

COMINAR



Real Estate Investment Trust



Quarterly Report
June 30, 1999

COMINAR REAL ESTATE INVESTMENT TRUST

Message to Unitholders

On behalf of the trustees, management and personnel of Cominar Real Estate Investment Trust ("REIT"), we are pleased to present the financial report for the first half of 1999. Unitholders can see that the Trust has respected its commitment to deliver results that are consistent with, and even above the forecasts set forth in the prospectus relating to our May 21, 1998 public offering, while paving the way for future growth by means of acquisitions.

Financial Performance

For the six-month period ended June 30, 1999, REIT recorded distributable income of \$7,065,000 or \$0.487 per unit, which is 23% higher than the forecasts in the May 1998 prospectus. The portion of distributable income for the second quarter was 6.7% above the figure for the first quarter. Net income for the first half totaled \$6,651,000, compared with \$5,583,000 as forecast in the prospectus.

The results achieved as at June 30, 1999 met our expectations and are consistent with our objective of paying sustained, growing and optimal distributions to Unitholders.

Financial Position

As at June 30, 1999, the Trust showed an excellent financial position, with a debt/equity ratio representing 48% of the gross book value. At the same date, assets amounted to \$274 million, and unitholders' equity, to \$136 million.

In May 1999, REIT was granted a \$17 million loan in the form of revolving term credit secured by a first mortgage on properties. This loan will be used to acquire revenue-producing buildings.

Acquisitions

On August 11, 1999, REIT acquired a 120,000-ft² industrial building at a cost of \$5.0 million and a capitalization rate of 10.25%. Located on Pie-IX Boulevard in Montreal, near Highway 40, this high-quality building is completely leased until

2012 and houses the head office of Belron Canada Inc., a division of the multinational Belron International.

This acquisition fits with our strategy of comprehensive, proactive management aimed at stimulating growth and constantly improving the Trust's financial performance and operating results. We intend to keep up this momentum and will soon announce other acquisitions, since we are currently in the process of completing purchase transactions for several properties in Montreal and in the Quebec City area.

Acting on its principle that tenants are customers, REIT will open an office in the Montreal area this fall. Cominar has already set up a team that will offer customers the same full service on which it has built its reputation for quality and reliability and which has made it one of the leading real estate owners in Greater Quebec City.

Outlook

We are satisfied with our results for the first six months of 1999 and look forward to the second half with optimism. Constantly improving economic conditions, a proven strategic focus, an integrated management structure and dominant market share are some of the factors that will enable the Trust to continue achieving its objectives.

In addition, we are pleased to inform you that in light of the results obtained to date and the Trust's favourable outlook, our Board of Directors has decided to increase the monthly distribution to Unitholders. As of September, it will amount to \$0.088 per unit, up 6% over the previous monthly distribution of \$0.083. The monthly distribution for August will be paid on September 15, 1999 to Unitholders of record as at September 3, 1999.

Unitholders will also be able to take advantage of the Unitholder Distribution Reinvestment Plan beginning in September 1999. An information document containing a detailed description of the Plan, a summary of the Plan in the form of questions and answers, and the authorization form are enclosed with this report.



Jules Dallaire
Chairman of the Board
and Chief Executive Officer

August 1999

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF INCOME AND DISTRIBUTABLE INCOME

Period ended June 30 (Unaudited, in thousands except per unit amounts)	1999 (6 months)	1998 (41 days)
	\$	\$
Operating revenues		
Rentals from income properties	23,815	4,474
Operating expenses		
Property operating costs	6,112	1,114
Realty taxes and services	4,162	751
Property management expenses	440	70
	10,714	1,935
Net Operating Income	13,101	2,539
Interest on hypothecs	4,573	980
Depreciation – income properties	979	197
Depreciation – tenant improvements	294	8
Amortization of deferred expenses	93	6
Operating income from real estate assets	7,162	1,348
Trust expenses	373	56
	6,789	1,292
Other (income) expenses		
Loan interest	677	197
Instalment receipt interest income	(565)	(164)
Other income	26	(92)
	138	(59)
Net income	6,651	1,351
Add (deduct)		
Depreciation – income properties	979	197
Instalment receipt interest income	(565)	(164)
Distributable income	7,065	1,384
Net income per unit	0.459	0.932
Distributable income per unit	0.487	0.954

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEET

As at June 30
(Unaudited, in thousands)

	1999	1998
	\$	\$
Assets		
INCOME PROPERTIES	267,739	244,821
Hypothec receivable	2,548	
Instalment receipts receivable (note 4)		31,904
Deferred expenses	880	110
Prepaid expenses and others assets	988	2,400
Cash and short-term investments		15,111
Accounts receivable	1,360	259
	273,515	294,605

Liabilities and Unitholders' Equity

Liabilities

Hypothecs payable (note 5)	116,527	120,167
Bank indebtedness	15,730	
Loan payable (note 6)		33,200
Accounts payable and accrued liabilities	3,788	2,870
Rents cashed in advance		383
Distributions payable to Unitholders	1,204	1,276
	137,249	157,896

Unitholder's Equity

	136,266	136,709
	273,515	294,605

COMINAR REAL ESTATE INVESTMENT TRUST

STATEMENT OF UNITHOLDERS' EQUITY

Period ended June 30
(Unaudited, in thousands)

	1999	1998
	(6 months)	(41 days)
	\$	\$
Unitholders' equity, beginning of period	136,734	
Issuance of units		145,000
Underwriters' fees and offering costs	(28)	(6,906)
Discount on instalment receipts		(1,460)
Net income for the period	6,651	1,351
Distributions to Unitholders	(7,091)	(1,276)
Unitholders' equity, end the period	136,266	136,709

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED CASH FLOW STATEMENT

Period ended June 30 (Unaudited, in thousands)	1999 (6 months)	1998 (41 days)
Cash flow from operating activities		
Net income for the period	6,651	1,351
Adjustments :		
Depreciation – income properties	979	197
Depreciation – tenant improvements	294	8
Amortization of deferred expenses	93	6
Instalment receipt interest income	(565)	(164)
	7,452	1,398
Change in non-cash working capital		
Increase in accounts receivables	(517)	(259)
Increase in prepaid expenses and others assets	189	(2,400)
Increase in accounts payables and accrued liabilities	418	2,870
Increase in rent cashed in advance		383
Cash flow from operating activities	7,542	1,992
Cash flow from financing activities		
Issue of units (net)		111,800
Assumed hypothecs		120,340
Encashment of instalment receipts	33,200	
Loan payable redemption	(33,200)	
Repayments of long term debt	(2,927)	(173)
Underwriters' fees and offering costs	(28)	(6,906)
Loan payable		33,200
Distributions to Unitholders	(5,887)	
Cash flow from financing activities	(8,842)	258,261
Cash flow from investing activities		
Proceeds from asset disposal	28	
Acquisitions of income properties	(1,893)	(245,026)
Proceeds form hypothec loan	29	
Deferred charges	(415)	(116)
Cash flow from investing activities	(2,251)	(245,142)
Increase (decrease) cash and cash equivalents	(3,551)	15,111
Cash and cash equivalents, beginning of period	(12,179)	
Cash and cash equivalents, end of period	(15,730)	15,111
Note : Interests paid	4,573	980

COMINAR REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Period of three months ended June 30, 1999

1. Organization of the Trust

Cominar Real Estate Investment Trust (the "Trust") is an unincorporated closed-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) Consolidation

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

b) Income properties

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

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

c) 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 \$ 137,974,000 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 instalment of \$4 encashed 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 was fully paid on May 21, 1999. The receivable was non-interest bearing and was secured by the Trusts 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 interest at a weighted average annual rate of 7.26% and are renewable between August 1999 and July 2004.

6. Loan payable

The loan payable bears interest at 5.56% per annum and is secured by the Trusts 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.

7. Segment disclosures

The REITs activities include three property types. The accounting policies followed by each property type are the same than those disclosed in the summary of accounting policies. The following table shows the financial information related to these property types :

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	9,074	9,073	5,668	23,815
Interest on hypothecs	2,012	1,920	641	4,573
Depreciation – income Properties and tenant Improvements	482	558	233	1,273
Operating income from real estate assets	2,607	2,707	1,848	7,162
Income properties	97,457	118,608	51,674	267,739

MANAGEMENT'S COMMENTS YEAR 2000 COMPLIANCE

Electronics have been part of our everyday life for some time now, and we are using increasingly sophisticated systems and software. However, several of those sophisticated tools could be affected by the arrival of the next millennium.

Cominar has taken this problem into consideration for a few years already, enabling it to react with foresight. Indeed, in September 1997, it established an adequate plan to address the so-called "Year 2000 Issue". At that time, a team started working to solve the potential problems related to this issue in a timely manner.

All goods and services consumed by Cominar and all its suppliers were indexed. An impact analysis then identified where corrections were needed. By the end of July 1999, testing was completed and all corrections validated.

The impact analysis, a crucial step, first focused on high-risk accounting systems and office equipment, the failure of which could have a major impact on Cominar's financial information and operations. Secondly, we considered machinery and systems integrated into Cominar's various buildings. All systems were studied: lighting, fire alarm, security, access, elevators, heating, ventilation, air-conditioning, power, etc.

Although, the nature of the risk depends on the type of system, we consider all of them essential for the administration of a building. In addition to the corrections already provided, Cominar therefore established a strategic plan to take measures and deal with contingencies. In many instances, measures are identical to those we already practice in our daily operations. For example, temporary manual operation of some systems will be selected in case of automation failure.

Moreover, communications with our suppliers are

reassuring and do not suggest that particular difficulties will arise regarding the Year 2000 compliance.

Cominar also owns a huge mobile electrical generator which, in case of power failure, could be quickly towed and connected to power a building not equipped with an in-house generator.

In conclusion, based on the foregoing, Cominar does not consider itself significantly vulnerable to the Year 2000 Issue.

**COMINAR REAL ESTATE
INVESTMENT TRUST**

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Unit Listing

The Montreal Exchange
The Toronto Stock Exchange

Stock Trading Symbol

CUF.UN



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