MANAGEMENT'S DISCUSSION AND ANALYSIS > 2005

March 2, 2006

Cominar Real Estate Investment Trust

COMINAR

INTRODUCTION

The following is a discussion of the consolidated financial condition and results of operations of Cominar Real Estate Investment Trust ("Cominar" or the "Trust") for the years ended December 31, 2005 and 2004, and should be read together with Cominar's audited consolidated financial statements. This discussion contains forward-looking information that is qualified by reference to, and should be read together with, the discussion regarding forward-looking statements.

Cominar's audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are in Canadian dollars unless otherwise indicated.

The Trust has issued guidance on and reports on certain non-GAAP measures that are used by management to evaluate the performance of Cominar. Because non-GAAP measures do not have a standardized meaning, 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.

FORWARD-LOOKING STATEMENTS

This document and the Management's discussion and analysis contain statements about expected future events and financial and operating results of Cominar that are forward-looking. By their nature, forward-looking statements require the Trust to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors may cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

Factors that may cause actual results to differ materially include but are not limited to economic conditions, the financial position of tenants, the Trust's ability to refinance its debts upon maturity and to lease vacant space, as well as changes in interest rates and other risk factors discussed herein and listed from time to time in Cominar' reports, comprehensive public disclosure documents, including the Annual Information Form, and in other documents filed with securities commissions in Canada and filed on SEDAR at *www.sedar.com*.

For further information, see the "Risks and Uncertainties" section of the Management's discussion and analysis.

The Trust has neither the intention nor the obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

SUMMARY

COMINAR IS AN UNINCORPORATED CLOSED-END INVESTMENT TRUST CONSTITUTED PURSUANT TO A CONTRACT OF TRUST AND GOVERNED BY THE LAWS OF THE PROVINCE OF QUEBEC. THE TRUST'S UNITS AND CONVERTIBLE DEBENTURES ARE PUBLICLY TRADED ON THE TORONTO STOCK EXCHANGE (TSX) UNDER THE SYMBOLS CUF.UN AND CUF.DB, RESPECTIVELY.

Cominar is one of the largest owners and managers of commercial properties in the Province of Quebec. Through a series of acquisitions, construction projects and developments made since the Trust was created in 1998, leasable space in Cominar's property portfolio has more than tripled, from 51 properties with total space of approximately 3.1 million square feet, concentrated in the Quebec City area, to 129[1] properties with total space of over 9.7[1] million square feet, divided between the Quebec City and Montreal regions. The gross book value of Cominar's income properties and properties under development rose from $244.6 million in 1998 to $724.3 million as at December 31, 2005.

Cominar's property portfolio is evenly divided among three sectors. These three sectors are office buildings, retail properties and industrial and mixed-use properties. Each contributes to Cominar's results in roughly the same proportions.

[1] As at March 2, 2006. These figures include properties built and under development.

OBJECTIVES AND STRATEGY

Cominar's principal objectives are to deliver to its unitholders growing tax-deferred cash distributions and to increase and maximize unit value.

To achieve its objectives, Cominar pursues the following strategy:

Property Portfolio Expansion

In order to increase the leasable space in its property portfolio, Cominar continues to seek opportunities for acquisitions, construction projects and development in the Quebec City and Montreal areas. The first criterion Cominar uses in evaluating any acquisition or development continues to be the ratio between the acquisition/development price, the related debt and the anticipated profitability of the project in question in the short and long term.

Because of the steady rise in property prices, Cominar maintains a conservative growth strategy, based on a very strict selection of properties to be acquired and on the construction and development of quality properties in strategic locations sought by customers in the Montreal and Quebec City areas.

For the past few years, Cominar has been accelerating the development of some of its properties that offer potential for yield growth and the construction of new properties to meet its profitability criteria in a buoyant market.

Proactive Property Management

Commercial real estate is a dynamic investment and requires active and experienced management. Cominar stresses keeping its occupancy rates high and seeks growth in its lease income to maximize return on investment for unitholders.

Sector Diversification

An integral part of Cominar's strategy from its beginnings has been to maintain an even balance in its property portfolio among the following three sectors: office buildings, retail properties and industrial and mixed-use properties. This diversification of its activities among three types of properties allows Cominar to reduce the risk associated with a given sector and also contributes to steady revenue and income growth.

Geographic Diversification

Geographic diversification is also an integral part of Cominar's growth strategy. While strengthening its dominant position in the Quebec City area, Cominar established a major presence in the Montreal area from the outset where it owned 41 properties amounting to nearly 3.6 million square feet of leasable space as at March 2, 2006. Like sector diversification, geographic diversification helps Cominar to better mitigate the risks associated with the real estate business.

Prudent Debt Management

Debt management continues to be a decisive factor in growth and stability for a real estate investment trust. Although the Contract of Trust that governs Cominar authorizes a debt to gross book value ratio of less than or equal to 60% of the gross book value of the portfolio, Cominar is keeping this ratio equal to or less than 55%. Management believes that this disciplined policy contributes to the stability of future distributions and prudent growth.

FINANCIAL PERFORMANCE INDICATORS

Cominar measures the success of its strategy by a series of financial performance indicators. The main indicators are as follows:

Cash Distributions

Cominar's principal objective continues to be to increase distributions to its unitholders. Since the Trust was founded in 1998, annual distributions to unitholders have risen from $0.894[1] to $1.21, a total increase of 35.9%, amounting to an average annual increase of 4.5%.

Distributable Income

Another important Cominar objective is to increase its long-term distributable income. Since its inception, the Trust's distributable income has risen by 46.7%, from $0.936[1] to $1.373 per unit.

Distributable Income Payout ratio

In accordance with the Contract of Trust that governs Cominar, Cominar is required to distribute each year at least 85% of its distributable income to its unitholders. For the last few years, Cominar has maintained one of the lowest payout ratios of real estate investment trusts in Canada. This conservative approach allows Cominar to retain the funds necessary for expenditures on fixed assets and its leasing objectives. For the fiscal year ended December 31, 2005, the Trust's payout ratio was 88.1%, in line with the ratio of previous years.

Debt Ratio

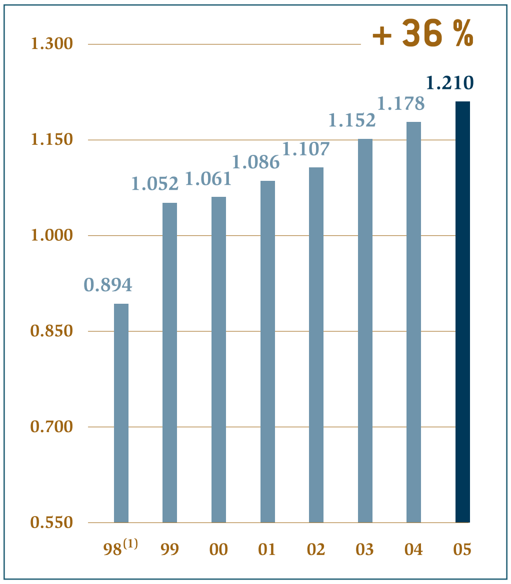
As indicated above, debt management is a decisive factor in the growth and stability of a real estate investment trust. Although the Contract of Trust that governs Cominar authorizes it to maintain a debt to gross book value ratio of less than or equal to 60% of the gross book value of the property portfolio, Cominar prefers to have a prudent and disciplined policy and keeps its portfolio's debt to gross book value ratio at 55% or less. Since its inception, Cominar has maintained, as at December 31, an average debt ratio of 48.6%. For the year ended December 31, 2005, the debt ratio was 49.0%.

[1] The results for fiscal 1998 were annualized because the year consisted of only 225 days.

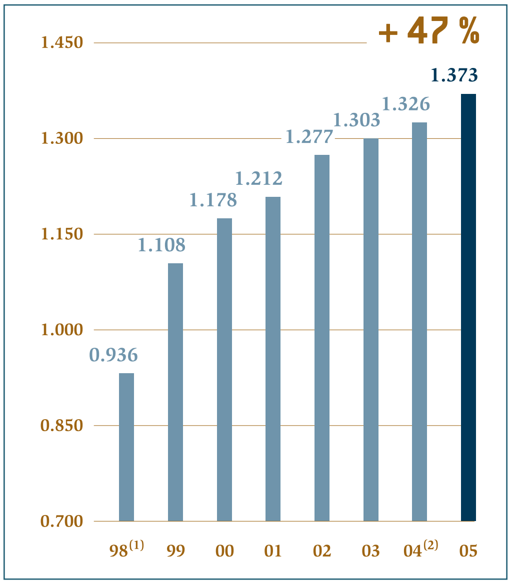
Summary of Financial Performance Indicators

The following graphs present the financial performance indicators since the Trust was created in 1998:

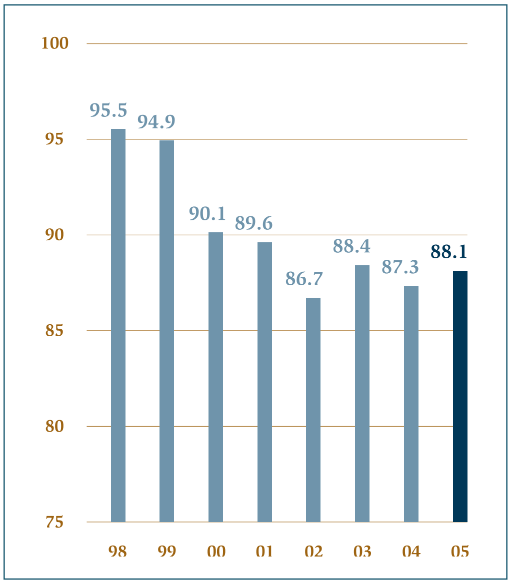
Distributions per unit ($)



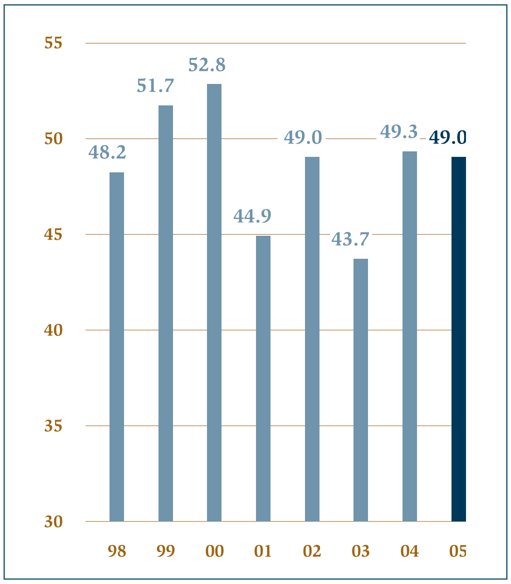
Distributable income per unit ($)



Distributable income payout ratio (%)



Debt ratio (%)



[1] The results for fiscal 1998 were annualized because the year consisted of only 225 days.

[2] Excluding $740,000 in non-recurring revenues

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are essential to the understanding and interpretation of the financial results appearing in this annual report. The significant accounting policies used in preparing the consolidated financial statements for the fiscal years ended December 31, 2005 and 2004, respectively, are summarized in note 2 of the notes to consolidated financial statements. The following text summarizes these accounting policies.

Basis of Preparation

Cominar's audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Use of Estimates

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

Revenue Recognition

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

Since January 1, 2004, in accordance with Section 1100 of the Canadian Institute of Chartered Accountants ("CICA") Handbook, "Generally Accepted Accounting Principles", rental revenues from leases with contractual rent increases are recognized in income based on the straight-line method. Previously, rental revenues from leases were recognized as they became due. This accounting policy was adopted prospectively.

Income Properties

Income properties are stated at cost. The cost includes all acquisition costs and improvements to income properties. Since September 12, 2003, Cominar has prospectively applied EIC-140 of the CICA Handbook, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination". In accordance with this Abstract, the CICA now requires that a portion of the purchase price of an income property be allocated to in-place operating leases, based on their fair value, to the value of customer relationships and to the fair value of leasehold improvements.

This allocation is based on management assumptions and estimates. These intangible assets are included in income properties and are amortized on a straight-line basis over the terms of the related leases. Previously, no value was allocated to these intangible assets. The adoption of this Abstract accelerated the depreciation of income properties, but had no impact on distributable income.

Depreciation of Income Properties

Since January 1, 2004, in accordance with Section 1100 of the CICA Handbook, "Generally Accepted Accounting Principles", income properties have been depreciated using the straight-line method in order to fully depreciate their residual value over a forty-year term. Previously, income properties were depreciated using the sinking fund basis at the rate of 5%. The prospective adoption of this accounting policy increased depreciation of income properties for the years ended December 31, 2005 and 2004, thereby reducing net income for these years. However, there was no impact on distributable income since the depreciation of income properties is added back to net income for the purpose of calculating distributable income.

The intangible assets, which represent acquisition costs for in-place operating leases, customer relationships and tenant improvements, are amortized on a straight-line basis over the terms of the related leases.

Properties under Development

Properties under 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 all 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 within a predetermined time limit.

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 Cominar considers that such assets are 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. Financing costs are deferred and amortized on a straight-line basis over the terms of the related loans.

Unit Option Plan

Under a unit option plan, Cominar has granted options to purchase units to trustees, management and employees of Cominar. In accordance with Section 3870 of the CICA Handbook, “Stock-based Compensation and other Stock-based Payments”, Cominar recognizes an expense for employee stock-based compensation using the fair value-based method and the stock-based compensation costs are amortized using the graded vesting method.

Per Unit Results

Basic net income per unit is calculated based on the weighted-average number of units outstanding for the year. 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.

SELECTED FINANCIAL INFORMATION

The following table presents a summary of selected financial information for the fiscal years indicated below:

(in thousands of $, except amounts per unit)	Dec. 31, 2005	Dec. 31,2004	Dec. 31, 2003
Operating revenues	**122,104**	110,901	96,577
Net operating income	**74,082**	68,106	58,085
Net operating income per unit	**2,273**	2,137	2,146
Net income	**31,327**	31,535	31 022
Basic net income per unit	**0,961**	0,990	1,146
Diluted net income per unit	**0,946**	0,981	1,143
Distributable income per unit	**1,373**	1,349	1,303
Distributions per unit	**1,210**	1,178	1,152
Total income properties	**658,855**	640,889	518,770
Total properties under development	**22,020**	20,967	21,486
Total assets	**725,582**	705,654	602,882
Total mortgages payable	**253,581**	262,247	270,715
Total convertible debentures	**97,535**	100,000	—
Total bank indebtedness	**25,811**	—	—
Weighted average number of units (000)	**32,585**	31,869	27,064
Weighted average number of diluted units (000)	**33,111**	32,144	27,147

Notes

(1) The application of new accounting policies in fiscal year 2004 has had an impact on the financial data presented in the table above. We refer readers to the “Summary of Significant Accounting Policies” section to learn about the extent of the impact.

(2) “Distributable income” is defined in the “Operating Results” section on page 18 and in note 13 of the consolidated financial statements for the fiscal years ended December 31, 2005 and 2004.

(3) Some 2004 data was reclassified due to the sale of a property in 2005 presented as discontinued activities.

The increase in operating revenues over the past three years is the result of acquisitions and developments during this period. This increase has also had an impact on total long-term borrowings and bank indebtedness, which rose from $271 million in 2003 to $377 million in 2005, while the net book value of income properties and properties under development increased by $141 million in this period.

OPERATING RESULTS

Principal Financial Data for the Fiscal Year

The principal consolidated financial data presented below, which is for the last two fiscal years, should be read in conjunction with the financial statements.

Consolidated Statements of Income for Fiscal 2005 and 2004

(in thousands of $, except amounts per unit)	Dec. 31, 05	Dec 31, 04	Change ($)	Change (%)
Operating revenues	122,104	110,901	11,203	10.1
Operating expenses				
Operating costs	24,614	22,184	2,430	11.0
Realty taxes and services	22,163	19,522	2,641	13.5
Property management expenses	1,245	1,089	156	14.3
	48,022	42,795	5,227	12.2
Net operating income	74,082	68,106	5,976	8.8
Interest on borrowings	21,079	18,058	3,021	16.7
Depreciation of income properties	14,766	12,458	2,308	18.5
Amortization of deferred expenses and other assets	5,648	5,257	391	7.4
	41,493	35,773	5,720	16.0
Operating income from real estate assets	32,589	32,333	256	0.8
Trust administrative expenses	1,757	1,886	(129)	(6.8)
Other revenues	238	1,054	(816)	(77.4)
Net income from activities	31,070	31,501	(431)	(1.4)
Net income from discontinued activities	257	34	223	655.9
Net income	31,327	31,535	(208)	(0.7)
Distributable income (1)	44,749	42,992	1,757	4.1
Basic net income per unit (2)	0,961	0,990	(0,029)	(2.9)
Distributable income per unit (1)	1,373	1,349	0,024	1.8

Notes

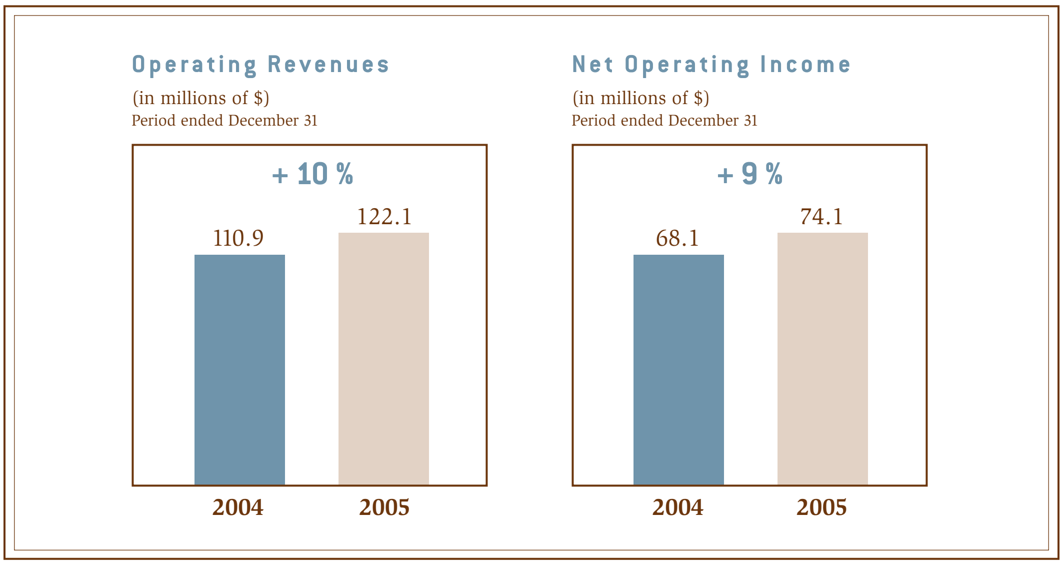
(1) Cominar is governed by a Contract of Trust that requires it to distribute 85% or more of its distributable income to unitholders. “Distributable income” is defined on page 18 and in note 13 of the consolidated financial statements for the fiscal years ended December 31, 2005 and 2004.

(2) Considering there is a negligible difference between basic net income per unit and diluted net income per unit, the latter is not presented in this table.

Operating Revenues and Net Operating Income

In fiscal 2005, Cominar's operating revenues rose by $11.2 million or 10.1% to $122.1 million, compared to $110.9 million in 2004. Net operating income[1] also increased considerably to $74.1 million, or nearly $6.0 million more than in 2004. The main sources of these increases were acquisitions and developments that were incorporated into the property portfolio in fiscal 2004 and 2005. Since the contribution of an acquisition or development is not fully discernible until the following year, the 2004 acquisitions and developments did not contribute to the increase in operating revenues until 2005.

The following graphs compare operating revenues and net operating income for the periods ended December 31, 2004 and 2005.



During fiscal 2005, the ratio of net operating income to operating revenues held steady at 60.7%, a level comparable to the four previous fiscal years.

While maintaining its dominant position in the Quebec City area, Cominar began to geographically diversify its property portfolio in 1999 by acquiring properties in the Montreal area. As at December 31, 2005, Cominar owned 40 properties in the Montreal region amounting to roughly

[1] Although the concept of net operating income is not a measure defined by GAAP, it is widely used in real estate. Cominar defines it as operating income before interest on borrowings, depreciation of income properties, amortization of deferred expenses and other assets, Trust administrative expenses and other revenues.

35% of the rental space in its property portfolio. For the year ended December 31, 2005, properties in the Montreal area accounted for 31.6% and 34.9%, respectively, of total operating revenues and net operating income.

Geographic Breakdown

	Quebec City		Montreal	
	2005	**2004**	**2005**	**2004**
Number of properties	**88**	83	**40**	39
Rental space (sq. ft.)	**6,152,302**	6,114,760	**3,371,830**	3,298,000
Operating revenues ($000)	**83,509**	79,968	**38,595**	30,933
Net operating income ($000)	**48,242**	46,798	**25,840**	21,308

Note: This data includes properties built and under development.

The following table shows the breakdown of net operating income among Cominar's three sectors, namely office buildings, retail properties and industrial and mixed-use properties. This breakdown varies according to changes in the property portfolio, with each sector however representing around one-third of annual net operating income. Keeping a balanced portfolio enables Cominar to reduce the instability related to cash flow. The industrial and mixed-use property sector is quite stable, while the retail sector is riskier, but with a higher potential for profitability. The office building sector risk falls between the other two sectors.

Breakdown of Net Operating Income

(in thousands of dollars)

	Net operating income			Breakdown among sectors (%)		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**
Sector						
Office	**26,422**	23,668	18,362	**35.7**	34.8	31.6
Retail	**22,800**	22,164	20,641	**30.8**	32.5	35.5
Industrial and mixed-use	**24,860**	22,274	19,082	**33.5**	32.7	32.9
Total	**74,082**	68,106	58,085	**100.0**	100.0	100.0

In 2005, the office and industrial and mixed-used sectors had the strongest growth due to acquisitions and developments integrated into the portfolio in fiscal 2004 and 2005.

Cominar's geographic and sectorial diversification generates a great diversity in business customers. Cominar has over 1,600 customers in many areas of activity, with average occupied space of 6,200 square feet. Cominar's largest individual client only represents 8.4% of fiscal 2005 operating revenues. No other individual client represents more than 5% of the year's operating revenues.

Cominar's dominant position in the Quebec City area fosters business development with the two principal levels of government. Such a market is advantageous in that it shows greater stability during downturns in the economy. Quebec government related leases contributed 9.6% to fiscal 2005 operating revenues, while federal government related leases contributed 4.7%.

Operating Expenses

The main expenses related to the operation of income properties include energy, realty taxes and services, interest on borrowings and the depreciation of income properties. These expenses combined amount to nearly 80% of all operating expenses for Cominar's income properties.

Energy

Cominar has taken innovative steps to save energy in the income properties in its portfolio. Since most of its properties are close to each other, Cominar is able to pool the demand for energy from groups of properties in order to purchase the power required at rates that would otherwise be available only to much larger properties. Moreover, Cominar has developed a state-of-the-art computerized energy management system that controls and generates additional power at variable levels above certain energy consumption thresholds by using relatively less costly sources of energy.

Energy expenses were $13.2 million in 2005 compared to $12.3 million in 2004, an increase of 7.5%. This increase was primarily the result of acquisitions and developments added to income properties during these periods.

In 2005, Cominar was one of three businesses in the province of Quebec to receive a "Réseau Écoélectrique" certificate from Hydro-Québec, in recognition of its energy-saving initiatives in the Cominar tower and of the modernization of mechanical equipments at Place de la Cité.

Realty Taxes and Services

Realty taxes and services rose by $2.6 million in 2005. Of this amount, $2.2 million is attributable to income properties that were acquired and developed in 2004 and 2005, which have contributed to a slight rise in this expense relative to operating revenues, from 17.6% in 2004 to 18.2% in 2005.

Interest on Borrowings

Interest on borrowings rose by $3.0 million in 2005. This increase comes mainly from the public issue of 100,000 convertible debentures in a total amount of $100 million, completed in September 2004. The proceeds from this issue were used to finance the acquisitions and developments completed in 2004 and 2005. In 2005, interest on borrowings amounted to 17.3% of operating revenues compared to 16.3% in 2004. This 1% increase is explained by the fact that the properties under development that were added to the income property portfolio in 2005 have not all yet reached their full yield potential. Although property development is currently generating a higher yield than acquisitions, it has the drawback of taking more time to reach the desired yield level.

Depreciation of Income Properties

The transition from the sinking fund basis of depreciation to straight-line depreciation to determine the book depreciation of income properties and the allocation of a portion of the acquisition cost of an income property to the fair market value of operating leases, to the fair value of customer relations, and to the fair value of leasehold improvements, which are items that are depreciated over the period of the related leases, accelerated the pace of this expense and thus slowed net income growth. In 2005, depreciation of income properties increased by $2.3 million due to acquisitions and developments in 2004 and 2005 and amounted to 12.1% of operating revenues in 2005 compared to 11.2% in 2004.

Net Income

For comparative purposes, net income for fiscal years 2004 and 2005 presented below has been adjusted to exclude non-recurring gains, i.e., a $248,000 gain on sale of a property sold in June 2005 and a $740,000 gain posted in 2004 from a dispute settlement. With these adjustments, net income increased by $284,000 in 2005, but dropped slightly on a per-unit basis.

The following table presents the net income calculations, taking into consideration these adjustments:

Net Income

(in thousands of dollars, except amounts per unit)

	2005	2004
Net income for the year	**31,327**	31,535
Gain on sale of income property	**(248)**	—
Revenue from settlement of legal dispute	—	(740)
Adjusted net income	**31,079**	30,795
Adjusted net income per unit	**0.954**	0.966

Distributable Income and Distributions

Although the concept of “distributable income” is not a financial measure defined under GAAP, it is a measure widely used in the field of income trusts. Management considers distributable income an excellent tool for assessing Cominar’s operating performance. Distributable income generally corresponds to net income established in accordance with GAAP, excluding depreciation of income properties, amortization of above-market leases, compensation costs related to unit options, deferred rentals and gains or losses on sale of income properties. Under the Contract of Trust governing Cominar, the annual total of monthly distributions paid to unitholders must represent at least 85% of annual distributable income.

The table below presents the distributable income calculation and the distributable income adjusted, for comparison purposes, to exclude non-recurring income from a dispute settlement in 2004, as well as a reconciliation with net income calculated in accordance with GAAP.

Distributable Income and Distributions

(in thousands of dollars, except amounts per unit)

	2005	2004
Net income for the year	**31,327**	31,535
Depreciation of income properties	**14,793**	12,472
Amortization of above-market leases	**120**	56
Compensation costs related to unit option plan	**200**	289
Gain on sale of an income property	**(248)**	—
Deferred rentals	**(1,443)**	(1,360)
Distributable income for the year	**44,749**	42,992
Revenue from settlement of legal dispute	**—**	(740)
Adjusted distributable income	**44,749**	42,252
Distributions to unitholders	**39,549**	37,706
Weighted average number of units outstanding	**32,585**	31,869
Basic distributable income per unit	**1.373**	1.349
Adjusted basic distributable income per unit	**1.373**	1.326
Distributions per unit	**1.210**	1.178
Payout ratio	**88.1%**	87.3%
Adjusted payout ratio	**88.1%**	88.8%

As shown in the table above, adjusted distributable income for 2005 was $44.7 million, or $1.373 per unit, compared to a 2004 figure of $42.3 million, or $1.326 per unit, representing increases of 5.9% and 3.5%, respectively.

Per unit distributions rose from $1,178 in 2004 to $1,210 in 2005, while the adjusted payout ratio stood at 88.1% compared to 88.8% in 2004. This attests to Cominar's ability to manage growing distributions while maintaining its payout ratio in order to secure enough leeway to ensure the stability of future distributions. In addition, for the past few years, Cominar has had one of the lowest payout ratios of all real estate investment trusts in Canada, which also reflects the caution exercised in operations management.

SELECTED QUARTERLY INFORMATION

The following table presents Cominar's quarterly results for 2004 and 2005:

Data Included in the Interim Reports for Fiscal 2005

(in thousands of dollars, except amounts per unit)

	Q-1 2005	Q-2 2005	Q-3 2005	Q-4 2005
Operating revenues	30,407	30,654	29,812	31,231
Net operating income	16,775	18,442	19,034	19,831
Net income	6,045	8,042	8,322	8,918
Adjusted net income	6,045	7,794	8,322	8,918
Basic net income per unit	0.187	0.247	0.255	0.272
Adjusted basic net income per unit	0.187	0.239	0.255	0.272
Distributable income	9,419	11,220	11,818	12,292
Adjusted distributable income	9,419	11,220	11,818	12,292
Basic distributable income per unit	0.291	0.344	0.362	0.375
Adjusted basic distributable income per unit	0.291	0.344	0.362	0.375
Weighted average number of units (000)	32,357	32,576	32,632	32,770

Data Included in the Interim Reports for Fiscal 2004[1]

(in thousands of dollars, except amounts per unit)

	Q-1 2004	Q-2 2004	Q-3 2004	Q-4 2004
Operating revenues	27,419	27,814	27,063	28,605
Net operating income	15,264	16,960	17,259	18,623
Net income	6,821	8,788	8,034	7,892
Adjusted net income	6,821	8,048	8,034	7,892
Basic net income per unit	0.215	0.276	0.252	0.246
Adjusted basic net income per unit	0.215	0.253	0.252	0.246
Distributable income	9,249	11,533	10,991	11,219
Adjusted distributable income	9,249	10,793	10,991	11,219
Basic distributable income per unit	0.292	0.363	0.344	0.350
Adjusted basic distributable income per unit	0.292	0.339	0.344	0.350
Weighted average number of units (000)	31,690	31,814	31,909	32,058

Notes:
(1) Certain 2004 figures have been reclassified to conform with the 2005 presentation.
(2) Because the difference between basic and diluted net income per unit was negligible, the diluted figure has not been presented in these tables.
(3) For an appropriate comparison of second quarter results for 2004 and 2005, the figures must be adjusted to exclude a $248,000 gain on the sale of income property posted in the second quarter of 2005 and $740,000 in income from a dispute settlement in the second quarter of 2004.

Quarterly result analysis has tended to confirm over the years that the first quarter is the least profitable time of the year due to winter expenses such as snow removal and energy, which tenants usually pay for throughout the year in their leases.

First and second quarter operating revenues also include considerable realty taxes and services billed to tenants, who pay upon receipt of their realty tax bills. Given that these expenses are also posted under operating expenses for the same quarters, net operating income is not affected.

Net income for the first three quarters of fiscal 2005 suffered from the issue of 100,000 convertible debentures in September 2004, since proceeds from the $100 million issue were only gradually invested in the acquisition of income properties and developments, and these assets were only recently added to the property portfolio. The gap between 2005 and 2004 quarterly net incomes narrowed as Cominar approached the convertible debenture issuance date. With the developments and income property acquisitions integrated into the portfolio, the 2005 fourth quarter net income of $8.9 million exceeded that of 2004 by $1 million, or 13%.

2005 Fourth Quarter Results

For the quarter ended December 31, 2005, operating revenues increased by 9.1% over the fourth quarter of 2004, rising from $28.6 million to $31.2 million. Net operating income amounted to $19.8 million, a 6.5% increase over the corresponding quarter of fiscal 2004. Net income rose from $7.9 million to $8.9 million, or 12.7%. Distributable income amounted to $12.3 million, compared to $11.2 million as at December 31, 2004, for an increase of 9.8%. The per-unit amount was $0.375, compared to $0.350 for the quarter ended December 31, 2004, an increase of 7.1%. Unitholder distributions increased by 3.0% over the corresponding quarter in 2004, rising from $9.9 million, or $0.308 per unit, to $10.2 million, or $0.310 per unit. Funds from operations totaled $14.1 million, or $0.430 per unit, compared to $12.7 million, or $0.396 per unit in the fourth quarter of 2004.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents a summary of Cominar's consolidated balance sheet for the years ended December 31, 2005 and 2004. The changes in 2005 were due to property acquisitions and developments.

Selected Data from the Consolidated Balance Sheet

Year ended December 31
(in thousands of dollars)

	2005	2004
Income property	**658,855**	640,889
Properties under development	**22,020**	20,967
Other	**44,707**	43,798
TOTAL ASSETS	**725,582**	705,654
Mortgages payable	**253,581**	262,247
Convertible debentures	**97,535**	100,000
Bank indebtedness	**25,811**	—
Other	**25,513**	21,939
TOTAL LIABILITIES	**402,440**	384,186

Debt Overview

Over the past two years, Cominar has diversified its sources of financing beyond traditional bank loans and mortgages by issuing $100 million in convertible unsecured subordinated debentures. Cominar attempts to minimize its exposure to variable interest rates as much as possible to protect against potential interest rate increases. As at December 31, 2005, only 8.9% of Cominar's long term debt had variable interest rates.

Long Term Debt

The following table presents Cominar's debt balance, including mortgages payable and convertible debentures, as at December 31, 2005, by year of maturity and weighted average interest rate.

Long Term Debt

Year ended December 31
(in thousands of dollars)

	Debt balance ($)	Weighted average interest rate (%)
2006	43,553	6.05
2007	46,709	6.19
2008	124,579	6.06
2009	—	—
2010	—	—
2011 and after (1)	136,275	6.58
TOTAL	**351,116**	**6.28**

Note: (1) Includes $97,535 in convertible debentures maturing in 2014.

Mortgages Payable

As at December 31, 2005, mortgages payable amounted to $253.6 million, compared to $262.2 million the previous year, a drop of 3.3%.

As at the same date, the weighted average mortgage rate was 6.27%, compared to 6.32% on December 31, 2004. Cominar has staggered its mortgage expiry dates over a number of years to reduce the risks related to renewal. In 2006, $42.5 million in mortgages will be up for renewal. Cominar does not foresee any difficulties refinancing these mortgages as they mature.

The table below shows mortgage repayments for the upcoming fiscal years:

Mortgage Repayments

Year ending December 31 (in thousands of $)

	Payment of principal	Balance at maturity	Total
2006	9,592	42,485	**52,077**
2007	7,693	43,162	**50,855**
2008	3,025	115,070	**118,095**
2009	2,382	—	**2,382**
2010	2,563	—	**2,563**
2011 and after	14,605	13,004	**27,609**
TOTAL	**39,860**	**213,721**	**253,581**

The following table presents the mortgage balances as at December 31, 2005, by maturity and weighted average rate:

Mortgage Balances as at December 31, 2005 by maturity

Year ended December 31 (in thousands of $)

	Mortgage balances ($)	Weighted average interest rate (%)
2006	43,553	6.05
2007	46,709	6.19
2008	124,579	6.06
2009	—	—
2010	—	—
2011 and after	38,740	7.29
TOTAL	**253,581**	**6.27**

The following table shows the decrease in weighted average mortgage rates over the past years:

	2005	2004	2003	2002	2001
Annual weighted average interest rate (%)	6.27	6.32	6.31	6.55	6.84

Convertible Debentures

In September 2004, Cominar completed a public offering of convertible unsecured subordinated debentures, bearing interest at the annual rate of 6.30%, for total gross proceeds of $100 million. These debentures are described in note 8 of the consolidated financial statements for the years ended December 31, 2005 and 2004.

The proceeds of this offering were used to acquire a property located at 300 rue Viger in Montreal, as well as for other acquisitions and developments. It was also used to repay a portion of the debt. This investment further enabled Cominar to protect a considerable portion of its debt against a potential rise in interest rates in the course of the next 10 years.

As at December 31, 2005, a total of 2,465 convertible debentures had been converted at a conversion price of $17.40 per unit and outstanding convertible debentures amounted to $97.5 million.

Bank Indebtedness

As at December 31, 2005, Cominar had operating and acquisition facilities of up to $65.9 million, renewable annually, with interest rates set at 0.00% to 0.50% above prime. They were secured by movable and immovable hypothecs on specific assets. These credit facilities are provided by three different financial institutions, and management has reason to believe they will remain available in the future. As at December 31, 2005, bank indebtedness totaled $25.8 million.

Debt Ratio

Since it was first founded, Cominar has managed its debt and used leverage cautiously. Management prefers to keep its debt ratio at or below 55% of its property portfolio's gross book value, although the Contract of Trust permits up to 60%. The following table presents Cominar's debt and interest coverage ratios for the years ended December 31, 2005 and 2004:

Borrowing Ratios

(in thousands of dollars)

	2005	2004
Mortgages payable and bank indebtedness	**279,392**	262,247
Convertible debentures	**97,535**	100,000
Total long term debt	**376,927**	362,247
Portfolio gross book value	**768,976**	734,176
Debt ratio (1) (3)	**49.0%**	49.3%
Borrowing power		
55% of gross book value	**102,000**	92,500
60% of gross book value	**211,000**	195,000
Interest coverage ratio (2) (3)	**3.51**	3.77

Notes:
(1) The 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 net operating income before interest, amortization, Trust administrative expenses, and other income, divided by interest on borrowings.
(3) These ratios are not defined by GAAP and may differ from those of other entities.

As shown above, the debt ratio as at December 31, 2005, was 49%, which was in line with fiscal 2004. This ratio—one of the lowest of all real estate investment trusts in Canada—provides up to $211,000 in funds for Cominar's future acquisitions at debt ratios authorized under its Contract of Trust. The interest coverage ratio was at 3.51:1, compared to 3.77:1 for fiscal 2004.

Cominar's financial position therefore remains healthy and solid, with a debt-to-gross book value ratio of under 50% as at December 31, 2005, an acquisition capacity of over $100 million at Cominar's preferred debt ratio, relatively little interest rate risk, and credit facilities of $65.9 million, of which only $25.8 million were used as at December 31, 2005.

Cominar believes the funds available will be sufficient for the Trust to meet its current obligations and finance its future growth.

Funds from Operations

Although the notion of "funds from operations" 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 and amortization of deferred leasing costs. Funds from operations should not be substituted for net income or cash flows from operating activities established in accordance with GAAP in measuring Cominar's performance. The Trust's method of calculating funds from operations is in compliance with REALpac's recommendations, but may differ from the methods used by other trusts, and therefore cannot be used for comparison.

Cominar considers funds from operations 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 the Trust's operating performance (for example, gains or losses from the sale of income property).

The table below presents a reconciliation of net income as determined in accordance with GAAP and funds from operations for the 12 month periods ended December 31, 2005 and 2004. Due to its non-recurring nature, the $740,000 amount from the settlement of a dispute in 2004 has been excluded to provide a better comparison of the results for the two fiscal years.

Funds from Operations

(in thousands of dollars, except amounts per unit)

	2005	2004
Net income for the year	**31,327**	31,535
Depreciation of income properties	**14,793**	12,472
Amortization of deferred leasing costs	**5,491**	5,090
Gain on sale of an income property	**(248)**	—
Funds from operations	**51,363**	49,097
Revenue from settlement of legal dispute	—	(740)
Adjusted funds from operations	**51,363**	48,357
Weighted average number of units outstanding (basic)	**32,585**	31,869
Weighted average number of units outstanding (diluted)	**33,111**	32,144
Basic funds from operations, per unit	**1.576**	1.541
Diluted funds from operations, per unit	**1.551**	1.527
Adjusted basic funds from operations, per unit	**1.576**	1.517
Adjusted diluted funds from operations, per unit	**1.551**	1.504

Adjusted funds from operations increased by $3.0 million in 2005, or 6.2%, to a total of $51.4 million. The per-unit figure was $1.576, compared to $1.517 in 2004, an increase of 3.9%.

Contractual Obligations

Cominar's most substantial contractual obligations are with regard to its long term debt, including mortgages, convertible debentures and lines of credit, as described above.

ISSUED AND OUTSTANDING UNITS

Ownership interests in Cominar are represented by a single class of unit that is 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.

During the fiscal year, Cominar issued 656,326 units, including (i) 452,950 units pursuant to the exercise of unit options, providing $6.1 million in proceeds; (ii) 61,714 units pursuant to the distribution reinvestment plan; and (iii) 141,662 units pursuant to the conversion of convertible debentures. At the close of fiscal 2005, Cominar had a total of 32.9 million units issued and outstanding, compared to 32.3 million at the close of 2004, for an increase of 1.9%.

Unit Issuance

	2005	2004
Units issued and outstanding, beginning of year	**32,284,409**	31,668,291
Issued from options exercised	**452,950**	479,166
Issued under distribution reinvestment plan	**61,714**	136,952
Issued from conversion of convertible debentures	**141,662**	—
Units issued and outstanding, end of year	**32,940,735**	32,284,409

PROPERTY PORTFOLIO

Cominar's income properties and properties under development had a net book value of $680.9 million in 2005, compared to $661.9 million as at December 31, 2004. This rise in portfolio value was primarily due to acquisitions and developments completed during these periods.

The following table presents Cominar's property portfolio as at December 31, 2005 and 2004:

Property Portfolio

(in thousands of dollars)

	2005	2004
Income properties	**658,855**	640,889
Properties under development	**22,020**	20,967
TOTAL	**680,875**	661,856
Number of properties [1]	128	122
Leasable area (in thousands of square feet) [1]	9,524	9,413
Composition (% of net operating income)		
Offices	35.7	34.8
Retail	30.8	32.5
Industrial and mixed-use	33.5	32.7

Note: (1) Includes properties built and under development

Property prices continued to rise in 2005, which slowed Cominar's growth. The Trust maintains a disciplined growth strategy based on long term profitability. Given the objective of increasing unitholder distributions and the rising prices in the real estate market, Cominar continues to be highly selective in its choice of acquisitions and developments. During 2005, Cominar acquired three income properties and completed six building developments.

Acquisitions

In 2005, Cominar acquired the following income-producing properties:

Acquisitions

Property	Closing date	Sector of activity[(1)]	Leasable area(sq. ft.)	Purchase price ($)	Capitalization rate(%)[(2)]
1050 boul. René-Lévesque Drummondville	March 2005	R	28,906	1,950,000	9.5
940 rue Bergar Laval	April 2005	I	14,800	617,350	9.7
275 St-Sacrement Quebec City	July 2005	I	35,749	1,200,000	9.6
Total/Weighted average capitalization rate			**79,455**	**3,767,350**	**9.6**

Notes:
(1) R = Retail, I = Industrial
(2) Capitalization rate represents forecast net operating income divided by purchase price.

These properties will be subject to development projects totaling nearly $3 million, as described in the next section.

Development Projects

Given the steady rise in real estate prices, Cominar pursued its building development projects in 2005. In general, the capitalization rates on these projects are significantly higher than on the acquisition market, which should yield strong long term returns for unitholders.

Completed Development Projects

During 2005, Cominar completed six building developments representing a total of 322,140 square feet of leasable area and a $24.4 million investment. The weighted average capitalization rate of these projects was 10.7%. These buildings are nearly fully leased and were integrated into Cominar's property portfolio in fiscal 2005.

The following table details the developments completed during the year:

Completed Development Projects

	Sector of activity (1)	Project type (2)	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)
Highway 440 project 4500 Louis-B. Mayer, Laval	I	NC	46,740	3,300,000	10.1
1455 32e Avenue, Lachine	I	E	32,500	800,000	10.2
Promenades Beauport, Quebec City	R	E	123,400	7,800,000	10.9
Carrefour Charlesbourg, Quebec City	R	E	76,000	9,800,000	10.9
Henri-IV project, Quebec City 2600 St-Jean-Baptiste	I	NC	35,000	2,100,000	10.5
50, du Président-Kennedy, Lévis	R	NC	8,500	630,000	10.5
Total/Weighted average capitalization rate			**322,140**	**24,430,000**	**10.7**

Notes
(1) I = Industrial, R = Retail
(2) NC = New Construction, E = Expansion

Ongoing Development Projects

As at December 31, 2005, four buildings representing 373,500 square feet of leasable space and a $22.6 million investment were in development and at various stages of completion. Their capitalization rates ranged from 10.1% to 10.5%. Cominar expects to complete most of these projects in winter 2006. The Trust considers demand for lease space of these projects to be high, and the leasing process is unfolding as expected.

The following table presents the development projects under way as at December 31, 2005:

Ongoing Development Projects

	Sector of activity[1]	Project type[2]	Leasable area (sq. ft.)	Invest-ment($)	Capitali-zation rate (%)	Expected comple-tion	Lease rate (%)
Henri-IV project, Quebec City							
2800 St-Jean-Baptiste	I	NC	105,000	6,500,000	10.5	Winter 2006	63
3000 St-Jean-Baptiste	I	NC	45,000	2,800,000	10.5	Winter 2006	80
Highway 440 project, Laval							
4451 autoroute Laval O.	I	NC	117,000	7,100,000	10.1	Winter 2006	74
2900 J.A. Bombardier	I	NC	106,500	6,200,000	10.1	Spring 2006	15
Total/Weighted average capitalization rate			**373,500**	**22,600,000**	**10.3**		

Notes
(1) I = Industrial, R = Retail
(2) NC = New Construction

Upcoming Developments

As at March 2, 2006, Cominar was at various stages of the planning process with a number of development projects, construction of which was not yet under way. These projects are the following:

Upcoming Developments

	Sector of activity(1)	Project type(2)	Leasable area (sq. ft.)	Investment ($)	Capitalization rate (%)	Expected construction start
275 St-Sacrement, Quebec City	I	R, E	66,479	2,200,000	9.6	Winter 2006
940 Bergar, Laval	I	R, E	22,800	350,000	11.8	Winter 2006
1050 René-Lévesque, Drummondville	R	R	28,906	300,000	9.5	Spring 2006
40 ch. du Tremblay, Longueuil	I	E	37,600	1,700,000	10.8	Winter 2006
Rue Godin project, Quebec City	I	NC	30,000	1,600,000	9.4	Winter 2006
Project, Laval	I	NC	80,000	5,300,000	9.9	Spring 2006
Project, St-Bruno	R	NC	105,000	12,600,000	9.8	Spring 2006
Total/Weighted average capitalization rate			**370,785**	**24,050,000**	**9.9**	

Notes:
(1) I = Industrial, R = Retail
(2) R = Renovation, NC = New Construction, E = Expansion

Sales

In 2005, Cominar sold a 45,671 square foot industrial and mixed-use building that no longer fit its investment strategy. This property, located in Anjou, sold for $2.7 million, generating a gain of $248,000.

Portfolio Summary

The following table summarizes Cominar's property portfolio as at March 2, 2006[1]:

Summary by Sector as at March 2, 2006

	OFFICE		RETAIL		INDUSTRIAL		TOTAL	
	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)	NB.	Leasable area (sq. ft.)
Properties	14	2,212,143	28	2,338,749	87	5,190,240	129	9,741,132

Geographic Diversification as at March 2, 2006

	QUEBEC CITY		MONTREAL		TOTAL	
	NB.	Leasable Area (sq. ft.)	NB.	Leasable Area (sq. ft.)	NB.	Leasable Area (sq. ft.)
Properties	88	6,152,302	41	3,588,830	129	9,741,132

Property Portfolio Management

Occupancy Rates

A consistently high occupancy rate year after year generates a stable inflow of funds from operations. Since 1999, Cominar has averaged 95.1% occupancy in its property portfolio. For the 12 months ended December 31, 2005, occupancy stood at 95.3%, which is slightly higher than the previous year.

[1] Includes properties built and under development.

The following table presents the occupancy rates for Cominar properties by sector since 1999:

Evolution of Occupancy Rates by Sector

(%)

	2005	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**
Sector							
Office	**95.0**	94.7	92.8	90.0	96.0	93.3	94.4
Retail	**93.6**	94.0	95.7	94.3	93.7	94.7	93.9
Industrial and mixed-use	**96.2**	95.2	97.3	97.3	94.0	96.2	96.5
Total portfolio	**95.3**	94.8	96.0	94.7	94.3	95.1	95.3

The stability of the portfolio's occupancy rate year after year reflects the quality of Cominar's properties, the diversity of its clientele and the relative balance of its portfolio among its three sectors of activity.

Lease Renewals

With sound portfolio management and strong client relations, Cominar is able to retain a significant portion of its tenants when their leases expire. Like in most sectors of activity, client retention is a priority for Cominar since a stable client base is much less costly than searching for new tenants.

The following table illustrates this fact and shows the leasable area covered by new client leases each year:

Rental area of expiring, renewed, and new leases

(as at December 31)

	Expiring leases (sq. ft.)	Renewed leases (sq. ft.)	New leases (sq. ft.)	Total (sq. ft.)
1999	546,820	437,624	132,100	569,724
2000	770,387	580,674	331,845	912,519
2001	1,098,301	894,217	392,158	1,286,375
2002	1,141,790	912,739	557,826	1,470,565
2003	1,397,779	1,069,024	580,302	1,649,326
2004	1,350,176	1,030,303	517,997	1,548,300
2005	**1,104,405**	**832,795**	**589,085**	**1,421,880**

As illustrated in the table above, the total for all new and renewed leases has remained higher than total leases expiring every year since the Trust was created.

In 2005, Cominar's leasing team renewed 75.4% of expiring leases and issued new leases for 589,085 square feet. Once again, renewed and new leases represented a total leasable area greater than that of expiring leases.

The following table shows the leases expiring over the next five years:

Expiring Leases

	2006	2007	2008	2009	2010
Office					
Leasable area (square feet)	200,838	213,957	224,477	46,619	191,270
Lease rate/square foot ($)	7.93	9.03	8.94	9.60	9.50
% of office portfolio	9.1	9.7	10.1	2.1	8.6
Retail					
Leasable area (square feet)	200,514	259,917	235,411	184,856	219,753
Lease rate/square foot ($)	10.01	9.88	8.71	11.52	11.39
% of retail portfolio	8.6	11.1	10.0	7.9	9.4
Industrial and mixed-use					
Leasable area (square feet)	570,551	909,139	637,721	467,997	405,645
Lease rate/square foot ($)	5.27	5.50	5.14	6.20	6.00
% of industrial and mixed-use portfolio	11.0	17.5	12.3	9.0	7.8
Total portfolio					
Leasable area (square feet)	971,903	1,383,013	1,097,609	699,472	816,668
Lease rate/square foot ($)	6.80	6.87	6.68	7.83	8.27
% of total portfolio	10.0	14.2	11.3	7.2	8.4

As shown above, the average percentage of expiring leases in the next five years is approximately 10% per year.

SUBSEQUENT EVENTS

On January 30, 2006, Cominar acquired a 217,000 square foot industrial and mixed-use property in Anjou, Quebec, for $7 million, at an estimated capitalization rate of 9.4%.

On that same day, Cominar acquired a 476,000 square foot lot in St-Bruno-de-Montarville at a cost of $3.8 million. The lot is located in the center of an established power center occupied by Wal-Mart, Home Depot and Winners, part of which Cominar already owns. Cominar plans to build a 105,000 square foot multi-building retail complex at an estimated cost of $8.8 million. In keeping with its proven, conservative development strategy, the Trust plans to carry out this project in phases. Cominar is currently negotiating with a number of retail tenants, and the first phase of the project should begin construction in spring 2006. This development project represents a total investment of approximately $12.6 million, at an estimated capitalization rate of 9.8%, as described under "Upcoming Developments".

RELATED PARTY TRANSACTIONS

Jules Dallaire and Michel Dallaire, who are both trustees and members of Cominar's management team, exercise indirect control over Dalcon Inc. ("Dalcon") and Corporation Financière Alpha (CFA) Inc. ("CFA"). Michel Paquet, also a trustee and member of Cominar management, has ties with these companies as a manager. Alain Dallaire, a member of the Cominar management team, has ties with CFA.

In 2005, Cominar posted net rental revenues of $1.3 million from Dalcon and CFA. It incurred $8.3 million in expenses for leasehold improvements performed by Dalcon and $21.9 million for the construction and development of income properties.

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

DISCLOSURE CONTROLS AND PROCEDURES

The President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer assessed the disclosure controls and procedures (as defined in Regulation 52-109 respecting Certification of Disclosure in Issuers' Annual and Interim Filings) as at December 31, 2005, and concluded that the controls and procedures gave reasonable assurance that the material information with respect to the Trust is communicated to management, in particular during the period where annual documents are prepared.

OUTLOOK

Cominar's objectives for fiscal 2006 remain the same: continue delivering growing distributions to unitholders and maximize unit value through proactive management and expansion of its property portfolio.

Cominar will continue to establish itself in its selected markets by seeking out and assessing acquisition opportunities that meet its rigorous selection criteria. Cominar will also pursue several development projects which should offer unitholders excellent returns on investment.

The current portfolio of high quality and well-located properties provides Cominar with a strong base to continue delivering increasing returns to unitholders. We will continue to work toward aggressively managing our costs and improving our operations. Occupancy rates for the properties in our portfolio are stable, and demand for commercial space remains strong in the two markets where we operate. In addition, our development projects all show capitalization rates higher than most in the property market, thereby favoring greater profitability in the long run.

RISKS AND UNCERTAINTIES

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

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 available premises and various other factors.

The value of immovable property and any improvements thereto may also depend on the credit and financial stability of the tenants and the economic environment in which they operate. The Trust's income and distributable income would be adversely affected if one or more major tenants or a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in its properties could not be leased on economically favourable lease terms. However, this risk is minimized by the diversification of the portfolio, which brings more certainty to foreseeable cash flows. This risk is also reduced by the fact that tenants occupy an average area of about 6,200 square feet.

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

Debt and Refinancing

The Trust is subject to the risks associated with debt financing, including the risk that existing mortgages secured by its properties will not be able to 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 rates changes, as interest on borrowings represents a significant cost in the ownership of real estate investments. Cominar seeks to reduce its interest rate risks by spreading the maturity of its long-term debt and limiting as much as possible the use of floating rate debt. As at December 31, 2005, only 8.9% of the REIT's long-term debt had floating interest rates. In 2006, an amount of $42.5 million in mortgages bearing interest at an average weighted rate of 6.05% will have to be renewed. Cominar does not foresee any difficulty in refinancing them as they become due.

Unitholders' Liabilities

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 desired by the Trust. 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 the Trust's tenants could have an adverse effect on the Trust's ability to lease space in its properties and on the rents charged, and could adversely affect the Trust's 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 the Trust's 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.

Construction Risk

Due to its involvement in development and construction activities, the Trust is subject to related risks such as construction cost overruns and other unforeseeable delays. Such risks are minimized by the fact that major projects are done by phases, which allows to better assess the demand for a project in particular.

This Management's Discussion and Analysis, the Annual Information Form, Annual Report and information circular will be posted on SEDAR at *www.sedar.com*.

AUDITORS' REPORT

To the unitholders of Cominar Real Estate Investment Trust:

We have audited the consolidated balance sheets of **Cominar Real Estate Investment Trust** as at December 31, 2005 and 2004 and the consolidated statements of income, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Québec City, Canada
January 27, 2006
[except as to Note 19 which is as of
January 30, 2006]

Ernst & Young LLP

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

As at December 31,

[In thousands of dollars]

	2005	2004
	$	$
ASSETS		
Income properties *[note 3]*	**658,855**	640,889
Properties under development *[note 4]*	**22,020**	20,967
Deferred expenses and other assets *[note 5]*	**30,009**	26,736
Prepaid expenses	**2,355**	2,010
Accounts receivable *[note 6]*	**12,343**	6,878
Cash and cash equivalents	**—**	8,174
	725,582	705,654
LIABILITIES AND UNITHOLDERS' EQUITY		
Liabilities		
Mortgages payable *[note 7]*	**253,581**	262,247
Convertible debentures *[note 8]*	**97,535**	100,000
Bank indebtedness *[note 9]*	**25,811**	—
Accounts payable and accrued liabilities	**21,890**	18,388
Distributions payable to unitholders	**3,623**	3,551
	402,440	384,186
Unitholders' equity *[note 10]*		
Unitholders' contributions	**338,230**	328,433
Cumulative net income	**184,463**	153,136
Cumulative distributions	**(199,902)**	(160,353)
Contributed surplus	**351**	252
	323,142	321,468
	725,582	705,654

See accompanying notes to consolidated financial statements

Approved by the Board

Michel Dallaire, Trustee

Michel Berthelot, Trustee

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Years ended December 31,

[In thousands of dollars]

	2005	2004
	$	$
Unitholders' contributions		
Balance, beginning of year	**328,433**	320,604
Issue of units	**9,797**	7,903
Underwriters' fees and offering expenses	**—**	(74)
Balance, end of year	**338,230**	328,433
Cumulative net income		
Balance, beginning of year	**153,136**	121,601
Net income	**31,327**	31,535
Balance, end of year	**184,463**	153,136
Cumulative distributions		
Balance, beginning of year	**(160,353)**	(122,647)
Distributions to unitholders	**(39,549)**	(37,706)
Balance, end of year	**(199,902)**	(160,353)
Contributed surplus		
Balance, beginning of year	**252**	39
Unit option plan	**99**	213
Balance, end of year	**351**	252
Unitholders' equity	**323,142**	321,468

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31,

[In thousands of dollars except per unit amounts]

	2005 $	2004 $
Operating revenues		
Rental revenue from income properties	**122,104**	110,901
Operating expenses		
Operating costs	**24,614**	22,184
Realty taxes and services	**22,163**	19,522
Property management expenses	**1,245**	1,089
	48,022	42,795
Operating income before the under noted	**74,082**	68,106
Interest on borrowings	**21,079**	18,058
Depreciation of income properties	**14,766**	12,458
Amortization of deferred expenses and other assets	**5,648**	5,257
	41,493	35,773
Operating income from real estate assets	**32,589**	32,333
Trust administrative expenses	**1,757**	1,886
Other revenues	**238**	1,054
Net income from continuing operations	**31,070**	31,501
Net income from discontinued operations *[note 18]*	**257**	34
Net income	**31,327**	31,535
Basic net income per unit *[note 12]*	**0.961**	0.990
Diluted net income per unit *[note 12]*	**0.946**	0.981

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31,

[In thousands of dollars]

	2005	2004
	$	$
OPERATING ACTIVITIES		
Net income	**31,327**	31,535
Items not affecting cash		
Depreciation of income properties	**14,793**	12,472
Amortization of above-market leases	**120**	56
Amortization of deferred leasing costs	**5,491**	5,090
Amortization of deferred financing costs and other assets	**703**	477
Compensation costs related to unit option plan	**200**	289
Leasing costs	**(8,934)**	(6,512)
Gain on sale of an income property *[note 18]*	**(248)**	—
Change in non-cash operating working capital items *[note 14]*	**2,634**	(3,261)
	46,086	40,146
FINANCING ACTIVITIES		
Repayments of mortgages payable	**(9,693)**	(26,530)
Net proceeds from issue of convertible debentures	**—**	96,250
Bank indebtedness	**25,811**	—
Distributions to unitholders	**(38,347)**	(32,092)
Net proceeds from issue of units *[note 10]*	**6,101**	5,690
	(16,128)	43,318
INVESTING ACTIVITIES		
Acquisitions of income properties	**(24,281)**	(95,821)
Acquisitions of properties under development	**(14,305)**	(12,551)
Net proceeds on disposition of an income property *[note 18]*	**675**	—
Other assets	**(221)**	(578)
	(38,132)	(108,950)
Net change in cash and cash equivalents	**(8,174)**	(25,486)
Cash and cash equivalents, beginning of year	**8,174**	33,660
Cash and cash equivalents, end of year	**—**	8,174

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 and 2004
[In thousands of dollars except per unit amounts]

1) DESCRIPTION OF THE FUND

Cominar Real Estate Investment Trust ("Cominar") is an unincorporated closed-end real estate investment trust created by the Contract of Trust on March 31, 1998 under the laws of the Province of Québec.

2) SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Cominar's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP").

Consolidation

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

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates that affect the amounts of assets and liabilities reported 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 year. Actual results could differ from those estimates.

Revenue recognition

Rental revenue from income properties include rents 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 based on the straight-line method.

Income properties and properties under 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 using the straight-line method in order to fully amortize the cost of buildings over 40 years.

Intangible costs, 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.

Properties under 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 all 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.

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. Financing costs are deferred and amortized on a straight-line basis over the terms of the related loans.

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 10. Cominar recognizes compensation expense when unit options are granted to trustees, management and employees with no cash settlement features.

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

Per unit results

Basic net income per unit is calculated based on the weighted-average number of units outstanding for the year. 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.

3) INCOME PROPERTIES

	2005	2004
	$	$
Land	**88,910**	87,533
Buildings	**605,865**	574,404
Intangible assets	**7,474**	7,474
	702,249	669,411
Accumulated depreciation and amortization	**43,394**	28,522
	658,855	640,889

4) PROPERTIES UNDER DEVELOPMENT

During the year, Cominar capitalized $1,907 [$1,172 in 2004] in interest to properties under development, some of which are classified in income properties at year-end.

5) DEFERRED EXPENSES AND OTHER ASSETS

	2005	2004
	$	$
At amortized cost		
Leasing costs	**25,413**	21,658
Financing costs	**3,926**	4,442
Other assets	**670**	636
	30,009	26,736

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

6) ACCOUNTS RECEIVABLE

	2005 $	2004 $
Accounts receivable	**7,515**	5,518
Deferred accounts receivable	**2,803**	1,360
Balance of sale	**2,025**	—
	12,343	6,878

7) MORTGAGES PAYABLE

Mortgages payable are secured by immovable hypothecs on income properties stated at a net book value of $427,614 [$432,330 as at December 31, 2004]. They bear interest at rates ranging from 5.00% to 11.00% per annum [4.25% to 11.00% as at December 31, 2004] representing a weighted-average year-end rate of 6.27% [6.32% as at December 31, 2004] and are renewable at various dates from March 2006 to January 2019.

Mortgage repayments are as follows:

	Principal repayments $	Balance at maturity $	Total $
Years ending December 31,			
2006	9,592	42,485	52,077
2007	7,693	43,162	50,855
2008	3,025	115,070	118,095
2009	2,382	—	2,382
2010	2,563	—	2,563
2011 and thereafter	14,605	13,004	27,609
	39,860	213,721	253,581

Mortgages payable having fixed rates amount to $222,314 [$239,888 as at December 31, 2004] and those having variable rates amount to $31,267 [$22,359 as at December 31, 2004].

8) CONVERTIBLE DEBENTURES

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

Cominar may satisfy its obligation to repay the principal of the debentures by issuing units of Cominar. In the event that Cominar elects to satisfy its obligation by repaying the principal with units of the Trust, it must issue units equal to 95% of the volume-weighted-average trading price of the units on the TSX during the period of 20 consecutive trading days ending on the fifth trading day preceding the scheduled redemption date or the maturity date.

In accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3860, convertible debentures have been recorded as liabilities on the balance sheet and interest has been charged to interest on borrowings on the statement of income. Debenture issue costs are amortized to interest on convertible debentures over a 10-year period and recorded under interest on borrowings. As the valuation of the unitholders' equity component of the conversion option did not have a material impact on the Cominar's consolidated results, the debentures have been recorded in whole as liabilities.

As at December 31, 2005, 2,465 convertible debentures had been converted into 141,662 units at a conversion price of $17.40 per unit, for a consideration of $2,465.

9) BANK INDEBTEDNESS

Cominar has a number of operating and acquisition credit facilities of up to $65,865 [$65,865 as at December 31, 2004]. These credit facilities, subject to annual renewal, bear interest between prime rate and prime rate plus 0.50% [0.00% and 0.50% in 2004]. Of these credit facilities, $62,865 [$62,865 as at December 31, 2004] are secured by movable and immovable hypothecs on specific assets. As at December 31, 2005, the prime rate was 5.00% [4.25% as at December 31, 2004].

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

10) ISSUED AND OUTSTANDING UNITS

The ownership interests in Cominar are represented by a single class of units. 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 year, Cominar issued 656,326 units, 141,662 of which were issued pursuant to the conversion of convertible debentures and 61,714 under the distribution reinvestment plan [136,952 units in 2004], the balance of 452,950 units issued from the exercise of options represented net proceeds received of $6,101 [479,166 units for net proceeds received of $5,690 in 2004].

	2005	2004
Units issued and outstanding, beginning of year	**32,284,409**	31,668,291
Issued from options exercised	**452,950**	479,166
Issued under distribution reinvestment plan	**61,714**	136,952
Issued from conversion of convertible debentures	**141,662**	—
Units issued and outstanding, end of year	**32,940,735**	32,284,409

Unit option plan

Under a unit option plan, Cominar granted options to purchase units to the trustees, management and employees of Cominar. The maximum number of units reserved for issuance under the terms of the plan is 3,160,000 units. The options are exercisable on a cumulative basis as follows: 25% of the options after each of the four first anniversary dates of the grant for options granted on April 8, 2005, 20% of the options after each of the five first anniversary dates of the grant for options granted November 13, 2003, and 33 1/3% of the options after each of the three first anniversary dates of the grant for options granted before November 13, 2003. The exercise price of options equals the closing market price of Cominar's units the day preceding the date of the grant, and the options have a maximum term of seven years.

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

	2005		2004	
	Options	Weighted-average exercise price $	Options	Weighted-average exercise price $
Outstanding, beginning of year	**2,563,000**	**13.86**	3,042,166	13.58
Exercised	**(452,950)**	**13.47**	(479,166)	12.09
Granted	**244,000**	**17.12**	—	—
Outstanding, end of year	**2,354,050**	**14.29**	2,563,000	13.86
Options exercisable, end of year	**484,050**	**13.83**	395,000	13.11

Date of grant	Maturity date	Exercise price $	2005 Outstanding options	Options exercisable
August 9, 2001	August 9, 2008	11.00	**27,000**	**27,000**
November 13, 2003	November 13, 2010	14.00	**2,083,050**	**457,050**
April 8, 2005	November 13, 2010	17.12	**244,000**	**—**
			2,354,050	**484,050**

Unit-based compensation plan

The compensation costs associated with the options granted on April 8, 2005 were calculated using the Black-Scholes option pricing model, assuming volatility of 13.5% on the underlying units, a fixed exercise price of $17.12, a weighted-average distribution yield of approximately 7.58% and a weighted-average risk-free interest rate of approximately 3.78%, and for the options granted on November 13, 2003, assuming volatility of 11.7% on the underlying units, a fixed exercise price of $14, a weighted-average distribution yield of approximately 8.74% and a weighted-average risk-free interest rate of approximately 4.21%.

Compensation costs are amortized using the graded vesting method.

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

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

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 a number of units amounting to 105% of the cash distribution. During the year, 61,714 units [136,952 in 2004] were issued at a weighted-average price of $18.30 [$15.07 in 2004] for a consideration of $1,130 [$2,063 in 2004] pursuant to the distribution reinvestment plan.

11) 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.

The carrying value of Cominar's net assets as at December 31, 2005 exceeds the tax basis by approximately $75,400 [$64,600 as at December 31, 2004].

12) 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.

	2005	**2004**
Weighted-average number of units outstanding - basic	**32,585,028**	31,868,876
Effect of dilutive unit options	**526,294**	275,083
Weighted-average number of units outstanding - diluted	**33,111,322**	32,143,959

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

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

13) DISTRIBUTABLE INCOME PER UNIT

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 the net income determined in accordance with GAAP excluding the depreciation of income properties and the amortization of above-market leases, compensation costs related to unit options, deferred rentals and gains or losses on sale of income properties.

Distributable income is not a GAAP measurement and is not an alternative to net income determined in accordance with GAAP to assess Cominar's performance. Cominar's method of calculating distributable income may differ from that used by other trusts and accordingly, comparisons may be inappropriate.

Distributable income has been calculated under the Contract of Trust as follows:

	2005 $	2004 $
Net income for the year	**31,327**	31,535
Add (deduct)		
Depreciation of income properties	**14,793**	12,472
Amortization of above-market leases	**120**	56
Compensation costs related to unit option plan	**200**	289
Gain on sale of an income property	**(248)**	—
Deferred rentals	**(1,443)**	(1,360)
Distributable income for the year	**44,749**	42,992
Retention of distributable income	**(5,200)**	(5,286)
Distributions to unitholders	**39,549**	37,706
Distributable income per unit	**1.373**	1.349
Distributions per unit	**1.210**	1.178
Payout ratio	**88.1%**	87.3 %

14) SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash-equivalents include the following:

	2005 $	2004 $
Cash [including $1,291 bearing interest at 1.25% in 2004]	—	2,787
Short-term investment [2.40% in 2004]	—	5,387
	—	8,174

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

	2005 $	2004 $
Prepaid expenses	**(345)**	(109)
Accounts receivable	**(3,440)**	(1,353)
Accounts payable and accrued liabilities	**6,419**	(1,799)
	2,634	(3,261)
Additional information		
Interest paid	**19,432**	17,798
Unpaid leasing costs	**737**	418
Acquisitions of income properties and properties under development by assumption of mortgages payable	**1,027**	18,062
Unpaid acquisitions of income properties and properties under development	**6,043**	9,279
Properties under development transferred to income properties	**11,846**	17,578

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

15) RELATED PARTY TRANSACTIONS

During the year, 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:

	2005 $	2004 $
Rental revenue from income properties	**1,339**	1,295
Other revenues	**414**	572
Income properties and properties under development	**21,862**	33,399
Deferred expenses and other assets	**8,279**	5,084
Accounts receivable	**534**	829
Accounts payable and accrued liabilities	**8,714**	10,714

16) 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 balance of sale mentioned in note 18, and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are disclosed in notes 7, 8 and 9 respectively.

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 December 31, 2005 due to their short-term nature or based on current market rates.

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

As at December 31, 2005, the fair value of mortgages payable exceeded the carrying value by approximately $5,466 [$7,379 as at December 31, 2004] 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 December 31, 2005, the fair value of convertible debentures exceeded the carrying value by approximately $7,088 due to the change in interest rates since the issuance date [as at December 31, 2004, the fair value approximates their carrying value]. The fair value of convertible debentures has been estimated based on the current market rate for convertible debentures of similar terms and maturities.

17) SEGMENTED INFORMATION

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

	2005			
	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	**44,176**	**38,954**	**38,974**	**122,104**
Depreciation of income properties	**5,996**	**4,620**	**4,150**	**14,766**
Net operating income (1)	**26,422**	**22,800**	**24,860**	**74,082**
Income properties	**244,855**	**212,160**	**201,840**	**658,855**
Acquisitions of income properties	**1,451**	**14,772**	**16,509**	**32,732**

December 31, 2005 and 2004 [In thousands of dollars except per unit amounts]

	2004			
	Office properties $	Retail properties $	Industrial and mixed use properties $	Total $
Rental revenue from income properties	38,457	37,701	34,743	110,901
Depreciation of income properties	4,623	4,213	3,622	12,458
Net operating income [1]	23,668	22,164	22,274	68,106
Income properties	249,400	202,008	189,481	640,889
Acquisitions of income properties	91,058	6,440	37,093	134,591

(1) Net operating income is operating income before interest, depreciation, amortization, Trust administrative expenses and other income.

18) DISCONTINUED OPERATIONS

During the year, Cominar sold an industrial and mixed-use property for a consideration of $2,700 of which $675 was paid in cash. The remaining $2,025 bearing interest at 6%, is receivable in June 2006 and is recorded under the accounts receivable. A gain on sale of $248 was realized.

The following table indicates the financial reporting related to the property sold pursuant to CICA Handbook Section 3475, "Disposal of Long-lived Assets and Discontinued Operations".

	2005 $	2004 $
Net operating income	**36**	48
Depreciation of income properties	**(27)**	(14)
Net income	**9**	34
Gain on sale	**248**	—
Income from discontinued operations	**257**	34
Basic net income per unit	**0.008**	0.001
Diluted net income per unit	**0.008**	0.001

19) SUBSEQUENT EVENTS

On January 30, 2006, Cominar acquired an industrial and mixed-use property for a cash consideration of $7,000 and land for future development for a cash consideration of $3,800.

20) COMPARATIVE FIGURES

Certain 2004 figures have been reclassified to conform with the present year presentation.