

COMINAR



REAL ESTATE INVESTMENT TRUST



QUARTERLY REPORT
SEPTEMBER 30, 1998

COMINAR REAL ESTATE INVESTMENT TRUST

Report to Unitholders

On behalf of the Trustees, officers and employees of Cominar Real Estate Investment Trust (the "Trust"), we are pleased to provide our unitholders with our second quarterly report.

Financial performance

We are pleased to report that our financial results for the period beginning May 21, 1998, the closing date of the Initial public offering, and ended September 30, 1998 (the "period"), exceeded the forecast contained in the prospectus.

Operating revenue during the period ended September 30, 1998 was \$14.8 million, which correspond, for all intents and purposes, to the revenue forecast in the prospectus. Net income for the period was \$4.7 million and this result exceeds the initial prospectus offering forecast of \$4.5 million by \$200,000.

Distributable income for the period was \$4.8 million or 33.4 cents per instalment receipt, ahead of the prospectus forecast of \$4.6 million or 32.1 cents per instalment receipt. As previously announced in the first quarterly report for the period ended June 30, 1998, monthly distributions for 1998 were established at 6.7 cents per unit. The later will be increased with the November distribution to reflect the new acquisitions.

In September 1998, the Trust obtained credit line facility in the maximum amount of \$15 millions secured by a fixed charge on one property. This facility will be used to acquire income properties. As of September 30, 1998, the Trust total debt ratio other than the Trust instalment loan was 47% of the Gross book value including the aforesaid credit line facility.

Acquisitions

In October 1998, the Trust completed four (4) acquisitions for a combined value \$17.2 million.

- Office / warehousing facility, Vanier (Quebec) - 12,000 square feet building located in the heart of Vanier's industrial park, with 250 well established businesses;
- Office / warehousing facility, Vanier (Quebec) - 63,000 square feet building facing the building mentioned above ;
- Office tower of 20 stories, Quebec (Quebec) - 236,000 square feet building located in the heart of Parliament Hill ;

- Office / warehousing facility, Quebec (Quebec) - 131,000 square feet building located on Capital boulevard, one of main arteries of the Greater Quebec city area.

These acquisitions bring the total book value of the portfolio to over 267 million dollars compared to 250 million dollars on September 30, 1998. These acquisitions are part of the Trust's proactive strategy intended to improve its financial performance.

We have other opportunities presently under study in Montreal and Quebec city areas.

Dominant regional portfolio

At the present time, the portfolio, including the above acquisitions, is made up of 56 income producing office, retail, industrial and mixed use properties, representing 1.1 million square feet of office space, 1.1 million square feet of retail space and 1.6 million square feet of industrial and mixed use space, for a total of 3.8 million square feet of leasable area.

The Trust is one of the largest commercial property owners in the Greater Quebec city area and a fully-integrated organization that offers a full range of real estate services in the commercial and industrial sectors.

The dominance and characteristics of our diversified portfolio coupled with the expertise and know-how of our management team our most important asset to the Trust. The overall occupancy rate of the Trust portfolio is 94.1% compared to 95,3% on June 30, 1998. This change in occupancy is attributable to the rate of vacancy of newly acquired properties, which offer the opportunity for growth in distributable income through these properties.

We are pleased with the results to date and we will continue to focus on improving the performance of the portfolio.



Jules Dallaire
President and Chief Executive Officer

COMINAR REAL ESTATE INVESTMENT TRUST

STATEMENT OF INCOME AND DISTRIBUTABLE INCOME

For the period May 21, 1998 to September 30, 1998
(Unaudited, in thousands, except per unit amount)

	Actual	Forecast of the period in pro rata
Operating revenues		
Rentals from income properties	\$ 14,790	\$ 14,812
Operating expenses		
Properties operating costs	3,396	3,516
Realty taxes and services	2,541	2,519
Property management expenses	217	228
	6,154	6,263
Net Operating Income	8,644	8,549
Interest on hypothecs	3,133	3,051
Depreciation – buildings	640	660
Depreciation - tenant improvements	43	109
Amortization of deferred expenses	17	41
Operating income from real estate Assets	4,811	4,688
Trust expenses	189	205
	4,622	4,483
Others		
Loan interest	(634)	(746)
Instalment receipt interest income	529	529
Other income	209	254
	104	37
Net income	4,726	4,520
Add (deduct)		
Depreciation – buildings	640	660
Instalment receipt interest income	(529)	(529)
Distributable income	\$ 4,837	\$ 4,651
Distributable income per Unit	\$ 0.334	\$ 0.321

COMINAR REAL ESTATE INVESTMENT TRUST

BALANCE SHEET

As at September 30, 1998
(Unaudited, in thousands)

	Actual	Proforma March 31, 1998
Assets		
Income properties	\$ 250,008	\$ 244,777
Instalment receipts receivable (note 4)	32,269	31,740
Cash and short-term investments	7,323	14,567
Other assets	103	-
Accounts receivable	699	-
Prepaid expenses	2,766	-
Deferred expenses	143	-
	\$ 293,311	\$ 291,084

Liabilities and Unitholders' Equity

Liabilities

Hypothecs payable (note 5)	\$ 119,024	\$ 120,424
Loan payable (note 6)	33,200	33,200
Accounts payable and accrued liabilities	3,039	-
Distributions payable to Unitholders	971	-
	156,234	153,624

Unitholders' Equity

Issued and outstanding 14,500,000 units	137,077	137,460
	\$ 293,311	\$ 291,084

COMINAR REAL ESTATE INVESTMENT TRUST

STATEMENT OF UNITHOLDERS' EQUITY

For the period May 21, 1998 to September 30, 1998
(Unaudited, in thousands)

	Actual	Proforma March 31, 1998
Net income for the period	\$ 4,726	\$ -
Issuance of units	145,000	145,000
Underwriters' fees and offering costs	(6,998)	(6,080)
Discount on instalment receipts	(1,460)	(1,460)
Distributions to Unitholders	(4,191)	-
Unitholders' equity, end the period	\$ 137,077	\$ 137,460

COMINAR REAL ESTATE INVESTMENT TRUST

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the period May 21, 1998 to September 30, 1998
(Unaudited, in thousands)

Cash provided by (used in):

Operating activities:

Net income for the period	\$ 4,726
Items not affecting cash:	
Depreciation	683
Amortization	17
Instalment receipt interest income	(529)
	<u>4,897</u>
Change in non cash operating items	(426)
	<u>4,471</u>

Financing activities:

Issue of Units (net)	138,002
Instalment receipts receivable	(33,200)
Assumed Hypothecs	120,340
Repayments of long term debt	(1,316)
Loan payable	33,200
Distributions to Unitholders	(3,220)
	<u>253,806</u>

Investing activities:

Acquisition of income producing properties	(250,691)
Acquisition of other assets	(103)
Deferred expenses	(160)
	<u>(250,954)</u>

Cash and short-term investments,
end of the period

\$ 7,323

COMINAR REAL ESTATE INVESTMENT TRUST

NOTES TO THE FINANCIAL STATEMENT

(Unaudited) For the period May 21, 1998 to September 30, 1998

1. Organization of the Trust

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

2. Summary of significant accounting policies

a) Income properties

Income properties are stated at the lower of cost less accumulated depreciation and net recoverable amount. Cost includes all amounts related to the acquisition and improvement of the properties.

Depreciation of buildings is recorded on the 5 % sinking fund basis to fully amortize the cost of buildings over 40 years. Depreciation of tenant improvements is recorded on the straight-line basis over the terms of the related leases.

b) Deferred expenses

Leasing expenses such as commissions, free rent and tenant inducements are deferred and amortized on the straight-line basis over the terms of the related leases.

Hypothecs financing expenses are deferred and amortized on the straight-line basis over the terms of the related debt.

3. Initial Public Offering

On May 21, 1998 the Trust issued 14,500,000 units for net proceeds of \$138,002,000 pursuant to the prospectus dated May 8, 1998. The units were sold at \$10 per unit, out of which 8,300,000 units were sold on an instalment basis with an initial instalment of \$6 per unit and a final installment of \$4 per unit payable on May 21, 1999.

4. Instalment Receipts receivable

Under the terms of the public distribution of Receipt Units, an amount of \$4 per unit, totalling \$33,200,000 is receivable on May 21 1999. The receivable is non-interest bearing and is secured by the Trust's entitlements under the Final Instalments and the pledge of the Receipt Units sold. Accordingly, the receivable has been discounted for the imputed interest of \$1,460,000.

5. Hypothecs payable

Hypothecs payable are secured by the income properties, bear fixed interest rates ranging from 6.5% to 10.75% and mature between March 1999 and May 2003.

6. Loan payable

The loan payable bears interest at 5.56% per annum and is secured by the Trust's rights and entitlements under the Final Instalments and the pledge of the Receipts Units sold under the public offering. The loan will be repaid from the proceeds of the repayment of the instalment receipts receivable.

COMINAR REAL ESTATE INVESTMENT TRUST

INFORMATION

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Auditors

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G1V 4W2

Unit Listing

The Montreal Exchange
The Toronto Stock Exchange

Stock Trading Symbol

CUF.IR



COMINAR