

**Press Release**  
For Immediate Release

**Strong 1<sup>st</sup> quarter of 2005 for Cominar**

- **Increases of 11% in rental revenues, 10% in net operating income and 7.1% in distributions to unitholders**
  - **One new acquisition**
  - **Eight projects under development comprising 12 buildings – a \$48 million investment**
  - ***Subsequent event: one acquisition***
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**TSX - CUF.UN**

Quebec City, May 10, 2005 — At the Annual Meeting of Unitholders held this morning in Quebec City, Cominar announced its results for its first quarter ended March 31, 2005. **Rental revenues** grew by 11% to total \$30.5 million, compared with \$27.4 million for the same period in 2004. **Net operating income** rose 10% to \$16.8 million. **Distributable income** stood at \$9.4 million, compared with \$9.2 million for the corresponding period of 2004. **Distributable income per unit** amounted to \$0.291, in line with the corresponding quarter of 2004.

**Net income** stood at \$6.0 million compared with \$6.8 million for the same period in 2004. This decrease is mainly attributable to the application of EIC -140 of the CICA Handbook, which accelerates the depreciation of income properties, and the way Cominar had to use, in the short-term, the financial leverage arising from the issue of \$100 million in convertible debentures completed towards the end of 2004. Cominar believes that this situation will improve rapidly as property developments will be completed and as income properties will be acquired.

**Distributions to unitholders** rose 7.1% to \$9.7 million, up from \$9.1 million for the first three months of 2004.

**Funds from operations** remained stable at \$11.1 million compared with \$11.0 million for the corresponding quarter of 2004.

As at March 31, 2005, Cominar showed an **occupancy rate** of 94.8%, which is comparable to the average occupancy rate as at December 31, 2004 and March 31, 2004.

At the end of the first quarter, Cominar showed a **debt to gross book value ratio** of 49.5%, 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 \$90.0 million as at March 31, 2005.

## **Cominar Real Estate Investment Trust — Press Release (suite)**

### **One new acquisition**

During the first quarter of 2005, Cominar acquired a 28,906 square foot retail property located near the Trans-Canada highway in Drummondville, Quebec. The purchase price was \$2 million. The property has a capitalization rate of 9.5% and is currently under development.

### **Eight projects under development comprising 12 buildings**

Cominar currently has eight projects under development comprising 12 buildings and more than 756,000 square feet of additional leasable area. These projects, representing a \$47.5 million investment, are advancing according to plan both in terms of construction and leasing.

These acquisitions and development projects fit fully into Cominar's current 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 while being active in the acquisition market. 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 a stable and attractive return.

### **Subsequent event: one acquisition**

In April 2005, Cominar completed the acquisition of an industrial and mixed-use building with 14,800 square feet of leasable area in Laval, Quebec. The total purchase price was \$617,350 and the estimated capitalization rate is 9.7%. The property is 100% leased and Cominar plans to add 8,000 square feet of leasable area to the property in the coming months.

### **Outlook**

Cominar continues to apply its strategy of growth through profitable high-quality acquisitions and the development of those of its properties offering a potential increase in return, while maintaining prudent financial management. Considering its quality properties, market intelligence, solid balance sheet and available cash, Cominar is confident it will remain on the growth track in the next quarters.

## Cominar Real Estate Investment Trust — Press Release (suite)

### **PROFILE as at May 10, 2005**

As one of the largest commercial property owners in the Province of Quebec, Cominar Real Estate Investment Trust enjoys a dominant presence and economies of scale. The REIT currently owns a diversified portfolio of **125 properties consisting of 14 office buildings, 27 retail buildings and 84 industrial and mixed-use buildings, which cover a total area of more than 9.5 million square feet in the Montreal and Quebec City regions.** Cominar's assets and properties being completely managed internally and fully integrated, the REIT is an entirely self-administered and self-directed real estate investment trust.

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**Cominar Real Estate Investment Trust — Press Release (suite)**

**COMINAR REAL ESTATE INVESTMENT TRUST**  
**Consolidated Statements of Income**

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Period of three months ended March 31,  
[unaudited, in thousands of dollars,  
except per unit amounts]

	2005	2004
	\$	\$
<b>Operating revenues</b>		
Rental revenue from income properties	<b>30,473</b>	27,419
<b>Operating expenses</b>		
Operating costs	7,120	6,613
Realty taxes and services	6,261	5,210
Property management expenses	300	332
	<b>13,681</b>	12,155
<b>Operating income before the under noted</b>	<b>16,792</b>	15,264
Interest on mortgages and bank indebtedness	3,656	3,970
Interest on convertible debentures	1,680	—
Depreciation of income properties	3,661	2,772
Amortization of deferred expenses and other assets	1,366	1,383
	<b>10,363</b>	8,125
Operating income from real estate assets	<b>6,429</b>	7,139
Trust administrative expenses	413	461
Other income	(29)	(143)
<b>Net income for the period</b>	<b>6,045</b>	6,821
<b>Basic net income per unit [note 11]</b>	<b>0.187</b>	0.215
<b>Diluted net income per unit [note 11]</b>	<b>0.184</b>	0.213

See accompanying notes to consolidated financial statements.

**Cominar Real Estate Investment Trust — Press Release (suite)**

**COMINAR REAL ESTATE INVESTMENT TRUST  
Consolidated Balance Sheets**

	As at March 31, 2005 [unaudited] \$	As at December 31, 2004 [audited] \$
<b>[In thousands of dollars]</b>		
<b>Assets</b>		
Income properties [note 3]	639,157	640,889
Properties under development [note 4]	23,372	20,967
Deferred expenses and other assets [note 5]	26,630	26,736
Prepaid expenses	5,808	2,010
Accounts receivable	7,644	6,878
Cash and cash equivalents	—	8,174
	<b>702,611</b>	<b>705,654</b>
<b>Liabilities and Unitholder's Equity</b>		
<b>Liabilities</b>		
Mortgages payable [note 6]	260,928	262,247
Convertible debentures [note 7]	99,792	100,000
Bank indebtedness [note 8]	3,020	—
Accounts payable and accrued liabilities	14,118	18,388
Distributions payable to unitholders	3,232	3,551
	<b>381,090</b>	<b>384,186</b>
<b>Unitholders' equity</b>		
Unitholders' contributions [note 9]	332,181	328,433
Cumulative net income	159,181	153,136
Cumulative distributions	(170,080)	(160,353)
Contributed surplus [note 9]	239	252
	<b>321,521</b>	<b>321,468</b>
	<b>702,611</b>	<b>705,654</b>

**Cominar Real Estate Investment Trust — Press Release (suite)**

**COMINAR REAL ESTATE INVESTMENT TRUST**  
**Consolidated Statements of Unitholders' Equity**

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<b>Period of three months ended March 31, [unaudited, in thousands of dollars]</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<b>Unitholders' contributions</b>		
Balance, beginning of period	328,433	320,604
Issue of units [note 9]	3,748	777
<b>Balance, end of period</b>	<b>332,181</b>	<b>321,381</b>
<b>Cumulative net income</b>		
Balance, beginning of period	153,136	121,640
Change in an accounting policy	—	(39)
Net income for the period	6,045	6,821
<b>Balance, end of period</b>	<b>159,181</b>	<b>128,422</b>
<b>Cumulative distributions</b>		
Balance, beginning of period	(160,353)	(122,647)
Distributions to unitholders	(9,727)	(9,083)
<b>Balance, end of period</b>	<b>(170,080)</b>	<b>(131,730)</b>
<b>Contributed surplus [note 9]</b>		
Balance, beginning of period	252	—
Change in an accounting policy	—	39
Unit option plan	(13)	72
<b>Balance, end of period</b>	<b>239</b>	<b>111</b>
<b>Unitholders' equity</b>	<b>321,521</b>	<b>318,184</b>

**Cominar Real Estate Investment Trust — Press Release (suite)**

**COMINAR REAL ESTATE INVESTMENT TRUST**  
**Consolidated Statements of Cash Flows**

<b>Period of three months ended March 31, [unaudited, in thousands of dollars]</b>	<b>2005</b>	2004
	\$	\$
<b>Operating Activities</b>		
Net income for the period	<b>6,045</b>	6,821
Items not affecting cash:		
Depreciation of income properties	<b>3,661</b>	2,772
Amortization of above-market leases	<b>30</b>	—
Amortization of deferred expenses and other assets	<b>1,366</b>	1,383
Compensation costs related to unit option plan [note 9]	<b>36</b>	72
Funds from operations	<b>11,138</b>	11,048
Leasing costs	<b>(1,749)</b>	(967)
Change in non-cash operating working capital items [note 13]	<b>(3,308)</b>	(10,943)
	<b>6,081</b>	(862)
<b>Financing Activities</b>		
Repayments of mortgages payable	<b>(2,346)</b>	(2,133)
Bank indebtedness	<b>3,020</b>	—
Distributions to unitholders	<b>(10,046)</b>	(6,053)
Net proceeds from issue of units [note 9]	<b>3,491</b>	777
	<b>(5,881)</b>	(7,409)
<b>Investing Activities</b>		
Acquisitions of income properties	<b>(2,855)</b>	(4,773)
Acquisitions of properties under development	<b>(5,590)</b>	(6,071)
Other assets	<b>71</b>	21
	<b>(8,374)</b>	(10,823)
Net change in cash and cash equivalents	<b>(8,174)</b>	(19,094)
Cash and cash equivalents, beginning of period	8,174	33,660
Cash and cash equivalents, end of period	—	14,566

## Cominar Real Estate Investment Trust — Press Release (suite)

### COMINAR REAL ESTATE INVESTMENT TRUST Notes to Consolidated Financial Statements

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Period of three months ended March 31, 2005  
[unaudited, 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 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 the one 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. Regarding 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 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 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 the 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, if dilutive, and is calculated using the treasury stock method.

## **3. INCOME PROPERTIES**

	<b>As at March 31, 2005</b>	As at December 31, 2004
	\$	\$
Land	<b>87,658</b>	87,533
Buildings	<b>576,237</b>	574,404
Intangible assets	<b>7,474</b>	7,474
	<b>671,369</b>	669,411
<u>Accumulated depreciation and amortization</u>	<b>32,212</b>	28,522
	<b>639,157</b>	640,889

#### 4. PROPERTIES UNDER DEVELOPMENT

During the period of three months, Cominar capitalized \$371 in interest to properties under development, some of which are classified in income properties at period-end.

#### 5. DEFERRED EXPENSES AND OTHER ASSETS

	As at March 31, 2005	As at December 31, 2004
	\$	\$
<b>At amortized cost</b>		
Leasing costs	21,659	21,658
Financing costs	4,308	4,442
Other assets	663	636
	<b>26,630</b>	<b>26,736</b>

#### 6. MORTGAGES PAYABLE

Mortgages payable are secured by income properties stated at a net book value of \$432,062 [\$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 6.32% [6.32% as at December 31, 2004] and are renewable at various dates from May 2005 to January 2019.

Mortgage repayments are as follows:

	Principal repayments	Balance at maturity	Total
	\$	\$	\$
Years ending December 31,			
2005	7,039	10,361	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
	45,141	215,787	260,928

Mortgages payable having fixed rates amount to \$238,855 [\$239,888 as at December 31, 2004] and those having variable rates amount to \$22,073 [\$2,359 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 ending 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 the Cominar's consolidated results, the debentures have been recorded in whole as liabilities.

During the period of three months, 208 convertible debentures were 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 March 31, 2005, the prime rate was 4.25% [4.50% 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 269,657 units for net proceeds received of \$3,748 [55,046 units for net proceeds received of \$777 in 2004].

<b>Period of three months ended March 31,</b>	<b>2005</b>	<b>2004</b>
Units issued and outstanding, beginning of period	<b>2,284,409</b>	31,668,291
Issued from options exercised	<b>237,900</b>	13,500
Issued under distribution reinvestment plan	<b>19,804</b>	41,546
Issued from conversion of convertible debentures	<b>11,953</b>	—
<b>Units issued and outstanding, end of period</b>	<b>32,554,066</b>	31,723,337

### Unit option plan

Under a unit option plan, Cominar granted options to purchase units to the trustees 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 20% of the options after each of the five first anniversary dates of the grant [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.

<b>Period of three months ended March 31,</b>	<b>2005</b>		<b>2004</b>	
	<b>Options</b>	<b>Weighted--average exercise price \$</b>	<b>Options</b>	<b>Weighted--average exercise price \$</b>
Outstanding, beginning of period	<b>2,563,000</b>	<b>13.86</b>	3,042,166	13.58
Exercised	<b>(237,900)</b>	<b>13.07</b>	(13,500)	10.46
Outstanding, end of period	<b>2,325,100</b>	<b>13.94</b>	3,028,666	13.60
Options exercisable, end of period	<b>157,100</b>	<b>13.18</b>	172,333	9.55

### As at March 31, 2005

<b>Date of grant</b>	<b>Maturity date \$</b>	<b>Exercise price</b>	<b>Outstanding options</b>	<b>Options exercisable</b>
August 9, 2001	August 9, 2006	11.00	43,000	43,000
November 13, 2003	November 13, 2010	14.00	2,282,100	114,100
			2,325,100	157,100

### Unit-based compensation plan

The compensation costs associated with the options granted on November 13, 2003, were calculated using the Black-Scholes option pricing model, 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.**

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, 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 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, 19,804 units [41,546 in 2004] were issued at a weighted-average price of \$17.79 [\$15.30 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.

<b>Period of three months ended March 31,</b>	<b>2005</b>	<b>2004</b>
Weighted-average number of units outstanding - basic	<b>32,387,515</b>	31,690,282
Effect of dilutive unit options	<b>512,949</b>	364,572
Weighted-average number of units outstanding - diluted	<b>32,900,464</b>	32,054,854

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

Distributable income is not a GAAP measurement and is not an alternative to net earnings 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:

Period of three months ended March 31,	2005	2004
	\$	\$
<b>Net income for the period</b>	<b>6,045</b>	6,821
<b>Add</b>		
Depreciation of income properties	<b>3,661</b>	2,772
Amortization of above-market leases	<b>30</b>	—
Compensation costs related to unit options	<b>36</b>	—
Deferred rentals	<b>(353)</b>	(344)
Distributable income for period	<b>9,419</b>	9,249
Retention of distributable income	<b>308</b>	(166)
Distributions to unitholders	<b>9,727</b>	9,083
Distributable income per unit	<b>0.291</b>	0.292
Distributions per unit	<b>0.300</b>	0.285

### 13. SUPPLEMENTAL CASH FLOWS INFORMATION

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

Period of three months ended March 31,	2005	2004
	\$	\$
Prepaid expenses	<b>(3,798)</b>	(3,651)
Accounts receivable	<b>(766)</b>	(2,090)
Accounts payable and accrued liabilities	<b>1,256</b>	(5,202)
	<b>(3,308)</b>	(10,943)
<b>Additional information</b>		
Interest paid	<b>3,766</b>	3,936
Unpaid leasing costs	—	287
Acquisitions of income properties and properties under development by assumption of mortgages payable	<b>1,027</b>	—
Unpaid acquisitions of income properties and properties under development	<b>4,171</b>	1,895
Properties under development transferred to income properties	<b>756</b>	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:

Period of three months ended March 31,	2005	2004
	\$	\$
Rental revenue from income properties	184	395
Other income	64	127
Income properties and properties under development	8,856	8,304
Deferred expenses and other assets	1,549	1,069
Accounts receivable	697	672
Accounts payable and accrued liabilities	5,632	2,740

## 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 distribution payable to unitholders, approximated the carrying value as at March 31, 2005 due to their short-term nature.

As at March 31, 2005, the fair value of mortgages payable exceeded the carrying value by approximately \$6,582 [\$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 March 31, 2005, the fair value of convertible debentures approximates their carrying value in light of current market rates for debentures with similar terms and maturities.

## 16. SUBSEQUENT EVENT

During April 2005, Cominar acquired an industrial and mixed-use property for a consideration of \$0.62 million.

## 17. SEGMENTED INFORMATION

Cominar's activities include three property types located entirely in the Province of Québec. The accounting policies followed by 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 March 31, 2005

	Office properties \$	Retail properties \$	Industrial and mixed-use properties \$	Total \$
Rental revenue				
from income properties	10,935	9,532	10,006	30,473
Depreciation of				
income properties	1,492	1,136	1,033	3,661
Net operating income (1)	6,416	5,099	5,277	16,792
Income properties	248,566	203,264	187,327	639,157

### Period of three months ended March 31, 2004

	Office properties \$	Retail properties \$	Industrial and mixed-use properties \$	Total \$
Rental revenue				
from income properties	8,801	9,470	9,148	27,419
Depreciation of				
income propertie	930	1,025	817	2,772
Net operating income (1)	5,163	5,037	5,064	15,264
Income properties	162,105	199,399	162,871	524,375

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