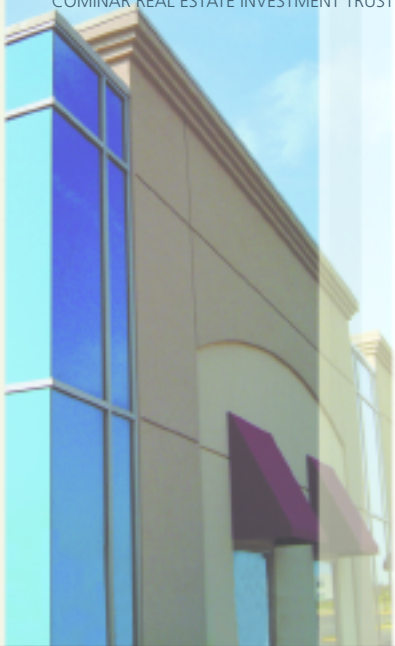


QUARTERLY REPORT

September 30, 2003

COMINAR REAL ESTATE INVESTMENT TRUST



COMINAR
www.cominar.com

COMINAR REAL EST ATE INVESTMENT TRUST

Message to Unitholders

We are pleased to present our financial results for the third quarter and the first nine months of the current fiscal year, as well as our financial position highlights as at September 30, 2003. The third quarter yielded solid growth with increases of 15.5% in operating revenues, of 11.6% in net operating income and of 3.4% in distributable income over the corresponding quarter of the previous fiscal year. As for our financial position, it remains healthy and strong. The real estate portfolio's net book value has increased by \$46.1 million since the beginning of the fiscal year, to stand at \$559.1 million. In the third quarter, we further expanded with the acquisition of a retail property as well as the scheduled progress of our development projects.

Acquisitions and Developments

At the end of August 2003, we acquired a 65,000-square-foot retail building located in Laval, near Montreal, at a cost of \$9.2 million. The property has a capitalization rate of 9.8%. This acquisition adds to the three others made since the beginning of the current fiscal year, for a total investment of \$21.1 million and a leasable area of about 231,400 square feet.

As announced in our previous quarterly reports, in a real estate environment marked by rising property prices, we consider it is strategic to step up our development projects, while staying on the lookout for acquisition opportunities truly matching our growth and return objectives. Short and long-term profitability remain a determinant factor in our investment decisions, and today's context is keeping us prudent and disciplined in expanding our portfolio. Thus, we are focusing on growth through the construction of new properties or the development of some of our buildings, rather than acquisitions not fully matching our investment criteria. Since the beginning of the year, the development projects we have undertaken or are about to start represent more than \$58 million. We believe these projects should yield a higher future return for unitholders.

More specifically, we have eight projects in development, representing an investment of about \$30.5 million and a leasable area of 381,000 square feet. The largest of these is the construction of the Place de la Cité office tower at a cost of some \$22 million. The work is on schedule and the property's lease rate already stands at 59.0%. Other developments consist in the construction of four industrial and mixed-use properties and the expansion of three others, for a total of 191,000 square feet. The cost of this work is estimated at \$8.5 million and the capitalization rates range between 10.3% and 10.6%. Four of these buildings will be fully occupied on completion of the work, while the pre-lease rate for the other three is already more than 50%.

In addition, over the past few weeks, we have acquired two vacant lots totalling some 1,255,000 square feet. One of them is located in Quebec City and covers an area of 555,000 square feet, while the other covers 700,000 square feet in Laval. On the first, we plan to build three industrial and mixed-use properties totalling over 182,000 square feet. This investment is estimated at \$10.0 million and its capitalization rate at 10.7%. As for the other lot, we intend to erect four buildings at a cost of \$18.0 million, for 305,000 square feet of leasable space. Its capitalization rate is estimated at 10.2%.

Occupancy Rate and Lease Renewal

Cominar had an occupancy rate of 95.6% as at September 30, 2003, which compares favourably with the rates posted for prior periods. At that date, of the leases expiring in 2003, more than 61.0% of the leasable space had been renewed. In addition, an area of 540,000 square feet had been leased to new tenants.

Management's Discussion and Analysis of Operating Results and Financial Position

Operating results

For the third quarter, operating revenues totalled \$24.1 million, compared with \$20.9 million for the corresponding period of 2002, an increase of 15.5%. It should be noted that in the third quarter, real estate taxes were down by more than \$1.0 million from the second quarter. This decrease led to a slight decline in revenues as this expense is billed to customers when it is incurred. On the other hand, basic rental income increased by \$750,000 compared with the second quarter of 2003.

Net operating income rose from \$13.4 million to \$14.9 million, up 11.6% over the same quarter of 2002. Distributable income grew by \$299,000 to total \$9.0 million. That works out to \$0.342 per unit, up from \$0.338.

Distributions to unitholders amounted to \$7.57 million for the third quarter, compared with \$7.0 million for the same period of 2002, an increase of \$573,000 or 8.2%.

Cash flows from operating activities grew by 5.8% to total \$10.0 million or \$0.378 per unit, compared with \$9.5 million or \$0.366 per unit for the same quarter of 2002.

For the first nine months of fiscal 2003, operating revenues grew by 20.1% to total \$72.4 million, compared with \$60.2 million for the corresponding period of 2002. Net operating income amounted to \$42.2 million, up 15.5% over the same nine months a year earlier. Distributable income totalled \$24.8 million or \$0.944 per unit, up from \$23.6 million or \$0.919 per unit.

Distributions to unitholders stood at \$22.4 million for the first nine months of the fiscal year, an increase of \$1.6 million or 8.0% over the corresponding period of 2002.

Cash flows from operating activities rose 7.8% to \$27.5 million or \$1.05 per unit, up from \$25.5 million or \$1.993 per unit for the first nine months of 2002.

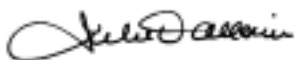
Financial Position

Cominar's financial position remains healthy and solid, showing a debt to gross book value ratio of 51.9% as at September 30, 2003, which is still consistent with our financial objectives. Furthermore, on November 12, 2003, we closed an offering of 5 million units for net proceeds of \$66.2 million. These funds will be used to repay bank loans and to finance acquisitions, the development work in progress and construction projects.

Since December 31, 2002, the net book value of Cominar's portfolio has increased by \$46.1 million to total \$559.1 million. This growth is attributable mainly to the acquisitions and development work we have completed since the beginning of the year.

Outlook

Since Cominar Real Estate Investment Trust's inception, our discipline and prudent approach to investment have enabled us to withstand different economic cycles while steadily increasing the portfolio's value and our distributions to unitholders. We remain focused on our successful ways of doing business, while adapting our expansion strategy to the real estate context in order to optimize our financial results and performance. We expect to close the fiscal year ending December 31, 2003 with solid growth over last year.



Jules Dallaire

Chairman of the Board and Chief Executive Officer
November 2003

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 | |
|---|---------------|--------|---------------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Operating Revenues | | | | |
| Property rental revenue | 24,119 | 20,891 | 72,353 | 60,246 |
| Operating expenses | | | | |
| Property operating costs | 5,141 | 4,124 | 16,239 | 13,071 |
| Realty taxes & services | 3,785 | 3,170 | 12,931 | 9,936 |
| Property management expenses | 270 | 223 | 954 | 676 |
| | 9,196 | 7,517 | 30,124 | 23,683 |
| Operating income before the following | 14,923 | 13,374 | 42,229 | 36,563 |
| Interest on mortgages & bank indebtedness | 4,372 | 3,589 | 12,801 | 10,036 |
| Depreciation of income properties | 1,081 | 953 | 3,179 | 2,619 |
| Amortization of deferred expenses & other assets | 1,131 | 893 | 3,555 | 2,565 |
| | 6,584 | 5,435 | 19,535 | 15,220 |
| Operating income from real estate assets | 8,339 | 7,939 | 22,694 | 21,343 |
| Trust administrative expenses | 411 | 396 | 1,166 | 1,047 |
| | 7,928 | 7,543 | 21,528 | 20,296 |
| Other income | 23 | 237 | 78 | 712 |
| Net income for the period | 7,951 | 7,780 | 21,606 | 21,008 |
| Add | | | | |
| Depreciation of income properties | 1,081 | 953 | 3,179 | 2,619 |
| Distributable income | 9,032 | 8,733 | 24,785 | 23,627 |
| Basic net income per unit (note 6) | 0.301 | 0.301 | 0.821 | 0.817 |
| Diluted net income per unit (note 6) | 0.299 | 0.301 | 0.817 | 0.817 |
| Distributable income per weighted average unit (note 6) | 0.342 | 0.338 | 0.942 | 0.919 |

See accompanying notes to consolidated financial statements.

COMINAR REAL EST ATE
INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

| (In thousands of dollars) | As at September 30, 2003 (unaudited) \$ | As at December 31, 2002 (audited) \$ |
|--|--|---|
| Assets | | |
| Income properties | 515,255 | 485,695 |
| Properties under development | 11,113 | 2,798 |
| Deferred expenses and other assets | 21,290 | 18,479 |
| Prepaid expenses | 5,741 | 1,571 |
| Accounts receivable | 5,748 | 4,449 |
| | 559,147 | 512,992 |
| Liabilities and Unitholders' Equity | | |
| Liabilities | | |
| Mortgages payable (note 3) | 278,424 | 223,991 |
| Bank indebtedness (note 4) | 19,298 | 33,332 |
| Accounts payable and accrued liabilities | 7,368 | 7,422 |
| Distributions payable to Unitholders | 2,525 | - |
| | 307,615 | 264,745 |
| Unitholder's Equity | 251,532 | 248,247 |
| | 559,147 | 512,992 |

COMINAR REAL EST ATE
INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

| Period ended September 30, (unaudited, in thousands of dollars) | Trimestrial | | Cumulative | |
|--|----------------|---------|----------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Unitholders' Equity – | | | | |
| Beginning of period | 249,931 | 244,270 | 248,247 | 240,849 |
| Issue of units (note 5) | 1,217 | 689 | 4,061 | 4,622 |
| Net income for the period | 7,951 | 7,780 | 21,606 | 21,008 |
| Distributions to Unitholders | (7,567) | (6,994) | (22,382) | (20,734) |
| Unitholders' Equity – | | | | |
| End of period | 251,532 | 245,745 | 251,532 | 245,745 |

See accompanying notes to consolidated financial statements.

**COMINAR REAL ESTATE
INVESTMENT TRUST**

CONSOLIDATED STATEMENTS OF CASH FLOWS

| Period ended September 30, (unaudited, in thousands of dollars, except per unit amounts) | Trimestrial | | Cumulative | |
|--|-----------------|----------|-----------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Operating activities | | | | |
| Net income for the period | 7,951 | 7,780 | 21,606 | 21,008 |
| Items not affecting cash | | | | |
| Depreciation of income properties | 1,081 | 953 | 3,179 | 2,619 |
| Amortization of deferred expenses & other assets | 1,131 | 893 | 3,555 | 2,565 |
| Leasing costs | (158) | (169) | (810) | (649) |
| Funds from operations | 10,005 | 9,457 | 27,530 | 25,543 |
| Leasing costs | (1,814) | (830) | (5,447) | (3,635) |
| Change in non-cash operating working capital items | | | | |
| Prepaid expenses | 1,741 | 1,639 | (4,170) | (2,599) |
| Accounts receivable | 566 | (666) | (1,299) | (651) |
| Accounts payable & accrued liabilities | 59 | (1,636) | 1,357 | (1,112) |
| | 552 | (1,493) | (9,559) | (7,997) |
| | 10,557 | 7,964 | 17,971 | 17,546 |
| Financing activities | | | | |
| Mortgages payable | - | - | 52,806 | 30,500 |
| Repayments of mortgages payable | (2,121) | (2,413) | (9,507) | (27,022) |
| Bank indebtedness | 9,873 | 14,436 | (14,034) | 20,699 |
| Distributions to Unitholders | (7,552) | (6,860) | (19,857) | (18,064) |
| Net proceeds from issue of units (note 5) | 1,217 | 557 | 4,061 | 4,282 |
| | 1,417 | 5,720 | 13,469 | 10,395 |
| Investing activities | | | | |
| Acquisitions of income properties | (8,191) | (12,778) | (21,249) | (26,682) |
| Acquisitions of properties under development | (3,752) | (911) | (9,914) | (989) |
| Other assets | (31) | 5 | (277) | (270) |
| | (11,974) | (13,684) | (31,440) | (27,941) |
| Net change in cash | - | - | - | - |
| Cash beginning and end of period | - | - | - | - |
| Additional information | | | | |
| Interest paid | 4,158 | 3,467 | 12,271 | 9,373 |
| Leasing costs unpaid | (542) | - | 168 | - |
| Acquisitions of income properties by assumption of mortgages payable | 6,143 | - | 11,134 | 1,906 |
| Acquisitions of income properties & properties under development unpaid | 225 | 149 | 1,243 | 282 |
| Properties under development transferred to income properties | 111 | 21,428 | 949 | 15,582 |

See accompanying notes to consolidated financial statements.

COMINAR REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended September 30, 2003

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, 2002.

3. Mortgages payable

Mortgages payable are secured by income properties, bear interest at rates varying from 4.50% to 11.00% per annum representing a weighted average year-end rate of 6.26% and are renewable between October 2003 and January 2019.

4. Bank indebtedness

Cominar has a number of operating and acquisition lines of credit of up to \$35,700. These credit facilities, subject to annual renewal, bear interest at prime rate plus 0.50%. As at September 30, 2003, the prime rate was 4.50%.

5. Issued and outstanding units

| | Period of three months ended September 30, 2003 | Period of nine months ended September 30, 2003 |
|--|--|---|
| Units issued and outstanding, beginning of period | 26,407,400 | 26,121,419 |
| Issued from options exercised | 85,500 | 336,200 |
| Issued under distribution reinvestment plan | 25,261 | 60,542 |
| Units issued and outstanding, end of period | 26,518,161 | 26,518,161 |

6. Per-unit results

The following table provides a reconciliation of the weighted average number of units outstanding used to calculate basic and diluted net income and funds from operations per unit.

| | Period of three months ended September 30, 2003 | Period of nine months ended September 30, 2003 |
|---|--|---|
| Weighted average number of units outstanding – basic | 26,438,851 | 26,320,751 |
| Effect of dilutive unit options | 110,715 | 110,715 |
| Weighted average number of units outstanding – diluted | 26,549,566 | 26,431,466 |

7. Distributable income

The distributable income has been calculated pursuant to Cominar's Contract of Trust that requires to distribute to unitholders 85% or more of the distributable income.

8. Segment disclosures (in thousands of dollars)

Cominar's activities include three property types located entirely in the Province of Quebec.

The following tables show the financial information related to these property types:

Period of three months ended September 30, 2003

| | Office Properties \$ | Retail Properties \$ | Industrial & Mixed-Use Properties \$ | Total \$ |
|--|----------------------------|----------------------------|---|---------------|
| Property rental revenue | 7,872 | 8,946 | 7,301 | 24,119 |
| Interest on mortgages payable and bank indebtedness | 1,760 | 1,339 | 1,273 | 4,372 |
| Depreciation of income properties | 368 | 422 | 291 | 1,081 |
| Net operating income | 4,729 | 5,276 | 4,918 | 14,923 |

COMINAR REAL ESTATE INVESTMENT TRUST

Period of three months ended September 30, 2002

| | Office Properties \$ | Retail Properties \$ | Industrial & Mixed-Use Properties \$ | Total \$ |
|--|----------------------------|----------------------------|---|-------------|
| Property rental revenue | 6,656 | 8,285 | 5,950 | 20,891 |
| Interest on mortgages payable and bank indebtedness | 1,326 | 1,416 | 847 | 3,589 |
| Depreciation of income properties | 307 | 397 | 249 | 953 |
| Net operating income | 4,390 | 5,075 | 3,909 | 13,374 |

Period of nine months ended September 30, 2003

| | Office Properties \$ | Retail Properties \$ | Industrial & Mixed-Use Properties \$ | Total \$ |
|--|----------------------------|----------------------------|---|-------------|
| Property rental revenue | 22,969 | 26,468 | 22,916 | 72,353 |
| Interest on mortgages payable and bank indebtedness | 5,122 | 3,843 | 3,836 | 12,801 |
| Depreciation of income properties | 1,103 | 1,206 | 870 | 3,179 |
| Net operating income | 13,396 | 14,738 | 14,095 | 42,229 |
| Income properties | 162,082 | 202,185 | 150,988 | 515,255 |

Period of nine months ended September 30, 2002

| | Office Properties \$ | Retail Properties \$ | Industrial & Mixed-Use Properties \$ | Total \$ |
|--|----------------------------|----------------------------|---|-------------|
| Property rental revenue | 19,627 | 23,425 | 17,194 | 60,246 |
| Interest on mortgages payable and bank indebtedness | 3,608 | 3,687 | 2,741 | 10,036 |
| Depreciation of income properties | 906 | 1,065 | 648 | 2,619 |
| Net operating income | 12,649 | 13,522 | 10,392 | 36,563 |
| Income properties | 138,211 | 189,858 | 119,750 | 447,819 |

9. Subsequent Events

As at November 2003, Cominar issued 5,000,000 units for net proceeds of \$66,295,000 pursuant to the prospectus dated November 5, 2003. The units were sold at \$13.80 per unit.

Furthermore, as at November 2003, Cominar acquired a building site for a consideration of 2,376,000\$ paid in cash.

INFORMATION

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UNIT LISTING: Toronto Stock Exchange
STOCK TRADING SYMBOL: CUF.UN

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