COMINAR

QUARTERLY REPORT

Quarter ended June 30, 2006

August 9, 2006

Cominar Real Estate Investment Trust

SECOND QUARTER

JUNE 30, 2006

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MESSAGE TO UNITHOLDERS

We are pleased to present the financial results of Cominar Real Estate Investment Trust for the second quarter ended June 30, 2006. Detailed explanations about our results and financial position are provided in the management discussion and analysis included in this quarterly report, followed by comparative interim consolidated financial statements and accompanying notes.

We are pleased with our second quarter 2006 results, which, once again, show strong growth in our major financial performance indicators and new heights. For the quarter, operating revenues amounted to $33.2 million, an increase of 8.3% compared to the corresponding quarter of 2005. Net operating income for the quarter was up 9.0% to $20.1 million. Distributable income reached $12.0 million, or $0.359 per unit, compared to $11.2 million, or $0.344 per unit, representing increases of 7.2% and 4.4%, respectively.

During the second quarter, we acquired a 50,413 square foot industrial and mixed-use property in Pointe-Claire for $2.9 million. We plan a 25,000 square foot expansion of the property at an estimated cost of $1.3 million. The capitalization rate with respect to this transaction and development project is estimated at 9.4%. We also acquired a lot in St-Augustin at a cost of $1.3 million where we are currently building a 33,000 square foot industrial and mixed-use building. The total investment in connection with this development project is $4 million at a 9.5% estimated capitalization rate.

Subsequent to the end of the quarter, we also acquired four properties totaling 155,810 square feet and an $8.6 million investment. Year to date, Cominar has thus acquired land and income-producing properties for a total amount of $23.5 million.

We currently have 13 development projects at various stages of completion representing over 750,000 square feet of leasable space and a $50 million investment. All of these developments have capitalization rates that are substantially higher than those dictated by current conditions in the commercial property market.

At the end of the first quarter, our occupancy rate remained high and stable at 95.6%. Our debt-to-gross book value ratio stood at 48.0%, in keeping with our prudent debt management policy.

Given the strength of our existing portfolio, the developments that should come on board this year, 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, P.Eng.
President and Chief Executive Officer
August 9, 2006

INTRODUCTION

The following is a discussion of the consolidated financial condition and results of operations of Cominar Real Estate Investment Trust ("Cominar" or the "Trust") for the quarters ended June 30, 2006 and 2005, and should be read together with Cominar's consolidated financial statements. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the discussion regarding forward-looking statements.

Cominar's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are in Canadian dollars unless otherwise indicated.

The Trust has issued guidance on and reports on certain non-GAAP measures that are used by management to evaluate the performance of Cominar. Because non-GAAP measures do not have a standardized meaning, securities regulations require that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure.

FORWARD–LOOKING STATEMENTS

This document and the Management's discussion and analysis contain statements about expected future events and financial and operating results of Cominar that are forward-looking. By their nature, forward-looking statements require the Trust to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors may cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Factors that may cause actual results to differ materially include but are not limited to economic conditions, the financial position of tenants, the Trust's ability to refinance its debts upon maturity and to lease vacant space, as well as changes in interest rates and other risk factors discussed herein and listed from time to time in Cominar' reports, comprehensive public disclosure documents, including the Annual Information Form, and in other documents filed with securities commissions in Canada and filed on SEDAR at www.sedar.com.

For further information, see the "Risks and Uncertainties" section of the Management's discussion and analysis.

The Trust has neither the intention nor the obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

OUR ACTIVITIES

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

Cominar is one of the largest owners and managers of commercial properties in the Province of Quebec. Through a series of acquisitions, construction projects and developments made since the Trust was created in 1998, leasable space in Cominar's property portfolio has more than tripled, from 51 properties with total space of approximately 3.1 million square feet, concentrated in the Quebec City area, to 136[1] properties with total space of approximately 10.0 million[1] square feet, divided between the Quebec City and Montreal regions. The gross book value of Cominar's income properties, properties under development and land held for future development rose from $244.6 million in 1998 to $743.9 million as at June 30, 2006.

Cominar's property portfolio is evenly divided among three sectors. These three sectors are office buildings, retail properties and industrial and mixed-use properties. Each contributes to Cominar's results in roughly the same proportions.

Cominar's principal objectives are to deliver to its unitholders growing tax-deferred cash distributions and to increase and maximize unit value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are essential to the understanding and interpretation of the financial results appearing in this quarterly report. The significant accounting policies used in preparing the consolidated financial statements for the quarters ended June 30, 2006 and 2005, respectively, are summarized in note 2 of the notes to the consolidated financial statements.

NOTE
(1) As at August 9, 2006.

OPERATING RESULTS

Principal Financial Data

The principal consolidated financial data presented below, which is for the quarters ended June 30, 2006 and 2005, should be read in conjunction with the financial statements.

Consolidated Statements of Income

(Unaudited, in thousands of $, except amounts per unit)

Quarters ended	June 30, 2006	June 30, 2005	2006 YTD	2005 YTD
Operating revenues	**33,183**	30,654	**65,922**	61,077
Operating expenses				
Operating costs	**6,035**	5,658	**13,288**	12,769
Realty taxes and services	**6,766**	6,192	**13,509**	12,432
Property management expenses	**287**	362	**580**	661
	13,088	12,212	**27,377**	25,862
Net operating income	**20,095**	18,442	**38,545**	35,215
Interest on borrowings	**5,602**	5,072	**11,182**	10,270
Depreciation of income properties	**4,042**	3,648	**7,947**	7,295
Amortization of deferred leasing costs	**1,517**	1,356	**3,064**	2,683
Amortization of deferred financing costs and other assets	**177**	169	**352**	345
	11,338	10,245	**22,545**	20,593
Operating income from real estate assets	**8,757**	8,197	**16,000**	14,622
Trust administrative expenses	**498**	487	**1,071**	900
Other revenues	**(105)**	(79)	**(153)**	(108)
Unusual item (1)	**—**	—	**554**	—
Net income from continuing operations	**8,364**	7,789	**14,528**	13,830
Net income from discontinued operations	**—**	253	**—**	257
Net income	**8,364**	8,042	**14,528**	14,087
Distributable income (2)	**12,030**	11,220	**21,748**	20,639
Basic net income per unit (3)	**0.250**	0.247	**0.437**	0.433
Distributable income per unit	**0.359**	0.344	**0.654**	0.636

NOTES

(1) As part of its growth strategy, Cominar incurred, during the first quarter of 2006, non-recurring expenses in connection with a transaction which was not concluded.

(2) Cominar is governed by a Contract of Trust that requires it to distribute 85% or more of its distributable income to unitholders. “Distributable income” is defined on page 9 and in note 13 of the consolidated financial statements for the quarters ended June 30, 2006 and 2005.

(3) Considering there is a negligible difference between basic net income per unit and diluted net income per unit, the latter is not presented in this table.

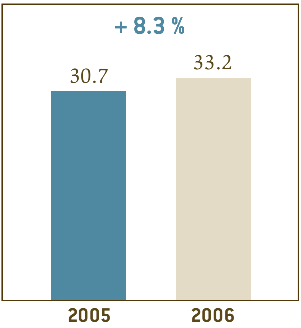
Operating Revenues and Net Operating Income

In the second quarter of 2006, Cominar's operating revenues rose by $2.5 million or 8.3% to $33.2 million, compared to $30.7 million in 2005. Net operating income[1] also increased considerably to $20.1 million, or 9% more than in the second quarter of 2005. The main sources of these increases were acquisitions and developments that were incorporated into the property portfolio in fiscal 2005 and since the beginning of 2006.

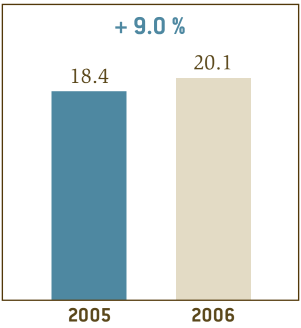
For the first six months of the year, operating revenues increased by 7.9%, from $61.1 million to $65.9 million. Net Operating Income was up 9.5% to $38.5 million.

The following graphs compare operating revenues and net operating income for the periods ended June 30, 2005 and 2006.

Operating Revenues
(in million of $)
Period ended June 30



Net Operating Income
(in million of $)
Period ended June 30



During the second quarter of 2006, the ratio of net operating income to operating revenues held steady at 60.6%, a level comparable to the previous quarters.

Operating Expenses

The main expenses related to the operation of income properties include energy, realty taxes and services, interest on borrowings and the depreciation of income properties. These expenses combined amounted to nearly 78% of all operating expenses for Cominar's income properties in the second quarter of 2006.

(1) Although the concept of net operating income is not a measure defined by GAAP, it is widely used in real estate. Cominar defines it as operating income before interest on borrowings, depreciation of income properties, amortization of deferred expenses and other assets, Trust administrative expenses and other revenues.

During the quarter, operating expenses increased by 7.2% to reach $13.1 million due mainly to a 9.3% rise in realty taxes and services and an 8.6% rise in energy expenses. For the six-month period ended June 30, 2006, operating expenses were up 5.9%. These increases are the result of the recent integration of new income properties to the real estate portfolio.

Net Income
Net income for the quarter ended June 30, 2006 reached $ 8.4 million compared to $ 8.0 million in the previous corresponding quarter, up 4%. However, if we exclude a non-recurring gain of $248,000 realized in the second quarter of 2005 in connection with the sale of an industrial property in Anjou, net income is up 7.4% over the second quarter of 2005.

DISTRIBUTABLE INCOME AND DISTRIBUTIONS

Although the concept of "distributable income" is not a financial measure defined under GAAP, it is a measure widely used in the field of income trusts. Management considers distributable income an excellent tool for assessing Cominar's operating performance. Distributable income generally corresponds to net income established in accordance with GAAP, excluding depreciation of income properties, amortization of above-market leases, compensation costs related to unit options, deferred rentals and gains or losses on sale of income properties. Under the Contract of Trust governing Cominar, the annual total of monthly distributions paid to unitholders must represent at least 85% of annual distributable income.

The table below presents the distributable income calculation and the distributable income adjusted, for comparison purposes, to exclude $554,000 in non-recurring expenses incurred in the first quarter of 2006 in connection with an important transaction that was not included, as well as a reconciliation with net income calculated in accordance with GAAP, for the quarters ended on June 30, 2006 and 2005 as well as on a cumulative basis.

Distributable Income and Distributions

(in thousands of dollars, except amounts per unit)

Quarters ended	June 30, 2006	June 30, 2005	2006 YTD	2005 YTD
Net income for the period	**8,364**	8,042	**14,528**	14,087
Depreciation of income properties	**4,042**	3,661	**7,947**	7,322
Amortization of above-market leases	**30**	30	**60**	60
Compensation costs related to unit option plan	**31**	55	**62**	91
Deferred rentals	**(437)**	(320)	**(849)**	(673)
Gain on sale of income property	**—**	(248)	**—**	(248)
Distributable income	**12,030**	11,220	**21,748**	20,639
Unusual Item	**—**	—	**554**	—
Recurring distributable income	**12,030**	11,220	**22,302**	20,639
Distributions to unitholders	**10,305**	9,811	**20,325**	19,538
Weighted average number of units outstanding	**33,506**	32,576	**33,253**	32,467
Basic distributable income per unit	**0.359**	0.344	**0.654**	0.636
Recurring basic distributable income per unit	**0.359**	0.344	**0.670**	0.636
Distributions per unit	**0.306**	0.300	**0.608**	0.600

As shown in the table above, distributable income for the second quarter of 2006 was $12.0 million, or $ 0.359 per unit, compared to a 2005 figure of $11.2 million, or $0.344 per unit, representing increases of 7.2% and 4.4%, respectively.

On a cumulative basis, recurring distributable income reached $22.3 million compared to $20.6 million in 2005, an 8.1% increase. Recurring distributable income per unit stood at $0.670, up 5.3% over the corresponding period of 2005.

Per unit distributions rose from $0.300 in the second quarter of 2005 to $0.306 in 2006. Year-to-date, distributions were $0.608.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of Cominar's consolidated balance sheet as at June 30, 2006 and December 31, 2005.

Selected Data from the Consolidated Balance Sheet

(in thousand of dollars)

	June 30, 2006	December 31, 2005
Income property	**670,130**	658,855
Properties under development	**17,036**	20,777
Land held for future development	**5,335**	1,243
Other	**53,777**	44,707
TOTAL ASSETS	**746,278**	725,582
Mortgages payable	**295,897**	253,581
Convertible debentures	**78,891**	97,535
Bank indebtedness	**7,933**	25,811
Other	**22,067**	25,513
TOTAL LIABILITIES	**404,788**	402,440

Debt Overview

Over the past two years, Cominar has diversified its sources of financing beyond traditional bank loans and mortgages by issuing $100 million in convertible unsecured subordinated debentures. Cominar attempts to minimize its exposure to variable interest rates as much as possible to protect against potential interest rate increases. As at June 30, 2006, only 5.5% of Cominar's long term debt had variable interest rates.

Long Term Debt

The following table presents Cominar's debt balance, including mortgages payable and convertible debentures, as at June 30, 2006, by year of maturity and weighted average interest rate.

Long Term Debt

As at June 30, 2006
(in thousands of dollars)

	Debt balance ($)	Weighted average interest rate (%)
2006	30,888	6.23
2007	45,057	6.58
2008	122,499	6.06
2009	—	—
2010	—	—
2011 and after (1)	176,344	6.35
TOTAL	**374,788**	**6.27**

NOTE

(1) Includes $ 78,891 in convertible debentures maturing in 2014.

Mortgage payable
In May 2006, Cominar entered into long-term financing agreements with two financial institutions for a total amount of $60 million, bearing interest at an average rate of approximately 5.8%. These financings are secured by immovable hypothecs on specific properties. The proceeds of these financings were used to repay bank loans used to acquire income properties and to cover development project costs.

The first financing, in the amount of $57 million, will mature in 2021 while the second, in the amount of $3 million, will mature in 2019.

As at June 30, 2006, mortgages payable amounted to $295.9 million, compared to $253.6 million as at December 31, 2005.

As at the same date, the weighted average mortgage rate was 6.27%, in line with the rate on December 31, 2005. Cominar has staggered its mortgage expiry dates over a number of years to reduce the risks related to renewal. Until the end of 2006, $30.6 million in mortgages will be up for renewal. Cominar does not foresee any difficulties refinancing these mortgages as they mature.

The table below shows mortgage repayments for the upcoming fiscal years:

Mortgage Repayments
Periods ending December 31
(in thousands of $)

	Payment of principal	Balance at maturity	Total
2006	4,758	30,595	**35,353**
2007	8,229	43,141	**51,370**
2008	3,939	115,008	**118,947**
2009	3,283	—	**3,283**
2010	3,517	—	**3,517**
2011 and after	26,848	56,579	**83,427**
TOTAL	**50,574**	**245,323**	**295,897**

Convertible Debentures
In September 2004, Cominar completed a public offering of convertible unsecured subordinated debentures, bearing interest at the annual rate of 6.30%, for total gross proceeds of $100 million. These debentures are described in note 7 of the consolidated financial statements for the quarters ended June 30, 2006 and 2005. During the semester ended June 30, 2006, a total of 18,644 convertible debentures were converted at a conversion price of $17.40 per unit and outstanding convertible debentures amounted to $78.9 million as at June 30, 2006.

Bank Indebtedness
In April 2006, Cominar entered into an agreement with a financial institution pursuant to which the line of credit made available by such institution was increased from $25 million to $55 million. The interest rate applicable is prime plus 0.5%.

As at June 30, 2006, Cominar had operating and acquisition facilities of up to $88.0 million, renewable annually, with interest rates set at 0.00% to 0.50% above prime. They were secured by movable and immovable hypothecs on specific assets. These credit facilities are provided by two different financial institutions, and management has reason to believe they will remain available in the future. As at June 30, 2006, bank indebtedness totaled $7.9 million.

Debt Ratio

Since it was first founded, Cominar has managed its debt and used leverage cautiously. Management prefers to keep its debt ratio at or below 55% of its property portfolio's gross book value, although the Contract of Trust permits up to 60%. The following table presents Cominar's debt ratio as at June 30, 2006 and December 31, 2005:

Debt Ratio

(in thousands of dollars)

	June 30, 2006	December 31, 2005
Mortgages payable and bank indebtedness	**303,830**	279,392
Convertible debentures	**78,891**	97,535
Total long term debt	**382,721**	376,927
Portfolio gross book value	**797,680**	768,976
Debt ratio (1) (2)	**48,0%**	49.0%
Borrowing power		
55% of gross book value	**124,500**	102,000
60% of gross book value	**240,000**	211,000

NOTES

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

(2) This ratio is not defined by GAAP and may differ from those of other entities.

As shown above, the debt ratio as at June 30, 2006, was 48.0%, which was slightly below fiscal 2005. This decrease is due to the conversion into units of convertible debentures during the second quarter. Cominar's debt ratio—one of the lowest of all real estate investment trusts in Canada—provides up to $240.0 million in funds for Cominar's future acquisitions at debt ratios authorized under its Contract of Trust.

Cominar's financial position therefore remains healthy and solid, with a debt-to-gross book value ratio of under 55% as at June 30, 2006, an acquisition capacity of nearly $124.5 million at Cominar's preferred debt ratio, relatively little interest rate risk, and credit facilities of $88.0 million, of which only $7.9 million were used as at June 30, 2006. Cominar believes the funds available will be sufficient for the Trust to meet its current obligations and finance its future growth.

Funds from Operations

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

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

The table below presents a reconciliation of net income as determined in accordance with GAAP and funds from operations for the three month periods ended June 30, 2006 and 2005. Due to their non-recurring nature, expenses in the amount of $554,000 incurred in the first quarter of 2006 in connection with an important transaction which was not concluded, have been excluded to provide a better comparison between the quarters and on a cumulative basis.

Funds from Operations

(in thousands of dollars, except amounts per unit)

Quarters ended	June 30, 2006	June 30, 2005	2006 YTD	2005 YTD
Net income for the year	**8,364**	8,042	**14,528**	14,087
Depreciation of income properties	**4,042**	3,661	**7,947**	7,322
Amortization of deferred leasing costs	**1,517**	1,356	**3,064**	2,683
Gain on sale of income property	—	(248)	—	(248)
Funds from operations	**13,923**	12,811	**25,539**	23,844
Unusual Item	—	—	**554**	—
Recurring funds from operations	**13,923**	12,811	**26,093**	23,844
Weighted average number of units outstanding (basic)	**33,506**	32,576	**33,253**	32,467
Basic funds from operations, per unit	**0.416**	0.393	**0.768**	0.734
Recurring basic funds from operations, per unit	**0.416**	0.393	**0.785**	0.734

Recurring funds from operations increased by $1.1 million in the second quarter of 2006, or 8.7%, to a total of $13.9 million compared to $12.8 million in the corresponding period of 2005. The per-unit figure was $0.416, compared to $0.393 in the second quarter of 2005, an increase of 5.9%.

For the six-month period ended June 30, 2006, recurring funds from operations reached $26.1 million, up 9.4%.

ISSUED AND OUTSTANDING UNITS

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

During the second quarter, Cominar issued 1,063,652 units, including (i) 78,800 units pursuant to the exercise of unit options, providing $1.2 million in proceeds; (ii) 16,349 units pursuant to the distribution reinvestment plan; and (iii) 968,503 units pursuant to the conversion of convertible debentures. At the close of the second quarter, Cominar had a total of 34.4 million units issued and outstanding, compared to 32.6 million at the end of June 2005, for an increase of 5.5%.

Unit Issuance

Quarters ended	**June 30, 2006**	**June 30, 2005**
Units issued and outstanding, beginning of quarter	**33,318,431**	32,554,066
Issued from options exercised	**78,800**	28,000
Issued under distribution reinvestment plan	**16,349**	14,814
Issued from conversion of convertible debentures	**968,503**	-
Units issued and outstanding, end of quarter	**34,382,083**	32,596,880

PROPERTY PORTFOLIO

The following table presents Cominar's property portfolio as at June 30, 2006 and 2005:

Property Portfolio
(in thousands of dollars)

	June 30, 2006	June 30, 2005
Income properties	**670,130**	635,362
Properties under development	**17,036**	28,953
Land held for future development	**5,335**	—
TOTAL	**692,501**	**664,315**
Number of properties [1]	**132**	124
Leasable area (in thousands of square feet) [1]	**9,897**	9,431
Composition (% of net operating income)		
Office	**34.4**	37.4
Retail	**30.1**	30.4
Industrial and mixed-use	**35.5**	32.2

NOTE
(1) Includes properties built and under development

The Trust maintains a disciplined growth strategy based on long term profitability. Given the objective of increasing unitholder distributions and the rising prices in the real estate market, Cominar continues to be highly selective in its choice of acquisitions and developments. During the second quarter of 2006, Cominar acquired one income property and land for future development, pursued its development projects and started construction of three new development projects.

Since the beginning of the year, Cominar has acquired land and income properties totalling $23.5 million and had approximately $50 million of ongoing or upcoming development projects as at the end of the second quarter.

Acquisitions
In the second quarter of 2006, Cominar acquired a 50,413 square foot industrial and mixed-us property in Pointe-Claire, Quebec, for $2.9 million, at an estimated capitalization rate of 9.4%. Cominar plans a 25,000 square foot expansion of the property at an estimated cost of $1.3 million. The capitalization rate associated with this transaction and development project is estimated at 9.4%.

Cominar also acquired a lot in St-Augustin at a cost of $1.3 million where it is currently building a 33,000 square foot industrial and mixed-use building. The total investment in connection with this development project is $4 million at a 9.5% estimated capitalization rate. The building is already 100% leased.

Development Projects

Given the steady rise in real estate prices, Cominar has been pursuing, in the second quarter of 2006, its building development projects. In general, the capitalization rates on these projects are significantly higher than on the acquisition market, which should yield strong long term returns for unitholders.

Completed Development Projects

Since the beginning of 2006, Cominar completed one building development representing 45,000 square feet of leasable area and a $2.8 million investment. The capitalization rate of this project was 10.5%. The building is nearly fully leased and was integrated into Cominar's property portfolio in the first quarter.

The following table details this development project:

Completed Development Projects

	Sector of activity [1]	Project type	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)
Henri-IV Project, Québec					
3000, St-Jean-Baptiste	I	NC	45,000	2,800,000	10.5

NOTES

(1) I = industrial

(2) NC = new construction

Ongoing Development Projects

As at June 30, 2006, nine buildings representing 521,485 square feet of leasable space and a $28.8 million investment were in development and at various stages of completion. Their capitalization rates ranged from 9.5% to 11.8%. The Trust considers demand for lease space of these projects to be high, and the leasing process is unfolding as expected.

The following table presents the development projects underway as at June 30, 2006:

Ongoing Development Projects

	Sector of activity[1]	Project type	Leasable area (sq.ft)	Invest-ment (M$)	Capitali-zation rate (%)	Expected comple-tion	Lease rate (%)
Henri-IV Project, Quebec							
2800, St-Jean-Baptiste	I	NC	105,000	6,5	10.5	Summer 2006	90
Highway 440 Project							
4451, autoroute Laval O	I	NC	117,000	7,1	10.1	Summer 2006	80
2900, J.A. Bombardier	I	NC	106,500	6,2	10.1	Winter 2007	47
275, St-Sacrement	I	R, E	66,479	2,2	9.6	Winter 2007	29
1050, René-Lévesque	R	R	28,906	0,3	9.5	Summer 2006	76
40, ch. du Tremblay	I	E	37,600	1,7	10.8	Fall 2006	100
940, Bergar	I	R, E	22,800	0,4	11.8	Summer 2006	100
St-Augustin - Project	I	NC	33,000	4,0	9.5	Fall 2006	100
Beauport – Project	R	NC	4,200	0,4	9.9	Fall 2006	100
Total/ Weighted average capitalization rate			**521,485**	**28,8**	**10.1**		

NOTES
(1) I = industrial, R = retail
(2) NC = new construction, E = expansion, R = renovation

Upcoming Developments

As at June 30, 2006, Cominar was at various stages of the planning process with a number of development projects, construction of which was not yet underway. These projects are the following:

Upcoming Developments

	Sector of activity [1]	Project type	Leasable area (sq.ft.)	Invest-ment ($)	Capitali-zation rate (%)	Expected cons-truction start
Rue Godin – Project	I	NC	30,000	1,6	9.4	Summer 2006
Laval – Project	I	NC	80,000	5,3	9.9	Summer 2006
St-Bruno – Project	R	NC	105,000	12,6	9.8	Summer 2006
20, Hymus blvd. Pointe-Claire	I	E	25,000	1,3	9.4	Summer 2006
Total/ Wighted average capitalization rate			**240,000**	**20,8**	**9.8**	

NOTES
(1) I = industrial, R = retail
(2) NC = new construction, E = expansion, R = renovation

Portfolio Summary

The following table summarizes Cominar's property portfolio as at June 30, 2006:

Summary by Sector as at June 30, 2006

	OFFICE		RETAIL		INDUSTRIAL		TOTAL	
	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)
Properties	14	2,212,143	29	2,342,949	89	5,341,983	132	9,897,075

Geographic Diversification as at June 30, 2006

	QUEBEC CITY		MONTREAL		TOTAL	
	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)
Properties	90	6,214,606	42	3,682,469	132	9,897,075

Property Portfolio Management

Occupancy Rates

A consistently high occupancy rate year after year generates a stable inflow of funds from operations. From 1999 to 2005, Cominar has averaged 95.1% occupancy in its property portfolio. For the three months ended June 30, 2006, occupancy stood at 95.6%, slightly above the previous year. The following table presents the occupancy rates for Cominar properties by sector as at June 30, 2006, March 31, 2006 and June 30, 2005:

Evolution of Occupancy Rates by Sector

(%)

Sector	June 30, 2006	March 31, 2006	June 30, 2005
Office	**94.4**	95.1	94.7
Retail	**93.5**	94.0	95.2
Industrial and mixed-use	**97.1**	95.7	95.3
Total portfolio	**95.6**	**95.1**	**95.1**

The stability of the portfolio's occupancy rate year after year reflects the quality of Cominar's properties, the diversity of its clientele and the relative balance of its portfolio among its three sectors of activity.

Lease Renewals

With sound portfolio management and strong client relations, Cominar is able to retain a significant portion of its tenants when their leases expire. Like in most sectors of activity, client retention is a priority for Cominar since a stable client base is much less costly than searching for new tenants. The following table illustrates this fact and shows the leasable area covered by new client leases each year:

Rental Area of Expiring, Renewed, and New Leases

(as at December 31)

	Expiring leases (sq. ft.)	Renewed leases (sq. ft.)	New leases (sq. ft.)	Total (sq. ft.)
1999	546,820	437,624	132,100	569,724
2000	770,387	580,674	331,845	912,519
2001	1,098,301	894,217	392,158	1,286,375
2002	1,141,790	912,739	557,826	1,470,565
2003	1,397,779	1,069,024	580,302	1,649,326
2004	1,350,176	1,030,303	517,997	1,548,300
2005	1,104,405	832,795	589,085	1,421,880
June 30, 2006	**971,903**	**653,229**	**406,081**	**1,059,310**

As illustrated in the table above, the total for all new and renewed leases has remained higher than total leases expiring every year since the Trust was created. As at June 30, 2006, Cominar's leasing team had renewed 67.2% of expiring leases and issued new leases for 406,081 square feet.

SUBSEQUENT EVENTS

After the end of the second quarter, Cominar acquired four income properties representing 155,810 square feet of space for a total amount of $8.6 million. The weighted average capitalization rate in connection with these transactions was 9.2%.

RELATED PARTY TRANSACTIONS

Jules Dallaire, a trustee, and Michel Dallaire, a trustee and member of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). Michel Paquet, also a trustee and member of Cominar management, has ties with these companies as a manager. Alain Dallaire, a member of the Cominar management team, has ties with Dalcon and CFA.

In the first quarter, Cominar posted net rental revenues of $293,000 from Dalcon and CFA. It incurred $1.7 million in expenses for leasehold improvements performed by Dalcon and $1.7 million for the construction and development of income properties.

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

OUTLOOK

Cominar's objectives for fiscal 2006 remain the same: continue delivering growing distributions to unitholders and maximize unit value through proactive management and expansion of its property portfolio.

Cominar will continue to establish itself in its selected markets by seeking out and assessing acquisition opportunities that meet its rigorous selection criteria. Cominar will also pursue several development projects which should offer unitholders excellent returns on investment.

The current portfolio of high quality and well-located properties provides Cominar with a strong base to continue delivering increasing returns to unitholders. We will continue to work toward aggressively managing our costs and improving our operations. Occupancy rates for the properties in our portfolio are stable, and demand for commercial space remains strong in the two markets where we operate. In addition, our development projects all show capitalization rates higher than most in the property market, thereby favoring greater profitability in the long run.

RISKS AND UNCERTAINTIES

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

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

The value of immovable property and any improvements thereto may also depend on the credit and financial stability of the tenants and the economic environment in which they operate. The Trust's income and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in its properties could not be leased on economically favourable lease terms. However, this risk is minimized by the diversification of the 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
The Trust is subject to the risks associated with debt financing, including the risk that existing mortgages secured by its properties will not be able to be refinanced or that the terms of such refinancing will not be as favorable as the terms of existing mortgages. The Trust's profitability may be impacted by interest rates changes, as interest on borrowings represents a significant cost in the ownership of real estate investments. Cominar seeks to reduce its interest rate risks by spreading the maturity of its long-term debt and limiting as much as possible the use of floating rate debt. As at June 30, 2006, only 5.5% of the REIT's long-term debt had floating interest rates. Until the end of 2006, an amount of $30.6 million in mortgages bearing interest at an average weighted rate of 6.24% will have to be renewed. Cominar does not foresee any difficulty in refinancing them as they become due.

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

Competition
The Trust competes for suitable immovable property investments with third parties that are presently seeking or may seek in the future immovable property investments similar to those desired by the Trust. An increase in the availability of investment funds and interest in immovable property investments may tend to increase

competition for immovable property investments, thereby increasing purchase prices and reducing their yield.

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

Government Regulation

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

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

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

Construction Risk

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

ADDITIONAL INFORMATION

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

CONSOLIDATED BALANCE SHEETS

[In thousands of dollars]

	As at June 30, 2006 [unaudited] $	As at December 31, 2005 [audited] $
ASSETS		
Income properties *[note 3]*	**670,130**	658,855
Properties under development *[note 4]*	**17,036**	20,777
Land held for future development	**5,335**	1,243
Deferred expenses and other assets *[note 5]*	**30,168**	30,009
Prepaid expenses	**11,157**	2,355
Accounts receivable	**12,452**	12,343
	746,278	725,582
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Mortgages payable *[note 6]*	**295,897**	253,581
Convertible debentures *[note 7]*	**78,891**	97,535
Bank indebtedness *[note 8]*	**7,933**	25,811
Accounts payable and accrued liabilities	**18,632**	21,890
Distributions payable to unitholders	**3,435**	3,623
	404,788	402,440
Unitholders' equity *[note 9]*		
Unitholders' contributions	**362,384**	338,230
Cumulative net income	**198,991**	184,463
Cumulative distributions	**(220,227)**	(199,902)
Contributed surplus	**342**	351
	341,490	323,142
	746,278	725,582

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period ended June 30,

[unaudited, in thousands of dollars]

	Quarter		Cumulative (six months)	
	2006 $	2005 $	2006 $	2005 $
Unitholders' contributions				
Balance, beginning of period	**343,975**	332,181	**338,230**	328,433
Issue of units	**18,409**	662	**24,154**	4,410
Balance, end of period	**362,384**	332,843	**362,384**	332,843
Cumulative net income				
Balance, beginning of period	**190,627**	159,181	**184,463**	153,136
Net income	**8,364**	8,042	**14,528**	14,087
Balance, end of period	**198,991**	167,223	**198,991**	167,223
Cumulative distributions				
Balance, beginning of period	**(209,922)**	(170,080)	**(199,902)**	(160,353)
Distributions to unitholders	**(10,305)**	(9,811)	**(20,325)**	(19,538)
Balance, end of period	**(220,227)**	(179,891)	**(220,227)**	(179,891)
Contributed surplus				
Balance, beginning of period	**361**	239	**351**	252
Unit option plan	**(19)**	48	**(9)**	35
Balance, end of period	**342**	287	**342**	287
Unitholders' equity	**341,490**	320,462	**341,490**	320,462

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

Period ended June 30,

[unaudited, in thousands of dollars except per unit amounts]

	Quarter		Cumulative (six months)	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Operating revenues				
Rental revenue from income properties	**33,183**	30,654	**65,922**	61,077
Operating expenses				
Operating costs	**6,035**	5,658	**13,288**	12,769
Realty taxes and services	**6,766**	6,192	**13,509**	12,432
Property management expenses	**287**	362	**580**	661
	13,088	12,212	**27,377**	25,862
Operating income before the undernoted :	**20,095**	18,442	**38,545**	35,215
Interest on borrowings	**5,602**	5,072	**11,182**	10,270
Depreciation of income properties	**4,042**	3,648	**7,947**	7,295
Amortization of deferred leasing costs	**1,517**	1,356	**3,064**	2,683
Amortization of deferred financing costs and other assets	**177**	169	**352**	345
	11,338	10,245	**22,545**	20,593
Operating income from real estate assets	**8,757**	8,197	**16,000**	14,622
Trust administrative expenses	**498**	487	**1,071**	900
Other revenues	**105**	79	**153**	108
Unusual item *[note 17]*	**—**	—	**554**	—
Net income from continuing operations	**8,364**	7,789	**14,528**	13,830
Net income from discontinued operations *[note 18]*	**—**	253	**—**	257
Net income	**8,364**	8,042	**14,528**	14,087
Basic net income per unit *[note 11]*	**0.250**	0,247	**0.437**	0,433
Diluted net income per unit *[note 11]*	**0.246**	0,243	**0.430**	0,426

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASHFLOWS

Period ended June 30,
[unaudited, in thousands of dollars]

	Quarter		Cumulative (six months)	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
OPERATING ACTIVITIES				
Net income	**8,364**	8,042	**14,528**	14,087
Adjustments for				
Depreciation of income properties	**4,042**	3,661	**7,947**	7,322
Amortization of above-market leases	**30**	30	**60**	60
Amortization of deferred leasing costs	**1,517**	1,356	**3,064**	2,683
Amortization of deferred financing costs and other assets	**177**	170	**352**	346
Compensation costs related to unit options	**31**	55	**62**	91
Gain on sale of an income property	**—**	(248)	**—**	(248)
Leasing costs	**(2,165)**	(1,028)	**(2,726)**	(2,777)
Change in non-cash operating working capital items *[note 13]*	**(3,951)**	(4,150)	**(10,660)**	(7,458)
	8,045	7,888	**12,627**	14,106
FINANCING ACTIVITIES				
Mortgages payable	**59,652**	—	**59,652**	—
Repayments of mortgages payable	**(12,829)**	(2,406)	**(17,336)**	(4,752)
Bank indebtedness	**(40,801)**	13,859	**(17,878)**	16,879
Distributions to unitholders	**(9,948)**	(9,523)	**(19,845)**	(19,216)
Net proceeds from issue of units *[note 9]*	**1,186**	392	**4,771**	3,530
	(2,740)	2,322	**9,364**	(3,559)
INVESTING ACTIVITIES				
Acquisitions of income properties	**(4,888)**	(3,909)	**(18,608)**	(6,764)
Net proceeds from disposition of an income property	**—**	675	**—**	675
Acquisitions of properties under development and land held for future development	**(198)**	(6,931)	**(2,991)**	(12,521)
Other assets	**(219)**	(45)	**(392)**	(111)
	(5,305)	(10,210)	**(21,991)**	(18,721)
Net change in cash and cash equivalents	**—**	—	**—**	(8,174)
Cash and cash equivalents, beginning of period	**—**	—	**—**	8,174
Cash and cash equivalents, end of period	**—**	—	**—**	—

See accompanying notes to the consolidated financial statements

Period ended June 30, 2006

[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 real estate investment trust created by the Contract of Trust on June 30, 1998 under the laws of the Province of Québec.

2) SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cominar's consolidated financial statements have been 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, 2005.

Consolidation

These 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 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 period. Actual results could differ from those estimates.

Revenue recognition

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

Contractual rental revenue from leases with rent increases are recognized based on a straight-line method.

Income properties, properties under development and land held for future development

Income properties are stated at cost. Cost includes acquisition costs and improvements to income properties. Regarding income properties acquired after September 12, 2003, a portion of the purchase price, if any, is allocated to operating leases, customer relationships and leasehold improvements.

Depreciation of buildings is recorded using the straight-line method over 40 years.

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

Properties under development and land held for future development are stated at cost. Cost includes acquisition costs, other direct costs, realty taxes, interest related to their financing and all operating revenues and all operating expenses during the development period.

Capitalization of costs to properties under development and land held for future 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 cash and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, with original maturities of three months or less.

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

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

3) INCOME PROPERTIES

	As at June 30, 2006 $	As at December 31, 2005 $
Land	**90,503**	88,910
Buildings	**622,785**	605,865
Intangible assets	**8,244**	7,474
	721,532	702,249
Accumulated depreciation and amortization	**51,402**	43,394
	670,130	658,855

4) PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

As at June 30, 2006, Cominar capitalized $ 688 in interest to properties under development and land held for future development, some of which are classified in income properties at period-end.

5) DEFERRED EXPENSES AND OTHER ASSETS

	As at June 30, 2006 $	As at December 31, 2005 $
At amortized cost		
Leasing costs	**25,532**	25,413
Financing costs	**3,925**	3,926
Other assets	**711**	670
	30,168	30,009

6) MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties stated at a net book value of $458,767 [$427,614 as at December 31, 2005]. They bear interest at rates ranging from 5.68% to 9.125% per annum [5,00% to 11.00% as at December 31, 2005] representing a weighted average rate of 6.27% [6.27% as at December 31, 2005] and are renewable at various dates from September 2006 to July 2021.

Mortgage repayments are as follows:

Years ending December 31,	Principal repayments $	Balance at maturity $	Total $
2006	4,758	30,595	**35,353**
2007	8,229	43,141	**51,370**
2008	3,939	115,008	**118,947**
2009	3,283	—	**3,283**
2010	3,517	—	**3,517**
2011 and there after	26,848	56,579	**83,427**
	50,574	245,323	**295,897**

Mortgages payable having fixed rates amount to $275,258 [$222,314 as at December 31, 2005] and those having variable rates amount to $20,639 [$31,267 as at December 31, 2005].

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 the 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 the scheduled redemption date or the maturity date. In accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3860, convertible debentures have been recorded as liabilities on the balance sheet and interest has been charged to "Interest on borrowings" on the statement of income. Debenture issue costs are amortized over a 10-year period and recorded under "Amortization of deferred fiancing cost and other assets". As the valuation of the unitholders' equity component of the conversion option did not have a material impact on the Cominar's consolidated results, the debentures have been recorded in whole as liabilities. As at June 30, 2006, 18,644 convertible debentures had been converted into 1,071,485 units at a conversion price of $17.40 per unit, for a consideration of $18,644.

8) BANK INDEBTEDNESS *[NOTE 19]*

Cominar has a number of operating and acquisition credit facilities of up to $88,000 [$65,865 as at December 31, 2005]. These credit facilities, subject to annual renewal, bear interest between prime rate and prime rate plus 0.50% [0.00% and 0.50% in 2005]. Of these credit facilities, $85,000 [$62,865 as at December 31, 2005] are secured by movable and immovable hypothecs on specific assets. As at June 30, 2006, the prime rate was 6.00% [5.00% as at December 31, 2005].

9) ISSUED AND OUTSTANDING UNITS

The ownership interests in Cominar are represented by a single class of units. 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 the right to participate equally and ratably in any distributions by Cominar.

As at June 30, 2006, Cominar issued 1,441,348 units [312,471 units in 2005] of which 1,071,485 were issued pursuant to the conversion of convertible debentures [11,953 units in 2005] and 34,313 under the distribution reinvestment plan [34,618 units in 2005]. The balance of 335,550 units issued from the exercise of options represented net proceeds received of $4,771 [265,900 units for net proceeds received of $3,530 in 2005].

	Period of three months ended June 30, 2006	**Period of six months ended June 30, 2006**
Units issued and outstanding, beginning of period	33,318,431	32,940,735
Issued from options exercised	78,800	335,550
Issued under distribution reinvestment plan	16,349	34,313
Issued from conversion of convertible debentures	968,503	1,071,485
Units issued and outstanding, end of period	34,382,083	34,382,083

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 3,319,210 units. These options are exercisable on a cumulative basis as follows: 25% of the options after each of the four first anniversary dates of the grant for options granted on April 8, 2005, 20% of the options after each of the five first anniversary dates of the grants for options granted November 13, 2003 and May 23, 2006, 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, 2006		Period of six months ended June 30, 2006	
	Options	Weighted-average exercise price $	Options	Weighted-average exercise price $
Outstanding, beginning of period	2,097,300	14.32	2,354,050	14.29
Granted	670,000	18.90	670,000	18.90
Exercised	(78,800)	15.11	(335,550)	14.26
Cancelled	(304,000)	14.81	(304,000)	14.81
Outstanding, end of period	2,384,500	15,52	2,384,500	15.52
Options exercisable, end of period	155,500	13.94	155,500	13.94

As at June 30, 2006

Date of grant	Maturity date	Exercise price $	Outstanding options	Options exercisable
August 9, 2001	August 9, 2008	11.00	**27,000**	**27,000**
November 13, 2003	November 13, 2010	14.00	**1,536,500**	**105,500**
April 8, 2005	November 13, 2010	17.12	**176,000**	**23,000**
May 23, 2006	May 23, 2013	18.90	**645,000**	**—**
			2,384,500	**155,500**

Unit-based compensation plan

The compensation costs associated with the options granted on May 23, 2006 were calculated using the Black-Scholes option pricing model, assuming volatility of 13.0% on the underlying units, a fixed exercise price of $18.90, a weighted-average distribution yield of approximately 7.14% and a weighted-average risk-free interest rate of approximately 4.10%. For the options granted on April 8, 2005, Cominar assumed a volatility of 13.5%, 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% 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%.

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 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, management and employees have characteristics significantly different from those of traded options, and because changes in subjective input assumptions can materially affect fair value estimates, the existing estimate models, in management's opinion, do not necessarily provide a reliable single measure of the fair value of the unit options of its trustees, management and employees.

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants a number of units amounting to 105% of the cash distribution. As at June 30, 2006, 34,313 units [34,618 in 2005] were issued at a weighted-average price of $19.49 [$17.77 in 2005] for a consideration of $669 [$615 in 2005] 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 between the weighted-average number of units outstanding used to calculate basic and diluted per unit amounts.

Period ended June 30,

	Quarter		Cumulative (six months)	
	2006	**2005**	**2006**	**2005**
Weighted-average number of units outstanding-basic	**33,505,504**	32,576,264	**33,252,902**	32,467,054
Effect of dilutive unit options	**465,143**	517,818	**497,600**	517,818
Weighted-average number of units outstanding-diluted	**33,970,647**	33,094,082	**33,750,502**	32,984,872

The potential 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 GAAP excluding depreciation of income properties and amortization of above-market leases, compensation costs related to unit options, deferred rentals and gains or losses on sale of income properties.

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, comparisons may be inappropriate.

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

Period ended June 30,

	Quarter		Cumulative (six months)	
	2006	2005	**2006**	2005
	$	$	**$**	$
Net income for the period	**8,364**	8,042	**14,528**	14,087
Add (deduct) :				
Depreciation of income properties	**4,042**	3,661	**7,947**	7,322
Amortization of above-market leases	**30**	30	**60**	60
Compensation costs related to unit option plan	**31**	55	**62**	91
Deferred rentals	**(437)**	(320)	**(849)**	(673)
Gain on sale of an income property	**—**	(248)	**—**	(248)
Distributable income for the period	**12,030**	11,220	**21,748**	20,639
Distributions to unitholders	**10,305**	9,811	**20,325**	19,538
Distributable income per unit	**0.359**	0.344	**0.654**	0.636
Distributions per unit	**0.306**	0.300	**0.608**	0.600

13) SUPPLEMENTAL CASHFLOW INFORMATION

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

Period ended June 30,

	Quarter		Cumulative (six months)	
	2006	2005	**2006**	2005
	$	$	**$**	$
Prepaid expenses	**(3,790)**	(2,147)	**(8,802)**	(5,945)
Accounts receivable	**754**	(992)	**(109)**	(1,758)
Accounts payable and accrued liabilities	**(915)**	(1,011)	**(1,749)**	245
	(3,951)	(4,150)	**(10,660)**	(7,458)
Additional information				
Interest paid	**7,101**	7,489	**14,426**	11,255
Unpaid leasing costs	**1,194**	—	**1,194**	—
Acquisitions of income properties and properties under development by assumption of mortgages payable	**—**	—	**—**	1,027
Unpaid acquisitions of income properties and properties under development	**4,077**	1,253	**4,077**	1,253
Properties under development transferred to income properties	**—**	—	**3,216**	756

14) RELATED PARTY TRANSACTIONS

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

Period ended June 30,

	Quarter		Cumulative (six months)	
	2006	2005	**2006**	2005
	$	$	**$**	$
Rental revenue from income properties	**293**	280	**589**	558
Other revenues	**53**	103	**76**	167
Income properties and properties under development	**1,734**	5,169	**7,298**	14,052
Deferred expenses and other assets	**1,697**	903	**3,616**	2,452
Accounts receivable			**441**	645
Accounts payable and accrued liabilities			**7,530**	2,614

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, except for the balance of sale mentioned in note 18, and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are disclosed 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, bank indebtedness, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at June 30, 2006 due to their short-term nature or based on the fact they bear interest at current market rates.

As at June 30, 2006, the fair value of mortgages payable exceeded the carrying value by approximately $3,085 [$5,466 as at December 31, 2005] 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, 2006, the fair value of convertible debentures exceeded the carrying value by approximately $2,598 [$7,088 as at December 31, 2005] due to changes in interest rates since the issuance date. The fair value of convertible debentures has been estimated based on the current market rate for debt securities of similar terms and maturities.

16) SEGMENTED INFORMATION

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

Period of three months ended June 30, 2006

	Office properties $	Retail properties $	Industrial & mixed-use properties $	Total $
Rental revenue from income properties	11,210	10,581	11,392	**33,183**
Depreciation of income properties	1,511	1,271	1,260	**4,042**
Net operating income (1)	6,711	6,083	7,301	**20,095**

Period of three months ended June 30, 2005

	Office properties $	Retail properties $	Industrial & 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 six months ended June 30, 2006

	Office properties $	Retail properties $	Industrial & mixed-use properties $	Total $
Rental revenue from income properties	22,570	20,650	22,702	**65,922**
Depreciation of income properties	3,022	2,536	2,389	**7,947**
Net operating income (1)	13,275	11,585	13,685	**38,545**
Income properties	241,843	212,374	215,913	**670,130**

Period of six months ended June 30, 2005

	Office properties $	Retail properties $	Industrial & 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**

NOTE

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

17) UNUSUAL ITEM

As part of its growth strategy, Cominar incurred, in the first quarter of 2006, non-recurring expenses in connection with a transaction which was not concluded. These expenses are all reflected in the first quarter' statement of income.

18) DISCONTINUED OPERATIONS

During June 2005, Cominar sold an industrial and mixed-use property for a consideration of $2,700 of which $675 was paid in cash. The remaining $2,025 bearing interest at 6%, is receivable in August 2006 and is recorded under the accounts receivable. A gain on sale of $248 was realized.

19) SUBSEQUENT EVENTS

In July 2006, Cominar acquired four industrial and mixed-use properties for $8,575, paid in cash.

20) COMPARATIVE FIGURES

Certain figures of the 2005 financial statements have been reclassified to conform with the 2006 presentation.

UNITHOLDER INFORMATION

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Stock Exchange Listings

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

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Auditors

Ernst & Young LLP

Unitholder Distribution Reinvestment Plan

Cominar Real Estate Investment Trust offers holders of its units the opportunity to participate in its Unitholder Distribution Reinvestment Plan (the "DRIP").

The DRIP allows participants to have their monthly cash distributions reinvested in additional units of Cominar. **In addition, participants will be entitled to receive an additional distribution equal to 5% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.**

For more information on the DRIP, please refer to the DRIP section of our website at *www.cominar.com* or contact us by email at *info@cominar.com* or contact the plan agent: Computershare Trust Company of Canada, c/o Share Ownership Management, 1100 University, 9th Floor, Montreal, Quebec, H3B 2G7, Tel.: (514) 871-7171, Toll free: 1-800-341-1419, Fax: (514) 871-7442, Email: *clientele@tbn.bnc.ca*

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