QUARTERLY REPORT

September 30, 2004

COMINAR
REAL ESTATE
INVESTMENT TRUST

www.cominar.com

THIRD QUARTER

September 30, 2004

TABLE OF CONTENTS

COMINAR
REAL ESTATE INVESTMENT TRUST

Message to Unitholders

We are pleased to present Cominar's performance for the third quarter and first nine months ended September 30, 2004. Detailed explanations about our results and financial position are provided in the management's discussion and analysis included in this quarterly report, followed by the comparative financial statements and accompanying notes.

The third quarter of 2004 was our 26th consecutive quarter of growth. This solid performance period after period reflects the growth and quality of Cominar's diversified real estate portfolio in the office, retail, industrial and mixed-use sectors, and in both the Greater Quebec City and Montreal areas. Our results also attest to our flexible expansion strategy which is adapted to the real estate market while being conservative yet dynamic. As well, they are due to the efforts of our team which has developed solid expertise, market intelligence and distinctive management for our clients' benefit so that ultimately, Cominar's unitholders receive a growing and stable return.

Operating revenues amounted to $27.1 million in the third quarter, an increase of 12.4%. Those rose 13.8% to $82.3 million for the first nine months. Net operating income for the quarter was up by 15.8% at $17.3 million, and grew by 17.2% to reach $49.5 million for the first nine months. Distributable income increased by 21.7% to $11.0 million or $0.345 per unit in the third quarter, and by 28.5% to $31.8 million for the first nine months. Funds from operations totalled $12.5 million or $0.392 per unit, up 25.0% over the third quarter in 2003. Those for the first nine months grew by 33.7% to $36.8 million.

This most satisfactory performance allowed us to pay a total of $9.4 million in distributions to unitholders for the third quarter, up 24.2% over the corresponding period of 2003. **I am also pleased to announce that distributions per unit are being further increased in November 2004, from $0.098 to $0.10, which works out to $1.20 per unit on an annualized basis**.

Our property occupancy rate was 95.1% as at September 30, 2004, still comparing favourably with the average obtained since the REIT's inception in 1998.

The third quarter also yielded three acquisitions in the office and industrial and mixed-use sectors in Montreal, for a total investment of $50.0 million. These acquisitions expanded our Montreal-area portfolio to 3.2 million square feet, an increase of about 440,000 square feet. All fully leased on a long-term basis, these three buildings have an average capitalization rate of 9.3%. Furthermore, we are actively pursuing the development work in progress and five projects are under way totalling ten properties. They cover 835,000 square feet of leasable space and represent an investment of $71.0 million. On completion of this work, scheduled for the summer of 2005, Cominar will have 125 properties covering a leasable area of 9.7 million square feet.

A conservative borrowing policy has been maintained since the REIT's inception and our real estate portfolio showed a debt to gross book value ratio of 50.7% as at September 30, 2004, below the ratio of 60% authorized by our Contract of Trust. As we regularly point out, we focus on keeping this ratio below 55%, which corresponded to an acquisition capacity of about $70 million at the end of the third quarter.

For fiscal 2004, we should keep up the momentum of previous years and close the year with solid growth. Given the quality of our portfolio and the strength and commitment of our team, we are fully confident we will continue increasing the value of the real estate portfolio and your investment in Cominar.

Jules Dallaire
Chairman of the Board and Chief Executive Officer
November 9, 2004

COMINAR
REAL ESTATE INVESTMENT TRUST

Management's Discussion and Analysis of Results and Financial Position

This management's discussion of the consolidated operating results and financial position of Cominar Real Estate Investment Trust «Cominar» for the quarters ended September 30, 2004 and 2003 should be read in conjunction with the consolidated financial statements, accompanying notes and management's discussion and analysis in the 2003 annual report. Those consolidated financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants «CICA» and the Canadian Institute of Public and Private Real Estate Companies «CIPREC». In compliance with National Instrument 51-102 of the Canadian Securities Authorities, we notify readers that the interim consolidated financial statements for the periods ended September 30, 2004 and 2003 have not been examined by Cominar's auditors.

Management's discussion and analysis is intended to facilitate understanding of the interim consolidated financial statements and accompanying notes. The discussion and analysis may include objectives, projections, estimates, expectations, forecasts and predictions by Cominar or management that are forward-looking. Positive or negative verbs such as "believe", "plan", "estimate', "expect" and "evaluate" are used to identify forward-looking statements. Cominar cautions readers that, by their very nature, forward-looking statements involve major risks and uncertainties such that Cominar's actions, results and financial position could differ significantly from those indicated, whether explicitly or implicitly.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cominar's accounting policies are essential to the understanding and interpretation of the interim financial results. The significant accounting polices and methods of application are identical to those used in preparing the annual consolidated financial statements for the 2003 fiscal year.

However, to comply with the CICA's new recommendations, Cominar applied the new accounting policies summarized below for the current fiscal year.

Changes in Accounting Policies

Depreciation of Income Properties

The CICA has adopted recommendations that disallow the use of the sinking-fund method of depreciation which was currently used by real estate companies. This standard is prospective in application and effective January 1, 2004. Accordingly, Cominar will use the straight-line method to amortize the cost of its income properties over an estimated useful life of forty years. Based on the amortized cost of Cominar's income properties as at December 31, 2003, this change will increase depreciation expense for 2004 by approximately $7.3 million. For the first nine months of the current fiscal year, the adoption of this standard increased depreciation expense by $5.4 million, thereby reducing net income per unit by $0.171. This change had an impact of or $0.065 per unit or $2.1 million during the third quarter. However, there was no impact on distributable income.

Revenue Recognition

The CICA has adopted recommendations that require Cominar to change its method of revenue recognition when the lease has an escalator clause. This standard is prospective in application and effective January 1, 2004. Accordingly, Cominar will account for rental revenue on a straight-line basis, whereby the total rents receivable are spread equally over the term of the lease. This change will increase revenues, net income and other assets by about $1.5 million in 2004. The impact is estimated at $360,000 for the third quarter and $1,029,000 for the first nine months of the fiscal year. This change will have no impact on distributable income.

Stock-Based Compensation and Other Stock-Based Payments

The CICA has amended CICA 3870, "Stock-Based Compensation and Other Stock-Based Payments", to require that the equity instruments awarded to employees be measured and expensed, thus eliminating the current provisions which permit a company to only disclose the fair value. Fair value of equity instruments would be used to measure compensation expense. The adoption of the standard will be retroactive to January 1, 2002. As a result, effective January 1, 2004, Cominar recognized the cumulative effect by making an adjustment to opening unitholders' equity without restatement. Cominar has estimated that the impact of the adoption of this standard will increase Trust administrative expenses during 2004 by approximately $300,000 with a corresponding decrease to net income. There will be no impact on unitholders' equity and on distributable income. The amount expensed in each quarter amounts to about $72,000.

Acquisitions of Income Properties

For acquisitions made on or after September 12, 2003, in accordance with the CICA's new standards, Cominar allocated a fraction of the acquisition cost of acquired properties to existing operating leases, based on their fair value. Using the assumptions and estimations made by management, the acquisition cost is divided between the land and its improvements, the building, the fair value of existing leases, the fair value of the relationship between Cominar and its tenants, and the leasehold improvements and rental fees.

The application of these new policies resulted in additional depreciation expenses of $112,000 during the quarter. However, it had no impact on distributable income.

Operating Results

For the third quarter ended September 30, 2004, operating revenues grew by 12.4% to $27.1 million. Net operating income totalled $17.3 million, up by 15.8% or $2.4 million over the corresponding quarter of fiscal 2003. Distributable income rose to $11.0 million, an increase of 21.7% or $2.0 million. Distributable income per unit amounted to $0.345, compared with $0.342 for the third quarter of 2003.

For the first nine months, operating revenues increased by almost $10.0 million or 13.8% to total $82.3 million. Net operating income grew by 17.2% or $7.3 million to reach $49.5 million. Restated net income increased by 31.6% to $28.4 million.

Net operating income, which is a term frequently used by real estate professionals, is defined as operating income before interest on mortgages payable and bank indebtedness, convertible debentures, depreciation of income properties, and amortization of deferred expenses and other assets.

Net income of $8.0 million for the third quarter and of $23.6 million for the first nine months has been restated in light of the application of the new accounting policies. The following table summarizes the impact of these changes on net income for the third quarter and first nine months of 2004.

Impact of accounting changes on net income

(in thousands of $, except amounts per unit)

Periods ended September 30, 2004	3 months	9 months
Net income	**8,034**	**23,643**
Additional depreciation of income properties	2,072	5,433
Deferred rentals	(360)	(1,029)
Compensation costs related to options	72	217
Amortization of intangible assets	112	170
Net income before application of the changes	**9,931**	**28,435**
Net income per unit before application of the changes	**0.311**	**0.894**

Restated net income for the third quarter and first nine months of 2004 shows growth of 23.6% and 31.6% respectively over 2003, representing an increase of 1.3% and 8.9% per unit.

Cominar's disciplined acquisition and development strategy and creative management have led to sustained growth since its inception. Its decision to favour developments of existing properties in a context marked by sharply rising property prices is yielding the expected results as shown by these developments' significant contribution to results. Its recent acquisitions and the real estate portfolio's internal growth also contributed to this performance.

Distributable Income and Distributions

Although it is not a measure defined by generally accepted accounting principles (GAAP), distributable income is a very important measurement unit for a real estate investment trust. It generally corresponds to net income established in accordance with GAAP, excluding amortization expense, deferred rental income and stock-based compensation cost related to options. The distributions paid annually to unitholders must represent at least 85% of distributable income and partly determine the return obtained by unitholders.

Distributable income for the first nine months jumped 28.5% to $31.8 million or $1.001 per unit, compared with $24.8 million or $0.942 per unit for the corresponding period of 2003.

Distributions to unitholders rose 24.2% to $27.8 million, up from $22.4 million for the first nine months of 2003. Distributions per unit amounted to $0.870, versus $0.847 for the same period the previous year.

Distributable income

Nine-month periods ended September 30, (in thousands of dollars, except amounts per unit and ratios)	**2004**	2003
Net income	**23,643**	21,606
Depreciation of income properties	**8,989**	3,179
Deferred rentals	**(1,029)**	0
Amortization of above-market leases	**25**	0
Compensation costs related to options	**217**	0
Distributable income	**31,845**	24,785
Weighted average number of units	**31,805**	26,321
Basic distributable income per unit	**1.001**	0.942
Distributions per unit	**0.870**	0.847
Payout ratio	**86.9%**	90.0%

Rental Activities

Cominar showed an occupancy rate of 95.1% as at September 30, 2004, compared with 96.0% as at December 31, 2003 and 94.7%% as at June 30, 2004.

Trend in occupancy rate by sector

Sector	**Sept. 30, 2004**	June 30, 2003	Dec. 31, 2003
Office	**95.1%**	94.5%	92.8%
Retail	**95.1%**	95.4%	95.7%
Industrial and mixed-use	**95.1%**	94.4%	97.4%
Total	**95.1%**	94.7%	96.0%

In the third quarter of 2004, the occupancy rate in the industrial and mixed-use sector was up slightly over June 30, 2004, due to the fact that the rental of properties under development considered in operation since January 1, 2004 is on the rise. The occupancy rate in the office sector continued to improve, from 92.8% as at December 31, 2003 to 95.1% as at September 30, 2004.

Lease renewal rates

	Expiring leases (sq.ft.)	Renewed leases (sq.ft.)	**Renewal rate (%)**
1999	546,820	437,624	80.03
2000	770,387	580,674	75.37
2001	1,098,301	894,217	81.42
2002	1,141,790	912,739	79.94
2003	1,397,779	1,069,024	76.48
2004 (Sept. 30)	**1,347,387**	**976,829**	**72.49**

The annual renewal rate of expiring leases since 1998 stands at an average of 79%, reflecting the efforts made by Cominar's team of leasing consultants and the quality of its properties. As at September 30, 2004, 72.5% of the leases expiring in 2004 had already been renewed. New leases had also been signed for a leasable area of about 475,000 square feet at the end as at September 30, 2004.

Related-Party Transactions

Jules Dallaire and Michel Dallaire, both of whom are trustees and members of Cominar's management, exercise indirect control over *Dalcon Inc.*, *Électricité Hamo Inc.* and *Corporation financière Alpha* (CFA) Inc. Michel Paquet, also a trustee and member of Cominar's management, acts as manager of these companies.

During the first nine months of 2004, Cominar received net rental revenues of $970,000 from *Dalcon inc.*, *Électricité Hamo inc.* and *Corporation Financière Alpha (CFA) inc.* Cominar incurred expenditures of $3.8 million for leasehold improvements performed for its tenants by *Dalcon inc.* and $20.7 million for the construction of properties and development projects.

Using the services of related companies for property construction work and leasehold improvements enables Cominar to achieve savings while providing better service for its clients.

Liquidities and Capital Resources

Funds from operations grew by 25.0% compared with the corresponding quarter of 2003, to stand at $12.5 million or $0.392 per unit. Without the impact of the change in accounting policy concerning the straight-line amortization of rental income, funds from operations would have increased by $2.1 million. On a year-to-date basis as at September 30, 2004, funds from operations were up by $9.3 million or 33.7%, and by $8.2 million or 30.0% without the impact of deferred income.

While the concept of "funds from operations" is not a financial measure defined by generally accepted accounting principles, it is widely used in the real estate sector. The Canadian Institute of Public and Private Real Estate Companies defines this concept as net income adjusted for extraordinary gains, gains or losses on disposal of assets, amortization of deferred expenses and depreciation of income properties. The concept of "funds from operations" should not be interpreted as a substitute for net income or funds from operations as determined by generally accepted accounting principles. As Cominar's funds from operations calculation method may differ from the method used by other issuers, it may not be comparable to that of such issuers.

As at September 30, 2004, Cominar posted a debt to gross book value ratio of 50.7%, whereas a rate of 60% is authorized by its Contract of Trust. However, in accordance with its conservative debt management policy, Cominar prefers to keep this ratio below 55%, leaving it an acquisition capacity of $70.0 million as at September 30, 2004.

Financing Activities

As at September 30, 2004, the combined weighted average interest rate of Cominar's mortgages and debentures was 6.31%, which is comparable to the rate as at September 30, 2003.

Balance due on mortgages payable and convertible debentures as at September 30, 2004 expiring as follows:

Year	Amount (thousands of $)	Weighted average interest rate (%)
2004	3,112	7.75
2005	10,566	7.97
2006	33,966	6.29
2007	49,570	5.75
2008	129,511	6.06
2009 and thereafter	140,942	6.59
	367,667	6.31

During the fiscal year, Cominar assumed the following mortgages on property acquisitions:

- May 2004: $11.3 million at an interest rate of 7.46%, maturing in 2012;
- July 2004: $3.6 million at an interest rate of 8.35%, maturing in 2013;
- August 2004: two mortgages totalling $3.1 million at an interest rate of 7.75%, maturing in 2013.

The last two mortgages totalling $3.1 million were repaid on October 4, 2004.

On September 17, 2004, Cominar received a consideration of $96.3 million from the issue of 6.3% unsecured subordinated convertible debentures. The proceeds from this issue served to repay about $28.6 million in bank loans used for acquisitions, about $16.7 million in mortgage loans, about $6.2 million in bank loans related to operations, and about $30.5 million for a property acquisition. The balance of $14.3 million will be used to pay the debenture fees and to finance future acquisitions and developments.

In early September, Cominar also concluded an agreement with one of its lenders to raise its acquisition credit facilities by $30 million.

Real Estate Portfolio

During the third quarter, Cominar acquired an office tower and two industrial and mixed-use properties in Montreal. These buildings cover a total area of about 440,000 square feet, represent an investment of $50.0 million and have a weighted average capitalization rate of 9.3%. All three properties are fully leased on a long-term basis.

Furthermore, Cominar has five projects under development totalling ten properties, for more than 835,000 square feet of leasable space. This work represents a total investment of $71.0 million. The main projects are as follows:

- the construction of a 205,000-square-foot office tower at *Place de la Cité* in Quebec City, where 92% of the area is currently leased and the tower is expected to be fully occupied toward the end of 2004;
- the construction of four industrial and mixed-use properties covering 301,400 square feet of leasable space in Laval, including two buildings totalling 160,000 square feet which are under construction and where an area of 43,000 square feet is already leased;
- the construction of three industrial and mixed-use properties covering 188,000 square feet of leasable space in Quebec City, including two buildings totalling 142,000 square feet which are under construction;
- a 147,000-square-foot development at *Promenades Beauport* in Quebec City; and
- a 76,000-square-foot expansion at the *Carrefour Charlesbourg* shopping centre in Quebec City, where 58,000 square feet has been occupied since May 1, 2004. We estimate that the remaining leasable area of 18,000 square feet will be fully leased toward the end of 2004.

Subsequent Event

In November 2004, annual distributions per unit were raised from $0.098 to $0.10, to be paid to unitholders on December 15, 2004. Considering this increase, distributions come to $1.20 per unit on an annualized basis.

Outlook

Cominar's growth outlook remains excellent. Its recently acquired properties are fully leased to quality tenants on a long-term basis, while the development projects completed in 2003 and 2004 have attractive occupancy rates and are making the expected contribution to distributable income. These developments attest to Cominar's ability to rapidly adapt its growth strategy to real estate market trends. Furthermore, it should be noted that the capitalization rates associated with these projects are higher than most in the property selling market, thereby favouring greater profitability.

RISKS AND UNCERTAINTIES

Like any real estate entity, Cominar is subject to certain risk factors in the normal course of business.

OPERATIONAL RISK

All property investments carry risk factors, such as market demand, which is affected by economic conditions, and competition from vacant premises.

The rental value of real estate holdings can also depend on tenants' solvency and financial stability as well as the economic conditions prevailing in the communities where they do business and provide services.

The primary risk facing Cominar lies in a potential decline in its rental income. However, this risk is minimized by the diversification of its portfolio, which ensures foreseeable cash flows. This risk is also reduced by the fact that tenants occupy an average area of about 6,200 square feet.

As a fully integrated real estate investment trust, Cominar can also exercise tighter preventive control over its operations, while developing a relationship of trust with its clients and improving its operational and financial performance.

DEBT AND REFINANCING

Cominar has spread the maturities of its mortgages payable over several years to reduce the risks related to their renewal. As at September 30, 2004, mortgages payable of $3.1 million were renewable at interest rate of 7.75%; they were repaid on October 4, 2004.

ENVIRONMENTAL RISK

By their very nature, Cominar's assets and business are not subject to a high environmental risk. In accordance with the operating principles stipulated in its Contract of Trust, Cominar must conduct an environmental audit before acquiring a new property, or on its existing properties when it is deemed appropriate.

In its leases, Cominar requires that tenants conduct their business in compliance with environmental legislation, and that they be held responsible for any damage resulting from their use of the leased premises.

UNITHOLDERS' LIABILITY

Under the heading "Operating Principles", the Contract of Trust states that any written document identifying an immovable hypothec or, in the opinion of the trustees, an important obligation, must contain terms limiting liability to Cominar's assets exclusively, and specifying that no recourse may be taken against unitholders.

CERTIFICATION OF INTERIM FILINGS

We, Jules Dallaire, Chairman of the Board and Chief Executive Officer and Michel Berthelot, CA, Executive Vice-President and Chief Financial Officer of Cominar Real Estate Investment Trust, certify that:

1. We have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of "Cominar Real Estate Investment Trust" for the interim period ending September 30, 2004.

2. Based on our knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. Based on our knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings.

November 9, 2004

Jules Dallaire Chairman of the Board and Chief Executive Officer	Michel Berthelot, CA Executive Vice-President and Chief Financial Officer

COMINAR
REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENTS OF INCOME

Period ended September 30 (unaudited, in thousands of dollars except per unit amounts)	Quarter		Cumulative	
	2004	2003	**2004**	2003
	$	$	**$**	$
Operating revenues				
Rental income from income properties	**27,108**	24,119	**82,341**	72,353
Operating expenses				
Property operating costs	**4,964**	5,141	**16,730**	16,239
Realty taxes and services	**4,602**	3,785	**15,249**	12,931
Property management expenses	**264**	270	**864**	954
	9,830	9,196	**32,843**	30,124
Operating income before the undernoted :	**17,278**	14,923	**49,498**	42,229
Interest on mortgages payable and bank indebtedness	**4,214**	4,372	**12,258**	12,801
Interest on convertible debentures	**259**	0	**259**	0
Depreciation of income properties	**3,223**	1,081	**8,989**	3,179
Amortization of deferred expenses and other assets	**1,155**	1,131	**3,921**	3,555
	8,851	6,584	**25,427**	19,535
Operating income from real estate assets	**8,427**	8,339	**24,071**	22,694
Trust administrative expenses	**449**	411	**1,423**	1,166
Other income	**56**	23	**995**	78
Net income for the period	**8,034**	7,951	**23,643**	21,606
Basic net income per unit (note 10)	**0.252**	0.301	**0.743**	0.821
Diluted net income per unit (note 10)	**0.250**	0.299	**0.738**	0.817

See accompanying notes to consolidated financial statements.

COMINAR
REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)	As at September 30 2004 (unaudited) $	As at Dec. 31 2003 (audited) $
Assets		
Income properties (note 4)	**624,431**	518,770
Properties under development	**23,830**	21,486
Deferred expenses and other assets (note 5)	**26,333**	21,540
Prepaid expenses	**6,118**	1,901
Accounts receivable	**6,631**	5,525
Cash and cash equivalents	**13,212**	33,660
	700,555	602,882
Liabilities and Unitholders' Equity		
Liabilities		
Mortgages payable (note 6)	**267,667**	270,715
Convertible debentures (note 7)	**100,000**	0
Bank indebtedness (note 8)	**0**	0
Accounts payable and accrued liabilities	**10,812**	12,570
Distributions payable to Unitholders	**3,150**	0
	381,629	283,285
Unitholders' Equity		
Unitholders' contributions (note 9)	**323,873**	320,604
Cumulative net earnings	**145,244**	121,640
Cumulative distributions	**(150,447)**	(122,647)
Contributed surplus (note 9)	**256**	0
	318,926	319,597
	700,555	602,882

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Period ended September 30 (unaudited, in thousands of dollars)	Quarter 2004 $	Quarter 2003 $	Cumulative 2004 $	Cumulative 2003 $
Unitholders' contributions				
Balance, beginning of period	**323,190**	251,718	**320,604**	248,874
Issue of units	**683**	1,217	**3,269**	4,061
Balance, end of period	**323,873**	252,935	**323,873**	252,935
Cumulative net earnings				
Balance, beginning of period	**137,210**	104,273	**121,640**	90,618
Change in an accounting policy (note 3)	**0**	0	**(39)**	0
Net income	**8,034**	7,951	**23,643**	21,606
Balance, end of period	**145,244**	112,224	**145,244**	112,224
Cumulative distributions				
Balance, beginning of period	**(141,052)**	(106,060)	**(122,647)**	(91,245)
Distributions to Unitholders	**(9,395)**	(7,567)	**(27,800)**	(22,382)
Balance, end of period	**(150,447)**	(113,627)	**(150,447)**	(113,627)
Contributed surplus (note 9)				
Change in accounting policy (note 3)	**184**	0	**39**	0
Unit option plan	**72**	0	**217**	0
Balance, end of period	**256**	0	**256**	0
Unitholders' Equity	**318,926**	251,532	**318,926**	251,532

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)	Quarter 2004 $	Quarter 2003 $	Cumulative 2004 $	Cumulative 2003 $
Operating activities				
Net income for the period	**8,034**	7,951	**23,643**	21,606
Items not affecting cash:				
Depreciation of income properties	**3,223**	1,081	**8,989**	3,179
Amortization of deferred expenses and other assets	**1,155**	1,131	**3,921**	3,555
Amortization of above-market leases	**22**	0	**25**	0
Leasing costs	**0**	(158)	**0**	(810)
Compensation costs – Unit options plan (note 9)	**72**	0	**217**	0
Funds from operations	**12,506**	10,005	**36,795**	27,530
Leasing costs	**(2,800)**	(1,814)	**(4,850)**	(5,447)
Change in non-cash operating working capital items	**2,623**	2,366	**(10,023)**	(4,112)
	12,329	10,557	**21,922**	17,971
Financing activities				
Mortgages payable	**0**	0	**0**	52,806
Repayments of mortgages payable	**(15,960)**	(2,121)	**(21,110)**	(9,507)
Net proceeds from issue of convertible debentures (note 7)	**96,250**	0	**96,250**	0
Bank indebtedness	**(19,754)**	9,873	**0**	(14,034)
Distributions to Unitholders	**(9,395)**	(7,552)	**(24,650)**	(19,857)
Net proceeds from issue of units (note 9)	**682**	1,217	**3,268**	4,061
	51,823	1,417	**53,758**	13,469
Investing activities				
Acquisitions of income properties	**(55,627)**	(8,191)	**(91,659)**	(21,249)
Acquisitions of properties under development	**4,850**	(3,752)	**(4,355)**	(9,914)
Other assets	**(163)**	(31)	**(114)**	(277)
	(50,940)	(11,974)	**(96,128)**	(31,440)
Net change in cash and cash equivalents	**13,212**	0	**(20,448)**	0
Cash and cash equivalents, beginning of period	**0**	0	**33,660**	0
Cash and cash equivalents, end of period	**13,212**	0	**13,212**	0
Change in non-cash operating working capital items				
Prepaid expenses	**2,373**	1,741	**(4,217)**	(4,170)
Accounts receivable	**111**	566	**(1,106)**	(1,299)
Accounts payable and accrued liabilities	**139**	59	**(4,700)**	1,357
	2,623	2,366	**(10,023)**	(4,112)
Additional information				
Interest paid	**7,081**	4,158	**15,055**	12,271
Leasing costs unpaid	**0**	(542)	**0**	168
Acquisitions of income properties by assumption of mortgages payable	**6,725**	6,143	**18,062**	11,134
Acquisitions of income properties and properties under development unpaid	**(55)**	225	**2,943**	1,243
Properties under development transferred to income properties	**859**	111	**4,143**	949

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Description of the Real Estate Investment Trust

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's unaudited interim consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles (GAAP) and the accounting policies and methods of their application follow the ones used in the annual audited consolidated financial statements as at December 31, 2003, except for the adoption of the new recommendations described below. These financial statements do not include all the information required by GAAP for annual financial statements, and should be read in conjunction with the annual financial statements as at December 31, 2003.

3. Changes in accounting policies

Revenue recognition
On January 1st, 2004, in conformity with Section 1100 of the Canadian Institute of Chartered Accountants (CICA) Handbook, "Generally Accepted Accounting Principles", rentals from leases with contractual rent increases are recognized based on the straight-line method. Previously, rentals from leases were recognized as they became due. The prospective adoption of this accounting policy resulted in an increase in operating income from real estate assets of $1,029 for the period of nine months ended September 30, 2004. We expect the impact of this change in accounting policy to be approximately $1.35 million in 2004, but it will have no effect on distributable income, since the deferred rentals are added back to net income.

Depreciation of income properties
On January 1st, 2004, in conformity with Section 1100 of the CICA Handbook, "Generally Accepted Accounting Principles", income properties are depreciated using the straight-line method in order to fully depreciate their residual value over forty-year term. Previously, income properties were depreciated using the sinking fund basis at the rate of 5%. The prospective adoption of this accounting policy increased depreciation of income properties by $5.4 million for the period of nine months ended September 30, 2004, thereby reducing net income by the same amount. We expect the impact of this change to be approximately $7.3 million in 2004. Meanwhile there will be no impact on distributable income since the depreciation of income properties is added back to net income for the purpose of calculating distributable income

Stock-based compensation costs
On January 1st, 2004, Cominar retroactively applied as at January 1st, 2002, Section 3870 of the CICA Handbook, "Stock-based Compensation and other Stock-based Payments". CICA requires an expense to be recognized for all forms of employee stock-based compensation using a fair value based method. The fair value of the options granted to Cominar employees and trustees on November 14, 2003, amounts to $607 and the stock-based compensation costs related are amortized using the graded vesting method. Accordingly, the opening balance of the cumulative net income was adjusted by $39 without restatement of prior financial statements. The impact of this change in the accounting policy also had the effect of increasing the Trust administrative expenses by $217 for the period of nine months ended September 30, 2004, and will be $290 for 2004. Net income will be reduced by the same amount; however there will be no impact on the Unitholders' Equity.

Income property acquisitions
Since September 12, 2003, Cominar prospectively applied EIC-140 of the CICA Handbook, "Accounting for operating leases acquired in either an asset acquisition or a business combination". In accordance with this Abstract, the CICA now requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value and to the value of customer relationships, if any. This allocation is based on management assumptions and estimates. These intangible assets are included in income properties and are amortized on a straight-line basis over the terms of the related leases. Previously, no value was allocated to these intangible assets. The prospective adoption of this Abstract will accelerate the depreciation of income properties, but will have no impact on distributable income.

This accounting policy has been applied to three acquisitions during the period of three months ended September 30, 2004. Of the total acquisition cost of $50 million, Cominar allocated $4.8 million to the estimated fair value of the acquired intangible assets.

4. Income properties

	As at Sept. 30, 2004			As at Dec. 31, 2003
	Cost	Accumulated depreciation/ amortization	Net book value	Net book value
	$	$	$	$
Land	87,532	0	87,532	78,611
Buildings	554,432	24,838	529,594	440,159
	641,964	24,838	617,126	518,770
Intangible assets	7,448	143	7,305	0
	649,412	24,981	624,431	518,770

5. Deferred expenses and other assets

	As at Sept. 30, 2004			As at Dec. 31, 2003
	Cost $	Accumulated depreciation/ amortization $	Net book value $	Net book value $
Leasing costs	41,635	15,975	25,660	20,765
Other assets	1,422	749	673	775
	43,057	16,724	26,333	21,540

6. Mortgages payable

Mortgages payable are secured by income properties, bear interest at rates varying from 4,00% to 11.00% per annum (varying from 4.50% to 11.00% as at December 31, 2003) representing a weighted average rate of 6.31% (6.31% as at December 31, 2003) and are renewable at various date between May 2005 and January 2019.

7. Convertible debentures

On September 17, 2004, Cominar completed a public offering of 100,000 convertible unsecured subordinated debentures, bearing interest at the annual rate of 6.30%, for a total gross proceeds of $100 million. The debentures mature on June 30, 2014 and interest is paid semi-annually on June 30 and December 31. Each debenture is convertible into Units of Cominar at the holder's option at any time prior to the earlier of the maturity date and the last business day immediately preceding the date specified by Cominar for redemption at a conversion price of $17.40 per Unit. The debentures are not redeemable before June 30, 2008. On or after June 30, 2008 and prior to June 30, 2010, the debentures may be redeemed in whole or in part at Cominar's option at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units on the Toronto Stock Exchange (TSX) for the 20 consecutive days is given exceeds 125% of the Conversion Price. Subsequent to June 30, 2010 and prior to the maturity date, the debentures may be redeemed in whole or in part at the Cominar's option at a price equal to their principal amount plus accrued interest.

Cominar may satisfy its obligation to repay principal of the debentures by delivering Units of Cominar. In the event, Cominar elects to satisfy its obligation to repay principal with Units of the Trust, it must deliver of Units equal to 95% of the volume-weighted average trading price of the Units on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturing date.

In accordance with the Standards of Section 3860 of the CICA Handbook, the convertible debentures have been recorded as debt on the balance sheet and accrued interest has been charged to interest on convertible debentures. Issue costs related to the offering are amortized to interest on convertible debentures over 10 years. As the valuation of the equity component of the conversation option did not have a material impact on the Cominar's consolidated results, the debentures have been recorded in whole as debt.

8. Bank indebtedness

Cominar has a number of operating and acquisition credit facilities of up to $65,865. These credit facilities, subject to annual renewal, bear interest at prime rate plus 0.50%. As at September 30, 2004, the prime rate was 4.00%.

9. Issued and outstanding units

The ownership interests in Cominar are represented by a single class of units. The aggregate number of units which Cominar may issue is unlimited. Units represent a Unitholder's proportionate undivided ownership interest in Cominar. Each unit confers the right to one vote at any meeting of Unitholders and to participate equally and ratably in any distributions by Cominar.

During the period of three months, Cominar issued 70,207 units for net proceeds received of 839$.

	Period of three months ended Sept. 30, 2004	Period of nine months ended Sept. 30, 2004
Units issued and outstanding, beginning of period	31,897,064	31,668,291
Issued from options exercised	51,166	181,666
Issued under distribution reinvestment plan	19,041	117,314
Units issued and outstanding, end of period	31,967,271	31,967,271

Unit option plan

Under a unit option plan, Cominar granted options to purchase units to the trustees and employees of Cominar. The maximum number of units reserved for issuance pursuant to the unit option plan is 3,160,000 units. The options are exercisable on a cumulative basis of 20% of the options after each of the five first anniversary dates of the grant (33 1/3% of the options after each three first anniversary dates of the grant for options granted before November 14, 2003). The exercise price of options equals the market price of the Cominar's units on the date of the grant and the options' maximun term is seven years.

	Options	Weighted-average exercice price $
Outstanding - beginning of period	3,042,166	13.58
Exercised	181,666	9.70
Outstanding - end of period	2,860,500	13.83

			As at Sept. 30, 2004	
Date of grant	Maturity date	Exercise price	Outstanding options	Options exercisable
January 14, 2000	January 14, 2005	8.55	11,000	11,000
March 27, 2001	March 27, 2006	10.20	10,000	10,000
August 9, 2001	August 9, 2008	11.00	129,500	129,500
November 14, 2003	November 14, 2010	14.00	2,710,000	0
			2,860,500	150,500

Compensation costs - Unit option plan
Stock-based compensation costs related to options granted on November 14,2003 were calculated using the Black-Scholes option pricing model, assuming volatility of 11.7% on the underlying units, a fixed exercise price of $14.00, a weighted average distribution yield of approximately 8.74% and a weighted average risk free interest rate of approximately 4.21%.

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options and awards which have no restrictions. In addition, option and award pricing models require the input of highly subjective assumptions, including the expected stock price volatility. Because the unit options of Cominar's trustees and employees have characteristics significantly different from those of traded options, and because changes in subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of the unit options of its trustees and employees.

Distribution reinvestment plan
Cominar adopted a distribution reinvestment plan pursuant to which Unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. During the period, 117,314 units were issued at a weighted average price of $14.80 pursuant to the distribution reinvestment plan.

10. 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 per unit.

Period of three months ended September 30	2004	2003
Weighted average number of units outstanding - basic	**31,907,224**	26,438,851
Effect of dilutive unit options	**233,250**	110,715
Weighted average number of units outstanding - diluted	**32,140,474**	26,549,566

Period of nine months ended September 30	2004	2003
Weighted average number of units outstanding - basic	**31,805,283**	26,320,751
Effect of dilutive unit options	**233,250**	110,715
Weighted average number of units outstanding - diluted	**32,038,533**	26,431,466

The possible issuance of units under the convertible debentures has an anti-dilutive effect on the calculation of the diluted net income per unit.

11. Distributable income per unit

Cominar is governed by a Contact of Trust that requires it to distribute to Unitholders 85% or more of its distributable income. The distributable income generally means net income determined in accordance with Canadian generally accepted accounting principles including adding back depreciation, amortization and unit option plan costs and excluding the defferred rental income recognized with the application of the straight-line method of accounting for contractual rental income.

	Quarter		Cumulative	
Period ended September 30	**2004 $**	2003 $	**2004 $**	2003 $
Net income for the period	**8,034**	7,951	**23,643**	21,606
Add (deduct):				
Depreciation of income properties	**3,223**	1,081	**8,989**	3,179
Amortization of above-market leases	**22**	0	**25**	0
Compensation costs related to options	**72**	0	**217**	0
Deferred rentals	**(360)**	0	**(1,029)**	0
Distributable income for the period	**10,991**	9,032	**31,845**	24,785
Retention of the distributable income	**(1,596)**	(1,465)	**(4,045)**	(2,403)
Distributions to Unitholders	**9,395**	7,567	**27,800**	22,382
Distributable income per unit	**0.345**	0.342	**1.001**	0.942
Distributions per unit	**0.294**	0.286	**0.870**	0.847

12. Related party transactions

During the period, Cominar entered into transactions with companies controlled by unitholders who are also members of the Trust's management. These transations were in the normal course of the business and have been measured at the exchange amounts. They have been reflected in the financial statements as follows:

	Quarter		Cumulative	
Period ended September 30	2004 $	2003 $	2004 $	2003 $
Rental income	312	310	970	868
Other income	123	99	365	345
Income properties and properties under development	4,828	2,500	20,701	12,498
Deferred expenses and other assets	1,489	1,738	3,775	5,317
Balance as at September 30				
Accounts receivable			374	646
Accounts payable and accrued liabilities			2,273	561

13. Subsequent event

During November 2004, Cominar announced an increase in distributions per unit. Monthly distributions grow to $0.10 per unit and total annual distributions to $1.20 per unit.

14. Segment disclosures

Cominar's operations located entirely in the Province of Quebec, comprise three real estate classes.

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

Period of three months ended September 30, 2004

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental income	9,385	9,398	8,325	27,108
Interest on mortgages payable and bank indebtedness	1,830	1,182	1,202	4,214
Depreciation of income properties	1,187	1,078	958	3,223
Net operating income (1)	5,713	5,775	5,790	17,278

Period of three months ended September 30, 2003

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental income	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 (1)	4,729	5,276	4,918	14,923

Period of nine months ended September 30, 2004

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental income	27,407	28,584	26,350	82,341
Interest on mortgages payable and bank indebtedness	5,076	3,544	3,638	12,258
Depreciation of income properties	3,214	3,165	2,610	8,989
Net operating income (1)	16,690	16,389	16,419	49,498
Income properties	236,234	202,759	185,438	624,431

Period of nine months ended September 30, 2003

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental income	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 (1)	13,396	14,738	14,095	42,229
Income properties	162,082	202,185	150,988	515,255

(1) Net operating income is the operating income before interest, depreciation and amortization.

INFORMATION

QUEBEC CITY (HEAD OFFICE)
455 Marais St.
Quebec City, Quebec G1M 3A2
Tel.: (418) 681-8151
Tel.: (418) COM-INAR
Fax: (418) 681-2946

Toll free: 1 866 COMINAR

MONTREAL
255 Crémazie East Blvd.
Suite 120
Montreal, Quebec H2M 1M2
Tel.: (514) 337-8151
Fax: (514) 904-5000

Web Site: www.cominar.com
E-mail : info@cominar.com

TRANSFER AGENT
National Bank Trust
Montreal, Toronto
UNIT LISTING: Toronto Stock Exchange
STOCK TRADING SYMBOL: CUF.UN

AUDITORS
Ernst & Young LLP
150 René-Lévesque Blvd.
Suite 1200
Quebec City, Quebec G1R 6C6