

COMINAR



REAL ESTATE INVESTMENT TRUST



QUARTERLY REPORT
JUNE 30, 1998

COMINAR REAL ESTATE INVESTMENT TRUST

Report to Unitholders

On behalf of the Trustees and the employees of Cominar Real Estate Investment Trust (the "Trust"), we are pleased to provide our Unitholders with our first quarterly report.

Financial performance

We are very pleased to report that results for the period from the beginning of the operation of the Trust on May 21, 1998 through June 30, 1998 (41 days) are ahead of forecast. Distributable income for the period was \$1,4 million or \$0,095 per unit, compared to a forecast of \$1.3 million or \$0,092 per unit.

Our operations are, in all material respects, in accordance with our forecast, as stated in the enclosed financial report. In order to compare the actual results with the forecast, the forecast contained in the prospectus dated May 8, 1998 has been adjusted by prorating to 41 days from the first three months of the forecast period.

The initial level of monthly distribution for 1998 was established at \$0.067 per unit. This amount is in accordance with the forecast included in the Trust's prospectus and represents 95 % of the distributable income. However, The first distribution for the period May 21, 1998 to June 30, 1998 was established at \$0,088 per unit and paid on July 15, 1998.

We are satisfied with the results of our first quarter as a public entity and we are very enthusiastic about our next quarters in which our recent acquisitions will be taken into account in our operating income.

Acquisitions

On July 6, 1998, the Trust announced its first acquisition since the public issue. It is a 190,000 square foot industrial building. The purchase price was \$4,7 million, which represents a capitalization rate of 19 %.

In August 98, the Trust has entered into agreements to purchase two industrial properties totaling 72,000 square feet of leasable area. The closing is expected to occur on or about September 15, 1998. The purchase price for these properties is \$2,6 million corresponding to an unleveraged capitalization rate of 10.7 %.

The three properties are located in Vanier's industrial park. Approximately 250 business are established in this industrial park which is entirely developed and located in the heart of the Greater Québec City Area. The Trust owns several buildings in this well situated area.

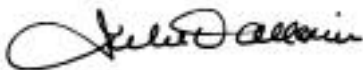
These acquisitions are part of the Trust's comprehensive and proactive strategy intended to enhance its operating and financial performance. We have many opportunities presently under study, primarily in Montreal and Québec city areas.

Dominant regional portfolio

The Trust is one of the largest commercial property owners in the Greater Québec City Area and a fully-integrated organization that offers a full range of real estate services.

Presently, the portfolio consists of 52 income producing office, retail, industrial and mixed use properties, representing in total 3,3 million square feet of leasable area.

The dominance and characteristics of our diversified portfolio jointly with the expertise of our management team give the Trust a competitive advantage. As a results our level of occupancy is now at 95.5 % compared to 94.8 % on March 1st, 1998.



Jules Dallaire
President and Chief Executive Officer

COMINAR REAL EST ATE INVESTMENT TRUST

STATEMENT OF INCOME AND DISTRIBUTABLE INCOME

For the period May 21, 1998 to June 30, 1998
(Unaudited, in thousands, except per unit amount)

	Actual	As Per Prospectus Prorated For The Period
Operating revenues		
Rentals from income properties	\$ 4,474	\$ 4,531
<hr/>		
Operating expenses		
Properties operating costs	1,114	1,127
Realty taxes and services	751	780
Property management expenses	70	71
	<hr/> 1,935	<hr/> 1,978
<hr/>		
Net Operating Income	2,539	2,553
<hr/>		
Interest on hypothecs	980	950
Depreciation – buildings	197	205
Depreciation - -tenant improvements	8	34
Amortization of deferred expenses	6	13
	<hr/> 691	<hr/> 692
<hr/>		
Operating income from real estate Assets	1,348	1,351
<hr/>		
Trust expenses	56	64
	<hr/> 1,292	<hr/> 1,287
<hr/>		
Others		
Loan interest	(197)	(232)
Instalment receipt interest income	164	164
Other income	92	79
	<hr/> 59	<hr/> 11
<hr/>		
Net income	1,351	1,299
<hr/>		
Add (deduct)		
Depreciation – buildings	197	205
Instalment receipt interest income	(164)	(164)
	<hr/> 33	<hr/> 41
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Distributable income	\$ 1,384	\$ 1,340
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Distributable income per Unit	\$ 0.095	\$ 0.092
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COMINAR REAL EST ATE INVESTMENT TRUST

BALANCE SHEET

As at June 30, 1998 (Unaudited, in thousands)	Actual	As Per Prospectus March 31, 1998
Assets		
Income properties	\$ 244,821	\$ 244,777
Instalment receipts receivable (note 4)	31,904	31,740
Cash and short-term investments	15,111	14,567
Accounts receivable	259	-
Prepaid expenses	2,400	-
Deferred expenses	110	-
	\$ 294,605	\$ 291,084
Liabilities and Unitholders' Equity		
Liabilities		
Hypothecs payable (note 5)	\$ 120,167	\$ 120,424
Loan payable (note 6)	33,200	33,200
Accounts payable and accrued liabilities	2,870	-
Rents cashed in advance	383	-
Distributions payable to Unitholders	1,276	-
	157,896	153,624
Unitholders' Equity		
Issued and outstanding 14,500,000 units	136,709	137,460
	\$ 294,605	\$ 291,084

COMINAR REAL EST ATE INVESTMENT TRUST

STATEMENT OF UNITHOLDERS' EQUITY

For the period May 21, 1998 to June 30, 1998 (Unaudited, in thousands)	Actual	As Per Prospectus March 31, 1998
Net income for the period	\$ 1,351	\$ -
Issuance of units	145,000	145,000
Underwriters' fees and offering costs	(6,906)	(6,080)
Discount on instalment receipts	(1,460)	(1,460)
Distributions to Unitholders	(1,276)	-
	\$ 136,709	\$ 137,460

COMINAR REAL ESTATE INVESTMENT TRUST

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the period May 21, 1998 to June 30, 1998
(Unaudited, in thousands)

Cash provided by (used in):

Operating activities:

Net income for the period	\$ 1,351
Items not affecting cash:	
Depreciation	205
Amortization	6
Instalment receipt interest income	(164)
	<u>1,398</u>

Change in non cash

operating items	<u>1,870</u>
	<u>3,268</u>

Financing activities:

Issue of Units (net)	138,094
Instalment receipts receivable	(33,200)
Assumed Hypothecs	120,340
Repayments of long term debt	(173)
Loan payable	33,200
Distributions to Unitholders	(1,276)
	<u>256,985</u>

Investing activities:

Acquisition of income producing properties	(245,026)
Deferred expenses	(116)
	<u>(245,142)</u>

Cash and short-term investments,
end of the period

\$ 15,111

COMINAR REAL ESTATE INVESTMENT TRUST

NOTES TO THE FINANCIAL STATEMENT

(Unaudited) For the period May 21, 1998 to June 30, 1998

1. Organization of the Trust

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

2. Summary of significant accounting policies

a) Income properties

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

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

b) Deferred expenses

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

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

3. Initial Public Offering

On May 21, 1998 the Trust issued 14,500,000 units for net proceeds of \$138,094,000 pursuant to the prospectus dated May 8, 1998. The units were sold at \$10 per unit, out of which 8,300,000 units were sold on an instalment basis with an initial instalment of \$6 per unit and a final installment of \$4 per unit payable on May 21, 1999.

4. Instalment Receipts receivable

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

5. Hypothecs payable

Hypothecs payable are secured by the income properties, bear fixed interest rates ranging from 6.5% to 10.75% and mature between March 1999 and May 2003.

6. Loan payable

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

COMINAR REAL ESTATE
INVESTMENT TRUST

INFORMATION

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Unit Listing
The Montreal Exchange
The Toronto Stock Exchange

Stock Trading Symbol
CUF.IR



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