Interim Report

Quarter Ended September 30, 2008

COMINAR REAL ESTATE INVESTMENT TRUST

COMINAR

THIRD QUARTER

Ended September 30, 2008

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Message to Unitholders

Fellow Unitholders,

Despite the current global economic turmoil, our third quarter ended September 30, 2008 showed continued growth, with operating revenues of $56.7 million, up 6.9% over the third quarter of the previous year, and operating income of $36.3 million, an increase of 8.3%. Our recurring distributable income per unit increased by 5.0%, while our recurring FFO and AFFO per unit for the quarter stood at $0.47 and $0.42, up 4.4% and 5.0% over the third quarter of 2007.

Our units posted a total return of 2.8% in the first ten months of the year from January 1st to October 31st, which compares favourably with a -28.3% return for the S&P/TSX Composite Total Return Index and a -33.7% for the S&P/TSX Capped REIT Total Return Index – despite the economic uncertainty that affected our units' performance.

Our real estate operations have not been affected by the financial crisis to date. Our occupancy rate in the third quarter remained high and stable at 95.2%, up 0.9% over the third quarter of the previous year. We have signed new leases representing 0.9 million square feet since the beginning of the year and our renewal rates were up in all three sectors of activity, with increases of 9.2%, 10.4% and 5.5%, respectively, for the office, retail and industrial sectors. We have not thus far witnessed any increase in the number of bankruptcies or defaults in our tenant base and the demand for leasable space in our portfolio is still strong. Nevertheless, the financial crisis is definitely reducing the availability of capital, tightening lending conditions and making it more difficult to access capital markets. That said, we are well positioned to weather an economic downturn for several reasons:

Strong economy in our markets: Almost 48% of our net operating income is derived from the Quebec City and Ottawa regions, which benefit from a very low unemployment rate, a stable economy focused on the government and the services industry and, with respect to the Quebec City region, an office vacancy rate of 3.3%, the lowest in the country. The Montreal area, which accounts for approximately 52% of our net operating income, is doing well. Most of our Montreal-area office buildings are in the suburbs, which generally perform better than the downtown core during economic slowdowns. The balance of our Montreal portfolio consists primarily of industrial and mixed-use properties, a sector less affected by cyclical downturns. We continue to see strong demand for our income properties and increasing rental rates in these three markets.

Diversification: The great diversification of our tenant base (more than 2,500 clients occupying an average 6,850 square feet of space) provides a significant degree of stability to our revenue and distributions. Our three largest customers, Public Works Canada, Société Immobilière du Québec, a Quebec government corporation, and Ericsson Canada, account respectively for 6.5%, 5.2% and 2.6% of our revenues, derived from several leases with maturities staggered over time. The stability and quality of our cash flows are enhanced by the fact that approximately 11.7% stems from government agencies.

Little exposure to the manufacturing sector: We have limited exposure to the manufacturing sector, which is the hardest hit by current economic conditions. Less than one percent of our revenues come from manufacturers. Furthermore, most of our customers in this sector use space leased for warehousing and logistics purposes.

No significant lease expiries in 2009: Only 12.6% of our leases will expire in 2009, primarily in the industrial and mixed-use sector, which has traditionally been our most stable sector of activity.

Strong cost management discipline: We have always been very disciplined in controlling our costs, which has provided us with one of the best operating margins among Canadian REITs.

Sound financial position: Although our current debt ratio is slightly higher than in the past, it is still conservative. We have a strong interest coverage ratio of 2.6:1, and our debt ratio would be much lower if it were calculated on the basis of our portfolio's market value.

All of 2008 debt refinanced and low percentage of expiries in 2009 and thereafter: We have already refinanced, on better terms, all of the mortgages expiring in 2008 and, year-to-date, have contracted $233.3 million worth of new mortgages, at lower overall interest rates than the debt repaid. In 2009, only 5.8% of our long-term debt, i.e. $52.3 million, will become due and we are already in discussions to refinance it.

Access to capital: Despite conditions characterized by lesser availability of capital and tighter and more onerous lending practices, we have access to debt markets, as evidenced by the $97.2 million mortgage at a 5.4% interest rate obtained to partially fund the acquisition of the property located at 2001 McGill College, and the increase in our operating and acquisition credit facilities from $218 million to $248 million. In addition, we own more than $282 million worth of unencumbered properties, which gives us access to a substantial pool of assets to finance our development projects.

Good growth potential: We have exceeded our 2008 goal of $100 million in acquisitions and developments, with $224.4 million invested in property acquisitions and developments, including the $165 million acquisition in October of a 24-storey Class A office property located at 2001 McGill College, in the heart of Montreal's business district. In addition, our development pipeline totals approximately $133.4 million in investments at a 9.4% weighted average capitalization rate, adding close to one million square feet of leasable space to our portfolio.

Considering the current context, we remain cautious and prudent. As always, our focus will be on discipline, maintaining liquidity and managing our business as soundly and efficiently as we can.

Michel Dallaire, P.Eng.
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following Management's Discussion and Analysis ("MD&A") is provided to enable a reader to assess the results of operations of Cominar Real Estate Investment Trust ("Cominar", the "Trust" or the "REIT") for the quarter ended September 30, 2008, in comparison with the corresponding quarter of 2007, as well as its financial position at that date and its outlook. Dated November 12, 2008, this MD&A reflects all significant information available to that date and should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes included in this report. **Unless otherwise indicated, all amounts are in thousands of Canadian dollars, except for per unit and per square foot amounts**, and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

The interim consolidated financial statements have been prepared in accordance with the recommendations of the Canadian Institute of Chartered Accountants ("CICA"). In compliance with National Instrument 51-102 of the Canadian Securities Administrators, we hereby caution the reader that the interim consolidated financial statements for the periods ended September 30, 2008 and 2007 have not been reviewed by Cominar's auditors.

Additional information about us, including our 2007 Annual Information Form, is available on our website at *www.cominar.com* and on the Canadian Securities Administrators' ("CSA") website at *www.sedar.com*.

The Board of Trustees, under the recommendation of the Audit Committee, has approved the contents of this MD&A.

Caution Regarding Forward-Looking Statements

From time to time, we make written or oral forward-looking statements within the meaning of applicable Canadian securities legislation. We may make such statements in this document and in other filings with Canadian regulators, in reports to unitholders or in other communications. These forward-looking statements include, among others, statements with respect to our medium-term and 2008 objectives, and strategies to achieve our objectives, as well as statements with respect to our beliefs, outlooks, plans, objectives, expectations, anticipations, estimates and intentions. The words "may", "could", "should", "would", "suspect", "outlook", "believe", "plan", "anticipate", "estimate", "expect", "intend", "forecast", "objective" and words and expressions of similar import are intended to identify forward-looking statements.

By their very nature, forward-looking statements involve numerous factors and assumptions, and are subject to inherent risks and uncertainties, both general and specific, which give rise to the possibility that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include general business and economic conditions in Canada, the effects of competition in the markets where we operate, the impact of changes in laws and regulations, including tax laws, successful execution of our strategy, our ability to complete and integrate acquisitions successfully, our ability to attract and retain key employees and executives, the financial position of customers, our ability to refinance our debts upon maturity and to lease vacant space, our ability to complete developments according to our plans and to raise capital to finance our growth, as well as changes in interest rates.

We caution that the foregoing list of important factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

Additional information about these factors can be found in the "Risks and Uncertainties" section of this MD&A.

Non-GAAP Financial Measures

We issue guidance on and report on certain non-GAAP measures, including "net operating income", "distributable income", "funds from operations" and "adjusted funds from operations", which we use to evaluate our performance. Because non-GAAP measures do not have a standardized meaning and may differ from similar measures presented by other issuers, securities regulations require that non-GAAP measures be clearly defined and qualified, reconciled with their nearest GAAP measure and given no more prominence than the closest GAAP measure. You may find such information in the sections dealing with these financial measures.

Financial and Operational Highlights

	Quarter			Cumulative (nine months)		
For the periods ended September 30, (except as indicated)	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
FINANCIAL DATA						
Operating revenues (1)	**56,732**	53,077	6.9	**173,224**	128,824	34.5
Net operating income (1)(2)	**36,280**	33,487	8.3	**102,064**	77,389	31.9
Same property net operating income growth (2)	**2.0%**	4.1%		**3.3%**	3.0%	
Net income	**8,007**	6,868	16.6	**18,711**	22,882	(18.2)
Distributable income (2)	**20,022**	18,307	9.4	**54,297**	45,351	19.7
Recurring distributable income (2)	**20,022**	18,307	9.4	**54,297**	44,929(3)	20.9
Recurring funds from operations (2)	**22,680**	20,930	8.4	**62,940**	51,892(3)	21.3
Recurring adjusted funds from operations (2)	**20,044**	18,307	9.5	**54,364**	44,929(3)	21.0
Distributions	**16,499**	14,640	12.7	**47,963**	39,224	22.3
Debt ratio				**57.9%**	55.8%	
Debt ratio (excluding convertible debentures)				**45.5%**	49.3%	
Total assets				**1,509,674**	1,442,009	4.7
Market capitalization				**967,084**	968,062	(0.1)
PER UNIT FINANCIAL DATA						
Net income (basic)	**0.18**	0.15	20.0	**0.41**	0.57	(28.1)
Distributable income (basic) (2)	**0.44**	0.41	7.3	**1.19**	1.12	6.3
Recurring distributable income (FD) (2)(4)	**0.42**	0.40	5.0	**1.17**	1.09(3)	7.3
Recurring funds from operations (FD) (2)(4)	**0.47**	0.45	4.4	**1.33**	1.24(3)	7.3
Recurring adjusted funds from operations (FD)(2)(4)	**0.42**	0.40	5.0	**1.17**	1.09(3)	7.3
Distributions	**0.360**	0.325	10.8	**1.052**	0.943	11.6
OPERATIONAL DATA						
Number of properties(5)				**213**	205	
Leasable area (in thousands of sq. ft.)(5)				**18,215**	17,041	
Occupancy rate				**95.2%**	94.3%	
ACQUISITIONS/DEVELOPMENTS(5)						
Acquisitions						
Number of properties				**12**	67	
Leasable area (in thousands of sq. ft.)				**1,187**	7,023	
Total investment				**213,614**	648,380	
Weighted average capitalization rate				**6.8%**	7.0%	
Completed developments						
Number of properties				**2**	1	
Leasable area (in thousands of sq. ft.)				**107**	107	
Total investment				**10,800**	6,200	
Weighted average capitalization rate				**9.8%**	10.1%	
Ongoing and upcoming developments						
Number of properties				**5**	6	
Estimated leasable area (in thousands of sq. ft.)				**995**	457	
Forecast total investment				**133,400**	33,000	
Forecast weighted average capitalization rate				**9.4%**	9.7%	

(1) Certain figures for the first nine months of 2007 have been reclassified as discontinued operations in conformity with GAAP.
(2) Non-GAAP financial measure. See relevant sections for definition and reconciliation to closest GAAP measure.
(3) Excluding non-recurring interest income of $ 0.4 million realized during the second quarter of 2007 in connection with a public offering of subscription receipts.
(4) Fully diluted.
(5) As at November 12 of each year.

Performance and Recent Events Review

Financial Performance

Cominar recorded strong growth in the third quarter, as reflected by a 6.9% increase in operating revenues, an 8.3% increase in net operating income and a 9.5% increase in adjusted funds from operations (AFFO). The following table highlights our key financial performance indicators for the periods indicated:

PERFORMANCE INDICATORS

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property net operating income	**21,222**	20,806	2.0	**61,404**	59,434	3.3
Recurring distributable income per unit (fully diluted)	**0.42**	0.40	5.0	**1.17**	1.09(1)	7.3
Recurring funds from operations per unit (fully diluted)	**0.47**	0.45	4.4	**1.33**	1.24(1)	7.3
Recurring adjusted funds from operations per unit (fully diluted)	**0.42**	0.40	5.0	**1.17**	1.09(1)	7.3

(1) Excluding non-recurring interest income of $0.4 million realized during the second quarter of 2007 in connection with a public offering of subscription receipts.

Operational Performance

Occupancy remained stable compared with the previous quarter at 95.2%, up 0.9% over the third quarter of the previous year. Our retention rate stood at 62.7% at the end of the third quarter, up from 52.0% as at June 30, 2008. In addition, we signed new leases covering a leasable area of 0.9 million square feet. Renewal rates were up in all three sectors of activity with increases of 9.2% in the office sector, 10.4% in the retail sector and 5.5% in the industrial and mixed-use sector.

Financial Position

As at September 30, 2008, our debt ratio stood at 57.9% including convertible debentures and 45.5% excluding convertible debentures, well below the maximum debt ratio of 65.0% allowed by our Contract of Trust, and our interest coverage ratio stood at 2.72:1.

Acquisitions of Income Properties

Since the beginning of the year, Cominar has made acquisitions of properties representing close to 1.2 million square feet of leasable space and a $213.6 million investment, which far exceeds our annual $100.0 million goal in acquisitions and developments. Details of our most recent acquisitions are as follows:

On October 1, 2008, Cominar acquired the 24-storey Class "A" office tower located at 2001 McGill College in Montreal for a total consideration of $165 million.

The property is located on the east side of McGill College Avenue and on the corner of Sherbrooke Street West, a well-known business address in the core of Montreal's business district. It is comprised of a 528,532-square-foot, 24-storey office building connected to four-storey historic greystones along Sherbrooke Street. The property's current occupancy is 90%. Its highly diversified tenant roaster is comprised of many investment grade and international corporations. The tenant base includes more than 24 clients, with the largest tenant occupying approximately 13% of the building's leasable space. The average remaining lease term is over six years.

Cominar had been actively looking at acquiring an office property in Montreal to substitute for its office property located at 300 Viger in Montreal since the Centre hospitalier de l'Université de Montréal (CHUM) initiated an expropriation process in June 2006. The initial capitalization rate associated with this acquisition (6.3%) is immediately accretive and should be assessed taking into consideration the definitive indemnity that Cominar expects to receive from the CHUM.

In this context, the acquisition of 2001 McGill College, a Class A office property, was an opportunity for Cominar to enhance its portfolio while maintaining its strategy of accretively acquiring high-quality properties in its markets.

On November 3, 2008, Cominar acquired a 68,000-square-foot industrial and mixed-use property located at 4148-4150 Boulevard de Portland in Sherbrooke, Quebec, for a purchase price of $4 million, paid in cash. The capitalization rate associated with this transaction is 10.0%. The property is 100% leased.

Development Activities

Our development pipeline represents an investment totaling $133.4 million and will add approximately one million square feet of leasable space to our portfolio. The weighted average capitalization rate associated with these developments is estimated at 9.4%.

Ongoing and Upcoming Developments

In January 2008, Cominar initiated a large-scale construction in Quebec City, specifically a retail and office property located on Laurier Boulevard, one of the major thoroughfares in the city, with its many hotels, office buildings and shopping centres. This property should consist of two office towers having a leasable area of more than 720,000 square feet, including approximately 100,000 square feet that will be used for retail purposes. The construction cost is estimated at nearly $110 million and the capitalization rate at 9.3%. This project should be carried out in two phases. The first should represent approximately 396,000 square feet at a cost of approximately $74 million and should be ready to receive its first occupants in August 2009. We are currently erecting the building structure of the first tower and are finalizing the excavation work for the project's parking site. The project is progressing within budget and on schedule.

During the first quarter of 2008, Cominar began the final phase of revitalizing Les Promenades Beauport shopping centre, located on du Carrefour Street in Quebec City. This project consists of a 50,000-square-foot expansion designed for office space and the renovation of a retail leasable area of 65,000 square feet. The total cost of the project is estimated at $7.9 million at a 9.3% capitalization rate. Work is progressing according to plan and on schedule.

We are also progressing with our St-Bruno retail development, a 110,000-square-foot project representing an investment of approximately $12.6 million. Construction of the buildings has been completed and we are currently doing the landscaping and finalizing the work on the parking lot.

Finally, during the first quarter of 2008, Cominar began the first phase of the 4th Avenue project in Lévis, which consists in the construction of a 50,000-square-foot property. The construction cost is estimated at $2.9 million at a 9.6% capitalization rate. Construction of the building is going well.

Financing Activities

Since the beginning of the year, Cominar has repaid all mortgages payable maturing in 2008, has obtained $233.3 million in new mortgages at a weighted average contractual interest rate of 5.22% and has increased its available credit facilities from $180 million to $248 million. As at September 30, 2008, the weighted average contractual interest rate of our long term debt stood at 5.66%, down 13 basis points from December 31, 2007. Details of these new financings are as follows:

In June 2008, Cominar entered into an operating and acquisition credit facility with a syndicate of lenders with a stated maximum amount of $218 million. This facility is renewable annually and bears interest at 0.25% above prime or at 1.5% above bankers' acceptance rates. It is secured by movable and immovable hypothecs on specific assets. The stated maximum amount of this facility was raised to $248 million in September 2008.

On October 30, 2008, Cominar contracted a $97.2 million mortgage payable with a Canadian insurance company, bearing interest at 5.4%. The loan matures in 2013 and is secured by immovable hypothecs on a specific property.

On October 31, 2008, Cominar contracted a $17.0 million mortgage payable with a financial institution, bearing interest at a rate of 6.68%. The loan matures in 2018 and is secured by immovable hypothecs on income properties.

General Business Overview

Cominar Real Estate Investment Trust is the largest owner of commercial properties in the Province of Quebec. As of November 12, 2008, we own and manage a high-quality portfolio of 213 properties including 37 office buildings, 38 retail buildings and 138 industrial and mixed-use buildings covering more than 18.2 million square feet in the Quebec City, Montreal and Ottawa areas.

Since its inception in 1998, Cominar has made a series of acquisitions and completed many construction and property development projects. Consequently, the gross book value of our real estate assets has increased more than sixfold since 1998, rising from $244.6 million to over $1.6 billion as at September 30, 2008.

Our asset and property management is entirely internalized and we are a fully integrated, self-managed real estate investment operation. Thus, we are not bound to a third party by management contracts or property management fees. This mode of operation reduces the potential for conflict between the interests of management and the Trust, while ensuring that the interests of management and employees are aligned with those of unitholders. The result is an improved financial performance for Cominar.

Objectives and Strategy

Objectives

Cominar's primary objectives are to provide its unitholders with growing cash distributions, payable monthly, and to increase and maximize unit value through proactive management and the growth of its property portfolio.

Strategy

To continue to ensure the growth of distributions and to increase return on investment for unitholders, Cominar strives to manage growth, operational risk and debt in a flexible and prudent manner. The key strategic axes for reaching these objectives are:

- **Acquisition as well as construction, redevelopment and expansion of properties offering a high potential for return**

To increase the leasable area in its property portfolio, Cominar continues to seek acquisition, construction and development opportunities in the Quebec City, Montreal and Ottawa areas. The key criterion in evaluating any acquisition or development continues to be the ratio between the acquisition or development price, the related debt and the anticipated profitability of the project in question over the short and long term. Cominar maintains a conservative growth strategy, based on a very strict selection of properties to be acquired and the construction and development of quality properties in locations in great demand with customers.

- **Diversification of our property portfolio**

This strategic axis includes the following elements:

a) ***Sector diversification*** has been an integral part of our strategy from the beginning and consists in maintaining the right balance in our property portfolio among three sectors of activity: office buildings, retail properties and industrial and mixed-use properties. By diversifying our activities among three types of properties, Cominar reduces the risk associated with any given sector. This diversification contributes to steady revenue and income growth.

b) ***Geographic diversification*** – While consolidating its dominant position in the Quebec City area, Cominar has from the outset established a major presence in the Montreal area where it owns, as at November 12, 2008, 116 properties representing a leasable area of close to 11.0 million square feet. In addition, in 2007, Cominar acquired its first properties in the Ottawa region. As with sector diversification, geographic diversification provides Cominar with the ability to better mitigate the risks associated with the real estate business.

c) ***Customer diversification*** – Cominar serves an extensive and diverse customer base operating in many sectors of activity. Customers occupy an average area of 6,850 square feet. This diversification allows us to maintain foreseeable cash flows.

- **Proactive property management emphasizing the growth of occupancy rates and net leasing income**

Commercial real estate is a dynamic investment and requires active and experienced management. With its integrated management, Cominar exercises rigorous, preventive and cost-effective control over its operations. Expanding our property portfolio enables us to achieve economies of scale and synergies. We thereby ensure delivery of efficient, cost-effective services to our customers. The result is increased customer satisfaction and high occupancy and retention rates.

- **Prudent financial management**

Debt management continues to be a decisive factor in growth and stability for a real estate investment trust. Cominar maintains its debt ratio below the maximum authorized by its Contract of Trust and at a level we deem prudent. We believe that this disciplined policy contributes to the stability of future distributions and to prudent growth of the Trust. We also take a conservative approach to managing the distributions ratio, which we regard as another key factor in the stability of future distributions. This approach allows us to retain the funds needed for our capital expenditures and for the implementation of our leasing programs.

Performance Indicators

Cominar measures the success of its strategy with a number of performance indicators, as follows:

Operational Performance

Customer satisfaction is defined as customer perception and judgment of the service received and their loyalty with respect to Cominar. Two indicators are used to measure customer satisfaction: occupancy rate and retention rate; the latter is calculated as the leasable space of renewed leases divided by the leasable space of leases that expired during the year.

Financial Performance

To measure our financial performance, we use the following key indicators:

- same property net operating income, which provides an indication of the operating profitability of the existing portfolio, i.e. Cominar's ability to increase revenues and reduce costs, and thereby generate added value for its unitholders;

- the NOI margin, which provides an indication of the operating profitability of the portfolio;

- (recurring) distributable income per unit, which represents a benchmark for investors to judge the stability of distributions;

- (recurring) funds from operations per unit, which represent a standard real estate benchmark to measure an entity's performance, excluding amortization calculated using historical costs from net income established in accordance with GAAP;

- (recurring) adjusted funds from operations per unit which, deducting the normalized investments needed to maintain the portfolio's production capacity from funds from operations, represent a meaningful measure of Cominar's ability to generate cash flows; and

- the debt ratio, which is used to assess the financial balance essential to the smooth running of an organization.

Definitions and other information regarding these performance indicators are provided in the relevant sections.

Performance Analysis

Results of Operations

The following table summarizes our results of operations for the periods ended September 30, 2008 and 2007, and should be read in conjunction with the consolidated interim financial statements and accompanying notes presented in this Interim Report. It should be noted that certain amounts for fiscal 2007 have been reclassified as "discontinued operations" in conformity with GAAP.

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Operating revenues	**56,732**	53,077	6.9	**173,224**	128,824	34.5
Operating expenses	**20,452**	19,590	4.4	**71,160**	51,435	38.3
Net operating income	**36,280**	33,487	8.3	**102,064**	77,389	31.9
Interest on borrowings	**12,543**	12,054	4.1	**36,454**	24,293	50.1
Depreciation of income properties	**12,587**	12,047	4.5	**37,691**	23,410	61.0
Amortization of deferred leasing costs	**1,980**	1,761	12.4	**6,223**	5,180	20.1
Amortization of other assets	**91**	59	54.2	**225**	161	39.8
Trust administrative expenses	**1,117**	749	49.1	**2,980**	2,201	35.4
Other revenues	**45**	133	(66.2)	**220**	308	(28.6)
Unusual item	**—**	—	—	**—**	422 (1)	—
Net income from continuing operations	**8,007**	6,950	15.2	**18,711**	22,874	(18.2)
Net income from discontinued operations	**—**	(82)	—	**—**	8	—
Net income	**8,007**	6,868	16.6	**18,711**	22,882	(18.2)
Net income per unit (basic)	**0.18**	0.15	20.0	**0.41**	0.57	(28.1)
Net income per unit (diluted)	**0.17**	0.15	13.3	**0.41**	0.56	(26.8)

(1) During the second quarter of 2007, Cominar realized non-recurring interest income of $ 0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, in connection with the closing of the acquisition of the Alexis Nihon properties.

Financial Position

The following table summarizes our assets and liabilities as well as unitholders' equity as at September 30, 2008 and as at December 31, 2007, and should be read in conjunction with the interim consolidated financial statements and accompanying notes presented in this Interim Report.

	As at September 30, 2008	**As at December 31, 2007**	**Δ%**
ASSETS			
Income properties (amortized cost)	**1,356,444**	1,323,095	33,349
Properties under development and land held for future development	**80,131**	61,280	18,851
Other assets	**73,099**	58,419	14,680
Total	**1,509,674**	1,442,794	66,880
LIABILITIES			
Mortgages payable	**588,388**	619,755	(31,367)
Convertible debentures	**203,371**	203,852	(481)
Bank indebtedness	**157,572**	35,321	122,251
Other liabilities	**38,753**	42,170	(3,417)
	988,084	901,098	86,986
UNITHOLDERS' EQUITY	**521,590**	541,696	(20,106)
Total	**1,509,674**	1,442,794	66,880

Performance Indicators

The following table summarizes our performance indicators for the periods ended September 30, 2008 and 2007. A detailed analysis of each of these performance indicators is provided on the page indicated:

PERFORMANCE INDICATORS

		Quarter			Cumulative (nine months)		
For the periods ended September 30,	**Page**	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property net operating income	12	**21,222**	20,806	2.0	**61,404**	59,434	3.3
Recurring distributable income per unit (fully diluted)	16	**0.42**	0.40	5.0	**1.17**	1.09 (1)	7.3
Recurring funds from operations per unit (fully diluted)	18	**0.47**	0.45	4.4	**1.33**	1.24 (1)	7.3
Recurring adjusted funds from operations per unit (fully diluted)	20	**0.42**	0.40	5.0	**1.17**	1.09 (1)	7.3
NOI margin	12				**58.9%**	60.1%	(1.2)
Debt ratio	23				**57.9%**	55.8%	2.1
Occupancy rate	28				**95.2%**	94.3%	0.9

(1) Excluding non-recurring interest income of $ 0.4 million realized during the second quarter of 2007 in connection with a public offering of subscription receipts.

Results of Operations

Overall Analysis

Operating Revenues

We achieved excellent revenues during the third quarter of 2008. The 6.9% increase in operating revenues is due mainly to the contribution of the office and industrial and mixed-use properties acquired from Alexis Nihon in 2007, as well as other acquisitions and developments completed in 2007 and 2008.

OPERATING REVENUES

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property portfolio (1)	**33,185**	32,209	3.0	**103,171**	99,771	3.4
Acquisitions and developments	**23,547**	20,868	12.8	**70,053**	29,053	—
Total operating revenues	**56,732**	53,077	6.9	**173,224**	128,824	34.5

(1) The same property portfolio includes all properties owned by Cominar as at December 31, 2006, except those taken into account in the calculation of net income from discontinued operations, and does not include the benefits of acquisitions and developments completed and integrated in 2007 and 2008.

Our same property portfolio posted a 3.0% increase in operating revenues during the third quarter of 2008 over the corresponding period of 2007. This organic growth is due to rent increases provided for under existing leases, as well as lease renewal at higher rates and the execution of new leases. It reflects the high quality of our properties and the sustained rental growth in our markets.

Operating Expenses

Operating expenses increased by 4.4% during the third quarter of 2008 over the corresponding period of 2007. This variation reflects the increase in the portfolio's size as a result of the acquisitions and developments completed in 2007 and 2008.

OPERATING EXPENSES

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property portfolio[1]	**11,963**	11,403	4.9	**41,767**	40,337	3.5
Acquisitions and developments	**8,489**	8,187	3.7	**29,393**	11,098	—
Total operating expenses	**20,452**	19,590	4.4	**71,160**	51,435	38.3

(1) See Operating Revenues.

Net Operating Income

Although Net Operating Income ("NOI") is not a financial measure defined by GAAP, it is widely used in the real estate industry to assess operating performance. We define it as operating income before interest on borrowings, depreciation of income properties, amortization of deferred leasing costs and other assets, Trust administrative expenses, other revenues and unusual items. This definition may differ from that of other issuers and, therefore, Cominar's net operating income may not be comparable to similar measures presented by such other issuers.

NET OPERATING INCOME

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property portfolio [1]	**21,222**	20,806	2.0	**61,404**	59,434	3.3
Acquisitions and developments	**15,058**	12,681	18.7	**40,660**	17,955	—
Total NOI	**36,280**	33,487	8.3	**102,064**	77,389	31.9
NOI margin						
Same property portfolio	**64.0%**	64.6%		**59.5%**	59.6%	
Overall portfolio	**63.9%**	63.1%		**58.9%**	60.1%	

(1) See Operating Revenues.

NOI grew 8.3% during the third quarter of 2008 over the same period of 2007, while our NOI margin stood at 63.9% of operating revenues, up 0.8% over the corresponding period of 2007. This increase is due mainly to an improvement in the occupancy rate of the Alexis Nihon REIT's properties and to the rigorous management of operating costs. Our NOI margins (financial performance indicator) remain among the highest of real estate investment trusts.

Same property NOI (financial performance indicator) grew 2.0% during the third quarter of 2008 due mainly to the increase in operating revenues and to a stringent control of operating expenses. On a cumulative basis, same property NOI was up 3.3%.

Cominar's management considers the analysis of same property NOI particularly important since this measure provides an indication of our ability to grow our revenues through an increase in occupancy and rental rates, and to contain our operating expenses.

Interests on Borrowings

In the third quarter of 2008, total interest on borrowings increased by 4.1% compared with the same period of 2007, due mainly to the different financing agreements arranged or assumed in connection with the settlement of recent acquisitions. It represented 22.1% of operating revenues as at September 30, 2008, which compares favourably with our peers. On a comparative basis, it represented 22.7% as at September 30, 2007. As at September 30, 2008, our weighted average contractual interest rate stood at 5.66%, down 13 basis points from December 31, 2007.

The following table indicates the source of interest on borrowings presented in our financial statements:

INTEREST ON BORROWINGS

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Mortgages and bank indebtedness	**9,893**	11,483	(13.8)	**28,856**	23,556	22.5
Convertible debentures	**3,104**	1,589	—	**9,357**	3,369	—
Amortization of borrowing costs	**349**	185	88.6	**1,142**	440	—
Accretion of liability component of convertible debentures	**9**	—	—	**27**	—	—
Amortization of fair value adjustments on assumed mortgages payable	**(31)**	—	—	**(94)**	—	—
Less: Capitalized interest	**(781)**	(789)	(1.0)	**(2,834)**	(1,832)	—
Less: Interest related to discontinued operations	**—**	(414)	—	**—**	(1,240)	—
Total interest on borrowings	**12,543**	12,054	4.1	**36,454**	24,293	50.1

Depreciation of Income Properties

In the third quarter of 2008, depreciation of income properties increased by 4.5% over the same period in 2007. It should be noted that since September 2003, the CICA has required that the purchase price of an income property be allocated between tangible assets comprising the land and the building, and intangible assets such as operating leases and customer relationships. These intangible assets are amortized on a straight-line basis over the terms of related leases. The resulting amortization is therefore accelerated relative to the depreciation of properties held for a number of years. The depreciation attributable to income properties acquired or completed during fiscal years 2007 and 2008 represented more than twice that of the same property portfolio, or 61.0% of the total depreciation of income properties for the nine-month period ended September 30, 2008.

DEPRECIATION OF INCOME PROPERTIES

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Same property portfolio	**4,134**	3,963	4.3	**12,393**	12,504	(0.9)
Acquisitions and developments	**8,453**	8,084	4.6	**25,298**	10,906	—
Total depreciation of income properties	**12,587**	12,047	4.5	**37,691**	23,410	61.0

DEPRECIATION OF INCOME PROPERTIES

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Amortization of tangible assets	**7,511**	6,834	9.9	**22,089**	15,856	39.3
Amortization of intangible assets	**5,076**	5,213	(2.6)	**15,602**	7,554	—
Total depreciation of income properties	**12,587**	12,047	4.5	**37,691**	23,410	61.0

Trust Administrative Expenses

Administrative expenses increased by 49.1% to $1.1 million in the third quarter of 2008. This is due mainly to an increase in human resources following the acquisition of the Alexis Nihon properties and new hires to support the growth needs of our real estate portfolio. Despite this increase, the Trust's administrative expenses represented only 1.7% of 2008 operating revenues, the same as in 2007.

Discontinued Operations

In accordance with CICA Handbook Section 3475, the results of discontinued operations must be reclassified as a distinct component of net income for the fiscal year in which the sale of these operations took place, as well as for the previous year presented for comparative purposes. Consequently, net income related to a property expropriated in September 2007 (as described under "Contingency") is presented as net income from discontinued operations.

Net Income

Net income for the third quarter was up 16.6% while on a per unit (basic) basis, it showed a 20.0% increase. Despite the strong revenues achieved since the beginning of 2008 and the growth in all of Cominar's key performance indicators, net income for the nine-month period ended September 30, 2008 was down 18.2% from the same period of 2007. In fact, the comparison of 2008 net income with that of 2007 is not truly meaningful due mainly to the significant increase in depreciation of income properties attributable to acquisitions and developments completed in 2007 and 2008. The impact of this depreciation expense is based on the assumption that the value of properties declines over time. The impact of this assumption has been magnified by the application of the new rule explained on page 13 of this MD&A under "Depreciation of Income Properties". The reality tends to show that the value of properties rises or falls according to real estate market conditions.

NET INCOME

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Net income	**8,007**	6,868	16.6	**18,711**	22,882	(18.2)
Net income per unit (basic)	**0.18**	0.15	20.0	**0.41**	0.57	(28.1)
Net income per unit (diluted)	**0.17**	0.15	13.3	**0.41**	0.56	(26.8)

Contingency

An expropriation process was initiated in June 2006 by the Centre Hospitalier de l'Université de Montréal (CHUM) for the property located at 300 Viger Street in Montreal, Quebec. The expropriation procedure is currently at the definitive indemnity setting stage. A property transfer notice was served on Cominar on August 27, 2007, with an effective date of September 1, 2007, and the Quebec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity amounts to $30 million and was received during 2007. The definitive indemnity will be set by the Quebec Administrative Court or settled by the parties in the coming year. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity and, consequently, Cominar has recognized no gain or loss in connection with this expropriation.

Segmented Analysis

Cominar's activities encompass three categories of real estate properties located in the Greater Quebec City, Montreal and Ottawa areas. The following tables present the contributions of these properties to net operating income, by sector of activity and geographic location, for the quarters and nine-month periods ended September 30, 2008 and 2007.

Variations are attributable primarily to acquisitions completed in 2007 and 2008.

Segmented Information by Sector of Activity

NET OPERATING INCOME

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Sector of activity						
Office	**14,553**	13,796	5.5	**41,989**	29,351	43.1
Retail	**7,326**	7,047	4.0	**20,841**	19,203	8.5
Industrial and mixed-use	**14,401**	12,644	13.9	**39,234**	28,835	36.1
Total NOI	**36,280**	33,487	8.3	**102,064**	77,389	31.9

Office Sector

In the third quarter of 2008, NOI from office properties was up 5.5%, fuelled by a 9.2% increase in renewal rates and operating expenses remaining relatively unchanged from the third quarter of 2007. The NOI margin increased by 1.3% due to the successful integration of the Alexis Nihon properties, which had a lower occupancy rate than Cominar's existing properties at their acquisition date. The efforts made to increase the occupancy rates in these properties have yielded benefits, as indicated under "Real Estate Operations".

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Operating revenues	**24,430**	23,661	3.3	**74,651**	50,663	47.3
Operating expenses	**9,877**	9,865	0.1	**32,662**	21,312	53.3
NOI – Office	**14,553**	13,796	5.5	**41,989**	29,351	43.1
NOI margin – Office	**59.6%**	58.3%		**56.2%**	57.9%	

Retail Sector

The retail sector's net operating income grew 4.0% in the third quarter of 2008 over the same period of 2007, due mainly to a 1.5% increase in occupancy and a 10.4% increase in renewal rates.

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Operating revenues	**11,939**	11,306	5.6	**35,908**	33,171	8.3
Operating expenses	**4,613**	4,259	8.3	**15,067**	13,968	7.9
NOI – Retail	**7,326**	7,047	4.0	**20,841**	19,203	8.5
NOI margin – Retail	**61.4%**	62.3%		**58.0%**	57.9%	

Industrial and Mixed-Use Sector

The industrial and mixed-use sector achieved an excellent performance in the third quarter of 2008, with a 13.9% increase in NOI stemming primarily from a 1.4% increase in occupancy over September 30, 2007 and higher renewal rates.

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Operating revenues	**20,363**	18,110	12.4	**62,665**	44,990	39.3
Operating expenses	**5,962**	5,466	9.1	**23,431**	16,155	45.0
NOI – Industrial and mixed-use	**14,401**	12,644	13.9	**39,234**	28,835	36.1
NOI margin – Industrial and mixed-use	**70.7%**	69.8%		**62.6%**	64.1%	

Segmented Information by Geographic Location

The following table shows the growth in NOI in our three geographic locations.

NET OPERATING INCOME

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Region:						
Quebec City	**15,234**	14,222	7.1	**42,739**	39,651	7.8
Montreal	**18,770**	17,101	9.8	**52,875**	34,587	52.9
Ottawa	**2,276**	2,164	5.2	**6,450**	3,151	—
Total NOI	**36,280**	33,487	8.3	**102,064**	77,389	31.9

Distributable Income and Distributions

Although the concept of "distributable income" ("DI") is not a financial measure defined under GAAP, it is a measure widely used in the field of income trusts. We consider DI an excellent tool for assessing the Trust's performance. Given its historical nature, DI per unit is also a useful benchmark enabling investors to ascertain the stability of distributions. Pursuant to the Contract of Trust governing Cominar, the total annual distributions paid monthly to unitholders must represent at least 85% of annual DI.

The following presents the calculation of DI in accordance with the terms of the Contract of Trust as well as a reconciliation with net income calculated in accordance with GAAP:

DISTRIBUTABLE INCOME

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Net income (GAAP)	**8,007**	6,868	16.6	**18,711**	22,882	(18.2)
+ Depreciation of income properties	**12,587**	12,201	3.2	**37,691**	24,028	56.9
- Amortization of below-market/above market leases	**(131)**	(170)	(22.9)	**(384)**	(178)	—
+ Compensation costs related to unit option plan	**176**	70	—	**477**	169	—
+ Accretion of liability component of convertible debentures	**10**	—	—	**28**	—	—
- Deferred rentals	**(595)**	(662)	(10.1)	**(2,131)**	(1,550)	37.5
- Amortization of fair value adjustments on assumed mortgages payable	**(32)**	—	—	**(95)**	—	—
DI	**20,022**	18,307	9.4	**54,297**	45,351	19.7
Unusual item	**—**	—	—	**—**	(422)(1)	—
Recurring DI	**20,022**	18,307	9.4	**54,297**	44,929	20.9
DISTRIBUTIONS TO UNITHOLDERS	**16,499**	14,640	12.7	**47,963**	39,224	22.3
Distributions reinvested under DRIP	**(962)**	(736)	30.7	**(2,053)**	(1,338)	53.4
Cash distributions	**15,537**	13,904	11.7	**45,910**	37,886	21.2
Per unit information:						
DI (basic)	**0.44**	0.41	7.3	**1.19**	1.12	6.3
Recurring DI (basic)	**0.44**	0.41	7.3	**1.19**	1.11	7.2
Recurring DI (fully diluted)	**0.42**	0.40	5.0	**1.17**	1.09	7.3
DISTRIBUTIONS PER UNIT	**0.360**	0.325	10.8	**1.052**	0.943	11.6
DI payout ratio	**81.8%**	79.3%		**88.4%**	84.2%	
Recurring DI payout ratio	**81.8%**	79.3%		**88.4%**	85.0%	

(1) During the second quarter of 2007, Cominar realized non-recurring interest income of $ 0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, in the closing of the acquisition of the Alexis Nihon properties.

RDI per unit for the third quarter ended September 30, 2008 stood at $0.44, up 7.3% over the corresponding quarter of 2007, thanks mainly to the immediate impact of acquisitions and developments completed since the beginning of 2007 and the 2.0% increase in same property NOI. Per unit distributions amounted to $0.360, a 10.8% increase over the three-month period ended September 30, 2007. It should be noted that the 2007 third quarter DI payout ratio was unusually low, since the DI for that period included the positive impact of the Alexis Nihon properties acquisition which had not yet been reflected in a raise in distributions.

RDI per unit grew 7.2% in the nine-month period ended September 30, 2008. Per unit distributions rose from $0.943 in 2007 to $1.052 in 2008, an increase of 11.6%, whereas the RDI payout ratio was 88.4%, compared with 85.0% in 2007. Management believes that the RDI payout ratio at year end should be about 87% or 88%, in line with previous years.

TRACK RECORD OF DI PER UNIT (FINANCIAL PERFORMANCE INDICATOR)

For the quarters ended September 30,	2008	2007	2006	2005	2004
DI per unit (basic)	**0.44**	0.41	0.37	0.36	0.34
RDI per unit (fully diluted)	**0.42**	0.40	0.36	0.36	0.34

Cominar's RDI per unit, established in accordance with its Contract of Trust, is in our opinion a useful tool for assessing the Trust's operating performance because it highlights the per unit notion of the cash flows distributable to unitholders. Furthermore, given its historical nature, it is also a useful benchmark enabling investors to ascertain the stability of distributions.

On July 6, 2007, the Canadian Securities Administrators (CSA) issued an amended version of their "National Policy 41-201 – Income Trusts and Other Indirect Offerings", which includes guidelines on distributable cash.

In accordance with such policy, the Trust is required to reconcile distributable income (a non-GAAP measure) with cash flows from operating activities as shown in the financial statements.

The following table presents this reconciliation:

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Cash flows from operating activities (GAAP)	**29,885**	30,890	(3.3)	**52,277**	58,906	(11.3)
- Deferred rentals	**(595)**	(662)	(10.1)	**(2,131)**	(1,550)	37.5
- Amortization of deferred leasing costs	**(1,980)**	(1,761)	12.4	**(6,223)**	(5,180)	20.1
- Amortization of deferred financing costs and other assets	**(457)**	(344)	32.8	**(1,683)**	(826)	—
- Change in non-cash operating working capital items	**(6,831)**	(9,816)	(30.4)	**12,057**	(5,999)	—
DI	**20,022**	18,307	9.4	**54,297**	45,351	19.7

Deferred rentals result from straight-line accounting for rent increases set forth in leases. As Cominar does not collect these amounts during the period, deferred rentals are deducted from net income in the calculation of DI.

Although amortization of deferred leasing costs, deferred financing costs and other assets are non-cash items, Cominar deducts them in the computation of DI, as the income items of this amortization must be excluded from cash flows available for distribution to unitholders.

Due to the fact that non-cash working capital items tend to fluctuate over time, Cominar believes they should not affect distributions to unitholders and therefore does not consider them in the calculation of distributable income.

Cominar also presents the following table, in accordance with CSA guidelines, to allow its readers to assess the source of cash distributions and how they relate to net income:

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**2006**	**2008**	**2007**	**2006**
Cash flows from operating activities	**29,885**	30,890	17,756	**52,277**	58,906	33,109
Net income	**8,007**	6,868	9,100	**18,711**	22,882	23,628
Distributions to unitholders	**16,499**	14,640	10,744	**47,963**	39,224	31,069
Cash flows from operating activities in excess of distributions to unitholders	**13,386**	16,250	7,012	**4,314**	19,682	2,040

For the fiscal year ending December 31, 2008, Cominar expects its cash flows from operating activities will suffice to finance its distributions to unitholders, as has been the case every fiscal year since the creation of the REIT.

Cominar considers that the comparison of distributions with net income is not indicative of its capacity to pay sustained distributions to unitholders. The difference between distributions, calculated on the basis of DI, and net income, is primarily attributable to non-cash items, as shown in the reconciliation between net income and DI.

Funds from Operations

Although the notion of "funds from operations" ("FFO") is not a financial measure defined under GAAP, it is widely used in the field of real estate investment trusts. The Real Property Association of Canada ("REALpac") defines this measure as net income (calculated in accordance with GAAP), excluding gains (or impairment provisions and losses) from sales of income properties and extraordinary items, plus depreciation of income properties, amortization of deferred leasing costs and amortization of non-recoverable capital expenditures. FFO should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating FFO is in compliance with REALpac recommendations, but may differ from the methods used by other trusts, and therefore cannot be used for comparison.

We consider FFO a meaningful additional measure of operating performance, since it excludes the assumption that the value of real estate assets diminishes predictably over time and discounts certain items included in net income, established in accordance with GAAP, that are not necessarily indicative of our operating performance (for example, gains or losses from the sale of real estate assets).

The following table presents a reconciliation of net income, as determined in accordance with GAAP, and FFO for the periods ended September 30, 2008 and 2007:

FUNDS FROM OPERATIONS

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
Net income (GAAP)	**8,007**	6,868	16.6	**18,711**	22,882	(18.2)
+ Depreciation of income properties	**12,587**	12,201	3.2	**37,691**	24,028	56.9
+ Amortization of deferred leasing costs	**1,980**	1,761	12.4	**6,223**	5,180	20.1
+ Amortization of non-recoverable capital expenditures	**106**	100	6.0	**315**	224	40.6
FFO	**22,680**	20,930	8.4	**62,940**	52,314	20.3
Unusual item	**—**	—	—	**—**	(422)(1)	—
Recurring FFO	**22,680**	20,930	8.4	**62,940**	51,892	21.3
Per unit information:						
Recurring FFO (basic)	**0.50**	0.47	6.4	**1.39**	1.29	7.8
Recurring FFO (fully diluted)	**0.47**	0.45	4.4	**1.33**	1.24	7.3

(1) During the second quarter of 2007, Cominar realized non-recurring interest income of $ 0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, in connection with the closing of the acquisition of the Alexis Nihon properties.

Amortization of non-recoverable capital expenditures is added to net income since Cominar includes this expense in the operating expenses of its income properties.

In the third quarter of 2008, recurring FFO increased due to the acquisitions and developments completed during 2007 and 2008, and organic growth. Recurring FFO per unit grew 6.4% for the quarter; on a fully diluted basis, they increased by 4.4% over the same period of the previous year.

On a cumulative basis, recurring FFO per unit (basic) were up 7.8% over the corresponding period of 2007 while on a fully diluted basis, they increased by 7.3%.

TRACK RECORD OF FUNDS FROM OPERATIONS PER UNIT (FINANCIAL PERFORMANCE INDICATOR)

For the quarters ended September 30,	2008	2007	2006	2005
FFO per unit (basic)	**0.50**	0.47	0.43	0.39
Recurring FFO per unit (fully diluted)	**0.47**	0.45	0.41	0.39

Adjusted Funds from Operations

The notion of "adjusted funds from operations" ("AFFO") is fast becoming a key financial measure in the field of real estate investment trusts. Deducting the normalized investments needed to maintain its real estate portfolio's production capacity from FFO, AFFO constitute an additional measure to assess Cominar's financial performance as well as its ability to maintain and increase its distributions over the long term.

AFFO are not defined under GAAP and should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring our performance. Our method of calculating AFFO may differ from the methods used by other trusts, and therefore cannot be used for comparison.

In presenting AFFO, Cominar provides the financial community with a measure of its capacity to generate normalized cash flows from the operation of its real estate portfolio. Cominar therefore adjusts FFO to account for additional items not affecting cash and deducts the normalized investments needed to maintain its production capacity.

As of the first quarter of 2008, Cominar's management decided to deduct the amortization of deferred leasing costs and the amortization of non-recoverable capital expenditures expensed during the period rather than deduct the outlays made during the period when calculating AFFO.

The efforts made to increase the occupancy rate of the Alexis Nihon REIT properties acquired in 2007 to approximately 94%, from 87% at the acquisition date, required Cominar to make a significant investment that, presented on the basis of outlays, would not enable an investor to adequately judge the cash flows generated by such investments, other than over the lease terms.

Cominar considers the amortization of leasing costs expensed during a period to be a realistic estimate of the expenses the REIT must continually incur as leasing costs to maintain its production capacity. Since such amortization represents the spread over the lease term of the amounts irregularly incurred over time (lease expiries, occupancy rates, etc.), there is a better correlation between FFO and the investments required to generate such flows.

Non-recoverable capital expenditures, which also represent major investments made by Cominar as part of the program to maintain its real estate portfolio's production capacity, are not transferable to tenants because of specific lease clauses. These expenditures are usually incurred in the summer and the fall. Cominar considers the amortization of such expenditures over the useful lives of the assets to be an adequate representation of the ongoing investments needed to maintain the properties in good condition.

In Cominar's opinion, the various items added to interest expense, including the amortization of transaction costs, are indicative of the amounts that must be periodically reserved to maintain its borrowing capacity. Accordingly, no adjustment is required.

Prior-period AFFO have been restated accordingly.

The following table presents a reconciliation of FFO and AFFO for the periods ended September 30, 2008 and 2007:

ADJUSTED FUNDS FROM OPERATIONS

	Quarter			Cumulative (nine months)		
For the periods ended September 30,	**2008**	**2007**	**Δ%**	**2008**	**2007**	**Δ%**
FFO	**22,680**	20,930	8.4	**62,940**	52,314	20.3
+ Compensation costs related to unit option plan	**176**	70	—	**477**	169	—
- Deferred rentals	**(595)**	(662)	(10.1)	**(2,131)**	(1,550)	37.5
- Amortization of (below-market)/above-market leases	**(131)**	(170)	(22.9)	**(384)**	(178)	—
- Amortization of deferred leasing costs	**(1,980)**	(1,761)	12.4	**(6,223)**	(5,180)	20.1
- Amortization of non-recoverable capital expenditures	**(106)**	(100)	6.0	**(315)**	(224)	40.6
AFFO	**20,044**	18,307	9.5	**54,364**	45,351	19.9
Unusual item	**—**	—	—	**—**	(422)(1)	—
Recurring AFFO	**20,044**	18,307	9.5	**54,364**	44,929	21.0
Per unit information:						
Recurring AFFO per unit (basic)	**0.44**	0.41	7.3	**1.20**	1.11	8.1
Recurring AFFO per unit (fully diluted)	**0.42**	0.40	5.0	**1.17**	1.09	7.3

(1) During the second quarter of 2007, Cominar realized non-recurring interest income of $ 0.4 million from a public offering of subscription receipts issued in May 2007 and converted into units in June 2007, in connection with the closing of the acquisition of the Alexis Nihon properties.

Recurring AFFO per fully diluted unit grew 5.0% in the third quarter of 2008 over the same period of the previous year. For the nine-month period ended September 30, 2008, they reached $1.17, up 7.3% over the corresponding period of 2007.

The following table presents AFFO per unit for the last three quarters ended September 30:

TRACK RECORD OF ADJUSTED FUNDS FROM OPERATIONS PER UNIT (FINANCIAL PERFORMANCE INDICATOR)

For the quarters ended September 30,	**2008**	**2007**	**2006**
AFFO per unit (basic)	**0.44**	0.41	0.33
Recurring AFFO per unit (fully diluted)	**0.42**	0.40	0.32

Liquidity and Capital Resources

Long-Term Debt

The following table presents Cominar's debt balances as at September 30, 2008, including mortgages payable and convertible debentures, by year of maturity and weighted average contractual interest rates:

LONG-TERM DEBT

Years of maturity	Balances of convertible debentures ($)	Balances of mortgages payable ($)	Weighted average contractual interest rate (%)
2008		—	—
2009		53,151	5.57
2010		25,308	5.10
2011		7,114	7.70
2012		20,769	7.03
2013		67,244	5.23
2014	213,135	41,607	5.91
2015		13,960	5.13
2016		—	—
2017		130,875	5.38
2018		80,777	5.52
2019		17,061	6.67
2020		—	—
2021		97,112	5.55
2022		34,392	5.35
Total	**213,135**	**589,370**	**5.66**

As at September 30, 2008, the weighted average contractual interest rate of our long-term debt stood at 5.66%, down 13 basis points from December 31, 2007.

Mortgages Payable

As at September 30, 2008, mortgages payable amounted to $589.4 million, compared with $620.1 million as at December 31, 2007, a decrease of $30.7 million. As at September 30, 2008, the weighted average contractual interest rate of mortgages payable was 5.60%, down from 5.78% as at December 31, 2007.

Cominar has staggered mortgage expiry dates over a number of years to reduce the risks related to renewal. As at September 30, 2008, the residual average term of mortgages payable was 7.9 years.

The following table presents the changes in mortgages payable in 2008:

MORTGAGES PAYABLE

For the nine-month period ended September 30, 2008	$	Weighted average contractual interest rate (%)
Balances of mortgages payable, beginning of period	620.1	5.78
Mortgages payable contracted or assumed	113.1	5.12
Repayment of balances at maturity	(131.7)	6.09
Monthly repayment of principal	(12.1)	
Balances of mortgages payable, end of period	**589.4**	**5.60**

Since the beginning of the year, Cominar has contracted or assumed mortgages payable totaling $233.3 million, bearing interest at a weighted average contractual rate of 5.22% and has repaid outstanding mortgages payable for a consideration of $131.7 million, at a weighted average contractual interest rate of 6.09%, using its credit facilities and the proceeds from new mortgages payable. Details of these new financings are as follows:

In March 2008, Cominar contracted a new $30.0 million mortgage payable with a financial institution at a 5.357% contractual interest rate for a 10-year term. The net proceeds were used to repay outstanding credit facilities.

In May 2008, we entered into a mortgage with a financial institution for $21.8 million. The loan bears interest at 5.75% and matures in 2018. It is secured by immovable hypothecs on income properties.

In June 2008, Cominar contracted a $60.0 million mortgage payable with a financial institution, which bears interest at prime rate and which may be fixed at any time, at Cominar's option at the lender's cost of funds plus 1.25%. The loan matures in 2013 and is secured by immovable hypothecs on income properties.

On October 30, 2008, Cominar contracted a $97.2 million mortgage payable with a Canadian insurance company, bearing interest at a rate of 5.4%. The loan matures in 2013 and is secured by an immovable hypothec on an income property.

On October 31, 2008, Cominar contracted a $17.0 million mortgage payable with a financial institution, bearing interest at a rate of 6.68%. The loan matures in 2018 and is secured by immovable hypothecs on income properties.

The following table shows mortgage repayments for the coming years as at September 30, 2008:

MORTGAGE REPAYMENTS

Years ending December 31,	Repayment of principal	Balance at maturity	Total	% of total
2008	3,868	—	3,868	0.7
2009	14,038	52,341	66,379	11.3
2010	14,288	24,070	38,358	6.5
2011	14,659	5,855	20,514	3.5
2012	14,543	16,380	30,923	5.3
2013	13,349	57,650	70,999	12.1
2014	12,211	32,209	44,420	7.5
2015	11,578	11,073	22,651	3.8
2016	11,879	—	11,879	2.0
2017	10,937	109,423	120,360	20.4
2018	9,316	42,779	52,095	8.8
2019	3,988	4,141	8,129	1.4
2020	3,987	—	3,987	0.7
2021	2,396	67,963	70,359	11.9
2022	262	24,187	24,449	4.1
Total	**141,299**	**448,071**	**589,370**	**100.0**

Convertible Debentures

As at September 30, 2008, we had three series of convertible debentures outstanding totaling $213.1 million. These debentures bear interest at contractual rates ranging from 5.70% to 6.30% per annum and mature in 2014. The weighted average contractual quarter-end interest rate of these debentures stood at 5.82% per annum.

Bank Indebtedness

In June 2008, Cominar replaced its three existing operating and acquisition credit facilities, which provided for a maximum amount of $180 million, with a new facility in a maximum amount of $218 million. This facility is renewable annually and bears interest at 0.25% above prime or at 1.5% above bankers' acceptance rates. It is secured by movable and immovable hypothecs on specific assets. It is provided by a syndicate of lenders, and management has reason to believe that it will remain available in the future. On September 30, 2008, this credit facility was raised to a maximum of $248.0 million. As at September 30, 2008, bank indebtedness totaled $157.6 million. Thus, Cominar had available credit facilities of $90.4 million at the end of the third quarter.

Debt Ratio

The following table presents debt ratios as at September 30, 2008 and December 31, 2007:

DEBT TO GROSS BOOK VALUE RATIO

	As at September 30, 2008	As at December 31, 2007
Mortgages payable	**588,388**	619,755
Convertible debentures	**203,371**	203,852
Bank indebtedness	**157,572**	35,321
Total debt	**949,331**	858,928
Portfolio gross book value	**1,639,377**	1,535,478
Overall debt ratio (1)(2)	**57.9%**	55.9%
Debt ratio (excluding convertible debentures)	**45.5%**	42.7%
Borrowing power - 65% of gross book value (3)	**332,000**	397,000
Borrowing power - 60% of gross book value (3)	**86,000**	156,000

(1) The overall debt to gross book value ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross book value of the property portfolio (total value of assets plus accumulated depreciation).

(2) This ratio is not defined by GAAP and may differ from similar measures presented by other entities.

(3) Pursuant to its Contract of Trust, Cominar's maximum debt ratio is 60% of gross book value (65% if convertible debentures are outstanding).

DEBT RATIO TRACK RECORD (FINANCIAL PERFORMANCE INDICATOR)

For the quarters ended September 30,	2008	2007	2006	2005	2004
Overall debt ratio	**57.9%**	55.8%	45.0%	49.6%	50.7%
Debt ratio (excluding convertible debentures)	**45.5%**	49.3%	39.1%	36.6%	36.9%
Maximum borrowing power allowed by the Contract of Trust	**332,000**	401,000	307,500	195,000	169,000

As at September 30, 2008, Cominar maintained a debt ratio of 57.9%, which is less than the maximum debt ratio of 65.0% allowed by its Contract of Trust if convertible debentures are outstanding, and which provides it with the ability to borrow up to $332 million in funds for its future acquisitions and developments. Management believes that limiting the use of leverage contributes to ensure the stability of future distributions in more uncertain economic times and the prudent growth of the Trust. It also provides us with the ability to access debt markets even when conditions in these markets are difficult, as they have been for most of this year.

The following table presents our interest coverage ratio as at September 30, 2008 and December 31, 2007:

INTEREST COVERAGE RATIO

	As at September 30, 2008	As at December 31, 2007
Net income	**18,711**	29,241
- Net income from discontinued operations	**—**	(8)
- Unusual item	**—**	(422)
- Other revenues	**(220)**	(394)
+ Interest on borrowings	**36,454**	35,711
+ Depreciation of income properties	**37,691**	35,514
+ Amortization of deferred leasing costs	**6,223**	6,965
+ Amortization of other assets	**225**	196
EBITDA (1)	**99,084**	106,803
Interest expense	**36,454**	36,951
Interest coverage ratio (2)(3)	**2.72**	2.89

(1) EBITDA is earnings before interest, income taxes, depreciation and amortization.
(2) The interest coverage ratio is equal to EBITDA (measure not defined by GAAP) divided by interest expense.
(3) This ratio is not defined by GAAP and may differ from similar measures presented by other entities.

The interest coverage ratio is used to assess Cominar's ability to pay interest on its debt using its operating revenues. As at September 30, 2008, the interest coverage ratio was 2.72:1, down slightly from 2.89:1 as at December 31, 2007, yet still solid. It should be noted that this ratio is generally lower than that for the full year because the first quarter is usually the year's least profitable period due to winter expenses.

Unit Repurchase Program

On March 6, 2008, Cominar announced that the Toronto Stock Exchange had approved its unit repurchase program, authorizing it to purchase up to 2,265,278 of the 45,305,565 units issued and outstanding as at February 25, 2008 (representing 5% of Cominar's issued and outstanding units at that date), as an appropriate use of Cominar's funds.

As a result of such purchases, the number of units outstanding will be reduced and the proportionate interest of all remaining unitholders in the capital of Cominar will be increased on a pro rata basis. Cominar will thus have the opportunity to purchase units on the open market on the Toronto Stock Exchange, from time to time, over the 12-month period beginning March 10, 2008 and ending on March 9, 2009. All units purchased under the unit repurchase program will be cancelled.

As at September 30, 2008, no units had been redeemed under this program.

Off-Balance Sheet Arrangements and Contractual Commitments

Cominar does not have any off-balance sheet arrangements that have or are likely to have an impact on its operating results or its financial position, especially its cash flows and sources of financing.

The REIT has no significant contractual commitments other than those arising from its long-term debt and the payments due under emphyteutic leases for land held for income properties, as described in further detail in the accompanying notes to the interim consolidated financial statements.

During the quarter ended September 30, 2008, Cominar complied with all its commitments to its lenders and was not in default with respect to any restrictive clause as at the balance sheet date.

Property Portfolio

The following table presents information about our property portfolio:

As at September 30,	2008	2007
Income properties (at cost)	**1,486,147**	1,404,841
Properties under development and land held for future development	**80,131**	53,399
Other assets	**73,099**	64,421
Portfolio gross book value	**1,639,377**	1,522,661

As at November 12,	2008	2007
Number of properties	**213**	205
Leasable area (in thousands of sq. ft.)	**18,215**	17,041

As at November 12, 2008:

SUMMARY BY SECTOR OF ACTIVITY

	Number of properties	Leasable area (sq.ft.)
Office	37	5,320,796
Retail	38	2,636,202
Industrial and mixed-use	138	10,257,625
Total	**213**	**18,214,623**

SUMMARY BY GEOGRAPHIC LOCATION

	Number of properties	Leasable area (sq.ft.)
Quebec City	93	6,642,592
Montreal	116	10,963,456
Ottawa	4	608,575
Total	**213**	**18,214,623**

Acquisition and Development Program

Over the years, Cominar has achieved much of its growth through high-quality acquisitions based on strict selection criteria in its three sectors of activity. However, the commercial and industrial real estate market is evolving and we have adjusted our expansion strategy accordingly to optimize our return on investment. In light of the conditions that have recently prevailed in our three sectors, specifically the great demand for quality income properties, and a lack of office rental space in the Quebec City region, we are intensifying our expansion through construction and development projects that represent strong value-added potential and hence, drawing on our specialized resources and 40-year expertise in real estate development.

Acquisitions

As at November 12, 2008, we had completed the acquisition of properties representing 1.2 million square feet of space for a $213.6 million investment.

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montreal that were previously co-owned, thereby becoming the sole owner of these income properties. The purchase price amounted to $18.6 million, including transaction fees.

On May 12, 2008, Cominar acquired two industrial properties representing a leasable area of 344,846 square feet, for a consideration of $23.0 million and at a 9.7% average capitalization rate. These two properties are located in Quebec: one in Lévis and the other in Saguenay. They are fully occupied under long-term leases. Both properties are excellent constructions, very well located and leased to solidly established businesses.

On May 29, 2008, Cominar acquired a 14,600-square-foot retail property in Ste-Julie for $3.1 million at an 8.8% capitalization rate. The property is 100% leased.

On October 1, 2008, Cominar acquired the 24-storey Class "A" office tower located at 2001 McGill College in Montreal for a total consideration of $165 million.

The property is located on the east side of McGill College Avenue and on the corner of Sherbrooke Street West, a well-known business address in the core of Montreal's business district. It is comprised of a 528,532-square-foot, 24-storey office building connected to four-storey historic greystones along Sherbrooke Street. It has a current occupancy of 90%. Its highly diversified tenant roaster is comprised of many investment grade and international corporations. The tenant base includes more than 24 clients, with the largest tenant occupying approximately 13% of the building's leasable space. The average remaining lease term is over six years.

Cominar had been actively looking at acquiring an office property in Montreal to substitute for its office property located at 300 Viger in Montreal since the Centre hospitalier de l'Université de Montréal (CHUM) initiated an expropriation process in June 2006. The initial capitalization rate associated with this acquisition (6.3%) is immediately accretive and should be assessed taking into consideration the definitive indemnity that Cominar expects to receive from the CHUM.

On November 3, 2008, Cominar acquired a 68,000-square-foot industrial and mixed-use property located at 4148-4150 Boulevard de Portland in Sherbrooke, Quebec, for a purchase price of $4 million, paid in cash. The capitalization rate associated with this transaction is 10.0%. The property is 100% leased.

Detailed information about these property acquisitions is presented in the following table:

Income property	City	Sector of activity(1)	Closing date	Leasable area (sq.ft.)	Purchase price ($)	Capitalization rate (%)
1875 55th Avenue	Dorval	I	02/08(2)	40,939	18,564	6.8
1520-1660 55th Avenue	Lachine	I	02/08(2)	39,511	—	—
1730-1850 55th Avenue	Lachine	I	02/08(2)	39,511	—	—
1200 55th Avenue	Lachine	I	02/08(2)	34,231	—	—
731-749 Meloche Avenue	Dorval	I	02/08(2)	26,675	—	—
679-701 Meloche Avenue	Dorval	I	02/08(2)	26,069	—	—
703-729 Meloche Avenue	Dorval	I	02/08(2)	23,780	—	—
1870 St-Paul Blvd	Saguenay	I	05/08(3)	132,846	23,000	9.7
820 Alphonse-Desrochers St	Lévis	I	05/08(3)	212,000	—	—
933 Armand-Frappier Blvd	Ste-Julie	R	05/08	14,600	3,050	8.8
2001 McGill College	Montreal	O	10/08	528,532	165,000	6.3
4148-4150 Boul de Portland	Sherbrooke	I	11/08	68,000	4,000	10.0
Total/Weighted average capitalization rate				**1,186,694**	**213,614**	**6.8**

(1) I = Industrial and mixed-use, R = Retail, O = Office.
(2) These seven properties were acquired pursuant to a single transaction.
(3) These two properties were acquired pursuant to a single transaction.

Development Program

Completed Developments

In the second quarter, Cominar completed the construction of an industrial and mixed-use property located in Boucherville, in the Montreal region. This property represents a leasable area of 28,600 square feet and a $5.5 million investment. Its capitalization rate is 9.8%. This property is a turnkey project that has been fully occupied by a single tenant since the beginning of May 2008.

During the same period, Cominar also completed an industrial development in Laval, representing 78,757 square feet of leasable space and a $5.3 million investment at an estimated 9.9% capitalization rate.

The following table details these projects:

Development	City	Sector of Activity(1)	Leasable area (sq.ft.)	Investment ($)	Capitalization rate (%)	Leasing status (%)
72 chemin du Tremblay	Boucherville	I	28,600	5,500	9.8	100.0
3025 J.-A. Bombardier	Laval	I	78,757	5,300	9.9	75.0
Total/weighted average capitalization rate			**107,357**	**10,800**	**9.8**	

(1) I = Industrial and mixed-use.

Ongoing Developments

Consistent with its growth strategy, Cominar is pursuing its property development activities, which allow it to obtain higher returns than acquisitions in the current real estate market in Quebec.

In January 2008, Cominar undertook a large-scale project on Laurier Boulevard in Quebec City. One of the largest thoroughfares in Quebec City, located at the exit of the bridges connecting the two shores of the St. Lawrence River, Laurier Boulevard is one of the gateways into the city, with its many hotels, office buildings and shopping centres. This future property, which will enjoy an enviable geographic location, should have a leasable area of more than 720,000 square feet, of which approximately 100,000 square feet are intended to be used for retail purposes, leaving over 620,000 square feet of office space. The construction cost is estimated at $110 million and the capitalization rate is estimated at 9.3%. This project should be completed in two phases. The first should represent 396,000 square feet and a cost of approximately $74 million and should be ready to receive its first occupants in August 2009. We are currently erecting the building structure of the first tower and are finalizing the excavation work for the project's parking site. The project is progressing within budget and on schedule.

We are also progressing with our St-Bruno retail development, a 110,000-square-foot project representing approximately $12.6 million of investment. Construction of the buildings has been completed. We are currently doing the landscaping and finalizing the work on the parking lot.

In the first quarter of 2008, Cominar also began the final phase of revitalizing Les Promenades Beauport shopping centre, located on du Carrefour Street in Quebec City. This project consists of the renovation of a leasable area of 65,000 square feet and a 50,000-square-foot expansion, which will bring this shopping centre's total area to approximately 551,000 square feet. The expansion will be used primarily for office space. The total cost of the project is estimated at $7.9 million, at a 9.3% capitalization rate. Work is progressing according to plan and on schedule.

In addition, a 50,000-square-foot two-storey industrial and mixed-use property will be built on 4th Avenue in Lévis, at an estimated cost of $2.9 million and a 9.6% capitalization rate. This construction, which began in the first quarter of fiscal 2008, represents the first phase of a three industrial property project totaling over 170,000 square feet of space. Construction of the building is going well.

Combined, these projects represent an estimated investment of $97.4 million over the next years. The estimated average capitalization rate is 9.4%, much higher than returns obtained following acquisitions.

Detailed information about ongoing developments as at September 30, 2008 is presented in the following table:

Development	**City**	**Sector of Activity(1)**	**Scheduled completion**	**Leasable area (sq.ft.)**	**Investment ($)**	**Capitalization rate (%)**	**Leasing status (%)**
Laurier Boulevard (Phase 1)	Quebec City	O, R	Q1-2010	396,000	74,000	9.3	26.0
St-Bruno Power Centre (Phase 1 & 2)	St-Bruno	R	Q4-2008	110,240	12,600	9.8	26.0
Promenades Beauport	Quebec City	O, R	Q4-2008	115,000	7,900	9.3	31.0
4th Avenue (Phase 1)	Lévis	I	Q1-2009	50,000	2,900	9.6	21.0
Total/weighted average capitalization rate (estimate)				**671,240**	**97,400**	**9.4**	

(1) I = Industrial and mixed-use, R = Retail, O = Office.

Upcoming Development

The following table presents our upcoming development as at September 30, 2008:

Development	**City**	**Sector of activity(1)**	**Scheduled completion**	**Leasable area (sq.ft.)**	**Investment ($)**	**Capitalization rate (%)**
Laurier Blvd. – Phase 2	Quebec City	O, R	2010	324,000	36,000	9.3
Total/weighted average capitalization rate (estimate)				**324,000**	**36,000**	**9.3**

(1) O = Office, R = Retail

The expected returns on our ongoing and upcoming developments are based on the estimated costs to complete the projects and the expected rental rates to be achieved. Actual returns could vary based on actual costs and rental rates.

Real Estate Operations

The following table presents our operational performance indicators as at September 30, 2008, June 30, 2008 and September 30, 2007:

As at	September 30, 2008	June 30, 2008	September 30, 2007
Occupancy rate	**95.2%**	95.2%	94.3%
Tenant retention rate [1]	**62.7%**	52.0%	72.9%

(1) Percentage of expiring leases renewed.

Occupancy Rate

Cominar consistently strives to maximize occupancy rates throughout its portfolio and has successfully maintained an average occupancy of approximately 95% since its inception. As at September 30, 2008, occupancy stood at 95.2%, the same as in the previous quarter.

OCCUPANCY TRACK RECORD
(Operational Performance Indicator)

The following table presents occupancy rates by sector of activity at the end of the period indicated below:

As at	September 30, 2008	June 30, 2008	September 30, 2007
Sector of activity (%)			
Office	**93.9**	93.9	94.4
Retail	**96.9**	96.0	95.4
Industrial and mixed-use	**95.4**	95.6	94.0
Total portfolio	**95.2**	**95.2**	**94.3**

Occupancy is regarded by Cominar's management as a key indicator of customer satisfaction. Customer satisfaction is defined as customer perception and judgment of our ability to meet their needs and expectations. Our average occupancy rate has fluctuated very little over the past five years, remaining at about 95%.

Office. In the third quarter of 2008, the occupancy rate in this sector stood at 93.9%, the same level as in the previous quarter.

Retail. The occupancy rate in the retail sector increased by 1.5% over the corresponding quarter of the previous year, reaching 96.9%.

Industrial and mixed-use. As at September 30, 2008, the occupancy rate in the industrial and mixed-use sector was relatively stable compared with June 30, 2008, and was up by 1.4% over the occupancy rate as at September 30, 2007. Cominar's management attributes these results to the efforts of its leasing team, favourable market conditions and our operational strategy.

Leasing Activity

The following table contains a summary of Cominar's leasing activity as at September 30, 2008:

LEASE EXPIRIES AND RENEWALS BY SECTOR

	Office	Retail	Industrial and mixed-use	Total
Expiring leases/2008				
Number of customers	220	139	226	585
Leasable area (sq.ft.)	640,239	347,891	1,645,433	2,633,563
Average net rent/sq.ft.($)	10.01	8.44	5.58	7.04
Renewed leases				
Number of customers	118	82	142	342
Leasable area (sq.ft.)	447,833	244,060	959,838	1,651,731
Average net rent/sq.ft.($)	11.22	10.53	5.99	8.08
% renewal	**69.9**	**70.2**	**58.3**	**62.7**
New leases				
Number of customers	60	36	78	174
Leasable area (sq.ft.)	138,397	118,326	598,084	854,807
Average net rent/sq.ft.($)	11.76	9.76	5.59	7.17

As indicated in the table above, leasing activity remained strong across our portfolio, especially in the office and retail sectors where 69.9% and 70.2% of expiring leases were renewed, respectively. Our leasing team stepped up its efforts to renew an aggregate 62.7% of leases expiring in 2008, thereby achieving a highly satisfactory performance. We also signed new leases representing a leasable area of 0.9 million square feet. Our renewal rates are up in all three sectors of activity, with increases of 9.2%, 10.4% and 5.5%, respectively, for the office, retail and industrial sectors.

Considering our solid renewal track record and the demand for rental space in our three geographic markets, we are confident, we will be able to renew a large proportion of expiring leases at a higher rate per square foot, despite the current economic uncertainty.

The following table details our lease maturity profile for the next five years:

LEASE MATURITY

	2009	2010	2011	2012	2013
Office					
Leasable area (sq.ft.)	514,224	637,434	409,771	817,348	451,348
Lease rate/square foot ($)	11.34	10.27	11.24	10.77	11.99
% of office portfolio	10.7%	13.3%	8.6%	17.1%	9.4%
Retail					
Leasable area (sq.ft.)	258,078	278,031	309,354	378,523	167,416
Lease rate/square foot ($)	11.67	10.82	10.82	10.64	14.01
% of retail portfolio	9.7%	10.5%	11.6%	14.2%	6.3%
Industrial and mixed-use					
Leasable area (sq.ft.)	1,456,267	1,570,529	1,277,993	1,361,040	953,481
Lease rate/square foot ($)	5.45	5.45	5.86	6.43	6.37
% of industrial and mixed-use portfolio	14.3%	15.4%	12.5%	13.4%	9.4%
Portfolio total					
Leasable area (sq.ft.)	2,228,569	2,485,994	1,997,118	2,556,911	1,572,245
Lease rate/square foot ($)	7.53	7.29	7.73	8.44	8.80
% of portfolio	12.6%	14.1%	11.3%	14.5%	8.9%

The following table summarizes average lease term information as at September 30, 2008:

	Average remaining lease term (years)	Average customer size (sq.ft.)	Average in-place net rent / sq.ft. ($)
Office	4.8	5,430	11.58
Retail	5.3	3,400	11.02
Industrial and mixed-use	4.0	11,300	5.71
Portfolio average	**4.4**	**6,850**	**8.20**

We have approximately 2,500 customers, occupying on average 6,850 square feet of space. Our broad customer base is highly diversified. Our three largest customers, Public Works Canada, Société immobilière du Québec, a Quebec government corporation and Ericsson Canada, account respectively for approximately 6.5%, 5.2% and 2.6% of our revenues, stemming from several leases with maturities staggered over time. The stability and quality of our cash flows from operating activities are enhanced by the fact that approximately 11.7% stems from government agencies. The table below presents the percentage contribution to revenue of our ten largest customers:

Customer	**% of revenues**	**Leased space (sq.ft.)**
Public Works Canada	6.5	720,721
Société immobilière du Québec	5.2	1,015,366
Ericsson Canada Inc.	2.6	175,060
Bertrand distributeur en alimentation	1.6	344,846
LDC Logistics Development Corp.	1.5	527,000
Hudsons Bay Company	1.3	349,312
National Bank of Canada	0.9	142,096
Breton, Banville et associés SENC.	0.8	83,510
Wal-Mart Canada Inc.	0.8	129,638
Metro Richelieu Inc.	0.8	225,600
Total	**22.0**	**3,713,149**

Subsequent Events

On October 1, 2008, Cominar acquired the 24-storey Class "A" office tower located at 2001 McGill College in Montreal for a total consideration of $165 million. Please refer to the section "Acquisition and Development Program" for more details.

On October 30, 2008, Cominar contracted a $97.2 million mortgage payable with a Canadian insurance company, bearing interest rate at 5.4%. The loan matures in 2013 and is secured by an immovable hypothec on a specific property.

On October 31, 2008, Cominar contracted a $17.0 million mortgage payable with a financial institution, bearing interest at a rate of 6.68%. The loan matures in 2018 and is secured by immovable hypothecs on income properties.

On October 31, 2008, Cominar sold a 23,129-square-foot retail property located in Drummondville for a consideration of $2.0 million.

On November 3, 2008, Cominar acquired a 68,000-square-foot industrial and mixed-use property located at 4148-4150 Boulevard de Portland in Sherbrooke, Quebec, for a purchase price of $4.0 million, paid in cash. The capitalization rate associated with this transaction is 10.0%. The property is 100% leased.

Issued and Outstanding Unit Data

Ownership interests in Cominar are represented by a single class of units, unlimited in number. Units represent a unitholder's proportionate and undivided ownership interest in Cominar. Each unit confers the right to one vote at any unitholders' meeting and to participate equally and ratably in any Cominar distributions.

The following table presents unit issues during the quarters ended September 30, 2008 and 2007:

For the quarters ended September 30,	2008 Units	2008 $	2007 Units	2007 $
Units issued and outstanding, beginning of period	**45,586,805**	**596,455**	44,659,225	580,683
+ Units issued on the exercise of options	**105,800**	**1,579**	15,900	200
+ Units issued under the distribution reinvestment plan	**38,331**	**841**	28,879	627
+ Units issued on the conversion of convertible debentures	**59,018**	**1,027**	448,155	7,798
+ Reversal of contributed surplus on the exercise of options	**—**	**36**	—	21
Units issued and outstanding, end of period	**45,789,954**	**599,938**	**45,152,159**	**589,329**

Per Unit Calculations

The following table presents a reconciliation between the weighted average number of basic units outstanding, the weighted average number of diluted units outstanding and the weighted average number of fully diluted units outstanding, used for calculations per unit:

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	**2008**	**2007**	**2008**	**2007**
Weighted average number of units outstanding, basic	**45,653,573**	44,794,022	**45,443,917**	40,377,240
Dilution related to unit options	**503,360**	504,119	**415,916**	617,369
Weighted average number of units outstanding, diluted	**46,156,933**	45,298,141	**45,859,833**	40,994,609
Dilution related to the conversion of convertible debentures	**8,604,839**	4,533,020	**8,645,576**	3,421,503
Weighted average number of units outstanding, fully diluted	**54,761,772**	49,831,161	**54,505,409**	44,416,112

Related-Party Transactions

Michel Dallaire, Alain Dallaire and Michel Paquet, trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). During the third quarter of 2008, Cominar posted net rental income of $0.2 million from Dalcon and CFA. The Trust incurred $4.8 million in expenses for leasehold improvements performed by Dalcon on its behalf and $10.3 million for the construction and development of income properties. These transactions occurred in the normal course of business and are measured at the exchange value. Using the services of related companies for property construction work and leasehold improvements enables Cominar to achieve significant cost savings while providing better service to its customers.

Outlook

The recent financial crisis has brought about a tightening of credit markets, stricter lending conditions and, of course, lesser availability of capital. Nevertheless, we are confident we can weather the situation considering our strong fundamentals and high occupancy rates. Cominar is well positioned to maintain a relatively stable financial performance through an economic downturn, given its quality real estate portfolio, well-diversified tenant base, cost management discipline, sound financial position, and good growth potential.

Controls and Procedures

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, to allow timely decisions regarding required disclosure.

It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people, or by a management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential (future) conditions.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No changes were made in our internal control over financial reporting during the quarter ended September 30, 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Significant Accounting Policies Adopted by Cominar and Use of Estimates

Our MD&A is based upon Cominar's consolidated financial statements, prepared in accordance with Canadian generally accepted accounting principles (GAAP). The preparation and presentation of the consolidated financial statements and any other financial information contained in the MD&A involves a judicious choice of appropriate accounting principles and methods whose application requires management to make estimates and informed judgments. Our estimates are based upon assumptions which we believe to be reasonable, such as those often based upon past experience. They represent the basis of our judgments regarding the carrying amount of assets and liabilities that, in reality, would not be available from other sources. Use of other methods of estimation might have yielded different amounts than those presented. Actual results could differ from these estimates.

Acquisition of Income Properties

Since September 12, 2003, Cominar has applied the CICA's EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination". In accordance with this Abstract, the CICA requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value, to the fair value of customer relationships and to the fair value of leasehold improvements. This allocation is based on assumptions and estimates made by management. These estimates have an impact on operating revenues and on depreciation of income properties.

Depreciation of Income Properties

When income properties are acquired, management allocates a significant proportion of the acquisition cost to the "building" component. Management must then estimate the useful life of the building in order to depreciate it on an annual basis. Should the allocation of cost to the "building" component or estimated useful life be different, the depreciation of income properties recorded during the period could prove inadequate.

Properties under Development and Land Held for Future Development

Capitalization of costs to properties under development continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level.

Impairment of Long-Lived Assets

Real estate assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value.

Convertible Debentures

The CICA requires that Cominar's management estimate at its fair value the conversion option included in the convertible debentures. This estimate, if it were inadequate, would have an impact on the interest expense for the period presented in the financial statements.

Unit Option Plan

The compensation expense related to unit options is measured at fair value and amortized using the graded vesting method based on the Black-Scholes option pricing model. This model requires the input of various estimates, including volatility, weighted average distribution return and weighted average risk-free interest rate.

Financial Instruments

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Financial instruments must initially be measured at their fair value. The subsequent evaluation will depend on the classification by Cominar of the financial instrument as financial assets held for trading, loans and receivables, or other financial liabilities.

Cominar must also estimate and annually disclose the fair value of mortgages payable and convertible debentures for reporting purposes. The estimated fair value of the debts is based on assumptions as to the interest rates used in the calculation models.

Recently Published Accounting Changes

IFRS Transition

In January 2006, the Accounting Standards Board announced its decision to require all Publicly Accountable Enterprises to report under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011.

The change from Canadian GAAP to International Financial Reporting Standards will apply to all Publicly Accountable Enterprises, which include listed companies and any other organizations that are responsible to large or diverse groups of stakeholders, including non-listed financial institutions, securities dealers and many co-operative enterprises. IFRS will have a significant effect on how these enterprises report their financial position to the wider community.

The changeover date to IFRS is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. On that date in 2011, IFRS will replace current Canadian Generally Accepted Accounting Principles for Publicly Accountable Enterprises.

Cominar has developed a plan for the changeover to IFRS. We have completed the first diagnosis phase of the plan and have identified the differences between Canadian GAAP and IFRS. Work has commenced on assessing the impact of the differences on our business processes and systems. Work is in the early stages and, as a result, we are not able to quantify the impact that the future adoption of IFRS will have on our consolidated financial statements. IFRS on the date of adoption is expected to differ from current IFRS. We will prepare our financial statements in accordance with IFRS effective January 1, 2011.

Section 3064 – Goodwill and Other Intangible Assets

In February 2008, the CICA published a new accounting standard, Section 3064 "Goodwilll and Other Intangible Assets". This new chapter replaces chapter 3062 and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Chapter 3064 will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Cominar is currently evaluating the impact of this standard on its 2009 consolidated financial statements.

New Accounting Policies Adopted in 2008

In the first quarter of 2008, Cominar adopted the following new accounting standards issued by the CICA:

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed.

Section 3862 "Financial Instruments – Disclosure" modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation".

Section 3863 "Financial Instruments – Presentation" carries forward unchanged the presentation requirements of the old Section 3861 "Financial Instruments – Disclosure and Presentation".

Risks and Uncertainties

Like any real estate entity, Cominar is exposed to certain risk factors in the normal course of business including:

General Business and Economic Conditions

Interest rates, consumer spending, business investment, government spending, the level of capital market activity and volatility, and inflation: each impact the business and economic environments in which we operate and, ultimately, the level of business activity we conduct and the earnings we generate.

Execution of our Strategy

Our ability to achieve our objectives and implement our strategy impacts our financial performance. If our strategic objectives are not met with success or there is a change in our strategic objectives, our financial results could be adversely affected.

Acquisitions

Although we regularly explore opportunities for strategic acquisitions of entities in our lines of business, there is no assurance that we will be able to complete acquisitions on terms and conditions that meet our investment criteria. There is also no assurance that we will achieve our financial or strategic objectives or that we will achieve anticipated cost savings following acquisitions. Our performance is contingent on retaining the customers and key employees of acquired entities, and there is no assurance that we will always succeed in doing so.

Operational Risk

All immovable property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, demand for leased premises, competition from other vacant premises and various other factors.

The value of immovable property and improvements thereto may also depend on the solvency and financial stability of the tenants and the economic environment in which they operate. Our income and DI would be adversely affected if one or more major tenants or a significant number of tenants were unable to meet their obligations under their leases or if a significant amount of available space in our properties could not be leased on economically favourable lease terms. However, this risk is minimized by the diversification of Cominar's portfolio, which allows us to maintain foreseeable cash flows. This risk is also mitigated by the fact that tenants occupy an average area of about 6,850 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 customers and improving its operational and financial performance.

Debt and Refinancing

The Trust is subject to the risks associated with debt financing, including the risk that existing mortgages secured by its properties cannot be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing mortgages. The Trust's profitability may be impacted by interest rate changes, as interest on borrowings represents a significant cost in the ownership of real estate investments. Cominar seeks to reduce interest rate risks by spreading the maturity of its long-term debt and limiting the use of floating rate debt as much as possible.

Unitholder 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, a material obligation, must contain terms limiting liability to Cominar's assets exclusively, and specifying that no recourse may be taken against unitholders.

Competition

The Trust competes for suitable immovable property investments with third parties that are presently seeking or may seek in the future immovable property investments similar to those it desires. An increase in the availability of investment funds and interest in immovable property investments may tend to increase competition for immovable property investments, thereby increasing purchase prices and reducing their yield.

In addition, numerous developers, managers and owners of properties compete with the Trust in seeking tenants. The existence of competing developers, managers and owners and competition for its tenants could have an adverse effect on its ability to lease space in its properties and on the rents charged, and could adversely affect its revenues.

Government Regulation

The Trust and its properties are subject to various governmental legislation and regulations. Any change in such legislation or regulation adverse to the Trust and its properties could affect its financial results.

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. Environmental audits are conducted on its existing properties when 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.

Income Taxes

Cominar currently qualifies as a mutual fund trust for income tax purposes. We are required by our Contract of Trust to annually distribute all of our taxable income to unitholders and thus are generally not subject to tax on such amount. In order to maintain our current mutual fund status, we are required to comply with specific restrictions regarding our activities and the investments held by us. If we were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

New Tax Plan

In connection with its tax fairness plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through (SIFT) trusts in order to bring the taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received royal assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more non-portfolio properties.

The new rules apply as of taxation year 2007 for SIFT trusts. However, existing SIFT trusts as of October 31, 2006 whose future growth will not exceed normal growth benefit from a four-year transitional period before the new rules apply.

REIT Exception

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts ("REITs") for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: (i) the only "non-portfolio properties" it owns during the year are "qualified REIT properties", (ii) at least 95% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties"; interest, capital gains from the disposition of real or immovable properties; dividends and royalties, (iii) at least 75% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties" to the extent that it is from such properties situated in Canada; interest from mortgages, or hypothecs, on real or immovable properties situated in Canada and capital gains from dispositions of real or immovable properties situated in Canada and (iv) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property situated in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain public agencies, less than 75% of the equity value of the trust at that time.

As of September 30, 2008, Cominar met all of these conditions and qualified as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

Development Program

Information regarding our development projects, development costs, capitalization rates and expected returns are subject to change, which may be material, as assumptions regarding items such as, but not limited to, tenant rents, building sizes, leasable areas, project completion timelines and project costs, are updated periodically based on revised site plans, our cost tendering process, continuing tenant negotiations, demand for leasable space in our markets, the obtaining of required building permits, ongoing discussions with municipalities and successful property re-zonings. There can be no assurance that any assumptions in this regard will materialize as expected and changes could have a material adverse effect on our development program, asset values and financial results. Certain development projects are material to the REIT.

Ability to Attract and Retain Key Employees

Competition for qualified employees and executives is intense. If we are unable to retain and attract qualified employees and executives, our results of operations and financial condition, including our competitive position, may be materially adversely affected.

Capital Requirements

Cominar accesses the capital markets from time to time through the issuance of debt, equity or equity-related securities. If Cominar were unable to raise additional funds, then acquisition or development activities may be curtailed and property-specific financing renegotiated.

Interim Consolidated Financial Statements

Cominar REIT

Unaudited
September 30, 2008

Consolidated Balance Sheets

[in thousands of dollars]

	As at September 30, 2008 (unaudited) $	As at December 31, 2007 (audited) $
ASSETS		
Income properties *[note 4]*		
Buildings	**1,102,959**	1,073,830
Land	**182,958**	174,657
Intangible assets	**64,527**	74,608
Deposit for future acquisition *[note 24a]*	**6,000**	—
	1,356,444	1,323,095
Properties under development *[note 5]*	**60,766**	31,401
Land held for future development *[note 5]*	**19,365**	29,879
Deferred expenses and other assets *[note 6]*	**42,431**	36,001
Prepaid expenses	**9,855**	2,758
Accounts receivable *[note 7]*	**20,813**	19,660
	1,509,674	1,442,794
LIABILITIES		
Mortgages payable *[note 8]*	**588,388**	619,755
Convertible debentures *[note 9]*	**203,371**	203,852
Bank indebtedness *[note 10]*	**157,572**	35,321
Accounts payable and accrued liabilities	**33,259**	35,924
Distributions payable to unitholders	**5,494**	6,246
	988,084	901,098
UNITHOLDERS' EQUITY		
Unitholders' equity	**521,590**	541,696
	1,509,674	1,442,794

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Unitholders' Equity

For the periods ended September 30,
[unaudited, in thousands of dollars]

	Quarter		Cumulative (nine months)	
	2008	2007	2008	2007
	$	$	$	$
Unitholders' contributions *[note 11]*				
Balance, beginning of period	**596,455**	580,683	**591,172**	400,698
Issue of units	**3,483**	8,697	**8,766**	194,534
Underwriters' fees and offering expenses	**—**	(51)	**—**	(5,903)
Balance, end of period	**599,938**	589,329	**599,938**	589,329
Cumulative net income				
Balance, beginning of period	**258,483**	234,552	**247,779**	218,538
Net income	**8,007**	6,868	**18,711**	22,882
Balance, end of period	**266,490**	241,420	**266,490**	241,420
Cumulative distributions				
Balance, beginning of period	**(329,544)**	(267,210)	**(298,080)**	(242,626)
Distributions to unitholders	**(16,499)**	(14,640)	**(47,963)**	(39,224)
Balance, end of period	**(346,043)**	(281,850)	**(346,043)**	(281,850)
Contributed surplus				
Balance, beginning of period	**752**	407	**513**	398
Unit option plan	**141**	50	**380**	59
Balance, end of period	**893**	457	**893**	457
Other equity component				
Convertible debentures equity component	**312**	—	**312**	—
Unitholders' equity	**521,590**	549,356	**521,590**	549,356

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Income and Comprehensive Income

For the periods ended September 30,
[unaudited, in thousands of dollars except per-unit amounts]

	Quarter		Cumulative (nine months)	
	2008	2007	2008	2007
	$	$	$	$
Operating revenues				
Rental revenue from income properties	**56,732**	53,077	**173,224**	128,824
Operating expenses				
Operating costs	**9,665**	9,135	**32,137**	24,059
Realty taxes and services	**10,221**	9,900	**37,152**	26,210
Property management expenses	**566**	555	**1,871**	1,166
	20,452	19,590	**71,160**	51,435
Operating income before the undernoted	**36,280**	33,487	**102,064**	77,389
Interest on borrowings	**12,543**	12,054	**36,454**	24,293
Depreciation of income properties	**12,587**	12,047	**37,691**	23,410
Amortization of deferred leasing costs	**1,980**	1,761	**6,223**	5,180
Amortization of other assets	**91**	59	**225**	161
	27,201	25,921	**80,593**	53,044
Operating income from real estate assets	**9,079**	7,566	**21,471**	24,345
Trust administrative expenses	**1,117**	749	**2,980**	2,201
Other revenues	**45**	133	**220**	308
Unusual item	**—**	—	**—**	422
Net income from continuing operations	**8,007**	6,950	**18,711**	22,874
Net income from discontinued operations *[note 21]*	**—**	(82)	**—**	8
Net income and comprehensive income	**8,007**	6,868	**18,711**	22,882
Basic net income per unit *[note 13]*	**0.175**	0.153	**0.412**	0.567
Diluted net income per unit *[note 13]*	**0.173**	0.152	**0.408**	0.558

See accompanying notes to interim consolidated financial statements

Consolidated Statements of Cash Flows

For the periods ended September 30,
[unaudited, in thousands of dollars]

	Quarter		Cumulative (nine months)	
	2008	2007	2008	2007
	$	$	$	$
OPERATING ACTIVITIES				
Net income	**8,007**	6,868	**18,711**	22,882
Items not affecting cash:				
Depreciation of income properties	**12,587**	12,201	**37,691**	24,028
Amortization of below-market leases	**(131)**	(170)	**(384)**	(178)
Amortization of deferred leasing costs	**1,980**	1,761	**6,223**	5,180
Amortization of deferred financing costs and other assets	**457**	344	**1,683**	826
Amortization of fair value adjustments on assumed indebtedness	**(32)**	—	**(95)**	—
Accretion of liability component of convertible debentures	**10**	—	**28**	—
Compensation costs related to unit option plan	**176**	70	**477**	169
	23,054	21,074	**64,334**	52,907
Change in non-cash operating working capital items *[note 16]*	**6,831**	9,816	**(12,057)**	5,999
	29,885	30,890	**52,277**	58,906
INVESTING ACTIVITIES				
Acquisitions of income properties	**(4,315)**	(9,666)	**(60,685)**	(413,631)
Additions to properties under development and land held for future development	**(7,957)**	(9,526)	**(18,954)**	(32,358)
Deposit for future acquisition *[note 24a]*	**(6,000)**	—	**(6,000)**	—
Compensation on disposal of real estate asset	**—**	28,000	**—**	28,000
Leasing costs	**(3,857)**	(2,353)	**(12,783)**	(7,171)
Other assets	**—**	(237)	**(1,920)**	(727)
	(22,129)	6,218	**(100,342)**	(425,887)
FINANCING ACTIVITIES				
Mortgages payable	**—**	—	**111,232**	167,987
Repayments of mortgages payable	**(4,026)**	(4,061)	**(143,889)**	(60,811)
Bank indebtedness	**10,325**	(19,509)	**122,251**	50,666
Net proceeds from issue of units *[note 11]*	**1,579**	201	**5,001**	168,781
Net proceeds from issue of convertible debentures	**—**	—	**—**	77,386
Distributions to unitholders	**(15,634)**	(13,739)	**(46,530)**	(37,028)
	(7,756)	(37,108)	**48,065**	366,981
Net change in cash and cash equivalents	**—**	—	**—**	—
Cash and cash equivalents, beginning of period	**—**	—	**—**	—
Cash and cash equivalents, end of period	**—**	—	**—**	—

See accompanying notes to interim consolidated financial statements

Notes to Interim Consolidated Financial Statements

For the periods ended September 30, 2008 and 2007
[unaudited, in thousands of dollars except per-unit amounts]

1. DESCRIPTION OF THE 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 laws of the Province of Québec.

2. NEW ACCOUNTING POLICIES

Adopted in 2008

In the first quarter of 2008, Cominar adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose the following:

- its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirements to which it is subject;
- when the entity has not complied with such requirements, the consequences of such non-compliance.

Section 3862 "Financial Instruments – Disclosures" modifies the disclosure requirements for financial instruments that were included in Section 3861 "Financial Instruments – Disclosure and Presentation". The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate:

- the significance of financial instruments for the entity's financial position and performance;
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 "Financial Instruments – Presentation" carries forward unchanged the presentation requirements of the old Section 3861 "Financial Instruments – Disclosure and Presentation".

The adoption of these standards did not have any material effect on the results, the financial position or the cash flows of Cominar [notes 18 and 19].

Recently published

In February 2008, the CICA published a new accounting standard, Section 3064 "Goodwill and Other Intangible Assets". This new chapter replaces chapter 3062 and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

Chapter 3064 will apply to interim and annual financial statements of fiscal years beginning on or after October 1, 2008. Cominar is currently evaluating the impact of this standard on its 2009 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cominar's unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Except for the new accounting policies adopted in 2008 depicted in note 2, accounting policies and methods followed are the same as those used in the preparation of the December 31, 2007 audited consolidated financial statements.

Consolidation
These interim consolidated financial statements include the accounts of Cominar and its wholly owned subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of previously co-owned properties.

Use of estimates
The preparation of financial statements in accordance with GAAP requires management to make estimates that affect the reported amounts of assets and liabilities in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Revenue recognition
Rental revenue from income properties includes rent from tenants under leases, realty taxes and operating cost recoveries, lease cancellation fees, parking income and incidental income.

Rental revenue from leases with contractual rent increases are recognized on a straight-line basis.

Income properties, properties under development and land held for future development
Income properties are stated at cost. Cost includes acquisition costs and improvements to income properties. Regarding income properties acquired after September 12, 2003, a portion of the purchase price, if any, is allocated to operating leases, customer relationships and leasehold improvements.

Depreciation of buildings is recorded on a straight-line basis over a 40-year period.

Intangible assets, described as acquisition costs related to in-place operating leases, customer relationships and leasehold improvements, are amortized on a straight-line basis over the terms of the related leases or the estimated duration of the customer relationships.

Properties under development and land held for future development are stated at cost. Cost includes initial acquisition costs, other direct costs, realty taxes, interest related to their financing and all operating revenues and expenses during the development period.

Capitalization of costs to properties under development continues until the property reaches its accounting completion date, the determination of which is based on achieving a satisfactory occupancy level.

Disposals of income properties
Operating results and the gains and losses on disposal relating to income properties disposed of during the period are presented in net income from discontinued operations when:

- The operating results and cash flows of the disposed property are eliminated from current operations; and
- Cominar will not have significant and ongoing involvement in the operations of the sold property.

Impairment of long-lived assets
Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset with its expected future net undiscounted cash flows from use together with its residual value. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value.

Deferred expenses and other assets
Deferred expenses and other assets mainly consist of leasing costs such as leasehold improvements realized through operating activities and other expenses, including tenant inducements and leasing commissions. These expenses are deferred and amortized on a straight-line basis over the terms of the related leases.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Unit option plan

Cominar has a unit option plan which is described in note 11. Cominar recognizes compensation expense when unit options are granted to trustees, management and employees with no cash settlement features.

Per unit results

Basic net income per unit is calculated based on the weighted average number of units outstanding for the period. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit purchase options and the potential issuance of units under convertible debentures, if dilutive.

Financial instruments

Cominar used the following classifications:

- Cash and cash equivalents are classified as "Financial Assets Held for Trading". They are measured at their fair value and the gains/losses resulting from the period-end revaluations are recorded in net income.

- Accounts receivable, including loans to certain customers, are classified as "Loans and Receivables". They are initially measured at fair value and subsequently remeasured at amortized cost using the effective interest rate method. For Cominar, the measured amount generally corresponds to cost.

- Mortgages payable, convertible debentures, bank indebtedness, accounts payable and accrued liabilities, and distributions payable to unitholders are classified as "Other Financial Liabilities". They are initially measured at fair value and subsequently remeasured at amortized cost using the effective interest rate method. For Cominar, the measured amount generally corresponds to cost.

4. INCOME PROPERTIES

	As at September 30, 2008		
	Cost $	Accumulated depreciation $	Amortized cost $
Buildings	1,203,551	100,592	1,102,959
Land	182,958	—	182,958
Intangible assets			
In-place operating leases	67,014	24,355	42,659
Customer relationships	23,525	3,318	20,207
Acquired leasehold improvements	3,099	1,438	1,661
	93,638	29,111	64,527
Deposit for future acquisition *[note 24a]*	6,000	—	6,000
	1,486,147	129,703	1,356,444

	As at December 31, 2007		
	Cost $	Accumulated depreciation $	Amortized cost $
Buildings	1,152,333	78,503	1,073,830
Land	174,657	—	174,657
Intangible assets			
In-place operating leases	64,562	11,648	52,914
Customer relationships	21,098	1,381	19,717
Acquired leasehold improvements	3,129	1,152	1,977
	88,789	14,181	74,608
	1,415,779	92,684	1,323,095

Acquisitions of income properties

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties located in Montreal that were previously co-owned. In the second quarter of 2008, Cominar acquired three income properties. These transactions were posted under the method of acquisition.

The following table shows the net assets acquired:

	2008 $
Income properties	
Buildings	34,101
Land	5,785
Intangible assets	
In-place operating leases	2,710
Customer relationships	2,428
Total purchase price	**45,024**
The acquisition cost was funded by:	
Cash and cash equivalents	43,806
Assumption of a mortgage payable	1,218
	45,024

The allocation of the purchase price to the fair value of the net assets acquired has not been finalized and is subject to adjustments.

The results of operation of income properties acquired during the period are included in the interim consolidated financial statements from their acquisition date (see note 15).

5. PROPERTIES UNDER DEVELOPMENT AND LAND HELD FOR FUTURE DEVELOPMENT

During the nine-month period ended September 30, 2008, Cominar capitalized $2,834 [$1,832 as at September 30, 2007] of interest to properties under development and land held for future development.

6. DEFERRED EXPENSES AND OTHER ASSETS

	As at September 30, 2008 $	As at December 31, 2007 $
At amortized cost		
Leasing costs	**39,317**	34,077
Other assets	**3,114**	1,924
	42,431	36,001

7. ACCOUNTS RECEIVABLE

	As at September 30, 2008 $	As at December 31, 2007 $
Accounts receivable	**9,744**	8,301
Deferred accounts receivable	**8,805**	6,674
Other accounts receivable, bearing effective interest at a weighted average rate of 7.38% [7.40% as at December 31, 2007]	**2,268**	2,504
Restricted funds	**996**	2,181
	21,813	19,660

8. MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties having a net carrying value of $891,759 [$1,014,227 as at December 31, 2007]. They bear contractual interest at rates ranging from 4.68% to 11.00% per annum [4.68% to 11.00% as at December 31, 2007] representing a weighted average rate of 5.60% [5.78% as at December 31, 2007] and are renewable at various dates from January 2009 to March 2022. As at September 30, 2008, the weighted average effective rate was 5.54% [5.71% as at December 31, 2007].

Certain loans on income properties assumed in connection with acquisitions completed in 2007 were adjusted to their fair value using market rates in effect at the date of acquisition. These fair value adjustments are amortized through income under “Interest on borrowings” over the residual term to maturity of the loans using the effective interest rate method.

Transaction costs related to mortgages payable are deducted from these loans, amortized using the effective interest rate method over the terms of the related mortgages and recorded under “Interest on borrowings.”

Mortgage repayments are as follows:

Years ending December 31,	Principal repayments $	Balance at maturity $	Total $
2008	3,868	—	**3,868**
2009	14,038	52,341	**66,379**
2010	14,288	24,070	**38,358**
2011	14,659	5,855	**20,514**
2012	14,543	16,380	**30,923**
2013 and thereafter	79,903	349,425	**429,328**
	141,299	448,071	**589,370**
Plus: fair value adjustments on assumed indebtedness			**370**
Less: unamortized financing costs			**(1,352)**
			588,388

All mortgages payable bear interest at fixed rates.

9. CONVERTIBLE DEBENTURES

The following table presents the characteristics of Cominar's convertible unsecured subordinated debentures as well as changes during the period:

	As at September 30, 2008			
	Series A	**Series B**	**Series C**	**Total**
Contractual interest rates	**6.30%**	**5.70%**	**5.80%**	
Effective interest rates	**6.89%**	**6.42%**	**6.60%**	
Issue date	**September 2004**	**May 2007**	**October 2007**	
Conversion price per unit	**$17.40**	**$27.50**	**$25.25**	
Interest payment dates	**June 30 and December 31**	**June 30 and December 31**	**March 31 and September 30**	
Redemption date at Cominar's option	**June 2008**	**June 2010**	**September 2010**	
Maturity date	**June 2014**	**June 2014**	**September 2014**	
	$	**$**	**$**	**$**
Balance, beginning of period	**24,117**	**80,500**	**110,000**	**214,617**
Holder's option conversions	**(1,482)**	**—**	**—**	**(1,482)**
Balance, end of period	**22,635**	**80,500**	**110,000**	**213,135**
Less: unamortized financing costs and equity component of convertible debentures				**(9,764)**
				203,371

As of the above-mentioned redemption dates, Cominar may, under certain terms and conditions, elect to satisfy its principal repayment obligations under the debentures by issuing units of Cominar.

In accordance with the CICA Handbook Section 3855 and Section 3861, convertible debentures have been recorded as liabilities on the balance sheet, net of the equity component of convertible debentures related to the holder's conversion option, and interest has been charged to "Interest on borrowings". Debenture issue costs are deducted from liabilities and are amortized using the effective interest rate method over the term of the debenture and recorded under "Interest on borrowings."

During the nine-month period ended September 30, 2008, 1,482 convertible debentures (Series A) were converted into 85,163 units at a conversion price of $17.40 per unit, for a total amount of $1,482.

10. BANK INDEBTEDNESS

Cominar has an operating and acquisition credit facility of up to $248,000 [$180,000 as at December 31, 2007]. This credit facility, subject to annual renewal, bears interest at 0.25% [between 0.00% and 0.50% in 2007] above prime rate or at 1.5% above bankers' acceptance rates. This credit facility [$180,000 as at December 31, 2007] is secured by a movable and immovable hypothec on specific assets, of which the immovable carrying value amounted to $249,647 as at September 30, 2008 [$193,134 as at December, 2007]. As at September 30, 2008, the prime rate was 4.75% [6.00% as at December 31, 2007]. This credit facility contains a number of covenants which were met as at September 30, 2008.

11. ISSUED AND OUTSTANDING UNITS

The ownership interests in Cominar are represented by a single class of units, the number of which is unlimited. Units represent a unitholder's proportionate and 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 nine-month period ended September 30, 2008, Cominar issued 517,271 units, 85,163 units from conversion of convertible debentures, 91,608 units under the distribution reinvestment plan, and the balance of 340,500 units via the exercise of options. The issuance of these units resulted in net proceeds of $5,001.

	Period of three months ended September 30, 2008		Period of nine months ended September 30, 2008	
	Units	**$**	**Units**	**$**
Units issued and outstanding, beginning of period	**45,586,805**	**596,455**	45,272,683	591,172
Issued from exercise of options	**105,800**	**1,579**	340,500	5,001
Issued under the distribution reinvestment plan	**38,331**	**841**	91,608	2,185
Issued from conversion of convertible debentures	**59,018**	**1,027**	85,163	1,482
Reversal of contributed surplus on exercise of options	**—**	**36**	—	98
Units issued and outstanding, end of period	**45,789,954**	**599,938**	45,789,954	599,938

Unit repurchase program

During the first quarter of 2008, Cominar implemented a unit redemption program, authorizing Cominar to redeem up to 2,265,278 units, representing 5% of the issued and outstanding units as at February 25, 2008. As at September 30, 2008, no unit had been redeemed under this program.

Unit option plan

Under the unit option plan, Cominar has granted options to the trustees, management and employees for the purchase of units. The maximum number of units issuable in connection with the plan is 4,530,257 units. As at September 30, 2008, options for the acquisition of 2,365,500 units were outstanding and 1,847,457 options were awardable under the plan.

The following tables show option characteristics and changes during the period:

	As at September 30, 2008				
Date of grant	Graded vesting method	Maturity date	Exercise price $	Outstanding options	Exercisable options
November 13, 2003	20%	November 13, 2010	14.00	840,500	840,500
April 8, 2005	25%	November 13, 2010	17.12	113,000	65,000
May 23, 2006	20%	May 23, 2013	18.90	428,000	128,000
May 15, 2007	50%	May 15, 2014	23.59	60,000	30,000
February 6, 2008	33 1/3%	February 6, 2013	18.68	924,000	—
				2,365,500	**1,063,500**

	Period of three months ended September 30, 2008		Period of nine months ended September 30, 2008	
	Options	Weighted average exercise price $	Options	Weighted average exercise price $
Outstanding, beginning of period	**2,471,300**	**17.02**	1,782,000	15.84
Exercised	**(105,800)**	**14.96**	(340,500)	14.74
Granted	—	—	932,700	18.68
Cancelled	—	—	(8,700)	18.68
Outstanding, end of period	**2,365,500**	**17.11**	2,365,500	17.11
Exercisable options, end of period			1,063,500	15.05

Unit-based compensation plan

The compensation expense related to the options was calculated using the Black-Scholes option pricing model based on the following assumptions:

Date of grant	Volatility	Exercise price $(1)	Weighted average distribution return	Weighted average risk-free interest rate
November 13, 2003	11.70%	14.00	8.74%	4.21%
April 8, 2005	13.50%	17.12	7.58%	3.78%
May 23, 2006	13.00%	18.90	7.14%	4.10%
May 15, 2007	13.60%	23.59	5.55%	4.04%
February 6, 2008	15.60%	18.68	7.47%	3.89%

(1) The options' exercise price represents the closing price of Cominar units on the day before the grant date.

Compensation expense is amortized using the graded vesting method.

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan under which unitholders may elect to have all cash distributions of Cominar automatically reinvested in additional units. The plan provides plan participants with a number of units amounting to 105% of the cash distributions. During the nine-month period ended September 30, 2008, 91,608 units were issued for a total consideration of $2,185 pursuant to the distribution reinvestment plan.

12. INCOME TAXES

Cominar is taxed as a "Mutual Fund Trust" for income tax purposes. Pursuant to the Contract of Trust, the trustees intend to distribute or designate all taxable income directly earned by Cominar to unitholders of Cominar and to deduct such distributions and designations for income tax purposes. Therefore, no provision for income taxes is required.

Cominar's subsidiaries are Canadian-based enterprises which are subject to tax on their taxable income under the Income Tax Act (Canada) at an average rate of approximately 31%. There is no provision required for the nine-month period ended September 30, 2008.

The carrying value of Cominar's net assets as at December 31, 2007 exceeded the tax basis by approximately $82,000.

New tax system

In connection with its Tax Fairness Plan, the federal Department of Finance introduced legislation to implement new tax measures to levy a tax on distributions of specified investment flow-through (SIFT) trusts in order to bring taxation of these entities closer into line with that of corporations. Bill C-52 implementing these measures received royal assent on June 22, 2007.

In short, a SIFT trust is a trust that resides in Canada, its investments are listed or traded on a stock exchange or other public market and it holds one or more nonportfolio properties.

Application of new rules

The new rules apply as of taxation year 2007 for SIFT trusts. However, existing SIFT trusts as at October 31, 2006, whose future growth will not exceed normal growth, benefit from a four-year transition period before the new rules apply.

REIT exception

The new tax system does not apply to SIFT trusts that qualify as real estate investment trusts (REITs) for a given taxation year. Generally, to qualify as a REIT, a trust must be resident in Canada and meet the following conditions: (i) the only "nonportfolio properties" it owns during the year are "qualified REIT properties," (ii) at least 95% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties;" interest, capital gains from the disposition of real or immovable properties; dividends and royalties, (iii) at least 75% of its income for the taxation year is from one or more of the following sources: "rent from real or immovable properties" to the extent that it is from such properties located in Canada; interest from mortgages on real or immovable properties located in Canada and capital gains from dispositions of real or immovable properties located in Canada; and (iv) at no time in the taxation year is the total fair market value of all properties held by the trust, each of which is a real or immovable property located in Canada, an amount, or generally, a debt payable to the Government of Canada or to certain public agencies, less than 75% of the equity value of the trust at that time.

As at September 30, 2008, Cominar met all of these conditions and qualifies as a REIT. As a result, the new SIFT trust tax rules do not apply to Cominar.

Cominar's management intends to take the necessary steps to meet these conditions on a regular basis in the future.

13. 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.

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	**2008**	**2007**	**2008**	**2007**
	$	$	$	$
Weighted average number of units outstanding – basic	**45,653,573**	44,794,022	**45,443,917**	40,377,240
Effect of dilutive unit options	**503,360**	504,119	**415,916**	617,369
Weighted average number of units outstanding – diluted	**46,156,933**	45,298,141	**45,859,833**	40,994,609

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

14. DISTRIBUTIONS

Cominar is governed by a Contract of Trust that requires it to distribute 85% or more of its distributable income to unitholders. The distributable income generally means net income determined in accordance with GAAP, adjusted for depreciation of income properties and amortization of above-and below-market leases, compensation costs related to unit options, accretion of liability component of convertible debentures, deferred rental income, gains or losses on disposals of income properties and amortization of fair value adjustments on assumed indebtedness.

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	**2008**	**2007**	**2008**	**2007**
	$	$	$	$
Distributions to unitholders	**16,499**	14,640	**47,963**	39,224
Distributions per unit	**0.360**	0.325	**1.052**	0.943

15. INVESTMENTS IN CO-OWNED PROPERTIES

On February 29, 2008, Cominar acquired the remaining interest in industrial and mixed-use properties that were previously co-owned.

For the period of January 1 to February 28, 2008, Cominar's proportionate share of the revenues and net income were as follows:

For the periods ended September 30,	**2008**	**2007**
	$	$
Operating revenues	**254**	361
Net income	**80**	67

16. SUPPLEMENTAL CASH FLOW INFORMATION

Change in non-cash working capital items is as follows:

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	**2008**	**2007**	**2008**	**2007**
	$	$	$	$
Prepaid expenses	**6,850**	5,522	**(7,097)**	(9,469)
Accounts receivable	**2,563**	(2,241)	**(1,153)**	(682)
Accounts payable and accrued liabilities	**(2,582)**	6,535	**(3,807)**	16,150
	6,831	9,816	**(12,057)**	5,999
Additional information				
Interest paid	**12,970**	12,728	**38,328**	24,217
Unpaid leasing costs	**3,314**	2,182	**3,314**	2,182
Additions to income properties and properties under development by assumption of mortgages payable	**—**	3,158	**1,218**	248,487
Unpaid additions to income properties and properties under development	**6,815**	5,660	**6,815**	5,660
Properties under development transferred to income properties	**—**	—	**4,395**	6,255

17. 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 transactions, made in the normal course of business, have been measured at the exchange amount and have been reflected in the financial statements as follows:

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	**2008**	**2007**	**2008**	**2007**
	$	$	$	$
Rental revenue from income properties	**208**	248	**671**	743
Other revenues	**56**	52	**351**	126
Income properties and properties under development	**10,326**	3,282	**22,694**	8,416
Deferred expenses and other assets	**4,831**	2,178	**10,930**	5,729
Accounts receivable			**110**	106
Accounts payable and accrued liabilities			**8,437**	6,158

18. MANAGEMENT OF CAPITAL

Cominar manages its capital to ensure that capital resources are sufficient for its operations and development, while maximizing the returns for unitholders by maintaining the debt to equity ratio. Cominar's capital consists of long term debts, cash and cash equivalents and the unitholders' equity.

Cominar structures its capital based on the expected business growth and changes in the economic environment.

Cominar's credit facilities contain certain restrictive covenants, including among others, a leverage ratio and an interest coverage ratio. Cominar monitors the ratios continuously. Other than for the restrictive covenants under the credit facilities, Cominar is not subject to any externally imposed capital requirements.

Cominar's capital structure was as follows:

	As at September 30, 2008 $	As at December 31, 2007 $
Mortgages payable	**588,388**	619,755
Convertible debentures	**203,371**	203,852
Bank indebtedness	**157,572**	35,321
Unitholders' equity	**521,590**	541,696
Total of capital	**1,470,921**	1,400,624
Overall debt ratio(1)	**57.9 %**	55.9 %
Debt ratio (excluding convertible debentures)	**45.5 %**	42.7 %
Interest coverage ratio(2)	**2.72**	2.89

(1) The overall debt ratio is equal to total bank indebtedness, mortgages payable and convertible debentures divided by the gross book value of the property portfolio (total value of assets plus accumulated depreciation).

(2) The interest coverage ratio is equal to EBITDA (earnings before interest, income taxes, depreciation and amortization) divided by interest expense.

Cominar's Contract of Trust provides that the REIT may not incur debt if, taking into consideration the debt incurred or assumed, Cominar's total debt exceeds 60% of gross book value (65% if convertible debentures are outstanding). As at September 30, 2008, Cominar maintained a debt ratio of 57.9%, slightly up from December 31, 2007, as a result of income property acquisitions and developments during the nine-month period ended September 30, 2008.

The interest coverage ratio allows to assess Cominar's ability to pay interest on its debt using its operating revenues. As such, as at September 30, 2008, the interest coverage ratio was 2.72:1, reflecting the REIT's capacity to face its debt-related obligations.

19. FINANCIAL INSTRUMENTS

Cominar is exposed to financial risks that arise from fluctuations in interest rates and in the credit quality of its tenants.

Interest rate risk

Accounts receivable, except for the balances of sale mentioned in note 7, and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are disclosed in notes 8, 9 and 10 respectively.

Cominar reduces its exposure to interest rate risk by staggering the maturities of its loans and by generally using long term debt bearing interest at fixed rates. Management does not anticipate that interest rate fluctuations will have a significant impact on its results and, as a result, no sensitivity analysis is provided.

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Cominar mitigates this risk via geographic and sector diversification of its portfolio and a varied tenant mix.

Fair value

The fair value of Cominar's financial assets and liabilities, such as accounts receivable, cash and cash equivalents, bank indebtedness, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at September 30, 2008 due to their short-term nature or because they are based on current market rates.

As at September 30, 2008, the fair value of mortgages payable was approximately $15,312 lower than the carrying value [higher $8,262 as at December 31, 2007] due to changes in interest rates since the dates on which the individual mortgages payable were obtained. The fair value of mortgages payable has been estimated based on current market rates for mortgages of similar terms and maturities.

As at September 30, 2008, the fair value of convertible debentures exceeded their carrying value by approximately $4,814 [$6,891 as at December 31, 2007] due to the change in interest rates since the issuance dates. The fair value of convertible debentures was estimated using current market rates for convertible debentures with similar terms and maturities.

20. SEGMENTED INFORMATION

Cominar's activities include three property types located in the greater Quebec City, Montreal and Ottawa areas. The accounting policies followed for each property type are the same as those disclosed in the significant accounting policies.

The following table indicates the financial information from continuing operations related to these property types:

For the quarter ended September 30, 2008	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	24,430	11,939	20,363	**56,732**
Depreciation of income properties	6,178	1,568	4,841	**12,587**
Net operating income(1)	14,553	7,326	14,401	**36,280**

For the quarter ended September 30, 2007	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	23,661	11,306	18,110	**53,077**
Depreciation of income properties	5,956	1,499	4,592	**12,047**
Net operating income(1)	13,796	7,047	12,644	**33,487**

For the nine-month period ended September 30, 2008	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	74,651	35,908	62,665	**173,224**
Depreciation of income properties	18,554	4,658	14,479	**37,691**
Net operating income(1)	41,989	20,841	39,234	**102,064**
Income properties (amortized cost)	571,812	244,469	534,163	**1,350,444**

For the nine-month period ended September 30, 2007	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	50,663	33,171	44,990	**128,824**
Depreciation of income properties	10,661	4,271	8,478	**23,410**
Net operating income(1)	29,351	19,203	28,835	**77,389**
Income properties (amortized cost)	587,271	244,817	492,101	**1,324,189**

(1) Net operating income is "Operating income before the undernoted" in the statement of income.

21. DISCONTINUED OPERATIONS

On September 1, 2007, the Centre hospitalier de l'Université de Montréal (CHUM) took possession of the office property located at 300 Viger Street, in Montréal. A notice of expropriation had been served on this property in 2006. Since the definitive indemnity amount has not yet been set, Cominar has not recognized any related gain or loss. (See note 22a).

The following table summarizes the financial information relating to the property expropriated in accordance with CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations".

	Quarter		Cumulative (nine months)	
For the periods ended September 30,	**2008** $	**2007** $	**2008** $	**2007** $
Net operating income	—	486	—	1,866
Depreciation of income properties	—	(154)	—	(618)
Interest on borrowings	—	(414)	—	(1,240)
Net income	—	(82)	—	8
Gain on disposal	—	—	—	—
Income from discontinued operations	—	(82)	—	8
Basic net income per unit	—	(0,002)	—	—
Diluted net income per unit	—	(0,002)	—	—

22. CONTINGENCIES

a) An expropriation process was initiated in June 2006 by the CHUM for the property located at 300 Viger Street in Montréal, Québec.

The expropriation procedure is currently at the definitive indemnity setting stage, as a property transfer notice was served to Cominar on August 27, 2007, effective September 1, 2007, and the Québec Administrative Court awarded Cominar, on September 10, 2007, a provisional indemnity pursuant to applicable legislation. The provisional indemnity amounts to $30 million which was received during 2007. The definitive indemnity will either be set by the Québec Administrative Court, or it will be settled by the parties in the coming year. At this stage, it is impossible to estimate or assess the amount of the definitive indemnity.

b) Letters of guarantee outstanding as at September 30, 2008 amount to $2,500. This amount has been given as a performance guarantee to execute required repairs under mortgage agreements.

23. COMMITMENTS

The annual future payments required under emphyteutic leases, expiring between 2046 and 2047, on land for two income properties having a total net carrying value of $55,207, are as follows:

Years ending December 31,	Total $
2008	119
2009	476
2010	486
2011	491
2012	526
2013 and thereafter	25,275

24. SUBSEQUENT EVENTS

a) On October 1, 2008, Cominar acquired a 24-storey Class “A” office tower located at 2001 McGill College in Montreal for a total consideration of $165 million.

b) On October 30 2008, Cominar contracted a $97.2 million mortgage payable with a Canadian insurance company, bearing interest at a rate of 5.4%. The loan matures in 2013 and is secured by an immovable hypothec on an income property.

c) On October 31, 2008, Cominar contracted a $17.0 million mortgage payable with a financial institution, bearing interest at a rate of 6.68%. The loan matures in 2018 and is secured by immovable hypothecs on income properties.

d) On October 31, 2008, Cominar sold a 23,129 square foot retail property located in Drummondville for $2.0 million.

e) On November 3, 2008, Cominar acquired a 68,000 square foot industrial and mixed-use property located at 4148-4150 Boulevard de Portland in Sherbrooke, Quebec, for a purchase price of $4.0 million, paid in cash.

25. COMPARATIVE FIGURES

Certain 2007 figures have been reclassified to conform to the current period presentation.

Corporate Information

Board of Trustees

ROBERT DESPRÉS, O.C., G.O.Q. (1)(3)
Chairman of the Board of Trustees
Cominar Real Estate Investment Trust
Corporate Director

MICHEL DALLAIRE, P.Eng.
President and Chief Executive Officer
Cominar Real Estate Investment Trust

YVAN CARON (1)(2)(4)
Consultant

ME GÉRARD COULOMBE, Q.C. (2)(3)
Senior Partner
Lavery De Billy

ALAIN DALLAIRE
Executive Vice President, Operations
Cominar Real Estate Investment Trust

DINO FUOCO (1)(4)
President, Matvet Veterinary Equipment inc.

PIERRE GINGRAS (4)
President, Placements Moras Inc.

GHISLAINE LABERGE (2)(3)
Director, Hypothèques CDPQ inc. and CADIM inc.

MICHEL PAQUET, LL.L.
Executive Vice President, Legal Affairs and Secretary
Cominar Real Estate Investment Trust

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(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Governance and Nominating Committee
(4) Member of the Investment Committee

Officers

MICHEL DALLAIRE, P.Eng.
President and Chief Executive Officer

MICHEL BERTHELOT, CA
Executive Vice President
and Chief Financial Officer

ALAIN DALLAIRE
Executive Vice President, Operations

MICHEL OUELLETTE, C.App.
Executive Vice President,
Acquisitions and Development

ME MICHEL PAQUET, LL.L.
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Legal Affairs and Secretary

RENÉ BÉRUBÉ, C.App.
Vice President, Leasing - Quebec City

WALLY COMMISSO
Vice President,
Property Management - Montreal

ME ANDRÉE DALLAIRE, LL.L., MBA
Vice President, Corporate Affairs

ANNE-MARIE DUBOIS
Vice President, Leasing - Montreal

MICHEL LECLERC, P.Eng.
Vice President,
Property Management - Quebec City

JEAN-GUY MOREAU
Vice President, Development

RICHARD NOLIN
Vice President, Retail

ROGER TURPIN
Vice President, Treasurer

Unitholder Information

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LISTING

The units and convertible debentures of Cominar Real Estate Investment Trust are listed on the Toronto Stock Exchange under the trading symbols "CUF.UN" and "CUF.DB", "CUF.DB.B" and "CUF.DB.C".

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AUDITORS

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UNITHOLDER DISTRIBUTION REINVESTMENT PLAN

Cominar Real Estate Investment Trust offers unitholders the opportunity to participate in its Unitholder Distribution Reinvestment Plan (the "DRIP"). The DRIP allows participants to have their monthly distributions reinvested in additional units of Cominar. **In addition, participants will be entitled to receive an additional distribution equal to 5% of each cash distribution reinvested pursuant to the DRIP, which will be reinvested in additional units.**

For further information about the DRIP, please refer to the DRIP section of our website at www.cominar.com or contact us by email at info@cominar.com or contact the Plan agent: Computershare Trust Company of Canada, 100 University Avenue, 9th floor, Toronto, Ontario, Canada, M5J 2Y1, Tel.: (514) 982-7555, Toll free: 1 800 564-6253, Fax: (416) 263-9394, Email: *service@computershare.com*

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