in great demand with customers.

- **Diversification of our property portfolio**

This strategic axis includes the following elements:

(a) **Sector diversification** has been an integral part of our strategy from the beginning and consists in maintaining the right balance in our property portfolio among three sectors of activity: office buildings, retail properties and industrial and mixed-use properties. By diversifying our activities among three types of properties, Cominar reduces the risk associated with any given sector. This diversification contributes to steady revenue and income growth.

(b) **Geographic diversification** – While consolidating its dominant position in the Quebec City area, Cominar has from the outset established a major presence in the Montreal area where it owns, as at May 14, 2008, 113 properties representing more than 10.3 million square feet of leasable area. In addition, in 2007, Cominar acquired its first properties in the Ottawa region. As with sector diversification, geographic diversification allows Cominar to better mitigate the risks associated with the real estate business.

(c) **Customer diversification** – Cominar serves an extensive and diverse customer base operating in many sectors of activity. Customers occupy an average area of 6,800 square feet. This diversification allows us to maintain foreseeable cash flows.

- **Proactive property management emphasizing the growth of occupancy rates and net leasing income**

Retail real estate is a dynamic investment and requires active and experienced management. With its integrated management, Cominar exercises rigorous, preventive and cost-effective control over its operations. Expanding our property portfolio enables us to achieve economies of scale and synergies. We thereby assure delivery of efficient, cost-effective services to our customers. The result is increased customer satisfaction and high occupancy and retention rates.

- **Prudent financial management**

Debt management continues to be a decisive factor in growth and stability for a real estate investment trust. Cominar maintains its debt ratio below the maximum authorized by its Contract of Trust and at a level we deem prudent. We believe that this disciplined policy contributes to the stability of future distributions and to prudent growth of the Trust. We also take a conservative approach to managing the distributions ratio, which we regard as another key factor in the stability of future distributions. This approach allows us to retain the funds needed for our capital expenditures and for the implementation of our leasing programs.

## Performance Indicators

Cominar measures the success of our strategy with a number of performance indicators, as follows:

**Operational Performance**
Customer satisfaction is defined as customer perception and judgment of the service received and their loyalty with respect to Cominar. Two indicators are used to measure customer satisfaction: occupancy rate and retention rate; the latter is calculated as the leasable space of renewed leases divided by the leasable space of leases that expired during the year.

**Financial Performance**
To measure our financial performance, Cominar uses the following key indicators:

- same property net operating income, which provides an indication of the operating profitability of the existing portfolio, i.e. Cominar's ability to increase revenues and reduce costs, and thereby generate added value for its unitholders;

- the NOI margin, which provides an indication of the operating profitability of the portfolio;

- (recurring) distributable income per unit, which represents a benchmark for investors to judge the stability of distributions;

- (recurring) funds from operations per unit, which represent a standard real estate benchmark to measure an entity's performance, excluding amortization calculated using historical costs from net income established in accordance with GAAP;

- (recurring) adjusted funds from operations per unit which, deducting the investments needed to maintain the portfolio's production capacity from funds from operations, represent a meaningful measure of Cominar's ability to generate cash flows; and

- the debt ratio, which is used to assess the financial balance essential to the smooth running of an organization.

Definitions and other information regarding these performance indicators are provided in the relevant sections.

# *Recent Events*

## *ACQUISITION OF INCOME PROPERTIES*

On February 29, 2008, Cominar acquired from Investors Group Trust Co. Ltd. and I.G. Investment Management Ltd., trustees for Investors Real Property Fund ("Investors") their undivided 50% interest in the following industrial properties:

- 1875 55th Avenue and 20-62 Lindsay Avenue, Dorval (Montreal) Quebec;
- 1520-1660 55th Avenue and 5430 Fairway Street, Lachine (Montreal) Quebec;
- 1730-1850 55th Avenue and 5435 François-Cusson Street, Lachine (Montreal) Quebec;
- 1200 55th Avenue, Lachine (Montreal) Quebec;

and their undivided 75% interest in the following three industrial properties:

- 731-749 Meloche Avenue and 11450 chemin de la Côte-de-Liesse, Dorval (Montreal) Quebec;
- 679-701 Meloche Avenue and 135-137 Lindsay Avenue, Dorval (Montreal) Quebec;
- 703-729 Meloche Avenue, Dorval (Montreal) Quebec;

under the terms of the exercising of the purchase-sale provisions included in the joint ownership agreement, initiated by Investors, for a purchase price of $18.3 million.

Cominar acquired its interests in the co-owned businesses from Alexis Nihon Real Estate Investment Trust in July 2007.

On February 7, 2008, Cominar acquired 212,000 square feet of land located in Boucherville, in the Montreal area, on which it built a 28,600-square-foot industrial and mixed-use property during the second quarter.

On May, 12, 2008, Cominar acquired two industrial properties representing a leasable area of 344,846 square feet, for a consideration of $23.0 million and at a 9.7% average capitalization rate. These two properties are located in Quebec: one in Lévis and the other in Saguenay. They are fully occupied under long-term leases. Both properties are excellent constructions, very well located and leased to solidly established businesses.

## *DEVELOPMENT ACTIVITIES*

In January 2008, Cominar initiated a large-scale construction in Quebec City, specifically a retail and office property located on Laurier Boulevard, one of the major thoroughfares in the city, with its many hotels, office buildings and shopping centres. This property will consist of two office towers having a leasable area of more than 720,000 square feet, including approximately 100,000 square feet that will be used for retail purposes. The construction cost is estimated at nearly $110 million and the capitalization rate at 9.3%. This project will be carried out in two phases. The first will represent 396,000 square feet at a cost of approximately $74 million and will be ready to receive its first occupants in August 2009.

Moreover, in the first quarter of 2008, Cominar began the final phase of revitalizing Les Promenades Beauport shopping centre, located on du Carrefour Boulevard in Quebec City. This project consists of a 50,000-square-foot expansion designed for office space and the renovation of a retail leasable area of 65,000 square feet. The total cost of the project is estimated at $7.9 million at a 9.3% capitalization rate.

In February 2008, Cominar initiated the construction of an industrial and mixed-use property located in Boucherville, in the Montreal region. This property represents a leasable area of 28,600 square feet and a $5.5 million investment. Its capitalization rate is estimated at 9.8%. This property is a turnkey project that has been fully occupied by a single tenant since the beginning of May 2008.

Finally, during the first quarter of 2008, Cominar began the ground leveling work to prepare for the first phase of the 4th Avenue project in Lévis, which will consist in the construction of a 50,000-square-foot property. The construction cost is estimated at $2.9 million at a 9.6% capitalization rate.

### FINANCING ACTIVITIES

In March 2008, Cominar contracted a $30.0 million mortgage payable with a financial institution, at an annual contractual interest rate of 5.357% for a 10-year term. This loan is secured by immovable hypothecs on income properties.

### UNIT REPURCHASE PROGRAM

On March 6, 2008, Cominar announced that the Toronto Stock Exchange had approved its unit repurchase program, authorizing it to purchase up to 2,265,278 of the 45,305,565 units issued and outstanding as at February 25, 2008 (representing 5% of Cominar's issued and outstanding units at that date), as an appropriate use of Cominar's funds.

As a result of such purchases, the number of units in circulation will be reduced and the proportionate interest of all remaining unitholders in the capital of Cominar will be increased on a pro rata basis. Cominar will thus have the flexibility to purchase units on the open market through the facilities of the Toronto Stock Exchange, from time to time, over the 12-month period beginning March 10, 2008 and ending on March 9, 2009. All units purchased under the unit repurchase program will be cancelled.

## Performance Analysis

### RESULTS OF OPERATIONS

The following table summarizes our results of operations for the quarters ended March 31, 2008 and 2007, and should be read in conjunction with the consolidated interim financial statements and accompanying notes presented in this Interim Report. It should be noted that certain amounts for fiscal 2007 have been reclassified as "discontinued operations" in conformity with GAAP.

| For the quarters ended March 31, | **2008** | 2007 | Δ$ |
|---|---|---|---|
| Operating revenues | **57,406** | 34,271 | 23,135 |
| Operating expenses | **26,020** | 15,119 | 10,901 |
| Net operating income | **31,386** | 19,152 | 12,234 |
| Interest on borrowings | **11,881** | 5,218 | 6,663 |
| Depreciation of income properties | **12,470** | 4,388 | 8,082 |
| Amortization of deferred leasing costs | **2,131** | 1,672 | 459 |
| Amortization of other assets | **62** | 50 | 12 |
| Trust administrative expenses | **879** | 621 | 258 |
| Other revenues | **51** | 92 | (41) |
| Net income from continuing operations | **4,014** | 7,295 | (3,281) |
| Net income from discontinued operations | **—** | 29 | (29) |
| Net income | **4,014** | 7,324 | (3,310) |
| Net income per unit (basic and diluted) | **0.09** | 0.20 | (0.11) |

## *FINANCIAL POSITION*

The following table summarizes our assets and liabilities as well as unitholders' equity as at March 31, 2008 and as at December 31, 2007, and should be read in conjunction with the interim consolidated financial statements and accompanying notes presented in this Interim Report.

| | **As at March 31, 2008** | As at December 31, 2007 | Δ$ |
|---|---|---|---|
| ***ASSETS*** | | | |
| Income properties (amortized cost) | **1,332,711** | 1,323,095 | 9,616 |
| Properties under development and land held for future development | **68,613** | 61,280 | 7,333 |
| Other assets | **71,823** | 58,419 | 13,404 |
| **Total** | **1,473,147** | 1,442,794 | 30,353 |
| ***LIABILITIES*** | | | |
| Mortgages payable | **594,416** | 619,755 | (25,339) |
| Convertible debentures | **204,114** | 203,852 | 262 |
| Bank indebtedness | **105,826** | 35,321 | 70,505 |
| Other liabilities | **37,194** | 42,170 | (4,976) |
| | **941,550** | 901,098 | 40,452 |
| ***UNITHOLDERS' EQUITY*** | **531,597** | 541,696 | (10,099) |
| **Total** | **1,473,147** | 1,442,794 | 30,353 |

## *PERFORMANCE INDICATORS*

The following table summarizes our performance indicators for the quarters ended March 31, 2008 and 2007. A detailed analysis of each of these performance indicators is provided on the page indicated:

### PERFORMANCE INDICATORS

| | Page | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|---|
| Same property net operating income | 13 | **19,159** | 18,804 | 355 | 1.9 |
| (Recurring) distributable income per unit (basic) | 17 | **0.35** | 0.31 | 0.04 | 12.9 |
| (Recurring) funds from operations per unit (basic) | 20 | **0.41** | 0.37 | 0.04 | 10.8 |
| (Recurring) adjusted funds from operations per unit (basic) | 21 | **0.35** | 0.31 | 0.04 | 12.9 |

| | Page | **2008** | 2007 | Δ% | Δ% |
|---|---|---|---|---|---|
| NOI margin | 13 | **54.7%** | 55.9% | (1.2) | (2.2) |
| Debt ratio | 24 | **57.3%** | 47.3% | 10.0 | 21.1 |
| Occupancy rate | 28 | **95.3%** | 94.8% | 0.5 | 0.1 |

# Results of Operations

## OVERALL ANALYSIS

### OPERATING REVENUES

We achieved excellent revenues during the first quarter of 2008. The 67.5% increase in operating revenues is due mainly to the contribution, since June 2007, of the office and industrial and mixed-use properties acquired from Alexis Nihon in 2007, as well as other acquisitions and developments completed in 2007 and 2008.

**OPERATING REVENUES**

| For the quarters ended March 31, | 2008 | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Same property portfolio (1) | **34,554** | 33,775 | 779 | 2.3 |
| Acquisitions and developments | **22,852** | 496 | 22,356 | — |
| Total operating revenues | **57,406** | 34,271 | 23,135 | 67.5 |

*(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2006, except those taken into account in the calculation of net income from discontinued operations, and does not include the benefits of acquisitions and developments completed and integrated in 2007 and 2008.*

Our same property portfolio posted a 2.3% increase in operating revenues during the first quarter of 2008 over the corresponding period of 2007. This organic growth is due to rent increases provided for under existing leases, as well as higher rents obtained on the renewal of leases and the signature of new leases. It reflects the high quality of our properties and the sustained rental growth in our markets.

### OPERATING EXPENSES

Operating expenses increased by 72.1% during the first quarter of 2008 over the corresponding period of 2007. This variation reflects the increase in the portfolio's size as a result of the acquisitions and developments completed in 2007 and 2008.

**OPERATING EXPENSES**

| For the quarters ended March 31, | 2008 | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Same property portfolio | **15,395** | 14,971 | 424 | 2.8 |
| Acquisitions and development | **10,625** | 148 | 10,477 | — |
| **Total operating expenses** | **26,020** | 15,119 | 10,901 | 72.1 |

### NET OPERATING INCOME

Although Net Operating Income ("NOI") is not a financial measure defined by GAAP, it is widely used in the real estate industry to assess operating performance. We define it as operating income before interest on borrowings, depreciation of income properties, amortization of deferred leasing costs and other assets, Trust administrative expenses, other revenues and unusual items. This definition may differ from that of other issuers and, therefore, Cominar's net operating income may not be comparable to similar measures presented by such other issuers.

### NET OPERATING INCOME

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Same property portfolio | **19,159** | 18,804 | 355 | 1.9 |
| Acquisitions and developments | **12,227** | 348 | 11,879 | — |
| **Total NOI** | **31,386** | 19,152 | 12,234 | 63.9 |
| **NOI margin** | | | | |
| Same property portfolio | **55.4%** | 55.7% | | |
| Overall portfolio | **54.7%** | 55.9% | | |

NOI grew 63.9% during the first quarter of 2008 over the same period of 2007, while our NOI margin stood at 54.7% of operating revenues, representing a slight decline of 1.2% from the corresponding period of 2007. This decrease is due mainly to the acquisition of the Alexis Nihon REIT's properties which yielded an annual profit margin of approximately 50% at the purchase date. Our NOI margins (financial performance indicator) are still among the highest of real estate investment trusts, thanks to rigorous management of the Trust.

Same property NOI (financial performance indicator) grew 1.9% during the first quarter of 2008 due mainly to the increase in operating revenues and to a stringent control of operating expenses.

Cominar's management considers the analysis of same property NOI particularly important because this measure provides an indication of our success in containing operating expenses and our ability to transfer these controlled expenses to our customers. The growth in operating revenues also attests to our ability to negotiate lease agreements that provide growing cash flows over time, thereby contributing to the delivery of added value for unitholders.

### *INTEREST ON BORROWINGS*

In the first quarter of 2008, total interest on borrowings doubled as compared with the same period of 2007, due mainly to the different financing agreements arranged or assumed for the settlement of recent acquisitions. It represented 20.7% of operating revenues as at March 31, 2008, which compares favourably with its peers. It represented 15.2% as at March 31, 2007.

The following table indicates the source of interest on borrowings presented in our financial statements:

### INTEREST ON BORROWINGS

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Mortgages and bank indebtedness | **9,414** | 5,367 | 4,047 | 75.4 |
| Convertible debentures | **3,135** | 582 | 2,553 | — |
| Amortization of borrowing costs | **373** | 139 | 234 | — |
| Accretion of liability component of convertible debentures | **9** | — | 9 | — |
| Amortization of fair value adjustments on assumed mortgages payable | **(31)** | — | (31) | — |
| Less: Capitalized interest | **(1,019)** | (457) | (562) | — |
| Less: Interest related to discontinued operations | **—** | (413) | 413 | — |
| Total interest on borrowings | **11,881** | 5,218 | 6,663 | 127.7 |

## *DEPRECIATION OF INCOME PROPERTIES*

In the first quarter of 2008, depreciation of income properties almost tripled as compared with the same period of 2007. This increase is due to the acquisitions and developments completed in 2007 and 2008. It should be noted that since September 2003, the CICA has required that the purchase price of an income property be allocated between tangible assets comprising the land and the building, and intangible assets such as operating leases and customer relationships. These intangible assets are amortized on a straight-line basis over the terms of related leases. The resulting amortization is therefore accelerated relative to the depreciation of properties held for a number of years. Thus, the depreciation attributable to income properties acquired or completed during the year represented 2.0 times that of the same property portfolio, or 67.0% of the total depreciation of income properties.

### DEPRECIATION OF INCOME PROPERTIES

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Same property portfolio | **4,121** | 4,328 | (207) | (4.8) |
| Acquisitions and developments | **8,349** | 60 | 8,289 | — |
| Total depreciation of income properties | **12,470** | 4,388 | 8,082 | — |

### DEPRECIATION OF INCOME PROPERTIES

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Amortization of tangible assets | **7,220** | 4,001 | 3,219 | 80.5 |
| Amortization of intangible assets | **5,250** | 387 | 4,863 | — |
| Total depreciation of income properties | **12,470** | 4,388 | 8,082 | 184.2 |

## *TRUST ADMINISTRATIVE EXPENSES*

Administrative expenses increased by 41.5% to $0.8 million in the first quarter of 2008. This is due mainly to an increase in human resources following the acquisition of the Alexis Nihon properties and new hires to support the growth needs of our real estate portfolio. Despite this increase, the Trust's administrative expenses represented only 1.5% of 2008 operating revenues, compared with 1.8% for the corresponding quarter of 2007.

## *DISCONTINUED OPERATIONS*

In accordance with CICA Handbook Section 3475, the results of discontinued operations must be reclassified as a distinct component of net income for the fiscal year in which the sale of these operations took place, as well as for the previous year presented for comparative purposes. Consequently, net income related to a property expropriated in September 2007 (as described under "Contingency") is presented as net income from discontinued operations.

## NET INCOME

Despite the excellent revenues achieved in the first quarter of 2008 and the growth of all of Cominar's key performance indicators, net income for the quarter was down 45.2% from the same period of 2007. In fact, the comparison of 2008 net income with that of 2007 is not meaningful due mainly to the significant increase in depreciation of income properties attributable to acquisitions and developments completed in 2007 and 2008. The impact of this depreciation expense is based on the assumption that the value of properties declines over time. The impact of this assumption has been magnified by the application of the new rule explained on page 13 of this MD&A under "Depreciation of Income Properties". The reality tends to show that the value of properties rises or falls according to real estate market conditions.

### NET INCOME

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Net income | **4,014** | 7,324 | (3,310) | (45.2) |
| Net income per unit (basic and diluted) | **0.09** | 0.20 | (0.11) | (55.0) |

## CONTINGENCY

An expropriation process was initiated in June 2006 by the Centre hospitalier de l'Université de Montréal (CHUM) for the property located at 300 Viger Street in Montreal, Quebec. The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served on Cominar on August 27, 2007, with an effective date of September 1, 2007, and the Quebec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity amounts to $30 million and was received during 2007. The definitive indemnity will be set by the Quebec Administrative Court or settled by the parties in the coming year. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity and, consequently, Cominar has recognized no gain or loss in connection with this expropriation.

## SEGMENTED ANALYSIS

Cominar's activities encompass three categories of real estate properties located in the Greater Quebec City, Montreal and Ottawa areas. The following tables present the contributions of these properties to net operating income, by sector of activity and geographic location, for the quarters ended March 31, 2008 and 2007. Variations are attributable primarily to acquisitions completed in 2007 and 2008.

## SEGMENTED INFORMATION BY SECTOR OF ACTIVITY

### NET OPERATING INCOME

| For the quarters ended March 31, | **2008** | **2008** | 2007 | 2007 |
|---|---|---|---|---|
| Sector of activity | | | | |
| Office | **13,184** | **42.0%** | 6,414 | 33.5% |
| Retail | **6,415** | **20.4%** | 5,828 | 30.4% |
| Industrial and mixed-use | **11,787** | **37.6%** | 6,910 | 36.1% |
| **Total NOI** | **31,386** | **100.0%** | 19,152 | 100.0% |

### Office Sector

In the first quarter of 2008, NOI from office properties more than doubled subsequent to the addition to the portfolio of 22 properties in this sector since the beginning of 2007. The NOI margin declined slightly due mainly to properties acquired from Alexis Nihon, which had a lower occupancy rate at the acquisition date than Cominar's existing properties. The efforts made to increase the occupancy rates in these properties have yielded benefits, as indicated under "Real Estate Operations".

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Operating revenues | **24,801** | 11,271 | 13,530 | — |
| Operating expenses | **11,617** | 4,857 | 6,760 | — |
| **NOI – Office** | **13,184** | 6,414 | 6,770 | 105.6% |
| **NOI margin – Office** | **53.2%** | 56.9% | | |

### Retail Sector

The retail sector's net operating income grew 10.1% in the first quarter of 2008 over the same period of 2007, due mainly to the addition of six properties in this sector in 2007.

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Operating revenues | **11,704** | 10,692 | 1,012 | 9.5% |
| Operating expenses | **5,289** | 4,864 | 425 | 8.7% |
| **NOI – Retail** | **6,415** | 5,828 | 587 | 10.1% |
| **NOI margin – Retail** | **54.8%** | 54.5% | | |

### Industrial and Mixed-Use Sector

The industrial and mixed-use sector achieved an excellent performance in the first three months of 2008, with a 70.6% increase in NOI stemming primarily from the acquisitions during 2007 and 2008. This sector's operating revenues grew 69.8%, whereas the increase in operating expenses was limited to 68.8%, contributing to maintain a stable NOI margin.

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | Δ% |
|---|---|---|---|---|
| Operating revenues | **20,901** | 12,308 | 8,593 | 69.8% |
| Operating expenses | **9,114** | 5,398 | 3,716 | 68.8% |
| **NOI – Industrial and mixed-use** | **11,787** | 6,910 | 4,877 | 70.6% |
| **NOI margin – Industrial and mixed-use** | **56.4%** | 56.1% | | |

The following table shows that the recently completed acquisitions, primarily in the Montreal and Ottawa regions, have contributed to a better breakdown of revenue and profit streams, thereby minimizing the risk associated with any one region.

### *SEGMENTED INFORMATION BY GEOGRAPHIC LOCATION*

#### NET OPERATING INCOME

| For the quarters ended March 31, | **2008** | **2008** | 2007 | 2007 |
|---|---|---|---|---|
| Region: | | | | |
| Quebec City | **12,714** | **40.5%** | 12,011 | 62.7% |
| Montreal | **16,611** | **52.9%** | 7,109 | 37.1% |
| Ottawa | **2,061** | **6.6%** | 32 | 0.2% |
| **Total NOI** | **31,386** | **100.0%** | 19,152 | 100.0% |

## *Distributable Income and Distributions*

Although the concept of "distributable income" ("DI") is not a financial measure defined under GAAP, it is a measure widely used in the field of income trusts. We consider DI an excellent tool for assessing the Trust's performance. Given its historical nature, DI per unit is also a useful benchmark enabling investors to ascertain the stability of distributions. Pursuant to the Contract of Trust governing Cominar, the total annual distributions paid monthly to unitholders must represent at least 85% of annual DI.

The following presents the calculation of DI in accordance with the terms of the Contract of Trust as well as reconciliation with net income calculated in accordance with GAAP:

#### DISTRIBUTABLE INCOME

| For the quarters ended March 31, | **2008** | 2007 | Δ$ | |
|---|---|---|---|---|
| **Net income (GAAP)** | **4,014** | 7,324 | (3,310) | |
| + Depreciation of income properties | **12,470** | 4,620 | 7,850 | |
| + Amortization of (below-market)/above-market leases | **(127)** | 30 | (157) | |
| + Compensation costs related to unit option plan | **130** | 49 | 81 | |
| + Accretion of liability component of convertible debentures | **9** | — | 9 | |
| - Deferred rentals | **(782)** | (415) | (367) | |
| - Amortization of fair value adjustments on assumed mortgages payable | **(31)** | — | (31) | |
| (Recurring) DI | **15,683** | 11,608 | 4,075 | |
| *DISTRIBUTIONS TO UNITHOLDERS* | **15,369** | 11,378 | 3,991 | |
| Distributions reinvested under DRIP | **(352)** | (315) | (37) | |
| Cash distributions | **15,017** | 11,063 | 3,954 | |
| **Per unit information:** | | | | Δ% |
| (Recurring) DI (basic) | **0.35** | 0.31 | 0.04 | 12.9 |
| (Recurring) DI (fully diluted) | **0.35** | 0.31 | 0.04 | 12.9 |
| *DISTRIBUTIONS PER UNIT* | **0.339** | 0.306 | 0.033 | |
| DI payout ratio | **96.9%** | 98.7% | (1.8) | |

DI per unit grew 12.9%, thanks mainly to the immediate impact of acquisitions and developments completed since the beginning of 2007 and the 1.9% increase in same property NOI. Per unit distributions rose from $0.306 in 2007 to $0.339 in 2008, an increase of 10.8%, whereas the payout to RDI payout ratio was 96.9%, compared with 98.7% in 2007. It should be noted that this ratio is generally higher in the first quarter, which is usually the year's least profitable period because of winter expenses. These results attest to Cominar's ability to manage the growth of its distributions while maintaining a payout ratio that gives it the latitude needed to ensure the stability of future distributions.

## *TRACK RECORD OF DI PER UNIT*

(Financial Performance Indicator)

| For the quarters ended March 31, | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| DI per unit (basic) | **0.35** | 0.31 | 0.30 | 0.29 | 0.29 |
| RDI per unit (basic) | **0.35** | 0.31 | 0.31 | 0.29 | 0.29 |

Cominar's RDI per unit, established in accordance with its Contract of Trust, is in our opinion a useful tool for assessing the Trust's operating performance because it highlights the per unit notion of the cash flows distributable to unitholders. Furthermore, given its historical nature, it is also a useful benchmark enabling investors to ascertain the stability of distributions.

On July 6, 2007, the Canadian Securities Administrators (CSA) issued an amended version of their "National Policy 41-201 – Income Trusts and Other Indirect Offerings", which includes guidelines on distributable cash.

In accordance with "Amended National Policy 41-201", the Trust is required to reconcile distributable (a non-GAAP measure) with cash flows from operating activities as shown in the financial statements.
The following table presents this reconciliation:

| For the quarters ended March 31, | **2008** | 2007 | Δ$ |
|---|---|---|---|
| **Cash flows from operating activities (GAAP)** | **4,572** | 11,906 | (7,334) |
| - Deferred rentals | **(782)** | (415) | (367) |
| - Amortization of deferred leasing costs | **(2,131)** | (1,672) | (459) |
| - Amortization of deferred financing costs and other assets | **(566)** | (245) | (321) |
| - Change in non-cash operating working capital items | **14,590** | 2,034 | 12,556 |
| **DI** | **15,683** | 11,608 | 4,075 |

Deferred rentals result from straight-line accounting for rent increases set forth in leases. As Cominar does not collect these amounts during the period, deferred rentals are deducted from net income in the calculation of DI.

Although amortization of deferred leasing costs, deferred financing costs and other assets are non-cash items, Cominar deducts them in the computation of DI, as the income items of this amortization must be excluded from cash flows available for distribution to unitholders.

Due to the fact that non-cash working capital items tend to fluctuate over time, Cominar believes they should not affect distributions to unitholders and therefore does not consider them in the calculation of net income.

Cominar also presents the following table, in accordance with CSA guidelines, to allow its readers to assess the source of cash distributions and how they relate to net income:

| For the quarters ended March 31, | **2008** | 2007 | 2006 |
|---|---|---|---|
| Cash flows from operating activities | **4,572** | 11,906 | 5,143 |
| Net income | **4,014** | 7,324 | 6,164 |
| Distributions to unitholders | **15,369** | 11,378 | 10,020 |
| Cash flows from operating activities in (deficiency) excess of distributions to unitholders | **(10,797)** | 528 | (4,877) |

Historically, cash flows from operating activities for the first quarter of a fiscal year have been less than distributions to unitholders for the period, due primarily to the greater outlays required for winter expenses and property taxes partly payable at the beginning of the year. The first quarter of 2007 was an exception to the rule due mainly to the receipt of large amounts from the disposal of income properties.

Cominar temporarily finances its distributions using its available credit facilities.

For the fiscal year ending December 31, 2008, Cominar expects its cash flows from operating activities will suffice to finance its distributions to unitholders.

Cominar considers that the comparison of distributions with net income is not indicative of its capacity to pay sustained distributions to unitholders. The difference between distributions, calculated on the basis of DI, and net income, is primarily attributable to non-cash items, as shown in the reconciliation between net income and DI.

## *Funds from Operations*

Although the notion of "funds from operations" ("FFO") is not a financial measure defined under GAAP, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with GAAP), excluding gains (or impairment provisions and losses) from sales of income properties and extraordinary items, plus depreciation of income properties, amortization of deferred leasing costs and amortization of non-recoverable capital expenditures. FFO should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating FFO is in compliance with REALpac recommendations, but may differ from the methods used by other trusts, and therefore cannot be used for comparison.

We consider FFO a meaningful additional measure of operating performance, since it excludes the assumption that the value of real estate assets diminishes predictably over time and discounts certain items included in net income, established in accordance with GAAP, that are not necessarily indicative of our operating performance (for example, gains or losses from the sale of real estate assets).

The following table presents a reconciliation of net income, as determined in accordance with GAAP, and FFO for the quarters ended March 31, 2008 and 2007:

### FUNDS FROM OPERATIONS

| For the quarters ended March 31, | 2008 | 2007 | Δ$ | |
|---|---|---|---|---|
| **Net income (GAAP)** | **4,014** | 7,324 | (3,310) | |
| + Depreciation of income properties | **12,470** | 4,620 | 7,850 | |
| + Amortization of deferred leasing costs | **2,131** | 1,672 | 459 | |
| + Amortization of non-recoverable capital expenditures | **92** | 56 | 36 | |
| **(Recurring) FFO** | **18,707** | 13,672 | 5,035 | |
| **Per unit information:** | | | | Δ% |
| (Recurring) FFO (basic) | **0.41** | 0.37 | 0.04 | 10.8 |
| (Recurring) FFO (fully diluted) | **0.40** | 0.36 | 0.04 | 11.1 |

Amortization of non-recoverable capital expenditures was added to net income because Cominar includes this expense in the operating expenses of its income properties.

In the first quarter of 2008, FFO increased due to the acquisitions and developments completed during 2007 and 2008, and strong organic growth. FFO per unit grew 10.8% for the quarter; on a fully diluted basis, they increased by 11.1% over the same period of the previous year.

### *TRACK RECORD OF FUNDS FROM OPERATIONS PER UNIT*

(Financial Performance Indicator)

| For the quarters ended March 31, | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| FFO per unit (basic) | **0.41** | 0.37 | 0.35 | 0.34 |
| (Recurring) FFO per unit (basic) | **0.40** | 0.37 | 0.37 | 0.34 |

Cominar's management considers FFO per unit a further useful tool for assessing a real estate company's operating performance. Although this performance indicator is not a measure of the cash flows generated by the REIT, or its ability to deliver distributions, it is widely used in the financial community.

## *Adjusted Funds from Operations*

The notion of "adjusted funds from operations" ("AFFO") is fast becoming a key financial measure in the field of real estate investment trusts. Deducting the normalized investments needed to maintain its real estate portfolio's production capacity from FFO, AFFO constitute an additional measure to assess Cominar's financial performance as well as its ability to maintain and increase its distributions over the long term.

AFFO are not defined under GAAP and should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating AFFO may differ from the methods used by other trusts, and therefore cannot be used for comparison.

In presenting AFFO, Cominar provides the financial community with a measure of its capacity to generate normalized cash flows from the operation of its real estate portfolio. Cominar therefore adjusts FFO to account for additional items not affecting cash and deducts the normalized investments needed to maintain its production capacity.

As of the first quarter of 2008, Cominar's management decided to deduct the amortization of deferred leasing costs and the amortization of non-recoverable capital expenditures expensed during the period rather than deduct the outlays made during the period when calculating AFFO.

The efforts made to raise the occupancy rate of the Alexis Nihon REIT properties acquired in 2007 to approximately 94%, whereas it was 87% at the acquisition date, required Cominar to make a significant investment that, presented on the basis of outlays, would not enable an investor to adequately judge the cash flows generated by such investments, other than over the lease terms.

Cominar considers the amortization of leasing costs expensed during a period to be a realistic estimate of the expenses the REIT must continually incur as leasing costs to maintain its production capacity. Since such amortization represents the spread over the lease term of the amounts irregularly incurred over time (lease expiries, occupancy rates, etc.), there is a better correlation between FFO and the investments required to generate such flows.

Non-recoverable capital expenditures, which also represent major investments made by Cominar as part of the program to maintain its real estate portfolio's production capacity, are not transferable to tenants because of specific lease clauses. These expenditures are usually incurred in the summer and the fall. Cominar considers the amortization of such expenditures over the useful lives of the assets to be an adequate representation of the ongoing investments needed to maintain the properties in good condition.

In Cominar's opinion, the various items added to interest expense, including the amortization of transaction costs, are indicative of the amounts that must be periodically reserved to maintain its borrowing capacity. Accordingly, no adjustment is required.

Prior-period AFFO have been restated.

The following table presents a reconciliation of FFO and AFFO for the quarters ended March 31, 2008 and 2007:

## ADJUSTED FUNDS FROM OPERATIONS

| For the quarters ended March 31, | 2008 | 2007 | Δ$ | |
|---|---|---|---|---|
| **FFO** | **18,707** | 13,672 | 5,035 | |
| + Compensation costs related to unit option plan | **130** | 49 | 81 | |
| - Deferred rentals | **(782)** | (415) | (367) | |
| - Amortization of (below-market)/above-market leases | **(127)** | 30 | (157) | |
| - Amortization of deferred leasing costs | **(2,131)** | (1,672) | (459) | |
| - Amortization of non-recoverable capital expenditures | **(92)** | (56) | (36) | |
| **(Recurring) AFFO** | **15,705** | 11,608 | 4,097 | |
| **Per unit information:** | | | | Δ% |
| (Recurring) AFFO per unit (basic) | **0.35** | 0.31 | 0.04 | 12.9 |
| (Recurring) AFFO per unit (fully diluted) | **0.35** | 0.31 | 0.04 | 12.9 |

AFFO per fully diluted unit grew 12.9% in the first quarter of 2008 over the same period of the previous year.

### *TRACK RECORD OF ADJUSTED FUNDS FROM OPERATIONS PER UNIT*

(Financial Performance Indicator)

| For the quarters ended March 31, | **2008** | 2007 | 2006 |
|---|---|---|---|
| AFFO per unit (basic) | **0.35** | 0.31 | 0.29 |
| (Recurring) AFFO per unit (basic) | **0.35** | 0.31 | 0.31 |

## *Liquidity and Capital Resources*

### *LONG-TERM DEBT*

The following table presents Cominar's debt balances as at March 31, 2008, including mortgages payable and convertible debentures, by year of maturity and weighted average contractual interest rates:

**LONG-TERM DEBT**

| Years of maturity | Balance of convertible debentures ($) | Balance of mortgages payable ($) | Weighted average contractual interest rate (%) |
|---|---|---|---|
| 2008 | | 81,299 | 6.15 |
| 2009 | | 54,224 | 5.58 |
| 2010 | | 25,630 | 5.10 |
| 2011 | | 6,053 | 7.98 |
| 2012 | | 21,261 | 7.04 |
| 2013 | | 7,986 | 7.30 |
| 2014 | 214,553 | 42,261 | 5.91 |
| 2015 | | 14,131 | 5.13 |
| 2016 | | — | — |
| 2017 | | 131,828 | 5.38 |
| 2018 | | 60,204 | 5.43 |
| 2019 | | 17,485 | 6.67 |
| 2020 | | — | — |
| 2021 | | 97,899 | 5.55 |
| 2022 | | 34,648 | 5.35 |
| **Total** | **214,553** | **594,909** | **5.76** |

### *MORTGAGES PAYABLE*

As at March 31, 2008, mortgages payable amounted to $594.9 million, compared with $620.1 million as at December 31, 2007, a decrease of $25.2 million. As at March 31, 2008, the weighted average contractual interest rate was 5.74%, down from 5.78% as at December 31, 2007.

Cominar has staggered mortgage expiry dates over a number of years to reduce the risks related to renewal. As at March 31, 2008, the residual average term of mortgages payable was 7.5 years.

The following table presents the changes in mortgages payable in 2008:

### MORTGAGES PAYABLE

| For the quarters ended March 31, 2008 | $ | Weighted average contractual rate (%) |
|---|---|---|
| Balances of mortgages payable, beginning of period | 620.1 | 5.78 |
| Mortgages payable contracted | 30.0 | 5.36 |
| Repayment of balances at maturity | (51.1) | 6.00 |
| Monthly repayment of principal | (4.1) | — |
| **Balances of mortgages payable, end of period** | **594.9** | **5.74** |

In the first quarter of 2008, Cominar repaid outstanding mortgages payable for a consideration of $51.1 million using its credit facilities.

In March 2008, Cominar contracted a new $30.0 million mortgage payable with a financial institution at a 5.357% contractual interest rate for a 10-year term. The net proceeds were used to repay outstanding credit facilities.

The following table shows mortgage repayments for the coming years:

### MORTGAGE REPAYMENTS

| Years ending December 31, | Repayment of principal | Balance at maturity | Total | % of total |
|---|---|---|---|---|
| 2008 | 10,468 | 81,027 | 91,495 | 15.4 |
| 2009 | 12,352 | 52,341 | 64,693 | 10.9 |
| 2010 | 12,513 | 24,070 | 36,583 | 6.1 |
| 2011 | 12,813 | 5,056 | 17,869 | 3.0 |
| 2012 | 12,718 | 16,380 | 29,098 | 4.9 |
| 2013 | 12,087 | 4,841 | 16,928 | 2.8 |
| 2014 | 11,824 | 32,210 | 44,034 | 7.4 |
| 2015 | 11,169 | 11,073 | 22,242 | 3.7 |
| 2016 | 11,446 | — | 11,446 | 1.9 |
| 2017 | 10,478 | 109,423 | 119,901 | 20.2 |
| 2018 | 9,077 | 24,619 | 33,696 | 5.7 |
| 2019 | 3,988 | 4,141 | 8,129 | 1.4 |
| 2020 | 3,987 | — | 3,987 | 0.7 |
| 2021 | 2,396 | 67,963 | 70,359 | 11.8 |
| 2022 | 262 | 24,187 | 24,449 | 4.1 |
| **Total** | **137,578** | **457,331** | **594,909** | **100.0** |

Between now and the end of 2008, balances of $81.0 million in mortgages payable will mature. These loans relate to Place de la Cité in Quebec City, one of Cominar's most prestigious properties.

## *CONVERTIBLE DEBENTURES*

Cominar considers convertible debentures a highly flexible means of financing because they leave properties free of liens.

Due to the significant increase in Cominar's unit price since the issue in September 2004 of Series A unsecured subordinated convertible debentures bearing contractual interest at 6.3% per annum, a large number of convertible debentures have been converted into units. Of the original $100.0 million issue, only $24.05 million remained outstanding as at March 31, 2008. Each debenture is convertible into units of the REIT at a conversion price of $17.40 per unit.

## *BANK INDEBTEDNESS*

As at March 31, 2008, Cominar had operating and acquisition credit facilities of $180 million, renewable annually, at interest rates of 0.00% to 0.50% above prime. These credit facilities were secured by movable and immovable hypothecs on specific assets. They are provided by three different financial institutions, and management has reason to believe that they will remain available in the future. As at March 31, 2008, bank indebtedness totaled $105.8 million. Thus, Cominar had available credit facilities of $74.2 million.

## *DEBT RATIO*

The following table presents debt ratios as at March 31, 2008 and December 31, 2007:

### DEBT TO GROSS BOOK VALUE RATIO

| | **As at March 31, 2008** | As at December 31, 2007 |
|---|---|---|
| Mortgages payable | **594,416** | 619,755 |
| Convertible debentures | **204,114** | 203,852 |
| Bank indebtedness | **105,826** | 35,321 |
| Total long-term debt | **904,356** | 858,928 |
| Portfolio gross book value | **1,577,884** | 1,535,478 |
| Overall debt ratio (1) (2) | **57.3%** | 55.9% |
| Debt ratio (excluding convertible debentures) | **44.4%** | 42.7% |
| Borrowing power - 65% of gross book value | **346,000** | 397,000 |
| Borrowing power - 60% of gross book value | **106,000** | 156,000 |

*(1) The overall debt to gross book value ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross book value of the property portfolio (total value of assets plus accumulated depreciation).*

*(2) This ratio is not defined by GAAP and may differ from similar measures presented by other entities.*

## *DEBT RATIO TRACK RECORD*

(Financial Performance Indicator)

| For the quarters ended March 31, | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Overall debt ratio | **57.3** | 47.3 | 50.0 | 49.5 | 43.5 |
| Debt ratio (excluding convertible debentures) | **44.4** | 43.9 | 37.8 | 35.9 | 43.5 |
| Maximum borrowing power allowed by the Contract of Trust ($M) | **346** | 288 | 197 | 192 | 256 |

As at March 31, 2008, Cominar maintained a debt ratio of 57.3%, which is less than the maximum debt ratio of 65.0% allowed by its Contract of Trust if convertible debentures are outstanding. Management believes that this disciplined and conservative practice contributes to ensure the stability of future distributions and the prudent growth of the Trust.

The following table presents the interest coverage ratio as at March 31, 2008 and December 31, 2007:

#### INTEREST COVERAGE RATIO

| | As at March 31, 2008 | As at December 31, 2007 |
|---|---|---|
| **Net income** | **4,014** | 29,241 |
| - Net income from discontinued operations | — | (8) |
| + Unusual items | — | (422) |
| - Other revenues | **(51)** | (394) |
| + Interest on borrowings | **11,881** | 35,711 |
| + Depreciation of income properties | **12,470** | 35,514 |
| + Amortization of deferred leasing costs | **2,131** | 6,965 |
| + Amortization of other assets | **62** | 196 |
| EBITDA (1) | **30,507** | 106,803 |
| Interest expense | **11,881** | 36,951 |
| Interest coverage ratio (2) (3) | **2.57** | 2.89 |

*(1) EBITDA is earnings before interest, income taxes, depreciation and amortization.*
*(2) The interest coverage ratio is equal to EBITDA (measure not defined by GAAP) divided by interest expense.*
*(3) This ratio is not defined by GAAP and may differ from similar measures presented by other entities.*

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As at March 31, 2008, the interest coverage ratio was 2.57:1, compared with 2.89:1 as at December 31, 2007, down slightly. It should be noted that this ratio is generally lower than that for the full year because the first quarter is usually the year's least profitable period due to winter expenses.

### OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL COMMITMENTS

Cominar does not have any off-balance sheet arrangements that have or are likely to have an impact on its operating results or its financial position, especially its cash flows and sources of financing.

The REIT has no significant contractual commitments other than those arising from its long-term debt and the payments due under emphyteutic leases for land held for income properties, as described in further detail in the accompanying notes to the interim consolidated financial statements.

During the quarter ended March 31, 2008, Cominar complied with all its commitments to its lenders and was not in default with respect to any restrictive clause at the balance sheet date.

## Property Portfolio

The following table presents information about our property portfolio:

| | As at March 31, 2008 | As at December 31, 2007 |
|---|---|---|
| Income properties (at cost) | **1,437,448** | 1,415,779 |
| Properties under development and land held for future development | **68,613** | 61,280 |
| Other assets | **71,823** | 58,419 |
| Portfolio gross book value | **1,577,884** | 1,535,478 |
| Number of properties | **208** | 208 |
| Leasable area (in thousands of sq. ft.) | **17,253** | 17,022 |

As at March 31, 2008:

| Summary by sector of activity | Number of properties | Leasable area (sq.ft.) |
|---|---|---|
| Office | 36 | 4,792,264 |
| Retail | 38 | 2,644,731 |
| Industrial and mixed-use | 134 | 9,816,179 |
| **Total** | **208** | **17,253,174** |

| Summary by geographic location | Number of properties | Leasable area (sq.ft.) |
|---|---|---|
| Quebec City | 92 | 6,320,875 |
| Montreal | 112 | 10,323,724 |
| Ottawa | 4 | 608,575 |
| **Total** | **208** | **17,253,174** |

## *Acquisition and Development Program*

Over the years, Cominar has achieved much of its growth through high-quality acquisitions based on strict selection criteria in its three sectors of activity. However, the commercial and industrial real estate market is evolving and we must adjust our expansion strategy accordingly to optimize our return on investment. In light of the conditions that recently have prevailed in our three sectors, specifically the great demand for quality income properties and a resulting decline in capitalization rates, as well as a lack of office rental space in Quebec City region, we are intensifying our expansion through construction and development projects that represent strong value-added potential.

We are hence drawing on our specialized resources and our 40-year expertise in real estate development.

### *ACQUISITIONS*

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montreal that were previously co-owned, thereby becoming the sole owner of these income properties. The purchase price amounted to $18.6 million, including transaction fees.

Detailed information about this property acquisition is presented in the following table:

| Income property | City | Sector of activity [1] | Closing date | Leasable area (sq.ft.) | Purchase price ($) | Capitalization rate (%) |
|---|---|---|---|---|---|---|
| 1875 55th Avenue | Dorval | I | 02/08[2] | 40,939 | 18,564 | 6,8 |
| 1520-1660 55th Avenue | Lachine | I | 02/08[2] | 39,511 | — | — |
| 1730-1850 55th Avenue | Lachine | I | 02/08[2] | 39,511 | — | — |
| 1200 55th Avenue | Lachine | I | 02/08[2] | 34,231 | — | — |
| 731-749 Meloche Avenue | Dorval | I | 02/08[2] | 26,675 | — | — |
| 679-701 Meloche Avenue | Dorval | I | 02/08[2] | 26,069 | — | — |
| 703-729 Meloche Avenue | Dorval | I | 02/08[2] | 23,780 | — | — |
| **Total/Weighted average capitalization rate** | | | | **230,716** | **18,564** | **6.8** |

*(1) I = Industrial and mixed-use.*
*(2) These seven properties were acquired pursuant to a single transaction.*

## DEVELOPMENT PROGRAM

### Ongoing Developments

Consistent with its growth strategy, Cominar is pursuing its property development activities, which allow it to obtain higher returns than acquisitions in the current real estate market in Quebec.

In January 2008, Cominar undertook a large-scale project on Laurier Boulevard in Quebec City. One of the largest thoroughfares in Quebec City, located at the exit of the bridges connecting the two shores of the St. Lawrence River, Laurier Boulevard is one of the gateways into the city, with its many hotels, office buildings and shopping centres. This future property, which will enjoy an enviable geographic location, will have a leasable area of more than 720,000 square feet, of which approximately 100,000 square feet will be used for retail purposes, leaving over 620,000 square feet of office space. The construction cost is estimated at $110 million and the capitalization rate is estimated at 9.3%. This project will be completed in two phases. The first will represent 396,000 square feet and a cost of approximately $74 million and will be ready to receive its first occupants in August 2009.

In the first quarter of 2008, Cominar also began the final phase of revitalizing Les Promenades Beauport shopping centre, located on du Carrefour Boulevard in Quebec City. This project consists of the renovation of a leasable area of 65,000 square feet and a 50,000 square-foot expansion, which will bring this shopping centre's total area to approximately 551,000 square feet. The expansion will be used primarily for office space. The total cost of the project is estimated at $7.9 million, at a 9.3% capitalization rate.

In addition, a two-storey industrial and mixed-use property covering a leasable area of 50,000 square feet will be built on 4th Avenue in Lévis, at a cost of $2.9 million and a 9.6% capitalization rate. This construction, which began in the first quarter of fiscal 2008, represents the first phase of a project involving three industrial properties totaling over 170,000 square feet.

In February 2008, Cominar initiated the construction of a 28,600 square-foot industrial and mixed-use property, located in Boucherville in the Montreal region, and representing a $5.5 million investment. Its capitalization rate is estimated at 9.8%. This property is fully occupied by a single tenant since the beginning of May 2008.

Combined, these projects represent an investment of more than $108,2 million over the next years. The average capitalization rate is 9.4%, much higher than returns obtained following acquisitions.

Detailed information about ongoing developments as at March 31, 2008 is presented in the following table:

| Development | City | Sector of Activity (1) | Scheduled completion | Leasable area (sq.ft.) | Investment ($) | Capitalization rate (%) | Leasing status (%) |
|---|---|---|---|---|---|---|---|
| 3025 J.-A. Bombardier | Laval | I | Q2-2008 | 78,757 | 5,300 | 9.9 | 38.8 |
| St-Bruno Power Centre (Phase 1 & 2) | St-Bruno | R | Q3-2008 | 110,240 | 12,600 | 9.8 | 20.0 |
| Laurier Boulevard (Phase 1) | Quebec City | O, R | Q1-2010 | 396,000 | 74,000 | 9.3 | 22.0 |
| Promenades Beauport | Quebec City | O, R | Q4-2008 | 115,000 | 7,900 | 9.3 | 28.0 |
| 4th Avenue (Phase 1) | Lévis | I | Q1-2009 | 50,000 | 2,900 | 9.6 | 21.0 |
| Chemin du Tremblay | Boucherville | I | Q2-2008 | 28,600 | 5,500 | 9.8 | 100.0 |
| **Total/weighted average capitalization rate** | | | | **778,597** | **108,200** | **9.4** | |

*(1) I = Industrial and mixed-use, R = Retail, O = Office*

**Upcoming Development**

The following table presents our upcoming development as at March 31, 2008:

| Development | City | Sector of activity (1) | Scheduled completion | Leasable area (sq.ft.) | Investment ($) | Capitalization rate (%) |
|---|---|---|---|---|---|---|
| Laurier Blvd. – Phase 2 | Quebec City | O, R | 2010 | 324,000 | 36,000 | 9.3 |
| **Total/weighted average capitalization rate** | | | | 324,000 | 36,000 | 9.3 |

*(1) O = Office, R = Retail*

## *Real Estate Operations*

The following table presents our operational performance indicators as at March 31, 2008 and December 31, 2007:

| | **March 31, 2008** | December 31, 2007 |
|---|---|---|
| Occupancy rate | **95.3%** | 94.7% |
| Tenant retention rate | **34.2%** (1) | 82.1% |

*(1) Percentage of expiring leases renewed as of March 31, 2008*

### *OCCUPANCY RATE*

Cominar consistently strives to maximize occupancy rates throughout its portfolio and has successfully maintained 95.0% average occupancy since its inception. As at March 31, 2008, occupancy stood at 95.3%, compared with 94.7% as at December 31, 2007, an increase of 0.6%.

### *OCCUPANCY TRACK RECORD*

(Operational Performance Indicator)

The following table presents occupancy rates by sector of activity over the past five years:

| | **March 31, 2008** | December 31, 2007 | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---|---|---|---|---|---|
| Sector of activity (%) | | | | | |
| Office | **94.3** | 94.7 | 96.0 | 95.0 | 94.7 |
| Retail | **96.2** | 96.0 | 94.3 | 93.6 | 94.0 |
| Industrial and mixed-use | **95.6** | 94.4 | 93.7 | 96.2 | 95.2 |
| Total portfolio | **95.3** | 94.7 | 94.4 | 95.3 | 94.8 |

Occupancy is regarded by Cominar's management as a key indicator of customer satisfaction. Customer satisfaction is defined as customer perception and judgment of our ability to meet their needs and expectations. Our average occupancy rate has fluctuated very little over the past five years, remaining at about 95%, attesting to the fact that our efforts have borne fruit.

**Office.** In the first quarter of 2008, the occupancy rate in this sector was down 0.4% from 94.7% as at December 31, 2007. We nevertheless consider this rate satisfactory, since it stood at approximately 93.3% when the Alexis Nihon properties were acquired in June 2007.

**Retail.** The occupancy rate in the retail sector grew 0.2% in the first quarter of 2008 to 96.2%, a record high since the inception of the Trust.

**Industrial and mixed-use.** As at March 31, 2008, the occupancy rate in the industrial and mixed-use sector was up by 1.2% over 94.4% at the end of 2007, and by 2.4% over the occupancy rate as at June 30, 2007, just after we took possession the Alexis Nihon properties. Cominar's management attributes these results to the efforts of its leasing team, favourable market conditions and our operational strategy.

## *LEASING ACTIVITY*

The following table contains a summary of Cominar's leasing activity in the first quarter of 2008:

### LEASE EXPIRIES AND RENEWALS BY SECTOR

| | Office | Retail | Industrial and mixed-use | **Total** |
|---|---|---|---|---|
| **Expiring leases/2008** | | | | |
| Number of customers | 220 | 139 | 226 | **585** |
| Leasable area (sq.ft.) | 640,239 | 347,891 | 1,645,433 | **2,633,563** |
| Average net rent/sq.ft. ($) | 10.01 | 8.44 | 5.58 | **7.04** |
| **Renewed leases** | | | | |
| Number of customers | 69 | 42 | 80 | **191** |
| Leasable area (sq.ft.) | 243,492 | 130,385 | 526,230 | **900,107** |
| Average net rent/sq.ft. ($) | 10.26 | 11.39 | 5.85 | **7.84** |
| **% renewal** | **38.0%** | **37.5%** | **32.0%** | **34.2%** |
| **New leases** | | | | |
| Number of customers | 38 | 21 | 40 | **99** |
| Leasable area (sq.ft.) | 84,864 | 53,425 | 382,164 | **520,453** |
| Average net rent/sq.ft. ($) | 12.03 | 10.29 | 6.65 | **7.99** |

As indicated in the above table, leasing activity remained strong across our portfolio in the first quarter of 2008, especially in the office and retail sectors where close to 38% of expiring leases were renewed. Our leasing team stepped up its efforts to renew an aggregate 34.2% of leases expiring in 2008, thereby achieving a highly satisfactory performance. We also signed new leases representing a leasable area of 0.5 million square feet. Our renewal rates are up in all three sectors of activity, with increases of 6.25%, 10.26% and 9.38% respectively for the office, retail and industrial sectors.

Considering our solid renewal track record and the demand for rental space in our properties in our two main geographic markets, we are confident we will be able to renew a large proportion of expiring leases at a higher rate per square foot.

## *RETENTION TRACK RECORD*

(Operational Performance Indicator)

The following table presents our retention rates over the past five years:

| For the years ended December 31, | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|
| Retention rate (%) | 82.1 | 85.6 | 75.4 | 76.3 | 76.5 |

Cominar considers retention rate a second indicator of customer satisfaction with the services received. We are very proud of the fact that our retention rate has remained above 75.0% in each of the past eight years.

The following table details our lease maturity profile for the next five years:

### LEASE MATURITY

| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| **Office** | | | | | |
| Leasable area (sq.ft.) | 460,743 | 556,690 | 324,308 | 740,337 | 298,383 |
| Lease rate/square foot ($) | 11.11 | 9.24 | 9.99 | 10.52 | 10.98 |
| % of office portfolio | 9.6% | 11.6% | 6.8% | 15.4% | 6.2% |
| **Retail** | | | | | |
| Leasable area (sq.ft.) | 239,745 | 240,122 | 324,155 | 375,645 | 146,341 |
| Lease rate/square foot ($) | 11.81 | 11.73 | 10.41 | 11.26 | 13.91 |
| % of retail portfolio | 9.1% | 9.1% | 12.3% | 14.2% | 5.5% |
| **Industrial and mixed-use** | | | | | |
| Leasable area (sq.ft.) | 1,341,827 | 1,453,890 | 1,231,054 | 1,344,434 | 685,125 |
| Lease rate/square foot ($) | 5.47 | 5.45 | 5.87 | 6.43 | 6.37 |
| % of industrial and mixed-use portfolio | 13.7% | 14.8% | 12.5% | 13.7% | 7.0% |
| **Portfolio total** | | | | | |
| Leasable area (sq.ft.) | 2,042,315 | 2,250,702 | 1,879,517 | 2,460,416 | 1,129,849 |
| Lease rate/square foot ($) | 7.49 | 7.05 | 7.36 | 8.38 | 8.56 |
| % of portfolio | 11.8% | 13.0% | 10.9% | 14.3% | 6.5% |

The following table summarizes average lease term information as at March 31, 2008:

| | Average remaining lease term (years) | Average customer size (sq.ft.) | Average in-place net rent / sq.ft. ($) |
|---|---|---|---|
| Office | 4.8 | 5,400 | 10.83 |
| Retail | 5.3 | 3,400 | 11.11 |
| Industrial and mixed-use | 3.6 | 11,000 | 5.72 |
| **Portfolio average** | **4.2** | **6,800** | **8.00** |

We have approximately 2,400 customers, occupying on average 6,800 square feet of space. Our broad customer base is highly diversified. Our three largest customers, Public Works Canada, Société immobilière du Québec, a Quebec government corporation and Ericsson Canada, account respectively for approximately 6.71%, 5.41% and 2.92% of our revenues, stemming from several leases with maturities staggered over time. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 14.0% stems from government agencies.

The table below presents the percentage contribution to revenue of our ten largest customers:

| Customer | % of revenues | Leased space (sq.ft.) |
|---|---|---|
| Public Works Canada | 6.71 | 722,284 |
| Société immobilière du Québec | 5.41 | 980,086 |
| Ericsson Canada Inc. | 2.92 | 175,060 |
| LDC Logistics Development Corp. | 1.72 | 527,000 |
| Hudsons Bay Company | 1.43 | 349,312 |
| National Bank of Canada | 1.15 | 145,094 |
| City of Montreal | 1.11 | 116,226 |
| Wal-Mart Canada Inc. | 0.87 | 129,638 |
| Metro Richelieu Inc. | 0.85 | 225,600 |
| Alcan Packaging Canada Ltd. | 0.84 | 162,000 |
| **Total** | **23.01** | **3,532,300** |

## Issued and Outstanding Unit Data

Ownership interests in Cominar are represented by a single class of units, unlimited in number. Units represent a unitholder's proportionate and undivided ownership interest in Cominar. Each unit confers the right to one vote at any unitholders' meeting and to participate equally and ratably in any Cominar distributions.

The following table presents unit issues during the quarters ended March 31, 2008 and 2007:

| For the quarters ended March 31, | **2008** **Units** | **2008** **$** | 2007 Units | 2007 $ |
|---|---|---|---|---|
| Units issued and outstanding, beginning of period | **45,272,683** | **591,172** | 36,600,361 | 400,698 |
| + Units issued on the exercise of options | **41,800** | **572** | 220,100 | 3,077 |
| + Units issued under the distribution reinvestment plan | **12,549** | **490** | 11,521 | 274 |
| + Units issued on the conversion of convertible debentures | **3,676** | **64** | 494,991 | 8,613 |
| + Reversal of contributed surplus on the exercise of options | **—** | **6** | — | 45 |
| Units issued and outstanding, end of period | **45,330,708** | **592,304** | 37,326,973 | 412,707 |

### PER UNIT CALCULATIONS

The following table presents a reconciliation between the weighted average number of basic units outstanding, the weighted average number of diluted units outstanding and the weighted average number of fully diluted units outstanding, used for calculations per unit:

| For the quarters ended March 31, | **2008** | 2007 |
|---|---|---|
| Weighted average number of units outstanding, basic | **45,285,032** | 36,899,236 |
| Dilution related to unit options | **329,455** | 714,947 |
| Weighted average number of units outstanding, diluted | **45,614,487** | 37,614,183 |
| Dilution related to the conversion of convertible debentures | **8,668,402** | 2,123,774 |
| Weighted average number of units outstanding, fully diluted | **54,282,889** | 39,737,957 |

## Related-Party Transactions

Michel Dallaire, Alain Dallaire and Michel Paquet, trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). During the first quarter of 2008, Cominar posted net rental income of $0.2 million from Dalcon and CFA. The Trust incurred $2.4 million in expenses for leasehold improvements performed by Dalcon on its behalf and $3.4 million for the construction and development of income properties. These transactions occurred in the normal course of business and are measured at the exchange value. Using the services of related companies for property construction work and leasehold improvements enables Cominar to achieve significant cost savings while providing better service to its customers.

## Subsequent Events

**Increase in distributions**

In May 2008, Cominar announced an increase in its distributions par unit. Monthly distributions increased to $0.120 per unit and total annual distributions to $1.412 per unit.

**Financing agreements**
In May 2008, Cominar signed agreements with financial institutions for two mortgages of $60,000 and $21,800, for an aggregate amount of $81,000. These new loans will be used to repay credit facilities.

**Acquisition of two industrial properties**
On May, 12, 2008, Cominar acquired two industrial properties representing a leasable area of 344,846 square feet, for a consideration of $23.0 million and at a 9.7% average capitalization rate. These two properties are located in Quebec: one in Lévis and the other in Saguenay. They are fully occupied under long-term leases. Both properties are excellent constructions, very well located and leased to solidly established businesses.

## Controls and Procedures

### DISCLOSURE CONTROLS AND PROCEDURES

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people, or by a management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No changes were made in our internal control over financial reporting during the quarter ended March 31, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Outlook

Cominar's objectives for the remaining quarters of 2008 remain unchanged, specifically to provide unitholders with growing distributions and to maximize unit value through proactive management expansion of our property portfolio.

To that end, Cominar will continue to increase its presence in targeted markets by taking advantage of acquisition opportunities meeting its strict selection criteria. It will pursue its development projects and existing property enhancement projects, which should yield above-market capitalization rates.

Cominar has a portfolio of high-quality properties in strategic locations, providing it with an excellent base to continue delivering a growing return on investment to unitholders. As for the properties acquired in 2007, we are striving to control costs and achieve operational efficiencies.

## Significant Accounting Policies Adopted by Cominar and Use of Estimates

Our MD&A is based upon Cominar's consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles (GAAP). The preparation and presentation of the consolidated financial statements and any other financial information contained in the MD&A involves a judicious choice of appropriate accounting principles and methods whose application requires management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments regarding the carrying amount of assets and liabilities that, in reality, would not be available from other sources. Use of other methods of estimation might have yielded different amounts than those presented. Actual results could differ from these estimates.

### ACQUISITION OF INCOME PROPERTIES

Since September 12, 2003, Cominar has applied the CICA's EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination". In accordance with this Abstract, the CICA requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value, to the fair value of customer relationships and to the fair value of leasehold improvements. This allocation is based on assumptions and estimates made by management. These estimates have an impact on operating revenues and on depreciation of income properties.

### DEPRECIATION OF INCOME PROPERTIES

When income properties are acquired, management allocates a significant proportion of the acquisition cost to the "building" component. Management must then estimate the useful life of the building in order to depreciate it on an annual basis. Should the allocation of cost to the "building" component or estimated useful life be different, the depreciation of income properties recorded during the period could prove inadequate.

### PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

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.

### IMPAIRMENT OF LONG-LIVED ASSETS

Real estate 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.

### CONVERTIBLE DEBENTURES

The CICA requires that Cominar's management estimate at its fair value the conversion option included in the convertible debentures. This estimate, if it were inadequate, would have an impact on the interest expense for the period presented in the financial statements.

### *UNIT OPTION PLAN*

The compensation expense related to unit options is measured at fair value and amortized using the graded vesting method based on the Black-Scholes option pricing model. This model requires the input of various estimates, including volatility, weighted average distribution return and weighted average risk-free interest rate.

### *FINANCIAL INSTRUMENTS*

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Financial instruments must initially be measured at their fair value. The subsequent evaluation will depend on the classification by Cominar of the financial instrument as financial assets held for trading, loans and receivables, or other financial liabilities.

Cominar must also estimate and annually disclose the fair value of mortgages payable and convertible debentures for reporting purposes. The estimated fair value of the debts is based on assumptions as to the interest rates used in the calculation models.

## *Recently Published Accounting Changes*

### *IFRS Transition*

In January 2006, the Accounting Standards Board announced its decision to require all Publicly Accountable Enterprises to report under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011.

The change from Canadian GAAP to International Financial Reporting Standards will apply to all Publicly Accountable Enterprises, which include listed companies and any other organizations that are responsible to large or diverse groups of stakeholders, including non-listed financial institutions, securities dealers and many co-operative enterprises. IFRS will have a significant effect on how these enterprises report their financial position to the wider community.

The changeover date to IFRS is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. On that date in 2011, IFRS will replace current Canadian Generally Accepted Accounting Principles for Publicly Accountable Enterprises.

Cominar continues to evaluate the changes arising from this convergence to IFRS.

## *New Accounting Policies Adopted in 2008*

In the first quarter of 2008, Cominar adopted the following new accounting standards issued by the CICA:

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed.

Section 3862 "Financial Instruments – Disclosure" modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation".

Section 3863 "Financial Instruments – Presentation" carries forward unchanged the presentation requirements of the old Section 3861 "Financial Instruments – Disclosure and Presentation".

## *Risks and Uncertainties*

Like any real estate entity, Cominar is exposed to certain risk factors in the normal course of business including:

### *GENERAL BUSINESS AND ECONOMIC CONDITIONS*

Interest rates, consumer spending, business investment, government spending, the level of capital market activity and volatility, and inflation: each impact the business and economic environments in which we operate and, ultimately, the level of business activity we conduct and the earnings we generate.

### *EXECUTION OF OUR STRATEGY*

Our ability to achieve our objectives and implement our strategy impacts our financial performance. If our strategic objectives are not met with success or there is a change in our strategic objectives, our financial results could be adversely affected.

### *ACQUISITIONS*

Although we regularly explore opportunities for strategic acquisitions of entities in our lines of business, there is no assurance that we will be able to complete acquisitions on terms and conditions that meet our investment criteria. There is also no assurance that we will achieve our financial or strategic objectives or that we will achieve anticipated cost savings following acquisitions. Our performance is contingent on retaining the customers and key employees of acquired entities, and there is no assurance that we will always succeed in doing so.

### *OPERATIONAL RISK*

All immovable property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of the tenants and the economic environment in which they operate. Our income and DI would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. However, this risk is minimized by the diversification of Cominar's portfolio, which allows us to maintain foreseeable cash flows. This risk is also mitigated by the fact that tenants occupy an average area of about 6,800 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 customers and improving its operational and financial performance.

### *DEBT AND REFINANCING*

The Trust is subject to the risks associated with debt financing, including the risk that existing mortgages secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing mortgages. The Trust's profitability may be impacted by interest rate changes, as interest on borrowings represents a significant cost in the ownership of real estate investments. Cominar seeks to reduce interest rate risks by spreading the maturity of its long-term debt and limiting the use of floating rate debt as much as possible. As at March 31, 2008, none of Cominar's long-term debt bore interest at floating interest rates.

### *UNITHOLDER 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, a material obligation, must contain terms limiting liability to Cominar's assets exclusively, and specifying that no recourse may be taken against unitholders.

### *COMPETITION*

The Trust competes for suitable immovable property investments with third parties that are presently seeking or may seek in the future immovable property investments similar to those it desires. An increase in the availability of investment funds and interest in immovable property investments may tend to increase competition for immovable property investments, thereby increasing purchase prices and reducing their yield.

In addition, numerous developers, managers and owners of properties compete with the Trust in seeking tenants. The existence of competing developers, managers and owners and competition for its tenants could have an adverse effect on its ability to lease space in its properties and on the rents charged, and could adversely affect its revenues.

### *GOVERNMENT REGULATION*

The Trust and its properties are subject to various governmental legislation and regulations. Any change in such legislation or regulation adverse to the Trust and its properties could affect its financial results.

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. Environmental audits are conducted on its existing properties when 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.

### *INCOME TAXES*

Cominar currently qualifies as a mutual fund trust for income tax purposes. We are required by our Contract of Trust to annually distribute all of our taxable income to unitholders and thus are generally not subject to tax on such amount. In order to maintain our current mutual fund status, we are required to comply with specific restrictions regarding our activities and the investments held by us. If we were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

### *NEW TAX PLAN*

In connection with its tax fairness plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through (SIFT) trusts in order to bring the taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received royal assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more non-portfolio properties.

The new rules apply as of taxation year 2007 for SIFT trusts. However, existing SIFT trusts as of October 31, 2006 whose future growth will not exceed normal growth benefit from a four-year transitional period before the new rules apply.

### REIT EXCEPTION

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts ("REITs") for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: (i) the only "non-portfolio properties" it owns during the year are "qualified REIT properties", (ii) at least 95% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties"; interest, capital gains from the disposition of real or immovable properties; dividends and royalties, (iii) at least 75% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties" to the extent that it is from such properties situated in Canada; interest from mortgages, or hypothecs, on real or immovable properties situated in Canada and capital gains from dispositions of real or immovable properties situated in Canada and (iv) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property situated in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain public agencies, less than 75% of the equity value of the trust at that time.

As of March 31, 2008, Cominar met all of these conditions and qualified as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

### CONSTRUCTION RISK

Due to the Trust's involvement in development and construction activities, it is subject to related risks such as construction cost overruns and other unforeseeable delays. Such risks are minimized by the fact that major projects are done in phases, which allows it to better assess the demand for a project in particular.

### ABILITY TO ATTRACT AND RETAIN KEY EMPLOYEES

Competition for qualified employees and executives is intense. If we are unable to retain and attract qualified employees and executives, our results of operations and financial condition, including our competitive position, may be materially adversely affected.

# *Interim Consolidated Financial Statements*

Cominar REIT

Unaudited
**March 31, 2008**

# *Consolidated Balance Sheets*

[in thousands of dollars]

| | **As at March 31, 2008 (unaudited) $** | As at December 31, 2007 (audited) $ |
|---|---|---|
| ***ASSETS*** | | |
| Income properties *[note 4]* | | |
| Buildings | **1,081,887** | 1,073,830 |
| Land | **178,505** | 174,657 |
| Intangible assets | **72,319** | 74,608 |
| | **1,332,711** | 1,323,095 |
| Properties under development *[note 5]* | **50,045** | 31,401 |
| Land held for future development *[note 5]* | **18,568** | 29,879 |
| Deferred expenses and other assets *[note 6]* | **36,448** | 36,001 |
| Prepaid expenses | **10,088** | 2,758 |
| Accounts receivable *[note 7]* | **25,287** | 19,660 |
| | **1,473,147** | 1,442,794 |
| ***LIABILITIES*** | | |
| Mortgages payable *[note 8]* | **594,416** | 619,755 |
| Convertible debentures *[note 9]* | **204,114** | 203,852 |
| Bank indebtedness *[note 10]* | **105,826** | 35,321 |
| Accounts payable and accrued liabilities | **32,072** | 35,924 |
| Distributions payable to unitholders | **5,122** | 6,246 |
| | **941,550** | 901,098 |
| ***UNITHOLDERS' EQUITY*** | | |
| Unitholders' equity | **531,597** | 541,696 |
| | **1,473,147** | 1,442,794 |

*See accompanying notes to interim consolidated financial statements*

# Consolidated Statements of Unitholders' Equity

For the quarters ended March 31,
[unaudited, in thousands of dollars]

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| **Unitholders' contributions** *[note 11]* | | |
| Balance, beginning of period | **591,172** | 400,698 |
| Issue of units | **1,132** | 12,009 |
| Balance, end of period | **592,304** | 412,707 |
| **Cumulative net income** | | |
| Balance, beginning of period | **247,779** | 218,538 |
| Net income | **4,014** | 7,324 |
| Balance, end of period | **251,793** | 225,862 |
| **Cumulative distributions** | | |
| Balance, beginning of period | **(298,080)** | (242,626) |
| Distributions to unitholders | **(15,369)** | (11,378) |
| Balance, end of period | **(313,449)** | (254,004) |
| **Contributed surplus** | | |
| Balance, beginning of period | **513** | 398 |
| Unit option plan | **124** | 5 |
| Balance, end of period | **637** | 403 |
| **Other equity component** | | |
| Convertible debentures equity component | **312** | — |
| **Unitholders' equity** | **531,597** | 384,968 |

*See accompanying notes to interim consolidated financial statements*

## *Consolidated Statements of Income and Comprehensive Income*

For the quarters ended March 31,
[unaudited, in thousands of dollars except per-unit amounts]

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| **Operating revenues** | | |
| Rental revenue from income properties | **57,406** | 34,271 |
| **Operating expenses** | | |
| Operating costs | **12,084** | 7,580 |
| Realty taxes and services | **13,343** | 7,323 |
| Property management expenses | **593** | 216 |
| | **26,020** | 15,119 |
| **Operating income before the undernoted** | **31,386** | 19,152 |
| Interest on borrowings | **11,881** | 5,218 |
| Depreciation of income properties | **12,470** | 4,388 |
| Amortization of deferred leasing costs | **2,131** | 1,672 |
| Amortization of other assets | **62** | 50 |
| | **26,544** | 11,328 |
| **Operating income from real estate assets** | **4,842** | 7,824 |
| **Trust administrative expenses** | **879** | 621 |
| **Other revenues** | **51** | 92 |
| **Net income from continuing operations** | **4,014** | 7,295 |
| **Net income from discontinued operations** *[note 21]* | **—** | 29 |
| **Net income and comprehensive income** | **4,014** | 7,324 |
| **Basic net income per unit** *[note 13]* | **0.089** | 0.198 |
| **Diluted net income per unit** *[note 13]* | **0.088** | 0.195 |

*See accompanying notes to interim consolidated financial statements*

# *Consolidated Statements of Cash Flows*

For the quarters ended March 31,
[unaudited, in thousands of dollars]

| | 2008<br>$ | 2007<br>$ |
|---|---|---|
| *OPERATING ACTIVITIES* | | |
| Net income | **4,014** | 7,324 |
| Items not affecting cash | | |
| Depreciation of income properties | **12,470** | 4,620 |
| Amortization of above- (below-) market leases | **(127)** | 30 |
| Amortization of deferred leasing costs | **2,131** | 1,672 |
| Amortization of deferred financing costs and other assets | **566** | 245 |
| Amortization of fair value adjustments on assumed indebtedness | **(31)** | — |
| Accretion of liability component of convertible debentures | **9** | — |
| Compensation costs related to unit option plan | **130** | 49 |
| | **19,162** | 13,940 |
| Change in non-cash operating working capital items *[note 16]* | **(14,590)** | (2,034) |
| | **4,572** | 11,906 |
| *INVESTING ACTIVITIES* | | |
| Acquisitions of income properties | **(23,120)** | (40,410) |
| Additions to properties under development and land held for future development | **(5,907)** | (8,449) |
| Leasing costs | **(4,574)** | (1,756) |
| Other assets | **(681)** | (356) |
| | **(34,282)** | (50,971) |
| *FINANCING ACTIVITIES* | | |
| Mortgages payable | **29,864** | 35,040 |
| Repayments of mortgages payable | **(55,228)** | (12,426) |
| Bank indebtedness | **70,505** | 24,770 |
| Net proceeds from issue of units *[note 11]* | **572** | 3,077 |
| Distributions to unitholders | **(16,003)** | (11,396) |
| | **29,710** | 39,065 |
| Net change in cash and cash equivalents | **—** | — |
| Cash and cash equivalents, beginning of period | **—** | — |
| Cash and cash equivalents, end of period | **—** | — |

*See accompanying notes to interim consolidated financial statements*

# Notes to Interim Consolidated Financial Statements

For the quarters ended March 31, 2008 and 2007
[unaudited, in thousands of dollars except per-unit amounts]

## 1. DESCRIPTION OF THE TRUST

Cominar Real Estate Investment Trust ("Cominar") is an unincorporated closedend real estate investment trust created by the Contract of Trust on March 31, 1998 under the laws of the Province of Québec.

## 2. NEW ACCOUNTING POLICIES

**ADOPTED IN 2008**

In the first quarter of 2008, Cominar adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose the following:

- its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirements to which it is subject;
- when the entity has not complied with such requirements, the consequences of such non-compliance.

Section 3862 "Financial Instruments – Disclosures" modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation". The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 "Financial Instruments – Presentation" carries forward unchanged the presentation requirements of the old Section 3861 "Financial Instruments – Disclosure and Presentation".

The adoption of these standards did not have any material effect on the results, the financial position or the cash flows of Cominar.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation**

Cominar's unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Accounting policies and methods followed are the same as those used in the preparation of the December 31, 2007 audited consolidated financial statements.

**Consolidation**

These interim consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of previously co-owned properties.

**Use of estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities 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 period. Actual results could differ from those estimates.

**Revenue recognition**
Rental revenue from income properties includes rent 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 on a straight-line basis.

**Income properties, properties under development and land held for future 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 leasehold improvements.

Depreciation of buildings is recorded on a straight-line basis over a 40-year period.

Intangible assets, described as acquisition costs related to in-place operating leases, customer relationships and leasehold improvements, are amortized on a straight-line basis over the terms of the related leases or the estimated duration of the customer relationships.

Properties under development and land held for future 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 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.

**Disposals of income properties**
Operating results and the gains and losses on disposal relating to income properties disposed of during the period are presented in net income from discontinued operations when:

- The operating results and cash flows of the disposed property are eliminated from current operations; and
- Cominar will not have significant and ongoing involvement in the operations of the sold property.

**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.

**Cash and cash equivalents**
Cash and cash equivalents consist of cash and 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 11. Cominar recognizes compensation expense when unit options are granted to trustees, management 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 and the potential issuance of units under convertible debentures, if dilutive.

**Financial instruments**
Cominar used the following classifications:

- Cash and cash equivalents are classified as “Financial Assets Held for Trading”. They are measured at their fair value and the gains/losses resulting from the period-end revaluations are recorded in net income.

- Accounts receivable, including loans to certain customers, are classified as “Loans and Receivables”. They are initially measured at fair value and subsequently remeasured at amortized cost using the effective interest rate method. For Cominar, the measured amount generally corresponds to cost.

- Mortgages payable, convertible debentures, bank indebtedness, accounts payable and accrued liabilities, and distributions payable to unitholders are classified as “Other Financial Liabilities”. They are initially measured at fair value and subsequently remeasured at amortized cost using the effective interest rate method. For Cominar, the measured amount generally corresponds to cost.

## 4. INCOME PROPERTIES

| | As at March 31, 2008 | | |
|---|---|---|---|
| | Cost<br>$ | Accumulated depreciation<br>$ | Amortized cost<br>$ |
| Buildings | 1,167,609 | 85,722 | 1,081,887 |
| Land | 178,505 | — | 178,505 |
| Intangible assets | | | |
| In-place operating leases | 65,272 | 15,794 | 49,478 |
| Customer relationships | 22,963 | 1,994 | 20,969 |
| Acquired leasehold improvements | 3,099 | 1,227 | 1,872 |
| | 91,334 | 19,015 | 72,319 |
| | 1,437,448 | 104,737 | 1,332,711 |

| | As at December 31, 2007 | | |
|---|---|---|---|
| | Cost<br>$ | Accumulated depreciation<br>$ | Amortized cost<br>$ |
| Buildings | 1,152,333 | 78,503 | 1,073,830 |
| Land | 174,657 | — | 174,657 |
| Intangible assets | | | |
| In-place operating leases | 64,562 | 11,648 | 52,914 |
| Customer relationships | 21,098 | 1,381 | 19,717 |
| Acquired leasehold improvements | 3,129 | 1,152 | 1,977 |
| | 88,789 | 14,181 | 74,608 |
| | 1,415,779 | 92,684 | 1,323,095 |

**Acquisitions of income properties**

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montreal that were previously co-owned.

The following table shows the net assets acquired:

| | **2008** |
|---|---|
| | **$** |
| Income properties | |
| Buildings | **11,904** |
| Land | **3,826** |
| Intangible assets: | |
| In-place operating leases | **968** |
| Customer relationships | **1,866** |
| **Total purchase price** | **18,564** |
| **The acquisition cost was funded by:** | |
| Cash and cash equivalents | **18,564** |

The allocation of the purchase price to the fair value of the net assets acquired for the remaining interests of the co-owned properties acquired during the period has not been finalized and is subject to adjustments.

The results of operation of income properties acquired during the period are included in the interim consolidated financial statements from their acquisition date *(see note 15)*.

## 5. *PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT*

During the period, Cominar acquired land held for future development for a consideration of $1,335 and capitalized $1,019 [$457 in 2007] of interest to properties under development and land held for future development.

## 6. *DEFERRED EXPENSES AND OTHER ASSETS*

| | **As at March 31, 2008** | As at December 31, 2007 |
|---|---|---|
| | **$** | $ |
| At amortized cost | | |
| Leasing costs | **34,037** | 34,077 |
| Other assets | **2,411** | 1,924 |
| | **36,448** | 36,001 |

## 7. ACCOUNTS RECEIVABLE

| | **As at March 31, 2008** | As at December 31, 2007 |
|---|---|---|
| | **$** | $ |
| Accounts receivable | **14,572** | 8,301 |
| Deferred accounts receivable | **7,456** | 6,674 |
| Other accounts receivable, bearing effective interest at a weighted average rate of 7.39% [7.40% as at December 31, 2007] | **2,384** | 2,504 |
| Restricted funds | **875** | 2,181 |
| | **25,287** | 19,660 |

## 8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties having a carrying value of $955,733 [$1,014,227 as at December 31, 2007]. They bear contractual interest at rates ranging from 4.68% to 11.00% per annum [4.68% to 11.00% as at December 31, 2007] representing a weighted average rate of 5.74% [5.78% as at December 31, 2007] and are renewable at various dates from April 2008 to March 2022. As at March 31, 2008, the weighted average effective rate was 5.66% [5.71% as at December 31, 2007].

Certain loans on income properties assumed in connection with acquisitions completed in 2007 were adjusted to their fair value using market rates in effect at the date of acquisition. These fair value adjustments are amortized through income under “Interest on borrowings” over the residual term to maturity of the loans using the effective interest rate method.

Transaction costs related to mortgages payable are deducted from these loans, amortized using the effective interest rate method over the terms of the related mortgages and recorded under “Interest on borrowings.”

Mortgage repayments are as follows:

| **Years ending December 31,** | **Principal repayments $** | **Balance at maturity $** | **Total $** |
|---|---|---|---|
| 2008 | 10,468 | 81,027 | **91,495** |
| 2009 | 12,352 | 52,341 | **64,693** |
| 2010 | 12,513 | 24,070 | **36,583** |
| 2011 | 12,813 | 5,056 | **17,869** |
| 2012 | 12,718 | 16,380 | **29,098** |
| 2013 and thereafter | 76,714 | 278,457 | **355,171** |
| | 137,578 | 457,331 | **594,909** |
| Plus: fair value adjustments on assumed indebtedness | | | **433** |
| Less: unamortized financing costs | | | **(926)** |
| | | | **594,416** |

All mortgages payable bear interest at fixed rates.

## 9. CONVERTIBLE DEBENTURES

The following table presents the characteristics of Cominar's convertible unsecured subordinated debentures as well as changes during the period:

| | As at March 31, 2008 | | | |
|---|---|---|---|---|
| | **Series A** | **Series B** | **Series C** | **Total** |
| Contractual interest rates | **6.30%** | **5.70%** | **5.80%** | |
| Effective interest rates | **6.89%** | **6.42%** | **6.60%** | |
| Issue date | **September 2004** | **May 2007** | **October 2007** | |
| Conversion price per unit | **$17.40** | **$27.50** | **$25.25** | |
| Interest payment dates | **June 30 and December 31** | **June 30 and December 31** | **March 31 and September 30** | |
| Redemption date at Cominar's option | **June 2008** | **June 2010** | **September 2010** | |
| Maturity date | **June 2014** | **June 2014** | **September 2014** | |
| | **$** | **$** | **$** | **$** |
| Balance, beginning of period | **24,117** | **80,500** | **110,000** | **214,617** |
| Holder's option conversions | **(64)** | **—** | **—** | **(64)** |
| Balance, end of period | **24,053** | **80,500** | **110,000** | **214,553** |
| Less: unamortized financing costs and equity component of convertible debentures | | | | **(10,439)** |
| | | | | **204,114** |

As of the above-mentioned redemption dates, Cominar may, under certain terms and conditions, elect to satisfy its principal repayment obligations under the debentures by issuing units of Cominar.

In accordance with the CICA Handbook Section 3855 and Section 3861, convertible debentures have been recorded as liabilities on the balance sheet, net of the equity component of convertible debentures related to the holder's conversion option, and interest has been charged to "Interest on borrowings" in the statement of income. Debenture issue costs are deducted from liabilities and are amortized using the effective interest rate method over the term of the debenture and recorded under "Interest on borrowings."

During the period, 64 convertible debentures (Series A) were converted into 3,676 units at a conversion price of $17.40 per unit, for a total amount of $64.

## 10. BANK INDEBTEDNESS

Cominar has a number of operating and acquisition credit facilities of up to $180,000 [$180,000 as at December 31, 2007]. These credit facilities, subject to annual renewal, bear interest at rates ranging from prime rate plus 0.00% and 0.50% [prime rate plus 0.00% and 0.50% in 2007]. All of these credit facilities [$180,000 as at December 31, 2007] are secured by movable and immovable hypothecs on specific assets having a immovable carrying value of $189,744 as at March 31, 2008 [$193,134 as at December, 2007]. As at March 31, 2008, the prime rate was 5.25% [6.00% as at December 31, 2007]. These credit facilities contain a number of covenants which were met as at March 31, 2008.

## *11. ISSUED AND OUTSTANDING UNITS*

The ownership interests in Cominar are represented by a single class of units, the number of which 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 first quarter, Cominar issued 58,025 units, 3,676 units from conversion of convertible debentures, 12,549 units under the distribution reinvestment plan, and the balance of 41,800 units via the exercise of options. The issuance of these units resulted in net proceeds of $572.

| **For the quarters ended March 31,** | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Units** | **$** | Units | $ |
| Units issued and outstanding, beginning of period | **45,272,683** | **591,172** | 36,600,361 | 400,698 |
| Issued from exercise of options | **41,800** | **572** | 220,100 | 3,077 |
| Issued under the distribution reinvestment plan | **12,549** | **490** | 11,521 | 274 |
| Issued from conversion of convertible debentures | **3,676** | **64** | 494,991 | 8,613 |
| Reversal of contributed surplus on exercise of options | **—** | **6** | — | 45 |
| Units issued and outstanding, end of period | **45,330,708** | **592,304** | 37,326,973 | 412,707 |

### Unit repurchase program

During the first quarter of 2008, Cominar implemented a unit redemption program, authorizing Cominar to redeem up to 2,265,278 units, representing 5% of the issued and outstanding units as at February 25, 2008. As at March 31, 2008, no unit had been redeemed under this program.

### Unit option plan

Under the unit option plan, Cominar has granted options to the trustees, management and employees for the purchase of units. The maximum number of units issuable in connection with the plan is 4,530,257 units. As at March 31, 2008, options for the acquisition of 2,672,900 units were outstanding and 1,838,757 options were awardable under the plan.

The following tables show option characteristics and changes during the period:

| | | **As at March 31, 2008** | | | |
|---|---|---|---|---|---|
| **Date of grant** | **Graded vesting method** | **Maturity date** | **Exercise price $** | **Outstanding options** | **Exercisable options** |
| August 9, 2001 | 33 1/3% | August 9, 2008 | 11.00 | 6,000 | 6,000 |
| November 13, 2003 | 20% | November 13, 2010 | 14.00 | 1,071,200 | 616,200 |
| April 8, 2005 | 25% | November 13, 2010 | 17.12 | 126,000 | 30,000 |
| May 23, 2006 | 20% | May 23, 2013 | 18.90 | 477,000 | 77,000 |
| May 15, 2007 | 50% | May 15, 2014 | 23.59 | 60,000 | — |
| February 6, 2008 | 33 1/3% | February 6, 2013 | 18.68 | 932,700 | — |
| | | | | **2,672,900** | **729,200** |

| **For the quarters ended March 31,** | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Options** | **Weighted average exercise price $** | Options | Weighted average exercise price $ |
| Outstanding, beginning of period | **1,782,000** | **15.84** | 2,170,600 | 15.50 |
| Exercised | **(41,800)** | **13.75** | (220,100) | 14.04 |
| Granted | **932,700** | **18.68** | — | — |
| Outstanding, end of period | **2,672,900** | **16.86** | 1,950,500 | 15.66 |
| Exercisable options, end of period | **729,200** | **14.62** | 307,500 | 13.91 |

**Unit-based compensation plan**
The compensation expense related to the options was calculated using the Black-Scholes option pricing model based on the following assumptions:

| **Date of grant** | **Volatility** | **Exercise price $**[1] | **Weighted average distri-bution return** | **Weighted average risk-free interest rate** |
|---|---|---|---|---|
| November 13, 2003 | 11.70% | 14.00 | 8.74% | 4.21% |
| April 8, 2005 | 13.50% | 17.12 | 7.58% | 3.78% |
| May 23, 2006 | 13.00% | 18.90 | 7.14% | 4.10% |
| May 15, 2007 | 13.60% | 23.59 | 5.55% | 4.04% |
| February 6, 2008 | 15.60% | 18.68 | 7.47% | 3.89% |

*(1) The options' exercice price represents the closing price of Cominar units on the day before the grant date.*

Compensation expense is amortized using the graded vesting method.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options with 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, management 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, management 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 with a number of units amounting to 105% of the cash distributions. During the first quarter, 12,549 units were issued for a total consideration of $490 pursuant to the distribution reinvestment plan.

## *12. 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.

Cominar's subsidiaries are Canadian-based enterprises which are subject to tax on their taxable income under the Income Tax Act (Canada) at an average rate of approximately 32%. There is no provision required for the period ended March 31, 2008.

The carrying value of Cominar's net assets as at December 31, 2007 exceeded the tax basis by approximately $82,000.

**New tax system**

In connection with its Tax Fairness Plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through (SIFT) trusts in order to bring taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received royal assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more nonportfolio properties.

**Application of new rules**

The new rules apply as of taxation year 2007 for SIFT trusts. However, existing SIFT trusts as at October 31, 2006, whose future growth will not exceed normal growth, benefit from a four-year transition period before the new rules apply.

**REIT exception**

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts (REITs) for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: (i) the only "nonportfolio properties" it owns during the year are "qualified REIT properties," (ii) at least 95% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties;" interest, capital gains from the disposition of real or immovable properties; dividends and royalties, (iii) at least 75% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties" to the extent that it is from such properties located in Canada; interest from mortgages on real or immovable properties located in Canada and capital gains from dispositions of real or immovable properties located in Canada; and (iv) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property located in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain public agencies, less than 75% of the equity value of the trust at that time.

As at March 31, 2008, Cominar met all of these conditions and qualifies as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

## 13. 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.

| For the quarters ended March 31, | 2008 | 2007 |
|---|---|---|
| Weighted average number of units outstanding – basic | **45,285,032** | 36,899,236 |
| Effect of dilutive unit options | **329,455** | 714,947 |
| Weighted average number of units outstanding – diluted | **45,614,487** | 37,614,183 |

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

## 14. DISTRIBUTIONS

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 net income determined in accordance with GAAP, adjusted for depreciation of income properties and amortization of above-and below-market leases, compensation costs related to unit options, accretion of liability component of convertible debentures, deferred rental income, gains or losses on disposals of income properties and amortization of fair value adjustments on assumed indebtedness.

| For the quarters ended March 31, | 2008 | 2007 |
|---|---|---|
| | **$** | $ |
| Distributions to unitholders | **15,369** | 11,378 |
| Distributions per unit | **0.339** | 0.306 |

## 15. INVESTMENTS IN CO-OWNED PROPERTIES

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties that were previously co-owned.

For the period of January 1 to February 29, 2008, Cominar's proportionate share of the revenues and net income were as follows:

| For the quarters ended March 31, | 2008 | 2007 |
|---|---|---|
| | **$** | $ |
| Operating revenues | **254** | — |
| Net income | **80** | — |

## 16. SUPPLEMENTAL CASH FLOW INFORMATION

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

| For the quarters ended March 31, | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Prepaid expenses | **(7,330)** | (5,616) |
| Accounts receivable | **(5,627)** | 4,601 |
| Accounts payable and accrued liabilities | **(1,633)** | (1,019) |
| | **(14,590)** | (2,034) |
| **Additional information** | | |
| Interest paid | **12,649** | 6,662 |
| Unpaid leasing costs | **2,340** | 1,820 |
| Additions to income properties and properties under development by assumption of mortgages payable | **—** | 7,458 |
| Unpaid additions to income properties and properties under development | **4,428** | 10,662 |
| Properties under development transferred to income properties | **—** | 3,589 |

## 17. RELATED-PARTY TRANSACTIONS

During the first quarter, 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 amount and have been reflected in the financial statements as follows:

| For the quarters ended March 31, | 2008 | 2007 |
|---|---|---|
| | $ | $ |
| Rental revenue from income properties | **244** | 248 |
| Other revenues | **77** | 48 |
| Income properties and properties under development | **3,423** | 2,955 |
| Deferred expenses and other assets | **2,362** | 2,095 |
| Accounts receivable | **342** | 213 |
| Accounts payable and accrued liabilities | **5,176** | 8,483 |

## 18. MANAGEMENT OF CAPITAL

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development, while maximizing the returns for unitholders by maintaining the debt to equity ratio. Cominar's capital consists of long term debts, cash and cash equivalents, the contribution of unitholders and the cumulative net income.

Cominar structures its capital based on the expected business growth and changes in the economic environment.

Cominar's credit facilities contain certain restrictive covenants, including among others, a leverage ratio and an interest coverage ratio. Cominar monitors the ratios on a quarterly basis. Other than for the restrictive covenants under the credit facilities, Cominar is not subject to any externally imposed capital requirements.

## 19. 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, except for the balances of sale mentioned in note 7, and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are disclosed in notes 8, 9 and 10 respectively.

Cominar reduces its exposure to interest rate risk by staggering the maturities of its loans and raising long term debt bearing interest at fixed rates. Management does not anticipate that interest rate fluctuations will have a significant impact on its results and, as a result, no sensitivity analysis is provided.

**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, bank indebtedness, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at March 31, 2008 due to their short-term nature or because they are based on current market rates.

As at March 31, 2008, the fair value of mortgages payable was approximately $7,098 greater than the carrying value [$8,262 as at December 31, 2007] 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, 2008, the fair value of convertible debentures exceeded their carrying value by approximately $9,644 [$6,891 as at December 31, 2007] due to the change in interest rates since the issuance dates. The fair value of convertible debentures was estimated using current market rates for convertible debentures with similar terms and maturities.

## 20. SEGMENTED INFORMATION

Cominar's activities include three property types located in the greater Quebec City, Montreal and Ottawa areas. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies.

The following table indicates the financial information from continuing operations related to these property types:

| For the quarter ended March 31, 2008 | Office properties $ | Retail properties $ | Industrial and mixed-use properties $ | Total $ |
|---|---|---|---|---|
| Rental revenue from income properties | 24,801 | 11,704 | 20,901 | **57,406** |
| Depreciation of income properties | 6,179 | 1,539 | 4,752 | **12,470** |
| Net operating income[1] | 13,184 | 6,415 | 11,787 | **31,386** |
| Income properties (amortized cost) | 582,753 | 243,065 | 506,893 | **1,332,711** |

| For the quarter ended March 31, 2007 | Office properties $ | Retail properties $ | Industrial and mixed-use properties $ | Total $ |
|---|---|---|---|---|
| Rental revenue from income properties | 11,271 | 10,692 | 12,308 | 34,271 |
| Depreciation of income properties | 1,578 | 1,361 | 1,449 | 4,388 |
| Net operating income (1) | 6,414 | 5,828 | 6,910 | 19,152 |
| Income properties (amortized cost) (2) | 269,201 | 229,100 | 243,145 | 741,446 |

*(1) Net operating income is "Operating income before the undernoted" in the statement of income.*
*(2) Excluding the deposit for future acquisition as at March 31,2007.*

## 21. DISCONTINUED OPERATIONS

On September 1, 2007, the Centre hospitalier de l'Université de Montréal (CHUM) took possession of the office property located at 300 Viger Street, in Montréal. A notice of expropriation had been served on this property in 2006. Since the definitive indemnity amount has not yet been set, Cominar has not recognized any related gain or loss. *(See note 22a)*.

The following table summarizes the financial information relating to the property expropriated in accordance with CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations".

| For the quarters ended March 31, | 2008 $ | 2007 $ |
|---|---|---|
| Net operating income | — | 674 |
| Depreciation of income properties | — | 232 |
| Interest on borrowings | — | 413 |
| Net income | — | 29 |
| Gain on disposal | — | — |
| Income from discontinued operations | — | 29 |
| Basic net income per unit | — | 0.001 |
| Diluted net income per unit | — | 0.001 |

## 22. CONTINGENCIES

a) An expropriation process was initiated in June 2006 by the CHUM for the property located at 300 Viger Street in Montréal, Québec.

The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served to Cominar on August 27, 2007, effective September 1, 2007, and the Québec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity amounts to $30 million which was received during 2007. The definitive indemnity will either be set by the Québec Administrative Court, or it will be settled by the parties in the coming year. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity.

b) Letters of guarantee outstanding as at March 31, 2008 amount to $2,500. This amount has been given as a performance guarantee to execute required repairs under mortgage agreements.

## 23. COMMITMENTS

The annual future payments required under emphyteutic leases, expiring between 2046 and 2047, on land for two income properties having a total carrying value of $56,561, are as follows:

| Years ending December 31, | Total $ |
|---|---|
| 2008 | 357 |
| 2009 | 476 |
| 2010 | 486 |
| 2011 | 491 |
| 2012 | 526 |
| 2013 and thereafter | 25,275 |

## 24. SUBSEQUENT EVENTS

In May 2008, Cominar announced an increase in its distributions par unit. Monthly distributions increased to $0.120 per unit and total annual distributions to $1.412 per unit.

In May 2008, Cominar signed agreements with financial institutions for two mortgages of $60,000 and $21,800, for an aggregate amount of $81,000. These new loans will be used to repay credit facilities.

On May 12, 2008, Cominar acquired two industrial properties covering a total leasable area of 344,846 square feet, one in Lévis and the other in Saguenay, for a cash consideration of $23 million.

## 25. COMPARATIVE FIGURES

Certain 2007 figures have been reclassified to conform to the current period presentation.

# *Corporate Information*

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**LISTING**

The units and convertible debentures of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbols "CUF.UN" and "CUF.DB", "CUF.DB.B" and "CUF.DB.C".

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**TAXABILITY OF DISTRIBUTIONS**

In 2007, 54.6% of the distributions made by Cominar to unitholders were tax deferred.

**LEGAL COUNSEL**

Davies Ward Phillips & Vineberg LLP

**AUDITORS**

Ernst & Young LLP

**UNITHOLDER DISTRIBUTION REINVESTMENT PLAN**

Cominar Real Estate Investment Trust offers unitholders the opportunity to parti-cipate in its Unitholder Distribution Reinvestment Plan (the "DRIP"). The DRIP allows participants to have their monthly distributions reinvested in additional units of Cominar. **In addition, participants will be entitled to receive an additional distribution equal to 5% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.**

For further information about the DRIP, please refer to the DRIP section of our website at www.cominar.com or contact us by email at info@cominar.com or contact the Plan agent: Computershare Trust Company of Canada, 100 University Avenue, 9th floor, Toronto, Ontario, Canada, M5J 2Y1, Tel.: (514) 982-7555, Toll free: 1 800 564-6253, Fax: (416) 263-9394, Email: *service@computershare.com*

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