

COMINAR



Real Estate Investment Trust



Quarterly Report
September 30, 1999

COMINAR REAL ESTATE INVESTMENT TRUST

Message to Unitholders

On behalf of the trustees, management and personnel of the Cominar Real Estate Investment Trust (the REIT), we are pleased to disclose our results for the third quarter and the nine months ended September 30, 1999, and to point out that the Trust maintained a highly satisfactory growth rate.

Financial Performance

Operating revenues amounted to \$12.1 million, up 16.9% over the comparable period of the previous fiscal year. Net income rose to \$3.9 million, compared with \$3.4 million for the third quarter in 1998. Distributable income reached \$4.4 million, up 27% over the corresponding period of the previous year. Distributable income per unit therefore amounted to \$0.302, up from \$0.238 for the third quarter in 1998, an increase of 27%. This excellent growth in distributable income was due mainly to an increase in operating revenues, rigorous control over expenses and the elimination of interest income on instalment receipts.

For the first nine months of the fiscal year, the REIT recorded operating revenues of \$35.9 million, net income of \$10.5 million and distributable income of \$11.5 million, or \$0.791 per unit.

Financial Position

The REIT maintains a conservative borrowing policy, as reflected by its debt ratio of 48.8% compared with the gross book value as at September 30, 1999. The Trust currently has authorized short-term credit facilities of \$32 million, only \$12.9 million of which had been used as at September 30, 1999. The balance will be used to finance the acquisition of new revenue-producing properties.

In the third quarter, the REIT signed a \$15.8 million mortgage loan, bearing interest at 7.125% and maturing in 2004, to renew matured loans of \$8.5 million. The balance of \$7.3 million of loan proceeds was used to refinance the capital reimbursement on hypothecs (the equivalence of mortgage) and the remainder was injected into working capital.

After eliminating the impact of instalment receipts on the balance sheet, the value of the REIT's assets as at September 30, 1999 reflected an increase of \$17.8 million over the asset value as at September 30, 1998.

As at September 30, 1999, we reduce our bank loans by \$2.8 million to \$12.9 million from \$15.7 million as at June 30, 1999.

Acquisitions

As announced on August 11, 1999, we have acquired a 119,000-square-foot industrial building in Montreal, at a cost of \$5 million. Just recently, we completed the acquisition of five properties for a total consideration of \$11.4 million. These include four industrial and mixed buildings in Lachine and one building in Quebec City.

The Lachine-based buildings are fully occupied by single tenants, international or national companies such as Wood Wyant, Delhar Canada Ltd., Stochem Inc. and Paquette White Inc.

These last five acquisitions added 260,000 square feet to our real estate portfolio, bringing it to a total of 4.1 million square feet. They fit into the REIT's development strategy and will enable it to improve our unitholders' return on investment. Between now and the end of the year, we will actively pursue our expansion and hope to announce other transactions that will help consolidate the REIT's position, especially in the Montreal region.

Outlook

The REIT's results after the first nine months of the current fiscal year are in line with our expectations, and we are confident that we will achieve our objectives for the year as a whole. Our latest acquisitions, combined with the portfolio's return, the rise to 95.2% in the overall building occupancy rate, the improvement in the economy including the decline in unemployment rate, as well as the increased demand for rental space, enable us to remain optimistic.

We would like to remind unitholders that they can now benefit from the advantages of the Unit Distribution Reinvestment Plan by registering with General Trust of Canada, the REIT's agent. Information documents about the Plan are also available on request from Cominar.



Jules Dallaire
Chairman of the Board
and Chief Executive Officer

November 1999

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED STATEMENT OF INCOME AND DISTRIBUTABLE INCOME

Period ended September 30 (Unaudited, in thousands except per unit amounts)	Trimestrial		Cumulative	
	1999	1998	1999 (9 months)	1998 (133 days)
	\$	\$	\$	\$
Operating revenues				
Rentals from income properties	12,071	10,324	35,889	14,798
Operating expenses				
Property operating costs	2,706	2,282	8,818	3,396
Realty taxes and services	2,058	1,790	6,220	2,541
Property management expenses	189	147	628	217
	4,953	4,219	15,666	6,154
Net Operating Income	7,118	6,105	20,223	8,644
Interest on hypothecs	2,478	2,153	7,051	3,133
Depreciation – income properties	506	443	1,506	640
Amortization of deferred expenses	183	46	549	60
	3,167	2,642	9,106	3,833
Operating income from real estate assets	3,951	3,463	11,117	4,811
Trust expenses	120	133	494	189
	3,831	3,330	10,623	4,622
Other (income) expenses				
Loan interest		437	677	634
Instalment receipt interest income		(365)	(565)	(529)
Other income	(50)	(117)	(21)	(209)
	(50)	(45)	91	(104)
Net income	3,881	3,375	10,532	4,726
Add (deduct)				
Depreciation – income properties	506	443	1,506	640
Instalment receipt interest income		(365)	(565)	(529)
Distributable income	4,387	3,453	11,473	4,837
Net income per unit	.2676	.2328	.7263	.3259
Distributable income per unit	.3026	.2381	.7912	.3358

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED BALANCE SHEET

As at September 30
(Unaudited, in thousands)

	1999 \$	1998 \$
Assets		
Income properties	274,539	250,008
Instalment receipts receivable (note 4)		32,269
Deferred expenses	924	143
Prepaid expenses and others assets	1,952	2,869
Accounts receivable	1,465	699
Cash and short-term investments		7,323
	278,880	293,311

Liabilities and Unitholders' Equity

Liabilities

Hypothecs payable (note 5)	124,713	119,024
Bank indebtedness	12,925	
Loan payable		33,200
Accounts payable and accrued liabilities	3,575	3,039
Distributions payable to Unitholders	1,204	971
	142,417	156,234

Unitholder's Equity	136,463	137,077
	278,880	293,311

COMINAR REAL ESTATE INVESTMENT TRUST

STATEMENT OF UNITHOLDERS' EQUITY

Period ended September 30 (Unaudited, in thousands)	Triestrial		Cumulative	
	1999 \$	1998 (9 months) \$	1999 \$	1998 (133 days) \$
Unitholders' equity, beginning of period	136,266	136,709	136,734	
Issuance of units				145,000
Underwriters' fees and offering costs	(1)	(92)	(29)	(6,998)
Discount on instalment receipts				(1,460)
Net income for the period	3,881	3,375	10,532	4,726
Distributions to Unitholders	(3,683)	(2,915)	(10,774)	(4,191)
Unitholders' equity, end the period	136,463	137,077	136,463	137,077

COMINAR REAL ESTATE INVESTMENT TRUST

CONSOLIDATED CASH FLOW STATEMENT

Period ended September 30 (Unaudited, in thousands)	Trimestrial		Cumulative	
	1999	1998	1999 (9 months)	1998 (133 days)
	\$	\$	\$	\$
Cash flow from operating activities				
Net income for the period	3,881	3,375	10,532	4,726
Adjustments :				
Depreciation – income properties	506	443	1,506	640
Amortization of deferred expenses	183	46	549	60
Instalment receipt interest income		(365)	(565)	(529)
	4,570	3,499	12,022	4,897
Change in non-cash working capital				
Increase in accounts receivables	(105)	(440)	(621)	(699)
Increase in prepaid expenses and others assets	(964)	(469)	(829)	(2,869)
Increase (decrease) in accounts payables and accrued liabilities	(213)	169	260	3,039
Decrease in rent cashed in advance		(383)		
	(1,282)	(1,123)	(1,190)	(529)
Cash flow from operating activities	3,288	2,376	10,832	4,368
Cash flow from financing activities				
Issue of units (net)				138,002
Assumed hypothecs				120,340
Instalment receipts receivable				(33,200)
Encashment of instalment receipts			33,200	
Loan payable redemption			(33,200)	
Repayments of long term debt	6,007	(1,143)	5,259	(1,316)
Underwriters' fees and offering costs	(1)	(92)	(29)	
Loan payable				(33,200)
Distributions to Unitholders	(3,683)	(3,220)	(9,570)	(3,220)
Cash flow from financing activities	2,323	(4,455)	(4,340)	253,806
Cash flow from investing activities				
Proceeds from asset disposal			28	
Acquisitions of income properties	(5,274)	(5,665)	(9,348)	(250,691)
Proceeds form hypothec loan	2,548		2,577	
Deferred charges	(80)	(44)	(495)	(160)
Cash flow from investing activities	(2,806)	(5,709)	(7,238)	(250,851)
Increase (decrease) cash and cash equivalents	2,805	(7,788)	(746)	7,323
Cash and cash equivalents, beginning of period	(15,730)	15,111	(12,179)	
Cash and cash equivalents, end of period	(12,925)	7,323	(12,925)	7,323
Note : Interests paid	2,478	2,153	7,051	3,133

COMINAR REAL ESTATE INVESTMENT TRUST

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

Period ended September 30, 1999

1. Organization of the Trust

Cominar Real Estate Investment Trust (the "Trust") is an unincorporated closed-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) Consolidation

The consolidated financial statements include the accounts of the REIT and its wholly-owned subsidiary, Les Services Administratifs Cominar Inc.

b) 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 a straight-line basis over the terms of the related leases.

c) 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 \$ 138,000,000 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 instalment of \$4 encashed 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 was fully paid on May 21, 1999. The receivable was non-interest bearing and was secured by the Trusts 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 interest at a weighted average annual rate of 7.25% and are renewable between August 1999 and September 2007.

6. Loan payable

The loan payable bears interest at 5.56% per annum and is secured by the Trusts 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.

7. Segment disclosures

The REIT's activities include three property types. The accounting policies followed by each property type are the same than those disclosed in the summary of accounting policies. The following table shows the financial information related to these property types :

	Office properties \$	Retail properties \$	Industrial and mixed use properties \$	Total \$
Rentals from income properties	13,458	13,853	8,578	35,889
Interest on hypothecs	3,328	2,729	994	7,051
Depreciation – income Properties and tenant Improvements	750	864	333	1,947
Operating income from real estate assets	3,935	4,179	3,003	11,117
Income properties	98,285	119,424	56,830	274,539

MANAGEMENT'S COMMENTS

YEAR 2000 COMPLIANCE

Electronics have been part of our everyday life for a few decades. Daily, we use more and more sophisticated systems and softwares. Unfortunately, for several of those sophisticated tools, the end of the actual millennium represents a critical time where flaws are inevitable.

The problem was raised a few years ago and Cominar quickly reacted. Indeed, in September 1997, it established an adequate plan to address the so called "Year 2000 Issue". At that time, a team started working to solve the potential problems related to this issue in a timely manner.

All goods and services consumed by Cominar and all its suppliers were indexed. An impact analysis then identified where corrections were needed. By the end of July 1999, testing was completed and all corrections validated.

The impact analysis was crucial and had permitted to first focus on equipment that was at high risk and that failure could have important consequences on financial information and on exploitation of Cominar.

Secondly, we considered apparatus and systems integrated in all different Cominar's buildings. All systems were studied, lighting, fire alarm, security, access, elevator, heating, ventilating, chiller, power, etc.

Although, the nature of the risk differs with each kind of system, we consider all of them essential for the exploitation of a building. In this respect, in addition to the corrections already provided, Cominar established a strategic plan to take measures and deal with the unforeseeable. In many instances, measures are identical to those we already practice in our daily operations. For example, temporary manual operation of some systems will be selected in case of automaton failure.

However, communications with our suppliers are reassuring and do not drop any hint at particular difficulty that could result from the "Year 2000 Issue". Incidentally, recently Hydro-Quebec once more let us know is optimism.

Cominar also owns a huge mobile electrical generator which in case of power failure could be quickly towed and connected to power a building not equipped with in-house generator. We are already in the in the Fall of 1999 and in respect with our schedule, we are putting in place the last elements of our strategic plan.

In closing, based on the above, Cominar does not consider itself significantly vulnerable to the "Year 2000 Issue".

COMINAR REAL ESTATE INVESTMENT TRUST

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Unit Listing

The Montreal Exchange
The Toronto Stock Exchange

Stock Trading Symbol

CUF.UN



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