

COMINAR



Real Estate Investment Trust



Quarterly Report  
March 31, 1999

# COMINAR REAL ESTATE INVESTMENT TRUST

## Message to Unitholders

On behalf of the trustees, officers and personnel of the Cominar Real Estate Investment Trust (REIT), I am pleased to present the financial report for the first three months of 1999.

### Financial Performance

During the first quarter ended March 31, 1999, the financial results of the Cominar REIT continued to exceed the forecasts made in the prospectus for the initial public offering (IPO) carried out in May 1998.

Net income, which totalled \$3.3 million, was \$582,000 higher than the forecast amount. This difference reflected the \$1.5 million increase in rental income, which also exceeded the forecasts in the prospectus. Operating revenues and expenses rose as a result of new acquisitions made in 1998 after the REIT was listed on stock exchanges.

Distributable income for the first quarter reached \$3.4 million or \$0.236 per unit, compared to \$2.8 million or \$0.192 per unit in the forecast, for a 23% increase.

### Financial Position

The financial position of the Cominar REIT as at March 31, 1999 was excellent. It had assets with a net book value of \$307 million, mortgage loans totalling \$118 million, and 26 unencumbered properties in its portfolio, representing a total value of \$57 million.

### Acquisitions

We are currently negotiating a number of acquisitions, particularly in the Montreal area, and expect a positive outcome for these projects in the coming months. In accordance with the commitments we made at the time of the IPO, our ongoing goal is to buy properties at prices below their replacement cost with a view to enhancing the basic value of the REIT's portfolio and distributions to unitholders.

## Outlook

We are pleased with the results for the first quarter of 1999 and are looking to the future with confidence. We will continue to follow our strategic orientations, which have met with success and are an excellent way to achieve our objectives. Every effort is being made to ensure that unitholders receive optimum cash distributions which are stable or growing, payable monthly and tax deferred. To do so, we rely on a proactive management approach aimed at enhancing the value of the Cominar REIT's properties and making acquisitions in line with profitability targets.

Since April 1999, the monthly distribution to unitholders has been \$0.083 per unit, up 4% over the previous monthly distribution and 24% over the forecast amount of \$0.067.

The Cominar REIT enjoys a competitive edge because of its integrated management structure and the leading position of its portfolio owing to its size and the concentration, diversity and locations of its properties.

Chairman of the Board and  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "Jules Dallaire". The signature is fluid and cursive, with a large loop at the beginning.

Jules Dallaire  
May 4, 1999

# COMINAR REAL ESTATE INVESTMENT TRUST

## CONSOLIDATED STATEMENT OF INCOME AND DISTRIBUTABLE INCOME

Period of three months ended March 31, 1999  
(Unaudited, in thousands, except per unit amounts)

**Actual**

**Forecast**

### Operating revenues

Rentals from income properties	<b>11,826 \$</b>	10,368 \$
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### Operating expenses

Property operating costs	<b>3,170</b>	3,024
Realty taxes and services	<b>1,995</b>	1,730
Property management expenses	<b>210</b>	156
	<b>5,375</b>	4,910

<b>Net Operating Income</b>	<b>6,451</b>	5,458
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Interest on hypothecs	<b>2,365</b>	2,083
Depreciation – income properties	<b>501</b>	454
Depreciation – tenant improvements	<b>105</b>	75
Amortization of deferred expenses	<b>17</b>	30

### Operating income from real estate

<b>Assets</b>	<b>3,463</b>	2,816
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<b>Trust expenses</b>	<b>173</b>	142
	<b>3,290</b>	2,674

### Other (income) expenses

Loan interest	<b>437</b>	515
Instalment receipt interest income	<b>( 365 )</b>	( 365 )
Other income	<b>( 63 )</b>	( 175 )
	<b>9</b>	( 25 )

<b>Net income</b>	<b>3,281</b>	2,699
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### Add (deduct)

Depreciation – income properties	<b>501</b>	454
Instalment receipt interest income	<b>( 365 )</b>	( 365 )

<b>Distributable income</b>	<b>3,417 \$</b>	2,788 \$
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<b>Net income per unit</b>	<b>0.226 \$</b>	0.186 \$
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<b>Distributable income per unit</b>	<b>0.236 \$</b>	0.192 \$
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# COMINAR REAL ESTATE INVESTMENT TRUST

## CONSOLIDATED BALANCE SHEET

As at March 31, 1999  
(Unaudited, in thousands)

\$

### Assets

Income properties	267,701
Hypothec receivable	2,563
Instalment receipts receivable (note 4)	33,000
Deferred expenses	606
Prepaid expenses and others assets	1,432
Accounts receivable	1,406
	<u>306,708</u>

### Liabilities and Unitholders'Equity

#### Liabilities

Hypothecs payable (note 5)	118,197
Bank indebtedness	14,204
Loan payable (note 6)	33,200
Accounts payable and accrued liabilities	3,440
Distributions payable to Unitholders	1,160
	<u>170,201</u>

<b>Unitholders'Equity</b>	<b>136,507</b>
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306,708

# COMINAR REAL ESTATE INVESTMENT TRUST

## STATEMENT OF UNITHOLDERS' EQUITY

Period of three months ended March 31, 1999  
(Unaudited, in thousands)

\$

Unitholders'equity, beginning of period	136,734
Net income for the period	3,281
Offering costs	( 28 )
Distributions to Unitholders	<u>( 3,480 )</u>
<b>Unitholders'Equity, end the period</b>	<b>136,507</b>

# COMINAR REAL ESTATE INVESTMENT TRUST

## CONSOLIDATED CASH FLOW STATEMENT

Period of three months ended March 31, 1999  
(Unaudited, in thousands)

\$

### Cash flow from operating activities

Net income for the period	3,281
Adjustments :	
Depreciation – income properties	501
Depreciation – tenant improvements	105
Amortization of deferred expenses	17
Instalment receipt interest income	( 365 )
	<u>3,539</u>
Change in non-cash working capital	
Increase in accounts receivables	( 565 )
Increase in prepaid expenses and others assets	( 501 )
Increase in accounts payables and accrued liabilities	320
	<u>2,793</u>

### Cash flow from financing activities

Reduction of long term debt	( 1,258 )
Offering costs	( 28 )
Distributions to Unitholders	( 2,320 )
	<u>( 3,606 )</u>

### Cash flow from investing activities

Acquisitions of income properties	( 1,140 )
Proceeds from hypothec loan	14
Deferred charges	( 86 )
	<u>( 1,212 )</u>
Cash flow from financing activities	<u>( 1,212 )</u>
Decrease cash and cash equivalents	( 2,025 )
Cash and cash equivalents, beginning of period	( 12,179 )
Cash and cash equivalents, end of period	<u>( 14,204 )</u>

Note : Interests paid	<u>2,321</u>
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# COMINAR REAL ESTATE INVESTMENT TRUST

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Period of three months ended March 31, 1999

### 1. Organization of the Trust

Cominar Real Estate Investment Trust (the "Trust") is an unincorporated closed-end real estate investment trust created for the benefit of the Unitholders. The Trust operations began on May 21, 1998 with the acquisition of an initial portfolio of properties.

### 2. Summary of significant accounting policies

#### a) Consolidation

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

#### b) Income properties

Income properties are stated at the lower of cost less accumulated depreciation and net recoverable amount. Cost includes all amounts related to the acquisition and improvement of the properties.

Depreciation of buildings is recorded on the 5% sinking fund basis to fully amortize the cost of buildings over 40 years. Depreciation of tenant improvements is recorded on a straight-line basis over the terms of the related leases.

#### c) Deferred expenses

Leasing expenses such as commissions, free rent and tenant inducements are deferred and amortized on the straight-line basis over the terms of the related leases.

Hypothecs financing expenses are deferred and amortized on the straight-line basis over the terms of the related debt.

### 3. Initial Public Offering

On May 21, 1998 the Trust issued 14,500,000 units for net proceeds of \$ 137,974,000 pursuant to the prospectus dated May 8, 1998. The units were sold at \$10 per unit, out of which 8,300,000 units were sold on an instalment basis with an initial instalment of \$6 per unit and a final instalment of \$4 per unit payable on May 21, 1999.

### 4. Instalment Receipts receivable

Under the terms of the public distribution of Receipt Units, an amount of \$4 per unit, totalling \$33,200,000 is receivable on May 21, 1999. The receivable is non-interest bearing and is secured by the Trust's entitlements under the Final Instalments and the pledge of the Receipt Units sold. Accordingly, the receivable has been discounted for the imputed interest of \$1,460,000.

### 5. Hypothecs payable

Hypothecs payable are secured by the income properties, bear interest at a weighted average annual rate of 7.26% and are renewable between May 1999 and October 2003.

### 6. Loan payable

The loan payable bears interest at 5.56% per annum and is secured by the Trust's rights and entitlements under the Final Instalments and the pledge of the Receipts Units sold under the public offering. The loan will be repaid from the proceeds of the repayment of the instalment receipts receivable.

### 7. Segment disclosures

The REIT's activities include three property types. The accounting policies followed by each property type are the same than those disclosed in the summary of accounting policies. The following table shows the financial information related to these property types :

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	4 501	4 468	2 857	11 826
Interest on hypothecs	1 036	996	333	2 365
Depreciation – income Properties and tenant Improvements	231	254	121	606
Operating income from real estate assets	1 271	1 285	907	3 463
Income properties	97 711	118 810	51 180	267 701

# COMINAR REAL ESTATE INVESTMENT TRUST

## INFORMATION

### **Head Office**

455, rue Marais,  
Vanier (Québec) G1M 3A2  
Tel.: (418) 681-8151  
Fax : (418) 681-2946

### **Transfert Agent**

General Trust of Canada  
Montreal  
Toronto

### **Auditors**

PricewaterhouseCoopers  
Tour de la Cité  
2600, Laurier Boulevard  
Sainte-Foy (Québec)  
G1V 4W2

### **Unit Listing**

The Montreal Exchange  
The Toronto Stock Exchange

### **Stock Trading Symbol**

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# COMINAR