

Quarterly Report

September 30, 2001



COMINAR REAL ESTATE INVESTMENT TRUST

COMINAR



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COMINAR REAL ESTATE INVESTMENT TRUST

Message to Unitholders

On behalf of the trustees, management and employees of Cominar Real Estate Investment Trust, we are pleased to present the REIT's financial report for the third quarter ended September 30, 2001. Our results reflect excellent growth, with increases of 40.3% in distributable income and 23.6% in operating revenues compared with the corresponding quarter of fiscal 2000. Furthermore, Cominar actively pursued its portfolio expansion and planned development work in the Montreal and Quebec City regions.

In October 2001, we entered into three new agreements to purchase properties in Quebec City. One acquisition has just been finalized, namely a 49,280-square-foot retail property located on Charest Boulevard West, at a cost of \$2.65 million, payable as to \$650,000 in cash and approximately \$2 million by the assumption of a hypothec by Cominar. The building has a capitalization rate of about 10.4%.

As for the other two transactions, which could be completed in December 2001, they concern:

- a 224,642-square-foot shopping centre located in Lévis, representing a transaction of \$12 million, payable in cash. The centre's principal tenant – a Maxi supermarket – occupies an area of 54,423 square feet. The property has a capitalization rate of about 11.1%;
- and a 111,338-square-foot industrial and mixed-use building located in Vanier, for a consideration of \$1 million. Adjacent to other Cominar properties, this building will be refurbished and will undergo a 15,000 square-foot expansion at a cost of \$1.6 million. It will have a capitalization rate of about 13% after the development work.

In our previous interim report, we announced the signing of an agreement to purchase a 175,000-square-foot office building, fully leased to Ericsson Canada, in Montreal. We expect this transaction to close in early December 2001.

We are pursuing the major development work under way on the buildings located at 255 Crémazie Boulevard East in Montreal and Promenades Beauport according to the planned schedules. We expect the work to be finished by late summer 2002.

All of our current acquisitions and developments fully match our growth strategy. Like previous projects, they will generate a significant increase in value and consolidate our already solidly established portfolio.

Managements Discussion and Analysis of Operating Results and Financial Position

Operating Results

For the third quarter ended September 30, 2001, operating revenues rose 23.6% to \$16.9 million, compared with \$13.7 million for the corresponding period of the previous fiscal year. For the first nine months, operating revenues amounted to \$49.1 million, up 22.2% over the equivalent period of fiscal 2000.

Net operating income for the third quarter amounted to \$10.5 million, up 30.8% over \$8.1 million for the corresponding period of 2000. Net operating income for the first nine months of the fiscal year grew by \$5.9 million or 25.2%. This growth was due mainly to the acquisitions made in 2000 and 2001, a slightly higher occupancy rate, and a reduction in property operating costs as a result of the synergy created by the acquisitions.

Distributable income for the third quarter and the first nine months followed the same trend, with increases of 40.3% and 35.6%. Distributable income per unit amounted to \$0.325 and \$0.885 respectively. The decreases in interest rates since the beginning of the fiscal year made a minimal contribution to these increases, as most of Cominar's debt consists of fixed-rate hypothecs.

For the first nine months of the fiscal year, distributions to unitholders amounted to \$15.9 million, up 32.5% over those paid for the cor-

responding period of the previous fiscal year. The current monthly distribution stands at \$0.088 per unit and we plan to maintain an annual distribution rate of approximately 90%.

Cash flows from operating activities rose 33.3% to \$18.4 million for the nine-month period ended September 30, 2001.

Financial Position

Unitholders' equity totalled \$194.3 million as at September 30, 2001, up 23.2% over December 31, 2000. This growth stemmed mainly from a \$50.4 million increase in assets, where the debt grew by only \$13.8 million.

In October 2001, Cominar concluded a total of \$34.6 million in financing arrangements with five-year terms, specifically a \$22.6 million hypothec bearing interest at 6.46%, and another valued at \$12 million bearing interest at 5.79%. The first was used to repay loans of \$20.5 million due in 2001, while the second served to reduce bank indebtedness. Following these repayments, the REIT's debt ratio thus corresponded to 49.3% of the gross book value.

As at September 30, 2001, an amount of \$13.6 million was allocated to development work, compared with \$1.4 million as at December 31, 2000. This variation was due primarily to the cost of the development work in progress on the Promenades Beauport and Crémazie Boulevard properties.

In light of the latest acquisition completed in November 2001, Cominar's real estate portfolio now covers an area of approximately 5.8 million square feet, divided among 82 properties, including 10 office buildings, 19 retail buildings and 53 industrial and mixed-use buildings. The occupancy rate currently stands at 95.6%.

Once Cominar finalizes the three aforementioned acquisitions – specifically a shopping centre in Lévis, an industrial and mixed-use property in Vanier, and an office building in Montreal – and the planned development work is completed, the portfolios area will total about 6.5 million square feet.

Subsequent Event

On November 6, 2001, Cominar filed a simplified prospectus covering the issuance of 4,000,000 units at a price of \$10.70 per unit, for net proceeds of approximately \$40.6 million. In addition, the underwriters have the option of exercising an over-allotment up to a maximum of \$600,000. This issue will enable the REIT to lower its debt ratio to 39.4% and thereby raise its acquisition capacity to \$210 million.

Outlook

We are pursuing our growth and expansion with great confidence and optimism in the current business environment. Our management team is comprised of skilled executives and managers with in-depth experience in real estate and having overcome the challenges of several difficult periods. In addition, the breakdown of Cominar's portfolio into three business sectors, its low debt ratio, and its high-quality properties, minimize its financial risk and constitute excellent solidity factors.



Jules Dallaire
Chairman of the Board,
President and Chief Executive Officer

November 2001

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME AND DISTRIBUTABLE INCOME

Period ended September 30 (unaudited, in thousands of dollars, except per unit amounts)	Trimestrial		Cumulative	
	2001	2000	2001	2000
	\$	\$	\$	\$
Operating revenues				
Rentals from income properties	16,905	13,677	49,141	40,212
Operating expenses				
Property operating costs	3,531	2,996	11,026	9,449
Realty taxes and services	2,624	2,394	8,449	6,992
Property management expenses	201	222	587	549
	6,356	5,612	20,062	16,990
Net Operating Income	10,549	8,065	29,079	23,222
Interest on hypothecs and bank indebtedness	3,134	2,587	9,080	8,108
Depreciation of income properties	703	563	2,046	1,665
Depreciation of deferred expenses and other assets	591	394	1,655	1,115
	4,428	3,544	12,781	10,888
Operating income from real estate assets	6,121	4,521	16,298	12,334
Trust expenses	275	214	875	817
	5,846	4,307	15,423	11,517
Other (revenues) expenses				
Loan interest	23	50	120	135
Other income	(235)	-	(367)	(21)
	(212)	50	(247)	114
Net income	6,058	4,257	15,670	11,403
Add				
Depreciation of income properties	703	563	2,046	1,665
Distributable income	6,761	4,820	17,716	13,068
Basic and diluted net income per unit (note 6)	0.291	0.259	0.782	0.754
Distributable income per unit (note 6)	0.325	0.294	0.885	0.864

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

	As at September 30 2001 (unaudited) \$	As at September 30 2000 (audited) \$
(in thousands of dollars)		
Assets		
Income properties	357,413	336,360
Income properties under development	13,644	1,408
Mortgage receivable (note 3)	9,000	-
Deferred expenses and other assets	13,913	10,151
Prepaid expenses	3,622	677
Accounts receivable	3,829	2,457
	401,421	351,053

Liabilities and Unitholders' Equity

Liabilities

Hypothecs payable (note 4)	177,439	157,535
Bank indebtedness	23,945	30,640
Accounts payable and accrued liabilities	3,923	5,178
Distributions payable to Unitholders	1,832	-
	207,139	193,353

Unitholders' Equity

	194,282	157,700
	401,421	351,053

COMINAR REAL ESTATE INVESTMENT TRUST

STATEMENTS OF UNITHOLDERS' EQUITY

	Trimestrial		Cumulative	
Period ended September 30 (unaudited, in thousands of dollars)	2001	2000	2001	2000
	\$	\$	\$	\$
Unitholders' Equity - beginning of period	193,332	135,564	157,700	136,060
Issuance of units (note 5)	387	23,496	38,423	23,511
Underwriters' fees and offering costs	-	(1,401)	(1,617)	(1,401)
Net income for the period	6,058	4,257	15,670	11,403
Distributions to Unitholders	(5,495)	(4,343)	(15,894)	(12,000)
	194,282	157,573	194,282	157,573
Unitholders' Equity - end of period	194,282	157,573	194,282	157,573

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED CASH FLOW STATEMENTS

Period ended September 30 (unaudited, in thousands of dollars)	Trimestrial		Cumulative	
	2001	2000	2001	2000
	\$	\$	\$	\$
Cash flow from operating activities				
Net income for the period	6,058	4,257	15,670	11,403
Adjustments :				
Depreciation of income properties	703	563	2,046	1,665
Depreciation of deferred expenses and other assets	591	394	1,655	1,115
Deferred expenses	(458)	(89)	(1,017)	(413)
Funds from operations	6,894	5,125	18,354	13,770
Deferred expenses	(1,949)	(700)	(4,249)	(2,527)
Change in non-cash working capital				
Change in accounts receivables	(90)	(377)	(1,372)	(688)
Change in prepaid expenses	(18)	(223)	(2,945)	(2,110)
Change in accounts payable and accrued liabilities	(445)	(1,053)	(1,255)	499
	(2,502)	(2,353)	(9,821)	(4,826)
	4,392	2,772	8,533	8,944
Cash flow from financing activities				
Hypothecs payable	7,700	-	14,700	11,830
Hypothecs principal repayments	(1,819)	(1,498)	(7,384)	(4,403)
Bank indebtedness	164	(17,056)	(6,695)	(11,784)
Distributions to Unitholders	(5,447)	(4,118)	(13,978)	(10,483)
Net proceeds of offering	344	22,362	36,818	22,362
Underwriters' fees and offering costs	(1)	(274)	(96)	(274)
	941	(584)	23,365	7,248
Cash flow from investing activities				
Acquisitions of income properties	339	(2,218)	(12,912)	(12,131)
Acquisitions of income properties under development	(5,593)	176	(9,835)	(3,867)
Mortgage receivable	-	-	(9,000)	-
Deferred expenses and other assets	(79)	(146)	(151)	(194)
	(5,333)	(2,188)	(31,898)	(16,192)
Net change in cash	-	-	-	-
Cash beginning of period	-	-	-	-
Cash end of period	-	-	-	-
Funds from operations per unit (note 6)	0.332	0.313	0.916	0.910
Interests paid	3,044	2,587	8,990	8,108
Acquisitions of income properties by assumption of hypothecs payable	2,600	-	10,188	-
Acquisition of an income property under development by assumption of a hypothec payable	(2,600)	-	2,400	-

COMINAR REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Period ended September 30, 2001

1. Organization of the Trust

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

2. Accounting policies

The accounting policies and methods of their application follow the ones used in the annual financial statements as at December 31, 2000.

3. Mortgage receivable

The mortgage receivable from a related party is secured by an income property under development and bears interest at 10%. Cominar has an option to purchase the property at the date of completion expected in 2002.

4. Hypothecs payable

Hypothecs payable are secured by the income properties, bear interest at a weighted average annual rate of 7.08% and are renewable between October 2001 and January 2019.

5. Public offering

On February 15, 2001, Cominar issued 3,450,000 units for the net proceed of \$33,322,425 pursuant to the prospectus dated January 26, 2001. The units were sold at \$10.10 per unit.

6. Per unit amounts

Net income per unit, distributable income per unit and funds from operations per unit have been computed based on the weighted average number of units outstanding during the period, as follows:

	(in thousands)	
	2001	2000
Three months ended September 30	20,794	16,386
Nine months ended September 30	20,028	15,134

As at September 30, 2001 there were 20,818,135 units issued and outstanding (16,975,338 as at September 30, 2000).

The possible issuance of units under the unit option plan has anti-dilutive effect on the current year's basic income per unit amount.

7. Segment disclosures (in thousands of dollars)

The Cominar's activities include three property types. The accounting policies followed by each property type are the same for each one. The following tables show the financial information related to these property types.

Nine months ended September 30, 2001

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	14,810	19,192	15,139	49,141
Interest on hypothecs and bank indebtedness	2,938	3,639	2,503	9,080
Depreciation of income properties	621	915	510	2,046
Operating income from real estate assets	4,674	6,080	5,544	16,298

Nine months ended September 30, 2000

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	13,488	14,367	12,357	40,212
Interest on hypothecs and bank indebtedness	3,188	2,934	1,986	8,108
Depreciation of income properties	585	678	402	1,665
Operating income from real estate assets	3,854	4,090	4,390	12,334

COMINAR REAL ESTATE INVESTMENT TRUST

Three months ended September 30, 2001

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	5,277	6,344	5,284	16,905
Interest on hypothecs and bank indebtedness	972	1,201	961	3,134
Depreciation of income properties	207	305	191	703
Operating income from real estate assets	1,819	2,184	2,118	6,121

Three months ended September 30, 2000

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	4 417	4,875	4,385	13,677
Interest on hypothecs and bank indebtedness	973	894	720	2,587
Depreciation of income properties	195	226	142	563
Operating income from real estate assets	1,313	1,609	1,599	4,521

Income properties

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
As at September 30, 2001	103,508	151,622	102,283	357,413
As at December 31, 2000	96,931	153,528	85,901	336,360

8. Subsequents events

On November 15, 2001, Cominar issued 4,000,000 units for the net proceeds of \$40,600,000 pursuant to the prospectus dated November 6, 2001. The units were sold at \$10.70.

Also, on November 21, 2001, Cominar acquired a retail property for a consideration of \$2,650,000 of which \$650,000 paid in cash and \$2,000,000 by assumption of hypothec.

9. Comparatives figures

Certain of the September 30, 2000 comparative figures have been reclassified to conform with the new presentation adopted at the end of 2000.

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