Quarterly Report

June 30, 2001


COMINAR REAL ESTATE INVESTMENT TRUST

COMINAR

www.cominar.com

Message to Unitholders

On behalf of the trustees, management and employees of Cominar Real Estate Investment Trust, I am pleased to present the financial report for the second quarter ended June 30, 2001.

Cominar achieved excellent growth in the second quarter, with increases of 21.6% in operating revenues, 23% in net operating income and 40% in distributable income over the corresponding quarter of the previous fiscal year.

We continued to **expand our portfolio** in the Montreal area by acquiring two industrial and mixed-use buildings in Laval and Anjou. Purchased on June 22, 2001 at a cost of $13.4 million, these properties cover an area of approximately 354,000 square feet, and their capitalization rate is 11%.

On August 16, 2001, we entered into an agreement to acquire a 175,060-square-foot eight-storey building at 8500 Décarie Boulevard in Montreal, for a total consideration of approximately $32 million. The building is currently under construction and will be completed in November 2001, at which time Cominar will acquire effective ownership of the property. It will be entirely leased to Ericsson Canada, a world leader in the telecommunications industry, based on a long-term lease beginning November 1, 2001.

We also made a $9.0 million **mezzanine loan** to a related company which will allow Cominar to acquire and develop a 244,000-square-foot property in Quebec City, including 184,000 square feet of office space and 60,000 square feet of retail and mixed-use space. Cominar will be able to exercise its option to purchase this property on completion of the developments in the summer of 2002. This property's capitalization rate should reach about 13%.

Since 1998, Cominar's entire team has proven its ability to grow the portfolio's **market value** by developing properties acquired at a price below market value. For example, the building at 150 René-Lévesque Boulevard in Quebec City, which represented a post-development cost of approximately $13 million, has now reached an estimated market value of over $22 million.

Since early in the fiscal year, the REIT has carried out **extensive development work** on two buildings, one located at 255 Crémazie Boulevard East in Montreal, and the other at Carrefour Beauport in Beauport. The first is an office tower with about 232,000 square feet of floor space that will be renovated at a cost of $5.1 million. On completion of the developments, its total cost will amount to $12.7 million and it will have an estimated market value of $17 million, reflecting an appreciation in value of $4.3 million. The second property is a 280,000-square-foot shopping centre that will undergo a 222,000-square-foot expansion at an approximate cost of $16 million, for a total investment of some $31 million. To be renamed Les Promenades Beauport, this centre will then be the largest shopping centre east of the Greater Quebec City area. Its market value will be about $40 million, for an estimated appreciation in value of $9 million.

As at June 30, 2001, we assess **the net value of the Trust's assets** at $247 million or $11.90 per unit, reflecting an estimated appreciation in market value of $2.59 compared with the book value.

Since the distribution reinvestment plan was amended as at March 27, 2001 to offer unitholders an additional 5% of the distributions payable in the form of additional units, the number of registered units has increased by more than 58%.

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

Operating Results

We are very pleased with our second-quarter growth. Our last two financing arrangements have increased the number of units by 5.9 million. We have also carried out some $20 million in property developments that will not have an impact on results until 2002. That made fiscal 2001 a challenge which we are successfully meeting.

For the second quarter ended June 30, 2001, we posted **dis-**

tributable income of $6.2 million, up from $4.4 million for the corresponding quarter of fiscal 2000, an increase of over 40%. **Distributable income per unit** amounted to $0.303, compared with $0.306 per unit for the second quarter of the previous fiscal year. **Net income** grew by more than 43% to reach $5.5 million or $0.270 per unit, up from $3.9 million or $0.268 per unit for the corresponding quarter of fiscal 2000. **Net operating income** rose 22.8% to $9.8 million, compared with $8.0 million for same period one year earlier. **Operating revenues** increased by $2.9 million or 21.6% to total $16.4 million, up from $13.4 million for the second quarter of fiscal 2000.

For the first six months of the fiscal year, **operating revenues** grew by $5.7 million or 21.5% compared with the first half of the previous fiscal year. This growth was largely due to the acquisitions made in 2000 and 2001. **Net operating income** followed this trend with an increase of $3.4 million or 22.3% over the first half of fiscal 2000, totalling $18.5 million as at June 30, 2001. The ratio of net operating income to net operating revenues improved by 0.4% due to the synergies resulting from the integration of the acquisitions. In addition, the February 2001 issue contributed to slowing down the growth in interest on hypothecs payable. **Net income** amounted to $9.6 million, up from $7.1 million as at June 30, 2000, an increase of 34.5%.

Distributions to unitholders rose to $10.4 million in the first half of the fiscal year, up 35% over the first six months of fiscal 2000. The current **monthly distribution** stands at $0.088 per unit and we plan to maintain an annual distribution rate of about 90%.

Cash flows from operating activities increased by $2.8 million in the first six months of the fiscal year, rising to $11.5 million, up 32.5% over the corresponding period of the previous fiscal year.

Financial Position

As at June 30, 2001, **unitholders' equity** totalled $193.3 million, an increase of $35.6 million over the previous year. This growth of 22.6% resulted from a $44.6 million increase in assets, while our debt grew by just $9.0 million.

Development work amounted to $10.7 million as at June 30, 2001, compared with $1.4 million one year earlier. This increase was due primarily to the expenditures incurred for the development work at Les Promenades Beauport and Crémazie properties.

As a result of the mezzanine loan made in late June, hypothecs receivable amounted to $9.0 million as at June 30, 2001.

Consistent with its operating principles, Cominar maintains a conservative **debt ratio** of 48.5%. That leaves an acquisition capacity of $115,000 million, before we reach our maximum borrowing capacity of 60%.

As at June 30, 2001, **our portfolio** covered a total area of 5.7 million square feet, including 1.25 million square feet in the Montreal region. It comprised 81 properties: 10 office buildings, 18 retail buildings and 53 industrial and mixed-use buildings. The occupancy rate stood at 95.7%.

With the acquisition to be concluded in November 2001, the expansion work at Les Promenades Beauport shopping centre and the option held on an office building on Charest Boulevard in Quebec City, the portfolio will cover some 6.4 million square feet by early 2002, including 1.4 million in the Montreal region.

Outlook

Coupled with our development strategy, the rigorous management practised by our team and the quality of our acquisitions make us optimistic about the future. We also intend to further expand the portfolio through new quality acquisitions matching our growth and return objectives.

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

August 2001

COMINAR REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income and Distributable Income

Period ended June 30 (Unaudited, in thousands of dollars, except per unit amounts)	Trimestrial 2001 $	Trimestrial 2000 $	Cumulative 2001 $	Cumulative 2000 $
Operating revenues				
Rentals from income properties	**16,353**	13,445	**32,236**	26,534
Operating expenses				
Property operating costs	**3,552**	3,106	**7,495**	6,453
Realty taxes and services	**2,835**	2,249	**5,825**	4,598
Property management expenses	**178**	118	**386**	326
	6,565	5,473	**13,706**	11,377
Net Operating Income	**9,788**	7,972	**18,530**	15,157
Interest on hypothecs and bank indebtedness	**2,842**	2,793	**5,946**	5,521
Depreciation of income properties	**672**	554	**1,343**	1,101
Depreciation of deferred expenses and other assets	**531**	365	**1,064**	722
	4,045	3,712	**8,353**	7,344
Operating income from real estate assets	**5,743**	4,260	**10,177**	7,813
Trust expenses	**267**	301	**600**	603
	5,476	3,959	**9,577**	7,210
Other (revenues) expenses				
Loan interest	**51**	79	**97**	84
Other income	**(127)**	(9)	**(132)**	(20)
	(76)	70	**(35)**	64
Net income	**5,552**	3,889	**9,612**	7,146
Add				
Depreciation of income properties	**672**	554	**1 343**	1 101
Distributable income	**6,224**	4,443	**10,955**	8,247
Basic and diluted net income per unit (note 6)	**0.270**	0.268	**0.489**	0.493
Distributable income per unit (note 6)	**0.303**	0.306	**0.558**	0.569

COMINAR REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

(Unaudited, in thousands of dollars)	As at June 30 2001 $	As at December 31 2000 $
Assets		
Income properties	**355,856**	336,360
Income properties under development	**10,650**	1,408
Mortgage receivable (note 3)	**9,000**	-
Deferred expenses and other assets	**12,800**	10,151
Prepaid expenses	**3,604**	677
Accounts receivable	**3,739**	2,457
	395,649	351,053
Liabilities and Unitholders' Equity		
Liabilities		
Hypothecs payable (note 4)	**171,558**	157,535
Bank indebtedness	**23,781**	30,640
Accounts payable and accrued liabilities	**5,150**	5,178
Distributions payable to Unitholders	**1,828**	-
	202,317	193,353
Unitholders' Equity	**193,332**	157,700
	395,649	351,053

COMINAR REAL ESTATE INVESTMENT TRUST

Statements of Unitholders' Equity

	Trimestrial		Cumulative	
Period ended June 30 (Unaudited, in thousands of dollars)	**2001** **$**	2000 $	**2001** **$**	2000 $
Unitholders' Equity - beginning of period	**190,377**	135,498	**157,700**	136,060
Issuance of units (note 5)	**2,871**	7	**38,036**	15
Underwriters' fees and offering costs	**(15)**	-	**(1,617)**	-
Net income for the period	**5,552**	3,889	**9,612**	7,146
Distributions to Unitholders	**(5,453)**	(3,830)	**(10,399)**	(7,657)
Unitholders' Equity - end of period	**193,332**	135,564	**193,332**	135,564

COMINAR REAL ESTATE INVESTMENT TRUST

Consolidated Cash Flow Statements

Period ended June 30 (Unaudited, in thousands of dollars)	Trimestrial **2001** **$**	Trimestrial 2000 $	Cumulative **2001** **$**	Cumulative 2000 $
Cash flow from operating activities				
Net income for the period	**5,552**	3,889	**9,612**	7,146
Adjustments :				
Depreciation of income properties	**672**	554	**1,343**	1,101
Depreciation of deferred expenses and other assets	**531**	365	**1,064**	722
Deferred expenses	**(355)**	(233)	**(559)**	(324)
Funds from operations	**6,400**	4,575	**11,460**	8,645
Deferred expenses	**(941)**	(247)	**(2,300)**	(1,826)
Change in non-cash working capital				
Change in accounts receivables	**188**	(424)	**(1,282)**	(310)
Change in prepaid expenses	**(292)**	71	**(2,927)**	(1,887)
Change in accounts payable and accrued liabilities	**(522)**	1,598	**(810)**	1,552
	(1,567)	998	**(7,319)**	(2,471)
	4,833	5,573	**4,141**	6,174
Cash flow from financing activities				
Hypothecs payable	**-**	11,830	**7,000**	11,830
Hypothecs principal repayments	**(1,662)**	(1,4 63)	**(5,565)**	(2,906)
Bank indebtedness	**19,779**	(393)	**(6,859)**	5,272
Distributions to Unitholders	**(5,396)**	(3,822)	**(8,531)**	(6,366)
Net proceeds of offering	**2,841**	-	**36,474**	-
Underwriters' fees and offering costs	**(15)**	-	**(95)**	-
	15,547	6,152	**22,424**	7,830
Cash flow from investing activities				
Acquisitions of income properties	**(8,282)**	(9,686)	**(13,251)**	(9,913)
Acquisitions of income properties under development	**(3,083)**	(2,007)	**(4,242)**	(4,043)
Mortgage receivable	**(9,000)**	-	**(9,000)**	-
Deferred expenses and other assets	**(15)**	(32)	**(72)**	(48)
	(20,380)	(11,725)	**(26,565)**	(14,004)
Net change in cash	**-**	-	**-**	-
Cash begining of period	**-**	-	**-**	-
Cash end of period	**-**	-	**-**	-
Funds from operations per unit	**0.312**	0.316	**0.584**	0.596
Interests paid	**2,842**	2,793	**5,946**	5,521
Acquisitions of income properties by assumption of hypothecs payable	**7,588**	-	**7,588**	-
Acquisition of an income property under development by assumption of an hypothec payable	**-**	-	**5,000**	-

Period ended June 30, 2001

1. Organization of the Trust

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

2. Summary of significant accounting policies

The accounting policies and methods of their application follow the ones used in the annual financial statements as at December 31, 2000.

a) Consolidation

The consolidated financial statements include the accounts of Cominar 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) Income properties under development

The income properties under development are stated at cost and are not amortized. Cost includes all amounts related to the acquisition and improvement of the properties.

d) Deferred expenses and other assets

Deferred expenses and other assets mainly include tenant improvements and leasing expenses, including tenant inducements and commissions. These expenses 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 hypothecs.

3. Mortgage receivable

The mortgage receivable from a related party is secured by an income property under development and bears interest at 10%. The trust has an option to purchase the property at the date of completion expected in 2002.

4. Hypothecs payable

Hypothecs payable are secured by the income properties, bear interest at a weighted average annual rate of 7.16% and are renewable between July 2001 and January 2019.

5. Public offering

On February 15, 2001, the Trust issued 3,450,000 units for the net proceed of $33,322,425 pursuant to the prospectus dated January 26, 2001. The units were sold at $10.10 per unit.

6. Income per unit

Net income per unit and distribuable income per unit has been computed based on the weighted average number of units outstanding during the period, as follows:

	(in thousands)	
	2001	2000
Three months ended June 30	20,545	14,500
Six months ended June 30	19,638	14,500

As at june 30, 2001 there were 20,775,198 units issued and outstanding (14,500,000 as at june 30, 2000).

The possible issuance of units under the unit option plan has anti-dilutive effect on the current year's basic income per unit amount.

7. Segment disclosures

The Cominar'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	9,533	12,848	9,855	32,236
Interest on hypothecs and bank indebtedness	1,966	2,439	1,541	5,946
Depreciation of income properties	414	610	319	1,343
Operating income from real estate assets	2,856	3,879	3,442	10,177
Income properties	101,879	153,610	100,367	355,856

8. Comparatives figures

Certain of the June 30, 2000 comparative figures have been reclassified to conform with the new presentation adopted at the end of 2000.

INFORMATION

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Unit Listing
The Toronto Stock Exchange

Stock Trading Symbol
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