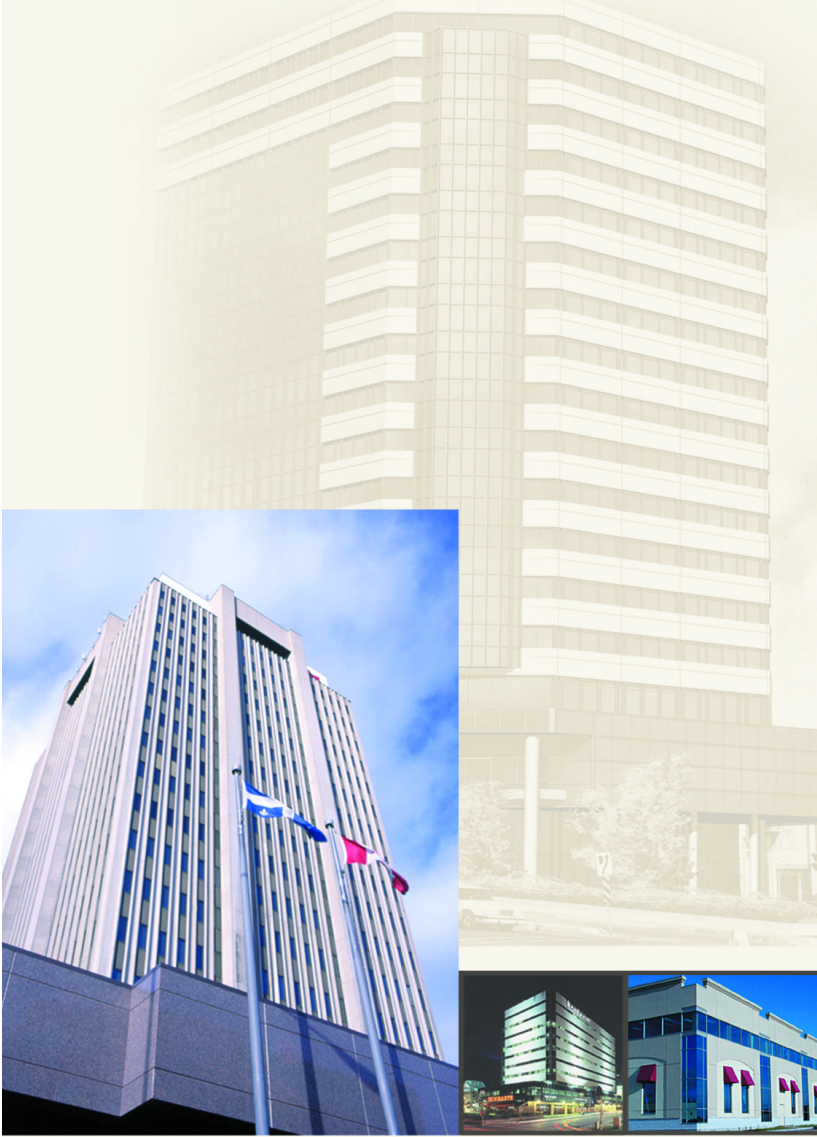


# Quarterly Report September 30 2002

COMINAR REAL ESTATE INVESTMENT TRUST



[www.cominar.com](http://www.cominar.com)

## Message to Unitholders

### Sustained Growth in All Areas

On behalf of the trustees, management and employees of Cominar Real Estate Investment Trust, we are pleased to present our major achievements and financial results for the third quarter and the nine-month period ended September 30, 2002, as well as our financial position highlights at that date. The third quarter was our seventeenth consecutive quarter of revenue growth and shows strong earnings growth over the same period in 2001. Cominar achieved a solid performance, as reflected by its increases of 29.2% in distributable income, 26.8% in net operating income, and 23.6% in operating revenues compared with the corresponding period of the previous year. We also continued to expand in recent months, bringing the number of acquisitions completed since early in 2002 to sixteen, and adding a leasable area of 863,000 square feet to our portfolio in the first nine months of this year, for a total investment of \$38.0 million.

### Acquisitions and Developments up to November 19, 2002

We have acquired sixteen properties since the beginning of 2002: six in the Quebec City region and the other ten in the Montreal region. These acquisitions include the seven made in October and up to November 19, 2002. As announced in October, we purchased five properties in the Longueuil and Boucherville industrial parks at a cost of \$10.6 million. Together they cover a leasable area of 292,400 square feet and have a capitalization rate of 10.4%. Furthermore, we exercised an option to purchase two properties guaranteeing a mezzanine loan – an office building and a retail building – that are part of Complexe Charest in Quebec City, where we already owned the other building. Together these two fully renovated properties added 204,648 square feet of leasable space to our portfolio. They were acquired for a total of \$11 million and have a capitalization rate of 10.6%.

In addition, now that the development work at Promenades Beauport is complete, the expanded and renovated shopping centre has become an integral part of our real estate portfolio. The centre's leasable area has almost doubled to 503,000 square feet, allowing it to house more than 115 boutiques and services, as well as some 56,000 square feet of office space.

### Occupancy Rates and Lease Renewals

As at September 30, 2002, Cominar's real estate portfolio showed an overall property lease rate of 95.74%, up significantly over the June 30, 2002 rate of 94.58%. The lease rates were 93.53% for office buildings, 94.71% for retail properties, and 97.22% for industrial and mixed-use. In addition, of the total 861,481 square feet of space on which the leases expired in 2002, 80% were renewed as at September 30, 2002.

### Projects

By the end of November 2002, we expect to complete the acquisition of another industrial and mixed-use property at a cost of \$4 million. This Montreal-area building covers 109,264 square feet of leasable space, is fully occupied by a single tenant, and has a capitalization rate of 10.3%. The transaction will bring the REIT's portfolio to some 102 properties for a total leasable area of 7.5 million square feet, including 2.0 million in the Montreal region.

We also started work on two development projects in November 2002: the construction of a 32,000-square-foot building at the Saint-Bruno shopping centre in the Montreal region, at a cost of \$2.7 million. Owned by Cominar, this property will house the Home Outfitters (Déco Découverte) store, a subsidiary of The Bay, and is scheduled to open in the spring of 2003. The other project involves the expansion of the 30,000-square-foot building at 2105 Dagenais Boulevard West in Laval, Quebec, which will be fully occupied by the current tenant. The expansion represents an investment of \$1.2 million and will be completed in the spring of 2003.

## management's Discussion and Analysis of Operating Results and Financial Position

### Operating Results

For our third quarter ended September 30, 2002, we achieved distributable income of \$8.7 million, an increase of 29.2% or close to \$2.0 million over the third quarter of 2001. Distributable income per unit amounted to \$0.338, compared from \$0.325 for the same period last year, a significant rise considering the 5.1 million growth in the number of units. Net operating income grew by 26.8% to \$13.4 million, up from \$10.5 million in the same quarter of the previous year. Operating revenues totalled \$20.9 million, up 23.6%.

For the first nine months of 2002, distributable income jumped 33.4% to \$23.6 million, an increase of \$5.9 million over the first nine months of 2001. Distributable income per unit rose to \$0.918 from \$0.885 in the comparable period of the prior year. Net operating income grew by 25.7% or \$7.5 million to total \$36.6 million. This rise stemmed from a strong productivity gain, as reflected by the net operating income to operating revenues ratio, which was 60.7% for the first nine months of 2002 versus 59.2% for the equivalent period of 2001. Operating revenues amounted to \$60.2 million, up 22.7% for the nine-month period.

Distributions to unitholders totalled \$20.7 million for the first nine months of the year, an increase of 30.5% over the corresponding period of 2001.

Cash flows from operating activities showed strong growth of 37.2% in the third quarter, rising to \$9.5 million or \$0.366 per unit, up from \$6.9 million or \$0.332 per unit in the corresponding period of 2001. For the first nine months of the fiscal year, cash flows from operating activities totalled \$25.5 million or \$0.993 per unit, compared with \$18.4 million or \$0.916 per unit for the same period a year earlier.

### Financial Position

While actively expanding through acquisitions, we continue to post a healthy and solid financial position. As at September 30, 2002, we showed a **debt to gross book value ratio** of 46.7%, giving us an acquisition capacity of \$90 million at a debt to gross book value ratio of 55%. The acquisitions completed up to November 19, 2002, brought the ratio to 48%, leaving us an acquisition capacity of \$78 million.

**The net book value** rose to \$487.9 million from \$455.4 million as at December 31, 2001.

On November 19, 2002, our **real estate portfolio** consisted of 101 properties for a leasable area of some 7.4 million square feet, divided between 12 office buildings, 21 retail buildings and 68 industrial and mixed-use buildings.

### Outlook

We expect to achieve another solid performance in the fourth quarter and to end the year with outstanding growth. Economic conditions remain favourable and the real estate market still holds attractive opportunities. So we are studying further acquisition projects but maintaining our prudent and conservative expansion strategy, based on our criteria of quality, value-added potential and diversification in our three sectors. One of our priorities is to ensure our unitholders of steadily growing distributions, so that Cominar units continue to yield an attractive return on investment in terms of distributions and market appreciation.



**Jules Dallaire**

Chairman of the Board and Chief Executive Officer

**November 2002**

**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	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>Operating revenues</b>				
Rentals from income properties	20,891	16,905	60,246	49,141
<b>Operating expenses</b>				
Property operating costs	4,124	3,531	13,071	11,026
Realty taxes and services	3,170	2,624	9,936	8,449
Property management expenses	223	201	676	587
	<b>7,517</b>	6,356	<b>23,683</b>	20,062
<b>Net Operating Income</b>	<b>13,374</b>	10,549	<b>36,563</b>	29,079
Interest on mortgages and bank indebtedness	3,589	3,134	10,036	9,080
Depreciation of income properties	953	703	2,619	2,046
Amortization of deferred expenses and other assets	893	591	2,565	1,655
	<b>5,435</b>	4,428	<b>15,220</b>	12,781
<b>Operating income from real estate assets</b>	<b>7,939</b>	6,121	<b>21,343</b>	16,298
<b>Trust expenses</b>	<b>396</b>	275	<b>1,047</b>	875
	<b>7,543</b>	5,846	<b>20,296</b>	15,423
<b>Other (revenues) expenses</b>				
Loan interest	-	23	-	120
Other income	(237)	(235)	(712)	(367)
	<b>(237)</b>	(212)	<b>(712)</b>	(247)
<b>Net income</b>	<b>7,780</b>	6,058	<b>21,008</b>	15,670
<b>Add</b>				
Depreciation of income properties	953	703	2,619	2,046
<b>Distributable income</b>	<b>8,733</b>	6,761	<b>23,627</b>	17,716
<b>Basic and diluted net income per unit (note 6)</b>	<b>0,301</b>	0,291	<b>0,817</b>	0,782
<b>Distributable income per unit (note 6)</b>	<b>0,338</b>	0,325	<b>0,919</b>	0,885

See accompanying notes to consolidated financial statements

**COMINAR REAL EST ATE  
INVESTMENT TRUST**

CONSOLIDATED BALANCE SHEETS

	As at September 30 2002 (unaudited) \$	As at December 31 2001 (audited) \$
(in thousands of dollars)		
<b>Assets</b>		
Income properties	447,819	405,987
Income properties under development	7,083	21,675
Mortgage receivable	9,000	9,000
Deferred expenses and other assets	16,012	14,023
Prepaid expenses	3,872	1,273
Accounts receivable	4,137	3,486
	<b>487,923</b>	455,444
<b>Liabilities and Unitholders' Equity</b>		
<b>Liabilities</b>		
Mortgages payable (note 3)	208,127	202,743
Bank indebtedness	26,182	5,483
Accounts payable and accrued liabilities	5,539	6,369
Distributions payable to Unitholders	2,330	-
	<b>242,178</b>	214,595
<b>Unitholder's Equity</b>	<b>245,745</b>	240,849
	<b>487,923</b>	455,444

**COMINAR REAL EST ATE  
INVESTMENT TRUST**

STATEMENTS OF UNITHOLDERS' EQUITY

Period ended September 30 (unaudited, in thousands of dollars)	Trimestrial		Cumulative	
	2002 \$	2001 \$	2002 \$	2001 \$
<b>Unitholders' Equity, beginning of period</b>	244,270	193,332	240,849	157,700
Issuance of units	689	387	4,622	38,036
Underwriters' fees and offering costs	-	-	-	(1,617)
Net income for the period	7,780	6,058	21,008	15,670
Distributions to Unitholders	(6,994)	(5,495)	(20,734)	(15,894)
<b>Unitholders' Equity, end of period</b>	<b>245,745</b>	194,282	<b>245,745</b>	194,282

See accompanying notes to consolidated financial statements

**COMINAR REAL ESTATE  
INVESTMENT TRUST**

**CONSOLIDATED CASH FLOWS STATEMENTS**

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

	Triestrial		Cumulative	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>Cash flow from operating activities</b>				
Net income for the period	7,780	6,058	21,008	15,670
Adjustments:				
Depreciation of income properties	953	703	2,619	2,046
Depreciation of deferred expenses and other assets	893	591	2,565	1,655
Deferred expenses	(169)	(458)	(649)	(1,017)
Funds from operations	<b>9,457</b>	6,894	<b>25,543</b>	18,354
Deferred expenses	(830)	(1,949)	(3,635)	(4,249)
Change in non-cash working capital				
Change in accounts receivable	(666)	(90)	(651)	(1,372)
Change in prepaid expenses	1,639	(18)	(2,599)	(2,945)
Change in accounts payable and accrued liabilities	(1,636)	(445)	(1,112)	(1,255)
	<b>(1,493)</b>	(2,502)	<b>(7,997)</b>	(9,821)
	<b>7,964</b>	4,392	<b>17,546</b>	8,533

**Cash flow from financing activities**

Mortgages payable	-	7,700	30,500	14,700
Mortgages principal repayments	(2,413)	(1,819)	(27,022)	(7,384)
Bank indebtedness	14,436	164	20,699	(6,695)
Distributions to Unitholders	(6,860)	(5,447)	(18,064)	(13,978)
Net proceeds of offering	557	344	4,282	36,818
Underwriters' fees and offering costs	-	(1)	-	(96)
	<b>5,720</b>	941	<b>10,395</b>	23,365

**Cash flow from investing activities**

Acquisitions of income properties	(12,778)	339	(26,682)	(12,912)
Acquisitions of income properties under development	(911)	(5,593)	(989)	(9,835)
Mortgage receivable (note 3)	-	-	-	(9,000)
Deferred expenses and other assets	5	(79)	(270)	(151)
	<b>(13,684)</b>	(5,333)	<b>(27,941)</b>	(31,898)

Net change in cash	-	-	-	-
Cash beginning of period	-	-	-	-
Cash end of period	-	-	-	-
Funds from operations per unit	<b>0,366</b>	0,332	<b>0,993</b>	0,916

Interests paid	(3,467)	(3,044)	(9,373)	(8,990)
Acquisitions of income properties and income properties under development by assumption of mortgages payable	-	-	(1,906)	(12,588)
Acquisitions of income properties and income properties under development unpaid	(149)	-	(282)	-
Income properties under development transferred to income properties	(21,428)	-	(15,582)	-
Issuance of units under Distribution Reinvestment Plan	131	44	340	84

See accompanying notes to consolidated financial statements

**COMINAR REAL ESTATE  
INVESTMENT TRUST**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

PERIOD OF NINEMONTHS ENDED SEPTEMBER 30, 2002

**1. Description of the Fund**

Cominar Real Estate Investment Trust ("Cominar") is an unincorporated closed-end real estate investment trust created by the Contract of Trust on March 31, 1998, under the law of the Province of Quebec.

**2. Accounting policies**

Cominar consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies. These accounting policies and methods of their application follow the ones used in the annual financial statements as at December 31, 2001. However, the Trust has adopted the new recommendations of the Canadian Institute of Chartered Accountants regarding stock-based compensation and other stock-based payments. Cominar has chosen to recognize no compensation when unit options are granted to employees and directors under unit option plan with no cash settlement features. Cominar has not granted any options under unit option plan since December 31, 2001.

**3. Mortgages payable**

Mortgages payable are secured by income properties, bear interest at a fixed weighted average annual rate of 6.65% and are renewable between October 2002 and January 2019.

**4. Bank indebtedness (in thousands of dollars)**

The bank indebtedness includes a bank overdraft of \$1,357, lines of credit amounting to \$24,825 bearing interest at rates varying from prime rate plus 0.25% and prime rate plus 0.5%; the lines of credit are secured by income properties and chattel mortgages on specific properties.

**5. Issued and outstanding units**

	Period of three months ended September 30, 2002	Period of six months ended September 30, 2002
Units issued and outstanding, beginning of period	25,860,664	25,424,335
Issued from options exercised	38,2167	457,167
Issued under distribution reinvestment plan	10,713	28,042
Units issued and outstanding, end of period	25,909,544	25,909,544

**6. Per unit amounts**

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

	2002	2001
Period of three months ended September 30	25,873,480	20,794,294
Period of six months ended September 30	25,715,859	20,027,869

**7. Segment disclosures (in thousands of dollars)**

Cominar's activities include three property types. The following tables show the financial information related to these property types:

**Period of three months ended September 30, 2002**

	Office properties \$	Retail properties \$	Industrial and mixed-use properties \$	Total \$
Rentals from income properties	6,656	8,285	5,950	20,891
Interest on mortgages and bank indebtedness	1,326	1,416	847	3,589
Depreciation of income properties	307	397	249	953
Operating income from real estate assets	2,478	2,959	2,502	7,939

# COMINAR REAL ESTATE INVESTMENT TRUST

## Period of three months ended September 30, 2001

	Office \$	Retail \$	Industrial & mixed-use \$	Total \$
Rentals from income properties	5,277	6,344	5,284	16,905
Interest on mortgages 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

## Period of nine months ended September 30, 2002

	Office \$	Retail \$	Industrial & mixed-use \$	Total \$
Rentals from income properties	19,627	23,425	17,194	60,246
Interest on mortgages and bank indebtedness	3,608	3,687	2,741	10,036
Depreciation of income properties	906	1,065	648	2,619
Operating income from real estate assets	7,331	7,911	6,101	21,343

## Period of nine months ended September 30, 2001

	Office \$	Retail \$	Industrial & mixed-use \$	Total \$
Rentals from income properties	14,810	19,192	15,139	49,141
Interest on mortgages 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

	Office \$	Retail \$	Industrial & mixed-use \$	Total \$
<b>Income properties</b>				
As of September 30, 2002	138,211	189,858	119,750	447,819
As of December 31, 2001	137,654	166,193	102,140	405,987

### 3. Subsequent events

As at October 2002, Cominar acquired five industrial and mixed-use properties for a consideration of \$10.6 million.

As at November 2002, Cominar exercised its option to acquire two properties subject to the mortgage receivable. The total consideration for these two properties was \$11.3 million.

Also, as at November 2002, Cominar has committed itself to contract a mortgage payable of \$18.4 million from a Canadian chartered bank.

## INFORMATION

### Quebec (Head Office)

455 rue Marais  
Vanier (Quebec) G1M 3A2  
Tel.: (418) 681-8151  
Tel.: (418) COM-INAR  
Fax: (418) 681-2946

### Montreal

255 Cremazie Blvd. E.  
Suite 120  
Montreal (Quebec) H2M 1M2  
Tel.: (514) 337-8151  
Fax: (514) 904-5000

Toll free: 1 866 COMINAR  
Web Site: [www.cominar.com](http://www.cominar.com) Email: [info@cominar.com](mailto:info@cominar.com)

### Transfer Agent

National Bank Trust  
Montreal - Toronto  
**Unit Listing:** The Toronto Stock Exchange  
**Symbol:** CUF.UN

### Auditors

Ernst & Young  
150 René Lévesque Blvd. E.  
Suite 1200  
Quebec (Quebec) G1R 6C6