QUARTERLY REPORT
June 30, 2005

COMINAR REAL ESTATE INVESTMENT TRUST

August 9, 2005

COMINAR
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SECOND QUARTER

June 30, 2005

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Message to Unitholders

We are pleased to present the financial results of Cominar Real Estate Investment Trust ("Cominar" or the "REIT") for the second quarter ended June 30, 2005. Detailed explanations about our results and financial position are provided in the management discussion and analysis included in this quarterly report, followed by comparative financial statements and accompanying notes.

Since the creation of the REIT in 1998, we have had two primary objectives: first, to deliver to unitholders growing cash distributions and, second, to maximize unitholder value through proactive management and accretive growth of our portfolio.

In the past few years, market conditions have led to a substantial increase in real estate property prices. Our experience in the real estate sector over the last 40 years has taught us to act with great prudence during times of rising property prices. As mentioned several times, we will not sustain growth through acquisitions that could endanger Cominar's future profitability.

We have thus adapted our growth strategy and intensified our efforts toward property development, while pursuing our search for properties that meet our profitability criteria. Over the past three years, we have stepped up the development of properties offering a strong potential of profitability. This strategy will allow Cominar to continue creating value for unitholders, even though it takes more time to develop properties to their full potential. For instance, all of our developments completed and in progress show capitalization rates substantially higher than capitalization rates dictated by prevailing market conditions.

Our current portfolio of high quality and well-located properties provides us with a strong base to continue delivering increasing returns to unitholders. We are always working toward aggressively managing our costs and improving our operations.

In addition, as a result of our disciplined strategy since the inception of the REIT, we have achieved one of the lowest payout ratios of all Canadian real estate investment trusts, which is a key element for the long term stability of the REIT.

For the quarter ended June 30, 2005, operating revenues amounted to $30.7 million, an increase of 10.2% compared with the corresponding quarter of 2004. Net operating income for the quarter was up 8.8% at $18.4 million. Distributable income stood at $11.2 million or $0.344 per unit. This allowed us to pay a total of $9.8 million in distributions to unitholders, up 5.3% over the corresponding period in 2004.

Given the strength of our existing portfolio and the many developments that should come on board this year as well as the commitment of our team, our acquisition and property development capabilities and our solid financial position, we remain confident that we will end the year on a solid note.

Michel Dallaire
President and Chief Executive Officer
August 9, 2005

Management Discussion and Analysis

This management discussion and analysis (“MD&A”) comments on the operations, financial condition and cash flows of Cominar Real Estate Investment Trust (“Cominar”, the “REIT”, “we” or “us”) for the second quarter ended June 30, 2005 and 2004. It should be read in conjunction with the consolidated financial statements, accompanying notes and MD&A contained in the 2004 Annual Report.

The consolidated financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants (“CICA”). In compliance with National Instrument 51-102 of the Canadian Securities Authorities, we hereby notify readers that the interim consolidated financial statements for the periods ended June 30, 2005 and 2004 have not been examined by Cominar’s auditors.

FORWARD-LOOKING STATEMENTS

The MD&A is intended to facilitate the understanding of the interim consolidated financial statements and accompanying notes, so that investors can gain a better understanding of Cominar’s future direction and make informed investment decisions. This discussion and analysis may include objectives, projections, estimates, expectations, forecasts and predictions by Cominar or management that are forward-looking. Positive or negative verbs such as “believe”, “plan”, “estimate”, “expect” and “evaluate” are used in connection with these forward-looking statements. Cominar cautions readers that, by their very nature, forward-looking statements involve major risks and uncertainties such that Cominar’s actions, results and financial position could differ significantly from those indicated, whether explicitly or implicitly.

SIGNIFICANT ACCOUNTING POLICIES

Cominar’s accounting policies are essential to the understanding and interpretation of the interim financial results. Note 2 to the unaudited interim consolidated financial statements for the second quarter ended June 30, 2005 includes a summary of our accounting policies. Our significant accounting policies and methods of application are identical to those used in the preparation of our annual consolidated financial statements for the 2004 fiscal year, which were discussed in our MD&A for the year ended December 31, 2004.

OUR OPERATIONS

Cominar is an unincorporated closed-end investment trust governed by the laws of the Province of Quebec and constituted pursuant to a Contract of Trust. The REIT’s units and convertible debentures are publicly traded and listed on the Toronto Stock Exchange (TSX) under the symbols CUF.UN and CUF.DB, respectively.

The REIT is one of the largest commercial property owners in the Province of Quebec. As at June 30, 2005, Cominar’s real estate portfolio included 124 office, retail and industrial and mixed-use buildings in the Greater Montreal and Quebec City regions. The following table shows Cominar’s portfolio as at June 30, 2005:

Real Estate Portfolio

	Office		Retail		Industrial		Total	
	No.	Leasable Area (sq.ft.)	No.	Leasable Area (sq.ft.)	No.	Leasable Area (sq.ft.)	No.	Leasable Area (sq.ft.)
Income properties	14	2,200,000	27	2,430,666	83	4,780,757	124	9,431,423

Cominar's objectives are to deliver to its unitholders growing cash distributions and to maximize unitholder value through proactive management and accretive growth of its portfolio. In order to meet these goals, management has implemented a flexible and prudent growth strategy, the primary components being as follows:

- A flexible expansion policy that rapidly adapts to market conditions and targets acquisitions or developments, depending on the anticipated potential return
- A well-balanced segmented diversification among office, retail and industrial properties
- Geographical diversification between the Montreal and Quebec City areas, while maintaining dominant presence in the Quebec City market
- Prudent debt and financial management

Cominar has a distribution reinvestment plan for its unitholders that allows participants to reinvest their monthly cash distributions in additional Cominar units at an effective discount of 5%. Additional information and enrollment forms are available at www.cominar.com or through our transfer agent.

MANAGEMENT CHANGES

In April 2005, Cominar announced the appointment of Mr. Michel Dallaire as Chief Executive Officer of the REIT. He has since then assumed the duties previously carried out by Mr. Jules Dallaire, who retired for health reasons. Mr. Jules Dallaire remains, however, Chairman of the Board of Trustees. During the second quarter of 2005, Mr. Alain Dallaire was also promoted to Executive Vice President, Leasing and Commercial Operations. These transfers of responsibilities were in keeping with Cominar's succession plan, which was implemented several years ago.

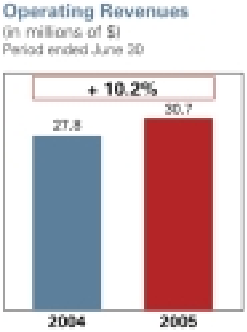
OPERATING RESULTS

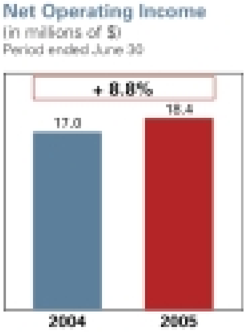
For the second quarter ended June 30, 2005, operating revenues grew by 10.2% over the second quarter of 2004 from $27.8 million to $30.7 million. For the first six months of the fiscal year, operating revenues increased by $5.8 million or 10.6% to $61.1 million. Our growth was generated by acquisitions and developments completed in 2004 and 2005.

Net operating income totaled $18.4 million, up by 8.8% over the corresponding quarter of 2004. The net operating income to revenues ratio stood at 60.2%, which is comparable to the previous corresponding quarter. For the first six months ended June 30, 2005, net operating income grew by 9.3% to reach $35.2 million while the net operating income to revenues ratio was 57.7%, which is in line with the previous corresponding period.

The following graphs show the growth in operating revenues and net operating income for the periods ended June 30, 2005 and 2004:

Operating Revenues and Net Operating Income





"Net operating income" is not a measure defined by generally accepted accounting principles ("GAAP"). It is, however, a term frequently used by real estate professionals to measure the intrinsic return of a real estate portfolio. Cominar defines this measure as operating income, as determined in accordance with GAAP, before interest on borrowings, depreciation of income properties, and amortization of deferred expenses and other assets. Since this measure does not have a standardized meaning, it might not be comparable to similar measures presented by other issuers.

Interest on borrowings increased from $4.1 million to $5.2 million in the second quarter of 2005. For the six-month period ended June 30, 2005, interest on borrowings was up 31.1%. These variations are attributable to the issue of $100 million in convertible debentures, completed toward the end of 2004, which bears interest at an annual rate of 6.30%. The proceeds of this issue were used for the financing of the acquisition of the 300 Viger property in Montreal, the repayment of acquisition and operating facilities, the repayment of mortgages loans and the financing of property developments and future acquisitions.

Depreciation of income properties rose 21.8% from $3.0 million in the second quarter of 2004 to $3.6 million in the corresponding period of 2005. On a cumulative basis, it increased 26.5% over the same period in 2004. These increases are due to acquisitions and developments completed in 2004 and 2005 as well as to the requirement of CICA Handbook EIC-140 to allocate a portion of the purchase price of an income property to in-place operating leases, which accelerates the depreciation of income properties. However, the application of this abstract has no impact on distributable income.

Income from discontinued operations for the quarter ended June 30, 2005 included a gain of $248,000 as a result of the sale of a 45,671 square foot industrial property located at 9055 Impasse de l'Invention, Anjou.

The calculation of net income in accordance with GAAP for the second quarter of 2005 includes the aforementioned gain of $248,000. For the corresponding quarter of 2004, the same calculation includes income of $740,000 as a result of the settlement of a legal dispute. Since these gains represent one-time items and management believes they are not representative of the REIT's operating performance, the following table shows the calculation of net income excluding these one-time items:

Net Income

(in thousands of dollars, except amounts per unit)	Q2-2005	Q2-2004	Year-to-date 2005	Year-to-date 2004
Net income	8,042	8,788	14,087	15,609
Gain on sale of income property	(248)	–	(248)	–
Income as a result of settlement of legal dispute	–	(740)	–	(740)
Adjusted net income	7,794	8,048	13,839	14,869
Adjusted net income per unit	0.239	0.253	0.425	0.456

As shown in the table above, adjusted net income decreased from $8.0 million in the second quarter of 2004 to $7.8 million in the corresponding quarter of 2005. This decrease in net income is mainly attributable to two factors:

- The allocation of a portion of the purchase price of an income property to in-place operating leases, as required by CICA Handbook EIC-140, accelerates the depreciation of income properties. However, the application of this abstract has no impact on distributable income

- Cominar short-term use of the financial leverage from the issue of $100 million in convertible debentures completed toward the end of 2004. Cominar believes that this situation will improve as property developments are completed and income properties acquired

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

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

As mentioned previously, distributable income for the second quarter of 2004 included income of $740,000 as a result of the settlement of a legal dispute during the course of the quarter. Since this gain is non-recurring, we have excluded it for comparison purposes. As per the REIT's Contract of Trust, capital gains are excluded in the definition of distributable income and the $248,000 gain as a result of the sale of an income property was therefore not included in the calculation.

The following table shows our calculation of distributable income and distributions and a reconciliation to net income according to GAAP for the periods mentioned therein:

Distributable Income and Distributions

(in thousands of dollars, except amounts per unit and ratios)	Q2 2005	Q2 2004	Year-to-date 2005	Year-to-date 2004
Net income	8,042	8,788	14,087	15,609
Gain on sale of income property	(248)	–	(248)	–
Depreciation of income properties	3,661	2,994	7,322	5,766
Deferred rentals	(320)	(325)	(673)	(669)
Amortization of above-market leases	30	3	60	3
Compensation costs related to options	55	73	91	145
Distributable income	11,220	11,533	20,639	20,854
Income from settlement of legal dispute	–	(740)	–	(740)
Adjusted distributable income	11,220	10,793	20,639	20,114
Distributions to unitholders	9,811	9,322	19,538	18,405
Weighted average number of units (basic)	32,576	31,814	32,467	31,752
Distributable income per unit (basic)	0.344	0.363	0.636	0.657
Adjusted distributable income per unit (basic)	0.344	0.339	0.636	0.633
Distributions per unit	0.300	0.291	0.600	0.576
Payout ratio	87.1%	80.2%	94.4%	87.7%
Adjusted payout ratio	87.1%	85.8%	94.4%	90.9%

Taking into consideration the legal settlement amount for the second quarter of 2004, adjusted distributable income in the second quarter of 2005 amounted to $11.2 million, compared with $10.8 million for the corresponding period in 2004, an increase of more than $400,000. Adjusted distributable income per unit was $0.344 versus $0.339 in the corresponding quarter of 2004. For the first six months of 2005, adjusted distributable income amounted to $20.6 million, compared with $20.1 million for the corresponding period in 2004, while adjusted distributable income per unit rose from $0.633 to $0.636.

Distributions to unitholders increased 5.3% to $9.8 million, up from $9.3 million in the second quarter of 2004. For the six month period ended June 30, 2005, distributions to unitholders stood at $19.5 million, an increase of 6.2% over the same period in 2004.

RENTAL ACTIVITIES

As at June 30, 2005, Cominar showed an occupancy rate of 95.1%, a slight increase over occupancy levels of March 31, 2005 and June 30, 2004.

Trend in Occupancy Rate by Sector (%)

Sector	June 30, 2005	March 31, 2005	June 30, 2004
Office	94.7	94.7	94.5
Retail	95.2	95.1	95.4
Industrial	95.3	94.7	94.4
Total Portfolio	95.1	94.8	94.7

As at June 30, 2005, leases for the equivalent of 505,000 square feet expiring in 2005 had already been renewed. New leases had also been signed for approximately 379,000 square feet in leasable area. It is important to note that every year since Cominar's inception, the total new and renewed leases have always exceeded the expiring leases.

Expiries, Renewals and New Leases

As at June 30, 2005

Expiring leases (sq.ft.)	Renewals (sq.ft.)	New leases (sq.ft.)	Total renewals and new leases (sq.ft.)
1,105,000	505,000	379,000	884,000

LIQUIDITY AND CAPITAL RESOURCES

FUNDS FROM OPERATIONS

While the concept of "funds from operations" ("FFO") is not a financial measure defined by GAAP, it is widely used in the real estate sector. Effective January 1, 2005, the Real Property Association of Canada ("RealPac" formerly the Canadian Institute of Public and Private Real Estate Companies) adopted the following revised definition of FFO: "Funds from operations means net income (computed in accordance with generally accepted accounting principles), excluding gains (or impairment provisions and losses) from sales of depreciable real estate and extraordinary items, plus depreciation and amortization, plus future income taxes after adjustments for equity accounted for entities and non-controlling interests".

Cominar considers FFO a meaningful additional measure of operating performance as it primarily rejects the assumption that the value of real estate investments diminishes predictably over time and it adjusts for items included in GAAP net income that may not necessarily be the best determinants of the REIT's operating performance (such as gains or losses on the sale of income properties).

While RealPac is of the opinion that FFO must include non-recurring items due to the diversity of accounting methods used in the real estate sector, we believe that the income of $740,000 generated by the settlement of a legal dispute in the second quarter of 2004 must, due to its non-recurring nature, be deducted from the calculation of FFO in order to appropriately compare Cominar's results for 2004 and 2005.

The following table shows our calculation of FFO and a reconciliation to net income according to GAAP for the periods mentioned therein:

Funds from Operations

(in thousands of dollars, except amounts per unit)	Q2 2005	Q2 2004	Year-to-date 2005	Year-to-date 2004
Net income	8,042	8,788	14,087	15,609
Depreciation of income properties	3,661	2,994	7,322	5,766
Amortization of deferred leasing costs	1,352	1,334	2,683	2,668
Gain on sale of income-producing property	(248)	–	(248)	–
FFO	12,807	13,116	23,844	24,043
Revenue from settlement of legal dispute	–	(740)	–	(740)
Adjusted FFO	12,807	12,376	23,844	23,303
Weighted average number of units outstanding (basic)	32,576	31,814	32,467	31,752
Weighted average number of units outstanding (diluted)	33,094	32,042	32,985	31,981
FFO per unit (basic)	0.393	0.412	0.734	0.757
FFO per unit (diluted)	0.387	0.409	0.723	0.752
Adjusted FFO per unit (basic)	0.393	0.389	0.734	0.734
Adjusted FFO per unit (diluted)	0.387	0.386	0.723	0.729

As the table above demonstrates, adjusted FFO for the three months ended June 30, 2005 have increased by $431,000 or 3.5% over the second quarter of 2004 to reach $12.8 million. Year to date, adjusted FFO have been $23.8 million compared to $23.3 million in 2004, a 2.3% increase. On a per-unit basis, adjusted FFO have slightly increased in the second quarter of 2005 and the first semester of the year to $0.393 and $0.734, respectively.

Cominar cautions readers that its method of calculating FFO may differ from other issuers' methods and may not be comparable to FFO reported by other issuers.

INDEBTEDNESS

As at June 30, 2005, Cominar posted a debt to gross book value ratio of 50.4%. Under the terms of its Contract of Trust, Cominar is limited to a debt gross book value (defined as the total of long term debt and bank indebtedness divided by gross book value (total asset value plus accumulated depreciation) of 60%. However, in accordance with its conservative debt management policy, Cominar prefers to keep this ratio below 55%, leaving it an acquisition capacity of approximately $77.5 million at the end of the second quarter. At a 60% debt to gross book value level, Cominar's acquisition capacity would be $180 million.

FINANCING ACTIVITIES

As at June 30, 2005, the combined weighted average interest rate of Cominar's mortgages and debentures was 6.21%, compared to 6.32% as at March 31, 2005. The following table summarizes Cominar's material contractual obligations as at June 30, 2005:

Balance due on mortgages payable and convertible debentures as at June 30, 2005:

Year ended December 31,	Amount (thousands of $)	Weighted average interest rate (%)
2005	10,291	4.50
2006	34,122	6.29
2007	47,870	5.85
2008	126,594	6.06
2009 and thereafter	139,437	6.58
	358,314	6.21

REAL ESTATE PORTFOLIO

During the second quarter of 2005, Cominar completed the acquisition of a 14,800 square foot industrial and mixed-use property located in Laval, Quebec. The purchase price was $617,350. The property has a capitalization rate of 9.7%.

Furthermore, Cominar currently has ten projects under development involving 14 properties, for more than 804,000 square feet of leasable space. These projects represent a total investment of approximately $47.0 million and include the following:

- Construction of three industrial and mixed-use properties in Quebec City representing 185,000 square feet of leasable area. The first building has 35,000 square feet in leasable area and is almost 100% leased. It should be integrated into the portfolio as of the last quarter of 2005. Construction of a second building representing 105,000 square feet of leasable area has been completed. The main floor of the building is currently 76% leased, and Cominar is in negotiation for the remainder of the space. Tenants have progressively begun occupying the premises. Construction of Phase 3 of the project representing a leasable area of 45,000 square feet has begun. The property is 76% leased and should be ready for occupation by December 1, 2005

- Construction of three industrial and mixed-use buildings in Laval with 270,500 square feet of leasable space. The first building, which has 47,000 square feet of leasable area, is completed and 100% leased, and was integrated into the portfolio in the first quarter of 2005. Construction of a second building with 117,000 square feet of leasable area has ended and the main floor is almost entirely leased. Cominar has also begun construction of a third property of 106,500 square feet

- A 123,400 square foot development at *Les Promenades Beauport* shopping centre in Quebec City, representing a $7.8 million investment, including the construction of a 24,000 square foot retail building. The part under development is 92% leased and tenants should progressively begin occupying the premises. Construction is scheduled to end in the last quarter of 2005

- A 76,000 square foot expansion at the *Carrefour Charlesbourg* shopping centre, representing a $9.8 million investment, of which 92% has already been leased. This portion should be integrated into the portfolio in the last quarter of 2005

- Construction of an 8,500 square foot retail building at the intersection of the two main thoroughfares in Lévis, Quebec. The estimated construction cost for this building is $630,000 and the capitalization rate is 10.5%. The building is 100% leased for a term of 15 years to a government corporation. Construction has started and the tenant should begin occupying the premises on September 1, 2005

- The 8,000 square foot expansion and renovation of a recently purchased 14,800 square foot industrial and mixed-use property in Laval, Quebec, which represents a $350,000 investment

- Renovation of a 32,500 square foot industrial and mixed-use building in Lachine, Quebec, at an estimated cost of $800,000. The property is 100% leased and scheduled for occupancy on September 1, 2005

- The 37,600 square foot expansion of an industrial and mixed-use building of 100,805 square feet in Longueuil, Quebec, near highways 20 and 30. The estimated cost of this expansion is $1.7 million and the capitalization rate is 10.8%. Work should be completed around summer 2006

- Renovation of a 28,906 square foot industrial and mixed-use building in Drummondville, Quebec at an estimated cost of $300,000 and a 9.5% capitalization rate

- Renovation and 31,150 square foot expansion of a 35,749 square foot industrial and mixed-use property acquired in July 2005 in Quebec City. The cost of this renovation and expansion work is estimated at $1 million (see "Subsequent Events")

These acquisitions and developments fully fit Cominar's current growth strategy which, given the sustained increases in property prices over the past few years, stepped up the development of those of its properties offering a potential increase in return while pursuing our search of properties meeting our profitability criteria. 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 increasing and attractive returns.

During the second quarter of 2005, Cominar also disposed of a 45,671 square foot industrial and mixed-use property in Anjou, Quebec, for an amount of $2.7 million, thereby realizing a $248,000 gain.

UNITS ISSUED AND OUTSTANDING

As at June 30, 2005, there were 32,596,880 units issued and outstanding compared with 31,897,064 at the same date the previous year. The increase is a result of the issue of 614,566 units from options exercised, 73,297 units from the distribution reinvestment plan and 11,953 units from the conversion of convertible debentures.

RELATED-PARTY TRANSACTIONS

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

During the three-month period ended June 30, 2005, Cominar received net rental revenues of $280,000 from *Dalcon inc*. and *Corporation Financière Alpha (CFA) inc*. Cominar incurred expenditures of $903,000 for leasehold improvements performed for its tenants by *Dalcon inc*. and $5.2 million for the construction of properties and development projects.

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

SUBSEQUENT EVENTS

In July 2005, Cominar completed the acquisition of an industrial and mixed-use building with 35,749 square feet of leasable space in Quebec City. The total purchase price was $1.2 million. Cominar plans to renovate and expand the building by 31,000 square feet at a cost of approximately $1.7 million.

Cominar also acquired 80,000 square feet of land in Quebec City in July 2005 at a cost of $320,000. The REIT plans to build a 30,000 square foot industrial and mixed-use building at an estimated cost of $1.6 million.

OUTLOOK

Cominar maintains a disciplined and prudent investment strategy, which has helped it through changing economic cycles in the past while increasing its portfolio value and distributions to unitholders. We continue to apply these proven and effective management principles and practices while adjusting our growth strategy to take into consideration market conditions in recent years that have led to a significant increase in real estate prices. Our objectives remain the same: to deliver to unitholders growing cash distributions and to maximize unitholder value through proactive management and accretive growth of our portfolio. Given these increases in property prices, we have intensified our efforts in property development while stepping up the search for properties that meet our profitability criteria. Under current market conditions, our developments completed and in progress give us substantially higher returns than if we had simply acquired similar properties.

Although expanding the portfolio through property development tends to slow the growth rate due to the lead time required to get properties up and running, it will allow Cominar to maintain solid returns over the course of the next few years.

We are therefore confident of reaching our profitability objectives in the upcoming quarters of 2005. Our current portfolio of high quality and well-located properties provides us with a strong base to continue delivering increasing returns to unitholders. We are always working toward aggressively managing our costs and improving our operations. Occupancy rates for the properties in our portfolio are up, and demand for commercial space remains strong in the two markets where we operate.

RISKS AND UNCERTAINTIES

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

Operational Risk

All property investments carry risk, 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 brings more certainty to 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 or an increase in interest rates. An amount of $10.1 million in mortgages bearing interest at a rate of 0.25% above prime rate will be renewable on November 1, 2005. Cominar does not foresee any difficulty in renewing these loans.

Environmental Risk

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

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

Unitholder's Liability

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

ADDITIONAL INFORMATION

Additional information relating to Cominar, including the Annual Report and Annual Information Form, is available on SEDAR at www.sedar.com.

CERTIFICATION OF INTERIM FILINGS

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

1. We have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) of "Cominar Real Estate Investment Trust" for the interim period ending June 30, 2005.

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

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

August 9, 2005

Michel Dallaire, Eng.	Michel Berthelot, CA
President and	*Executive Vice-President and*
Chief Executive Officer	*Chief Financial Officer*

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)	As at June 30, 2005 (unaudited) $	As at December 31, 2004 (audited) $
Assets		
Income properties [note 3]	635,362	640,889
Properties under development [note 4]	28,953	20,967
Deferred expenses and other assets [note 5]	26,170	26,736
Prepaid expenses	7,955	2,010
Accounts receivable	10,661	6,878
Cash and cash equivalents	—	8,174
	709,101	705,654
Liabilities and Unitholders' Equity		
Liabilities		
Mortgages payable [note 6]	258,522	262,247
Convertible debentures [note 7]	99,792	100,000
Bank indebtedness [note 8]	16,879	—
Accounts payable and accrued liabilities	10,189	18,388
Distributions payable to unitholders	3,257	3,551
	388,639	384,186
Unitholders' equity		
Unitholders' contributions [note 9]	332,843	328,433
Cumulative net income	167,223	153,136
Cumulative distributions	(179,891)	(160,353)
Contributed surplus [note 9]	287	252
	320,462	321,468
	709,101	705,654

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

	Quarter		Cumulative (six months)	
Period ended June 30, (unaudited, in thousands of dollars)	2005 $	2004 $	2005 $	2004 $
Unitholders' contributions				
Balance, beginning of period	332,181	321,381	328,433	320,604
Issue of units [note 9]	662	1,809	4,410	2,586
Balance, end of period	332,843	323,190	332,843	323,190
Cumulative net income				
Balance, beginning of period	159,181	128,422	153,136	121,640
Change in accounting policy	—	—	—	(39)
Net income for the period	8,042	8,788	14,087	15,609
Balance, end of period	167,223	137,210	167,223	137,210
Cumulative distributions				
Balance, beginning of period	(170,080)	(131,730)	(160,353)	(122,647)
Distributions to unitholders	(9,811)	(9,322)	(19,538)	(18,405)
Balance, end of period	(179,891)	(141,052)	(179,891)	(141,052)
Contributed surplus [note 9]				
Balance, beginning of period	239	111	252	—
Change in accounting policy	—	—	—	39
Unit option plan	48	73	35	145
Balance, end of period	287	184	287	184
Unitholders' equity	320,462	319,532	320,462	319,532

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

Period of three months ended June 30, (unaudited, in thousands of dollars except per unit amounts)	Quarter 2005 $	Quarter 2004 $	Cumulative (six months) 2005 $	Cumulative (six months) 2004 $
Operating revenues				
Rental revenue from income properties	30,654	27,814	61,077	55,233
Operating expenses				
Operating costs	5,658	5,152	12,769	11,766
Realty taxes and services	6,192	5,437	12,432	10,647
Property management expenses	362	268	661	600
	12,212	10,857	25,862	23,013
Operating income before the undernoted	18,442	16,957	35,215	32,220
Interest on borrowings	5,209	4,074	10,545	8,044
Depreciation of income properties	3,648	2,994	7,295	5,766
Amortization of deferred expenses and other assets	1,388	1,383	2,753	2,766
	10,245	8,451	20,593	16,576
Operating income from real estate assets	8,197	8,506	14,622	15,644
Trust administrative expenses	487	513	900	974
Other income	79	795	108	939
Income before discontinued operations	7,789	8,788	13,830	15,609
Income from discontinued operations [note 17]	253	—	257	—
Net income for the period	8,042	8,788	14,087	15,609
Basic net income per unit [note 11]	0.247	0.276	0.433	0.492
Diluted net income per unit [note 11]	0.243	0.274	0.426	0.488

See accompanying notes to consolidated financial statements.

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

Period ended June 30, (unaudited, in thousands of dollars)	Quarter		Cumulative (six months)	
	2005 $	2004 $	2005 $	2004 $
Operating Activities				
Net income for the period	8,042	8,788	14,087	15,609
Adjustments:				
Depreciation of income properties	3,661	2,994	7,322	5,766
Amortization of above-market leases	30	3	60	3
Amortization of deferred leasing costs	1,356	1,334	2,683	2,668
Amortization of deferred financing costs and other assets	236	82	346	165
Compensation costs related to unit option plan [note 9]	55	73	91	145
Gain on sale of an income property	(248)	—	(248)	—
Leasing costs	(1,028)	(1,083)	(2,777)	(2,050)
Change in non-cash operating working capital items [note 13]	(4,150)	(1,703)	(7,458)	(12,646)
	7,954	10,488	14,106	9,660
Financing Activities				
Repayments of mortgages payable	(2,406)	(3,017)	(4,752)	(5,150)
Bank indebtedness	13,859	19,754	16,879	19,754
Distributions to unitholders	(9,786)	(9,202)	(19,832)	(15,255)
Net proceeds from issue of units [note 9]	655	1,809	4,146	2,586
	2,322	9,344	(3,559)	1,935
Investing Activities				
Acquisitions of income properties	(3,909)	(31,259)	(6,764)	(36,032)
Net proceeds on disposition of an income property	675	—	675	—
Acquisitions of properties under development	(6,931)	(3,134)	(12,521)	(9,205)
Other assets	(111)	(5)	(111)	(18)
	(10,276)	(34,398)	(18,721)	(45,255)
Net change in cash and cash equivalents	—	(14,566)	(8,174)	(33,660)
Cash and cash equivalents, beginning of period	—	14,566	8,174	33,660
Cash and cash equivalents, end of period	—	—	—	—

See accompanying notes to consolidated financial statements

Period ended June 30, 2005
(unaudited, in thousands of dollars, except per unit amounts)

1. Description of the Trust

Cominar Real Estate Investment Trust ("Cominar") is an unincorporated closed-end investment trust created by a contract of trust on March 31, 1998 under the laws of the Province of Québec.

2. Significant Accounting Policies

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

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

Use of estimates
The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates that affect the amounts of assets and liabilities reported in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Revenue recognition
Rental revenue from income properties includes rents from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees, parking income and incidental income.

Rental revenue from leases with contractual rent increases are recognized based on the straight-line method.

Income properties and properties under development
Income properties are stated at cost. Cost includes acquisition costs and improvements to income properties. With respect to income properties acquired after September 12, 2003, a portion of the purchase price, if any, is allocated to operating leases, customer relationships and tenant improvements and is described as an intangible asset amortized on a straight-line basis over the term of the related lease.

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

Properties under development are stated at cost. Cost includes initial acquisition costs, other direct costs, realty taxes, interest related to their financing and all operating revenues and 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.

Impairment of long-lived assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value.

Deferred expenses and other assets
Deferred expenses and other assets mainly consist of leasing costs such as leasehold improvements realized through operating activities and other expenses, including tenant inducements and leasing commissions. These expenses are deferred and amortized on a straight-line basis over the terms of the related leases. Financing costs are deferred and amortized on a straight-line basis over the terms of the related loans.

Cash and cash equivalents
Cash and cash equivalents consist of balances with banks and short term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Unit option plan
Cominar has a unit option plan which is described in note 9. Cominar recognizes compensation expense when unit options are granted to trustees and employees with no cash settlement features.

Per unit results
Basic net income per unit is calculated based on the weighted-average number of units outstanding for the period. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit purchase options and the potential conversion of debentures.

3. Income Properties

	As at June 30, 2005 $	As at December 31, 2004 $
Land	87,356	87,533
Buildings	576,396	574,404
Intangible assets	7,474	7,474
	671,226	669,411
Accumulated depreciation and amortization	35,864	28,522
	635,362	640,889

4. Properties under Development

During the period of three months, Cominar capitalized $876 in interest to properties under development, some of which are classified under income properties at period-end.

5. Deferred Expenses and other Assets

	As at June 30, 2005 $	As at December 31, 2004 $
At amortized cost		
Leasing costs	21,327	21,658
Financing costs	4,169	4,442
Other assets	674	636
	26,170	26,736

6. Mortgages Payable

Mortgages payable are secured by income properties stated at a net book value of $430,390 [$432,330 as at December 31, 2004]. They bear interest at rates ranging from 4.25% to 11.00% per annum [4.25% to 11.00% as at December 31, 2004] representing a weighted-average year-end rate of 6.18% [6.32% as at December 31, 2004] and are renewable at various dates from November 2005 to January 2019.

As at June 30, 2005, mortgage repayments were as follows:

	Principal repayments $	Balance due at maturity $	Total $
Periods ending December 31,			
2005	4,867	10,127	17,400
2006	9,435	32,588	42,023
2007	7,693	43,162	50,855
2008	3,025	115,070	118,095
2009	2,382	—	2,382
2010 and thereafter	15,567	14,606	30,173
	42,969	215,553	258,522

Mortgages payable having fixed rates amount to $226,445 [$239,888 as at December 31, 2004] and those having variable rates amount to $32,077 [$22,359 as at December 31, 2004].

7. Convertible Debentures

On September 17, 2004, Cominar completed a public offering of 100,000 convertible unsecured subordinated debentures, bearing interest at the annual rate of 6.30%, for total gross proceeds of $100,000. The debentures mature on June 30, 2014 and interest is paid semi-annually on June 30 and December 31. Each debenture is convertible into units of Cominar at the holder's option at any time prior to the earlier of the maturity date and the last business day immediately preceding the date specified by Cominar for redemption at a conversion price of $17.40 per unit. The debentures are not redeemable before June 30, 2008. On or after June 30, 2008 and prior to June 30, 2010, the debentures may be redeemed in whole or in part at Cominar's option at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted-average trading price of the units on the Toronto Stock Exchange (TSX) for a period of 20 consecutive days exceeds 125% of the conversion price. Subsequent to June 30, 2010 and prior to the maturity date, the debentures may be redeemed in whole or in part at Cominar's option at a price equal to their principal amount plus accrued and unpaid interest.

Cominar may satisfy its obligation to repay principal of the debentures by issuing units of Cominar. In the event that Cominar elects to satisfy its obligation by repaying the principal with units of the Trust, it must issue units equal to 95% of the volume-weighted-average trading price of the units on the TSX during the period of 20 consecutive trading days ending on the fifth trading day preceding scheduled redemption date or the maturity date.

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

As at June 30, 2005, 208 convertible debentures had been converted at a conversion price of $17.40 per unit.

8. Bank Indebtedness

Cominar has a number of operating and acquisition credit facilities of up to $65,865 [$65,865 as at December 31, 2004]. These credit facilities, subject to annual renewal, bear interest between prime rate and prime rate plus 0.50% [prime rate and prime rate plus 0.50% as at December 31, 2004]. Certain credit facilities totalling $62,865 [$62,865 as at December 31, 2004] are secured by movable and immovable hypothecs on specific assets. As at June 30, 2005, the prime rate was 4.25% [4.25% as at December 31, 2004].

9. Issued and Outstanding Units

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

During the period of three months, Cominar issued 42,814 units for net proceeds received of $655 [173,727 units for net proceeds received of $1,809 in 2004].

	Period of three months ended June 30, 2005	Period of six months ended June 30, 2005
Units issued and outstanding, beginning of period	32,554,066	32,284,409
Issued from options exercised	28,000	265,900
Issued under distribution reinvestment plan	14,814	34,618
Issued from conversion of convertible debentures	—	11,953
Units issued and outstanding, end of period	32,596,880	32,596,880

Unit option plan

Under a unit option plan, Cominar granted options to purchase units to the trustees, management and employees of Cominar. The maximum number of units reserved for issuance under the terms of the plan is 3,160,000 units. The options are exercisable on a cumulative basis of 25% of the options after each of the four first anniversary dates of the grant for options granted April 8, 2005, 20% of the options after each of the five first anniversary dates of the grant for options granted November 13, 2003, and 33 1/3% of the options after each of the three first anniversary dates of the grant for options granted before November 13, 2003. The exercise price of options equals the closing market price of Cominar's units the day preceding the date of the grant, and the options have a maximum term of seven years.

	Period of three months ended June 30, 2005		Period of six months ended June 30, 2005	
	Options	Weighted-average exercise price $	Options	Weighted-average exercise price $
Outstanding, beginning of period	2,325,100	13.94	2,563,000	13.86
Exercised	(28,000)	14.00	(265,900)	13.17
Granted	241,000	17.12	241,000	17.12
Outstanding, end of period	2,538,100	14.31	2,538,100	14.31
Options exercisable, end of period	129,100	13.00	129,100	13.00

As at June 30, 2005

Date of grant	Maturity date	Exercise price $	Outstanding options	Options exercisable
August 9, 2001	August 9, 2006	11.00	43,000	43,000
November 13, 2003	November 13, 2010	14.00	2,254,100	86,100
April 8, 2005	November 13, 2010	17.12	241,000	–
			2,538,100	129,100

Unit-based compensation plan

The compensation costs associated with the options granted on April 8, 2005 were calculated using the Black-Scholes option pricing model, assuming volatility of 13.5% on the underlying units, a fixed exercise price of $17.12, a weighted-average distribution yield of approximately 7.58% and a weighted-average risk-free interest rate of approximately 3.78%, and for the options granted on November 13, 2003, assuming volatility of 11.7%, a fixed exercise price of $14, a weighted-average distribution yield of approximately 8.74% and a weighted-average risk-free interest rate of approximately 4.21%.

Compensation costs are amortized using the graded vesting method.

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

Distribution reinvestment plan
Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants a number of units amounting to 105% of the cash distribution. During the period, 34,618 units [98,273 in 2004] were issued at a weighted-average price of $17.77 [$14.77 in 2004] pursuant to the distribution reinvestment plan.

10. Income taxes

Cominar is taxed as a "Mutual Fund Trust" for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders of Cominar and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required.

11. Per-unit Results

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

	Quarter		Cumulative (six months)	
Period ended June 30,	2005	2004	2005	2004
Weighted-average number of units outstanding – basic	32,576,264	31,813,867	32,467,054	31,752,450
Effect of dilutive unit options	517,818	228,082	517,818	228,082
Weighted-average number of units outstanding - diluted	33,094,082	32,041,949	32,984,872	31,980,532

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

12. Distributable Income per Unit

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

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

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

	Quarter		Cumulative (six months)	
Period ended June 30,	2005 $	2004 $	2005 $	2004 $
Net income for the period	8,042	8,788	14,087	15,609
Add:				
Depreciation of income properties	3,661	2,994	7,322	5,766
Amortization of above-market leases	30	3	60	3
Compensation costs related to unit options	55	73	91	145
Deferred rentals	(320)	(325)	(673)	(669)
Gain on sale of an income property	(248)	—	(248)	—
Distributable income for period	11,220	11,533	20,639	20,854
Retention of distributable income	1,409	2,211	1,101	2,449
Distributions to unitholders	9,811	9,322	19,538	18,405
Distributable income per unit	0.344	0.363	0.636	0.657
Distributions per unit	0.300	0.291	0.600	0.576

13. Supplemental Cash Flow Information

Changes in non-cash operating working capital items are as follows:

	Quarter		Cumulative (six months)	
Period ended June 30,	2005 $	2004 $	2005 $	2004 $
Prepaid expenses	(2,147)	(2,939)	(5,945)	(6,590)
Accounts receivable	(992)	873	(1,758)	(1,217)
Accounts payable and accrued liabilities	(1,011)	363	245	(4,839)
	(4,150)	(1,703)	(7,458)	(12,646)
Additional information				
Interest paid	7,489	4,038	11,255	7,974
Unpaid leasing costs	—	287	—	—
Acquisitions of income properties and properties under development by assumption of mortgages payable	—	11,337	1,027	11,337
Unpaid acquisitions of income properties and properties under development	1,253	1,303	1,253	2,998
Properties under development transferred to income properties	—	—	756	3,284

14. Related Party Transactions

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

	Quarter		Cumulative (six months)	
Period ended June 30,	2005 $	2004 $	2005 $	2004 $
Rental revenue from income properties	280	263	558	658
Other income	103	115	167	242
Income properties and properties under development	5,169	7,569	14,052	15,873
Deferred expenses and other assets	903	1,217	2,452	2,286
Accounts receivable	–	–	645	627
Accounts payable and accrued liabilities	–	–	2,614	2,931

15. Financial Instruments

Cominar is exposed to financial risks that arise from fluctuations in interest rates and in the credit quality of its tenants.

Interest rate risk
Accounts receivable and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are described in notes 6, 7 and 8, respectively.

Credit risk
Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Cominar mitigates this risk via geographic and sector diversification of its portfolio and a varied tenant mix.

Fair value
The fair value of Cominar's financial assets and liabilities, such as accounts receivable, cash and cash equivalents, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at June 30, 2005 due to their short-term nature.

As at June 30, 2005, the fair value of mortgages payable exceeded the carrying value by approximately $7,642 [$7,379 as at December 31, 2004] due to changes in interest rates since the dates on which the individual mortgages payable were obtained. The fair value of mortgages payable has been estimated based on current market rates for mortgages of similar terms and maturities.

As at June 30, 2005, the fair value of the convertible debentures approximates their carrying value in light of current market rates for debentures with similar terms and maturities.

16. Segmented Information

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

Period of three months ended June 30, 2005

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	11,074	9,712	9,868	30,654
Depreciation of income properties	1,469	1,149	1,030	3,648
Net operating income (1)	6,740	5,609	6,093	18,442

Period of three months ended June 30, 2004

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	9,221	9,716	8,877	27,814
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 six months ended June 30, 2005

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	22,009	19,244	19,824	61,077
Depreciation of income properties	2,961	2,285	2,049	7,295
Net operating income (1)	13,156	10,708	11,351	35,215
Income properties	247,839	190,600	196,923	635,362

Period of six months ended June 30, 2004

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	18,022	19,186	18,025	55,233
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

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

17. Discontinued Operations

During the period of three months, Cominar sold an industrial and mixed-use property for a consideration of $2,700 of which $675 was paid cash. The remaining $2,025, bearing interest at 6%, will be cashable June 2006. A gain on sale of $248 was realized.

The following table indicates the financial reporting related to the property sold, pursuant to CICA handbook section 3475, "Disposal of Long-lived Assets and Discontinued Operations".

	Quarter		Cumulative (six months)	
Period ended June 30,	2005	2004	2005	2004
	$	$	$	$
Net operating income	18	—	36	—
Depreciation of income properties	(13)	—	(27)	—
Net income	5	—	9	—
Gain on sale	248	—	248	—
Income from discontinued operations	253	—	257	—
Basic net income per unit	0.008	—	0.008	—
Diluted net income per unit	0.008	—	0.008	—

18. Subsequent Events

In July 2005, Cominar acquired an industrial and mixed-use property for a consideration of $1.2 million paid cash.

Also in July 2005, Cominar acquired land for future development for a consideration of $320 paid cash.

19. Comparative Figures

Certain of the June 30, 2004 figures have been reclassified to comply with the current period's presentation.

COMINAR REAL ESTATE INVESTMENT TRUST

QUEBEC (HEAD OFFICE)
455 Marais St.
Quebec (QC) G1M 3A2
Tel.: (418) 681-8151
Tel.: (418) COM-INAR
Fax: (418) 681-2946

Toll free : 1 866 COMINAR

MONTREAL
255 Crémazie East Blvd.
Suite 120
Montreal (QC) H2M 1M2
Tel.: (514) 337-8151
Fax: (514) 904-5000

Web Site: www.cominar.com
E-mail: info@cominar.com

TRANSFER AGENT
National Bank Trust
1100 University
9th Floor
Montreal (QC) H3B 2G7
Tel: (514) 871-7171
Fax: (514) 871-7442
Toll free: 1 800 341-1419
E-mail: clientele@tbn.bnc.ca

AUDITORS
Ernst & Young LLP
150 René-Lévesque Blvd.
Suite 1200
Quebec (QC) Canada G1R 6C6

UNIT LISTING: Toronto Stock Exchange
STOCK TRADING SYMBOLS: CUF.UN
CUF.DB