QUARTERLY REPORT

June 30, 2004

COMINAR
REAL ESTATE
INVESTMENT TRUST

www.cominar.com

SECOND QUARTER
June 30, 2004

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Message to Unitholders

We are pleased to present our performance and financial position for the second quarter ended June 30, 2004. Detailed explanations are provided in the management's discussion and analysis included in this quarterly report.

Cominar has just achieved another solid performance for its second quarter. Our results reflect our sound strategy which focuses on developing some of our properties and construction projects in a market of high real estate prices, while continuing to target acquisitions matching our criteria of quality and profitability over the short and long term. The three months ended June 30, 2004 marked our 25th consecutive quarter of strong growth. **Operating revenues** grew by 13.4% to $27.8 million. **Net operating income** rose 19.5% to $17.0 million. **Distributable income** jumped 39.0% to $11.5 million or $0.363 per unit. **Cash flows from operating activities** increased by 41.3% compared with the corresponding quarter of 2003, to reach $13.2 million or $0.417 per unit. With these excellent results, we were able to pay a total of $9.3 million in **distributions to unitholders**, up 24.6% over the second quarter of 2003.

Our property **occupancy rate** was 94.7% as at June 30, 2004, comparable to the average since 1998.

While pursuing the development work under way on several of our properties, we made three acquisitions in the second quarter, at an average capitalization rate of 9.7% which is very satisfactory in today's market. They represent a total investment of $33.5 million. Two of them are industrial and mixed-use buildings located in Montreal and Quebec City; they cover an area of 102,000 square feet and have an average capitalization rate of 10.3%. As for the third, it is a 157,000-square-foot office tower in the Montreal region, purchased for $28.0 million, and fully leased to the federal government on a long-term basis. It has a capitalization rate of 9.2%.

Subsequent to the end of the quarter, we purchased a fully leased industrial and mixed-use property that adds 101,000 square feet of space to our Montreal area portfolio, for an investment of $8.5 million. It has a capitalization rate of 10.0%. We also concluded one agreement to acquire an industrial and mixed-use building of 169,000 square feet at a cost of $11.3 million. This property is fully leased and has average capitalization rate of about 9.2%.

As at June 30, 2004, our debt to gross book value ratio was of 45.5%, which is far below the ratio of 60% authorized by our Contract of Trust. We focus on keeping this ratio under 55%, which corresponded to an acquisition capacity of $137.5 million at the end of the second quarter.

We currently have six development projects under way on eleven properties, including eight construction projects, two renovations and one expansion, which will add more than 770,000 square feet of leasable space. This work should be completed by the summer of 2005, at a total cost of $60.0 million.

With the benefits of the recent developments and acquisitions, we can look forward to solid growth in the second half of the year. We remain on the lookout for acquisition and development opportunities matching our criteria of profitability and increasing the portfolio's value over the short and long term.

Jules Dallaire

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

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

This management's discussion of the consolidated operating results and financial position of Cominar Real Estate Investment Trust ("Cominar") for the quarters ended June 30, 2004 and 2003 should be read in conjunction with the consolidated financial statements, accompanying notes and management's report appearing in the 2003 annual report. Those consolidated financial statements have been prepared in accordance with the recommendations of the *Canadian Institute of Chartered Accountants* and the *Canadian Institute of Public and Private Real Estate Companies*. In compliance with Regulation 51-102 of the *Canadian Securities Authorities*, we notify readers that the consolidated financial statements for the periods ended June 30, 2004 and 2003 have not been examined by the auditors of Cominar Real Estate Investment Trust.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Changes in Accounting Policies

Depreciation of Income Properties

The CICA has adopted recommendations that disallow the use of the sinking-fund method of depreciation which was currently used by real estate companies. This standard is prospective in application and effective January 1, 2004. Accordingly, Cominar will use the straight-line method to amortize the cost of its income properties over an estimated useful life of forty years. Based on the unamortized cost of Cominar's income properties as at December 31, 2003, this change will increase depreciation expense for 2004 by approximately $7.0 million. For the first half of the current fiscal year, the adoption of this standard increased depreciation expense by $3.4 million, thereby reducing net income per unit by $0.106. This change had an impact of $1.8 million or $0.055 per unit during the second quarter. However, there was no impact on distributable income.

Revenue Recognition

The CICA has adopted recommendations that require Cominar to change its method of revenue recognition when the lease has an escalator clause. This standard is prospective in application and effective January 1, 2004. Accordingly, Cominar will account for rental revenue on a straight-line basis, whereby the total rents receivable are spread equally over the term of the lease. This change will increase revenues, net income and other assets by about $1.5 million in 2004. The impact is estimated at $325,000 for the second quarter and $669,000 for the first six months of the fiscal year. This change will have no impact on distributable income.

Stock-Based Compensation and Other Stock-Based Payments

The CICA has amended CICA 3870, "Stock-Based Compensation and Other Stock-Based Payments", to require that the equity instruments awarded to employees be measured and expensed, thus eliminating the current provisions which permit a company to only disclose the fair value. Fair value of equity instruments would be used to measure compensation expense. The adoption of the standard will be retroactive to January 1, 2002. As a result, effective January 1, 2004, Cominar recognized the cumulative effect by making an adjustment to opening unitholders' equity without restatement. Cominar has estimated that the impact of the adoption of this standard will increase Trust administrative expenses during 2004 by approximately $300,000 with a corresponding decrease to net income. There will be no impact on unitholders' equity and on distributable income. The amount expensed in each quarter amounts to about $73,000.

Acquisitions of Income Properties

For acquisitions made on or after September 12, 2003, in accordance with the CICA's new standards, Cominar allocated a fraction of the acquisition cost of acquired properties to existing operating leases, based on their fair value. Using the assumptions and estimations made by management, the acquisition cost is divided between the land and its improvements, the building, the fair value of existing leases, the fair value of the relationship between Cominar and its tenants, and the leasehold improvements and rental fees.

The application of these new policies resulted in additional depreciation expenses of $58,000 during the quarter. However, it had no impact on distributable income.

Operating Results

For the second quarter, **operating revenues** grew by 13.4% to $27.8 million. **Net operating income** totalled $17.0 million, up by 19.5% or $2.8 million over the corresponding quarter of fiscal 2003. **Distributable income** rose to $11.5 million, an increase of 39.0% or $3.3 million. **Distributable income per unit** amounted to $0.363, up 15.4% over $0.315.

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

The settlement of a legal dispute provided Cominar with proceeds of $740,000 in the second quarter. This amount was recognized as "Other revenues".

According to the accounting policies currently in effect, net income grew to $8.8 million or $0.276 per unit, up 21.4% over the same period in 2003. However, net income for 2004 must be restated to consider the negative impact of the above-mentioned accounting changes. This restatement allows better comparison of the financial results with those of the previous year. The following table summarizes the impact of these changes on net income for the second quarter and first six months.

Cominar's disciplined acquisition and development strategy and creative management have led to sustained growth since its inception. Our decision to favour developments of existing properties in a context marked by sharply rising property prices is yielding the expected results as shown by these developments' significant contribution to results. Our recent acquisitions and the real estate portfolio's internal growth also contributed to this performance.

For the first six months of the fiscal year, **operating revenues** increased by $7.0 million or 14.5% to total $55.2 million. **Net operating income** grew by $4.9 million or 18% to reach $32.2 million, and net earnings increased by 14.3% to $15.6 million.

Impact of accounting changes on net income

(in thousands of $)	Second Quarter	Cumulative (six months)
Net income	**8,788**	**15,609**
Additional depreciation	1,752	3,361
Straight-line depreciation of rental income	(325)	(669)
Stock-based compensation – unit purchase options	73	145
Amortization of intangible assets	58	58
Net income before application of the changes	**10,346**	**18,504**
Net income before application of the changes per unit	**0.325**	**0.583**

Restated net income per unit for the second quarter and first half of 2004 shows growth of 18.2% and 12.1% respectively over 2003.

Distributable Income and Distributions

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

Distributions to unitholders rose 34.8% to $18.4 million, compared with $13.7 million in the first half of 2003. **Distributions per unit** amounted to $0.576, versus $0.562 for the comparable period of the previous fiscal year.

(in thousands of dollars, except amounts per unit)	**June 30, 2004 (year-to-date)**	June 30, 2003 (year-to-date)
Net income	**15,610**	13,655
Depreciation of income properties	5,766	2,098
Deferred rental revenues	(669)	0
Depreciation of leases below market	3	0
Stock-based compensation related to options	145	0
Distributable income	**20,855**	15,753
Weighted average number of units	31,752	26,261
Basic distributable income per unit	**0.657**	0.600
Distributions paid per unit	**0.576**	0.562

Rental Activities

Cominar showed an occupancy rate of 94.7% as at June 30, 2004, compared with 96.0% as at December 31, 2003 and 95.6% as at June 30, 2003.

Trend in occupancy rate by sector

Sector	**June 30, 2004**	Dec. 31, 2003	June 30, 2003
Office	**94,5%**	92,8%	91,9%
Retail	**95,4%**	95,7%	94,7%
Industrial and mixed-use	**94,4%**	97,4%	97,6%
Total	**94,7%**	96,0%	95,6%

The industrial and mixed-use sector's occupancy rate declined slightly in the second quarter of 2004 compared with December 31, 2003 and June 30, 2003, as properties under development considered in operation since January 1, 2004 are not fully leased and a building acquired in April has a low occupancy rate. We expect this situation to gradually turn around in the coming months as these development projects are completed and occupied. The occupancy rate in the office sector went from 91.9% as at June 30, 2003 to 94.5% as at June 30, 2004.

Lease renewal rates

	Expiring leases (sq.ft.)	Renewed leases (sq.ft.)	**Renewal rate (%)**
1999	546,820	437,624	**80.03**
2000	770,387	580,674	**75.37**
2001	1,098,301	894,217	**81.42**
2002	1,141,790	912,739	**79.94**
2003	1,397,779	1,069,024	**76.48**
2004 (June 30)	1,371,556	837,967	**61.10**

The annual renewal rate of expiring leases since 1998 stands at an average of 79%, reflecting the efforts made by Cominar's team of leasing consultants and the quality of its properties. As at June 30, 2004, 61.1% of the leases expiring in 2004 had already been renewed. **New leases** had also been signed for a leasable area of about 390,000 square feet at the end of the first half.

Related-Party Transactions

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

During the first six months of 2004, Cominar received net rental revenues of $658,000 from *Dalcon Inc.*, *Électricité Hamo Inc.* and *Corporation Financière Alpha (CFA) Inc.* Cominar incurred expenditures of $2.3 million for leasehold improvements performed for its tenants by *Dalcon Inc.* and $15.9 million for the construction of one property and the development of some of its properties.

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

Liquidities and Capital Resources

Cash flows from operating activities grew by 41.3% compared with the corresponding quarter of 2003, to stand at $13.2 million or $0.417 per unit. Without the impact of the changes in accounting policies, operating cash flows would have increased by 37.8% or $0.407 per unit. On a year-to-date basis as at June 30, 2004, cash flows were up by $6.8 million or 38.6%.

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

As at June 30, 2004, Cominar showed a debt to gross book value ratio of 45.5%, whereas a rate of 60% is authorized by its Contract of Trust. However, in accordance with its conservative debt management policy, Cominar prefers to keep this ratio below 55%, leaving it an acquisition capacity of $137.5 million as at June 30, 2004.

Mortgage Activities

As at June 30, 2004, the weighted average interest rate of Cominar's mortgages was 6.29%, which is comparable to the rate as at June 30, 2003.

Balance due on mortgages payable as at June 30, 2004 expiring as follows

Year	Amount (thousands of $)	Weighted average interest rate (%)
2004	13,675	7.13
2005	10,652	7.97
2006	34,243	6.29
2007	50,126	5.64
2008	130,454	6.06
2009 and subsequent	37,752	7.20
	268,582	6.29

Real Estate Portfolio

In the second quarter, Cominar acquired two industrial and mixed-use properties in Montreal and Quebec City. These two buildings cover a total of about 102,000 square feet, represent an investment of $5.5 million, and have an average capitalization rate of 10.3%. Cominar also purchased a 157,000-square-foot office tower at a cost of $28.0 million in the Montreal area, which has a capitalization rate of 9.2%. This property is fully leased to the federal government on a long-term basis.

As at June 30, 2004, Cominar had six development projects under way on eleven properties. Covering a total of over 770,000 square feet of leasable space, this work represents an investment of $60.0 million. The main projects are:

- the construction of a 205,000-square-foot office tower at Place de la Cité in Quebec City, 91,500 square feet of which are currently occupied. The remaining space will gradually be occupied according to the lease agreements in effect. The tower is expected to be fully leased toward the end of 2004;

- the construction of four industrial and mixed-use properties covering a leasable area of 301,400 square feet in Laval;

- the construction of three industrial and mixed-use properties covering 188,000 square feet of leasable space in Quebec City; and

- a 76,000-square-foot expansion of the Carrefour Charlesbourg shopping centre in Quebec City, 58,000 square feet of which have been occupied since May 1, 2004. We expect the remaining 18,000 square feet of leasable space to be fully leased by the end of 2004.

Acquisitions subsequent to June 30, 2004

In July 2004, Cominar acquired an industrial and mixed-use property in the Montreal region. This fully occupied building covers about 101,000 square feet, represents an investment of $8.5 million, and has a capitalization rate of 10.0%.

Cominar also concluded one agreement to purchase an industrial and mixed-use building of 169,000 square feet at a cost of $11.3 million. This building is fully occupied and has an average capitalization rate of about 9.2%.

On completion of the acquisitions and development work in progress, Cominar's real estate portfolio will consist of 124 properties and cover 9.4 million square feet, including 3.3 million square feet in the Montreal region.

These acquisitions and developments fully match the current growth strategy implemented by Cominar, which is temporarily giving priority to property developments in a market of persisting high real estate prices. Cominar is still making acquisitions by carefully selecting them according to specific criteria, especially short and long-term profitability. Year after year, Cominar remains focused on profitable growth in order to increase the value of its real estate portfolio and provide its unitholders with a stable and attractive return.

Outlook

Cominar expects to achieve solid growth in the periods to come. The acquisitions and developments completed in 2003 and 2004 have high occupancy rates and are yielding the anticipated contribution to distributable income. These recent developments and acquisitions will help to drive the portfolio's growth and profitability in the coming quarters.

RISKS AND UNCERTAINTIES

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

OPERATIONAL RISKS

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

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

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

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

DEBT AND REFINANCING

Cominar has spread the maturities of its mortgages payable over several years to reduce the risks related to their renewal. In 2004, mortgages payable of $13.7 million are renewable at a weighted average interest rate of 7.13%. Cominar does not foresee any difficulty in refinancing them as they fall due.

ENVIRONMENTAL RISK

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

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

UNITHOLDERS' LIABILITY

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

CERTIFICATION OF INTERIM FILINGS

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

1. We have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of "Cominar Real Estate Investment Trust" for the interim period ending June 30, 2004.

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

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

August 4, 2004

Jules Dallaire Chairman of the Board and Chief Executive Officer	Michel Berthelot, CA Executive Vice-President and Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

Period ended June 30 (unaudited, in thousands of dollars except per unit amounts)	Trimestrial 2004 $	Trimestrial 2003 $	Cumulative 2004 $	Cumulative 2003 $
Operating revenues				
Property rental revenue	**27,814**	24,534	**55,233**	48,234
Operating expenses				
Property operating costs	**5,152**	5,207	**11,766**	11,098
Realty taxes and services	**5,437**	4,798	**10,647**	9,146
Property management expenses	**268**	336	**600**	684
	10,857	10,341	**23,013**	20,928
Operating income before the undernoted	**16,957**	14,193	**32,220**	27,306
Interest on mortgages and bank indebtedness	**4,074**	4,343	**8,044**	8,429
Depreciation of income properties	**2,994**	1,056	**5,766**	2,098
Amortization of deferred expenses and other assets	**1,383**	1,254	**2,766**	2,424
	8,451	6,653	**16,576**	12,951
Operating income from real estate assets	**8,506**	7,540	**15,644**	14,355
Trust administrative expenses	**513**	355	**974**	755
Other income	**795**	55	**939**	55
Net income for the period	**8,788**	7,240	**15,609**	13,655
Basic net income per unit (note 9)	**0.276**	0.275	**0.492**	0.520
Diluted net income per unit (note 9)	**0.274**	0.273	**0.488**	0.518

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)	As at June 30 2004 (unaudited) $	As at Dec. 31 2003 (audited) $
Assets		
Income properties (note 4)	**564,140**	518,770
Properties under development	**29,919**	21,486
Deferred expenses and other assets (note 5)	**20,775**	21,540
Prepaid expenses	**8,491**	1,901
Accounts receivable	**6,742**	5,525
Cash and cash equivalents	**0**	33,660
	630,067	602,882
Liabilities and Unitholders' Equity		
Liabilities		
Mortgages payable (note 6)	**276,902**	270,715
Bank indebtedness (note 7)	**19,754**	0
Accounts payable and accrued liabilities	**10,729**	12,570
Distributions payable to Unitholders	**3,150**	0
	310,535	283,285
Unitholders' Equity		
Unitholders contributions (note 8)	**323,190**	320,604
Cumulative net earnings	**137,210**	121,640
Cumulative distributions	**(141,052)**	(122,647)
Contributed surplus (note 8)	**184**	0
	319,532	319,597
	630,067	602,882

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period ended June 30 (unaudited, in thousands of dollars)	Trimestrial 2004 $	Trimestrial 2003 $	Cumulative 2004 $	Cumulative 2003 $
Unitholders contributions				
Balance, beginning of period	**321,381**	250,518	**320,604**	248,874
Issue of units	**1,809**	1,200	**2,586**	2,844
Balance, end of period	**323,190**	251,718	**323,190**	251,718
Cumulative net earnings				
Balance, beginning of period	**128,422**	97,033	**121,640**	90,618
Change in accounting policy (note 3)	**0**	0	**(39)**	0
Net income	**8,788**	7,240	**15,609**	13,655
Balance, end of period	**137,210**	104,273	**137,210**	104,273
Cumulative distributions				
Balance, beginning of period	**(131,730)**	(98,576)	**(122,647)**	(91,245)
Distributions to unitholders	**(9,322)**	(7,484)	**(18,405)**	(14,815)
Balance, end of period	**(141,052)**	(106,060)	**(141,052)**	(106,060)
Contributed surplus (note 8)				
Change in accounting policy (note 3)	**111**	0	**39**	0
Stock-based compensation plan	**73**	0	**145**	0
Balance, end of period	**184**	0	**184**	0
Unitholders' Equity	**319,532**	249,931	**319,532**	249,931

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Trimestrial		Cumulative	
Period ended June 30 (unaudited, in thousands of dollars)	**2004** **$**	2003 $	**2004** **$**	2003 $
Operating activities				
Net income for the period	**8,788**	7,240	**15,609**	13,655
Items not affecting cash:				
Depreciation of income properties	**2,994**	1,056	**5,766**	2,098
Amortization of deferred expenses and other assets	**1,383**	1,254	**2,766**	2,424
Amortization of above-market leases	**3**	0	**3**	0
Leasing costs	**0**	(178)	**0**	(652)
Stock-based compensation costs (note 8)	**73**	0	**145**	0
Funds from operations	**13,241**	9,372	**24,289**	17,525
Leasing costs	**(1,083)**	(2,327)	**(2,050)**	(3,633)
Change in non-cash operating working capital items	**(1,703)**	(3,245)	**(12,646)**	(6,478)
	10,455	3,800	**9,593**	7,414
Financing activities				
Mortgages payable	**0**	30,806	**0**	52,806
Repayments of mortgages payable	**(3,017)**	(1,960)	**(5,150)**	(7,386)
Bank indebtedness	**19,754**	(19,342)	**19,754**	(23,907)
Distributions to Unitholders	**(9,202)**	(7,419)	**(15,255)**	(12,305)
Net proceeds from issue of units (note 8)	**1,809**	1,200	**2,586**	2,844
	9,344	3,285	**1,935**	12,052
Investing activities				
Acquisitions of income properties	**(31,259)**	(3,301)	**(36,032)**	(13,058)
Acquisitions of properties under development	**(3,134)**	(3,738)	**(9,205)**	(6,162)
Other assets	**28**	(46)	**49**	(246)
	(34,365)	(7,085)	**(45,188)**	(19,466)
Net change in cash and cash equivalents	**(14,566)**	0	**(33,660)**	0
Cash and cash equivalents, beginning of period	**14,566**	0	**33,660**	0
Cash and cash equivalents, end of period	**0**	0	**0**	0
Change in non-cash operating working capital items				
Prepaid expenses	**(2,939)**	(2,404)	**(6,590)**	(5,911)
Accounts receivable	**873**	(1,060)	**(1,217)**	(1,865)
Accounts payable and accrued liabilities	**363**	219	**(4,839)**	1,298
	(1,703)	(3,245)	**(12,646)**	(6,478)
Additional information				
Interest paid	**4,038**	4,176	**7,974**	8,113
Leasing costs unpaid	**(287)**	202	**0**	710
Acquisition of an income property by assumption of a mortgage payable	**11,337**	2,558	**11,337**	4,991
Acquisitions of income properties and properties under development unpaid	**1,103**	825	**2,998**	1,018
Properties under development transferred to income properties	**0**	0	**3,284**	838

See accompanying notes to consolidated financial statements.

Period ended June 30
(unaudited, in thousands of dollars except per unit amounts)

1. Description of the Fund

Cominar Real Estate Investment Trust ("Cominar") is an unincorporated closed-end real estate investment trust created by the Contract of Trust on March 31, 1998, under the law of the Province of Quebec.

2. Accounting policies

Cominar unaudited interim consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles (GAAP) and the accounting policies and methods of their application follow the ones used in the annual audited consolidated financial statements as at December 31, 2003, except fo the adoption of the new recommendations described below. These financial statements do not include all the informations required by GAAP for annual financial statements, and should be read in conjunction with the annual financial statements as at December 31, 2003.

3. Changes in accounting policies

Revenues recognition

On January 1st, 2004, in conformity with Section 1100 of the Canadian Institute of Chartered Accountants (CICA) handbook, "Generally Accepted Accounting Principles", rentals from leases with contractual rent increases are recognized based on the straight-line method. Previously, rentals from leases were recognized as they became due. The prospective adoption of this accounting policy resulted in an increase in the operating income from real estate assets of $669 for the period of six months ended June 30, 2004. We expect the impact of this change in accounting policy to be approximately $1.25 million in 2004, but it will have no effect on the distributable income, since the reported rentals are added back to net income.

Depreciation of income properties

On January 1st, 2004, in conformity with Section 1100 of the CICA handbook, "Generally Accepted Accounting Principles", income properties are depreciated using the straight-line method over forty years so as their residual value will be fully depreciated. Previously, income properties were depreciated using the 5% 40 years sinking fund basis. The prospective adoption of this accounting policy had the impact to increase depreciation of income properties of $3.5 million for the period of six months ended June 30, 2004, reducing by the way the net income for the same amount. We expect the impact of this change to be approximately $7.1 million in 2004. Meanwhile there will be no impact on the distributable income since the depreciation of income properties is added back to net income for the purpose of calculating distributable income

Stock based compensation costs

On January 1st, 2004, Cominar retroactively applied as at January 1st, 2002, Section 3870 of the CICA handbook, "Stock-based Compensation and other Stock-based Payments". CICA requires an expense to be recognized for all forms of employee stock-based compensation using a fair value based method. The fair value of the options granted to Cominar employees and trustees on November 14, 2003, amounts to $607 and the stock-based compensation costs related will be amortized using the graded vesting method. Accordingly, the opening balance of the Cumulative net earnings was adjusted of $39 without restating the published financial statements. The impact of this change in the accounting policy also had the effect to increase the Trust administrative expenses of $145 for the period of six months ended June 30, 2004, and will be $290 for 2004. Net income will be reduced by the same amount, meanwhile there will be no impact on the Unitholders' Equity.

Income properties acquisitions

Since November 12, 2003, Cominar prospectively applied EIC-140 of the CICA handbook, "Accounting for operating leases acquired in either an asset acquisition or a business combination". In accordance with this Abstract, CICA requires to allocate a portion of the purchase price of an income property to in-place operating leases, based on their fair value and to the value of customer relationships, if any. This allocation is based on management assumptions and estimates. These intangible assets are included in income properties and are amortized on a straight-line basis over the terms of the related leases. Previously, no value was allocated to these intangible assets. The prospective adoption of this Abstract will have the effect to accelerate the depreciation of income properties, but will have no impact on the distributable income.

This accounting policy has been applied to three acquisitions during the period of three months ended June 30, 2004. Of the total acquisition cost of $33.6 million, Cominar allocated $2.7 million to the estimated fair value of the acquired intangible assets.

4. Income properties

	As at June 30, 2004			As at Dec. 31, 2003
	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
	$	$	$	$
Land	81,344	0	81,344	78,611
Income properties	501,857	21,705	480,152	440,159
	583,201	21,705	561,496	518,770
Intangible assets	2,699	55	2,644	0
	585,900	21,760	564,140	518,770

5. Deferred expenses and other assets

	As at June 30, 2004			As at Dec. 31, 2003
	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
	$	$	$	$
Leasing costs	34,936	14,872	20,064	20,765
Other assets	1,418	707	711	775
	36,354	15,579	20,775	21,540

6. Mortgages payable

Mortgages payable are secured by income properties, bear interest at rates varying from 3.75% to 11.00% per annum (varying from 4.50% to 11.00% as at December 31, 2003) representing a weighted average rate of 6.29% (6.31% as at December 31, 2003) and are renewable between July 2004 and January 2019.

7. Bank indebtedness

Cominar has a number of operating and acquisition lines of credit of up to $35,865. These credit facilities, subject to annual renewal, bear interest at prime rate plus 0.50%. As at June 30, 2004, the prime rate was 3.75%.

8. Issued and outstanding units

The ownership interests in Cominar are represented by a single class of units. The aggregate number of units which Cominar may issue is unlimited. Units represent a Unitholder's proportionate undivided ownership interest in Cominar. Each unit confers the right to one vote at any meeting of Unitholders and to participate equally and ratably in any distributions by Cominar.

During the period of three months, Cominar issued 173,727 units for a net proceeds received of 1,809$.

	Period of three months ended June 30, 2004	Period of six months ended June 30, 2004
Units issued and outstanding, beginning of period	31,723,337	31,668,291
Issued from options exercised	117,000	130,500
Issued under distribution reinvestment plan	56,727	98,273
Units issued and outstanding, end of period	31,897,064	31,897,064

Unit option plan

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

	Options	Weighted-average exercice price
		$
Outstanding - beginning of period	3,042,166	13.58
Exercised	130,500	9.26
Outstanding - end of period	2,911,666	13.78

			As at June 30, 2004	
Date of grant	Maturity date	Exercise price	Outstanding options	Options exercisable
January 14,2000	January 14,2005	8.55	11,000	11,000
March 27, 2001	March 27, 2006	10.20	20,333	20,333
August 9, 2001	August 9, 2008	11.00	170,333	40,333
November 14,2003	November 14,2010	14.00	2,710,000	0
			2,911,666	71,666

Stock-based compensation costs

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

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

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan pursuant to which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. During the period, 98,273 units have been issued at a weighted average price of $14.77 pursuant to the distribution reinvestment plan

9. Per-unit results

The following table provides a reconciliation of the weighted average number of units outstanding used to calculate basic and diluted net income per unit.

Period of three months ended June 30	2004	2003
Weighted average number of units outstanding - basic	**31,813,867**	26,357,720
Effect of dilutive unit options	**228,082**	118,458
Weighted average number of units outstanding - diluted	**32,041,949**	26,476,178

Period of six months ended June 30	2004	2003
Weighted average number of units outstanding - basic	**31,752,450**	26,260,723
Effect of dilutive unit options	**228,082**	118,458
Weighted average number of units outstanding - diluted	**31,980,532**	26,379,181

10. Distributable income per unit

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

	Trimestrial		Cumulative	
Period ended June 30	**2004**	2003	**2004**	2003
	$	$	**$**	$
Net income for the period	**8,788**	7,240	**15,609**	13,655
Add (deduct)				
Depreciation of income properties	**2,994**	1,056	**5,766**	2,098
Amortization of above-market leases	**3**	0	**3**	0
Stock-based compensation costs	**73**	0	**145**	0
Reported rentals	**(325)**	0	**(669)**	0
Distributable income for the period	**11,533**	8,296	**20,854**	15,753
Retention of the distributable income	**(2,211)**	(812)	**(2,449)**	(938)
Distributions to Unitholders	**9,322**	7,484	**18,405**	14,815
Distributable income per unit	**0.363**	0.315	**0.657**	0.600
Distributions per unit	**0.291**	0.283	**0.576**	0.562

11. Related party transactions

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

	Trimestrial		Cumulative	
Period ended June 30	**2004**	2003	**2004**	2003
	$	$	**$**	$
Property rental revenue	**263**	275	**658**	558
Other income	**115**	171	**242**	246
Income properties and properties under development	**7,569**	6,429	**15,873**	9,998
Deferred expenses and other assets	**1,217**	1,352	**2,286**	3,579
Balance as at June 30				
Accounts receivable			**627**	688
Accounts payable and accrued liabilities			**2,931**	4,108

12. Subsequent events

During July 2004, Cominar acquired an industrial and mixed-use property for a consideration of $8.35 million of which $4.76 million paid cash and $3.59 million by assumption of a mortgage payable.

Also, during July 2004, Cominar has committed itself to acquire an industrial & mixed-use property for a consideration of $11.3 million.

13. Segment disclosures

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

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

Period of three months ended June 30, 2004

	Office properties $	Retail properties $	Industrial and mixed-use polyvalents $	Total $
Property rental revenue	9,221	9,716	8,877	27,814
Interest on mortgages payable and bank indebtedness	1,704	1,175	1,195	4,074
Depreciation of income properties	1,096	1,061	837	2,994
Net operating income (1)	5,814	5,576	5,567	16,957

Period of three months ended June 30, 2003

	Office properties $	Retail properties $	Industrial and mixed-use polyvalents $	Total $
Property rental revenue	7,743	8,842	7,949	24,534
Interest on mortgages payable and bank indebtedness	1,845	1,173	1,325	4,343
Depreciation of income properties	388	372	296	1,056
Net operating income (1)	4,552	4,842	4,799	14,193

Period of six months ended June 30, 2004

	Office properties $	Retail properties $	Industrial and mixed-use polyvalents $	Total $
Property rental revenue	18,022	19,186	18,025	55,233
Interest on mortgages payable and bank indebtedness	3,247	2,362	2,435	8,044
Depreciation of income properties	2,026	2,086	1,654	5,766
Net operating income (1)	10,977	10,613	10,630	32,220
Income properties	201,516	197,705	164,919	564,140

Period of six months ended June 30, 2003

	Office properties $	Retail properties $	Industrial and mixed-use polyvalents $	Total $
Property rental revenue	15,097	17,522	15,615	48,234
Interest on mortgages payable and bank indebtedness	3,362	2,505	2,562	8,429
Depreciation of income properties	735	783	580	2,098
Net operating income (1)	8,667	9,463	9,176	27,306
Income properties	153,632	201,083	148,187	502,902

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

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