Press Release

For Immediate Release

Cominar Real Estate Investment Trust announces second quarter 2005 results

- **Increases of 10.2% in rental revenues, 8.8% in net operating income and 5.3% in distributions to unitholders**
- **Thirteen projects under development comprising 16 buildings, a $54.5 million investment**

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Quebec City, August 9, 2005—Cominar Real Estate Investment Trust ("Cominar" or the "REIT") announced today its financial results for the three months ended June 30, 2005.

Rental revenues grew by 10.2% to total $30.7 million, compared with $27.8 million for the same period in 2004. **Net operating income** rose 8.8% to $18.4 million from $17.0 million in the second quarter of 2004.

For comparison purposes, the calculation of distributable income and distributable income per unit has been adjusted to exclude non-recurring income of $740,000 realized in the second quarter of last year as a result of the settlement of a legal dispute. Taking into consideration this exclusion, **adjusted distributable income** stood at $11.2 million, compared with $10.8 million for the corresponding period in 2004. **Adjusted distributable income per unit** amounted to $0.344, compared with $0.339 in the corresponding quarter of 2004.

Net income for the second quarter ended June 30, 2005, calculated in accordance with generally accepted accounting principles, includes a gain of $248,000 as a result of the sale of an industrial and mixed-use property in Anjou, Quebec. For the corresponding quarter of 2004, the same calculation includes the aforementioned $740,000 in income. Since these gains represent one-time items and are not representative of the REIT's operating performance, net income has been adjusted accordingly. Thus, **adjusted net income** for the second quarter ended June 30, 2005 stood at $7.8 million compared with $8.0 million for the same period in 2004. This decrease is mainly attributable to the application of EIC-140 from the CICA Handbook, which accelerates the depreciation of income properties, and Cominar's short-term use of the financial leverage from the issue of $100 million in convertible debentures completed toward the end of 2004. Cominar believes that this situation will improve as property developments are completed and as income properties are acquired.

Distributions to unitholders rose 5.3% to $9.8 million, up from $9.3 million in the second quarter of 2004.

Funds from operations have also been adjusted, for comparison purposes, to exclude the abovementioned amount of $740,000 of income received as a result of the settlement of a legal dispute. Accordingly, **adjusted funds from operations** amounted to $12.8 million compared with $12.0 million for the corresponding quarter in 2004, a 6.8% increase. **Adjusted funds from operations per unit** reached $0.393 compared to $0.377 per unit in the second quarter of 2004.

During the six-month period ended June 30, 2005, **rental revenues** grew by 10.6% or $5.8 million to $61.1 million, compared with $55.2 million for the first half of 2004. **Net operating income** rose 9.3% to $35.2 million. **Adjusted distributable income** hit $20.6 million or $0.636 per unit compared to $20.1 million or $0.633 per unit in the second quarter of 2004.

<u>Increasing Occupancy Levels</u>

As at June 30, 2005, Cominar showed an **occupancy rate** of 95.1%, a slight increase over occupancy levels of March 31, 2005 and June 30, 2004.

<u>Continued Financial Strength</u>

Cominar maintained its solid financial position in the second quarter of 2005, with a **debt to gross book value ratio** of 50.4%, whereas a rate of 60% is authorized by its Contract of Trust. However, in accordance with its conservative debt management policy, Cominar prefers to keep this ratio below 55%, leaving it an acquisition capacity of $77.5 million as at June 30, 2005.

<u>Projects Under Development Advancing Well</u>

Cominar currently has thirteen projects under development comprising 16 buildings and more than 916,000 square feet of leasable space. These projects, representing a $54.5 million investment, are advancing according to plan, both in terms of construction and leasing.

Michel Dallaire, President and Chief Executive Officer of the REIT, said, "These development projects fit fully into Cominar's growth strategy which, given the sustained increases in property prices over the past few years, stepped up the development of those of its properties offering a potential increase in return. Year after year, Cominar remains focused on profitable growth in order to further increase its real estate portfolio's value and to provide unitholders with growing returns."

<u>Acquisition of an Industrial Property</u>

As previously announced, during the second quarter of 2005, Cominar completed the acquisition of a 14,800 square foot industrial building in Laval, Quebec. The total purchase price was $617,350 and the estimated capitalization rate is 9.7%. Cominar plans to add 8,000 square feet of leasable area to the property in the coming months, which represents a $350,000 investment.

Sale of an Industrial Building

In June 2005, Cominar sold a 45,671 square foot industrial building located in Anjou, Quebec for an amount of $ 2.7 million, thereby realizing a $248,000 gain.

Subsequent Events: two acquisitions

In July 2005, Cominar completed the acquisition of an industrial and mixed-use property with 35,749 square feet of leasable space in Quebec City. The total purchase price was $1.2 million. Cominar plans to renovate and expand the building by 31,000 square feet at a cost of approximately $1.7 million.

Cominar also acquired 80,000 square feet of land in Quebec City in July 2005 at a cost of $320,000. Cominar plans to build a 30,000 square foot industrial and mixed-use building at an estimated cost of $1.6 million.

Additional Financial Information

Cominar's consolidated financial statements and MD&A for the three months ended June 30, 2005 will be filed on SEDAR (www.sedar.com) and available on the REIT website at www.cominar.com.

Conference Call and Webcast

Management will also hold a conference call and live audio webcast on Tuesday, August 9, 2005 at 11:30 a.m. (ET) to discuss Cominar's second quarter performance. The call may be accessed by dialing 1-800-814-4860.

PROFILE *as at August 9, 2005*

Cominar is one of the largest commercial real estate property owners in the province of Quebec. It owns a high quality portfolio of **124 properties in the Greater Montreal and Quebec City areas, consisting of 14 office, 27 retail and 83 industrial and mixed-use buildings, totalling approximately 9.4 million square feet.** The REIT's objectives are to deliver to its unitholders growing cash distributions and to maximize unitholder value through proactive management and accretive growth of its portfolio.

Cominar has a distribution reinvestment plan for its unitholders that allows participants to reinvest their monthly cash distributions in additional Cominar units **at an effective discount of 5%**. Additional information and enrolment forms are available at www.cominar.com.

Financial Measures and Forward-Looking Information

Net operating income, distributable income and funds from operations are not measures defined by generally accepted accounting principles and may not be comparable to similar measures presented by other issuers. Readers are directed to the Management Discussion and Analysis of Financial Condition and the Results of Operations ("MD&A") for the quarter ended June 30, 2005 for a description of the measures and a reconciliation of the measures to net income.

This press release may contain forward-looking statements that are based on Cominar's expectations regarding its business or economic and real estate environments. These statements are not guarantees of future performance, and involve risks and uncertainties that are described in Cominar's most recent Annual Report, Annual Information Form and other publicly available documents, which are available at www.sedar.com. Actual outcomes and results may differ materially from those expressed in these forward-looking statements.

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COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Income

Period of three months ended June 30, (unaudited, in thousands of dollars except per unit amounts)	Quarter 2005 $	2004 $	Cumulative (six months) 2005 $	2004 $
Operating revenues				
Rental revenue from income properties	**30,654**	27,814	**61,077**	55,233
Operating expenses				
Operating costs	**5,658**	5,152	**12,769**	11,766
Realty taxes and services	**6,192**	5,437	**12,432**	10,647
Property management expenses	**362**	268	**661**	600
	12,212	10,857	**25,862**	23,013
Operating income before the undernoted	**18,442**	16,957	**35,215**	32,220
Interest on borrowings	**5,209**	4,074	**10,545**	8,044
Depreciation of income properties	**3,648**	2,994	**7,295**	5,766
Amortization of deferred expenses and other assets	**1,388**	1,383	**2,753**	2,766
	10,245	8,451	**20,593**	16,576
Operating income from real estate assets	**8,197**	8,506	**14,622**	15,644
Trust administrative expenses	**487**	513	**900**	974
Other income	**79**	795	**108**	939
Income before discontinued operations	**7,789**	8,788	**13,830**	15,609
Income from discontinued operations [note 17]	**253**	—	**257**	—
Net income for the period	**8,042**	8,788	**14,087**	15,609
Basic net income per unit [note 11]	**0.247**	0.276	**0.433**	0.492
Diluted net income per unit [note 11]	**0.243**	0.274	**0.426**	0.488

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Balance Sheets

(in thousands of dollars)	**As at June 30, 2005 (unaudited) $**	As at December 31, 2004 (audited) $
Assets		
Income properties [note 3]	**635,362**	640,889
Properties under development [note 4]	**28,953**	20,967
Deferred expenses and other assets [note 5]	**26,170**	26,736
Prepaid expenses	**7,955**	2,010
Accounts receivable	**10,661**	6,878
Cash and cash equivalents	**—**	8,174
	709,101	705,654
Liabilities and Unitholders' Equity		
Liabilities		
Mortgages payable [note 6]	**258,522**	262,247
Convertible debentures [note 7]	**99,792**	100,000
Bank indebtedness [note 8]	**16,879**	—
Accounts payable and accrued liabilities	**10,189**	18,388
Distributions payable to unitholders	**3,257**	3,551
	388,639	384,186
Unitholders' equity		
Unitholders' contributions [note 9]	**332,843**	328,433
Cumulative net income	**167,223**	153,136
Cumulative distributions	**(179,891)**	(160,353)
Contributed surplus [note 9]	**287**	252
	320,462	321,468
	709,101	705,654

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Unitholders' Equity

	Quarter		Cumulative (six months)	
Period ended June 30,	**2005**	2004	**2005**	2004
(unaudited, in thousands of dollars)	**$**	$	**$**	$
Unitholders' contributions				
Balance, beginning of period	**332,181**	321,381	**328,433**	320,604
Issue of units [note 9]	**662**	1,809	**4,410**	2,586
Balance, end of period	**332,843**	323,190	**332,843**	323,190
Cumulative net income				
Balance, beginning of period	**159,181**	128,422	**153,136**	121,640
Change in accounting policy	**—**	—	**—**	(39)
Net income for the period	**8,042**	8,788	**14,087**	15,609
Balance, end of period	**167,223**	137,210	**167,223**	137,210
Cumulative distributions				
Balance, beginning of period	**(170,080)**	(131,730)	**(160,353)**	(122,647)
Distributions to unitholders	**(9,811)**	(9,322)	**(19,538)**	(18,405)
Balance, end of period	**(179,891)**	(141,052)	**(179,891)**	(141,052)
Contributed surplus [note 9]				
Balance, beginning of period	**239**	111	**252**	—
Change in accounting policy	**—**	—	**—**	39
Unit option plan	**48**	73	**35**	145
Balance, end of period	**287**	184	**287**	184
Unitholders' equity	**320,462**	319,532	**320,462**	319,532

COMINAR REAL ESTATE INVESTMENT TRUST
Consolidated Statements of Cash Flows

	Quarter		Cumulative (six months)	
Period ended June 30,	**2005**	2004	**2005**	2004
(unaudited, in thousands of dollars)	**$**	$	**$**	$
Operating Activities				
Net income for the period	**8,042**	8,788	**14,087**	15,609
Adjustments:				
Depreciation of income properties	**3,661**	2,994	**7,322**	5,766
Amortization of above-market leases	**30**	3	**60**	3
Amortization of deferred leasing costs	**1,356**	1,334	**2,683**	2,668
Amortization of deferred financing costs and other assets	**236**	82	**346**	165
Compensation costs related to unit option plan [note 9]	**55**	73	**91**	145
Gain on sale of an income property	**(248)**	—	**(248)**	—
Leasing costs	**(1,028)**	(1,083)	**(2,777)**	(2,050)
Change in non-cash operating working capital items [note 13]	**(4,150)**	(1,703)	**(7,458)**	(12,646)
	7,954	10,488	**14,106**	9,660
Financing Activities				
Repayments of mortgages payable	**(2,406)**	(3,017)	**(4,752)**	(5,150)
Bank indebtedness	**13,859**	19,754	**16,879**	19,754
Distributions to unitholders	**(9,786)**	(9,202)	**(19,832)**	(15,255)
Net proceeds from issue of units [note 9]	**655**	1,809	**4,146**	2,586
	2,322	9,344	**(3,559)**	1,935
Investing Activities				
Acquisitions of income properties	**(3,909)**	(31,259)	**(6,764)**	(36,032)
Net proceeds on disposition of an income property	**675**	—	**675**	—
Acquisitions of properties under development	**(6,931)**	(3,134)	**(12,521)**	(9,205)
Other assets	**(111)**	(5)	**(111)**	(18)
	(10,276)	(34,398)	**(18,721)**	(45,255)
Net change in cash and cash equivalents	**—**	(14,566)	**(8,174)**	(33,660)
Cash and cash equivalents, beginning of period	**—**	14,566	**8,174**	33,660
Cash and cash equivalents, end of period	**—**	—	**—**	—

COMINAR REAL ESTATE INVESTMENT TRUST
Notes to Consolidated Financial Statements

Period ended June 30, 2005
(unaudited, in thousands of dollars, except per unit amounts)

1. DESCRIPTION OF THE TRUST

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation
Cominar's interim consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP") and the accounting policies and methods of their application follow those used in the annual audited consolidated financial statements as at December 31, 2004.

Consolidation
These interim 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 Canadian 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 includes 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. With respect to income properties acquired after September 12, 2003, a portion of the purchase price, if any, is allocated to operating leases, customer relationships and tenant improvements and is described as an intangible asset amortized on a straight-line basis over the term of the related lease.

Depreciation of buildings is recorded using the straight-line method in order to fully amortize the cost of buildings over 40 years.

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 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 balances with banks and short term 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 9. Cominar recognizes compensation expense when unit options are granted to trustees and employees with no cash settlement features.

Per unit results
Basic net income per unit is calculated based on the weighted-average number of units outstanding for the period. The calculation of net income per unit on a diluted basis considers the potential exercise of outstanding unit purchase options and the potential conversion of debentures.

3. INCOME PROPERTIES

	As at June 30, 2005	As at December 31, 2004
	$	$
Land	**87,356**	87,533
Buildings	**576,396**	574,404
Intangible assets	**7,474**	7,474
	671,226	669,411
Accumulated depreciation and amortization	**35,864**	28,522
	635,362	640,889

4. PROPERTIES UNDER DEVELOPMENT

During the period of three months, Cominar capitalized $876 in interest to properties under development, some of which are classified under income properties at period-end.

5. DEFERRED EXPENSES AND OTHER ASSETS

	As at June 30, 2005	As at December 31, 2004
	$	$
At amortized cost		
Leasing costs	**21,327**	21,658
Financing costs	**4,169**	4,442
Other assets	**674**	636
	26,170	26,736

6. MORTGAGES PAYABLE

Mortgages payable are secured by income properties stated at a net book value of $430,390 [$432,330 as at December 31, 2004]. They bear interest at rates ranging from 4.25% to 11.00% per annum [4.25% to 11.00% as at December 31, 2004] representing a weighted-average year-end rate of 6.18% [6.32% as at December 31, 2004] and are renewable at various dates from November 2005 to January 2019.

As at June 30, 2005, mortgage repayments were as follows:

	Principal repayments	**Balance due at maturity**	**Total**
	$	**$**	**$**
Periods ending December 31,			
2005	4,867	10,127	17,400
2006	9,435	32,588	42,023
2007	7,693	43,162	50,855
2008	3,025	115,070	118,095
2009	2,382	—	2,382
2010 and thereafter	15,567	14,606	30,173
	42,969	**215,553**	**258,522**

Mortgages payable having fixed rates amount to $226,445 [$239,888 as at December 31, 2004] and those having variable rates amount to $32,077 [$22,359 as at December 31, 2004].

7. Convertible Debentures

On September 17, 2004, Cominar completed a public offering of 100,000 convertible unsecured subordinated debentures, bearing interest at the annual rate of 6.30%, for 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 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 en-ding on the fifth trading day preceding scheduled redemption date or the maturity date.

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

As at June 30, 2005, 208 convertible debentures had been converted at a conversion price of $17.40 per unit.

8. 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% [prime rate and prime rate plus 0.50% as at December 31, 2004]. Certain credit facilities totalling $62,865 [$62,865 as at December 31, 2004] are secured by movable and immovable hypothecs on specific assets. As at June 30, 2005, the prime rate was 4.25% [4.25% as at December 31, 2004].

9. ISSUED AND OUTSTANDING UNITS

The ownership interests in Cominar are represented by a single class of units. The aggregate number of units which Cominar may issue is unlimited. Units represent a unitholder's proportionate 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 period of three months, Cominar issued 42,814 units for net proceeds received of $655 [173,727 units for net proceeds received of $1,809 in 2004].

	Period of three months ended June 30, 2005	**Period of six months ended June 30, 2005**
Units issued and outstanding, beginning of period	**32,554,066**	32,284,409
Issued from options exercised	**28,000**	265,900
Issued under distribution reinvestment plan	**14,814**	34,618
Issued from conversion of convertible debentures	**—**	11,953
Units issued and outstanding, end of period	**32,596,880**	32,596,880

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 of 25% of the options after each of the four first anniversary dates of the grant for options granted 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.

	Period of three months ended June 30, 2005		**Period of six months ended June 30, 2005**	
	Options	**Weighted-average exercise price** $	**Options**	**Weighted-average exercise price** $
Outstanding, beginning of period	2,325,100	13.94	2,563,000	13.86
Exercised	(28,000)	14.00	(265,900)	13.17
Granted	241,000	17.12	241,000	17.12
Outstanding, end of period	2,538,100	14.31	2,538,100	14.31
Options exercisable, end of period	129,100	13.00	129,100	13.00

As at June 30, 2005

Date of grant	Maturity date	Exercise price	Outstanding options	Options exercisable
August 9, 2001	August 9, 2006	11.00	43,000	43,000
November 13, 2003	November 13, 2010	14.00	2,254,100	86,100
April 8, 2005	November 13, 2010	17.12	241,000	–
			2,538,100	129,100

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%, 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.

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

Distribution reinvestment plan

Cominar adopted a distribution reinvestment plan 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 period, 34,618 units [98,273 in 2004] were issued at a weighted-average price of $17.77 [$14.77 in 2004] pursuant to the distribution reinvestment plan.

10. 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.

11. PER-UNIT RESULTS

The following table provides a reconciliation of the weighted-average number of units outstanding used to calculate basic and diluted net income per unit.

Period ended June 30,	Quarter 2005	2004	Cumulative (six months) 2005	2004
Weighted-average number of units outstanding – basic	**32,576,264**	31,813,867	**32,467,054**	31,752,450
Effect of dilutive unit options	**517,818**	228,082	**517,818**	228,082
Weighted-average number of units outstanding - diluted	**33,094,082**	32,041,949	**32,984,872**	31,980,532

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

12. 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. Distributable income generally means net income determined in accordance with Canadian GAAP excluding depreciation of income properties, amortization of above-market leases, compensation costs related to unit options, deferred rentals recognized by the application of the straight-line method of accounting for contractual rent increases and capital gains or losses.

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, might not be comparable to similar measures presented by other issuers.

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

Period ended June 30,	Quarter 2005	2004	Cumulative (six months) 2005	2004
	$	**$**	**$**	**$**
Net income for the period	**8,042**	8,788	**14,087**	15,609
Add:				
Depreciation of income properties	**3,661**	2,994	**7,322**	5,766
Amortization of above-market leases	**30**	3	**60**	3
Compensation costs related to unit options	**55**	73	**91**	145
Deferred rentals	**(320)**	(325)	**(673)**	(669)
Gain on sale of an income property	**(248)**	—	**(248)**	—
Distributable income for period	**11,220**	11,533	**20,639**	20,854
Retention of distributable income	**1,409**	2,211	**1,101**	2,449
Distributions to unitholders	**9,811**	9,322	**19,538**	18,405
Distributable income per unit	**0.344**	0.363	**0.636**	0.657

Distributions per unit	**0.300**	0.291	**0.600**	0.576

13. Supplemental Cash Flow Information

Changes in non-cash operating working capital items are as follows:

	Quarter		Cumulative (six months)	
Period ended June 30,	**2005**	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Prepaid expenses	(2,147)	(2,939)	(5,945)	(6,590)
Accounts receivable	(992)	873	(1,758)	(1,217)
Accounts payable and accrued liabilities	(1,011)	363	245	(4,839)
	(4,150)	(1,703)	(7,458)	(12,646)
Additional information				
Interest paid	7,489	4,038	11,255	7,974
Unpaid leasing costs	—	287	—	—
Acquisitions of income properties and properties under development by assumption of mortgages payable	—	11,337	1,027	11,337
Unpaid acquisitions of income properties and properties under development	1,253	1,303	1,253	2,998
Properties under development transferred to income properties	—	—	756	3,284

14. 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 amounts and have been reflected in the financial statements as follows:

	Quarter		Cumulative (six months)	
Period ended June 30,	**2005**	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Rental revenue from income properties	280	263	558	658
Other income	103	115	167	242
Income properties and properties under development	5,169	7,569	14,052	15,873
Deferred expenses and other assets	903	1,217	2,452	2,286
Accounts receivable	–	–	645	627
Accounts payable and accrued liabilities	–	–	2,614	2,931

15. 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 and accounts payable and accrued liabilities bear no interest.

The interest rates on mortgages payable, convertible debentures and bank indebtedness are described in notes 6, 7 and 8, 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, accounts payable and accrued liabilities and distributions payable to unitholders, approximated the carrying value as at June 30, 2005 due to their short-term nature.

As at June 30, 2005, the fair value of mortgages payable exceeded the carrying value by approximately $7,642 [$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 June 30, 2005, the fair value of the convertible debentures approximates their carrying value in light of current market rates for debentures with similar terms and maturities.

16. SEGMENTED INFORMATION

Cominar's activities include three property types located entirely in the Province of Québec. The accounting policies related to each property type are the same as those disclosed in the significant accounting policies. The following table indicates the financial information related to these property types:

Period of three months ended June 30, 2005

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	11,074	9,712	9,868	30,654
Depreciation of income properties	1,469	1,149	1,030	3,648
Net operating income (1)	6,740	5,609	6,093	18,442

Period of three months ended June 30, 2004

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	9,221	9,716	8,877	27,814
Depreciation of income properties	1,096	1,061	837	2,994
Net operating income (1)	5,814	5,576	5,567	16,957

Period of six months ended June 30, 2005

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	22,009	19,244	19,824	61,077
Depreciation of income properties	2,961	2,285	2,049	7,295
Net operating income (1)	13,156	10,708	11,351	35,215
Income properties	247,839	190,600	196,923	635,362

Period of six months ended June 30, 2004

	Office properties $	Retail properties $	Industrial and mixed-use properties $	Total $
Rental revenue from income properties	18,022	19,186	18,025	55,233
Depreciation of income properties	2,026	2,086	1,654	5,766
Net operating income (1)	10,977	10,613	10,630	32,220
Income properties	201,516	197,705	164,919	564,140

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

17. DISCONTINUED OPERATIONS

During the period of three months, Cominar sold an industrial and mixed-use property for a consideration of $2,700 of which $675 was paid cash. The remaining $2,025, bearing interest at 6%, will be cashable June 2006. 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".

	Quarter		Cumulative (six months)	
Period ended June 30,	**2005**	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Net operating income	18	—	36	—
Depreciation of income properties	(13)	—	(27)	—
Net income	5	—	9	—
Gain on sale	248	—	248	—
Income from discontinued operations	253	—	257	—
Basic net income per unit	0.008	—	0.008	—
Diluted net income per unit	0.008	—	0.008	—

18. SUBSEQUENT EVENTS

In July 2005, Cominar acquired an industrial and mixed-use property for a consideration of $1.2 million paid cash.

Also in July 2005, Cominar acquired land for future development for a consideration of $320 paid cash.

19. COMPARATIVE FIGURES

Certain of the June 30, 2004 figures have been reclassified to comply with the current period's presentation.